Malayan Flour Mills Berhad
(4260-M)

FORWARD WITH INTEGRATION

ANNUAL REPORT 2018

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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

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

Quah Poh Keat

Prof. Datin Paduka Dato' Dr Aini binti Ideris, FASc
D.S.I.S., D.P.M.K., P.S.K., K.M.N.

Lim Pang Boon

Audit & Risk Management Committee

Datuk Oh Chong Peng
(Chairman and Senior Independent Non-Executive Director)

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

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

Quah Poh Keat
(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
Email: ir@mflour.com.my

Registrar

Boardroom Share Registrars Sdn Bhd
(formerly known as 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: 03-7849 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

- **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)
- MUFG Bank (Malaysia) Berhad (302316-U)
- Coöperatieve Rabobank U.A. Labuan Branch (050090C)
- Hong Leong Bank Berhad (97141-X)
- HSBC Bank Malaysia Berhad (127776-V)
- Malayan Banking Berhad (3813-K)
- OCBC Bank (Malaysia) Berhad (29548-W)
- AmBank Islamic Berhad (295576-U)

Stock Exchange Listing

Bursa Malaysia Securities Berhad
- Main Market
Sector: Consumer Products & Services
Sub Sector: Food & Beverages
Stock Name: MFLOUR
Stock Code: 3662

Solicitors

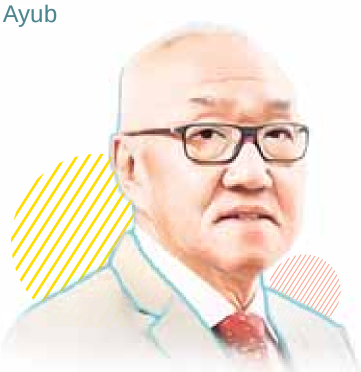
Isharidah, Ho, Chong & Menon
Skrine

Auditors

KPMG PLT

Board of Directors

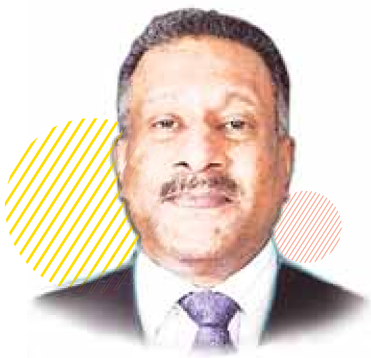
Tan Sri Dato' Seri Utama
Arshad bin Ayub



Mr Teh Wee Chye

Datuk Oh Chong Peng

Dato' Wira Zainal Abidin
bin Mahamad Zain



Mr Prakash
A/L K.V.P Menon

Mr Azhari Arshad

Mr Quah Poh Keat

Prof. Datin Paduka
Dato' Dr Aini binti Ideris

Mr Lim Pang Boon

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 90, 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 & Risk Management 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, Bistari Johor Berhad and Karex Berhad. Mr 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 65, 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 Master's 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 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)

Datuk Oh Chong Peng

(Senior Independent Non-Executive Director)

Datuk Oh Chong Peng (Male), aged 74, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently the Chairman of the Audit & Risk Management Committee and a member of the 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 and retired as a Senior Partner of Coopers & Lybrand in 1997.

Presently, he sits on the Board of British American Tobacco (Malaysia) Berhad, WCE Holdings Berhad, Dialog Group Berhad, Saujana Resort (M) Berhad and PUC Berhad.

Datuk Oh is a Government appointed member of the Labuan Financial Services Authority (since 1996). He is also a trustee of the UTAR Education Foundation (2002) and a council member of University Tunku Abdul Rahman.

His past appointments included being a Government appointed Committee Member of the Kuala Lumpur Stock Exchange (1990-1996), a Council member (1981-2002), a past President of the MICPA (1994-1996) and a board member of Malaysian Accounting Standards Board (2003-2009). He was Chairman of Land & General Berhad (1999-2007), Nanyang Press Holdings Berhad (2001-2005) and Alliance Financial Group Berhad (2006-2017) and was a board member of Rashid Hussain Berhad Group of Companies (1998-2003) and Star Publications (M) Berhad (1987-2009).

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 69, 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 & Risk Management 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 Bank (Vietnam) Ltd and CIMB Bank PLC in 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 60, 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 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 Azhari Arshad

(Director, Business Development & Corporate Affairs)

Mr Azhari Arshad (Male), aged 57, 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.

Directors' Profile (cont'd)

Mr Quah Poh Keat

(Independent Non-Executive Director)

Mr Quah Poh Keat (Male), aged 66, a Malaysian, was appointed to the Board of the Company on 25 May 2017 and is presently a member of the Audit & Risk Management Committee of the Company. He is a member of the Malaysian Institute of Accountants ("MIA"), Fellow of the Malaysian Institute of Taxation ("MIT"), member of the Malaysian Institute of Certified Public Accountants ("MICPA"), member of the Chartered Institute of Management Accountants ("CIMA") and a Fellow of the Association of Chartered Certified Accountants ("FCCA").

He was a partner of KPMG Malaysia since 1 October 1982 and was the Senior Partner of the firm from 1 October 2000 until 30 September 2007. Prior to taking up the position of Senior Partner, he was in charge of the Tax Practice and the Japanese Practice in KPMG Malaysia. He was also a member of the KPMG Japanese Practice Council which is the governing body within KPMG International which looks after the Japanese Practices in the KPMG world. He was also a member of KPMG Asia Pacific Board and a member of KPMG International Council. He retired from KPMG Malaysia on 31 December 2007.

He had served as an Independent Non-Executive Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment as the Deputy Chief Executive Officer of Public Bank Berhad from 1 October 2013 until 31 December 2015. Prior to that, he was an Independent Non-Executive Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Presently, he sits on the Board of Public Mutual Berhad, LPI Capital Berhad, Lonpac Insurance Berhad, Kuala Lumpur Kepong Berhad and Paramount Corporation Berhad.

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.

Prof. Datin Paduka Dato' Dr Aini binti Ideris

(Independent Non-Executive Director)

Prof. Datin Paduka Dato' Dr Aini binti Ideris (Female), aged 66, a Malaysian, was appointed to the Board of the Company on 25 May 2017 and is presently a member of the Nomination Committee of the Company. She holds a Doctor of Veterinary Medicine ("DVM") in 1979 from Universiti Pertanian Malaysia ("UPM") (currently, Universiti Putra Malaysia), Masters of Veterinary Science (MVSc) in 1981 from University of Liverpool, England, Doctor of Philosophy (PhD) (Avian Medicine) in 1989 from UPM. She had attended a Postdoctoral training from 1990 to 1992 at University of California Davis, USA and a Postdoctoral training in 1993 at Cornell University, USA.

She is actively involved in Malaysian College of Veterinary Specialists ("MCVS"); a member of the Board of Governance of International Medical University ("IMU") and International Medical College ("IMC"); a Board Member of Yayasan Putra Business School and UPM Education & Training; a Council Member of Malaysian Cancer Research Institute ("MCRI") and Executive Member of National Cancer Council ("MAKNA"). She was a Council Member of Academy of Sciences Malaysia until 2017. She is the Founding Chairman of the Board of Directors of UPM Holdings Sdn Bhd.

She is actively involved in research on avian respiratory and immunosuppressive diseases, development of conventional and genetically engineered vaccines. In 2011, she received the National Academic Award (AAN) 2010 for the Innovation and Product Commercialisation Award Category. Her research group also won the Innovation Award in Public and Private Sector Research (2008) in which she was the co-researcher and several other National and International awards.

She is the Coordinator for the National Centre of Excellence for Swiftlets, under the Ministry of Agriculture and Agro-based Industry ("MOA") and Vice President of the World Veterinary Poultry Association ("WVPA"). She has extensive administrative experience other than in the field of teaching and learning. She was the Acting Head of the Department of Veterinary Clinical Studies, Chairman of the Veterinary Teaching Hospital, Deputy Dean of the Faculty of Veterinary Medicine, Dean of the Graduate School and Chairman of the Deans of Graduate Studies, Public Institutions of Higher Learning Council, Malaysia.

She was the Deputy Vice-Chancellor (Academic and International) of UPM from December 2008 to 2013 and was Chairman of Deputy Vice-Chancellors' Committee/Rector (Academic and International) during that period. In October 2015, she was appointed as the first Director of Corporate Strategy & Communications Office (CoSComm), UPM until her appointment as the 8th Vice-Chancellor of UPM on 1 January 2016. Presently, she sits on the Board of QL Resources Berhad.

She has attended 5 out of the 6 Board meetings held during the financial year. She has no family relationship with any Director and/or major shareholder of the Company. She has no conflict of interest with the Company.

Mr Lim Pang Boon

(Executive Director)

Mr Lim Pang Boon (Male), aged 63, a Malaysian, was appointed to the Board as an Executive Director of the Company on 1 January 2018. He holds a Bachelor of Science Degree in Electrical Engineering from University of Arkansas, USA.

He was a Project/Site Engineer of Tenaga Ewbank Consulting Engineers prior to joining the Company as an Electrical Engineer at its Lumut Plant from 1990 to 1992 and was promoted to Plant Manager of MFM Feedmill Sdn Bhd at Pasir Gudang from 1993 to 2000.

He was the Project Manager for the setting up of Vimaflour Ltd in Vietnam from 1996 to 1998. Subsequently, he was appointed as the General Director and Authorised Representative of the Members' Council of Vimaflour Ltd in 2002.

He was also appointed as the Deputy General Director and Authorised Representative of the Member's Council of Mekong Flour Mills Ltd in 2000 and 2006 respectively. He was later promoted as the General Director in 2008. He is not a director of any other public company and listed issuer.

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.

Key Senior Management Profile

EXECUTIVE DIRECTORS

Mr Teh Wee Chye

(Managing Director)
Aged 65, 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 Azhari Arshad

(Director, Business Development & Corporate Affairs)
Aged 57, Male, Malaysian

Mr Azhari Arshad was appointed to the Board as the Business Development & Corporate Affairs Director on 5 May 2015. His profile is listed in the Directors' Profile on page 7 of this Annual Report.

Mr Lim Pang Boon

(Executive Director cum Head of Flour Division - Vietnam)
Aged 63, Male, Malaysian

Mr Lim Pang Boon was appointed to the Board as an Executive Director of the Company on 1 January 2018 and is presently the General Director, Flour Division in Vietnam. His profile is listed in the Directors' Profile on page 9 of this Annual Report.

FLOUR DIVISION

Mr Ho Hau Chieh

(Head of Flour Division - Malaysia)
Aged 49, Male, Malaysian

Mr Ho Hau Chieh joined the Company on 3 July 2017 as the General Manager of Flour Division of Malaysia.

He holds a Bachelor of Economics (major in Business Administration) from University of Malaya. He has more than 21 years of experience in fast moving consumer goods industry.

Mr Yap Fan Yee

(General Manager, Flour)
Aged 75, Male, Malaysian

Mr Yap Fan Yee joined the Company on 18 February 1965. He is a pioneer in the Company and was promoted to the current position in 1991. He is also an Authorised Representative of the Members' Council of Vimaflour Ltd since 2005.

He holds a Flour Milling Full Technological Certificate from City and Guilds. He has more than 54 years of experience in flour milling.

Key Senior Management Profile (cont'd)

POULTRY INTEGRATION DIVISION

Mr Ang Pun Heng

(Head of Poultry Integration Division)

Aged 60, 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 36 years of experience in poultry industry.

Dr Chay Seong Hoe

(General Manager, Breeder and Hatchery)

Aged 47, Male, Malaysian

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

He holds a Doctor of Veterinary Medicine Degree from Universiti Putra Malaysia. He has more than 21 years of experience in poultry farming.

AQUA DIVISION

Mr Lee Low

(General Manager, Aquaculture)

Aged 55, Male, Malaysian

Mr Lee Low joined the Group on 15 June 2017 as the General Manager of Aquaculture.

He holds a Bachelor of Science in Fisheries from Universiti Putra Malaysia and is an active member of the Malaysia Aquaculture Development Association ("MADA").

He has over 29 years of experience in aquaculture industry managing the marine shrimp hatchery, shrimp farming, shrimp processing plant, a few species of marine & freshwater fish farming and aquafeed marketing.

GRAINS TRADING DIVISION

Mr Keisuke Okada

(Chief Executive Officer, Premier Grain Sdn Bhd)

Aged 44, Male, Japanese

Mr Keisuke Okada joined Premier Grain Sdn Bhd, a joint venture between Malayan Flour Mills Berhad and Toyota Tsusho Corporation, on 1 April 2018 as the Chief Executive Officer and a Director.

He holds a Bachelor of Economics from Hitotsubashi University, Japan.

He has over 17 years of experience in grains trading in Toyota Tsusho Corporation.

Mr Koichiro Ito

(Executive Director, Premier Grain Sdn Bhd)

Aged 36, Male, Japanese

Mr Koichiro Ito joined Premier Grain Sdn Bhd, a joint venture between Malayan Flour Mills Berhad and Toyota Tsusho Corporation, on 1 October 2017 as the Director and Controller of Procurement and Sales.

He holds a Bachelor of Science (Plant and Soil Science) from Oklahoma State University, USA.

He has over 13 years of experience in grains trading industry and he joined Toyota Tsusho Corporation since April 2006.

Mr Kong Pak Cheong

(Executive Director, Premier Grain Sdn Bhd)

Aged 74, Male, Malaysian

Mr Kong Pak Cheong joined the Company on 6 March 1966. He is a pioneer in the Company and was promoted to the current position in 2010.

He holds a Flour Milling Full Technological Certificate from City and Guilds.

He has more than 52 years of experience in flour milling and animal feed production. He was transferred to Premier Grain Sdn Bhd on 1 April 2010 and is responsible for the sales and marketing of the raw material trading business.

Key Senior Management Profile (cont'd)

SUPPORT DIVISION

Mr Cheang Kiat Cheong

(Chief Financial Officer)
Aged 42, Male, Malaysian

Mr Cheang Kiat Cheong joined the Company on 9 November 2017 as the Chief Financial Officer of the Company.

He is a Fellow of the Association of Chartered Certified Accountants ("FCCA"), a Certified Internal Auditor ("IIA") and a member of the Malaysian Institute of Accountants ("MIA").

He has over 20 years of experience in the food and consumer goods sectors. Prior to joining the Company, he worked in several multinational corporations and had held various regional positions in finance overseeing a diverse portfolio of brands in the food, household and body care categories in Asia Pacific.

Mr Wong Kok Wai

(Financial Controller)
Aged 49, Male, Malaysian

Mr Wong Kok Wai joined the Company on 25 September 2017 as the Financial Controller of the Company.

He is a member of the Chartered Institute of Management Accountants ("CIMA") and a member of the Malaysian Institute of Accountants ("MIA").

He is an experienced Accountant of over 20 years in various industries such as hospitality, manufacturing, food & beverage and fast moving consumer goods.

Mdm Carol Chan Chui Yoke

(General Manager, Group Human Resources)
Aged 47, 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 21 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.

SUPPORT DIVISION (cont'd)

Mr Alex Yap Kien Tiong

(General Manager, Group Internal Audit and Risk Management)

Aged 51, Male, Malaysian

Mr Alex Yap Kien Tiong joined the Company on 9 July 2018 as the General Manager, Group Internal Audit and Risk Management.

He holds a Bachelor of Economics from La Trobe University, Australia and is a Fellow of CPA Australia. He is also a member of Malaysian Institute of Accountants ("MIA").

He has over 26 years of experience in external & internal audit and managing aftersales business operations (continuous improvement). He gained his experience working in audit firms for 6 years, including 4 years with an international accounting firm. Subsequently, he joined the local conglomerates for more than 20 years in various capacities.

Mr Horace Tee Kok Choy

(Chief Information Officer)

Aged 40, Male, Malaysian

Mr Horace Tee Kok Choy joined the Company on 7 August 2018 as the Chief Information Officer.

He holds a Bachelor of Science in Microelectronic from Campbell University as well as a Post Graduate Diploma in Business Administration from University of Wales.

He has over 18 years of experience in information technology from his various positions in the consulting, manufacturing, shared services and telecommunication industries.

Mr Chua Kiat Hwa

(Senior General Manager, Purchasing)

Aged 56, 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 is also a Director of Premier Grain Sdn Bhd.

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 21 years of commodity trading experience, having constant dealings with large international commodity brokers and grains institutions.

Key Senior Management Profile (cont'd)

SUPPORT DIVISION (cont'd)

Mr Hideki Oya

(General Manager, Purchasing)
Aged 39, Male, Japanese

Mr Hideki Oya joined the Company on 1 April 2018 as the General Manager, Purchasing.

He holds a Degree in Human Science from Waseda University, Japan.

He has over 16 years of experience in grains trading industry, ocean freight and grains logistics. He was with Toyota Tsusho Corporation from 2002 to 2017. From 2013 to 2017, he was the Director and Controller of Procurement and Sales of Premier Grain Sdn Bhd.

Ir Beh Men Huat

(General Manager, Group Engineering Services & Projects)
Aged 62, Male, Malaysian

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

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

He has more than 36 years of 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.

