



Malayan Flour Mills Berhad
(4260-M)

Learning &
GROWTH



Annual Report **2016**

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Corporate Information

Chairman

Tan Sri Dato' Seri Utama Arshad bin Ayub
P.S.M., S.P.M.S., S.U.N.S., S.P.M.P., S.P.S.K., P.N.B.S.,
D.P.M.P., D.P.M.J., D.S.A.P., D.P.M.T., D.S.L.J. (Brunei),
P.G.D.K., J.M.N., P.B.E.

Managing Director

Teh Wee Chye

Directors

Dato' Hj Shaharuddin bin Hj Haron
D.P.C.M., J.S.M., P.C.M., K.M.N.

Datuk Oh Chong Peng
P.J.N., J.S.M.

Dato' Wira Zainal Abidin bin Mahamad Zain
D.G.M.K., D.S.D.K., K.M.N., S.M.T., A.M.K.

Prakash A/L K.V.P Menon

Azhari Arshad

Audit Committee

Dato' Hj Shaharuddin bin Hj Haron
(Chairman and Independent Non-Executive Director)

Tan Sri Dato' Seri Utama Arshad bin Ayub
(Non-Independent Non-Executive Director)

Datuk Oh Chong Peng
(Independent Non-Executive Director)

Dato' Wira Zainal Abidin bin Mahamad Zain
(Independent Non-Executive Director)

Secretary

Mah Wai Mun (MAICSA 7009729)

Registered Office & Head Office

22nd Floor, Wisma MCA
163 Jalan Ampang, 50450 Kuala Lumpur
Tel. No: 03-2170 0999
Fax No: 03-2170 0888
Website: www.mfm.com.my

Registrar

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
Tel. No: 03-7841 0777 (Helpdesk)
Fax No: 03-7841 8151/52

Factories

Jalan David Sung, Batu Undan
32200 Lumut
Perak Darul Ridzuan

Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor Darul Takzim

Branches

- **FEDERAL TERRITORY**
Lot 40, Jalan E 1/4
Taman Ehsan Industrial Park
Kepong, 52100 Kuala Lumpur
- **PENANG**
4557, Jalan Heng Choon Thian
12000 Butterworth, Pulau Pinang
- **PERAK**
No. 2, Laluan Perusahaan 10
Kawasan Perusahaan Menglembu
31450 Ipoh, Perak Darul Ridzuan
- **MALACCA**
No. 1, Jalan PM3
Taman Perindustrian Merdeka
75350 Batu Berendam, Melaka
- **JOHOR**
Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Pasir Gudang, Johor Darul Takzim

- **KELANTAN**

Lot 4045, Blok C, No. 4 Jalan 1/44
Pengkalan Chepa, Mukim Panchor
Daerah Kemumin
16100 Kota Bharu
Kelantan Darul Naim

- **PAHANG**

B-5 Lorong Padang Lalang
14, Jalan Tanjung Api
25050 Kuantan
Pahang Darul Makmur

Subsidiaries

- Vimaflour Ltd
- MFM International Ltd
- Mekong Flour Mills Ltd
- Dindings Soya & Multifeeds Sdn Berhad (34884-U)
- MFM Feedmill Sdn Bhd (172615-X)
- Dindings Poultry Processing Sdn Bhd (144808-P)
- Dindings Poultry Development Centre Sdn Bhd (180044-A)
- Premier Grain Sdn Bhd (754079-T)
- Semakin Dinamik Sdn Bhd (185533-V)
- Dindings Broiler Breeder Farm Sdn Bhd (172600-T)
- Syarikat Pengangkutan Lumut Sdn Bhd (51336-M)
- Muda Fibre Manufacturing Sdn Bhd (48785-V)
- Dindings Grand Parent Farm Sdn Bhd (144962-W)
- MFM Property Sdn Bhd (176691-P)
- MFM Ltd
- AVIOTA Sdn Bhd (1213813-D)

Principal Bankers

- Alliance Bank Malaysia Berhad (88103-W)
- Bangkok Bank Berhad (299740-W)
- Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad (302316-U)
- Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A (Rabobank Nederland) (050090C)
- Hong Leong Bank Berhad (97141-X)
- HSBC Bank Malaysia Berhad (127776-V)
- Malayan Banking Berhad (3813-K)
- OCBC Bank (Malaysia) Berhad (29548-W)

Stock Exchange Listing

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

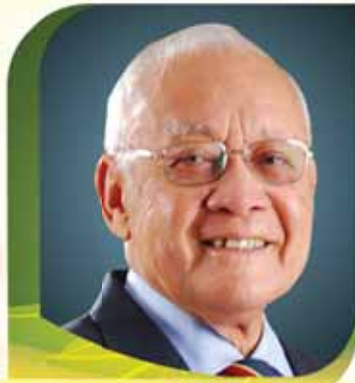
Solicitors

Isharidah, Ho, Chong & Menon
Skrine

Auditors

KPMG PLT

Board of Directors



Tan Sri Dato' Seri Utama
Arshad bin Ayub



Mr Teh Wee Chye



Dato' Hj Shaharuddin
bin Hj Haron



Datuk Oh Chong Peng



Dato' Wira Zainal Abidin
bin Mahamad Zain



Mr Prakash
A/L K.V.P Menon



Encik Azhari Arshad

Directors' Profile

Tan Sri Dato' Seri Utama Arshad bin Ayub

(Non-Independent Non-Executive Chairman)

Tan Sri Dato' Seri Utama Arshad bin Ayub (Male), aged 88, a Malaysian, was appointed to the Board of the Company on 30 August 2002 and is presently the Chairman of the Company. He is also the Chairman of the Remuneration Committee as well as member of the Audit and Nomination Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science Degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies and listed issuers include Tomypak Holdings Berhad, Top Glove Corporation Berhad, Bistari Johor Berhad and Karex Berhad. Encik Azhari Arshad who is an Executive Director of the Company is his son. He has no family relationship with the other Directors and/or major shareholder of the Company.

He has attended all the 6 Board meetings held during the financial year. He has no conflict of interest with the Company.

Mr Teh Wee Chye

(Managing Director)

Mr Teh Wee Chye (Male), aged 64, a Malaysian, was appointed to the Board as an Executive Director of the Company on 19 June 1989 and is presently the Managing Director of the Company. He is also a member of the Remuneration Committee of the Company. He holds a Bachelor of Science Degree in Naval Architect and Marine Engineering and a Masters Degree in Ship Building and Shipping Management from the Massachusetts Institute of Technology, USA. In the summer of 1974, he received his training at the American Bureau of Shipping Research & Development Department, New York. Upon graduation in 1975 he was employed as an Engineer with Eastern Steamship (S) Pte Ltd, Singapore. He joined Malayan Flour Mills Berhad in 1976 as the Deputy Mill Manager and was promoted as the Plant Manager in 1978. He was appointed as the Project Manager in 1979 in charge of the Company's entire expansion plans. He is also a director of United Teochew (Malaysia) Berhad and Seu Teck Sean Tong Charitable Organisation Berhad. He is a major shareholder of the Company.

He has attended all the 6 Board meetings held during the financial year. He is deemed interested in various related party transactions with the Group.

Directors' Profile (cont'd)

Dato' Hj Shaharuddin bin Hj Haron

(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron (Male), aged 78, a Malaysian, was appointed to the Board of the Company on 23 September 1993 and is presently the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of the Company. He holds a Bachelor (Hons) Degree in Economics from the University of Malaya and a Masters Degree in Economics from the University of Pittsburgh, USA. He has a long and outstanding civil service record which began in 1963 when he joined the Economic Planning Unit of the Prime Minister's Department till 1979. He held various senior positions in the Government. He was the first Secretary of the Foreign Investment Committee (1974-1979), the Director General of Insurance in the Ministry of Finance (1983), the Director General of the National Padi and Rice Board (1985) and Secretary General of the Ministry of Public Enterprise (1986), Ministry of International Trade and Industry (1990) and Ministry of Domestic Trade and Consumer Affairs (1992). Presently, he sits on the Board of Gopeng Berhad and Latitude Tree Holdings Berhad. He has no family relationship with any Director and/or major shareholder of the Company.

He has attended 5 out of the 6 Board meetings held during the financial year. He has no conflict of interest with the Company.

Datuk Oh Chong Peng

(Independent Non-Executive Director)

Datuk Oh Chong Peng (Male), aged 72, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently a member of the Audit, Nomination and Remuneration Committees of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales ("ICAEW") as well as a member of the Malaysian Institute of Certified Public Accountants ("MICPA") and the Malaysian Institute of Accountants ("MIA").

He joined Coopers & Lybrand (now known as PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a Partner of Coopers & Lybrand Malaysia from 1974. He retired as a Senior Partner of Coopers & Lybrand in 1997 and then joined the Rashid Hussain Berhad Group of Companies in 1998 until 2003.

He is currently the Independent Non-Executive Chairman of Alliance Financial Group Berhad and also sits on the boards of British American Tobacco (Malaysia) Berhad, WCE Holdings Berhad, Dialog Group Berhad and Saujana Resort (M) Berhad.

Datuk Oh is a Government appointed member of the Labuan Offshore Financial Services Authority. He is a trustee of the UTAR Education Foundation and a council member of University Tunku Abdul Rahman.

His past appointments included being a Government appointed Member of the Kuala Lumpur Stock Exchange (1990-1996), a Council member (1981-2001) and a past President (1994-1996) of the MICPA.

He has attended all the 6 Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Dato' Wira Zainal Abidin bin Mahamad Zain

(Independent Non-Executive Director)

Dato' Wira Zainal Abidin bin Mahamad Zain (Male), aged 67, a Malaysian, was appointed to the Board of the Company on 1 September 2009 and is presently the Chairman of the Nomination Committee and a member of the Audit Committee of the Company. He holds a Bachelor of Arts (Hons-International Relations) Degree from University of Malaya.

He has a distinguished career in the Malaysian Civil Service. His past appointments include being appointed to the Administrative and Diplomatic Service of Malaysia as Assistant Secretary at the Ministry of Foreign Affairs (1973), Second Secretary of the Embassy of Malaysia in Jakarta, Indonesia (1974), Assistant Secretary of Ministry of Foreign Affairs (1977), Charge d'Affaires of the Embassy of Malaysia in Tehran, Iran (1979-1982), Principal Assistant Secretary of Ministry of Foreign Affairs (1982), Charge d'Affaires of Embassy of Malaysia in Abu Dhabi, United Arab Emirates (1984), Consul General of the Consulate General Malaysia in Jeddah (1986), Under Secretary (West Asia, Africa & OIC) of Ministry of Foreign Affairs (1989), Consul General of the Consulate General Malaysia in Vancouver, Canada (1991), Ambassador of Malaysia to Brazil (1995), Ambassador of Malaysia to Vietnam (1998), Under Secretary (South East Asia & Pacific) of Ministry of Foreign Affairs (2001), Malaysia's First Director General [Southeast Asia Regional Centre for Counter Terrorism (SEARCCT)], Ministry of Foreign Affairs (2003-2005), Ambassador of Malaysia to the Republic of Indonesia (2005-2009), Malaysia's First ASEAN Permanent Representative ad-interim Republic of Indonesia (March 2009-July 2009) and Special Envoy of the Prime Minister of Malaysia to The Islamic Republic of Afghanistan (2010-2014).

He is currently the Independent Non-Executive Chairman of CIMB Vietnam and Independent Non-Executive Director of CIMB Cambodia.

He has attended all the 6 Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Mr Prakash A/L K.V.P Menon

(Non-Independent Non-Executive Director)

Mr Prakash A/L K.V.P Menon (Male), aged 58, a Malaysian, was appointed to the Board of the Company on 24 May 2011 and is presently a member of the Nomination and Remuneration Committees of the Company. He is a barrister-at-law (Lincoln's Inn, London) having graduated with LLB (Hons) from University of Manchester.

He was admitted to the English Bar in 1983 and being bestowed the qualification as a Barrister. Upon completion of the term of pupillage, he was called to the Malaysian Bar and was admitted as an Advocate and Solicitor of the High Court of Malaya on 18 June 1984.

Since his admission to the Malaysian Bar, he has been in private practice and is a Senior Partner in the firm of Isharidah, Ho, Chong & Menon and is actively involved in the area of litigation. He has been in active practice for more than 30 years.

He is not a director of any other public company and listed issuer. He has no family relationship with any Director and/or major shareholder of the Company. He has attended all the 6 Board meetings held during the financial year. He has no conflict of interest with the Company.

Directors' Profile (cont'd)

Encik Azhari Arshad

(Director, Business Development & Corporate Affairs)

Encik Azhari Arshad (Male), aged 55, a Malaysian, was appointed to the Board as a Non-Executive Director on 16 August 2012 and was subsequently appointed as a Business Development & Corporate Affairs Director on 5 May 2015. He holds a Bachelor of Science Degree in Economics from University of Buckingham (UK).

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

He is not a director of any other public company and listed issuer. He is the son of the Chairman of the Company, Tan Sri Dato' Seri Utama Arshad bin Ayub. He has attended all the 6 Board Meetings held during the financial year. He has no conflict of interest with the Company.

Key Senior Management Profile

Mr Teh Wee Chye

(Managing Director)

Aged 64, Male, Malaysian

Mr Teh Wee Chye was appointed to the Board as an Executive Director of the Company on 19 June 1989 and is presently the Managing Director of the Company. His profile is listed in the Directors' Profile on page 5 of this Annual Report.

Mr Lim Pang Boon

(Head of Flour Division)

Aged 61, Male, Malaysian

Mr Lim Pang Boon joined the Company on 1 January 1990 and was appointed as the General Director, Flour Division in Vietnam on 1 September 2002.

He holds a Bachelor of Science Degree in Electrical Engineering and has vast experience in engineering consultancy, factory operation management, flourmill project management and general management.

Mr Tony Wo Kah Keat

(General Manager, Poultry Processing)

Aged 47, Male, Malaysian

Mr Tony Wo Kah Keat joined the Group on 20 September 2004 and was promoted to the current position on 1 May 2010.

He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Member of the Malaysian Institute of Accountants (MIA).

Prior to joining the Group, he has more than 12 years of experience in finance and other management disciplines, including a number of years in professional accounting firms.

Encik Azhari Arshad

(Director, Business Development & Corporate Affairs)

Aged 55, Male, Malaysian

Encik Azhari Arshad was appointed as the Business Development & Corporate Affairs Director on 5 May 2015. His profile is listed in the Directors' Profile on page 8 of this Annual Report.

Mr Ang Pun Heng

(Head of Poultry Integration Division)

Aged 58, Male, Malaysian

Mr Ang Pun Heng joined the Group in January 2009 as a General Manager and subsequently was promoted as the Executive Director in-charge of the poultry integration.

He has more than 35 years of experience in poultry industry.

Dr Chay Seong Hoe

(General Manager, Breeder and Hatchery)

Aged 45, Male, Malaysian

Dr Chay Seong Hoe joined the Group on 1 May 2009 as Farm Operations Manager and was promoted to the current position on 1 January 2012.

He holds a Doctor of Veterinary Medicine Degree from University Putra Malaysia. He has 20 years of experience in poultry farming.

Key Senior Management Profile (cont'd)

Mr Goh Swee Eng

(Chief Financial Officer)

Aged 45, Male, Malaysian

Mr Goh Swee Eng joined the Company on 22 July 2015 as the Chief Financial Officer of the Company.

He holds a Bachelor of Accountancy and a Member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

He has more than 20 years of extensive experience in auditing and finance functions. He began his career in an international accounting firm and in later years joined the manufacturing and property development industries where he has held regional and senior managerial positions in finance, internal audit, corporate services and supply chain management functions.

Mr Ronnie Beh Jin Hae

(General Manager, Group Internal Audit and Risk Management)

Aged 48, Male, Malaysian

Mr Ronnie Beh Jin Hae joined the Company on 1 September 2014 as the General Manager, Group Internal Audit and Risk Management.

He holds a Master of Business Administration from University of Warwick, UK and a Bachelor of Arts (Hons) Degree in Accountancy & Finance from University of Abertay Dundee, UK. He is a Chartered Member of the Institute of Internal Auditors Malaysia.

He has more than 20 years of experience in internal audit and risk management.

Mr Chua Kiat Hwa

(Senior General Manager, Purchasing)

Aged 54, Male, Malaysian

Mr Chua Kiat Hwa joined the Company on 16 March 1992 and was promoted to the current position on 1 January 2016.

He holds a Master of Business Administration from Hawaii Pacific University, Honolulu Hawaii and a Bachelor Degree in Arts from Universiti Kebangsaan Malaysia.

He has more than 20 years of commodity trading experience with large international commodity broker or grains institutions.

Mdm Carol Chan Chui Yoke

(General Manager, Group Human Resources)

Aged 45, Female, Malaysian

Mdm Carol Chan Chui Yoke joined the Company on 2 June 2014 as the General Manager, Group Human Resources.

She holds a Master of Business Administration from University of Missouri, Kansas City, USA.

She has more than 19 years of experience in full spectrum of Human Capital functions with more than 10 years' experience in senior position in driving human resources strategies that support the Company's overall business plans and strategies.

Ir Beh Men Huat

(General Manager, Group Engineering Services & Projects)

Aged 60, Male, Malaysian

Ir Beh Men Huat joined the Company on 5 December 2008 as the Senior Manager, Group Engineering Services & Projects and subsequently promoted to General Manager in 2012.

He holds a Bachelor of Science Degree in Civil Engineering (First Class Honour) from University of Strathclyde, UK and a Degree of Master of Finance from RMIT University, Australia. He is also a Professional Engineer registered with the Board of Engineer.

He has more than 35 years working experience in both the public and private sectors primarily in the field of water privatisation concession, planning, design, construction supervision, contract administration and project management in building, civil, infrastructure works in Malaysia and overseas.

Dr Tan Leong Chee

(General Manager, Group Engineering Services & Projects)

Aged 53, Male, Malaysian

Dr Tan Leong Chee joined the Company on 10 November 2014 as the General Manager, Group Engineering Services & Projects.

He holds a Doctor of Philosophy from Nanyang Technological University, Singapore, a Master of Engineering from National University of Singapore and a Bachelor of Civil Engineering from University of Malaya.

He has more than 29 years of experience in managing projects for the construction of jetty, industrial building, power plants, airport, high-rise building, residential and infrastructure works for highways. He also involved in the conceptual stage, pre-contract administration, post-contract administration and closure of the projects.

Additional Information:

1. Save for Mr Teh Wee Chye and Encik Azhari Arshad, none of the other Key Senior Management members have any directorship in public companies and listed issuers.
2. Save for Mr Teh Wee Chye and Encik Azhari Arshad, none of the other Key Senior Management members have any family relationship with any Director and/or major shareholder of the Company.
3. Save for Mr Teh Wee Chye, none of the other Key Senior Management members have any conflict of interest with the Company.

Chairman's Statement



On behalf of the Board of Directors, I am pleased to present the Annual Report of Malayan Flour Mills Berhad ("MFM") for the financial year ended 31 December 2016.

The revenue of flour and grains trading segment constituted 68% of our Group's turnover. The revenue for this segment increased by 11% to RM1.7 billion as compared to the previous year due to higher sales volume of flour and grains. Despite stiff competition and higher net fair value loss from future and options contracts in 2016, this segment posted an operating profit of RM53.7 million, representing a 20% improvement from a year earlier and constituted 47% of our Group's operating profit.

Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia ("BFMI"), had achieved 38% increase in revenue to RM540 million in 2016 as compared to RM392 million in the previous financial year due to higher sales volume. Our Group's share of profit of equity accounted joint venture in 2016 was at RM6.4 million as compared to the previous year's share of loss of RM21.8 million recorded due to better margins and BFMI's sustained efforts in the sales and marketing as well as the efficiency in plant operations in 2016.

Further to the previous capital injections of USD12.63 million in 2012 and 2013, an additional capital contribution of USD9.48 million was made in 2016 in order to strengthen BFMI's balance sheet.

The poultry integration business performed well for the financial year ended 31 December 2016 as the business grew further economies of scale and with better farm management system. The revenue for this segment increased by 10% to RM803 million as compared to the previous year and its operating profit of RM61.5 million, representing a 107% improvement from a year earlier and constituted 53% of our Group's operating profit. This was a result of higher sales volume and favourable market prices for live birds and poultry processed products in 2016.

Our Group is working on further expansion in the poultry integration segment in order to enhance its future earnings growth.

Review of Performance

MFM had achieved a stellar performance for the financial year ended 31 December 2016, amidst challenging domestic and global business conditions.

Our Group's revenue for the financial year grew by 10% from RM2.3 billion in 2015 to RM2.54 billion in 2016. This was attributed to higher sales volume in our businesses and improved selling prices in the poultry integration segment. Our Group's profit before tax of RM111.3 million, representing a 154% improvement from a year earlier, attributed to higher profit margins especially in the poultry integration segment coupled with share of profit of equity accounted joint venture in 2016.

Corporate Development

In October 2015, MFM entered into a Sale of Shares Agreement with the Perak State Agricultural Development Corporation to acquire approximately 17.55% and 2.96% of equity interests in Dindings Soya & Multifeeds Sdn. Berhad (“DSM”) and Dindings Poultry Processing Sdn. Bhd. (“DPP”), respectively, for a total consideration of RM8.3 million through the issuance and allotment of new ordinary shares. The equity interests in DSM and DPP were subsequently transferred to MFM on 16 February 2016. Following the transfer of shares, the effective ownership interests in DSM and DPP were increased to 88% and 98% respectively.

On 2 August 2016, MFM had acquired an additional 1.19% equity interest in DPP comprising 640,000 ordinary shares of RM1.00 each from a third party for a cash consideration of RM710,000. As a result, MFM has increased its effective shareholding in DPP from 98% to 99%.

Human Capital

Our Group's talent development and succession planning programmes are directed towards developing competencies and ensuring sustainability in our Group's businesses in alignment with our long-term vision to becoming a leading food manufacturing enterprise in the region. We recruited our first batch of fresh engineering graduates to undergo our flour and feed milling development programmes and also fresh food technology graduates to undergo our flour product consultant development programme in 2016. We have also facilitated the collaboration between Kansas State University (“KSU”) and University of Malaya (“UM”) to develop a grain science programme to fulfill the Government's objective of food security in Malaysia.

Outlook

We believe MFM is well positioned for future growth. Despite the uncertain global economic environment, volatile commodity prices and foreign exchange rates, we expect our Group's performance in 2017 to remain positive.

On 3 March 2017, the Menteri Besar of Perak, Y.A.B. Dato' Seri DiRaja Dr. Zambry bin Abdul Kadir had officiated the groundbreaking ceremony of our new state-of-the-art poultry processing plant in Sitiawan, Perak for an expected three-fold increase in our current capacities.

Dividend

The Board of Directors had declared an interim single tier dividend of 3.00 sen per ordinary share for financial year ended 31 December 2016 which was paid on 15 September 2016.

The Board of Directors had further declared a second interim single tier dividend of 3.50 sen per ordinary share for financial year ended 31 December 2016 which will be paid on 24 March 2017.

Directors

We are saddened by the demise of our independent director, Mr Geh Cheng Hooi, who passed away peacefully on 29 May 2016. His integrity, honesty, humility and wisdom will be deeply missed.

I would also like to express the Board's appreciation to our independent director, Tan Sri Mohd Sidek bin Haji Hassan, for his valuable contributions. He resigned from the Board on 15 February 2017 due to his other commitments. His roles in the Board committees have been assumed by the other independent directors.

Appreciation

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

Last but not least, I would also like to thank you, our shareholders, as well as our customers, suppliers, bankers, business associates, government agencies and regulatory authorities, for the unrelenting support, trust and confidence in MFM during the year.

Tan Sri Dato' Seri Utama Arshad bin Ayub

Chairman

Kuala Lumpur
23 March 2017

Management Discussion and Analysis

Group Strategy and Objective

Financial year 2016 has been a good year for MFM with remarkable improvement in profitability across our businesses despite of external global economic uncertainties, fluctuation in commodity prices and foreign exchange volatilities.

Our key success factors lie in our good manufacturing practices in which we have diligently honed over the past 50 years and also our industrialised approaches to agri-food production. By leveraging our core competencies in mass production, economies of scale, technical know-how and standardisation of best practices, we have been able to replicate our good manufacturing practices into the poultry integration business and expanding our flour business beyond Malaysia to Vietnam and Indonesia.

As a result, our Group has built a solid operating foundation upon two key pillars of growth – flour and grains trading and poultry integration segments. In short, our two business pillars are very much in line with our long-term vision to becoming a leading food manufacturing enterprise in the region.

Financial Performance Review

For the financial year ended 31 December 2016, our Group achieved a higher profit before tax (“PBT”) of RM111.3 million on the back of RM2.54 billion revenue.

On a year to year basis, our Group’s revenue increased by 10% from RM2.3 billion to RM2.54 billion for the current financial year. The increase in revenue was mainly due to higher sales volume in our businesses coupled with higher selling prices in the poultry products.

Our Group’s PBT increased by 154% from RM43.9 million previously to RM111.3 million for the current financial year mainly accounted by the improved operational efficiency and better margins in both segments coupled with share of profit of equity accounted joint venture in 2016 at RM6.4 million as compared to the previous financial year’s share of loss of RM21.8 million. Operating profit (before net interest) margin further improved from 3.2% to 4.5% despite of challenging factors on the operational front, particularly labour shortage, increasing wages and fluctuating currency.

However, the net financial expenses increased from RM8.6 million in the previous financial year to RM10.5 million for the current financial year mainly caused by the increase in borrowings to finance the purchase of grains.

As at 31 December 2016, our Group’s total assets stood at RM2.1 billion with cash and cash equivalents of RM371.2 million. Our Group’s EBITDA increased by 78% to RM169.5 million in the current financial year as compared to RM95.3 million previously.

Review of Operation

In 2016, with our continued diversification strategy, both our flour and grains trading and poultry integration segments were able to position themselves in a much more balanced bottom-line contribution.

Despite stiff competition and higher net fair value loss from future and options contracts in 2016, the operating profit of our flour and grains trading segment improved by 20% to RM53.7 million as compared to a year earlier with 47% constitution of our Group’s operating profit. The incremental revenue by 11% to RM1.7 billion in this segment made up 68% of our Group’s revenue as compared to the previous financial year. We have a total of five flour mills located in Lumut, Pasir Gudang, Hanoi, Ho Chi Minh City and Jakarta.

With the turnaround in our joint-venture in Indonesia, PT Bungasari Flour Mills Indonesia (“BFMI”), our Group’s share of profit of equity accounted joint venture in 2016 was at RM6.4 million as compared to the previous financial year’s share of loss of RM21.8 million recorded due to better margins and unrealised foreign exchange gains resulted by the appreciation of Indonesian Rupiah in 2016 as compared to a year earlier.

Over the past two years, the profitability of our poultry integration business has been on an uptrend with our successfully developed and implemented industrialised processes of better farming management system. The revenue for this segment increased by 10% to RM803 million as compared to the previous financial year with higher operating profit of RM61.5 million or 107% improvement and thereby constituting 53% of our Group’s operating profit. That was a result of higher sales volume, favourable market prices for both live-birds and poultry processed products, one-off insurance recoveries of RM5.3 million and higher fair value gain on biological assets in 2016. At present, our farms are located in the states of Perak, Kedah and Johor.

We humbly believe our poultry integration segment will continue to provide further earnings growth opportunity for us in the coming medium to longer term. We have since commenced the construction of a new state-of-the-art poultry processing plant in Sitiawan which will meet stringent requirements of international food standards and expected three-fold increase in our current production capacities.

Anticipated or Known Risks

During the preceding financial year, the weakening Ringgit took a toll on the imported commodities but we were fortunate to be cushioned by the lower commodity prices in grain. However, if Ringgit is to remain weak against the USD and if the prices of commodities are to go up, the cost of imports may surge in tandem. Any increase in cost is likely to be passed down to our consumers in part or alternatively to consider for further cost-cutting measures.

Due to the nature of the poultry industry and faced with inherent outbreak of avian diseases, we are always vigilant in managing our farms with comprehensive biosecurity measures in place.

In summary, we are confident that based on our track record and leading position in the flour and poultry industries, our Group will able to mitigate such risks with our proactive and preventive measures put in place.

Outlook and Prospects

2017 outlook appears to be cautiously optimistic. Towards the end of 2016, International Monetary Fund (“IMF”) forecasted the Malaysia economy to grow by 4.5% in 2017 with consumption expected to be moderate and growth at a much slower pace. Our Ringgit is expected to continue to be volatile but the Malaysian government measures are expected to have a stabilising and positive impact on the Ringgit in the near future. At the same time, prices of commodities such as wheat, corn, soybean meal and palm oil are expected to remain volatile too in 2017.

Nevertheless, despite the challenges of uncertain global economic environment, volatile commodity prices and fluctuating foreign exchange rates, we expect our Group’s performance to remain positive in 2017. Finally, MFM is committed and well positioned for future growth.

Corporate Social Responsibility

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

CSR for Marketplace

Trust is a critical foundation of a successful and sustainable business. We have worked diligently to foster trusting relationship among the Group and its customers, suppliers, business partners and dealers. In order to maintain high degree of trust with all our stakeholders, we are committed to ethical business approach through compliance with law, honoring business obligations and ensuring integrity in our business dealings.

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

We practice strict bio-security, good animal husbandry and veterinary health programs in all our poultry farms. All the poultry products of Dindings Poultry Processing Sdn Bhd (“DPP”) are certified as Halal by Jakim with strict compliance with Malaysian Halal Standard MS1500:2004. The plant and all its products are inspected by Veterinary Officials from the Department of Veterinary Services, Malaysia and awarded with the VHM logo. The production processes are also ISO9001:2008 and ISO22000:2005 certified and quality control is monitored at every stage of the processing.

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

We recognise that customers are the purpose for companies’ existence and understanding consumer’s expectations and behaviours are keys to differentiate a business from its competition. With this in mind, we strive to deliver high quality, sustainable and customer-focused services to our customers by way of constant liaising and engagement with our customers. We invest a great deal of time in developing relationships with our customers that are driven by creating solutions and working in partnership to ensure we deliver quality service on time. We work with and support them in developing sustainable solutions to meet their needs.

With the aim of providing support to the customers to grow their businesses and obtaining feedbacks from consumers, various initiatives and programmes were carried out during the year in a mutually beneficial way.

Customer/Consumer Relations

Product Demonstration

The MFM Pasir Gudang Sales Team conducted a product demonstration in one of the top ingredients shops at Kluang – Kim Wah Marketing on 8 April 2016. Baking recipes such as Pumpkin Fa Gao, Spinach Pan Mee and Wholemeal Cookies using MFM Cap Ros and Pink Sakura were shared with the participants. All participants had the opportunity to taste the food and positive responses were received. Through the product demonstration, the MFM Pasir Gudang Sales Team was able to increase their products knowledge and build good rapport with the consumers.



In conjunction with the newly launched retail pack of High Protein, Self-Raising and Superfine flours, MFM organised a soft launch and product demonstration at KDU University College on 26 August 2016. The product demonstration was conducted by a professional chef of KDU using MFM's newly launched flour products to bake pancakes, pastries and spaghetti.

The objectives of this event were to build the brand awareness of the new products, to share product information and exposure to the participants. Each participant was given a door gift comprising of High Protein Flour, Self-Raising flour and Superfine flour as our appreciation for their participation.



Roadshow

On 16 September 2016, MFM held a roadshow at Aeon Big Mid Valley. During the roadshow, product consultants prepared food sampling of white bread and wanton noodles using the newly launched MFM High Protein flour. Customers who purchased any 3 packs of MFM products were given the opportunity to play the wheel of fortune where attractive prizes were given away during the roadshow.



Corporate Social Responsibility (cont'd)

McDonald's Visit

DPP is honored to be recognised as one of McDonald's strategic partners since year 2002. McDonald's Malaysia's Managing Director, Encik Azmir Jaafar had visited DPP's Plant on 6 April 2016.

The main objective for this media plant visit was to showcase McDonald's high quality food supply chain as well as to showcase DPP's halal credentials, food safety policies and operational excellence to the public. This involved every step of the food supply chain from farm to table.



Distributors Convention

DPP had organised its Distributors' Convention in Taipei, Taiwan from 9 to 12 November 2016.

DPP's future strategic directions, marketing and branding activities were shared with its distinguished business partners. Mock cheque incentives were given on the day to the distributors as recognition of their efforts and achievement.

All the distributors benefited from the useful information shared with them and the incentives had motivated them to serve the customers better.



CSR for Community

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

Product Sponsoring

On 29 May 2016, MFM sponsored its flours for a cooking competition held by Majlis Bandaraya Ipoh at Taman Rekreasi, Gunung Lang. The contestants of the competition were using MFM Cap Ros and Self-Raising flour products. MFM Ipoh Sales Team had also conducted sales during the event and all the products were sold out.



Fund Raising

Annual Charity Food & Funfair - XTRA ONE eXtra FUN

On 25 November 2016, MFM participated in the fund raising campaign organised by Kiwanis Down Syndrome Foundation. During the event, cookies and flour were prepared by MFM for selling. All the funds raised were contributed to the Foundation to support the daily operation costs of the Down Syndrome patients.



Chung Hwa Middle School Bazaar

On 15 May 2016, DPP together with its distributors participated in the Chung Hwa Middle School Bazaar in Kuching.

There were overwhelming responses throughout the bazaar. All the proceeds from the sales of DPP's products were donated to the school building funds which will benefit thousands of students.



Corporate Social Responsibility (cont'd)

SRJK (C) Eng Ling, Lumut Food Fair and Fund Raising

SRJK (C) Eng Ling, Lumut organised a large-scale food fair and education fund raising on 31 December 2016. DPP participated and sponsored the food fair with its Ayam Dindings “Roasted Chicken”. We received overwhelming response through the sale of roasted chickens to the students. All the funds were donated to the school’s building funds.



Pusat Kebajikan Orang Cacat Manjung

DPP participated in a bazaar organised by the Pusat Kebajikan Orang Cacat Manjung (“PKOCM”) and provided support by sponsoring Ayam Dindings’s “Roasted Chicken”.

We received overwhelming response throughout the bazaar. All the funds collected were donated to PKOCM to cover their daily expenses and medical expenses.

Walk for Persons with Disabilities 2016

Hospital Sultan Ismail, Johor Bahru organised an event entitled “Walk for Persons with Disabilities (“PWD”) 2016” on 17 December 2016. The walk which was about 1.5 km around the hospital. Each participant walked along with PWD to experience the challenges faced by them when navigating around.

We are pleased to have participated in and sponsored the event with our Ayam Dindings products. All the funds collected were donated to Hospital Sultan Ismail.



Contributions for Education

Career Talk and Baking Class Demonstration at Montfort Boys Town

On 24 March 2016, a career talk was held at Montfort Boys Town, Selangor. The objective is to introduce MFM to the students and to offer career opportunities in our Fitter Apprenticeship Programme and Flour Product Consultant Development Programme.



On 15 September 2016, MFM held another career talk and baking class demonstration at Montfort Boys Town, Selangor. The objective of the career talk is to share with the students the various career opportunities available to them after they graduate. A total of 124 students from the Machining, Bakery & Pastry, Electrical and Automotive courses attended the career talk. After the career talk, MFM continued with the baking class demonstration for the Bakery & Pastry students. Our Flour Product Consultants demonstrated a few baking techniques and also shared their knowledge with the students on the functionality of the different types of flour.



SMK Methodist (ACS) Award Day

MFM was present at SMK Methodist (ACS) Award Day on 16 April 2016 to congratulate and support the students at the school. As part of MFM's effort to promote and support education amongst the young ones, MFM through its school adoption program with SMK Methodist (ACS), Sitiawan provided financial aid to ten (10) students from the school. On top of that, MFM further encouraged and motivated the students at the school by awarding the Top 3 Best Students in Form Four and Form Five with cash prizes.



Corporate Social Responsibility (cont'd)

SMK Methodist (ACS) Science Fair Day

On 29 April 2016, MFM supported SMK Methodist (ACS), Sitiawan Science Fair Day by setting up a booth and conducting a Baking Class Demonstration at the school. MFM took the opportunity to share with the students on Food Science while injecting a fun learning environment through the Baking Class Demonstration. Our Flour Product Consultants combined fun and learning by sharing baking knowledge while encouraging the students to participate during the baking class.



SMJK Nan Hwa Award Day

MFM was present at SMJK Nan Hwa Award Day on 29 April 2016. As part of MFM's effort to promote and support education amongst the young ones, MFM through its school adoption program with SMJK Nan Hwa provided financial aid to ten (10) students from the school. In addition, MFM further encouraged and motivated the students at the school by awarding the Top 3 Best Students in Form Four and Form Five with cash prizes. MFM also supported all-rounded students who are good academically and active in extra-curriculum activities by sponsoring the jerseys for the school's basketball and volleyball teams for their interschool competitions.



Career Talk at Schools in Sitiawan, Perak

On 5 September 2016, MFM held a career talk at SMJK Nan Hwa and SMK Methodist (ACS). The HR Team shared with the students about MFM and its group of companies, as well as the career opportunities available to the students after they have completed their SPM. The team had some quizzes with the students whereby the winners were awarded with MFM goodie bags.





Students Plant Tour

On 7 October 2016, MFM hosted a plant tour for a group of 40 students and teachers from SMK Methodist (ACS). The objective of the plant tour was to provide the students a real-life experience of the flour milling process and at the same time provide them exposure to the various career opportunities available in a Flour Mill. The students were welcomed with breakfast and an opening address by our Chief Miller. Thereafter, the students were given a safety briefing before proceeding to a comprehensive plant tour covering the Silo, Milling, Lab, Warehouse, Packaging and Engineering. The tour lasted for around 1½ hours and the students were treated with lunch before they departed back to their school.



Students Farm Tour

On 19 October 2016, MFM hosted a group of 40 students and teachers at our poultry farm in Batu Undan. Led by our Farm Operations Specialist, the students were given a safety briefing before proceeding to tour our poultry farm. They were introduced to the various aspects of poultry farming as well as various career opportunities available at the farm. The tour lasted for around 1½ hours and the students were treated with lunch before they departed back to their school.



Corporate Social Responsibility (cont'd)

Collaboration between MFM and University Tunku Abdul Rahman ("UTAR")

On 31 October 2016, a MFM contingent led by the Directors, Datuk Oh Chong Peng, Mr Teh Wee Chye and Encik Azhari Arshad together with the Senior Management Team visited the UTAR Kampar Campus as part of the collaboration initiative between MFM and UTAR. The objective of the meeting was to develop a collaborative partnership between MFM and UTAR in providing career opportunities as well as to explore potential research and development programmes related to MFM's business.



On 15 December 2016, the collaboration between MFM and UTAR took another step forward when MFM hosted the delegates from UTAR consisting of Deputy Deans, Faculty Representatives and Professors from various faculties at MFM Lumut Plant. The delegates were given a plant tour around our Flour and Feed Mill in order to provide an overview of our milling processes. Thereafter, there were series of discussions on potential recruitment activities, various potential research and development programmes as well as final year projects for UTAR students.



Baking Class for Students at Lumut Plant

On 2 November 2016, MFM hosted a baking class demonstrating to a group of 20 students and teachers from SMK Methodist (ACS). Our Flour Product Consultants demonstrated the various functionality of flour and its properties. To create a fun learning experience, our Flour Product Consultants also managed to get the students and teachers to participate in the baking activities and bake their own pastries.



School Holiday Apprenticeship Programme in Flour Milling & Poultry Farming

As part of the Strategic Educational Partnership with SMK Methodist (ACS) and SMJK Nan Hwa in Sitiawan, MFM and Dindings Poultry Development Centre Sdn Bhd (“DPDC”) successfully organised the 2nd School Holiday Apprenticeship Programme. There were a total of ten (10) students from SMK Methodist (ACS) Sitiawan who participated in the Flour Milling programme at the MFM Lumut plant and ten (10) students from SMJK Nan Hwa who participated in the Poultry Farming programme at the DPDC Batu Undan poultry farm from 28 November to 8 December 2016. The objectives of these programmes are to enable the students to gain real life working experiences and develop their interests in flour milling and poultry farming industry. Throughout the 9-day programme, the students in Flour Milling were exposed to various functions including raw materials intake, milling, packing, warehousing, engineering and laboratory while the students in Poultry Farming experienced the daily farm operations in our breeder and hatchery facilities. They ended the programme with group presentation on their learning experience in both Flour Milling and Poultry Farming. The key learning for the students are working as a team as well as experiential learning beyond the classroom.



Community Visits

Visit to Girls Praise Home

DPP had organised a visit to an orphanage home “Girls Praise Home” in Ipoh. We helped the orphanage to do a thorough housekeeping, as well as wall painting to improve the hygiene level. To lessen their burden on the daily expenses, we have bought them a lot of necessary products like Milo packs, mee hoon, shampoo, toilet rolls, dish washer, laundry powder etc. Meanwhile, attractive goodies bags were given to all the kids and a brand new laptop and sofa were bought for the orphanage.



“Majlis Berbuka Puasa” with Rumah Amal Haruman Kasih Ayer Tawar

DPP had organised a “Majlis Berbuka Puasa” to share love and joy with orphans, single mothers and needy people at Rumah Amal Haruman Kasih Ayer Tawar on 3 July 2016.

Corporate Social Responsibility (cont'd)

Visit to Penang Down Syndrome Association

DPP also visited the Penang Down Syndrome Association in Georgetown, Penang.

Penang Down Syndrome Association is an association which offers support and encouragement to parents and families of children with Down Syndrome and provide assistance and facilities to individuals with Down Syndrome to enable them to contribute to society.

DPP had sponsored its products to the Association during the visit.

At the end of the visit, the little angels had shown their appreciation by giving a big smile and saying "Thank you to Ayam Dindings, We love Ayam Dindings".