SUPPORT DIVISION (cont'd)

Dr Tan Leong Chee

(General Manager, Group Engineering Services & Projects)

Aged 55, 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 31 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 was 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, Mr Azhari Arshad and Mr Lim Pang Boon, 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 Mr 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 in business transactions 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 2018.

Review of Performance

MFM Group ("Group") recorded a revenue of RM2.42 billion for the financial year 2018 which was at a similar level to that of the previous year. The Group's profit before tax for the year was lower at RM39.93 million as compared to RM96.49 million in the previous year mainly due to challenges in poultry integration segment and higher share of loss on equity accounted joint venture.

The revenue of flour and grains trading segment constituted 71% of our Group's revenue. The revenue for this segment increased by 5.5% to RM1.73 billion as compared to previous year primarily due to higher sales volume of flour and grains resulting from healthy growth seen in our Vietnam operations, better pricing and stabilisation of the grains trading business in 2018. Operating profit of the segment stood at RM65.9 million, representing a 3.6% improvement from a year earlier due to margin improvement in the grains business. This segment constituted all of our Group's operating profit.

Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia ("BFMI"), had delivered a 5% (385,359 metric tons) volume growth in flour sales in 2018 as compared to 365,292 metric tons recorded in the previous year due to strong momentum in the operations. However, our Group's share of loss in 2018 was at RM6.9 million as compared to the previous year's share of profit of RM7.8 million, due to depreciation of the Indonesian Rupiah against the United States Dollar coupled with competitive activities in the market.

The poultry integration segment had recorded lower revenue of RM692.9 million primarily due to lower production volume of day-old chicks ("DOC") and broilers as a result of Inclusion Body Hepatitis ("IBH") disease in large part of 2018 coupled with lower live birds prices. This segment incurred RM0.9 million of operating loss, a significant reduction as compared to the operating profit of RM37.1 million from a year earlier.

Our Group is embarking on investment/expansion in the poultry integration segment further downstream to create stability and enhance its future earnings growth.

Corporate Development

In order to fund the Group's investment/expansion ambitions, MFM had successfully raised approximately RM275 million from its rights issue of 5-year 5% redeemable convertible unsecured loan stocks ("RCULS") ("Rights Issue of RCULS") and rights issue of new MFM shares ("Rights Issue of Shares") which were completed on 28 January 2019.

MFM had received valid acceptances and excess applications for a total of 176,691,969 units of RCULS, representing a subscription rate of 107.03% over the total number of 165,084,641 units of RCULS available for subscription under the Rights Issue of RCULS.

For the Rights Issue of Shares, MFM had received valid acceptances and excess applications for a total of 222,027,594 units of Rights Shares, representing an over-subscription of 0.87% over the total number of 220,113,744 units of Rights Shares available for subscription.

Outlook

Commodity prices and foreign exchange rates remain volatile in the midst of an uncertain global economic environment. Despite these challenges and the problems faced by the Group in 2018, the Board is expecting the Group's performance to improve significantly in 2019 due to the following measures undertaken by the management:

- Efforts are already in place to institute price increases in flour and grains trading segment to protect our margin that has been eroded;
- We are cautiously optimistic that the flour and grains trading segment's performance will improve further due to higher sales growth; and
- Efforts are undertaken to improve feeds quality, DOC and broiler production volume, reduce production costs through better feed conversion ratio and lower mortality. Disease has been successfully contained.

Dividend

The Board of Directors had declared an interim single tier dividend of 2.00 sen per ordinary share for financial year ended 31 December 2018 which was paid on 20 September 2018.

The Board of Directors had further declared a second interim single tier dividend of 1.00 sen per ordinary share for financial year ended 31 December 2018 which will be paid on 29 March 2019.

Director

We are saddened by the demise of our independent director, Dato' Hj Shaharuddin bin Hj Haron, who passed away peacefully on 16 October 2018. He has served the Company for 25 years and his integrity, honesty, humility and wisdom will be deeply missed.

Appreciation

I would like to extend my sincere appreciation to my fellow Directors, the management and employees at all levels in the Group for their steadfast and unwavering effort, support and commitment in the midst of the headwinds faced by the Group in 2018.

Equally important, 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 the Group during the year.

Tan Sri Dato' Seri Utama Arshad bin Ayub
Chairman

Management Discussion and Analysis

History and Milestones

Malayan Flour Mills Berhad ("MFM") incorporated in 1961, is pioneer in the flour milling industry in Malaysia with 2 flour mills at Lumut and Pasir Gudang. It is now a regional flour player with operations in North of Vietnam (since 1994), South of Vietnam (since 2000) and West Java, Indonesia through a tri-partite joint venture (since 2011). MFM's operations throughout the region produced and sold over 1 million metric tons of flour every year.

Beyond flour milling, MFM has also expanded into the poultry industry in Malaysia since 1983. Its poultry businesses are vertically integrated, encompass feed mills, hatchery, breeder farms, broiler farms and poultry processing plant. Every year, MFM Group ("Group") produces approximately 60 million broiler chicken for consumption by Malaysians. Our Group owns one of the biggest closed-house broiler farms in the country, intending to ramp up the capacity to over 100 million by 2023. It is in the midst of upgrading its poultry processing plant with daily slaughtering capacity of 240,000 birds, which is 3 times of the existing capacity.

Since 2010, MFM expanded into the trading of raw material for animal feeds in Malaysia through a 51% owned joint venture company with Toyota Tsusho Corporation Group.

Group Strategy and Objective

Financial year 2018 had been a tough year for MFM with significant headwinds in our poultry integration segment and joint venture in Indonesia.

Our key strengths as a group lies in our transparency with key stakeholders and good manufacturing practices in which we have diligently honed over the past 50 years in agri-food production. By leveraging on our core competencies in mass production, economies of scale, technical know-hows and standardisation of best practices, we have been able to replicate our good manufacturing practices beyond our core in the flour milling business in Malaysia into the poultry integration business and beyond the shores of Malaysia in Vietnam and Indonesia.

We remained committed to invest up to RM1.1 billion in the State of Perak and always lookout for strategic investments around the region to realise our long-term vision of becoming a trusted and leading food manufacturing corporation in ASEAN, and we remained steadfast in that pursue despite the temporary headwinds we faced.

Financial Performance Review

Financial year 2018, particularly the first 9 months, proved to be a demanding time for our Group where revenue had remained mostly flat at RM2.42 billion, whilst profit before tax ("PBT") had decreased significantly to RM39.93 million as compared to RM96.49 million a year earlier. This was due to significant challenges faced in the poultry integration segment and the joint venture in Indonesia. Despite these, performance had turned around in the 4th quarter of 2018 for these two businesses and there were spark of bright spots in the flour and grains trading segment which helped to mitigate some of these challenges. Operating results in our flour and grains trading segment had improved by 3.6% to deliver RM65.9 million of operating profit on the back of a sustainable revenue of RM1.73 billion. This was mainly attributed to higher margin from flour and grains trading segment as a result of better pricing and higher volume.

The net interest expenses increased by RM6.4 million to RM18.3 million in 2018 as compared to the previous year primarily due to the rising interest rates environment.

As at 31 December 2018, our Group's total assets stood at RM2.2 billion with cash and cash equivalents of RM168.8 million. Our Group's EBITDA decreased by 28.4% to RM115.8 million in the current financial year as compared to RM161.8 million previously.

Review of Operation

In 2018, our Group's revenue was flat and profit was severely reduced as compared to prior year due to challenges from disease in the poultry integration segment in the first 9 months of 2018 which impacted our DOC and broiler production volume. The currency headwind on the Indonesian Rupiah ("IDR") also presented significant challenges to our joint venture there. The IDR depreciated to as low as IDR15,408 to a United States Dollar in early October 2018. For context, this was a level never seen before since the 1997 Asian Financial Crisis.

Despite these, things had turned around in the last quarter of 2018 where our Group delivered a quarterly PBT of RM33.1 million.

The flour and grains trading segment registered a revenue of RM1,730.9 million for the financial year ended 31 December 2018, a 5.5% increase from the revenue of RM1,640.9 million posted in the preceding year as a result of better pricing and higher volume. The segment registered a 3.6% increase in its operating profit, amounting to RM65.9 million in 2018 as compared to RM63.6 million posted in the preceding year mainly attributable to higher margin from grains trading business which partially offset higher wheat costs and higher net realised and unrealised loss on foreign exchange and lower net realised and unrealised gain on future and option contract in 2018.

Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia ("BFMI"), while running at near full production capacity, was adversely impacted by the unexpected significant depreciation of the IDR. That, coupled with the fact that the market leader started a price war to recapture lost market share, limit the whole industry's ability to pass on cost inflation to the customers hence resulting in severe losses suffered throughout the Indonesia flour milling industry. Consequently, our share of loss suffered in the equity accounted joint venture amounted to RM6.9 million in 2018 as compared to a share of profit of RM7.8 million in 2017.

The poultry integration segment recorded a decrease of 9.0% in revenue to RM692.9 million for the financial year ended 31 December 2018 as compared to RM761.4 million in the preceding year due to lower DOC and broiler production volume and selling price of live birds. This segment registered an operating loss of RM0.9 million in 2018 as compared to an operating profit of RM37.1 million posted in the preceding year. The loss was mainly due to lower margins arising from lower live birds price and lower broiler production volume resulting from the effect of Inclusion Body Hepatitis disease, lower net realised and unrealised gain on future and option contract in 2018 by RM3.4 million coupled with the downward adjustment of fair value on biological assets by RM16.6 million in 2018. The fair value adjustment is a result of lower contribution margin which was used as a basis of valuation of biological assets.

Despite the dip in the poultry integration segment performance in 2018, efforts are undertaken to improve feeds quality, day-old chicks and broiler production volume, reduce production costs through better feed conversion ratio and lower mortality. Disease has been successfully contained. With these concerted efforts and dedication from the team, we expect the performance of the poultry integration segment to improve significantly in 2019.

Management Discussion and Analysis (cont'd)

Anticipated or Known Risks

Food safety and compliance to standards are top priorities for us as a food manufacturer as usage of flour and poultry is very wide and diverse and it cut across different cultural background, race and religion. To ensure our customers and consumers in general are able to use products produced by us without any worry or doubt, we have implemented Hazard Analysis and Critical Control Points ("HACCP") in all our manufacturing facilities. At the same time, all our products are halal certified by Department of Islamic Development Malaysia ("JAKIM") and are subject to annual compliance audit.

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

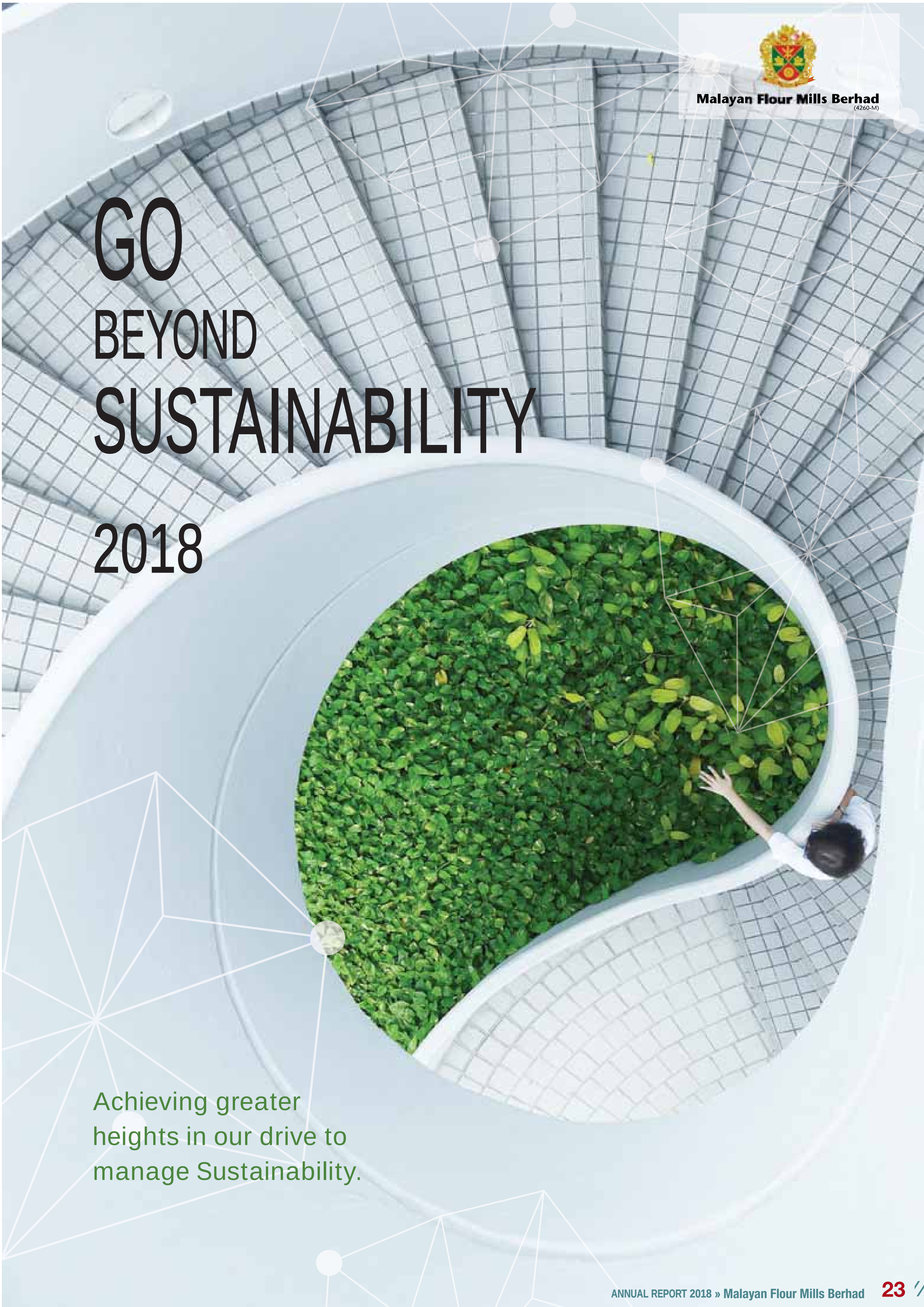
In summary, we are confident that based on our track record and leading position in the flour and poultry industries, our Group will be able to mitigate such risks with our proactive and preventive measures put in place.

Outlook and Prospects

As food manufacturing is our core business, we are responsible to feed people in the countries in which we operate, and challenges of uncertain global economic environment, volatile commodity prices and foreign exchange rates will have an impact on us.

But these challenges are not new to us and we have over the past 5 decades developed our core competencies in managing these uncertainties. We expect the Group's performance to improve significantly in 2019 and we remain steadfast in the long-term prospect and growth agenda of our Group.

Malayan Flour Mills Berhad
(4260-M)



GO BEYOND SUSTAINABILITY 2018

Achieving greater heights in our drive to manage Sustainability.

TABLE OF CONTENT

MFM GROUP BUSINESS DIVISIONS

As part of our effort to achieve greater efficiencies in our poultry integration business, the management had embarked on a corporate restructuring exercise. The poultry feeds business in Dindings Soya Multifeeds Sdn. Berhad (DSM) and MFM Feedmill Sdn. Bhd. (MFMF) were transferred to Dindings Poultry Development Centre Sdn. Bhd. (DPDC) with effect from 1 April 2018.

Hence in 2018, our Sustainability Statement will be reported for three business divisions: flour division, poultry integration division and aqua feeds division.

Flour

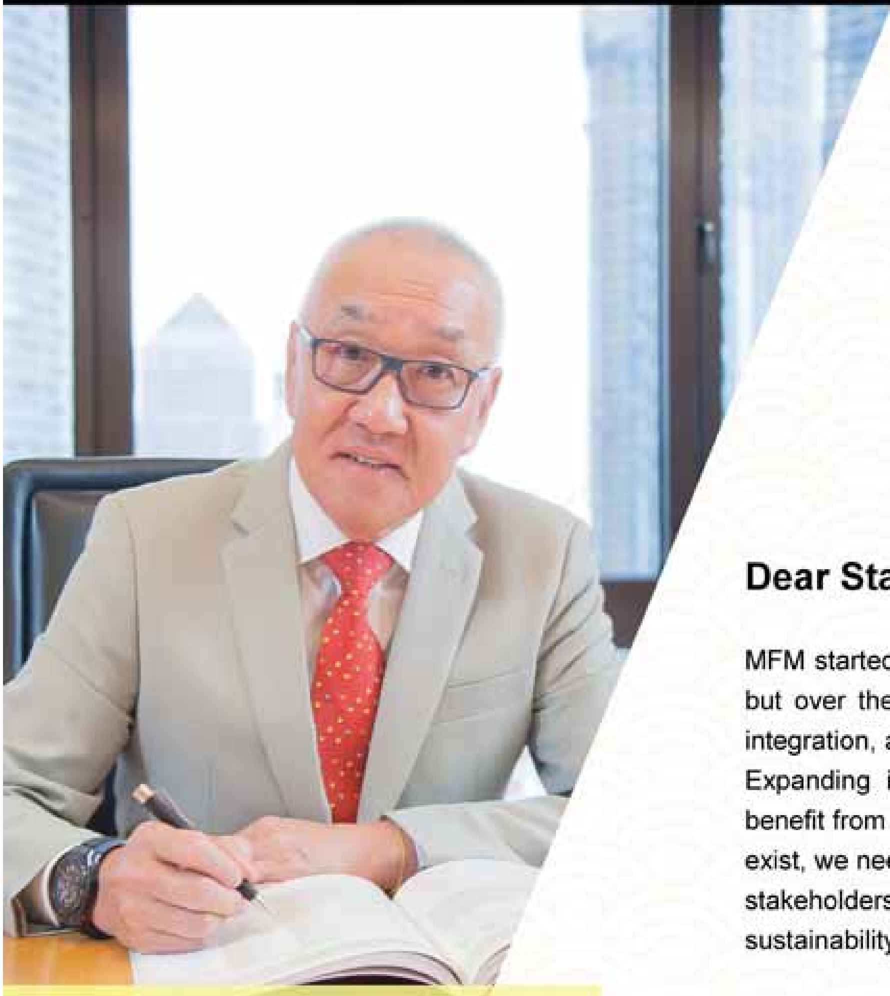
- MALAYAN FLOUR MILLS BERHAD (MFM)
- VIMAFLOUR LTD
- MEKONG FLOUR MILLS LTD
- PT BUNGASARI FLOUR MILLS INDONESIA

Poultry

- DINDINGS POULTRY DEVELOPMENT CENTRE SDN. BHD. (DPDC)
- DINDINGS POULTRY PROCESSING SDN. BHD. (DPP)

Aqua Feeds

- DINDINGS SOYA & MULTIFEEDS SDN. BERHAD (DSM)



Teh Wee Chye
Managing Director

MANAGING DIRECTOR'S STATEMENT

Dear Stakeholders,

MFM started with one core competency – flour milling – but over the years we have evolved to include poultry integration, and are now looking into aqua feeds as well. Expanding into new subsectors enable the Group to benefit from economies of scale. However, to continue to exist, we need to continuously create shared value for all stakeholders. In MFM, we believe in aligning our sustainability efforts with business interests.

Allow me to share our sustainability initiatives in 2018 in the spirit of Sustainable Development Goals (SDGs).

Environment

In line with the increase in production and diversification, MFM continues to seek solutions to improve the environmental performance of our operations for livestock waste management, dust management, wastewater treatment and bio-security.

In 2018, MFM invested largely in our newly-built state-of-the-art poultry processing plant which is attached with Rendering Plant and Water Treatment Plant to better manage the waste and effluent for a greener environment. The Rendering Plant can process animal by-products for minimal disposal, whereas the Water Treatment Plant can achieve improvement in water quality before discharging back to the drainage.

We have also incorporated Light Emitting Diode (LED) lighting system to reduce energy consumptions and achieve energy usage efficiency.

People

MFM is privileged to have a great team of people who constantly research on new sustainable activities. We believe that our people are the most valuable asset.

MFM believes employees' sustainability emanate from many aspects like passion, needs and vocation. We embrace a Japanese concept named 'IKIGAI' which means 'a sense of purpose', in MFM Group. We encourage our people to reflect and understand their true self, values and beliefs to possess satisfaction and live a meaningful life working together.

In view of the foregoing, we also aim to constantly educate and develop new generation leaders to share a part of the responsibility in growing Malaysia economy and well-being. These efforts drive us to win the HR Asia Award as the 'Best Companies To Work For In Asia' in November 2018.

Economy

According to the United Nation's Food and Agriculture Organisation (FAO), additional 70% food production are required by 2050, to accommodate extra 2.3 billion population by projection. Thus, MFM thrives to achieve prediction on entire planning process to meet customer requirement for sustainability in the long run.

We are also refining our operations flow and embracing Supply Chain Management (SCM). By streamlining our processes, we will be able to optimise our cost and remain competitive.

Although MFM portrays, to many, as a profit organisation, my real passion lies in fulfilling our people's bowls and appetite. In serving our nation, we will continue to embrace the culture of continuous improvements around our core values - 'Qualitas', 'Consilium' and 'Progressus'.

Community

As we know rapid development evolved society beyond classroom-based learning to a technology-driven and automated era. Therefore, we actively instil the truth of industry trend to undergraduates and academicians.

The contributing spirit to society is embedded in MFM Group's business model, strategy and culture. In order to achieve sustainable business growth, we focus on our future leaders, and bring together strategic partners from overseas:

- University of Arkansas, Fayettevile (UAF) and Universiti Putra Malaysia (UPM) in Animal & Poultry Science
- Auburn University and UPM in Aquaculture
- Kansas State University (KSU) and University of Malaya (UM) in Grain Science

We prepare young leaders for Industry Revolution.

Last but not least, I would like to convey my gratitude to everyone in MFM who have worked hard over the past one year and for all the stakeholders, thank you for the continuous support and faith in MFM.

TEH WEE CHYE
MANAGING DIRECTOR

ABOUT THIS STATEMENT

This MFM Group Sustainability Statement is published with the objective of improving transparency, visibility and communication to our shareholders and stakeholders. This 2nd edition of MFM Group Sustainability Statement is part of Annual Report 2018. It showcases our commitment and responsibilities towards environment, economy and society (EES).

In addition, Sustainable Development Goals (SDGs) are incorporated in this Statement.

*The numbering in the above SDGs are used in the subsequent pages of this Statement.
*The SDG number is referred to in a particular page whenever it is applicable.

Scope & Boundaries of This Statement

The reporting period of this Statement is from 1 January 2018 to 31 December 2018. It covers flour, poultry integration and aqua feeds businesses of MFM Group.

Reporting Framework

The facts and figures published in this Statement are in line with the 2nd edition of Sustainability Reporting Guide published by Bursa Malaysia Securities Berhad.

Independent Assurance

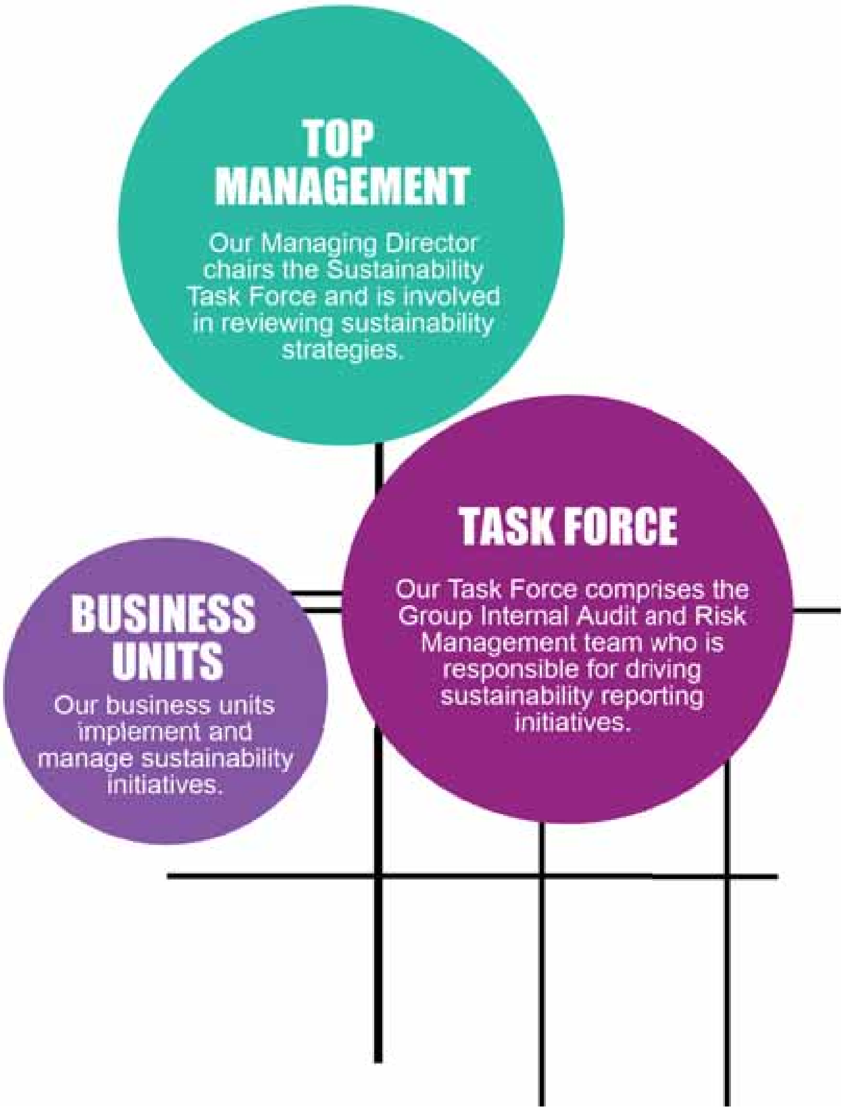
KPMG PLT as MFM's external auditors, provides limited independent assurance to this Sustainability Statement to ensure its accuracy, reliability and timeliness of the reported information and the material matters to MFM Group.

Sustainability Task Force

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

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

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



Sustainability Policy

VISION

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

SCOPE

Our employees are responsible to embrace and integrate sustainability practices in our Group.

OBJECTIVE

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

SUSTAINABILITY POLICY GOVERNANCE

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

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

Our Sustainability Framework

1 Balanced Relationship With Nature

2 Our Workforce & Workplace Environment

3 Operations Excellence & Governance

4 Commitment To Society

To acknowledge key issues under EES, MFM Group upholds its core values in terms of “QUALITAS”, “CONSILIUM” and “PROGRESSUS”.

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

MFM CORE VALUES

QUALITAS
Produce and provide consumers with consistent quality products at reasonable prices

PROGRESSUS
Continuous improvement to maintain competitiveness and contribute effectively to benefit the society

CONSILIUM
Unity of employees and management

Management Approach To Sustainability

Our Group has identified and prioritised key issues related to EES for our business operations as follows:

1 Balanced Relationship With Nature

- To comply with the regulatory requirements & standards in relation to environmental concerns
- To raise awareness among our employees & the whole supply chain in order to act in an environmentally-responsible manner
- To integrate environmental matters into our business decisions
- To ensure that energy & water are utilised efficiently & consumption is being monitored
- To recycle, reduce or reuse the waste or resources where practicable
- To reduce carbon footprint through energy efficiency & conservation practices

2 Our Workforce & Workplace Environment

- To empower our employees by offering training, motivation & career advancement
- To provide a safe & healthy workplace & take care of employees' well-being
- To encourage open communication, ideas & innovation
- To support diversity in workforce
- To provide job security to employees

3 Operations Excellence & Governance

- To have good strategic management & wisely utilise our resources
- To advance sustainable profitable growth whilst satisfying our ethical, legal & contractual obligations
- To abide by the requirements of all laws & industry's best practices
- To provide our customers with safe products that adhere to Government's legislation & requirements
- To adopt good ethical practices through our Code of Conduct
- To ensure an appropriate governance system is in place to oversee the strategic development & performance that relates to the maintenance of a sustainable business
- To ensure proper risk management & internal control system are in place

4 Commitment To Society

- To engage actively with civic project, charity events & the local communities through our corporate social initiatives
- To help our community survive & prosper economically
- To provide ample job opportunities

KEY STAKEHOLDERS & ENGAGEMENT INVOLVED

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

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

SHAREHOLDERS

Engage via:
AGM, Quarterly Reports, Annual Reports, Shareholders' Circulars, Announcements, Analyst Briefings & Corporate Website.

Concerns:
Financial performance and returns, going concern and positive investment growth.

COMMUNITY & NGOS

Engage via:
Internship programmes, charity events and volunteer programmes.

Concerns:
Community living, care and development.

CUSTOMERS

Engage via:
Service satisfaction, customer appreciation and social media platforms.

Concerns:
Quality of product, market availability, product prices and values.

GOVERNMENT & REGULATORS

Engage via:
Compliance activities

Concerns:
Tax issues, pricing issues, labour practices, health issues, transparency and accountability.

MEDIA

Engage via:
Media briefings, events, press conferences and internet.

Concerns:
Group's performance and updates.

COMPETITORS

Engage via:
Industry competition and market forces.

Concerns:
Price competition, new business opportunity, innovation and creativity.

HUMAN CAPITAL

Engage via:
Town hall meetings, Employee Portal, Learning & Development programmes and Corporate events.

Concerns:
Career development, work life balance and employee welfare.

SUPPLIERS & SERVICE PROVIDERS

Engage via:
Compliance with ISO Standards, suppliers' evaluation (audit) and quotation from suppliers.

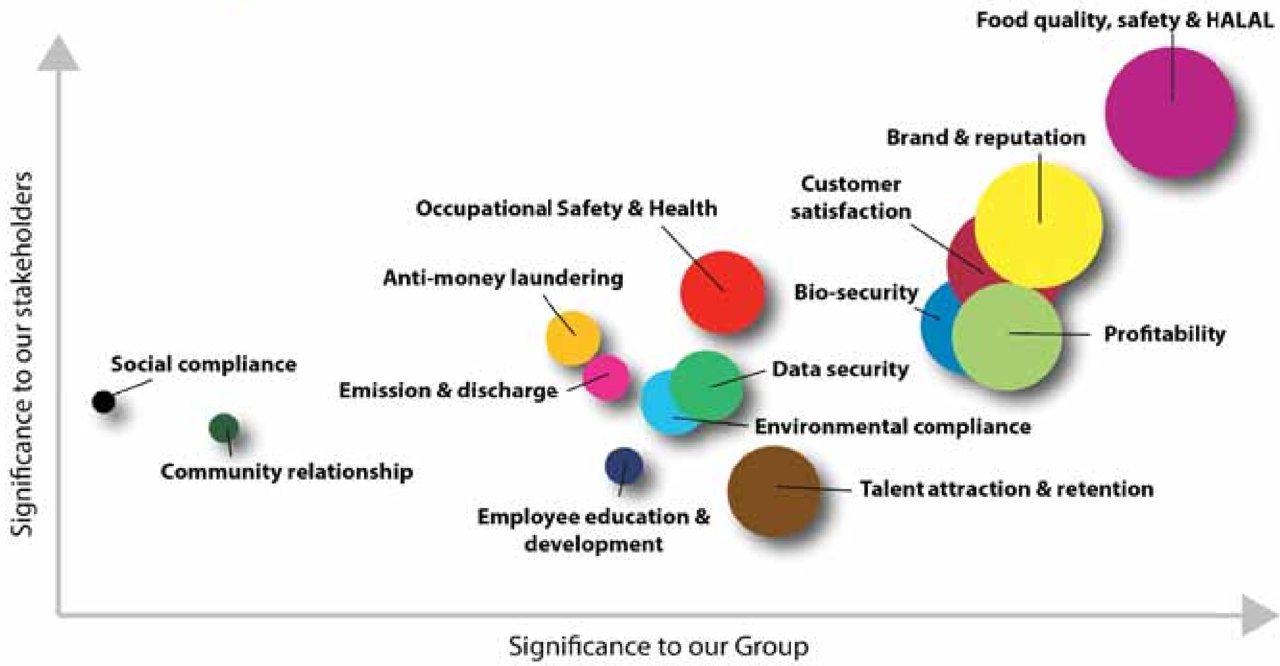
Concerns:
Payment and up-to-date information about the Group.

OUR MATERIAL MATTERS

Our Group embraces a structured materiality assessment approach guided by the Sustainability Reporting Guide and Toolkit in identifying and prioritising potential environmental, economic and social risks and opportunities which may affect the Group's businesses and stakeholders.

Subject to there being no significant changes, a materiality assessment will be conducted once every three years to ensure that any change in our businesses and the sustainability aspects are taken into account. Hence, the materiality assessment of our Group for year 2017 is still applicable for year 2018.

Materiality Assessment



BALANCED RELATIONSHIP WITH NATURE

For sustainable business development, it is crucial for MFM Group to maintain balanced relationship with mother earth where all resources come from.

Energy 7 8 12 13

Energy conservation plays a crucial role in lessening greenhouse effect. As one of the market leaders in flour manufacturing and poultry industry, MFM Group aspires to reduce our carbon footprint. Conserving energy is not just about saving on the electricity costs.

Group Energy Usage
(kWh/MT)

Energy consumption of our Group has increased in 2018 as compared to 2017. It was mainly due to expansion (i.e. new poultry processing plant and new aqua feed mill), additional manufacturing processes for higher quality products, lower sales volume due to supply constraint and introduction of new products.

In the long run, with the deployment of new technologies in our new manufacturing processes, we will have an edge to our products by enhancing quality.

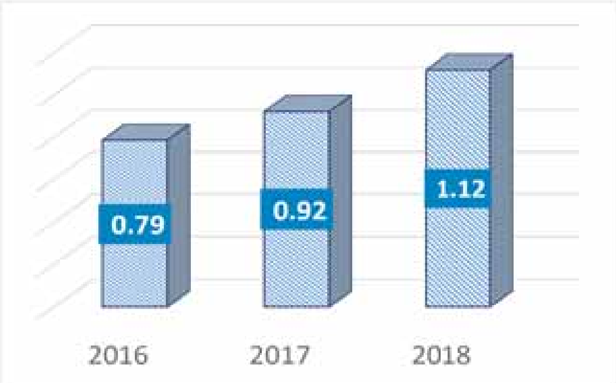
We endeavour to manage a balance between ensuring the quality of our products and minimising energy consumption. We will also consider clean energy in sustaining our businesses.