Community Service

On 16 October 2016, DPP organised a visit to a poor family of which the man is a diabetic patient and jobless with 7 kids aged between 2 to 15 years old living together with his parents and his wife is working as a cleaner.

With the Deepavali festival around the corner, we were there to help them to do a thorough housekeeping, decorated the house and gave them the necessities such as food, clothing and Deepavali preparation.



CSR for Workplace

MFM places great importance on its human capital and is focusing on attracting and retaining quality talent who best fit our job requirements through our development programmes which nurture and assist the employees to perform their work more efficiently and also to develop their competencies for the advancement of their career. This is of utmost importance for the succession planning of the Group as well as to ensure the sustainability of the business.

Fair and equitable employment terms as well as equal opportunities for career advancement are provided to the employees regardless of ethnicity, gender and age. The ratio of our male and female employees in MFM Group shows a healthy distribution of 59:41 with women comprising of 31% of the management positions.

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

Facilitation of Hosting of Poultry Science Seminar between Universiti Putra Malaysia (“UPM”) and University of Arkansas (“UoA”), USA

The objective is to bring together these two eminent institutions of higher learning to have the common vision to share their knowledge and valuable experience in poultry science to advance the poultry industry in Malaysia. The seminar took place in conjunction with The World Poultry Science Association (Malaysian Branch) and The World Veterinary Poultry Association (Malaysian Branch) Seminar held on 16 February 2016 in UPM. Representative from UoA, Dr. Michael T. Kidd (Director of the Center of Excellence for Poultry Science) presented on *Amino Acids Nutrition for Broiler*, Dr. Nicholas B. Anthony (Professor, Center of Excellence for Poultry Science) presented on *Genetic Approach for Improving Broiler Productivity* while Dr. Thomas E. Bowen (Nutrition Specialist) presented on *Evaluation of Feed Ingredients for Animal Feeds*. Subsequent to the seminar in UPM, MFM hosted the three subject matter experts to a 3-day visit and workshops on best practices in poultry science in our poultry farms and hatcheries in Batu Undan and Segari. The event was attended by more than 50 employees from MFM Group.



Key Performance Indicators (“KPI”) Setting and Cascading Workshop

From April to November 2016, towards strengthening a performance driven culture, the Group Human Resource and Human Resource Business Partner from the plants and farms embarked on an exercise to establish, review and cascade individual Key Performance Indicators (KPIs) throughout the Group in Malaysia and Vietnam. A total of 22 sessions and over 500 employees were involved in the exercise. KPIs were established using the balanced scorecard methodology covering the Financial Perspective, Customer Perspective, Internal Business Process and Learning & Growth Perspective.



MFM Town Hall

On 19 May 2016, Group Human Resource organised the annual town hall session in Putrajaya Marriott Hotel with the participation of 200 management staff from both Malaysia & Vietnam. This town hall session provided a platform for the senior management to engage and communicate organisational goals and business strategies for the coming year, as well as the Company’s past year achievements with management staff. This year’s town hall also saw a sharing from Dr. Mahender Singh from Knex on supply chain as well as the learning journey presentation from the participants of the Flour & Feeds Miller Development Programme, Flour Product Consultants, Farm Operations Specialist and Graduate Veterinarian.



Corporate Social Responsibility (cont'd)

Durian Feast & Hari Raya Celebration

On 15 July 2016, coincides with Hari Raya and the “King” of fruits season of the year, employees in Head Office as well as invited employees from outside Klang Valley and Vietnam had a fun-filled fellowship as they revelled together for a sumptuous spread of the best durians and local food. The gourmet included the highly sought-after Musang King, XO, D24, Nasi Briyani, Ayam Masak Merah and Cendol.



Leadership & Managerial Development Programme Module 2

From January to November 2016, MFM senior management team and 62 identified talents continued their Leadership Development Programme and Managerial Development Programme journey with Module 2 that included amongst others emotional intelligence, critical thinking, effective presentation skills, managing team and negotiation techniques. Throughout the entire year, the senior management team embarked on a workplace project on top of mind recall, sales & marketing synergy and a case study on aquaculture business, whereas the 62 talents presented their workplace projects linking to Supply Chain that consists of 4 elements – force field analysis, risk management, project timeline management and costs benefit analysis. They also undergo a 6-month coaching programme to coach a group of identified coachees covering identification and achievement of business goals, team goals and personal goals.



Flour Miller & Feed Miller Development Programme

Throughout 2016, in building our talent pipeline for flour and feeds businesses, MFM Human Resource together with Flour Division (Malaysia) have recruited the 2nd batch of graduate engineers to be based in Pasir Gudang to undergo our Flour Miller Development Programme whilst the Poultry Integration Division (Feed Mills) recruited the 1st batch of fresh graduate engineers to take part in the Feed Miller Development Programme. The 1st batch of flour production engineers who were recruited in Year 2015 have completed Stage 1 out of 4 of the 7-year programme that includes a 2-month on-the-job training in both Mekong Flour Mills Ltd and Vimaflour Ltd (“Vimaflour”) in Vietnam that were held in November and December 2016. Quarterly engagement sessions are held between MFM senior management team with these young graduates to constantly motivate, challenge and provide the necessary guidance as well as keep track of their development progress for a successful career in MFM.



Flour Technical Exchange Conference at Vimaflour

From 26 to 27 August 2016, the Flour Division (Malaysia) and Flour Division (Vietnam) with their respective Human Resource Departments organised a 2-day technical exchange conference held at Vimaflour's Plant in Cai Lan, Ha Long, Vietnam. The objectives of the conference were to enable knowledge sharing, learning and strengthening of the bond between the technical personnel from these two countries. Amongst others, the 2-day conference covered various presentations comprising grain storage management, aspiration, milling process (dampening, machineries and new technologies), mill engineering, flour streaming and technicalities in baking. The conference was attended by more than 40 employees from both the Flour Divisions in Malaysia and Vietnam.



New Employees Onboarding Experience

Framework for new employees' onboarding experience help lay the foundation for a mutually rewarding relationship that will last. The objective of this framework is to help foster a positive experience for new employees, orientate new employees to MFM's vision and missions and identify their roles and responsibilities.

The onboarding program begins with engagement with new employees prior to joining the company with the purpose of keeping the candidates warm and welcomed. Upon the onboarding of new employees, a buddy will be assigned to share work information and processes with them. In addition, job expectations will be communicated clearly to the new employees to ensure they are clear with their key roles and responsibilities.

Subsequently, the new employees will be invited to attend a series of programs, which include Orientation Programme, Lumut & Sitiawan Plant Tour and last but not least a Breakfast Engagement Session with the Managing Director whereby the new employees have the opportunity to share their working experience, areas for improvement with the top management. Likewise, the top management will also share the Company's direction and new initiatives.

(1) Orientation Programme

The Orientation Programme is a 2-day programme where information on the Company's vision, missions and history, Human Resources policies and overview of business operations within MFM Group will be shared with new employees. There are a total of 74 new executive employees within MFM Group who have attended the Orientation Programme in year 2016.



Corporate Social Responsibility (cont'd)

(2) Lumut & Sitiawan Plant Tour

New employees will be given an opportunity to visit the flour mill in Lumut and poultry processing plant in Sitiawan. The purpose of this plant tour is to allow the new employees to have a better understanding of the production processes of Company's flour and poultry products.



(3) Breakfast Engagement Session with Managing Director

The Breakfast Engagement Session with Managing Director helps to cultivate a culture of 2-way open communication. Through this engagement session, new employees are able to interact and share their thoughts with the Managing Director, Mr. Teh Wee Chye. During the session, everyone is encouraged to share their overall experiences, things they like about the Group and suggestions for improvement.



Training Programme on Change for Greater Success

This training programme was first rolled out to the MFM Group on 29 and 30 March 2016. Since its first launch, a total of 16 sessions were conducted benefitting a total of 388 employees. This program is designed to help employees to overcome change where positive attitude leads to greater success. It focusses on changing the way we see things, the way we interpret things and the way we deal with people.



Training on Team Synergy

In line with MFM's Vision "To be a Leading Food Manufacturing Enterprise in the Region", we need a team that recognises the importance of shared vision, interdependence, cooperation, commitment, creative ideas and open communication.

Through this programme, everyone will learn the benefits of working in a team, and come to see teamwork as one of the most important aspects to success. When individuals come together their unique perspectives merge, new dynamics are formed and the team becomes an entity of its own, with a stronger and better perspective to approaching the task at hand. The three most important factors to creating an effective team is "Diversity + Creativity + Focus = Team Synergy".



Sales Professional Development Program

Sales Professional Development Program provides opportunities to integrate into the organisation with the competencies necessary to chart sales career growth within MFM Group. This year we have both the Flour Division (Malaysia) and DPP's Sales & Marketing to take part in this training program.

This is a 4-month program which comprise of seven (7) modules that provides comprehensive professional selling skills and knowledge to be a competent sales professional.



Corporate Social Responsibility (cont'd)

MFM Budget Meeting 2016

MFM Budget Meeting 2016 was held from 18 February to 20 February 2016 at Imperial Heritage Hotel, Malacca. The objectives of the meeting were to encourage leadership, planning and discussion with group members, and to enhance communications and teamwork. This meeting was well attended by approximately 53 sales and marketing personnel.

During the meeting, the MFM sales and marketing team reviewed the 2015 overall sales performance and 2016 strategy plan to achieve the 2016 sales budget followed by a presentation from the Customer Service Department team.



MFM Baking Workshop

On 11 June 2016, MFM Flour joined forces with 2 charity organisations, namely Simply Cookies and Hope Worldwide to conduct a Baking Workshop at Setiawalk. This event was opened for all employees and their kids. The objective of the event was to instill baking interests among employees and the future generation.



Annual Dinner

An Annual Dinner was held at the Grand Ballroom, InterContinental Hotel Kuala Lumpur on 21 October 2016 as a treat for the employees as well as to foster better ties and interaction amongst the employees. Activities such as live band performance, dance show, games, best dress awards and lucky draws were organised for the enjoyment of all the attendees.

A presentation ceremony was also held to honour the winners of the Innovation Award.



Innovation Award

Innovation Award Competition was introduced to instill innovative culture in the Group by encouraging employees to come up with new and fresh ideas in their workplace that would result in a continuous improvement in the Group.

The competition was opened to six plants of the Group. Twelve entries were submitted for the Best Innovation Award. The Best Innovation Award for year 2016 was won by MFM Lumut plant.

The winning project titled “Flour Streaming Optimisation” had fulfilled the five criterias of best innovation, i.e., creativity, business impact, teamwork, analysis of business benefits and implementation. With the implementation of this proposal, it is expected to improve quality and cost reduction of up to RM7.9 million per year for the Company.



Corporate Social Responsibility (cont'd)

CSR for Environment

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

At the manufacturing operations, various measures continue to be taken to ensure that pollution will be minimal. Air filter systems are installed at the flour and feed mills to capture about 99% of the dust emitted from the milling processes.

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

The Group has completed the conversion of its open house broiler farms to tunnel-ventilated closed houses which have proven to be effective in addressing the flies and smell problems. The latest state-of-the-art closed house design at the breeder and broiler farms are of international standard and are more hygienic. As the closed houses are environmentally controlled, flies are minimal, with more than 95% reduction.

Tree planting

DPP had organised a joint effort with Persatuan Aktivis Sahabat Alam (“KUASA”) and students from University Sains Malaysia (“USM”) to implement the Bio-Diversity Conservation Project along the forest reserve at Segari, Manjung District. The main purpose of this project was to protect the coastal areas so that we could provide a conducive area for the turtles. The beach has gone through the erosion of waves and therefore we were there to assist on planting mangrove trees and other suitable species along the coastlines.



Corporate Events

World Consumer Rights Day 2016 (15 March 2016)

Malayan Flour Mills Berhad (“MFM”) had a joint event with Ministry of Domestic Trade, Cooperatives and Consumerism (“KPDNKK”) at its Lumut Plant to celebrate the World Consumer Rights Day. The event was officiated by the Minister of KPDNKK, Dato’ Seri Hamzah bin Zainuddin. The event was attended by 400 participants. A variety of food using MFM flour was served. Goodies bags with MFM flour products and recipe booklets were also distributed to the participants.



In conjunction with the World Consumer Rights Day, the Minister of KPDNKK, Dato’ Seri Hamzah bin Zainudin and his delegation also visited the plants of MFM and Dindings Poultry Processing Sdn Bhd (“DPP”) with the theme “Antibiotics Off The Menu”.

Managing Director, Mr Teh Wee Chye shared with the Minister and his delegation on the Group’s expansion plan, standard operation procedures of the entire poultry integration and the state-of-the-art technology that the Group is deploying.



Corporate Events (cont'd)

13th Malaysia International Halal Showcase (“MIHAS”) *(30 March – 2 April 2016)*

DPP participated in the 13th Malaysia International Halal Showcase which took place at the Kuala Lumpur Convention Centre.

Two booths were set up to showcase all Ayam Dindings’ further processed products. We received positive responses from the traders.



MFM 50th Anniversary and Appreciation Dinner 2016 *(From May – July 2016)*

MFM celebrated its 50th year in the flour business. MFM took the opportunity to thank its business partners for supporting MFM all these years and invited all the business partners to join the celebration. As appreciation for its partners’ patronage over the years, MFM held special celebration, region by region, to build a closer relationship with its business partners.



Mooncake Festival Workshop at One Utama (3 September 2016)

In conjunction with the mooncake festival, MFM in collaboration with One Utama Shopping centre organised a Mooncake Making Workshop whereby 30 participating kids were given the opportunity in making mooncakes. Questions & Answers (“Q&A”) session was opened to the public to instil product knowledge and encourage engagement between customers. Goodies bags were given to the participants who provide the correct answer in the Q&A session as a token of appreciation.



DPP Appreciation Night 2016 (2 December 2016)

DPP organised an Appreciation Night with the theme “Soaring To Greater Heights Together” at the Gardens Ballroom, The Gardens Hotel & Residences, Mid Valley City to express its gratitude and appreciation for its long term business partners and suppliers who had supported the company throughout the years.

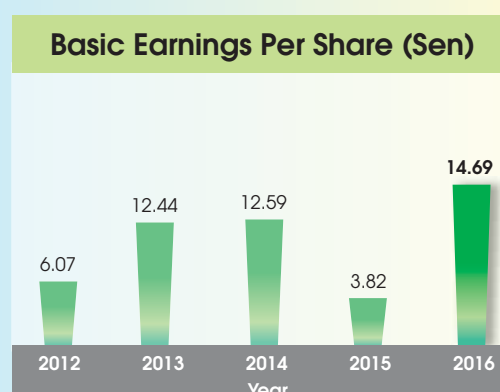
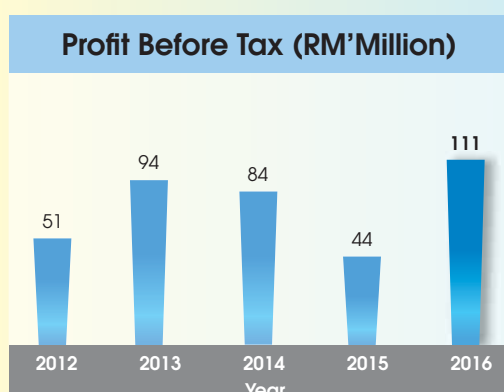
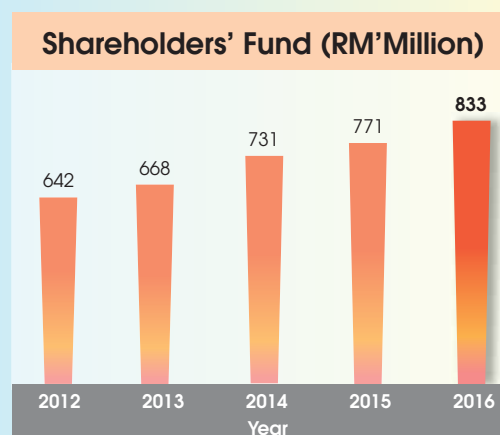
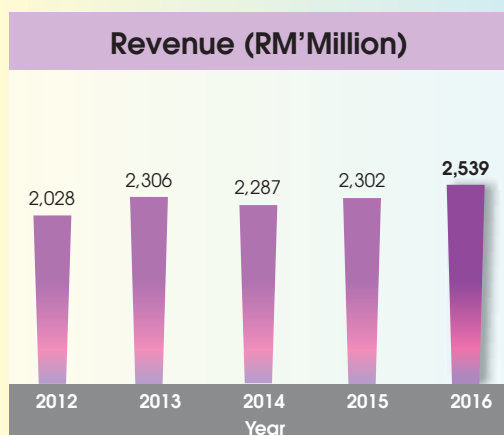


Group Financial Highlights

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	2,028,475	2,306,038	2,286,575	2,301,907	2,538,686
Profit before tax	51,183	93,908	83,729	43,874	111,319
Tax expense	(13,547)	(13,732)	(4,235)	(14,470)	(18,359)
Profit for the year	37,636	80,176	79,494	29,404	92,960
Minority interests	(9,125)	(13,198)	(11,716)	(8,859)	(12,125)
Profit attributable to equity holders of the Company	28,511	66,978	67,778	20,545	80,835
Issued share capital (RM'000)	269,112	269,112	269,114	275,120	275,120
Shareholders' fund (RM'000)	642,132	667,809	730,560	771,101	833,105
Net assets per share (sen) *	119	124	136	140	151
Basic earnings per share (sen) **	6.07	12.44	12.59 ^a	3.82 ^a	14.69 ^a
Gross dividends (%) - taxable	6.00	18.00	-	-	-
Gross dividends (%) - single tier	-	-	13.00	8.00	13.00
* Based on number of shares ('000)	538,223	538,223	538,228	550,239	550,239
** Based on weighted average number of shares ('000)	469,402	538,223	538,225	538,327	550,239

Note:

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



Statement on Corporate Governance

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

Malayan Flour Mills Berhad (“the Company”) remains committed in ensuring the practice of good corporate governance in the conduct of the businesses and affairs of the Company and its subsidiaries (“the Group”). Integrity, transparency and professionalism are key components for the Group’s continued growth and success. The Board of Directors (“the Board”) is unreservedly committed to applying the principles necessary to ensure that highest standards of corporate governance and corporate conduct are adhered to throughout the Group in the interest of the stakeholders.

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

This statement describes the approaches that the Group has taken with respect to the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) for the financial year ended 31 December 2016.

Board of Directors

Roles and Responsibilities of the Board

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

Amongst the key responsibilities of the Board are as follows:

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

The roles and functions of the Board including the executive and non-executive Directors are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The Board Charter was last reviewed in 2017 to reflect the changes in the composition of the Board, Listing Requirements and Companies Act 2016. The Board Charter is available on the Company’s website at www.mfm.com.my.

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

Statement on Corporate Governance (cont'd)

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

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

- Approval of financial statements including accounting policies of the Group
- Declaration of dividends
- Approval of annual budget
- Approval for the appointment and remuneration of Directors and senior management staff
- Proposed corporate exercise
- Borrowings from financial institutions
- Acquisition and disposal of assets
- New investments such as joint venture

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

Composition and Balance of the Board

There are currently seven (7) Directors on the Board comprising of two (2) Executive Directors and a strong team of seven (5) Non-Executive Directors of whom three (3) are Independent Directors. The size and composition of the Board provides for a diversity of views, the desired level of objectivity and independence in Board deliberations and decision making.

The Directors of the Company are persons of high integrity and calibre who come from diverse backgrounds with expertise and skills in banking, finance, accounting, manufacturing, retailing, property development, public services, education and legal.

The Board composition complies with paragraph 15.02 of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") which require a minimum of two (2) or one-third (1/3) of the Board to be independent directors, whichever is higher.

The Board, which comprises of diverse ethnicity and age, has also taken note of the recommendation of the MCCG 2012 to establish a policy formalising its approach to gender diversity. The selection criteria for appointment of Director continued to be based on merit, calibre, skill and knowledge which are relevant to the Company. A brief profile of each Director of the Company can be found on pages 5 to 8 of this Annual Report.

Independence of Directors

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

Currently, the Board Charter provides that there shall be no term of office for an Independent Director as the Board believes that continued contribution by Directors provides more benefit to the Company and the Group as a whole. However, each Independent Director shall be subjected to the Independent Director's Self-Assessment for Annual Declaration of Independence and the annual Individual Director Self/Peer Evaluation to ensure that each of them continues to fulfill the definition of independence as set out in the Listing Requirements.

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

The Nomination Committee and Board also concluded that the length of service of all the Independent Directors on the Board do not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Group and they had continued to possess the following qualities:

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

Separation of positions of the Chairman and Managing Director

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.

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

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

Appointment and Re-election of Directors

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

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

Statement on Corporate Governance (cont'd)

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

For the position of independent non-executive director, the Nomination Committee also evaluates the candidate's calibre, credibility and necessary skill and experience to bring an independent judgement and view to matters under consideration. Upon performing the requisite assessment by the Nomination Committee, the new nomination of Director will be recommended to the Board for approval.