** For the purpose of reporting, we have consolidated the energy usage figures. As such, prior years' figures were adjusted accordingly to coincide with current year's presentation.*

**All kWh data above excludes figures from joint venture company.*

Water 6 8 12 14

Water is essential for life. It is our responsibility to conserve and keep our water pure and safe for future use.



Group Water Usage
(m³/MT**)**

As a major food producer, MFM Group uses significant amount of water to produce safe and clean products.

Poultry processing plant uses relatively more water than flour mills. In conserving water, our Group has invested in new wastewater treatment plant. The increase in water usage in 2018 was mainly due to pre-commissioning cleaning works at new plants; rendering plant, reservoir and wastewater treatment plant.

Nevertheless, we anticipate the m³/MT to decrease when the processing plant is in full operations. The newly-designed processing plant also incorporates rain water harvesting system where water is reused for non-manufacturing processes.

** For the purpose of reporting, we have consolidated the water usage figures. As such, prior years' figures were adjusted accordingly to coincide with current year's presentation.*

**All m³ data above excludes figures from joint venture company.*

Emission 12 13 14 15

Carbon Emission

In caring for our mother earth, our Group takes initiatives to cooperate with relevant parties to conduct environmental inspection every 6 months in our Vietnam operations.

The diesel consumption of our plant operations in Vietnam is tracked and CO2 emission is closely monitored.

We aspire to achieve continuous improvement in reducing carbon emission throughout our businesses by incorporating innovative technologies.

Air Emission

For our flour and feed operations in Malaysia, air emission monitoring is conducted on our chimney, exhaust outlet and fume hood.

As stated in Malaysia Standard MS1596:2003 of 4(2) Environmental Quality (Clean Air) Regulations 2014, the maximum reading is 50 mg/m³. We complied with the above and our readings were ranging from 0.93 - 2.33 mg/m³.

Waste Management

3 6 8 12 14

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

We have established standard operating procedures (SOP) for waste disposal i.e. scrap waste, hazardous chemical waste and others.

Biological Waste Management

Our poultry farming produces biological waste i.e. chicken manure. The direct application of raw manure into plantation soil may lead to environmental emission such as foul odour and form a breeding platform for pests.

To combat pollution of untreated poultry waste, MFM Group utilises manure composting plant. The composting plant converts chicken manure into dry organic fertiliser.

Its odour filtration system contains sawdust and microorganism that reduces ammonia emission level, complying with Occupational Safety and Health (Use and Standard of Exposure Chemical Hazardous to Health) Regulations 2000.

We invested in a composting plant in 2017. Moving forward, two more composting plants will be added in 2019.

Composting Plant

Wastewater Management

The conversion process of live chicken into safe and wholesome meat utilises water. The untreated used water affects our ecosystem.

To conserve water for our future generation, MFM Group invested in a new wastewater treatment plant in 2018. It is designed using Dutch technologies that complied with EU Environmental Standards.

All waste water is treated to achieve a minimum effluent standard before discharging back to nature.

Benefits of wastewater treatment plant:

- Eliminate disease-causing bacteria and kill harmful organisms through filtering
- Ensure minimal odours
- Remove up to 97% of contaminants from used water

Dissolved Air Flotation (DAF) unit

Aeration Tank

Organic Solid Waste Management

The new rendering plant which originated from Denmark was commissioned in November 2018. It was designed to convert chicken by-products (visceral, feathers, bones and blood) into raw material for animal feeds.

This state-of-the-art rendering plant is designed to kill harmful bacteria, leaving only useful protein for animal feeds.

The rendering plant will reduce impact on environment by:

- Transforming our waste to be used as feeds
- Processing by-products within hours of harvesting before viruses and bacterial growth
- Producing clean protein source for animal feeds

Offal Meal Processing Line

Feather Meal Processing Line

Chemical Waste Management

Apart from the SOP for proper handling of chemical waste, our Group has training programmes on chemical waste management and disposal procedures including "Safe Chemical Handling" for workers.

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

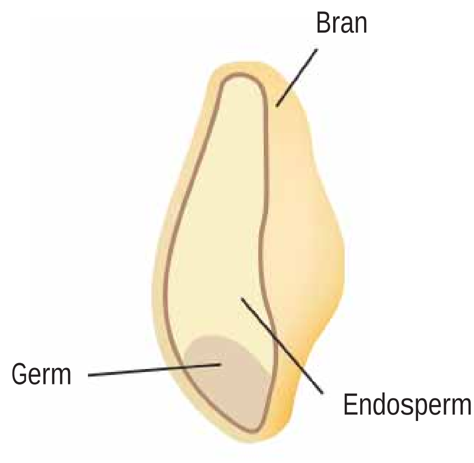
Recycling

MFM Group practises recycling activities for certain recyclable waste (i.e. plastic drums, metal drums, unused wooden pallets and etc.) as part of our efforts to conserve natural resources.

Zero Waste in Flour Milling

MFM flour mills optimise the usage of wheat to produce flour.

Whole wheat flour uses all parts of the kernel whereas white flour only uses the endosperm. The bran removed is used for feed milling process to produce animal feeds. In addition, the germ will be sold or used to produce special kind of flour.



Anatomy of Wheat

OUR WORKFORCE & WORKPLACE ENVIRONMENT

As employees are the most treasured resource in MFM Group, we aim to always grow together in order to achieve greater success and to create a better future.

Our People At A Glance 5 8 10

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

Our People Regionally

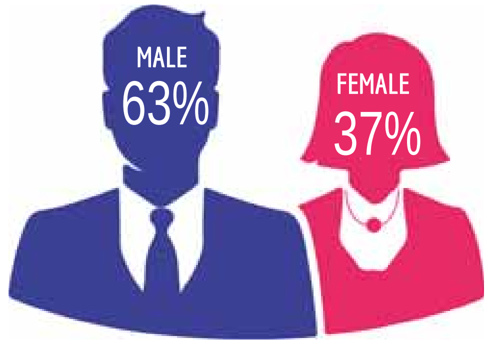
In 2018, our Group employed 3,140 people across our businesses.

2018

3,140 people

Our Gender Profile

2018



*Data excludes foreigners.

Our Age Group

2018

Gen Z: 22 & below	9 %	Gen X: 39 - 54	35 %
Gen Y: 23 - 38	48 %	Baby Boomers: 55 & above	8 %

*Data excludes foreigners.

MFM Human Capital Development 5 8 10

The MFM Human Capital Development Framework is designed to support our human capital management and is aligned with MFM Group's key business objectives and strategies. The framework provides talent management strategies to shape our current workforce, while preparing for the future. Six (6) human capital components have been developed to ensure sustainable talent pipeline and leadership capability in achieving the Group's Vision & Mission.

Organisational Design & Workforce Planning

"Having the Right People with the Right Attitude and Skills in the Right Jobs within the Right Structure at the Right Time."

MFM believes that organisational design and workforce planning are an ongoing strategic activity to support our human capital and business strategy. Hence it is essential to continuously review and refine the organisational structure and maintain a lean and agile workforce. Job profiles, critical position identifications, talent requirements and workforce plans development are guided by five (5) leadership competencies and six (6) core competencies.

Talent Acquisition

Employer Branding

MFM aims to be a leading food manufacturing enterprise in the region. We leverage on technology and various digital platforms to attract, develop and retain the best employees in the industry.

Strategic Partnership

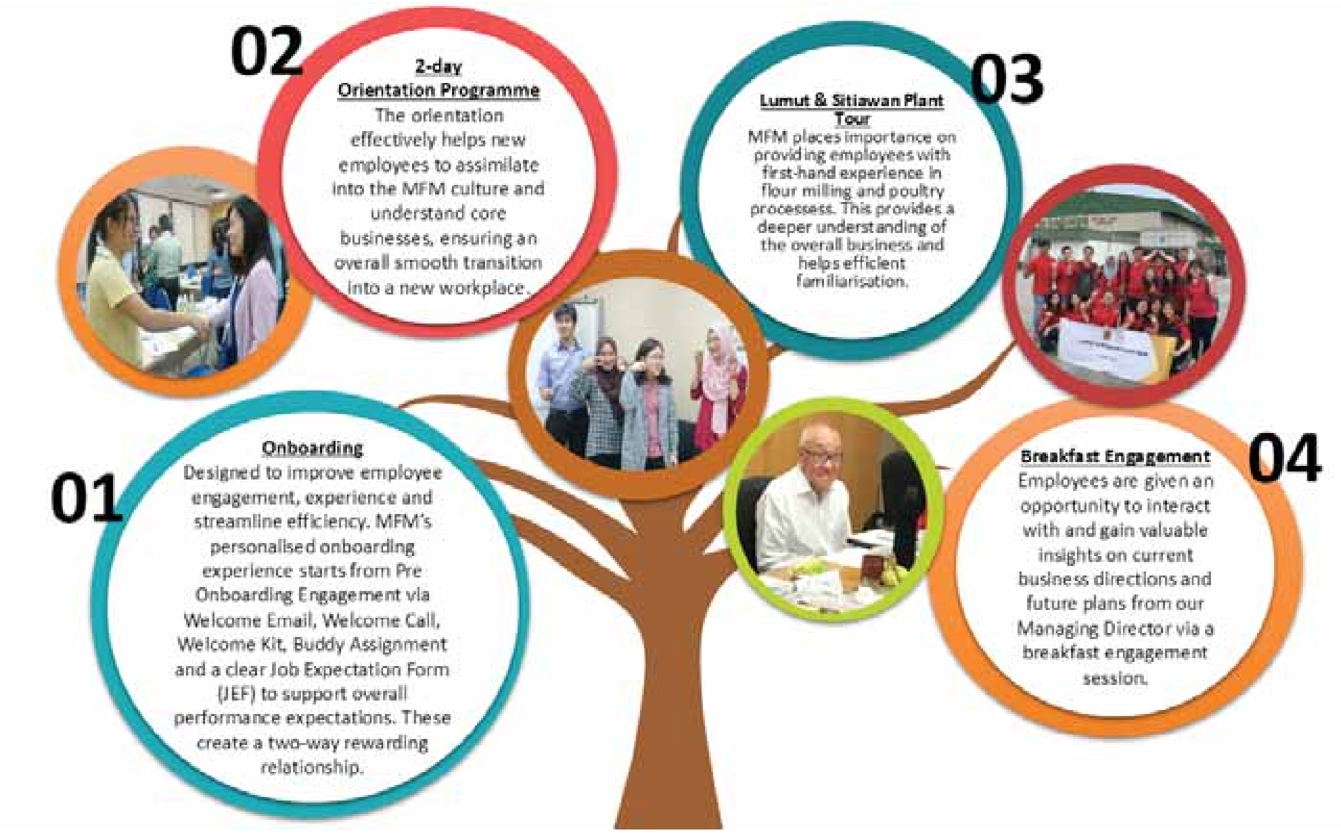
MFM strives to continuously establish and maintain strategic partnerships with universities and schools to foster the development of young talents in society and build the talent bench of MFM.

Sourcing

In order to maintain a successful recruitment strategy, MFM adopts a smart sourcing strategy in recruiting the right talents and creating a rewarding career journey for our candidates.

Selection

A series of psychometric assessments are used to assist in hiring the right candidates for the right positions.



Functional and Leadership Development

MFM keeps a competitive edge by asking ourselves,

"How can we get our organisation and ourselves to the next level of excellence?"

In doing so, MFM Group has developed a holistic approach in developing employees to boost their performance. It is essential to Lead with Trust and Respect by challenging the need to improve continuously.

Coaching Programme

Coaching overall increases work performance and provides an invaluable space and experience for personal development. In MFM, employees are given the opportunity to challenge themselves, broaden perspectives, identify strengths and development needs, set and achieve business, team and personal goals.

Mission-Directed Workforce (MDW) Programme

MDW is driven towards translating key strategies and principles to be implemented across the company. MFM constantly seeks opportunities for sustainable improvement in terms of quality, speed and cost effectiveness.

Employee Development Programme

MFM focuses highly on building talents in alignment with MFM Group's values, culture, and performance expectation for young graduates. The Employee Development Programme aims to strengthen the talent pipeline on a long term basis.

Leadership & Managerial Development Programme

"Good leaders are memorable, and excellent leaders are unforgettable." MFM strongly believes in having effective leaders in a workplace to empower and influence employees to achieve business and team goals. Our structured Leadership & Managerial Development programme focuses highly on the "21 Irrefutable Laws of Leadership," by John C. Maxwell to strengthen four core pillars of leadership behaviours, i.e. trust, authenticity, commitment and responsibility.

Dindings Poultry Development Centre (DPDC) Academy

Apart from current state-of-the-art technologies used to support our core businesses, MFM invested a substantial amount in our DPDC Academy to facilitate the train-the-trainer model via simulation and classroom training. This empowers existing employees to be champions and drivers of various farm processes, learn key skill set to be able to help others grow.

Succession Planning

For the MFM Group, corporate succession planning is a means of sustainability and stability for the organisation. With Talent Assessments, Competency Gap Analysis and Development Plan in place, MFM consistently engages in succession planning to increase the availability of ready talents, thus increasing the availability of capable individuals who are prepared to assume critical key roles.

Performance Management

PERFORMANCE MANAGEMENT SYSTEM

To strengthen our performance-driven culture, MFM Group strongly believes in promoting, engaging and improving employee work performance. Performance management by the Group involves cascading and aligning goals throughout the organisation to drive overall business performance.

Employee Engagement & Retention

MFM TOWNHALL

Hundreds applauded the strategic business plans, some of which focuses on the expansion of business in Poultry Integration, Supply Chain Management, Human Capital Development and overall sustainability of the business, shared by our Managing Director and Business Unit Heads.

The Best Innovation Award for 2018 was won by MFM Flour Pasir Gudang. The winning project titled ***" Flour Streaming Optimisation Approach"*** fulfilled all five criteria for best innovation, i.e., Creativity, Business Impact, Teamwork, Analysis of Business Benefits and Implementation. With the implementation of this proposal, it is expected to save the Company a whopping **RM1.75 million** per year.

INNOVATION AWARDS

HR Asia Best Companies To Work For in Asia (Malaysia Edition)

With MFM Human Capital Development in place, we have successfully paved the way for continuous employee and leadership development; this will drive transformation and achieve business objectives and goals.

Overall in 2018, we experienced various transformational changes in the areas of people and business. This led to MFM Group of Companies being awarded and recognised as HR Asia Best Companies To Work For In Asia (Malaysia Edition). MFM is confident in our journey towards achieving the next Human Capital Strategic Plan.

"We strive to create a great place for great people to do great work."

Safety & Health

MFM always puts workplace safety and employee health as the first priority. We equip related employees with proper Personal Protective Equipment (PPE) to protect them from physical hazards at the worksite. Health surveillance was carried out for employees in accordance to Department of Occupational Safety and Health (DOSH) requirement.

To create a healthy and safe working environment, we comply with laws and regulations, provide continuous and consistent trainings to related employees and establish Health, Safety and Environment (HSE) divisions to oversee these matters.

Safety Officer

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

Compliance

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

Zero Penalty & Fatality

In 2018, we did not receive any penalties related to occupational safety and health from relevant authorities. There were no workplace fatality cases in our Group.

Trainings

- Basic Occupational First Aid Training
- Cardiopulmonary Resuscitation (CPR) Training
- Authorised Entrant and Standby Person for Confined Space (AESP)
- Authorised Gas Tester and Entry Supervisor for Confined Space Refresher
- Fire Prevention and Extinguisher Training
- Working at Height Awareness
- Emergency Response Team Refresher Training & Chemical Spillage Training
- Safe Handling of Chlorine Gas
- Safe Driving Forklift Training
- Fire Drill
- Usage of Drench Shower & Eyewash
- LOTO (Lock Out Tag Out) Training
- Noise and Hearing Conservation Training
- Manual & Chemical Handling Training
- Safety and Health Manual Lifting Training
- N95 Mask Training

OPERATIONS EXCELLENCE & GOVERNANCE

To provide our customers with safe and high quality products that adhere to legislation and requirements.

Products & Services Responsibility

12 16

Customer Relationship

Developing a healthy relationship with customers is crucial to understand customers' needs in order to improve our products and services quality. MFM Group deploys Customer Relationship Management (CRM) system to manage customers' feedbacks.

We value and safeguard customer data and privacy as company asset. In 2018, MFM Group did not receive any complaints concerning breaches of customer privacy.

Our Commitment to Food Quality & Safety

MFM products are FREE from:

- Any visible metal fragments
- Salmonella and Aflatoxin; yeast and mould

MFM products are certified by:

JAKIM (Department of Islamic Development Malaysia) as HALAL, complying with Islamic dietary requirements.

Customer complaint related to food safety issues:
Strictly controlled to be not more than 5 cases per year.

AYAM DINDINGS
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FIESTA

Jimat FIESTA

DAPUR DINDINGS

DeliHous

Certifications & Trainings For Food Quality & Safety

Flour | Poultry | Aqua Feeds

	Flour Milling	Poultry Farming	Poultry Processing	Feed Milling
CERTIFICATIONS	• Hazard Analysis and Critical Control Points (HACCP) • FSSC 22000:2005 • SIRIM • HALAL (certified by JAKIM) 	• Compliance to Department of Veterinary Services • myGAP Certificate (from the Ministry of Agriculture and Agro-based Industry) • MS ISO/IEC17025 & ILAC-MRA (outsourced testing laboratory) • Skim Akreditasi Makmal Malaysia (SAMM) (external testing laboratory for drinking water samples for chicken)	• Hazard Analysis and Critical Control Points (HACCP) • Veterinary Health Mark (VHM) • ISO 22000:2005 • ISO 9001:2015 • Good Manufacturing Practices (GMP) • HALAL (certified by JAKIM) 	• Hazard Analysis and Critical Control Points (HACCP). • Fish Quality Certificate (by the Department of Fisheries Malaysia, complies with the European Union requirement as stated under Regulation 5(1) of the Fisheries (Quality Control of Fish for Export to the European Union) Regulations 2009)
TRAININGS	• Good Manufacturing Practices & Personal Hygiene Briefing • Food Handler Training • FSSC 22000 Awareness Training	• Quality Assurance & Control Training • myGAP (Malaysian Good Agricultural Practice) Training	• HACCP Awareness, Food Hygiene, Food Safety and GMP Awareness Course • Internal Auditor Training • Food Handler Training and Understanding & Implementation of HACCP	

In 2018, we did not receive any monetary value of fines or non-monetary sanctions for non-compliance to laws and regulations.

Bio-security 12 14 16

MFM Group's poultry farm and hatchery facilities are equipped with bio-security facilities. Bio-security is the most effective and efficient way of prevention and disease control.

Our farms are cared by professional and qualified veterinarians who monitor flock health, carry out diagnosis, provide treatment prescription and conduct R&D.

Strict bio-security measures prevent infestation or disease in farms, thus, protecting the environment and our workforce.

The closed house system allows chicken house temperature to be regulated. This reduces bird stress, lowers bird mortality and improves farm performance.

Code of Conduct & Ethics 16

We instill high standards of professional and ethical conduct in all employees. Integrity helps us to earn the trust and respect of the people we serve.

The Company's Code of Conduct sets out the ethical standards to all employees in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment.

We uphold our reputation and high standards by living the Code of Conduct. This will help us to achieve the highest possible standards across our businesses within the MFM Group.

Anti-Corruption 16

Our Group has a Whistle Blowing Policy and procedures are in place.

Anti-Competitive Behaviour 16

In 2018, MFM Group did not have legal actions pending or completed related to anti-competitive behaviour.

COMMITMENT TO SOCIETY

MFM holds the responsibilities not only to consistently provide high quality food to people, but also to give back to society.

Corporate Social Responsibility Towards Workplace 3 8 16

- Annual Dinner
- Camp Day
- Company Trip
- Company Anniversary Celebration
- English Class For Staff
- Annual Football Match
- Team Synergy Training
- Women's Day Celebration

Annual football match held for employees to promote healthy lifestyle and to strengthen the bond between employees.

Corporate Social Responsibility Towards Marketplace 12 16

- Bakers Training at Plant "Baking Training Center"
- Dapur Dindings Food Truck Roadshow
- Distributors' Convention in Korea
- Joining the Purebake Distributor in Bakery Fair in Philippines
- Karnival Jom Serbu
- Product Demonstration
- Sustainable Branding Seminar for Key Bakeries & Wholesalers
- Technical Training & Technology Exchange
- Trade Union Congress
- Vimaflour Annual Bakers' Conference

Provided baking trainings to customers at the "Baking Training Center".

Dapur Dindings (the first food truck launched under Ayam Dindings brand) sold nutritious and tasty meals at affordable prices to customers.

Plant Manager explained the quality of flour during Bakery Fair in Philippines.

Our employees with distributors at Distributors' Convention in Korea.

Corporate Social Responsibility Towards Community 2 3 4 10

- 3km Charity Colour Run
- Education Programme With Hoa Sua Baking School
- Food Truck Flash Mob Roving Giveaway
- Fundraising for Schools
- Fundraising for House Building
- Donations for Victims of Disaster
- Harmony Charity Food Fair
- Lung Cancer Awareness Charity Run
- Run for Children
- Scholarships for Students
- UPM Farm Run
- Water & Sanitation Programme


The cooperation ceremony for the education programme with Hoa Sua Baking School.

Donated goodies and money to the victims of Lombok and Palu Donggala earthquake.

Our representative gave award to the winner in UPM Farm Run.

Corporate Events

15th Malaysia International Halal Showcase ("MIHAS")
(4 April – 7 April 2018)

DPP participated in the 15th Malaysia International Halal Showcase which took place at the Kuala Lumpur Convention Centre.

DPP is one of the active exhibitors in MIHAS, introducing its Ayam Dindings products to the existing and new business networking, to have a brand presence in the Halal food industry.

Appreciation Dinner
(6 April 2018)

DPP recognises the contribution of its distributors and suppliers. On 6 April 2018, its top 50 distributors and suppliers were invited to the dinner at The Vertical, Bangsar South City as a gesture of appreciation for their efforts and services to DPP. Over 183 guests attended the Appreciation Dinner.

58th Annual General Meeting
(22 May 2018)

MFM held its 58th Annual General Meeting at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.

InvestPerak Networking Dinner 2018
(11 October 2018)

Perak Investment Management Centre (InvestPerak), the Perak State's investment promotion agency had signed investment pacts with 5 local companies worth about RM1.9 billion.

Menteri Besar of Perak, YAB Dato' Seri Ahmad Faizal bin Dato' Azumu stated that the biggest investment was the RM1.1 billion Memorandum of Cooperation signed with the Company to cooperate and assist each other in furthering the development of agro-food industry in Perak.

Tastefully Food & Beverage Expo

- **Setia Spice Arena, Penang (25 May – 27 May 2018)**
- **Mid Valley Megamall Exhibition Centre (27 July – 29 July 2018)**
- **Melaka International Trade Centre (12 October – 14 October 2018)**

DPP participated in the Tastefully Food & Beverage Expo held in Penang, Kuala Lumpur and Melaka. It was great opportunity to have direct engagement with the consumers via the food sampling and promotion.

Corporate Events (cont'd)

Extraordinary General Meeting
(26 October 2018)

MFM held an Extraordinary General Meeting at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur to seek its shareholders' approval for the Proposed Rights Issue of Redeemable Convertible Unsecured Loan Stocks (RCULS) and Shares.

Annual Dinner
(16 November 2018)

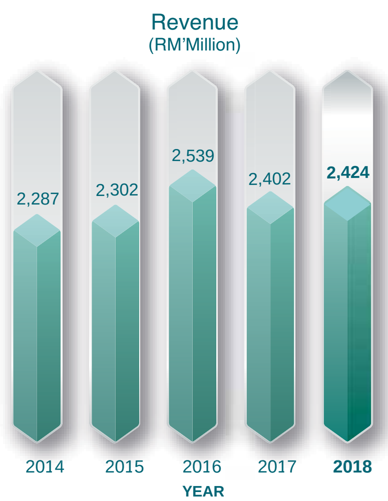
An Annual Dinner was held at the Grand Ballroom, Double Tree Hotel by Hilton, Kuala Lumpur as a treat for the employees as well as to foster better ties and interaction amongst the employees. Activities such as beat box performance, live band performance, dance show, games, best dress awards and lucky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

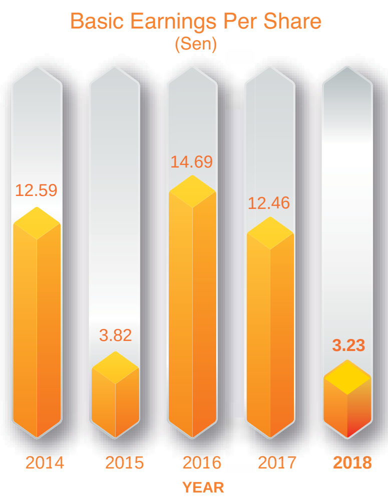
Group Financial Highlights

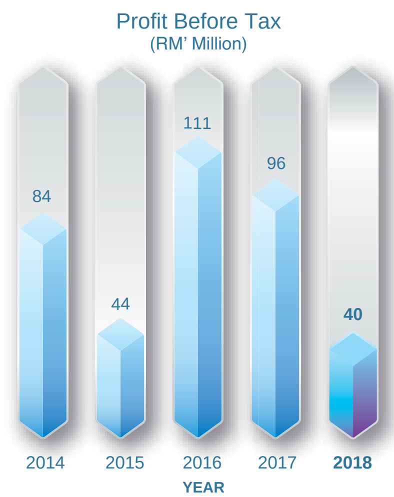
	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	2,286,575	2,301,907	2,538,686	2,402,283	2,423,774
Profit before tax	83,729	43,874	111,319	96,493	39,933
Tax expense	(4,235)	(14,470)	(18,359)	(24,530)	(12,467)
Profit for the year	79,494	29,404	92,960	71,963	27,466
Minority interests	(11,716)	(8,859)	(12,125)	(3,395)	(9,690)
Profit attributable to equity holders of the Company	67,778	20,545	80,835	68,568	17,776
Issued share capital (RM'000)	269,114	275,120	275,120	377,501	377,501
Shareholders' fund (RM'000)	730,560	771,101	833,105	834,616	819,950
Net assets per share (sen) *	136	140	151	152	149
Basic earnings per share (sen) **	12.59	3.82	14.69	12.46[a]	3.23[a]
Gross dividends (%) - single tier	13.00	8.00	13.00	9.50	5.50
*Based on number of shares ('000)	538,228	550,239	550,239	550,285	550,285
** Based on weighted average number of shares ('000)	538,225	538,327	550,239	550,270	550,285

Note:

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







Corporate Governance Overview Statement

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

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

This statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") and mainly describes the approaches that the Group has taken with respect to the principles and recommended practices in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") during the financial year 2018.

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

Board of Directors

Roles and Responsibilities

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

Amongst the key responsibilities of the Board are as follows:

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

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

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

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

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

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

Board Charter

The roles and functions of the Board are clearly defined in the Board Charter which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance. The Board Charter was last reviewed in 2017 to reflect the changes in the composition of the Board, Listing Requirements and Companies Act 2016. The Board Charter is available on the Company's website.

Composition and Balance of the Board

There are currently 9 Directors on the Board comprising 3 Executive Directors and a strong team of 6 Non-Executive Directors of whom 4 are Independent Directors. The size and composition of the Board provides for a diversity of views, the desired level of objectivity and independence in Board deliberations and decision-making.

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

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

The Board, which comprises diverse ethnicity and age, had also achieved the 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 9 of this Annual Report.

Independence of Directors

The Independent Non-Executive Directors are not involved in the day-to-day management of the Company and not full-time salaried employees. They contribute independent views to matters under consideration and provide wide and unfettered perspective on issues. They also bring to the Board integrity and a strong sense of ethics as well as ensuring effective check and balance in the functioning of the Board.

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

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

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

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

Separation of positions of the Chairman and Managing Director

The Board Charter provides clear division of responsibility between the Chairman and the Managing Director to ensure that there is a balance of power and authority, such that no one individual has unfettered powers of decision-making.

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

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

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

Appointment and Re-election of Directors

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

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

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

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

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

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

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

Board Meetings and Time Commitment

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

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

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

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, 6 Board meetings were held. The attendance of each Director at the Board meetings is as follows:

Name of Directors	Meeting Attendance
Non-Independent	
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
Lim Pang Boon	6/6
Independent	
Dato' Hj Shaharuddin bin Hj Haron *(demised on 16 October 2018)*	4/4
Datuk Oh Chong Peng	6/6
Dato' Wira Zainal Abidin bin Mahamad Zain	6/6
Quah Poh Keat	6/6
Prof. Datin Paduka Dato' Dr Aini binti Ideris	5/6*

(She could not attend one of the Board meetings due to another official meeting overseas.)*

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

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

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

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

Access to Advice and Information

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

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

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

Qualified and Competent Company Secretary

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

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

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

Directors' Continuing Development

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

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

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

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

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

Leadership/Directorship/Management

- Coaching Midpoint
- Leadership Development Programme Pre-Assessment
- Leadership Development Programme Module 1: 21 Irrefutable Laws of Leadership
- Leadership Development Programme Module 2: Becoming a Person of Influence
- Leadership Development Programme Module 1 & 2 - Post Assessment
- Organisational Design & Job Analysis Workshop
- Handling Performance Improvement Process

Corporate Governance/Risk Management/Investors Relation

- Launch of Institute of Corporate Directors Malaysia
- Breakfast Series entitled "Companies of the Future - The Role for Boards"
- Breakfast Series entitled "Non-Financials – Does It Matter"
- 30% Club Board Mentoring Scheme Event
- Sustainability Engagement Series for Directors
- Corporate Governance Briefing Sessions: MSSG Reporting & CG Guide

- MIRA Workshop: Business Transformation Using Capital Management Strategies
- Seminar on Malaysian Code on Corporate Governance 2017, Regulatory Updates; & Financial Statement Fraud and Misstatement 2017
- Governance for the Audit Committee Members
- Commodity Training & Risk Management Training

Finance/Audit
- Audit, Internal Control and Fraud Detection Seminar 2018

Compliance/Economy
- Industrial Park Forum "Strengthening the Manufacturing Ecosystem"
- MIDA National Investment Seminar 2018
- MITI Launching of the National Policy on Industry 4.0
- Impact of AI on Shareholder Value & Market Performance – "What Every Listed Company Needs to Know"
- FMM MITI Seminar on Industry 4.0, Post-Budget 2019 Discourse
- Regulatory Updates Seminar For Directors 2018

Board Committees

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

Currently, the Board has 3 standing committees namely, Audit & Risk Management Committee, Nomination Committee and Remuneration Committee. The Board retains full responsibility for the direction and control of the Company and the Group.

Audit & Risk Management Committee

The composition, duties and responsibilities of the Audit & Risk Management Committee together with its report are presented on pages 71 to 74 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 3 Independent Non-Executive Directors and 2 Non-Independent Non-Executive Directors as follows:

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

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

a. To review regularly the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary and to recommend Directors to Committees of the Board;

b. To be responsible for identifying and nominating candidates for the approval of the Board to fill Board vacancies as and when they arise as well as put in place plans for succession, in particular, of the Chairman and the Managing Director;

c. To review the required mix of skills and experience and other qualities and competencies which Non-Executive Directors should bring to the Board and to assess the effectiveness of the Board, Committees of the Board and contributions of Directors of the Board;

d. To review the balance between Executive and Non-Executive Directors and to ensure at least 1/3 of the Board is comprised of Independent Directors in compliance with the Listing Requirements;

e. To recommend to the Board for the continuation (or not) in service of an Executive Director as an Executive or Non-Executive Director;

f. To recommend Directors who are retiring by rotation to be put forward for re-election; and

g. To recommend to the Board the employment of the services of such advisers as it deems necessary to fulfill its responsibilities.

The Nomination Committee had conducted the Performance Evaluation of the Board, Board Committees and Individual Director for year 2018 via questionnaires which were completed by each Director on a confidential basis. The questionnaires comprised of a Board and Board Committees Performance Evaluation, an Individual Director Self/Peer Evaluation and an Independent Director's Self-Assessment for Annual Declaration of Independence. The effectiveness of the Board was assessed in the areas of composition, operations, roles and responsibilities and performance of the Chairman.

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

Meanwhile, the individual Director was assessed on his contribution to interaction, quality of input and understanding of his/her 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 had achieved the strong ratings.

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

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

Remuneration Committee

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

Tan Sri Dato' Seri Utama Arshad bin Ayub (Chairman)	Non-Independent Non-Executive Director
Datuk Oh Chong Peng	Senior 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:

a. 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;

b. To determine and recommend to the Board any performance related pay schemes for the Company or Group;

c. To determine the policy for and scope of service agreements for the executive directors, termination payments and compensation commitments;

d. To oversee any major changes in employee remuneration and benefit structures throughout the Company or Group;

e. 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

f. To recommend to the Board the appointment of the services of such advisers or consultants as it deems necessary to fulfill its responsibilities.