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

In respect of the re-election of Directors, the Article provides that at least one-third (1/3) or the nearest to one-third (1/3) of the remaining Directors are subject to re-election by rotation at each AGM and that all Directors are subject to re-election by rotation at least once in every three (3) years.

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

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

Board Meetings and Time Commitment

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

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

All deliberations and decisions made by the Board are properly recorded by the Company Secretary by way of minutes of the meetings. Minutes of proceedings and resolutions passed at each Board and Board Committees meetings are kept in the minutes book at the registered office of the Company.

In the event of a potential conflict of interest, the Director in such position will make a declaration to that effect as soon as practicable at the Board meeting. The Director concerned will then abstain from any decision-making process in which he has an interest in.

During the year under review, six (6) Board meetings were held. The attendance of each Director at the Board meetings is as follows:

Name of Directors	Meeting Attendance
<i>Non-Independent</i>	
Tan Sri Dato' Seri Utama Arshad bin Ayub	6/6
Teh Wee Chye	6/6
Prakash A/L K.V.P Menon	6/6
Azhari Arshad	6/6
<i>Independent</i>	
Dato' Hj Shaharuddin bin Hj Haron	5/6
Geh Cheng Hooi (<i>demised on 29 May 2016</i>)	3/3
Datuk Oh Chong Peng	6/6
Dato' Wira Zainal Abidin bin Mahamad Zain	6/6
Tan Sri Mohd Sidek bin Haji Hassan (<i>resigned on 15 February 2017</i>)	6/6

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

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

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

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

Access to Advice and Information

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

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

In furtherance of their duties, the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board meeting procedures are adhered to and that applicable rules and regulations are complied with. The Board is updated and advised by the Company Secretary from time to time on new statutes and directives issued by the regulatory authorities.

Statement on Corporate Governance (cont'd)

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

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

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

Directors' Continuing Development

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

From time to time, the Board will be updated on the companies and securities legislations and other relevant rules and regulations at the Board meetings, in order to acquaint them with the latest developments in these areas. At the Board meeting, the Directors are also updated by the management on the market developments of the industries that the Group is involved in.

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

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

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

Leadership/Directorship/Management

- The Strategy, the Leadership, the Stakeholders and the Board
- Managerial Development Program
- KPIs Setting & Alignment (KPIs Cascading Workshop)
- Leadership Development Program
- Corporate Directors Onboarding Programme
- Role of Chairman & Independent Directors
- Directors' Continuing Education Programme
- Independent Directors Programme on The Essence of Independence
- Best Practices of Board Effectiveness
- Updates on Directors' Remuneration
- Ring the Bell for Gender Quality
- International Conference on Blue Ocean Strategy

Corporate Governance/Risk Management/Investors Relation

- Institute Investor Council Corporation Governance Week 2016
- How to leverage on AGMs for Better Engagement with Shareholders
- Anti-Corruption & Integrity-Foundation of Corporate Sustainability
- Improving Board Risk Oversight Effectiveness
- Risk Management Training for Directors
- Effective Strategy for Stakeholders Management
- The Interplay between Corporate Governance, Non-Financial Information and Investment Decision

Finance/Audit

- Strategic Institutional Financial Management
- Budgetary Priorities in a Challenging Economic Environment

Compliance/Economy

- Government Grants & Financial Assistance for Malaysian Companies
- Bank Negara Malaysia – Economy & Panel Discussion
- Khazanah Nasional Megatrends Forum

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, duties and responsibilities of the Audit Committee together with its report are presented on pages 53 to 56 of this Annual Report.

Nomination Committee

The Nomination Committee shall comprise exclusively of non-executive directors, a majority of whom must be independent. The Committee currently consists of three (3) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors as follows:

Dato' Wira Zainal Abidin bin Mahamad Zain (Chairman)	Independent Non-Executive Director
Tan Sri Dato' Seri Utama Arshad bin Ayub	Non-Independent Non-Executive Director
Dato' Hj Shaharuddin bin Hj Haron	Independent Non-Executive Director
Datuk Oh Chong Peng	Independent Non-Executive Director
Prakash A/L K.V.P Menon	Non-Independent Non-Executive Director

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

- To review regularly the Board structure, size and composition, and make recommendations to the Board with regard to any adjustments that are deemed necessary and to recommend Directors to Committees of the Board;
- To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular, of the Chairman and the Managing Director;
- To review the required mix of skills and experience and other qualities and competencies which Non-Executive Directors should bring to the Board and to assess the effectiveness of the Board, Committees of the Board and contributions of Directors of the Board;

Statement on Corporate Governance (cont'd)

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

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

Assessment on the Board, Board Committees and individual Director had been carried out for year 2016 via questionnaires which were completed by each Director on a confidential basis. The questionnaires comprised of a Board and Board Committees Performance Evaluation, an Individual Director Self/Peer Evaluation and an Independent Director's Self-Assessment for Annual Declaration of Independence. The effectiveness of the Board was assessed in the areas of composition, operations, roles and responsibilities and performance of the Chairman.

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

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

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

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

- The Board and Board Committees had been able to discharge their duties and responsibilities professionally and effectively.
- Each of the Directors continued to perform, contribute and devote sufficient time in fulfilling his role and responsibility towards an effective Board.
- All the Independent Directors complied with the definition of Independent Director as defined in the Listing Requirements.
- All the Independent Directors had remained objective and independent in expressing their views and in exercising their decision making irrespective of their length of service.
- Shareholders' approval be sought at the forthcoming AGM for the re-appointment of Tan Sri Dato' Seri Utama Arshad bin Ayub, Dato' Hj Shahrudin bin Hj Haron and Datuk Oh Chong Peng whose term of office will end at the conclusion of the forthcoming AGM and being eligible, have offered themselves for re-appointment.
- Shareholders' approval be sought at the forthcoming AGM for the re-election of Mr Teh Wee Chye who is retiring by rotation and being eligible, has offered himself for re-election.

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

Remuneration Committee

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

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

The terms of reference of the Committee are as follows:

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

The Committee also reviews and recommends for the Board's consideration the Directors'/Committees' fees and meeting allowances. In reviewing and recommending the Directors' fees, the Committee ensures that the level of remuneration for the Non-Executive Directors commensurate with their scope of responsibilities and contributions to the effective functioning of the Group.

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

The Committee meets as and when required and at least once a year. During the year, three (3) meetings were held and attended by most of the members of the Committee.

Directors' Remuneration

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

Statement on Corporate Governance (cont'd)

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

The Directors are paid an annual Committee fee for each Board Committee on which they served and meeting allowance for each Board and Committee meeting they attend. The Non-Executive Directors of the Company also receive Directors' fees. Besides these, the Chairman is entitled to the Company's car benefit.

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

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 categorised into appropriate components :

Company					
	Directors' Fees (RM'000)	Salary (RM'000)	Bonus (RM'000)	Benefits- In-Kind (RM'000)	Other Emoluments (RM'000)
Executive Directors	-	2,428	1,329	153	13
Non-Executive Directors	840	-	-	28	141

Group					
	Directors' Fees (RM'000)	Salary (RM'000)	Bonus (RM'000)	Benefits- In-Kind (RM'000)	Other Emoluments (RM'000)
Executive Directors	-	2,428	1,329	153	36
Non-Executive Directors	840	-	-	28	229

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

Range of Remuneration	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM1 to RM50,000		1		1
RM100,001 to RM150,000		5		4
RM150,001 to RM200,000				1
RM250,001 to RM300,000		1		
RM350,001 to RM400,000				1
RM550,001 to RM600,000	1		1	
RM3,350,001 to RM3,400,000	1		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 AGM and to participate in the proceedings. All the Directors were in attendance at the AGM held on 17 May 2016 to engage with the shareholders and answer to their queries. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Company. The Company's responses to the queries submitted in advance by the Minority Shareholder Watchdog Group are also presented to the shareholders. Shareholders' suggestions received during AGM are reviewed and considered for implementation wherever possible. A press conference is held immediately after the AGM to brief and update the media representatives on the outcome of the AGM and the operations of the Group. Summary of the minutes of the AGM is also posted on the Company's website for the information and benefit of all the shareholders of the Company.

The timely release of quarterly financial results, the issuance of the Company's Annual Reports and Circular to Shareholders together with the announcements to Bursa Malaysia Securities Berhad on material information and corporate proposals are the principal channels for dissemination of information to its investors, stakeholders and the public generally.

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

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

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

As there may be instances where investors and shareholders may prefer to express their concerns to an independent director, the Board has appointed Dato' Hj Shaharuddin bin Hj Haron as the Senior Independent Non-Executive Director to whom concerns may be directed. At all times, investors and shareholders may contact the Company Secretary for information on the Group.

Accountability and Audit

Financial Reporting

The Directors take responsibility for presenting a balanced and objective assessment of the Group's financial performance and prospects primarily through the quarterly and annual financial announcements of results. In addition, the Chairman's Statement and Management Discussion and Analysis are also contained in this Annual Report for the shareholders.

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

Statement on Corporate Governance (cont'd)

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

Corporate Disclosure

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

Internal Control

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

The Statement on Risk Management and Internal Control as set out on pages 57 to 60 of this Annual Report provides an overview of the state of internal controls within the Group.

Whistle Blowing Policy

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

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

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

All employees or any person who has dealings with the Group may report any suspected fraud, misconduct or any integrity concerns to Dato' Hj Shaharuddin bin Hj Haron, Senior Independent Non-Executive Director of the Company, via the email address at whistleblowing@mflour.com.my.

Code of Conduct

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

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

- a. Demonstrating commitment
- b. Living the core values of the Group
- c. Avoiding conflict of interest
- d. Preventing bribery and corruption

- e. Practising confidentiality and data protection
- f. Communicating externally and internally with ethics and within authority
- g. Protecting company assets and resources
- h. Giving equal opportunity, non-discrimination and fair employment
- i. Ensuring safety and protecting the environment
- j. Prohibiting insider trading

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

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

Indemnification of Directors and Officers

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

Relationship with External Auditors

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

Directors' Responsibility Statement

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group and their results, and cash flows for that year. In preparing the financial statements for the financial year ended 31 December 2016, the Directors have:

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

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

Additional Compliance Information

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

1. Utilisation of Proceeds from Corporate Proposal

The Company did not undertake any corporate proposal to raise proceeds during the financial year ended 31 December 2016.

2. Audit and Non-Audit Fees

The amount of audit fees and non-audit fees paid or payable to the Company's external auditors, KPMG PLT and a firm affiliated to KPMG PLT by the Group and the Company for financial year 2016 are as follows:

	Group (RM'000)	Company (RM'000)
Audit Fees	434	95
Non-audit Fees	131	49
Total	565	144

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

There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2016 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 26 to the financial statements on page 136 of this Annual Report.

4. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Recurrent Related Party Transactions of a Revenue or Trading Nature are disclosed in Note 26 to the financial statements on page 136 of this Annual Report.

Audit Committee Report

The Board of Malayan Flour Mills Berhad is pleased to present the Audit Committee Report for the year ended 31 December 2016.

Members

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

The Audit Committee ("the Committee") comprises of four (4) members, all of whom are Non-Executive Directors and three (3) being Independent Directors. This meets the requirements of paragraph 15.09(1)(a) and (b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements").

Member of the Committee, Datuk Oh Chong Peng, is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. Hence, the Company complies with paragraph 15.09(1)(c)(i) of Listing Requirements.

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

Meetings

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

Members	Attendance
Dato' Hj Shaharuddin bin Hj Haron	4/5
Tan Sri Dato' Seri Utama Arshad bin Ayub	5/5
Datuk Oh Chong Peng	5/5
Dato' Wira Zainal Abidin bin Mahamad Zain	5/5
Geh Cheng Hooi (demised on 29 May 2016)	3/3

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

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

During the year, the representatives of the External Auditors have also attended the meetings of the Committee to present their audit plan, audit findings and the annual audited financial statements.

Audit Committee Report (cont'd)

Terms of Reference

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

Summary of the Work of the Committee

The work carried out by the Committee in the discharge of its duties and responsibilities during the financial year ended 31 December 2016 were as follows:

a. Financial Reporting

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

b. Internal Audit

- i. Head of Group Internal Audit and Risk Management presented the comprehensive internal audit plan which had been undertaken to evaluate and identify the companies and operational auditable areas to be audited within the Group. The Committee reviewed the annual internal audit plan to ensure adequate scope, coverage of the activities of the Group and the resource requirements of internal audit to carry out its functions.
- ii. Reviewed the internal audit reports submitted and presented by the Head of Group Internal Audit and Risk Management at each of the quarterly meeting of the Committee. The Committee appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported and recommended further improvement measures.
- iii. Reviewed the updated Group Internal Audit and Risk Management Charter, which mainly described the reporting structure, to include risk management. The updated Charter was approved by the Committee for adoption.

c. External Audit

- i. Reviewed with the external auditors, KPMG PLT, on their Audit Plan prior to commencement of the audit. The Engagement Partner of KPMG PLT presented the Audit Plan and Strategy for the Group for financial year 2016 which entailed the engagement team, audit scope, audit timeline and audit focus areas. The external auditors also highlighted that based on the new and revised auditor reporting standards, key audit matters were required to be disclosed in the Auditor's Report. The format of the new Auditor's Report together with the areas that could be covered under the key audit matters was shared with the Committee.
- ii. Reviewed the proposed fees for the statutory audit, review of the Statement on Risk Management and Internal Control, review of the supplementary financial information on the breakdown of realised and unrealised retained earnings and review of Group Reporting Package and Audit Working Papers of component auditors. The proposed fees were then recommended by the Committee to the Board for approval.
- iii. Discussed and reviewed the Group's financial statements with the external auditors including issues and findings noted in the course of the audit.

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

c. External Audit (cont'd)

- iv. Meeting twice with the external auditors without the presence of the Executive Directors and employees of the Company. During the meetings, the external auditors were invited to raise any matter which they considered vital for the Committee's attention. The external auditors have confirmed that the management had given its full support, co-operation and unrestricted access to information as required by the external auditors to perform their duties.
- v. Pursuant to Principle 5.2 of the Malaysian Code on Corporate Governance 2012, the external auditors had provided their written assurance that they were not aware that their firm, the engagement partner, engagement quality control reviewer and members of the audit engagement team were not, and had not been, independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

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

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

d. Risk Management

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

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

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

Audit Committee Report (cont'd)

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

e. Related Party Transactions

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

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

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

Internal Audit Function

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

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

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

During the year, the IARM conducted various internal audit engagements in accordance with the risk-based audit plan which covered the review of adequacy of risks management, operational controls, compliance with law and regulations, quality of assets, management efficiency and level of customer services amongst others.

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

The total costs incurred for maintaining the Internal Audit and Risk Management function for year 2016 were approximately RM758,664.

Statement on Risk Management and Internal Control

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

Board Responsibility

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

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

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

Internal Control

Risk Management

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

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

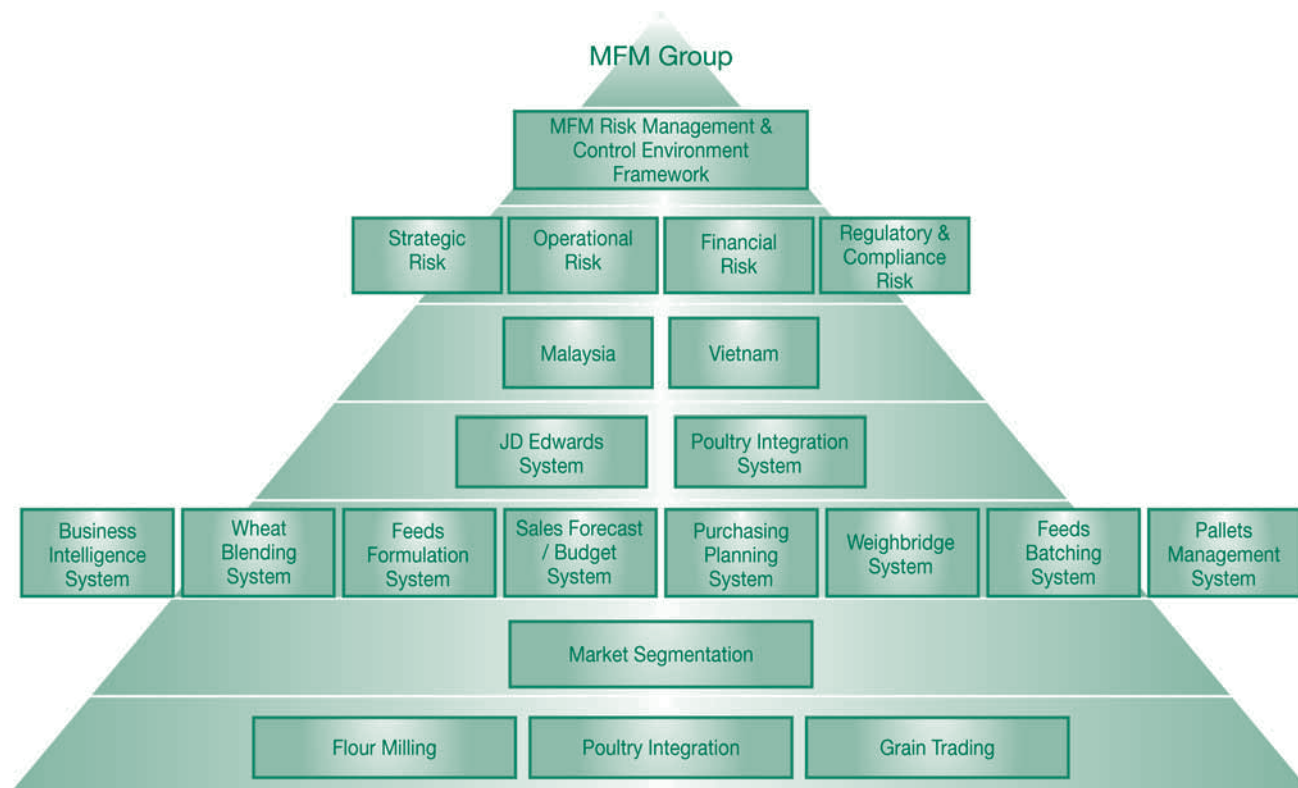
Risk Management is an integral part of our business operations and this process goes through a review by the Board. As part of the process, the key business risks are identified by the respective operations of the Group. The impact and likelihood of occurrence of these risks are then evaluated and documented.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

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

Risk Management Framework

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

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



Control Structure

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

Control Structure (cont'd)

- The training and development programs are established to enhance and improve employee competencies and proficiencies. This is implemented through a combination of on-the-job training and classroom training courses.
- The Group Code of Ethics is established to set out the ethical standards to all employees in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment.
- The Whistle Blowing policy is in place with the objective of providing all stakeholders a mechanism to raise genuine concerns on unethical behaviour or any misconduct.

Significant Risk Factors relating to MFM Group

a. Business risks

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

b. Availability and cost of raw materials

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

c. Government policies & regulations including price controls & subsidies

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

d. Epidemics

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

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

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

e. Foreign exchange fluctuations

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

Review of this Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group in all material respects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Director's Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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

Conclusion

Based on the processes set out above, the Board is of the view that the Group's system of risk management and internal control are adequate and effective to safeguard the shareholders' investment and the Group's assets and has received assurance from both the Managing Director and Chief Financial Officer in this respect. Nevertheless, the Board and Management are committed towards operating a sound system of internal control and the internal control systems will continue to be reviewed, added or updated in line with the changes in the operating environment.

The Group's system of internal control applies to Malayan Flour Mills Berhad and its subsidiaries only. Joint ventures and associates are excluded because the Group only has a significant influence over those entities. However, the Group's interests in its material joint venture and associates are served through representations on the Board of Directors of the respective joint venture and associated companies.

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

Statement made in accordance with the resolution of the Directors dated 23 March 2017.

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Directors' Report

for the year ended 31 December 2016

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 2016.

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	80,835	11,517
Non-controlling interests	12,125	-
	92,960	11,517

Reserves and provisions

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

Dividends

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

- (i) a second interim single tier dividend of 2.00 sen per ordinary share totalling approximately RM11,005,000 in respect of the financial year ended 31 December 2015 on 25 March 2016; and
- (ii) an interim single tier dividend of 3.00 sen per ordinary share totalling approximately RM16,507,000 in respect of the financial year ended 31 December 2016 on 15 September 2016.

On 23 February 2017, the Directors declared a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM19,258,000 in respect of the financial year ended 31 December 2016, which will be paid on 24 March 2017.

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

Directors of the Company

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

Tan Sri Dato' Seri Utama Arshad bin Ayub
 Teh Wee Chye
 Dato' Hj Shahrudin bin Hj Haron
 Datuk Oh Chong Peng
 Dato' Wira Zainal Abidin bin Mahamad Zain
 Prakash A/L K.V.P Menon
 Azhari Arshad
 Geh Cheng Hooi (demised on 29 May 2016)
 Tan Sri Mohd Sidek bin Haji Hassan (resigned on 15 February 2017)

Directors' interests

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

	Number of ordinary shares of RM0.50 each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
Company - Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	61,462,477	-	-	61,462,477
Tan Sri Dato' Seri Utama Arshad bin Ayub	24,831,925	168,075	-	25,000,000
Dato' Hj Shahrudin bin Hj Haron	2,000,000	-	-	2,000,000
Datuk Oh Chong Peng	5,150	-	-	5,150
Dato' Wira Zainal Abidin bin Mahamad Zain	5,000	-	-	5,000
Prakash A/L K.V.P Menon	4,240,000	-	-	4,240,000
Deemed interest				
Teh Wee Chye				
- own	38,760,220	-	-	38,760,220
- others*	63,000	-	-	63,000
Tan Sri Dato' Seri Utama Arshad bin Ayub	15,279,800	-	-	15,279,800
Azhari Arshad	15,279,800	-	-	15,279,800

Directors' Report (cont'd)

for the year ended 31 December 2016

Directors' interests (cont'd)

	Number of ordinary shares of RM1.00 each			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
Deemed interest of Teh Wee Chye in subsidiary companies				
Dindings Soya & Multifeeds Sdn. Berhad	29,185,000	6,250,000	-	35,435,000
Muda Fibre Manufacturing Sdn. Bhd.	7,000,001	-	-	7,000,001
Dindings Poultry Processing Sdn. Bhd.	51,160,000	2,240,000	-	53,400,000
Premier Grain Sdn. Bhd.	10,200,000	-	-	10,200,000
Dindings Poultry Development Centre Sdn. Bhd.	37,372,000	2,200,000	-	39,572,000

	Interest in capital contribution denominated in Vietnamese Dong (VND)			
	At 1.1.2016 VND'000	Acquired VND'000	Disposed VND'000	At 31.12.2016 VND'000
Vimaflour Limited	248,953,884	-	-	248,953,884

	Number of Warrants			
	At 1.1.2016	Acquired	Disposed	At 31.12.2016
Company - Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	13,258,559	-	-	13,258,559
Tan Sri Dato' Seri Utama Arshad bin Ayub	4,453,385	-	50,000	4,403,385
Dato' Hj Shahrudin bin Hj Haron	400,000	-	-	400,000
Datuk Oh Chong Peng	1,050	-	-	1,050
Dato' Wira Zainal Abidin bin Mahamad Zain	1,000	-	-	1,000
Deemed interest				
Teh Wee Chye				
- own	7,752,044	-	-	7,752,044
- others*	13,000	-	-	13,000
Tan Sri Dato' Seri Utama Arshad bin Ayub	2,644,000	-	400,000	2,244,000
Azhari Arshad	2,644,000	-	400,000	2,244,000

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

Directors' interests (cont'd)

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

None of the other Directors holding office at 31 December 2016 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 those fees and other benefits 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 the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business.

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

Issue of shares

During the financial year, the Company issued 50 new ordinary shares of RM0.50 each for cash arising from the exercise of warrants at an exercise price of RM2.06 per ordinary share.

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 a deed poll dated 21 March 2012 ["Deed Poll"].

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

Directors' Report (cont'd)

for the year ended 31 December 2016

Warrants (cont'd)

Salient features of the Warrants are as follows:

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

During the financial year, 50 Warrants were exercised which resulted in 50 new ordinary shares of RM0.50 each being allotted and issued, and thereafter listed on the Main Market of Bursa Securities on 26 August 2016.

After the financial year end, 50 Warrants were exercised which resulted in 50 new ordinary shares of RM0.50 each being allotted and issued, and thereafter listed on the Main Market of Bursa Securities on 22 March 2017.

As of 23 March 2017, 107,639,456 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 (cont'd)

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, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 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, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), 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 (*Director*)

Teh Wee Chye (*Director*)

Kuala Lumpur
23 March 2017

Balance Sheets

at 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Property, plant and equipment	3	662,145	632,765	259,219	261,529
Intangible assets	4	943	770	142	110
Investment properties	5	5,223	5,280	4,952	5,009
Investments in subsidiaries	6	-	-	318,298	307,069
Investment in a joint venture	7	44,563	34,634	77,531	74,758
Investments in associates	8	992	2,883	-	-
Deferred tax assets	9	15,570	15,556	6,171	4,406
Other investment	10	2,213	-	-	-
Total non-current assets		731,649	691,888	666,313	652,881
Trade and other receivables, including derivatives	11	471,916	380,613	302,632	343,145
Prepayments		6,729	8,552	2,805	1,701
Inventories	12	455,146	462,224	149,202	149,480
Biological assets	13	49,944	46,063	-	-
Current tax assets		1,499	2,187	380	594
Cash and cash equivalents	14	371,190	273,677	61,671	49,029
Total current assets		1,356,424	1,173,316	516,690	543,949
Total assets		2,088,073	1,865,204	1,183,003	1,196,830
Equity					
Share capital		275,120	275,120	275,120	275,120
Reserves		557,985	495,981	320,262	336,257
Total equity attributable to owners of the Company	15	833,105	771,101	595,382	611,377
Non-controlling interests	6	84,292	80,603	-	-
Total equity		917,397	851,704	595,382	611,377
Liabilities					
Deferred tax liabilities	9	5,770	2,848	-	-
Loans and borrowings	17	56,792	53,560	41,450	52,560
Total non-current liabilities		62,562	56,408	41,450	52,560
Trade and other payables, including derivatives	16	172,245	194,604	183,109	157,620
Loans and borrowings	17	933,458	759,520	363,062	375,273
Current tax liabilities		2,411	2,968	-	-
Total current liabilities		1,108,114	957,092	546,171	532,893
Total liabilities		1,170,676	1,013,500	587,621	585,453
Total equity and liabilities		2,088,073	1,865,204	1,183,003	1,196,830

The notes set out on pages 76 to 136 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue		2,538,686	2,301,907	453,682	413,308
Cost of goods sold		(2,257,020)	(2,061,281)	(407,906)	(363,066)
Gross profit		281,666	240,626	45,776	50,242
Other income		22,262	13,087	32,997	32,265
Distribution and selling expenses		(132,252)	(120,731)	(41,918)	(33,889)
Administrative expenses		(45,740)	(42,037)	(15,863)	(20,198)
Other expenses		(10,827)	(16,515)	(4,386)	(808)
Results from operating activities		115,109	74,430	16,606	27,612
Interest expense		(23,241)	(22,591)	(16,694)	(15,149)
Interest income		12,720	13,972	10,896	10,216
Operating profit	18	104,588	65,811	10,808	22,679
Share of profit/(loss) of equity accounted joint venture, net of tax		6,409	(21,801)	-	-
Share of profit/(loss) of equity accounted associates, net of tax		322	(136)	-	-
Profit before tax		111,319	43,874	10,808	22,679
Tax expense	19	(18,359)	(14,470)	709	(852)
Profit for the year		92,960	29,404	11,517	21,827
Profit attributable to:					
Owners of the Company		80,835	20,545	11,517	21,827
Non-controlling interests		12,125	8,859	-	-
Profit for the year		92,960	29,404	11,517	21,827
Basic earnings per ordinary share (sen)	20	14.69	3.82		

The notes set out on pages 76 to 136 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year	92,960	29,404	11,517	21,827
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	12,155	40,498	-	-
Total comprehensive income for the year	105,115	69,902	11,517	21,827
Total comprehensive income attributable to:				
Owners of the Company	90,956	54,650	11,517	21,827
Non-controlling interests	14,159	15,252	-	-
Total comprehensive income for the year	105,115	69,902	11,517	21,827

The notes set out on pages 76 to 136 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2016

Group	Note	←----- Attributable to owners of the Company -----→						Total	Non-controlling interests	Total equity
		Share capital	Share premium	Warrant reserve	Other capital reserves	Translation reserve	Retained earnings			
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2015		269,114	59,428	33,370	30,461	(53,869)	392,056	730,560	72,297	802,857
Foreign currency translation differences for foreign operations		-	-	-	-	34,105	-	34,105	6,393	40,498
Profit for the year		-	-	-	-	-	20,545	20,545	8,859	29,404
Total comprehensive income for the year		-	-	-	-	34,105	20,545	54,650	15,252	69,902
Issuance of shares as a consideration for a completed transaction	15	6,006	9,488	-	-	-	-	15,494	-	15,494
Dividends to owners of the Company	21	-	-	-	-	-	(29,603)	(29,603)	-	(29,603)
Dividends to non-controlling interests	6	-	-	-	-	-	-	-	(6,946)	(6,946)
At 31 December 2015		275,120	68,916	33,370	30,461	(19,764)	382,998	771,101	80,603	851,704
At 1 January 2016		275,120	68,916	33,370	30,461	(19,764)	382,998	771,101	80,603	851,704
Foreign currency translation differences for foreign operations		-	-	-	-	10,121	-	10,121	2,034	12,155
Profit for the year		-	-	-	-	-	80,835	80,835	12,125	92,960
Total comprehensive income for the year		-	-	-	-	10,121	80,835	90,956	14,159	105,115
Retained earnings reinvested as capital contribution in a subsidiary		-	-	-	10,422	-	(10,422)	-	-	-
Issuance of shares pursuant to the exercise of warrants	15	*0	-	-	-	-	-	*0	-	*0
Dividends to owners of the Company	21	-	-	-	-	-	(27,512)	(27,512)	-	(27,512)
Dividends to non-controlling interests	6	-	-	-	-	-	-	-	(2,878)	(2,878)
Changes in ownership interests in subsidiaries	6	-	-	-	-	-	(1,440)	(1,440)	(7,592)	(9,032)
At 31 December 2016		275,120	68,916	33,370	40,883	(9,643)	424,459	833,105	84,292	917,397

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

Statement of Changes in Equity (cont'd)

for the year ended 31 December 2016

Company	Note	←----- Non-distributable -----→			Distributable	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Retained earnings RM'000	
At 1 January 2015		269,114	59,428	33,370	241,747	603,659
Profit for the year		-	-	-	21,827	21,827
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	21,827	21,827
Issuance of shares pursuant to a completed transaction	15	6,006	9,488	-	-	15,494
Dividends to owners of the Company	21	-	-	-	(29,603)	(29,603)
At 31 December 2015/At 1 January 2016		275,120	68,916	33,370	233,971	611,377
Profit for the year		-	-	-	11,517	11,517
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	11,517	11,517
Dividends to owners of the Company	21	-	-	-	(27,512)	(27,512)
At 31 December 2016		275,120	68,916	33,370	217,976	595,382

The notes set out on pages 76 to 136 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
Profit before tax		111,319	43,874	10,808	22,679
<i>Adjustments for:</i>					
Amortisation of intangible assets	4	257	318	61	56
Depreciation of investment properties	5	57	57	57	57
Depreciation of property, plant and equipment	3	47,382	42,398	15,022	14,035
Dividend income		-	-	(23,943)	(26,157)
Net gain on disposal of property, plant and equipment		(1,019)	(440)	(37)	(199)
Interest expense		23,241	22,591	16,694	15,149
Interest income		(12,720)	(13,972)	(10,896)	(10,216)
Property, plant and equipment written off		453	959	29	10
Share of (profit)/loss of equity accounted joint venture, net of tax		(6,409)	21,801	-	-
Share of (profit)/loss of equity accounted associates, net of tax		(322)	136	-	-
Net unrealised loss/(gain) on foreign exchange		1,840	(1,124)	(515)	(580)
Operating profit before changes in working capital		164,079	116,598	7,280	14,834
Changes in working capital:					
Trade and other receivables, prepayments and other financial assets		(79,138)	(51,723)	28,890	36,660
Inventories		12,034	(35,599)	278	11,855
Biological assets		(3,881)	(5,969)	-	-
Trade and other payables and other financial liabilities		(25,017)	71,706	26,004	(16,739)
Cash generated from operations		68,077	95,013	62,452	46,610
Interest paid		(23,241)	(22,591)	(16,694)	(15,149)
Interest received		12,720	13,972	10,896	10,216
Tax paid		(15,288)	(13,431)	(842)	(1,130)
Net cash from operating activities		42,268	72,963	55,812	40,547

Statements of Cash Flows (cont'd)

for the year ended 31 December 2016

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities					
Acquisition of non-controlling interests		(710)	-	(710)	-
Acquisition of intangible assets	4	(93)	(46)	(93)	(30)
Acquisition of property, plant and equipment	3	(74,624)	(93,456)	(12,744)	(20,738)
Increase in investment in/net advances to a joint venture		(2,773)	(35,421)	(2,773)	(35,421)
Dividend income		-	-	23,943	26,157
Proceeds from disposal of property, plant and equipment		2,554	470	40	199
Net cash (used in)/from investing activities		(75,646)	(128,453)	7,663	(29,833)
Cash flows from financing activities					
Dividends paid to non-controlling interests		(2,878)	(6,946)	-	-
Dividends paid to owners of the Company		(27,512)	(29,603)	(27,512)	(29,603)
Proceeds from/(repayment of) loan and borrowings, net		153,526	(15,120)	(23,321)	31,541
Net cash from/(used in) financing activities		123,136	(51,669)	(50,833)	1,938
Net increase/(decrease) in cash and cash equivalents		89,758	(107,159)	12,642	12,652
Effect of exchange rate fluctuations on cash held		7,755	34,482	-	-
Cash and cash equivalents at 1 January		273,677	346,354	49,029	36,377
Cash and cash equivalents at 31 December		371,190	273,677	61,671	49,029

Cash and cash equivalents

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

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits placed with licensed banks	14	291,040	252,285	36,482	41,371
Cash and bank balances	14	80,150	21,392	25,189	7,658
		371,190	273,677	61,671	49,029

Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM74,624,000 (2015: RM100,631,000), of which RM Nil (2015: RM7,175,000) were acquired by the issuance of ordinary shares in the Company.

The notes set out on pages 76 to 136 are an integral part of these financial statements.

Notes to the Financial Statements

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

Registered office and principal place of business

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

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 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 23 March 2017.

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:

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

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018 (cont'd)

- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the above applicable 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 that may arise from the adoption of MFRS 15.

MFRS 9, Financial Instruments

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

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

MFRS 16, Leases

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

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

Notes to the Financial Statements (cont'd)

1. Basis of preparation (cont'd)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 7 – Impairment of investment in a joint venture
- Note 13 – Fair value of biological assets

2. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

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

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

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

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

(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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates

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

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

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

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

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

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

(vi) Joint arrangements

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

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Joint arrangements (cont'd)

Joint arrangements are classified and accounted for as follows:

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

Investment in a joint venture is measured in the Company’s balance sheet at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated income statements and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

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

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

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

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.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

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

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investments in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the income statements.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the balance sheets when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

(b) Loans and receivables

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

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

(c) Available-for-sale financial assets

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

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

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

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 (cont'd)

(c) Financial instruments (cont'd)

(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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

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

(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	5 and 10 years

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

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(i) Finance lease (cont'd)

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.

(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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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.

(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.

2. Significant accounting policies (cont'd)

(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.

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

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

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

(j) Cash and cash equivalents

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

(k) Impairment

(i) Financial assets

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

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

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

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

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

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

(ii) Other assets

The carrying amounts of other assets (except for deferred tax assets, inventories and biological assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(ii) Other assets (cont'd)

Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the financial year in which the reversals are recognised.

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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.

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(n) Revenue and other income

(i) Goods sold

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

(ii) Rental income

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

(iii) Dividend income

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

(iv) Interest income

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

(o) Borrowing costs

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

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

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

2. Significant accounting policies (cont'd)

(p) Income tax

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

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

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the balance sheet and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Earnings per ordinary share

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

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

(r) Operating segments

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

Notes to the Financial Statements (cont'd)

2. Significant accounting policies (cont'd)

(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 2015	65,552	376,277	413,546	37,949	70,005	963,329
Additions	11,935	10,764	12,842	2,058	63,032	100,631
Transfer from intangible assets	-	-	115	-	-	115
Disposals	-	-	(2,772)	(867)	-	(3,639)
Write-off	(1,754)	(821)	(10,837)	(3,897)	-	(17,309)
Transfers	584	23,422	15,441	673	(40,120)	-
Effect of movements in exchange rates	1,603	6,670	12,511	2,040	1,150	23,974
At 31 December 2015/ 1 January 2016	77,920	416,312	440,846	37,956	94,067	1,067,101
Additions	2,221	18,995	20,362	2,915	30,131	74,624
Transfer to intangible assets	-	-	-	-	(308)	(308)
Disposals	(1,346)	(160)	(676)	(1,336)	-	(3,518)
Write-off	-	(550)	(807)	(370)	-	(1,727)
Transfers	-	-	3,690	-	(3,690)	-
Effect of movements in exchange rates	378	2,278	2,167	1,144	1,711	7,678
At 31 December 2016	79,173	436,875	465,582	40,309	121,911	1,143,850

Notes to the Financial Statements (cont'd)

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

Group	Land RM'000	Buildings and jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Depreciation and impairment loss						
At 1 January 2015						
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
Depreciation for the year	940	12,466	25,636	3,356	-	42,398
Disposals	-	-	(2,760)	(849)	-	(3,609)
Write-off	(863)	(291)	(9,354)	(3,877)	-	(14,385)
Write-off – impairment loss	-	(530)	(1,435)	-	-	(1,965)
Effect of movements in exchange rates	902	3,350	6,894	635	-	11,781
At 31 December 2015/ 1 January 2016						
Accumulated depreciation	11,687	120,221	272,456	28,760	-	433,124
Accumulated impairment loss	-	3	1,209	-	-	1,212
	11,687	120,224	273,665	28,760	-	434,336
Depreciation for the year	1,073	15,958	27,299	3,052	-	47,382
Disposals	-	(29)	(667)	(1,287)	-	(1,983)
Write-off	-	(236)	(674)	(364)	-	(1,274)
Effect of movements in exchange rates	242	927	1,189	886	-	3,244
At 31 December 2016						
Accumulated depreciation	13,002	136,841	299,603	31,047	-	480,493
Accumulated impairment loss	-	3	1,209	-	-	1,212
	13,002	136,844	300,812	31,047	-	481,705
Carrying amounts						
At 1 January 2015						
	54,844	271,048	158,862	8,454	70,005	563,213
At 31 December 2015/ 1 January 2016						
	66,233	296,088	167,181	9,196	94,067	632,765
At 31 December 2016						
	66,171	300,031	164,770	9,262	121,911	662,145

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

Company	Land RM'000	Buildings and jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Cost						
At 1 January 2015	25,039	181,335	150,139	13,383	31,033	400,929
Additions	-	208	3,322	729	16,479	20,738
Disposals	-	-	(653)	(144)	-	(797)
Write-off	-	-	(83)	-	-	(83)
Transfers	-	22,272	10,128	-	(32,400)	-
At 31 December 2015/ 1 January 2016	25,039	203,815	162,853	13,968	15,112	420,787
Additions	-	481	6,065	99	6,099	12,744
Disposals	-	-	(572)	(723)	-	(1,295)
Write-off	-	(16)	(242)	(370)	-	(628)
Transfers	-	-	3,124	-	(3,124)	-
At 31 December 2016	25,039	204,280	171,228	12,974	18,087	431,608
Depreciation						
At 1 January 2015	4,112	41,416	88,721	11,844	-	146,093
Depreciation for the year	367	3,666	9,102	900	-	14,035
Disposals	-	-	(653)	(144)	-	(797)
Write-off	-	-	(73)	-	-	(73)
At 31 December 2015/ 1 January 2016	4,479	45,082	97,097	12,600	-	159,258
Depreciation for the year	367	4,072	10,015	568	-	15,022
Disposals	-	-	(572)	(720)	-	(1,292)
Write-off	-	(6)	(229)	(364)	-	(599)
At 31 December 2016	4,846	49,148	106,311	12,084	-	172,389
Carrying amounts						
At 1 January 2015	20,927	139,919	61,418	1,539	31,033	254,836
At 31 December 2015/ 1 January 2016	20,560	158,733	65,756	1,368	15,112	261,529
At 31 December 2016	20,193	155,132	64,917	890	18,087	259,219

Notes to the Financial Statements (cont'd)

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

3.1 Land

Included in the total carrying amounts of land are:

	2016 RM'000	2015 RM'000
Group		
Freehold land	21,821	20,946
Short term leasehold land (less than 50 years)	5,999	6,301
Long term leasehold land (50 years or more)	38,351	38,986
	66,171	66,233
Company		
Long term leasehold land (50 years or more)	20,193	20,560

Legal titles to certain leasehold land of the Group with a carrying amount of RM7,045,000 (2015: RM7,165,000) have yet to be received from the state authorities.