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

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

Remuneration

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

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

Details of the Directors' remuneration paid or payable or otherwise made to all Directors of the Company in respect of financial year 2018 are as follows:

	Fees	Salary/ Bonus/ Benefits-in-kind	Other Remuneration		Total	
	Company		Company	Subsidiary	Company	Group
	RM'000					
Executive Directors						
Teh Wee Chye	-	3,603	430	22	4,033	4,055
Azhari Arshad	-	686	84	-	770	770
Lim Pang Boon	-	762	96	670	858	1,528
Non-Executive Directors						
Tan Sri Dato' Seri Utama Arshad bin Ayub	240	28	29	64	297	361
Dato' Hj Shaharuddin bin Hj Haron	126	-	27	-	153	153
Datuk Oh Chong Peng	120	-	29	-	149	149
Dato' Wira Zainal Abidin bin Mahamad Zain	120	-	23	-	143	143
Prakash A/L K.V.P Menon	120	-	18	22	138	160
Quah Poh Keat	120	-	13	-	133	133
Prof. Datin Paduka Dato' Dr Aini binti Ideris	120	-	10	-	130	130
Total	966	5,079	759	778	6,804	7,582

Corporate Reporting and Relationship with Stakeholders

Conduct of General Meetings

The Board recognises the importance of maintaining an effective communication with the shareholders and the general public. All shareholders are encouraged to attend the Company's General Meetings and to participate in the proceedings. All the Directors, Senior Management and External Auditors were present at the AGM held on 22 May 2018 and Extraordinary General Meeting held on 26 October 2018 to engage with the shareholders and answer to their queries. The Managing Director also presented a brief overview of the financial performance of the Group during the AGM. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Group. The Company's responses to the queries submitted in advance by the Minority Shareholder Watchdog Group were also presented to the shareholders. Shareholders' suggestions received during AGM are reviewed and considered for implementation wherever possible. For the smooth conduct of the General Meetings, the voting is conducted through electronic voting system. A press conference is held immediately after the General Meetings to brief and update the media representatives on the outcome of the General Meetings and the operations of the Group. Summary of the minutes of the AGM is also posted on the Company's website for the information and benefit of all the shareholders of the Company.

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

Communication with Stakeholders

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

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

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

From time to time, the designated Senior Management also has dialogues with fund managers and research analysts on the strategies, 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 Datuk Oh Chong Peng as the Senior Independent Non-Executive Director to whom concerns may be directed. At all times, investors and shareholders may contact the Company Secretary for information on the Group.

Accountability and Audit

Financial Reporting

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

The Group's financial statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016. Efforts are made to ensure that in presenting the financial statements, the appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates are being used.

Corporate Disclosure

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

Internal Control

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

The Statement on Risk Management and Internal Control as set out on pages 75 to 79 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 Datuk Oh Chong Peng, Senior Independent Non-Executive Director of the Company, via the email address at whistleblowing@mflour.com.my.

Code of Conduct

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

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

a. Demonstrating commitment
b. Living the core values of the Group
c. Avoiding conflict of interest
d. Preventing bribery and corruption
e. Practising confidentiality and data protection

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

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

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

Indemnification of Directors and Officers

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

Relationship with External Auditors

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

Additional Compliance Information

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

1. Utilisation of Proceeds Raised from Corporate Proposal

The Company has on 28 January 2019 completed its Rights Issue of Redeemable Convertible Unsecured Loan Stocks ("RCULS") and Rights Issue of Shares with free Warrants and Bonus Shares (collectively referred to as the "Rights Issue"). Pursuant to the Rights Issue, 165,084,641 RCULS at 100% of its nominal value of RM1.00 and 220,113,744 Rights Shares of RM0.50 each were issued and cash proceeds of RM275,141,513 were raised.

The summary of the utilisation of Rights Issue proceeds is as follows:-

Description of Utilisation of Proceeds	Rights Issue Proceeds (RM'000)	Actual Utilisation (RM'000)	Balance of Rights Issue Proceeds Unutilised as at 29 March 2019 (RM'000)	Expected Time Frame for Utilisation of Proceeds (from date of receipt of the proceeds)
Capital expenditure and repayment of revolving credit loans drawn to finance the capital expenditure	216,761	185,370	31,391	Within 2 years
Repayment of revolving credit loans drawn to finance working capital requirement	54,798	54,798	-	Within 1 year
Estimated expenses for the Rights Issue (Note 1)	3,583	3,582	1	Within 1 month
Total	275,142	243,750	31,392	

Note 1: From the funds allocated for the estimated expenses of RM3.6 million, underwriting commissions totalling RM2.2 million has been paid and the excess of RM1.3 million was used for the working capital of the Group.

The proceeds to be raised from the exercise of the 137,570,667 Warrants issued pursuant to the Rights Issue at the exercise price of the Warrants of RM0.68 each are dependent on the total number of Warrants exercised during the tenure of the Warrants. Such proceeds, if and when the Warrants are exercised, will be used for working capital purposes.

As at 29 March 2019, cash proceeds of RM850 were raised from the exercise of 1,250 Warrants.

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 2018 are as follows:

	Group (RM'000)	Company (RM'000)
Audit Fees	482	110
Non-Audit Fees	388	299
Total	**870**	**409**

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 2018 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 164 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 164 of this Annual Report.

Audit & Risk Management Committee Report

The Board of Malayan Flour Mills Berhad is pleased to present the Audit & Risk Management Committee Report for the year ended 31 December 2018.

Members

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

The Audit & Risk Management Committee ("the Committee") comprises 4 members, all of whom are Non-Executive Directors and 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").

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

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

Meetings

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

Members	Attendance
Datuk Oh Chong Peng	5/5
Tan Sri Dato' Seri Utama Arshad bin Ayub	5/5
Dato' Wira Zainal Abidin bin Mahamad Zain	5/5
Quah Poh Keat	5/5

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

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

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

Audit & Risk Management 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 2018 were as follows:

a. Financial Reporting

i. Reviewed the quarterly unaudited financial results and announcements before recommending them to the Board for approval.

ii. Reviewed the annual audited financial statements of the Group and of the Company prior to submission to the Board for approval.

iii. Reviewed the impact of the changes to the accounting policies and adoption of new accounting standards and treatments used in the financial statements.

b. Internal Audit

i. Head of Group Internal Audit and Risk Management presented the comprehensive internal audit plan which had been undertaken to evaluate and identify the companies and operational auditable areas to be audited within the Group. The Committee reviewed the annual internal audit plan to ensure adequate scope, coverage of the activities of the Group and the resource requirements of internal audit to carry out its functions.

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

ii. Reviewed the internal audit and risk management reports submitted and presented by the Head of Group Internal Audit and Risk Management at each of the quarterly meeting of the Committee. The Committee appraised the adequacy of actions and remedial measures taken by the management in resolving audit issues reported and recommended further improvement measures.

iii. Reviewed the performance of the Head of Group Internal Audit and Risk Management and based on the recommendation of the Remuneration Committee, approved his salary increment and performance incentive.

c. External Audit

i. Reviewed with the external auditors, KPMG PLT, on their Audit Plan prior to commencement of the audit. The Engagement Partner of KPMG PLT presented the Audit Plan and Strategy for the Group for financial year 2018 which entailed the engagement team, audit scope, audit timeline and audit focus areas.

ii. Reviewed the proposed fees for the statutory audit, review of the Statement on Risk Management and Internal Control and review of Group Reporting Package and Audit Working Papers of component auditors. The proposed fees were then recommended by the Committee to the Board for approval.

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

c. External Audit (cont'd)

iii. Discussed and reviewed the Group's financial statements with the external auditors including issues and findings noted in the course of the audit.

iv. Meeting with the external auditors without the presence of the Executive Directors and employees of the Company. During the meeting, the external auditors were invited to raise any matter which they considered vital for the Committee's attention. The external auditors had confirmed that the management had given its full support, co-operation and unrestricted access to information as required by the external auditors to perform their duties.

v. The external auditors had provided their written assurance that they were 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 and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*.

The external auditors 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 & Risk Management 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 the Chairman of the Committee and an Executive Director of the Company to sign the Letter of Representation in respect of the Board's SORMIC, for and on behalf of the Committee.

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

e. Related Party Transactions

i. Reviewed on a quarterly basis the related party transactions that had arisen within the Group and the Company and that appropriate disclosure has been made in accordance with the Listing Requirements.

ii. Reviewed on a quarterly basis and monitored that the actual value of the recurrent related party transactions of the Group were within the estimated threshold as set out in the shareholders' mandate and that the Group had implemented relevant procedures to ensure that the transactions' prices were being determined to ensure that the recurrent related party transactions had been undertaken on an arm's length basis and on normal commercial terms.

iii. Reviewed the Circular to Shareholders ("Circular") in relation to the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Mandate").

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

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

Internal Audit Function

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

The purpose, authority and responsibility of the IARM as well as the nature of the assurance and consultancy activities provided by the function are articulated in the Internal Audit Charter.

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

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

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

The total costs incurred for maintaining the Group Internal Audit and Risk Management function for year 2018 were approximately RM610,689.

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 Listing Requirements.

Board Responsibility

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

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

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

Internal Control

Risk Management

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

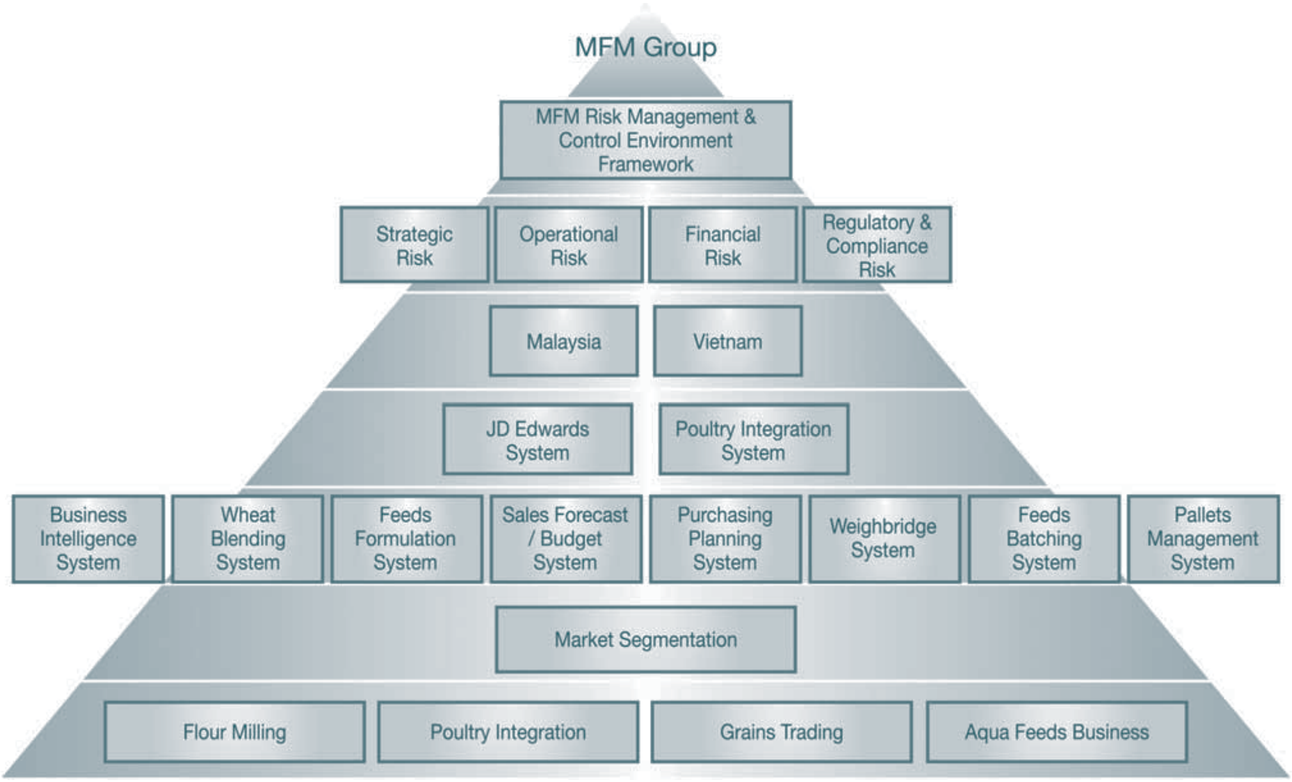
During the year and up to the date of approval of this statement, discussions were conducted at different levels of management to identify and address risks identified in the Group. The assessment of significant risks and the execution of relevant mitigating action plans are part of the operational activities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

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

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.



The Group Internal Audit and Risk Management Department will carry out a yearly review of the risk scorecards and update them accordingly together with the management of respective business units.

Any significant risk that requires the Board's attention will be highlighted via a Flash Report. Key risks highlighted in the Flash Report will be used by internal audit in developing internal audit plan.

Control Structure

- The Board meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of Committees and Senior Management and to consider and approve measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control.
- An independent internal audit department reports directly to the Audit & Risk Management Committee. Internal audit plans are reviewed and approved by the Audit & Risk Management Committee and the plans are to monitor compliance with and adequacy of the Group's system of internal control and to provide assurance on the effectiveness of the Group's system of internal control including policies and procedures. Follow-up reviews on the previous audit reports were carried out to ensure that appropriate actions have been implemented to address control weaknesses highlighted.
- The Group has in place an organisation structure with proper segregation of duties and reporting procedures and authorisation limits and all heads of business units and departments are accountable for ensuring the effective implementation of established policies and procedures.

- The Group has in place a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a regular basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior year, with major variances explained and appropriate action taken or plans put in place.
- The Group Managing Director meets with the Senior Management regularly to review and resolve key operational, financial, personnel and other key management issues, including issues of risks and internal controls. Significant issues are highlighted and discussed at Board meetings.
- The Credit Committee meets regularly to conduct credit reviews, monitor receivables, progress of legal cases and formulates credit procedures and policies.
- The training and development programs are established to enhance and improve employee competencies and proficiencies. This is implemented through a combination of on-the-job training and classroom training courses.
- The Group Code of Ethics is established to set out the ethical standards to all employees in their dealings with fellow colleagues, customers, shareholders, suppliers, competitors, the wider community and the environment.
- The Whistle Blowing policy is in place with the objective of providing all stakeholders a mechanism to raise genuine concerns on unethical behaviour or any misconduct.

Significant Risk Factors relating to MFM Group

a. Business risks

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

b. Availability and cost of raw materials

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

c. Government policies & regulations including price controls & subsidies

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

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

d. Disease control

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

e. Foreign exchange fluctuations

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

Review of this Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3 (February 2018), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2018 and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group in all material respects, has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or is factually inaccurate.

AAPG 3 (February 2018) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

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

Conclusion

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

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

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

Statement made in accordance with the resolution of the Directors dated 18 March 2019.

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REPORTS & FINANCIAL STATEMENTS

Directors' Responsibility Statement

For the Audited Financial Statements

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

In preparing the financial statements for the financial year ended 31 December 2018, the Directors have:

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

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

Directors' Report

for the year ended 31 December 2018

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 2018.

Principal activities

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

Subsidiaries

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

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	17,776	38,688
Non-controlling interests	9,690	-
	27,466	38,688

Reserves and provisions

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

Dividends

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

(i) a second interim single tier dividend of 3.50 sen per ordinary share totalling approximately RM19,260,000 in respect of the financial year ended 31 December 2017 on 30 March 2018; and

(ii) an interim single tier dividend of 2.00 sen per ordinary share totalling approximately RM11,006,000 in respect of the financial year ended 31 December 2018 on 20 September 2018.

On 27 February 2019, the Directors declared a second interim single tier dividend of 1.00 sen per ordinary share totalling approximately RM9,740,000 in respect of the financial year ended 31 December 2018, which will be paid on 29 March 2019.

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

Directors of the Company

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

Tan Sri Dato' Seri Utama Arshad bin Ayub
Teh Wee Chye
Datuk Oh Chong Peng
Dato' Wira Zainal Abidin bin Mahamad Zain
Prakash A/L K.V.P Menon
Azhari Arshad
Quah Poh Keat
Prof. Datin Paduka Dato' Dr Aini binti Ideris
Lim Pang Boon (Appointed on 1 January 2018)
Dato' Hj Shaharuddin bin Hj Haron (Demised on 16 October 2018)

List of Directors of subsidiaries

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

Tan Sri Dato' Seri Utama Arshad bin Ayub
Teh Wee Chye
Prakash A/L K.V.P Menon
Azhari Arshad
Lim Pang Boon
Dato' Dr. Kamruddin @ Kardin bin Shukor
Bui Thi Thanh Tam
Le Cong Anh
Yap Fan Yee
Phan Xuan Que
Kong Pak Cheong
Chua Kiat Hwa
Takanobu Kodama
Koichiro Ito
Wong Su Yen Caroline
Tan Keng Seng
Romli bin Hasan
Keisuke Okada (Appointed on 1 April 2018)
Daisuke Tanaka (Resigned on 1 April 2018)
Dato' Hj Shaharuddin bin Hj Haron (Demised on 16 October 2018)
Dato' Dr. Goh Cheng Teik (Demised on 17 March 2019)

Directors' interests

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

	Number of ordinary shares			
	At 1.1.2018	**Acquired**	**Disposed**	**At 31.12.2018**
Company - Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	61,462,477	-	-	61,462,477
Tan Sri Dato' Seri Utama Arshad bin Ayub	25,422,000	100,000	-	25,522,000
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	50,000	-	4,290,000
Lim Pang Boon	220,400	-	-	220,400
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	15,499,800	-	-	15,499,800
Azhari Arshad	15,499,800	-	-	15,499,800
Deemed interest of Teh Wee Chye in subsidiary companies				
Muda Fibre Manufacturing Sdn. Bhd.	7,000,001	-	-	7,000,001
Premier Grain Sdn. Bhd.	10,200,000	-	-	10,200,000
Dindings Poultry Development Centre Sdn. Bhd.	39,572,000	66,457,560	-	106,029,560

	Interest in capital contribution denominated in Vietnamese Dong (VND)			
	At 1.1.2018 VND'000	**Acquired VND'000**	**Disposed VND'000**	**At 31.12.2018 VND'000**
Vimaflour Ltd	248,953,884	-	-	248,953,884

* Deemed to have interests through spouse and children pursuant to the Section 59(11)(c) of the Companies Act 2016 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 of the Company holding office at 31 December 2018 had any interests in the ordinary shares of the Company and of its related corporations during the financial year.