4. Intangible assets

	Computer software Group RM'000	Company RM'000
Cost		
At 1 January 2015	8,288	5,229
Additions	46	30
Transfer to property, plant and equipment	(115)	-
Effect of movements in exchange rates	429	-
At 31 December 2015/1 January 2016	8,648	5,259
Additions	93	93
Write-off	(23)	-
Transfer from property, plant and equipment	308	-
Effect of movements in exchange rates	117	-
At 31 December 2016	9,143	5,352

4. Intangible assets (cont'd)

	Computer software	
	Group	Company
	RM'000	RM'000
Amortisation		
At 1 January 2015	7,255	5,093
Amortisation for the year	318	56
Effect of movements in exchange rates	305	-
At 31 December 2015/1 January 2016	7,878	5,149
Amortisation for the year	257	61
Write-off	(23)	-
Effect of movements in exchange rates	88	-
At 31 December 2016	8,200	5,210
Carrying amounts		
At 1 January 2015	1,033	136
At 31 December 2015/1 January 2016	770	110
At 31 December 2016	943	142

4.1 Intangible assets

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

4.2 Amortisation

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

Notes to the Financial Statements (cont'd)

5. Investment properties

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Cost			
At 1 January 2015/31 December 2015/ 1 January 2016/31 December 2016	3,943	2,836	6,779
Depreciation			
At 1 January 2015	-	1,442	1,442
Depreciation for the year	-	57	57
At 31 December 2015/1 January 2016	-	1,499	1,499
Depreciation for the year	-	57	57
At 31 December 2016	-	1,556	1,556
Carrying amounts			
At 1 January 2015	3,943	1,394	5,337
At 31 December 2015/1 January 2016	3,943	1,337	5,280
At 31 December 2016	3,943	1,280	5,223
Company			
Cost			
At 1 January 2015/31 December 2015/ 1 January 2016/31 December 2016	3,672	2,836	6,508
Depreciation			
At 1 January 2015	-	1,442	1,442
Depreciation for the year	-	57	57
At 31 December 2015/1 January 2016	-	1,499	1,499
Depreciation for the year	-	57	57
At 31 December 2016	-	1,556	1,556
Carrying amounts			
At 1 January 2015	3,672	1,394	5,066
At 31 December 2015/1 January 2016	3,672	1,337	5,009
At 31 December 2016	3,672	1,280	4,952

5. Investment properties (cont'd)

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income	361	335	397	370
Direct operating expenses of investment properties:				
- income generating investment properties	45	46	52	52

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Group Level 3		Company Level 3	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Land and buildings	108,165	79,561	104,365	77,361

Level 3 fair value

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

Valuation processes applied by the Group for level 3 fair value

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

Notes to the Financial Statements (cont'd)

6. Investments in subsidiaries

	Company	
	2016 RM'000	2015 RM'000
At cost		
Unquoted shares in Malaysia	231,048	219,819
Less: Accumulated impairment losses	(1,360)	(1,360)
	229,688	218,459
Unquoted shares outside Malaysia	88,610	88,610
	318,298	307,069

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

Name of subsidiary	Principal activities	Effective ownership interest	
		2016 %	2015 %
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	88	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	99	95
Vimaflour Limited* (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	70	70
MFM International Ltd. (incorporated in the British Virgin Islands) #	Investment holding	100	100

6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest	
		2016 %	2015 %
MFM Property Sdn. Bhd.	Investment holding	100	100
Semakin Dinamik Sdn. Bhd.	Dormant	100	100
MFM Ltd.	Dormant	100	100
Dindings Broiler Breeder Farm Sdn. Bhd.	Dormant	100	100
Syarikat Pengangkutan Lumut Sdn. Bhd.	Dormant	100	100
Muda Fibre Manufacturing Sdn. Bhd.	Dormant	60	60
Dindings Grand Parent Farm Sdn. Bhd.	Dormant	100	100
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

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

6.1 Acquisition of non-controlling interests

On 21 October 2015, the Company entered into a Sale of Shares Agreement with the Perak State Agricultural Development Corporation to acquire approximately 17.55% and 2.96% of equity interests in Dindings Soya & Multifeeds Sdn. Berhad (“DSM”) and Dindings Poultry Processing Sdn. Bhd. (“DPP”), respectively, for a total consideration of RM8,322,000 through the issuance and allotment of new ordinary shares.

The equity interests in DSM and DPP were subsequently transferred to the Company on 16 February 2016. Following the transfer of shares, the effective ownership interest in DSM and DPP were increased to 88% and 98% respectively.

Notes to the Financial Statements (cont'd)

6. Investments in subsidiaries (cont'd)

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

On 2 August 2016, the Company acquired approximately 1.19% of equity interest in DPP comprising 640,000 ordinary shares of RM1.00 each for a total cash consideration of RM710,000 from a third party.

Following the transfer of shares, the effective ownership interest in DPP was increased to 99%.

6.2 Non-controlling interests in subsidiaries

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

	Subsidiaries with material NCI RM'000	Other subsidiaries with immaterial NCI RM'000	Total RM'000
2016			
Carrying amount of NCI	73,935	10,357	84,292
Comprehensive income allocated to NCI	13,593	566	14,159
2015			
Carrying amount of NCI	63,220	17,383	80,603
Comprehensive income allocated to NCI	14,094	1,158	15,252

	Subsidiaries with material NCI	
	2016 RM'000	2015 RM'000
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	92,363	71,111
Current assets	523,884	383,273
Current liabilities	(392,144)	(265,409)
Net assets	224,103	188,975

6. Investments in subsidiaries (cont'd)

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

	Subsidiaries with material NCI	
	2016 RM'000	2015 RM'000
Year ended 31 December		
Revenue	1,022,088	996,145
Profit for the year	36,205	21,993
Total comprehensive income	42,980	43,298
Cash flows (used in) /from operating activities	(74,454)	19,315
Cash flows (used in)/from investing activities	(25,606)	92,492
Cash flows from/(used in) financing activities	116,993	(106,737)
Net increase in cash and cash equivalents	16,933	5,070
Dividends paid to NCI	2,878	6,946

7. Investment in a joint venture

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At cost				
Unquoted shares				
- outside Malaysia	77,531	39,337	77,531	39,337
Net advances to a joint venture	-	35,421	-	35,421
Share of post-acquisition reserves	(32,968)	(40,124)	-	-
	44,563	34,634	77,531	74,758

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.

In the previous financial year, the Company provided advances to the joint venture for working capital purposes, which in substance, form part of the Company's net investment in the joint venture. The advances were non-trade in nature, unsecured and interest bearing. During the financial year, in accordance with the agreement under which PT Bungasari Flour Mills Indonesia is established, the Group and the other investors to the joint venture have agreed to increase their investments in proportion to their interests.

Notes to the Financial Statements (cont'd)

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

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

	Group	
	2016 %	2015 %
Percentage of ownership interest	30	30
Summarised financial information	RM'000	RM'000
As at 31 December		
Non-current assets	268,084	237,160
Current assets	225,451	211,235
Non-current liabilities	(5,868)	(194,422)
Current liabilities	(339,125)	(256,595)
Net assets/(liabilities)	148,542	(2,622)
Year ended 31 December		
Revenue	539,991	391,896
Total comprehensive income/(expense)	21,364	(72,671)
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets/(liabilities)	44,563	(787)
Net advances to a joint venture	-	35,421
Carrying amount in the balance sheet	44,563	34,634
Group's share of results for year ended 31 December		
Group's share of profit/(loss) from continuing operations	6,409	(21,801)
Group's share of other comprehensive income	747	26
Group's share of total comprehensive income/(expense)	7,156	(21,775)

Impairment testing for investment in a joint venture

The recoverable amount of the investment in the joint venture was determined based on its value in use, determined by using pre-tax cash flow projections based on actual operating results and financial budgets covering a 5-year business plan.

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

Impairment testing for investment in a joint venture (cont'd)

Value in use was determined by discounting the future cash flows generated from the continuing operations of the joint venture and estimated operating results based on the joint venture's business plan for financial year 2017 to 2021 and on the following key assumptions:

- The anticipated annual revenue growth rate is between 3.9% to 5.6% for the years 2017 to 2021 based on a normalised level of growth for the business.
- A pre-tax discount rate of 9% was applied in determining the recoverable amount of the unit. The discount rate was estimated based on the industry weighted average cost of capital.
- Terminal value growth rate was set at 0%.

The values assigned to the key assumptions represent management's assessment of future trends and are based on both external sources and internal sources (historical data).

Based on the assessment above, the recoverable amount was determined to be higher than the carrying amount, thus no impairment loss was recognised. However, any adverse change in a key assumption may result in an impairment loss.

The pre-tax discount rate is particularly sensitive. Based on the sensitivity analysis performed by management, a 2% increase in discount rate would result in an impairment of the carrying amount of the investment in a joint venture by RM989,000.

Contingent liability

The Company has provided a proportionate corporate guarantee of USD10.5 million (2015: USD10.5 million) to a financial institution for financing facilities granted to its joint venture corporation, PT Bungasari Flour Mills Indonesia.

8. Investments in associates

	Group	
	2016 RM'000	2015 RM'000
At cost		
Unquoted shares		
- in Malaysia	-	2,800
- outside Malaysia	1,120	1,120
	1,120	3,920
Share of post-acquisition reserves	(128)	(1,037)
	992	2,883

Notes to the Financial Statements (cont'd)

8. Investments in associates (cont'd)

Details of the associates are as follows:

Name of entity	Principal place of business/country of incorporation	Nature of the relationship	Effective ownership interest	
			2016 %	2015 %
Fongcheng Enterprises Sdn. Bhd. +	Malaysia	Investment	-	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 Sdn. Bhd. RM'000	Freeman Properties Holding Ltd. RM'000	Total RM'000
Summarised financial information			
As at 31 December			
2016			
Total assets	-	1,511	1,511
Total liabilities	-	(214)	(214)
Revenue	-	-	-
Total comprehensive expense	-	(84)	(84)
2015			
Total assets	6,559	1,193	7,752
Total liabilities	(1,502)	(120)	(1,622)
Revenue	76,764	-	76,764
Total comprehensive income/(expense)	124	(26)	98

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Group						
Property, plant and equipment	-	-	(35,902)	(32,798)	(35,902)	(32,798)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	1,832	3,125	-	-	1,832	3,125
Reinvestment allowances	11,676	11,524	-	-	11,676	11,524
Unabsorbed capital allowances	18,447	22,922	-	-	18,447	22,922
Tax loss carry-forwards	16,557	9,226	-	-	16,557	9,226
Others	196	1,715	-	-	196	1,715
Tax assets/(liabilities)	48,708	48,512	(38,908)	(35,804)	9,800	12,708
Set off of tax	(33,138)	(32,956)	33,138	32,956	-	-
Net tax assets/(liabilities)	15,570	15,556	(5,770)	(2,848)	9,800	12,708
Company						
Property, plant and equipment	-	-	(19,388)	(17,990)	(19,388)	(17,990)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	1,598	1,547	-	-	1,598	1,547
Reinvestment allowances	11,676	11,524	-	-	11,676	11,524
Unabsorbed capital allowances	12,228	9,047	-	-	12,228	9,047
Others	3,063	3,284	-	-	3,063	3,284
Tax assets/(liabilities)	28,565	25,402	(22,394)	(20,996)	6,171	4,406
Set off of tax	(22,394)	(20,996)	22,394	20,996	-	-
Net tax assets	6,171	4,406	-	-	6,171	4,406

Notes to the Financial Statements (cont'd)

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

Unrecognised deferred tax assets

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

	2016 RM'000	Group 2015 RM'000
Taxable temporary differences	-	(5,899)
Unabsorbed capital allowances	311	311
Tax loss carry-forwards	3,082	28,506
	3,393	22,918

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

Subject to agreement by the Inland Revenue Board, the Group and the Company have estimated unutilised reinvestment allowances amounting to RM49,000,000 (2015: RM48,000,000) available at the balance sheet date to be carried forward to set off against future taxable income. The reinvestment allowances have been recognised in the financial statements.

10. Other investment

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

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

11. Trade and other receivables, including derivatives

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables		334,216	300,046	69,138	66,506
Amount due from subsidiaries	11.1	-	-	222,466	260,012
Other receivables	11.2	118,380	77,654	9,148	15,681
Deposits		3,554	2,110	1,101	926
Financial assets at fair value through profit or loss:					
- foreign currency forward contracts		15,766	803	779	20
		471,916	380,613	302,632	343,145

11.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, repayable on demand and interest bearing (2015: interest bearing).

11.2 Other receivables

Included in other receivables of the Group are advances paid to suppliers of RM52,408,000 (2015: RM38,320,000) and interest receivable from the deposits placed with licensed banks of RM3,791,000 (2015: RM3,234,000).

12. Inventories

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Raw materials	396,446	406,013	138,006	138,774
Finished goods	30,163	31,255	6,799	6,268
Consumables	28,537	24,956	4,397	4,438
	455,146	462,224	149,202	149,480

Notes to the Financial Statements (cont'd)

13. Biological assets

	Group	
	2016 RM'000	2015 RM'000
Broiler inventories	25,011	24,726
Parent stock	18,351	15,451
Hatching eggs	6,582	5,886
	49,944	46,063

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

	Group	
	2016 RM'000	2015 RM'000
Reconciliation of changes in the carrying value		
At 1 January	46,063	40,094
Additions	479,033	462,055
Fair value measurement	5,154	4,587
Sales	(480,306)	(460,673)
At 31 December	49,944	46,063

14. Cash and cash equivalents

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Deposits placed with licensed banks	291,040	252,285	36,482	41,371
Cash and bank balances	80,150	21,392	25,189	7,658
	371,190	273,677	61,671	49,029

15. Capital and reserves

Share capital

	Group and Company			
	Amount 2016 RM'000	Number of shares 2016 '000	Amount 2015 RM'000	Number of shares 2015 '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	275,120	550,239	269,114	538,228
Shares issued pursuant to the exercise of warrants	*0	*0	-	-
Shares issued as a consideration for a completed transaction	-	-	6,006	12,011
At 31 December	275,120	550,239	275,120	550,239

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

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

In the previous financial year, the Company increased its issued and paid-up capital from RM269,114,040 comprising of 538,228,080 ordinary shares of RM0.50 each to RM275,119,505 comprising of 550,239,010 ordinary shares of RM0.50 each, whereby 12,010,930 new ordinary shares of RM0.50 each were allotted on 30 December 2015 at an issue price of RM1.29 per ordinary share to satisfy the total consideration for the leasing of lands and the acquisition of additional equity interests in the Company's subsidiaries.

During the financial year, the Company issued 50 new ordinary shares of RM0.50 each for cash arising from the exercise of warrants at an exercise price of RM2.06 per ordinary share.

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

Share premium

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

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

Notes to the Financial Statements (cont'd)

15. Capital and reserves (cont'd)

Warrant reserve

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

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

Salient features of the Warrants are as follows:

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

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

	Number of Warrants
At 1 January 2015	107,639,556
Exercised during the year	-
At 31 December 2015/1 January 2016	107,639,556
Exercised during the year	(50)
At 31 December 2016	107,639,506

During the financial year, 50 Warrants were exercised which resulted in 50 new ordinary shares of RM0.50 each being allotted and issued, and thereafter listed on the Main Market of Bursa Securities on 26 August 2016.

15. Capital and reserves (cont'd)

Other capital reserve

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

Translation reserve

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

16. Trade and other payables, including derivatives

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables		65,877	107,621	5,787	7,368
Amount due to subsidiaries	16.1	-	-	148,039	120,662
Other payables and accruals	16.2	90,091	73,621	16,317	16,228
Financial liabilities at fair value through profit or loss:					
- future and option contracts		16,277	13,362	12,966	13,362
		172,245	194,604	183,109	157,620

16.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, repayable on demand and interest bearing (2015: interest bearing).

16.2 Other payables and accruals

Included in other payables and accruals of the Group and of the Company are deposits from customers of RM15,161,000 (2015: RM13,801,000) and RM206,000 (2015: RM203,000) respectively.

Notes to the Financial Statements (cont'd)

17. Loans and borrowings

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Unsecured term loans	56,792	53,560	41,450	52,560
Current				
Unsecured bankers' acceptances/ Unsecured revolving credits	914,748	739,450	344,352	355,203
Unsecured term loans	18,710	20,070	18,710	20,070
	933,458	759,520	363,062	375,273
Total loans and borrowings	990,250	813,080	404,512	427,833

Included in the Group's and the Company's loans and borrowings are unsecured bankers' acceptances/unsecured revolving credits denominated in USD of RM602,886,000 (2015: RM423,430,000) and RM143,552,000 (2015: RM135,353,000) respectively.

18. Operating profit

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating profit is arrived at after charging:					
Amortisation of intangible assets	4	257	318	61	56
Auditors' remuneration:					
- Audit services					
KPMG		330	309	95	80
Affiliates of KPMG		104	90	-	-
Other auditors		12	9	-	-
- Non-audit services					
KPMG		22	22	22	22
Affiliates of KPMG		109	107	27	22
Depreciation of investment properties	5	57	57	57	57
Depreciation of property, plant and equipment	3	47,382	42,398	15,022	14,035
Impairment loss of trade receivables		1,669	551	573	9
Interest expense from:					
- unsecured bankers' acceptances/unsecured revolving credits		20,074	18,829	10,007	8,372
- unsecured term loans		3,167	3,762	1,218	2,026
- subsidiaries		-	-	5,469	4,751

18. Operating profit (cont'd)

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating profit is arrived at after charging: (cont'd)					
Net unrealised loss on future and option contracts		2,915	14,110	-	12,689
Net realised loss on future and option contracts		20,638	706	23,884	3,432
Net unrealised loss on foreign exchange		1,840	-	-	-
Net realised loss on foreign exchange		4,307	13,606	3,774	1,151
Personnel expense (including key management personnel):					
- Contributions to Employees Provident Fund		11,042	10,596	4,941	4,615
- Wages, salaries and others		107,264	95,071	39,161	35,161
Property, plant and equipment written off		453	959	29	10
Rental expenses for premises		4,536	3,769	1,602	1,089
and after crediting:					
Bad debts recovered		1,215	109	-	-
Dividends from subsidiaries (unquoted):					
- tax exempt		-	-	23,943	26,157
Insurance recoveries		6,861	710	503	328
Interest income from:					
- deposit placed with licensed banks		12,720	13,972	1,431	746
- subsidiaries		-	-	9,465	9,470
Net fair value gain on biological assets		5,154	4,587	-	-
Net gain on disposal of property, plant and equipment		1,019	440	37	199
Net unrealised gain on future and option contracts		-	-	396	-
Net unrealised gain on foreign exchange		-	1,124	515	580
Rental income from:					
- investment properties	5	361	335	397	370
- others		-	-	4,844	3,343
Reversal of impairment loss of trade receivables		185	625	-	-

Notes to the Financial Statements (cont'd)

19. Tax expense

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Recognised in the income statements				
Current tax expense				
Malaysian - current year	3,877	4,983	1,214	1,140
- prior year	171	(457)	(158)	(387)
Overseas - current year	11,340	7,967	-	-
- prior year	63	(1,007)	-	-
Total current tax expense	15,451	11,486	1,056	753
Deferred tax expense				
Origination and reversal of temporary differences	4,920	1,635	(1,537)	(887)
Effect of change in tax rate	-	326	-	309
(Over)/Under provision in prior year	(2,012)	1,023	(228)	677
Total deferred tax expense	2,908	2,984	(1,765)	99
Total tax expense	18,359	14,470	(709)	852
Reconciliation of tax expense				
Profit for the year	92,960	29,404	11,517	21,827
Total tax expense	18,359	14,470	(709)	852
Profit before tax	111,319	43,874	10,808	22,679
Tax at Malaysian tax rate of 24% (2015: 25%)	26,717	10,968	2,594	5,670
Effect of tax rates in foreign jurisdiction	(3,640)	(3,202)	-	-
Non-deductible expenses	1,576	8,628	4,093	2,836
Non-taxable income	-	-	(7,010)	(7,778)
Tax incentives	-	(125)	-	(120)
Effect of change in tax rate	-	326	-	309
Recognition of previously unrecognised deferred tax assets	(4,516)	(1,329)	-	-
Recognition of unutilised reinvestment allowances	-	(355)	-	(355)
(Over)/Under provision in prior year	(1,778)	(441)	(386)	290
	18,359	14,470	(709)	852

20. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the financial year ended 31 December 2016 was based on the profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

	2016 RM'000	Group 2015 RM'000
Profit attributable to ordinary shareholders of the Company	80,835	20,545
	'000	'000
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	550,239	538,228
Effect of ordinary shares issued during the financial year	*0	99
	550,239	538,327
Basic earnings per ordinary share (sen)	14.69	3.82

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

Diluted earnings per ordinary share

The diluted earnings per ordinary share amounts are 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.

Notes to the Financial Statements (cont'd)

21. Dividends

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2016			
Interim 2016 ordinary	3.00	16,507	15 September 2016
Second interim 2015 ordinary	2.00	11,005	25 March 2016
		27,512	
2015			
Interim 2015 ordinary	2.00	10,765	4 September 2015
Second interim 2014 ordinary	3.50	18,838	25 March 2015
		29,603	

On 23 February 2017, the Directors declared a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM19,258,000 in respect of the financial year ended 31 December 2016, which will be paid on 24 March 2017.

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

22. Operating segments

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

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

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

The Group's other operations include companies that had ceased operations in prior years and dormant companies. None of these segments meets any of the quantitative threshold for determining reportable segments in 2016 or 2015.

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.