Directors' benefits

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

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

Issue of shares

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

Options granted over unissued shares

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

Indemnity and insurance costs

During the financial year, the amount of insurance premium effected for all Directors and officers of the Company was RM15,000.

Other statutory information

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

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

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

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 2018 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.

Significant events

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

Subsequent event

Details of the subsequent event is disclosed in Note 28 to the financial statements.

Auditors

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

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

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

Tan Sri Dato' Seri Utama Arshad bin Ayub
Director

Teh Wee Chye
Director

Kuala Lumpur
18 March 2019

Balance Sheets

at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Assets					
Property, plant and equipment	3	984,718	769,062	260,800	256,643
Intangible assets	4	2,577	2,951	508	173
Investment properties	5	5,110	5,167	4,839	4,896
Investments in subsidiaries	6	-	-	391,369	322,177
Investment in a joint venture	7	61,033	47,217	100,289	77,531
Investment in an associate	8	1,113	1,107	-	-
Deferred tax assets	9	6,710	10,086	-	299
Total non-current assets		1,061,261	835,590	757,805	661,719
Trade and other receivables, including derivatives	10	413,189	375,345	477,153	419,073
Prepayments		5,546	6,607	1,837	3,384
Inventories	11	468,728	493,018	98,967	135,244
Biological assets	12	54,906	56,673	-	-
Current tax assets		4,100	2,797	856	437
Cash and cash equivalents	13	168,832	257,768	13,501	11,816
Total current assets		1,115,301	1,192,208	592,314	569,954
Total assets		2,176,562	2,027,798	1,350,119	1,231,673
Equity					
Share capital		377,501	377,501	377,501	377,501
Reserves		442,449	457,115	254,378	245,956
Total equity attributable to owners of the Company	14	819,950	834,616	631,879	623,457
Non-controlling interests	6	74,223	72,648	-	-
Total equity		894,173	907,264	631,879	623,457
Liabilities					
Deferred tax liabilities	9	9,788	12,261	3,101	-
Loans and borrowings	16	151,061	76,194	9,780	25,640
Total non-current liabilities		160,849	88,455	12,881	25,640
Trade and other payables, including derivatives	15	142,189	147,226	153,513	147,498
Loans and borrowings	16	975,359	883,121	551,846	435,078
Current tax liabilities		3,992	1,732	-	-
Total current liabilities		1,121,540	1,032,079	705,359	582,576
Total liabilities		1,282,389	1,120,534	718,240	608,216
Total equity and liabilities		2,176,562	2,027,798	1,350,119	1,231,673

The notes set out on pages 97 to 168 are an integral part of these financial statements.

Income Statements

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	17	2,423,774	2,402,283	422,234	433,291
Cost of goods sold		(2,174,492)	(2,130,355)	(362,012)	(349,355)
Gross profit		249,282	271,928	60,222	83,936
Other income		11,199	16,176	50,354	54,921
Distribution and selling expenses		(123,700)	(129,377)	(36,578)	(39,049)
Administrative expenses		(49,733)	(50,521)	(20,333)	(18,591)
Net (loss)/gain on impairment of financial instruments	23.2	(3,138)	(172)	(988)	272
Other expenses		(18,808)	(7,382)	(3,841)	(5,946)
Results from operating activities		65,102	100,652	48,836	75,543
Interest expense		(29,553)	(25,472)	(22,478)	(15,973)
Interest income		11,298	13,573	17,047	10,880
Operating profit	18	46,847	88,753	43,405	70,450
Share of (loss)/profit of equity accounted joint venture, net of tax	7	(6,908)	7,771	-	-
Share of loss of equity accounted associate, net of tax		(6)	(31)	-	-
Profit before tax		39,933	96,493	43,405	70,450
Tax expense	19	(12,467)	(24,530)	(4,717)	(6,703)
Profit for the year		27,466	71,963	38,688	63,747
Profit attributable to:					
Owners of the Company		17,776	68,568	38,688	63,747
Non-controlling interests		9,690	3,395	-	-
Profit for the year		27,466	71,963	38,688	63,747
Basic earnings per ordinary share (sen)	20	3.23	12.46		

The notes set out on pages 97 to 168 are an integral part of these financial statements.

Statements of Comprehensive Income

for the year ended 31 December 2018

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit for the year	27,466	71,963	38,688	63,747
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	(1,635)	(36,355)	-	-
Total comprehensive income for the year	25,831	35,608	38,688	63,747
Total comprehensive income attributable to:				
Owners of the Company	15,913	37,851	38,688	63,747
Non-controlling interests	9,918	(2,243)	-	-
Total comprehensive income for the year	25,831	35,608	38,688	63,747

The notes set out on pages 97 to 168 are an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2018

Group	Note	Attributable to owners of the Company – Non-distributable: Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Other capital reserves RM'000	Translation reserve RM'000	Distributable: Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2017		275,120	68,916	33,370	40,883	(9,643)	424,459	833,105	84,292	917,397
Foreign currency translation differences for foreign operations		-	-	-	-	(30,717)	-	(30,717)	(5,638)	(36,355)
Profit for the year		-	-	-	-	-	68,568	68,568	3,395	71,963
Total comprehensive (expense)/ income for the year		-	-	-	-	(30,717)	68,568	37,851	(2,243)	35,608
Issuance of shares pursuant to the exercise of warrants	14	95	-	-	-	-	-	95	-	95
Dividends to owners of the Company	21	-	-	-	-	-	(35,767)	(35,767)	-	(35,767)
Dividends to non-controlling interests	6	-	-	-	-	-	-	-	(6,856)	(6,856)
Changes in ownership interests in subsidiaries		-	-	-	-	-	(668)	(668)	(2,545)	(3,213)
Transfer of reserves upon expiry of warrants	14	33,370	-	(33,370)	-	-	-	-	-	-
Transfer pursuant to Companies Act 2016	14	68,916	(68,916)	-	-	-	-	-	-	-
At 31 December 2017		377,501	-	-	40,883	(40,360)	456,592	834,616	72,648	907,264
At 1 January 2018		377,501	-	-	40,883	(40,360)	456,592	834,616	72,648	907,264
Foreign currency translation differences for foreign operations		-	-	-	-	(1,863)	-	(1,863)	228	(1,635)
Profit for the year		-	-	-	-	-	17,776	17,776	9,690	27,466
Total comprehensive (expense)/ income for the year		-	-	-	-	(1,863)	17,776	15,913	9,918	25,831
Dividends to owners of the Company	21	-	-	-	-	-	(30,266)	(30,266)	-	(30,266)
Dividends to non-controlling interests	6	-	-	-	-	-	-	-	(5,256)	(5,256)
Changes in ownership interests in a subsidiary	6	-	-	-	-	-	(313)	(313)	(3,087)	(3,400)
At 31 December 2018		377,501	-	-	40,883	(42,223)	443,789	819,950	74,223	894,173

Company	Note	Non-distributable Share capital RM'000	Share premium RM'000	Warrant reserve RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2017		275,120	68,916	33,370	217,976	595,382
Profit for the year		-	-	-	63,747	63,747
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	63,747	63,747
Issuance of shares pursuant to the exercise of warrants		95	-	-	-	95
Transfer of reserves upon expiry of warrants		33,370	-	(33,370)	-	-
Transfer pursuant to Companies Act 2016		68,916	(68,916)	-	-	-
Dividends to owners of the Company	21	-	-	-	(35,767)	(35,767)
At 31 December 2017/1 January 2018		377,501	-	-	245,956	623,457
Profit for the year		-	-	-	38,688	38,688
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		-	-	-	38,688	38,688
Dividends to owners of the Company	21	-	-	-	(30,266)	(30,266)
At 31 December 2018		377,501	-	-	254,378	631,879

The notes set out on pages 97 to 168 are an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from operating activities					
Profit before tax		39,933	96,493	43,405	70,450
Adjustments for:					
Amortisation of intangible assets	4	919	464	153	91
Depreciation of investment properties	5	57	56	57	56
Depreciation of property, plant and equipment	3	56,613	52,861	16,205	15,474
Dividend income		(4)	(4)	(38,523)	(44,685)
Net gain on disposal of property, plant and equipment		(26)	(90)	(23)	(71)
Interest expense		29,553	25,472	22,478	15,973
Interest income		(11,298)	(13,573)	(17,047)	(10,880)
Impairment loss on investments in subsidiaries		-	-	666	-
Property, plant and equipment written off		10	94	2	36
Share of loss/(profit) of equity accounted joint venture, net of tax	7	6,908	(7,771)	-	-
Share of loss of equity accounted associate, net of tax		6	31	-	-
Net unrealised (gain)/loss on foreign exchange		(404)	4,390	560	384
Operating profit before changes in working capital		122,267	158,423	27,933	46,828
Changes in working capital:					
Trade and other receivables, prepayments and other financial assets		(36,828)	45,954	(56,533)	(119,040)
Inventories		24,196	(52,124)	36,277	13,958
Biological assets		1,767	(6,729)	-	-
Trade and other payables and other financial liabilities		(3,361)	(232)	(61,094)	(36,498)
Cash generated from/(used in) operations		108,041	145,292	(53,417)	(94,752)
Interest paid		(29,553)	(25,472)	(22,478)	(15,973)
Interest received		11,298	13,573	17,047	10,880
Tax paid		(10,585)	(14,431)	(1,736)	(888)
Net cash from/(used in) operating activities		79,201	118,962	(60,584)	(100,733)

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Cash flows from investing activities					
Acquisition of non-controlling interests		(3,400)	(3,213)	(3,400)	(3,213)
Acquisition of intangible assets	4	(524)	(2,553)	(488)	(122)
Acquisition of property, plant and equipment	3	(272,564)	(172,646)	(20,376)	(12,942)
Increase in investment in a joint venture	7	(22,758)	-	(22,758)	-
Increase in investments in subsidiaries		-	-	-	(666)
Dividend income		4	4	38,523	44,685
Proceeds from disposal of property, plant and equipment		84	192	35	79
Net cash (used in)/from investing activities		(299,158)	(178,216)	(8,464)	27,821
Cash flows from financing activities					
Proceeds from issuance of shares		-	95	-	95
Dividends paid to non-controlling interests	6	(5,256)	(6,856)	-	-
Dividends paid to owners of the Company	21	(30,266)	(35,767)	(30,266)	(35,767)
Proceeds from loans and borrowings, net	16	166,008	14,600	100,999	58,729
Net cash from/(used in) financing activities		130,486	(27,928)	70,733	23,057
Net (decrease)/increase in cash and cash equivalents		(89,471)	(87,182)	1,685	(49,855)
Effect of exchange rate fluctuations on cash held		535	(26,240)	-	-
Cash and cash equivalents at 1 January		257,768	371,190	11,816	61,671
Cash and cash equivalents at 31 December		168,832	257,768	13,501	11,816

Cash and cash equivalents

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

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits placed with licensed banks	13	136,305	232,097	3,503	3,292
Cash and bank balances	13	32,527	25,671	9,998	8,524
		168,832	257,768	13,501	11,816

The notes set out on pages 97 to 168 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 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in an associate and a joint venture.

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

The financial statements were authorised for issue by the Board of Directors on 18 March 2019.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

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

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

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 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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

- MFRS 17, *Insurance Contracts*

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

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

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

- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, and
- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020.

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

The Group and the Company are currently assessing the financial impact that may arise from the initial application of the accounting standards, interpretations or amendments effective for annual periods beginning on or after 1 January 2019, 1 January 2020 and the accounting standards, interpretations or amendments effective for annual periods on or after a date yet to be confirmed, except as mentioned below:

MFRS 16, *Leases*

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

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

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRS 16, *Leases* (cont'd)

The Group and the Company had adopted the modified retrospective approach and elected to measure the right-of-use at an amount equal to the lease liability at the date of initial application.

At 1 January 2019, the Group and the Company recognised additional lease liability of RM8,305,000 and RM5,505,000 respectively with a corresponding additional right-of-use assets of RM8,305,000 and RM5,505,000 respectively.

The estimated impact on initial application is based on assessment undertaken to date and the actual impacts of adopting the standard may change as the Group and the Company are finalising the assessment of the impact on its financial statements.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

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

- Note 12 – Fair value of biological assets

2. Significant accounting policies

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

Arising from the adoption of MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

(i) financial instruments;
(ii) revenue recognition; and
(iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impacts arising from the changes from the adoption of MFRS 9 are disclosed in Note 29, while the impacts arising from the adoption of MFRS 15 are not material to the financial statements of the Group and of the Company.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(ii) Business combinations (cont'd)

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 a financial asset depending on the level of influence retained.

(v) Associates

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

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

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

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(v) Associates (cont'd)

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.

Investment in an associate is measured in the Company's balance sheet at cost less any impairment losses. The cost of investments includes transaction costs.

(vi) Joint arrangements

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

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangement. The Group accounts for its interest in the joint venture using the equity method.

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

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

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

(b) Foreign currency

(i) Foreign currency transactions

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

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which 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 equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

2. Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

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.

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

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at 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.

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

Current financial year (cont'd)

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statements. Any gain or loss on derecognition is recognised in the income statements.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2(k)(i)) where the effective interest rate is applied to the amortised cost.

(b) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the income statements.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(k)(i)).

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments: Recognition and Measurement* as follows:

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

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

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

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

(b) Loans and receivables

Loans and receivables category comprised debt instruments that were not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

(c) Available-for-sale financial assets

Available-for-sale category comprised investments in equity and debt instruments that were not held for trading.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured were measured at cost. Other financial assets categorised as available-for-sale were 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 were recognised in the income statements. On derecognition, the cumulative gain or loss recognised in other comprehensive income was reclassified from equity into the income statements. Interest calculated for a debt instrument using the effective interest method was recognised in the income statements.

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) 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), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the income statements.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the income statements, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities (cont'd)

Current financial year (cont'd)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the income statements. Any gains or losses on derecognition are also recognised in the income statements.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprised financial liabilities that were derivatives or financial liabilities that were specifically designated into this category upon initial recognition.

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

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

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, 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 of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statements.

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(iii) Derecognition (cont'd)

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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. 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.

(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.

2. Significant accounting policies (cont'd)

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

(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.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

2. Significant accounting policies (cont'd)

(e) Leased assets (cont'd)

(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.

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 comprised of parent stock, broiler inventories and hatching eggs and are measured on initial recognition and at the end of each financial year, at fair value less costs to sell.

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

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 and hatching eggs are based on management's estimate of the current market price of broilers, whereas the expected selling price of parent stock is based on management's estimate of the historical average market price of broilers, adjusted for abnormal market movements;
- 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 other estimated farm costs; and
- hatching eggs will be hatched into day-old-chick based on the expected hatchability and broiler inventories are expected to be sold upon reaching saleable weight.

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 on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company elected not to restate the comparatives.

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

Current financial year

The Group and the Company recognise loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances for trade receivables at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(i) Financial assets (cont'd)

Previous financial year

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investment in a joint venture and investment in an associate) were assessed at each reporting date whether there was 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, were not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost was an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset was estimated.

An impairment loss in respect of loans and receivables was recognised in the income statements and was 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 was reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets was recognised in the income statements and was 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 had been recognised in the other comprehensive income, the cumulative loss in other comprehensive income was reclassified from equity to the income statements.

An impairment loss in respect of unquoted equity instrument that was carried at cost was recognised in the income statements and was 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 was not reversed through the income statements.

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

2. Significant accounting policies (cont'd)

(k) Impairment (cont'd)

(ii) Other assets

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

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

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

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

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

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

(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.

2. Significant accounting policies (cont'd)

(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.

(n) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(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.

2. Significant accounting policies (cont'd)

(n) Revenue and other income (cont'd)

(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.

(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.

2. Significant accounting policies (cont'd)

(p) Income tax (cont'd)

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.