22. Operating segments (cont'd)

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

	Flour and grains trading		Poultry integration		Others		Eliminations		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Business segments										
Revenue from external customers	1,735,377	1,570,320	803,309	731,587	-	-	-	-	2,538,686	2,301,907
Inter-segment revenue	52,471	180,277	21,830	29,515	-	-	(74,301)	(209,792)	-	-
Total segment revenue	1,787,848	1,750,597	825,139	761,102	-	-	(74,301)	(209,792)	2,538,686	2,301,907
Results from operating activities										
	53,684	44,746	61,454	29,675	(29)	9	-	-	115,109	74,430
Interest expense	(23,355)	(22,298)	(14,820)	(14,515)	-	-	14,934	14,222	(23,241)	(22,591)
Interest income	23,168	24,081	4,486	4,113	-	-	(14,934)	(14,222)	12,720	13,972
Share of profit/(loss) of equity accounted joint venture, net of tax	6,409	(21,801)	-	-	-	-	-	-	6,409	(21,801)
Share of profit/(loss) of equity accounted associates, net of tax	322	(136)	-	-	-	-	-	-	322	(136)
Profit/(Loss) before tax	60,228	24,592	51,120	19,273	(29)	9	-	-	111,319	43,874
Depreciation and amortisation	(22,523)	(20,870)	(25,173)	(21,903)	-	-	-	-	(47,696)	(42,773)
Tax expense	(11,678)	(9,604)	(6,681)	(4,866)	-	-	-	-	(18,359)	(14,470)
Insurance recoveries	1,530	328	5,331	382	-	-	-	-	6,861	710
Non-cash expenses other than depreciation and amortisation	(2,042)	(14,162)	(3,476)	(4,585)	-	-	-	-	(5,518)	(18,747)
Capital expenditure	(34,930)	(57,415)	(39,787)	(43,262)	-	-	-	-	(74,717)	(100,677)
Segment assets	1,555,069	1,271,350	476,384	556,340	11,065	(3)	-	-	2,042,518	1,827,687
Investment in a joint venture	44,563	34,634	-	-	-	-	-	-	44,563	34,634
Investments in associates	-	-	-	1,850	992	1,033	-	-	992	2,883
Total segments assets	1,599,632	1,305,984	476,384	558,190	12,057	1,030	-	-	2,088,073	1,865,204

Notes to the Financial Statements (cont'd)

22. Operating segments (cont'd)

Geographical segments

	Malaysia		Vietnam		Consolidated	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue from external customers	1,794,445	1,573,752	744,241	728,155	2,538,686	2,301,907
Non-current assets	607,695	587,117	123,954	104,771	731,649	691,888

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 2016 (2015: Nil).

23. Financial instruments

23.1 Categories of financial instruments

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

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL);
- (c) Available-for-sale financial assets (AFS); and
- (d) Financial liabilities measured at amortised cost (FL).

2016	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
Financial assets					
Group					
Other investment	10	2,213	-	-	2,213
Trade and other receivables, including derivatives	11	471,916	456,150	15,766	-
Cash and cash equivalents	14	371,190	371,190	-	-
		845,319	827,340	15,766	2,213
Company					
Trade and other receivables, including derivatives	11	302,632	301,853	779	-
Cash and cash equivalents	14	61,671	61,671	-	-
		364,303	363,524	779	-

23. Financial instruments (cont'd)

23.1 Categories of financial instruments (cont'd)

2016	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000	AFS RM'000
Financial liabilities					
Group					
Trade and other payables, including derivatives	16	(172,245)	(155,968)	(16,277)	-
Loans and borrowings	17	(990,250)	(990,250)	-	-
		(1,162,495)	(1,146,218)	(16,277)	-
Company					
Trade and other payables, including derivatives	16	(183,109)	(170,143)	(12,966)	-
Loans and borrowings	17	(404,512)	(404,512)	-	-
		(587,621)	(574,655)	(12,966)	-
2015					
Financial assets					
Group					
Trade and other receivables, including derivatives	11	380,613		379,810	803
Cash and cash equivalents	14	273,677		273,677	-
		654,290		653,487	803
Company					
Trade and other receivables, including derivatives	11	343,145		343,125	20
Cash and cash equivalents	14	49,029		49,029	-
		392,174		392,154	20

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.1 Categories of financial instruments (cont'd)

2015 Financial liabilities	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
Group				
Trade and other payables, including derivatives	16	(194,604)	(181,242)	(13,362)
Loans and borrowings	17	(813,080)	(813,080)	-
		(1,007,684)	(994,322)	(13,362)
Company				
Trade and other payables, including derivatives	16	(157,620)	(144,258)	(13,362)
Loans and borrowings	17	(427,833)	(427,833)	-
		(585,453)	(572,091)	(13,362)

23.2 Net gains and losses arising from financial instruments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Net (losses)/gains on:				
Fair value through profit or loss:				
- foreign currency forward contracts	14,963	(4,451)	759	(47)
- future and option contracts	(23,553)	(14,816)	(23,488)	(16,121)
Loans and receivables	11,050	14,046	10,321	10,207
Financial liabilities measured at amortised cost	(44,351)	(30,622)	(20,712)	(15,672)
	(41,891)	(35,843)	(33,120)	(21,633)

23.3 Financial risk management

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

23. Financial instruments (cont'd)

23.4 Credit risk

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

Receivables

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk and credit quality

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 3 months, which are deemed to have higher credit risk, are monitored individually. The trade receivables balances which are past due more than 3 months but not impaired for the Group and the Company amounted to RM1,202,000 (2015: RM1,622,000) and RM Nil (2015: Nil), respectively.

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Malaysia	252,640	220,039	69,138	66,506
Vietnam	81,576	80,007	-	-
	334,216	300,046	69,138	66,506

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At 1 January	3,368	3,557	531	622
Impairment loss recognised	1,669	551	573	9
Impairment loss reversed	(185)	(625)	-	-
Impairment loss written off	(1,534)	(219)	(452)	(100)
Effect of movements in exchange rates	41	104	-	-
At 31 December	3,359	3,368	652	531

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to 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.

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

Intercompany advances

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

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

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

23.5 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

	Note	Group		Company	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	14	291,040	252,285	36,482	41,371
Unsecured bankers' acceptances/ Unsecured revolving credits	17	(914,748)	(739,450)	(344,352)	(355,203)
		(623,708)	(487,165)	(307,870)	(313,832)
Floating rate instruments					
Unsecured term loans	17	(75,502)	(73,630)	(60,160)	(72,630)

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.5 Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

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

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

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

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

	Equity		Profit or loss	
	50 bp increase RM'000	50 bp decrease RM'000	50 bp increase RM'000	50 bp decrease RM'000
Group				
2016				
Floating rate instruments	(287)	287	(287)	287
2015				
Floating rate instruments	(276)	276	(276)	276
Company				
2016				
Floating rate instruments	(228)	228	(228)	228
2015				
Floating rate instruments	(272)	272	(272)	272

23.6 Foreign currency risk

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

23. Financial instruments (cont'd)

23.6 Foreign currency risk (cont'd)

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

		Denominated in USD	
	Note	2016 RM'000	2015 RM'000
Group			
Unsecured bankers' acceptances/Unsecured revolving credits	17	(602,886)	(423,430)
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	11	15,766	803
		(587,120)	(422,627)
Company			
Unsecured bankers' acceptances/Unsecured revolving credits	17	(143,552)	(135,353)
Financial assets at fair value through profit or loss:			
- foreign currency forward contracts	11	779	20
		(142,773)	(135,333)

Currency risk sensitivity analysis

A 5 percent (2015: 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.

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.6 Foreign currency risk (cont'd)

Currency risk sensitivity analysis (cont'd)

	2016		2015	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group				
USD	(6,846)	6,846	(3,894)	3,894
Company				
USD	232	(232)	(418)	418

23.7 Liquidity risk

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

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

Maturity analysis

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

Group	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2016							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	155,968	-	155,968	155,968	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	17	914,748	1.41 – 4.05	922,352	922,352	-	-
Unsecured term loans	17	75,502	4.78 – 4.95	82,549	22,279	39,630	20,640

23. Financial instruments (cont'd)

23.7 Liquidity risk (cont'd)

Maturity analysis (cont'd)

Group	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2016							
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	11	-	-	427,112	427,112	-	-
Inflow	11	(15,766)	-	(442,878)	(442,878)	-	-
Future and option contracts (gross settled):							
Outflow	16	16,277	-	217,684	217,684	-	-
Inflow	16	-	-	(201,407)	(201,407)	-	-
		1,146,729		1,161,380	1,101,110	39,630	20,640
2015							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	181,242	-	181,242	181,242	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	17	739,450	1.13 - 5.18	745,442	745,442	-	-
Unsecured term loans	17	73,630	4.88 - 5.10	79,794	23,123	37,499	19,172
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	11	-	-	316,925	316,925	-	-
Inflow	11	(803)	-	(317,728)	(317,728)	-	-
Future and option contracts (gross settled):							
Outflow	16	13,362	-	124,077	124,077	-	-
Inflow	16	-	-	(110,715)	(110,715)	-	-
		1,006,881		1,019,037	962,366	37,499	19,172

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.7 Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2016							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	170,143	-	170,143	170,143	-	-
Unsecured bankers' acceptances/Unsecured revolving credits	17	344,352	1.42 – 4.05	347,393	347,393	-	-
Unsecured term loans	17	60,160	4.88 – 4.93	64,570	21,172	38,164	5,234
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	11	-	-	149,659	149,659	-	-
Inflow	11	(779)	-	(150,438)	(150,438)	-	-
Future and option contracts (gross settled):							
Outflow	16	12,966	-	130,091	130,091	-	-
Inflow	16	-	-	(117,125)	(117,125)	-	-
		586,842		594,293	550,895	38,164	5,234

23. Financial instruments (cont'd)

23.7 Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2015							
<i>Non-derivative financial liabilities</i>							
Trade and other payables	16	144,258	-	144,258	144,258	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	17	355,203	1.13 - 4.69	359,280	359,280	-	-
Unsecured term loans	17	72,630	4.88 - 5.10	79,498	23,077	37,399	19,022
<i>Derivative financial liabilities</i>							
Foreign currency forward contracts (gross settled):							
Outflow	11	-	-	124,196	124,196	-	-
Inflow	11	(20)	-	(124,216)	(124,216)	-	-
Future and option contracts (gross settled):							
Outflow	16	13,362	-	124,077	124,077	-	-
Inflow	16	-	-	(110,715)	(110,715)	-	-
		585,433		596,378	539,957	37,399	19,022

Notes to the Financial Statements (cont'd)

23. Financial instruments (cont'd)

23.8 Fair value information

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

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

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

23.8.1 Fair value hierarchy

Fair value of financial instruments carried at fair value

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Group			
2016			
Financial asset			
Foreign currency forward contracts	-	15,766	15,766
Financial liability			
Future and option contracts	16,277	-	16,277
2015			
Financial assets			
Foreign currency forward contracts	-	803	803
Financial liability			
Future and option contracts	13,362	-	13,362
Company			
2016			
Financial asset			
Foreign currency forward contracts	-	779	779
Financial liability			
Future and option contracts	12,966	-	12,966
2015			
Financial asset			
Foreign currency forward contracts	-	20	20
Financial liability			
Future and option contracts	13,362	-	13,362

23. Financial instruments (cont'd)

23.8.1 Fair value hierarchy (cont'd)

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2015: no transfer in either directions).

24. Capital management

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

The debt-to-equity ratios at 31 December 2016 and 31 December 2015 were as follows:

	Note	2016 RM'000	Group 2015 RM'000
Total borrowings	17	990,250	813,080
Less: Cash and cash equivalents	14	(371,190)	(273,677)
Net debt		619,060	539,403
Total equity		917,397	851,704
Debt-to-equity ratio		0.67	0.63

25. Capital and other commitments

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment				
Authorised but not contracted for	575,964	386,401	-	-
Contracted but not provided for	118,300	111,753	7,994	9,431
Investment in a joint venture				
Authorised but not contracted for	-	18,763	-	18,763

Notes to the Financial Statements (cont'd)

26. Related parties

Identity of related parties

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

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

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

Significant related party transactions

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

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
A. Subsidiaries				
Sales of goods	-	-	42,923	42,692
Rental of premises	-	-	90	80
Rental of furniture and fittings	-	-	147	147
Rental of equipment	-	-	4,610	3,109
Rental of motor vehicles	-	-	33	33
Interest income	-	-	9,465	9,470
Interest expense	-	-	(5,469)	(4,751)
B. Key management personnel				
- Fees	880	760	840	720
- Remuneration	4,841	5,964	3,911	5,062
- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	278	414	181	207
Total short-term employee benefits	5,999	7,138	4,932	5,989

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 Securities Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of the Company and its subsidiaries:				
- realised	477,755	441,691	210,894	241,674
- unrealised	5,045	(278)	7,082	(7,703)
	482,800	441,413	217,976	233,971
Total share of accumulated losses of a joint venture:				
- realised	(38,280)	(34,134)	-	-
- unrealised	5,312	(5,990)	-	-
	(32,968)	(40,124)	-	-
Total retained earnings before consolidation adjustments	449,832	401,289	217,976	233,971
Less: Consolidation adjustments	(25,373)	(18,291)	-	-
Total retained earnings	424,459	382,998	217,976	233,971

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

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 68 to 136 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 2016 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 137 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
Director

Teh Wee Chye
Director

Kuala Lumpur
23 March 2017

Statutory Declaration

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

I, **Goh Swee Eng**, 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 68 to 137 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 Goh Swee Eng, at Kuala Lumpur in the State of Wilayah Persekutuan on 23 March 2017.

Goh Swee Eng

Before me:

D. Selvaraj (W320)
Commissioner for Oaths
Kuala Lumpur

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malayan Flour Mills Berhad, which comprise the balance sheets as at 31 December 2016 of the Group and of the Company, and the income statements, statement of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 136.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Assessment on the carrying amount of investment in a joint venture

Refer to Note 2(k) – Significant accounting policies: Impairment and Note 7 – Investment in a joint venture.

The key audit matter

The Group has a material investment in a joint venture in Indonesia. As at 31 December 2016, the investment in the joint venture to the Group and to the Company was at RM77.5 million. The Group's share of accumulated negative reserves of the joint venture was RM32.9 million as at 31 December 2016.

We have identified the recoverable amount of the investment in the joint venture as a key audit matter for the Group and for the Company as the recoverable amount is based on estimated future cash flow projections that involved judgments and assumptions about the progress and future results of the joint venture.

Key Audit Matters (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, amongst others:

- (i) Compared the joint venture's cash flow projections to its approved business plan and also compared the previous cash flow projections to actual results to assess the performance of the business and the reliability of management's forecasting process;
- (ii) Assessed the reasonableness of the key assumptions used in the cash flow projections, in particular, those relating to growth rate and discount rate by comparing them to externally derived data as well as our own assessments which took into account historical trends and other corroborative evidence available; and
- (iii) Assessed the adequacy of the Group's disclosures over those key assumptions that are sensitive to the outcome of the recoverable amount.

Assessment on the valuation of biological assets

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

The key audit matter

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

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

How the matter was addressed in our audit

We performed the following audit procedures, amongst others:

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Information Other than the Financial Statements and Auditors' Report Thereon (cont'd)

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

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Other Reporting Responsibilities

The supplementary information set out in Note 27 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on 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*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

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

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

Petaling Jaya
23 March 2017

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

Analysis of Shareholdings

As at 31 March 2017

Share Capital - RM275,119,633
 Class and Number of Issued Shares - 550,239,110 ordinary shares

11,415 shareholders

Voting rights: One vote for one share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Issued Shares	% of Issued Shares
Less than 100	1,458	12.77	14,898	0.00
100 to 1,000	1,052	9.22	716,548	0.13
1,001 - 10,000	5,821	50.99	30,106,964	5.47
10,001 - 100,000	2,786	24.41	82,335,045	14.96
100,001 to less than 5% of issued shares	293	2.57	267,180,182	48.56
5% and above of issued shares	5	0.04	169,885,473	30.88
	11,415	100.00	550,239,110	100.00

Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
1. HSBC Nominees (Asing) Sdn Bhd [Exempt An for Credit Suisse (SG BR-TST-ASING)]	48,000,000	8.72
2. Duangmanee Liewphairatana	32,880,875	5.98
3. Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	31,970,226	5.81
4. Yong Kok Yian	28,534,372	5.19
5. Teh Wee Chye	28,500,000	5.18
6. Thye Nam Loong Holdings Sdn Bhd	26,916,410	4.89
7. Astar Commercial Limited	23,815,000	4.33
8. UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	17,502,860	3.18
9. Zalaraz Sdn Bhd	15,499,800	2.82
10. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub)	15,222,000	2.77
11. Amble Volume Sdn Bhd	13,710,000	2.49
12. Perbadanan Pembangunan Pertanian Negeri Perak	12,010,930	2.18
13. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd)	11,168,645	2.03
14. Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Seri Utama Arshad bin Ayub)	10,000,000	1.82

Analysis of Shareholdings (cont'd)

As at 31 March 2017

Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
15. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	7,860,855	1.43
16. Favourite Access Sdn Bhd (in liquidation)	5,000,000	0.91
17. Solid Esteem Sdn Bhd	4,320,000	0.79
18. HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Prakash A/L K.V.P Menon)	4,240,000	0.77
19. Teh Li Choo	3,279,310	0.60
20. Citigroup Nominees (Asing) Sdn Bhd (CBNY for Dimensional Emerging Markets Value Fund)	3,117,950	0.57
21. Lim Kooi Wah	3,076,000	0.56
22. CIMSEC Nominees (Asing) Sdn Bhd (CIMB Bank for Abdul Aziz bin Mohamed Hussain)	2,975,000	0.54
23. Yeoh Phek Leng	2,580,000	0.47
24. Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	2,445,200	0.44
25. Allison Foo May Ling	2,000,000	0.36
26. Dato' Hj Shahrudin bin Hj Haron	2,000,000	0.36
27. Amanahraya Trustees Berhad (Public Islamic Opportunities Fund)	1,924,400	0.35
28. Citigroup Nominees (Asing) Sdn Bhd (CBNY for DFA Emerging Markets Small Cap Series)	1,802,150	0.33
29. Teo Soo Cheng Sdn Berhad	1,650,000	0.30
30. Ong Ah Yiew @ Ong Keng Wah	1,613,000	0.29

Substantial Shareholders

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Teh Wee Chye	61,462,477	11.17	38,823,220 ⁽¹⁾	7.06
Duangmanee Liewphairatana	32,880,875	5.98	27,591,575 ⁽²⁾	5.01
Teh Wee Kok	-	-	27,591,575 ⁽³⁾	5.01
Yong Kok Yian	28,534,372	5.19	5,000,000 ⁽⁴⁾	0.91
Thye Nam Loong Holdings Sdn Bhd	26,916,410	4.89	675,165 ⁽⁵⁾	0.12
Tan Sri Dato' Seri Utama Arshad bin Ayub	25,222,000	4.58	15,499,800 ⁽⁶⁾	2.82

Directors' Interests in the Company and its Related Corporations

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	25,222,000	4.58	15,499,800 ⁽⁶⁾	2.82
Teh Wee Chye	61,462,477	11.17	38,823,220 ⁽¹⁾	7.06
Dato' Hj Shaharuddin bin Hj Haron	2,000,000	0.36	-	-
Datuk Oh Chong Peng	5,150	0.00	-	-
Dato' Wira Zainal Abidin bin Mahamad Zain	5,000	0.00	-	-
Prakash A/L K.V.P Menon	4,240,000	0.77	-	-
Azhari Arshad	-	-	15,499,800 ⁽⁷⁾	2.82

Director, Teh Wee Chye is deemed to have interests in all the shares held by the Company in its related corporations by virtue of his substantial shareholdings in the Company.

Notes:

- (1) Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholdings of his spouse.
- (2) Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd and Suai Timber Products Sdn Bhd.
- (3) Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd and Suai Timber Products Sdn Bhd.
- (4) Deemed interested through Favourite Access Sdn Bhd.
- (5) Deemed interested through Thye Nam Loong Sdn Bhd and Suai Timber Products Sdn Bhd.
- (6) Deemed interested through Zalaraz Sdn Bhd.
- (7) Deemed interested through Zalaraz Sdn Bhd.

Analysis of Warrant Holdings

As at 31 March 2017

Unexercised Warrants - 107,639,456
 Exercise Price - RM2.06
 Expiry Date - 9 May 2017

Size of Holdings	No. of Warrant holders	% of Warrant holders	No. of Warrants	% of Warrants
Less than 100	1,338	28.82	11,918	0.01
100 to 1,000	1,138	24.52	871,560	0.81
1,001 - 10,000	1,545	33.28	5,527,122	5.13
10,001 - 100,000	471	10.15	18,734,964	17.41
100,001 to less than 5% of Warrants	148	3.19	70,562,610	65.55
5% and above of Warrants	2	0.04	11,931,282	11.09
	4,642	100.00	107,639,456	100.00

Thirty (30) Largest Warrant holders	No. of Warrants	Percentage Holding (%)
1. Teh Wee Chye	6,548,000	6.08
2. Thye Nam Loong Holdings Sdn Bhd	5,383,282	5.00
3. Astar Commercial Limited	4,763,000	4.42
4. UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	3,500,572	3.25
5. Amble Volume Sdn Bhd	2,742,000	2.55
6. Yong Yoong Thiam	2,500,000	2.32
7. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd)	2,233,729	2.08
8. Mohamed Harith bin Abdul Kadir	2,050,400	1.90
9. Khor Poh Sheng	2,000,000	1.86
10. Tranz-I Technology (M) Sdn Bhd	1,602,100	1.49
11. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	1,572,171	1.46
12. Muhd Abd Muiz Al-Amin bin Muhammad Firdaus	1,500,000	1.39
13. Donny Woon	1,118,300	1.04
14. Favourite Access Sdn Bhd (in liquidation)	1,000,000	0.93
15. HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chang Soo Fun)	1,000,000	0.93
16. Muhd Abd Muiz Al-Amin bin Muhammad Firdaus	1,000,000	0.93
17. Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chung Sai Kong)	970,000	0.90
18. Lim Chee Kim	900,000	0.84

Thirty (30) Largest Warrant holders	No. of Warrants	Percentage Holding (%)
19. Lim Kean Wei	900,000	0.84
20. Surendran A/L Sangeran	900,000	0.84
21. Kam Sai Hoor	894,800	0.83
22. Solid Esteem Sdn Bhd	864,000	0.80
23. Chow Sin @ Chow Thian Yeen	800,000	0.74
24. Samudin bin Kusin	800,000	0.74
25. Tan Kar Khai	750,000	0.70
26. Koh Yee Leck	700,000	0.65
27. Mohamed Harith bin Abdul Kadir	650,800	0.60
28. Tan Kar Khai	650,000	0.60
29. Affin Hwang Investment Bank Berhad	644,600	0.60
30. Chui Sow Chee	619,100	0.58

Directors' Interests in the Company

Name	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	-	-	-	-
Teh Wee Chye	6,554,500	6.09	7,765,044 ⁽¹⁾	7.21
Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37	-	-
Datuk Oh Chong Peng	1,050	0.00	-	-
Dato' Wira Zainal Abidin bin Mahamad Zain	1,000	0.00	-	-
Prakash A/L K.V.P Menon	-	-	-	-
Azhari Arshad	-	-	-	-

Notes:

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

List of Properties

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-16 RM
Freehold land with shop houses GRN 116112 Lot 3618 Section 4 GRN 116113 Lot 3619 Section 4 Town of Butterworth District of Seberang Perai Utara Penang Total: 1.44 acres	Shoplot	56	9 Sept 1996	3,151,000
Freehold land with residential building GRN 29231 Lot 449 Section 67 District of Kuala Lumpur Federal Territory Total: 1.00 acre	Commercial land and building	77	4 Dec 1996	1,586,000
Freehold land Lots 5326, 5327 and part of Lots 5331 & 5332 District of Dindings Perak Darul Ridzuan Total: 9.00 acres	Vacant land	-	1981	72,000
Leasehold land and buildings Lots 4902 (expiring on 11-12-2061) 5337 (expiring on 25-4-2075) 5466 & 5336 (expiring on 22-11-2090) PT 4333 HSD 28222/PT 4334 HSD 28223 (expiring on 25-4-2075) Mukim of Lumut, District of Dindings Perak Darul Ridzuan Total: 61.43 acres	Office and factory	35-50	6 Oct 1998	94,897,000
Freehold land with shop houses Grant No. 36370, Lot No. 12256 Mukim of Pulau District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Shoplot	37	1991	144,000
Leasehold land with building HSD 238626, Lot PTD 119736 (expiring on 28-2-2051) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 10.1 acres	Office and factory	24	3 Feb 1995	68,242,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-16 RM
Leasehold land with building HSD 34668 PTD 6411 (expiring on 22-7-2096) Mukim of Batu Berendam District of Melaka Tengah Melaka Darul Azim Total: 0.13 acre	Shoplot	19	1997	382,000
Freehold land with building HS(D) 212786 PTB 18284 Bandar Johor Bahru District of Johor Bahru Johor Darul Takzim Total: 0.13 acre	Factory	17	1999	478,000
Leasehold land HS(D) 503714 PTD 209638 (expiring on 2-4-2072) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 4.57 acres	Vacant land	5	2011	2,841,000
Leasehold land with buildings HSD 30841 PT 13521 HSD 30845 PT 13525 HSD 30844 PT 13524 (expiring in 2075) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 200 acres	Breeder farm and factory	27	2015	10,265,000
Leasehold land with building PN 108306, Lot 6478 (expiring on 3-11-2093) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 16.1 acres	Office and factory	26	10 Mar 1995	1,784,000
Freehold land with house GRN 160946 Lot 45520 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Residential house	25	2017	155,000

List of Properties (cont'd)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-16 RM
Leasehold land with farm buildings PN370859 Lot 23679 HSD 35899 PT 18500 HSD 35900 PT 18501 (expiring in 2075) Mukim of Pengkalan Bahru District of Manjung Perak Darul Ridzuan Total: 464.96 acres	Broiler farm	24	2015	59,835,000
Freehold land Grant 1784, Lot 12653 Mukim of Sitiawan District of Dindings Perak Darul Ridzuan Total: 17 acres	Vacant land	-	1997	271,000
Freehold land GM 3937, Lot 12553 Mukim of Bagan Serai District of Kerian Perak Darul Ridzuan Total: 2.19 acres	Vacant land	-	1990	1
Land Use Rights with building (expiring on 31-8-2024) Cai Lan, Quang Ninh Province The Socialist Republic of Vietnam Total: 17.30 acres	Office and factory	19	1994	20,832,000
Freehold land with farm buildings HS(M) 15129 PTD 21255 Mukim of Sri Gading District of Batu Pahat Johor Darul Takzim Total: 17.84 acres	Breeder farm	20	2000	7,996,000
Land Use Rights with building (expiring on 30-6-2048) Phu My Industrial Zone I Tan Thanh District Baria - Vungtau Province The Socialist Republic of Vietnam Total: 17.29 acres	Office and factory	14	2000	16,342,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-16 RM
Leasehold land with farm buildings PN 378132 Lot 5471 PN 378133 Lot 5472 (expiring on 7-5-2034) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 25.81 acres	Breeder farm	6	2010	3,606,000
Freehold land with farm buildings Geran Nos 110919, 110936, 110937 110940 & 110941 Lots 65276, 65297, 65298, 65301 & 65302 Mukim of Sungai Terap District of Kinta Perak Darul Ridzuan Total: 25.91 acres	Broiler farm	5	2011	7,228,000
Freehold land with farm buildings Geran No. 53949 Lot 3997 Mukim of Tawar District of Baling Kedah Darul Aman Total: 116.83 acres	Breeder farm	5	2011	27,877,000
Leasehold land PN361705 Lot 15656 PN361706 Lot 15657 (expiring on 13-3-2096) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 10.58 acres	Vacant land	-	2012	5,912,000
Freehold land Geran No. 43156 Lot 4656 Geran No. 11810 Lot 9132 Mukim of Lenggong District of Hulu Perak Perak Darul Ridzuan Total: 95.54 acres	Vacant land	-	2013	7,981,000

List of Properties (cont'd)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-16 RM
Leasehold land HS(M) 42038 PT65617 (expiring on 7-12-2110) Mukim of Kapar District of Klang Selangor Darul Ehsan Total: 10.83 acres	Vacant land	-	2014	15,294,000
Freehold land GRN 65374 Lot 3160 GRN 61255 Lot 3163 Mukim of Lenggong District of Hulu Perak Perak Darul Ridzuan Total: 21.67 acres	Vacant Land	-	2014	1,963,000
Freehold land Geran No. 364, Lot 1029 Geran No. 413, Lot 272 Geran No. 435, Lot 969 Geran No. 659, Lot 965 Geran No. 785, Lot 968 Geran No. 980, Lot 971 Geran No. 981, Lot 972 Geran No. 982, Lot 973 Geran No. 983, Lot 974 Geran No. 984, Lot 975 Geran No. 985, Lot 976 Geran No. 986, Lot 966 Geran No. 987, Lot 967 Geran No. 988, Lot 980 Geran No. 989, Lot 981 Geran No. 993, Lot 274 Geran No. 994, Lot 275 Geran No. 996, Lot 278 Geran No. 997, Lot 279 Geran No. 1001, Lot 1046 Geran No. 1003, Lot 970 Geran No. 2385, Lot 977 Geran No. 2388, Lot 1301 Geran No. 2390, Lot 1300 Geran No. 2444, Lot 978 Geran No. 2445, Lot 979 Geran No. 2464, Lot 1033 Geran No. 2915, Lot 1034	Vacant Land	-	2014	8,643,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-16 RM
Geran No. 2925, Lot 1035 Geran No. 1092, Lot 964 Geran No. 365, Lot 1030 Geran No. 373, Lot 1036 Geran No. 392, Lot 1031 Geran No. 594, Lot 1032 Geran No. 753, Lot 276 Geran No. 976, Lot 1037 Geran No. 992, Lot 273 Geran No. 995, Lot 277 Geran No. 998, Lot 281 Geran No. 1002, Lot 1305 Geran No. 1138, Lot 1304 Geran No. 2383, Lot 280 Geran No. 2386, Lot 1302 Geran No. 2387, Lot 1303 Mukim of Beriah District of Kerian Perak Darul Ridzuan Total: 102.93 acres				
Freehold land with building Geran No. 2935 Lot 102 Geran No. 2949 Lot 101 Mukim of Pengkalan Baharu District of Manjung Perak Darul Ridzuan Total: 2.54 acres	Broiler farm	2	2014	1,768,000
Leasehold land PN 296140 Lot 15562 (expiring on 9-7-2105) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 5.172 acres	Vacant land	-	2015	4,686,000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Seventh Annual General Meeting of Malayan Flour Mills Berhad will be held at the Auditorium, 3rd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 25 May 2017 at 10.00 a.m. for the following purposes:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. [Please refer to Explanatory Notes].
2. To re-elect Mr Teh Wee Chye who retires by rotation in accordance with Article 111 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 1)**
3. To re-appoint Tan Sri Dato' Seri Utama Arshad bin Ayub as Director of the Company. **(Resolution 2)**
4. To re-appoint Dato' Hj Shahrudin bin Hj Haron as Director of the Company. **(Resolution 3)**
5. To re-appoint Datuk Oh Chong Peng as Director of the Company. **(Resolution 4)**
6. To approve the payment of Directors' fees of RM840,000 for the financial year ended 31 December 2016. **(Resolution 5)**
7. To approve the payment of benefits payable to the Directors with effect from 31 January 2017. **(Resolution 6)**
8. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **(Resolution 7)**

9. As Special Business:-

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

9.1 Ordinary Resolution

(Resolution 8)

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

“**THAT** subject to the Companies Act 2016 and approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

9.2 Ordinary Resolution

(Resolution 9)

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

“**THAT** subject to the Companies Act 2016, the provisions of the Articles of Association of the Company, Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements and approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad (“Company”) and its subsidiary companies (“Malayan Flour Mills Group”) to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad, the nature of which is set out in Section 2 of the Circular to Shareholders dated 28 April 2017 for the purposes of paragraph 10.09 of Bursa Securities Main Market Listing Requirements, subject to the following:-

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

Notice of Annual General Meeting (cont'd)

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

9.3 Ordinary Resolution

(Resolution 10)

Proposed Renewal of Authority for Share Buy-Back

“THAT subject to the Companies Act 2016, the provisions of the Memorandum and Articles of Association of the Company, Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares in the Company (“Proposed Share Buy-back”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this Resolution does not exceed ten per cent (10%) of the total number of issued shares of the Company as at the point of purchase and that an amount not exceeding the Company’s retained profits at the time of the purchase(s) will be allocated by the Company for the Proposed Share Buy-back;

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

- (a) the conclusion of the annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either conditionally or subject to conditions; or

- (b) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by shareholders in a general meeting,

whichever occurs first;

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the repurchased shares) in accordance with the Companies Act 2016, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of the Bursa Securities and all other relevant governmental and/or regulatory authorities and to do all such things as the said Directors may deem fit and expedient in the best interest of the Company.”

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

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Company Secretary

Kuala Lumpur
28 April 2017

Notice of Annual General Meeting (cont'd)

Notes:-

1. A member entitled to attend, speak and vote at the 57th Annual General Meeting is entitled to appoint not more than two (2) proxies to attend, speak and to vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
4. Notwithstanding the above, an exempt authorised nominee may appoint multiple proxies in respect of each Omnibus Account held.
5. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or the hand of the attorney duly authorised.
6. **The Form of Proxy shall not be treated as valid unless the posted Form is received or the Form is deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. Forms of Proxy transmitted by fax or email will not be accepted. The Company will not accept any photocopies of the form of proxy in place of the original signed copy.**
7. For the purpose of determining a member who shall be entitled to attend this 57th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at **18 May 2017**. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

Explanatory Notes to Ordinary and Special Business

Item 1 of the Agenda

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

Resolutions 2, 3 and 4

With the enforcement of the Companies Act 2016 ("CA 2016") on 31 January 2017, there is no age limit for directors.

At the 56th AGM of the Company held on 17 May 2016, Tan Sri Dato' Seri Utama Arshad bin Ayub, Dato' Hj Shaharuddin bin Hj Haron and Datuk Oh Chong Peng, who are above the age of 70, were re-appointed pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the 57th AGM. As their term of office will end at the conclusion of the 57th AGM, and being eligible, they have offered themselves for re-appointment.

The proposed Ordinary Resolutions 2, 3 and 4, if passed, will enable Tan Sri Dato' Seri Utama Arshad bin Ayub, Dato' Hj Shaharuddin bin Hj Haron and Datuk Oh Chong Peng to continue to act as Directors of the Company and they shall subject to retirement by rotation at a later date.

Resolutions 5 and 6

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

In this respect, the Board wishes to seek shareholders' approval for the following payments to Directors at the 57th AGM:-

Resolution 5: Payment of Directors' Fees totalling RM840,000 in respect of the financial year ended 31 December 2016; and

Resolution 6: Payment of benefits payable to the Directors, which have been reviewed by the Remuneration Committee and Board of Directors of the Company, with effect from 31 January 2017.

The details of the benefits payable to the Directors are as follows:

Description	Chairman	Board Member
Board Committee Fee (per annum)	RM9,000	RM6,000
Meeting Allowance (per meeting)		
• Board	RM500	RM500
• Board Committee	RM300	RM300

Description	Chairman	Non-Executive Director
Benefits in kind	Car and Fuel benefit	Not Applicable

Resolution 8

The proposed Resolution 8 is for the purpose of seeking a renewal of the general mandate ("General Mandate") and if passed, will empower the Directors of the Company pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting ("AGM") of the Company.

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

As at the date of this Notice, no new share in the Company was issued pursuant to the General Mandate granted to the Directors at the 56th AGM of the Company held on 17 May 2016.

Resolution 9

The proposed Resolution 9, if passed, will enable Malayan Flour Mills Group to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad for the purposes of paragraph 10.09 of Bursa Securities Main Market Listing Requirements. This authority, subject to renewal thereat, will expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act 2016 (excluding any extension of such period as may be allowed under the Companies Act 2016) (unless earlier revoked or varied by Ordinary Resolution of the Company in a general meeting), whichever is earlier.

Resolution 10

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

Statement Accompanying Notice of Annual General Meeting

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

1. PARTICULARS OF DIRECTORS STANDING FOR RE-APPOINTMENT

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

(Non-Independent Non-Executive Chairman)

Tan Sri Dato' Seri Utama Arshad bin Ayub (Male), aged 88, a Malaysian, was appointed to the Board of the Company on 30 August 2002 and is presently the Chairman of the Company. He is also the Chairman of the Remuneration Committee as well as member of the Audit and Nomination Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science Degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies and listed issuers include Tomypak Holdings Berhad, Top Glove Corporation Berhad, Bistari Johor Berhad and Karex Berhad.

He has a direct interest of 4.58% in the Company which represents 25,222,000 ordinary shares and an indirect interest of 2.82% by virtue of his directorship and shareholding in Zalaraz Sdn Bhd which holds 15,499,800 ordinary shares in the Company.

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

(b) Dato' Hj Shaharuddin bin Hj Haron

(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron (Male), aged 78, a Malaysian, was appointed to the Board of the Company on 23 September 1993 and is presently the Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of the Company. He holds a Bachelor (Hons) Degree in Economics from the University of Malaya and a Masters Degree in Economics from the University of Pittsburgh, USA. He has a long and outstanding civil service record which began in 1963 when he joined the Economic Planning Unit of the Prime Minister's Department till 1979. He held various senior positions in the Government. He was the first Secretary of the Foreign Investment Committee (1974-1979), the Director General of Insurance in the Ministry of Finance (1983), the Director General of the National Padi and Rice Board (1985) and Secretary General of the Ministry of Public Enterprise (1986), Ministry of International Trade and Industry (1990) and Ministry of Domestic Trade and Consumer Affairs (1992). Presently, he sits on the Board of Gopeng Berhad and Latitude Tree Holdings Berhad.

He has a direct interest of 0.36% in the Company which represents 2,000,000 ordinary shares.

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

(c) Datuk Oh Chong Peng
(Independent Non-Executive Director)

Datuk Oh Chong Peng (Male), aged 72, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently a member of the Audit, Nomination and Remuneration Committees of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales (“ICAEW”) as well as a member of the Malaysian Institute of Certified Public Accountants (“MICPA”) and the Malaysian Institute of Accountants (“MIA”). He joined Coopers & Lybrand (now known as PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a Partner of Coopers & Lybrand Malaysia from 1974. He retired as a Senior Partner of Coopers & Lybrand in 1997 and then joined the Rashid Hussain Berhad Group of Companies in 1998 until 2003. He is currently the Independent Non-Executive Chairman of Alliance Financial Group Berhad and also sits on the boards of British American Tobacco (Malaysia) Berhad, WCE Holdings Berhad, Dialog Group Berhad and Saujana Resort (M) Berhad. He is a Government appointed member of the Labuan Offshore Financial Services Authority. He is a trustee of the UTAR Education Foundation and a council member of University Tunku Abdul Rahman. His past appointments included being a Government appointed Member of the Kuala Lumpur Stock Exchange (1990-1996), a Council member (1981-2001) and a past President (1994-1996) of the MICPA.

He has a direct shareholding of 5,150 ordinary shares in the Company.

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

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

The renewal of this general mandate (“General Mandate”) will empower the Directors of the Company pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting (“AGM”) of the Company.

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

As at the date of this Notice, no new share in the Company was issued pursuant to the General Mandate granted to the Directors at the Fifty-Sixth AGM of the Company held on 17 May 2016.

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

FORM OF PROXY

CDS Account No.	No. of Shares Held

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

of _____
(full address)

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

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

* and/or

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

or failing him/her, the *CHAIRMAN OF THE MEETING as my/our proxy to attend and vote for me/us on my/our behalf at the Fifty-Seventh Annual General Meeting of the Company to be held at the Auditorium, 3rd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 25 May 2017 at 10.00 a.m. and at any adjournment thereof.

My/our proxy is to vote on a poll as indicated below:

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

No.	Resolutions	For	Against
1.	Re-election of Mr Teh Wee Chye under Article 111 of the Company's Articles of Association		
2.	Re-appointment of the following Directors:-		
3.	a. Tan Sri Dato' Seri Utama Arshad bin Ayub		
4.	b. Dato' Hj Shaharuddin bin Hj Haron		
5.	c. Datuk Oh Chong Peng		
5.	Payment of Directors' fees		
6.	Payment of benefits payable to the Directors		
7.	Re-appointment of Auditors		
8.	Authority to Directors to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016		
9.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10.	Proposed Renewal of Authority for Share Buy-back		

* Strike out whichever not applicable

Dated this _____ day of _____, 2017

Signature/Common Seal of Shareholder

Notes:-

- A member entitled to attend, speak and vote at the 57th Annual General Meeting is entitled to appoint not more than two (2) proxies to attend, speak and to vote in his/her stead. A proxy may but need not be a member of the Company.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
- Notwithstanding the above, an exempt authorised nominee may appoint multiple proxies in respect of each Omnibus Account held.
- The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or the hand of the attorney duly authorised.
- The Form of Proxy shall not be treated as valid unless the posted Form is received or the Form is deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof. Forms of Proxy transmitted by fax or email will not be accepted. The Company will not accept any photocopies of the form of proxy in place of the original signed copy.**
- For the purpose of determining a member who shall be entitled to attend this 57th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at **18 May 2017**. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.



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**AFFIX
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**Share Registrar
SYMPHONY SHARE REGISTRARS SDN BHD**

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

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Malayan Flour Mills Berhad (4260-M)

HEAD OFFICE: 22nd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur, Malaysia.

Tel: (603) 2170 0999 (GL), Fax: (603) 2170 0888

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