Unutilised reinvestment allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(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. Operating segment results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Contingencies

Contingent liabilities

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

2. Significant accounting policies (cont'd)

(t) Fair value measurements

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

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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 2017	79,173	436,875	465,582	40,309	121,911	1,143,850
Additions	82	17,986	20,682	3,132	130,764	172,646
Transfer from intangible assets	-	-	-	-	14	14
Disposals	-	-	(30)	(630)	-	(660)
Write-off	-	(119)	(241)	(56)	-	(416)
Transfers	10,619	17,972	47,284	590	(76,465)	-
Effect of movements in exchange rates	(1,431)	(6,555)	(10,179)	(898)	(2,758)	(21,821)
At 31 December 2017/ 1 January 2018	88,443	466,159	523,098	42,447	173,466	1,293,613
Additions	-	37,627	47,558	1,234	186,145	272,564
Transfer to intangible assets	-	-	-	-	(22)	(22)
Disposals	-	-	(864)	(626)	-	(1,490)
Write-off	-	(75)	(62)	(17)	-	(154)
Transfers	-	6,278	26,475	-	(32,753)	-
Effect of movements in exchange rates	(6)	4	96	(5)	(150)	(61)
At 31 December 2018	88,437	509,993	596,301	43,033	326,686	1,564,450

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 2017						
Accumulated depreciation	13,002	136,841	299,603	31,047	-	480,493
Accumulated impairment loss	-	3	1,209	-	-	1,212
	13,002	136,844	300,812	31,047	-	481,705
Depreciation for the year	1,075	15,930	33,056	2,800	-	52,861
Disposals	-	-	(18)	(543)	-	(561)
Write-off	-	(60)	(206)	(56)	-	(322)
Effect of movements in exchange rates	(260)	(2,664)	(5,797)	(411)	-	(9,132)
At 31 December 2017/ 1 January 2018						
Accumulated depreciation	13,817	150,047	326,638	32,837	-	523,339
Accumulated impairment loss	-	3	1,209	-	-	1,212
	13,817	150,050	327,847	32,837	-	524,551
Depreciation for the year	1,054	15,236	37,639	2,684	-	56,613
Disposals	-	-	(806)	(626)	-	(1,432)
Write-off	-	(75)	(52)	(17)	-	(144)
Effect of movements in exchange rates	2	32	96	14	-	144
At 31 December 2018						
Accumulated depreciation	14,873	165,240	363,515	34,892	-	578,520
Accumulated impairment loss	-	3	1,209	-	-	1,212
	14,873	165,243	364,724	34,892	-	579,732
Carrying amounts						
At 1 January 2017	66,171	300,031	164,770	9,262	121,911	662,145
At 31 December 2017/ 1 January 2018	74,626	316,109	195,251	9,610	173,466	769,062
At 31 December 2018	73,564	344,750	231,577	8,141	326,686	984,718

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 2017	25,039	204,280	171,228	12,974	18,087	431,608
Additions	-	2,227	5,023	431	5,261	12,942
Disposals	-	-	(19)	(388)	-	(407)
Write-off	-	(32)	(142)	-	-	(174)
Transfers	-	1,388	6,965	-	(8,353)	-
At 31 December 2017/ 1 January 2018	25,039	207,863	183,055	13,017	14,995	443,969
Additions	-	238	5,794	271	14,073	20,376
Disposals	-	-	(25)	(541)	-	(566)
Write-off	-	-	(17)	-	-	(17)
Transfers	-	(3,307)	6,437	-	(3,130)	-
At 31 December 2018	25,039	204,794	195,244	12,747	25,938	463,762
Depreciation						
At 1 January 2017	4,846	49,148	106,311	12,084	-	172,389
Depreciation for the year	360	4,104	10,600	410	-	15,474
Disposals	-	-	(11)	(388)	-	(399)
Write-off	-	(6)	(132)	-	-	(138)
At 31 December 2017/ 1 January 2018	5,206	53,246	116,768	12,106	-	187,326
Depreciation for the year	365	3,642	11,868	330	-	16,205
Disposals	-	-	(13)	(541)	-	(554)
Write-off	-	-	(15)	-	-	(15)
At 31 December 2018	5,571	56,888	128,608	11,895	-	202,962
Carrying amounts						
At 1 January 2017	20,193	155,132	64,917	890	18,087	259,219
At 31 December 2017/ 1 January 2018	19,833	154,617	66,287	911	14,995	256,643
At 31 December 2018	19,468	147,906	66,636	852	25,938	260,800

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

3.1 Legal titles to certain leasehold land of the Group with a carrying amount of RM6,167,000 (2017: RM6,275,000) have yet to be received from the state authorities.

3.2 Included in additions of the Group are interest expense capitalised of RM3,828,000 (2017: RM1,007,000).

4. Intangible assets

	Computer software	
	Group RM'000	**Company RM'000**
Cost		
At 1 January 2017	9,143	5,352
Additions	2,553	122
Transfer to property, plant and equipment	(14)	-
Effect of movements in exchange rates	(322)	-
At 31 December 2017/1 January 2018	11,360	5,474
Additions	524	488
Transfer from property, plant and equipment	22	-
At 31 December 2018	11,906	5,962
Amortisation		
At 1 January 2017	8,200	5,210
Amortisation for the year	464	91
Effect of movements in exchange rates	(255)	-
At 31 December 2017/1 January 2018	8,409	5,301
Amortisation for the year	919	153
Effect of movements in exchange rates	1	-
At 31 December 2018	9,329	5,454
Carrying amounts		
At 1 January 2017	943	142
At 31 December 2017/1 January 2018	2,951	173
At 31 December 2018	2,577	508

4. Intangible assets (cont'd)

4.1 Intangible assets

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

4.2 Amortisation

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

5. Investment properties

Group	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2017/31 December 2017/ 1 January 2018/31 December 2018	3,943	2,836	6,779
Depreciation			
At 1 January 2017	-	1,556	1,556
Depreciation for the year	-	56	56
At 31 December 2017/1 January 2018	-	1,612	1,612
Depreciation for the year	-	57	57
At 31 December 2018	-	1,669	1,669
Carrying amounts			
At 1 January 2017	3,943	1,280	5,223
At 31 December 2017/1 January 2018	3,943	1,224	5,167
At 31 December 2018	3,943	1,167	5,110

5. Investment properties (cont'd)

Company	Freehold land RM'000	Buildings RM'000	Total RM'000
Cost			
At 1 January 2017/31 December 2017/ 1 January 2018/31 December 2018	3,672	2,836	6,508
Depreciation			
At 1 January 2017	-	1,556	1,556
Depreciation for the year	-	56	56
At 31 December 2017/1 January 2018	-	1,612	1,612
Depreciation for the year	-	57	57
At 31 December 2018	-	1,669	1,669
Carrying amounts			
At 1 January 2017	3,672	1,280	4,952
At 31 December 2017/1 January 2018	3,672	1,224	4,896
At 31 December 2018	3,672	1,167	4,839

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Rental income	388	370	420	405
Direct operating expenses of investment properties:				
- income generating investment properties	44	44	50	51

5. Investment properties (cont'd)

5.1 Fair value information

Fair value of investment properties are categorised as follows:

	Group Level 3		Company Level 3	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Land and buildings	113,945	108,165	109,655	104,365

Level 3 fair value

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

Valuation processes applied by the Group for level 3 fair value

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

6. Investments in subsidiaries

	Company	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	393,395	323,537
Less: Accumulated impairment losses	(2,026)	(1,360)
	391,369	322,177

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

Name of subsidiary	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
MFM Feedmill Sdn. Bhd.	Manufacture and sale of animal feeds and sale of related raw materials[1]	100	100
Dindings Soya & Multifeeds Sdn. Berhad	Manufacture and sale of animal feeds and sale of related raw materials	100	93

6. Investments in subsidiaries (cont'd)

Name of subsidiary	Principal activities	Effective ownership interest 2018 %	Effective ownership interest 2017 %
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 and manufacture and sale of animal feeds and sale of related raw materials	100^	100^
Dindings Poultry Processing Sdn. Bhd.	Processing and sale of poultry products	100	100
Vimaflour Ltd * (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	70	70
MFM International Ltd. # (incorporated in the British Virgin Islands)	Investment holding	100	100
MFM Property Sdn. Bhd.	Investment holding	100	100
Semakin Dinamik Sdn. Bhd.	Dormant	100	100
MFM Ltd.	Dormant	100	100
Dindings Broiler Breeder Farm Sdn. Bhd.	Dormant	100	100
Syarikat Pengangkutan Lumut Sdn. Bhd.	Dormant	100	100
Muda Fibre Manufacturing Sdn. Bhd.	Dormant	60	60
Dindings Grand Parent Farm Sdn. Bhd.	Dormant	100	100
AVIOTA Sdn. Bhd.	Dormant	100	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

6. Investments in subsidiaries (cont'd)

* Audited by other member firms of KPMG International
# Not audited by member firms of KPMG PLT
^ One (1) unit of ordinary share is held by a third party which has no voting rights nor entitled to any dividends, rights, allotments or other forms of distribution.
@ On 20 April 2018, the Company increased its investment in Dindings Poultry Development Centre Sdn. Bhd. ("DPDC") through the issuance of ordinary shares by DPDC amounting to RM66,457,560 as settlement of the business transfer consideration through the subscription of 29,923,310 and 36,534,250 ordinary shares at the issue price of RM1.00 per ordinary share, representing the net assets of MFM Feedmill Sdn. Bhd. and Dindings Soya & Multifeeds Sdn. Berhad respectively (See Note 27(i)).
[1] Upon completion of the transfer of its business to Dindings Poultry Development Centre Sdn. Bhd. on 31 March 2018, MFM Feedmill Sdn. Bhd. ceased its operations on manufacture and sale of animal feeds.

6.1 Acquisition of non-controlling interests

On 27 December 2018, the Company acquired an additional 7.02% equity interest in its subsidiary, Dindings Soya & Multifeeds Sdn. Berhad ("DSM") comprising 2,500,000 ordinary shares ("DSM Shares") for a cash consideration of RM3,400,000. Following the transfer of shares, DSM became a wholly-owned subsidiary of the Company.

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
2018			
Carrying amount of NCI	69,256	4,967	74,223
Comprehensive income allocated to NCI	9,835	83	9,918
2017			
Carrying amount of NCI	64,677	7,971	72,648
Comprehensive (expense)/income allocated to NCI	(2,401)	158	(2,243)

6. Investments in subsidiaries (cont'd)

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

	Subsidiaries with material NCI	
	2018 RM'000	2017 RM'000
Summarised financial information before intra-group elimination		
As at 31 December		
Non-current assets	76,330	82,744
Current assets	453,004	462,874
Current liabilities	(319,185)	(347,735)
Net assets	210,149	197,883
Year ended 31 December		
Revenue	1,045,722	951,319
Profit for the year	29,355	15,559
Total comprehensive income/(expense)	30,114	(3,236)
Cash flows (used in)/from operating activities	(43,575)	114,196
Cash flows from/(used in) investing activities	19,578	(7,911)
Cash flows from/(used in) financing activities	727	(94,583)
Net (decrease)/increase in cash and cash equivalents	(23,270)	11,702
Dividends paid to NCI	5,256	6,856

7. Investment in a joint venture

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At cost				
Unquoted shares	100,289	77,531	100,289	77,531
Share of post-acquisition reserves	(39,256)	(30,314)	-	-
	61,033	47,217	100,289	77,531

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

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

During the year, the Company increased its investment in PT Bungasari by subscribing additional 5,598 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share based on the proportionate shareholding for a cash consideration of RM22,758,000 (approximately USD5.6 million).

The following table summarises the financial information of PT Bungasari, 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, which is accounted for using the equity method.

	Group	
	2018	**2017**
	%	**%**
Percentage of ownership interest	30	30
Summarised financial information	**RM'000**	**RM'000**
As at 31 December		
Non-current assets	303,815	237,852
Current assets	412,083	291,498
Non-current liabilities	(35,518)	(4,956)
Current liabilities	(476,936)	(367,006)
Net assets	203,444	157,388
Year ended 31 December		
Revenue	957,610	994,539
(Loss)/Profit for the year	(23,028)	25,904
Reconciliation of net assets to carrying amount as at 31 December		
Group's share of net assets	61,033	47,217
Carrying amount in the balance sheet	61,033	47,217
Group's share of results for year ended 31 December		
Group's share of (loss)/profit from continuing operations	(6,908)	7,771

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

Contingent liabilities

The Company has provided a proportionate corporate guarantee of up to USD6.0 million for financing facilities granted by a financial institution to the joint venture company, PT Bungasari. As at 31 December 2018, the outstanding loan proportionately amounted to USD3.5 million.

During the year, the Company extended another proportionate corporate guarantee of up to USD6.6 million for financing facilities granted by a financial institution to PT Bungasari.

In 2017, the Indonesian tax authority having performed tax audit in relation to its value-added tax ("VAT") has issued a notification letter imposing a total sum of RM17.1 million (additional tax assessment of RM8.55 million and penalty of RM8.55 million) on PT Bungasari on the basis of overclaimed VAT for the year 2015. During the year, the Indonesian tax authority has issued another notification letter imposing a total sum of RM16.8 million (additional tax assessment of RM8.4 million and penalty of RM8.4 million) on PT Bungasari on the basis of overclaimed VAT for the year 2016. The Group's 30% share of the potential liabilities are RM5.1 million and RM5.0 million for the years 2015 and 2016 respectively.

During the year, PT Bungasari submitted objection letters against the VAT notification letters, accompanied by a sum of RM8.7 million payment to the tax authority. PT Bungasari has obtained the advice of its tax consultant who is of the view that there are sufficient grounds to challenge this assessment. On that basis, the Directors concur with the view that no additional provision is required in the financial statements for the potential tax liabilities up to the reporting date and the payment of RM8.7 million will be recoverable.

8. Investment in an associate

	Group	
	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	1,120	1,120
Share of post-acquisition reserves	(7)	(13)
	1,113	1,107

Details of the associate are as follows:

Name of entity	Principal place of business/country of incorporation	Nature of the relationship	Effective ownership interest 2018 %	Effective ownership interest 2017 %
Freeman Properties Holding Ltd. (Held through MFM Property Sdn. Bhd.)	Cambodia	Investment	49	49

9. Deferred tax assets/(liabilities)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Group						
Property, plant and equipment	-	-	(47,595)	(42,142)	(47,595)	(42,142)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	6,062	5,635	-	-	6,062	5,635
Reinvestment allowances	11,676	11,676	-	-	11,676	11,676
Unabsorbed capital allowances	17,188	15,014	-	-	17,188	15,014
Tax loss carry-forwards	14,670	16,322	-	-	14,670	16,322
Others	-	-	(2,073)	(5,674)	(2,073)	(5,674)
Tax assets/(liabilities)	49,596	48,647	(52,674)	(50,822)	(3,078)	(2,175)
Set off of tax	(42,886)	(38,561)	42,886	38,561	-	-
Net tax assets/(liabilities)	6,710	10,086	(9,788)	(12,261)	(3,078)	(2,175)
Company						
Property, plant and equipment	-	-	(21,424)	(20,927)	(21,424)	(20,927)
Revaluation on property, plant and equipment	-	-	(3,006)	(3,006)	(3,006)	(3,006)
Provisions	2,432	2,452	-	-	2,432	2,452
Reinvestment allowances	11,676	11,676	-	-	11,676	11,676
Unabsorbed capital allowances	7,327	10,151	-	-	7,327	10,151
Others	-	-	(106)	(47)	(106)	(47)
Tax assets/(liabilities)	21,435	24,279	(24,536)	(23,980)	(3,101)	299
Set off of tax	(21,435)	(23,980)	21,435	23,980	-	-
Net tax assets/(liabilities)	-	299	(3,101)	-	(3,101)	299

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

Unrecognised deferred tax assets

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

	Group	
	2018 RM'000	2017 RM'000
Unabsorbed capital allowances	1,875	311
Tax loss carry-forwards	3,082	6,843
	4,957	7,154

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 subsidiaries of the Group can utilise the benefits therefrom. Pursuant to Amended Finance Bill 2018, unabsorbed business losses can only be carried forward up to 7 consecutive YAs from 2019 to 2025 to be utilised against income from any business source upon expiry of the qualifying period.

10. Trade and other receivables, including derivatives

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables from contracts with customers		333,370	294,750	65,928	67,761
Amount due from subsidiaries	10.1	-	-	405,966	344,712
Other receivables	10.2	76,974	78,891	3,652	5,552
Deposits		2,225	1,704	987	1,048
Derivatives at fair value through profit or loss:					
- future and option contracts		620	-	620	-
		413,189	375,345	477,153	419,073

10.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, repayable on demand and interest bearing (2017: interest bearing).

10.2 Other receivables

Included in other receivables of the Group are advances paid to suppliers of RM56,546,000 (2017: RM47,620,000) and interest receivable from the deposits placed with licensed banks of RM1,794,000 (2017: RM2,504,000).

11. Inventories

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Raw materials	401,440	431,972	85,914	121,533
Finished goods	35,940	34,231	7,915	9,511
Consumables	31,348	26,815	5,138	4,200
	468,728	493,018	98,967	135,244

12. Biological assets

	Group	
	2018 RM'000	2017 RM'000
Parent stock	18,167	27,505
Broiler inventories	27,182	24,762
Hatching eggs	9,557	4,406
	54,906	56,673

The movement of biological assets can be analysed as follows:

	Group	
	2018 RM'000	2017 RM'000
Reconciliation of changes in the carrying value		
At 1 January	56,673	49,944
Additions	442,998	492,376
Change in fair value	(8,410)	8,192
Sales	(436,355)	(493,839)
At 31 December	54,906	56,673

In measuring the fair value of biological assets, management's estimates and judgments are required which include the following:

- expected number of day-old-chick produced by each parent stock
- expected hatchability of the hatching eggs
- expected salvage value of parent stock
- expected selling price of broilers
- mortality of parent stock and broilers
- feed consumption costs and feed costs
- other estimated costs to be incurred for the remaining life of the biological assets and at the point of sales

12. Biological assets (cont'd)

The following table shows the valuation technique used in the determination of the fair value of biological assets and the significant unobservable inputs used in the valuation calculation:

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Parent stock The valuation method considers the expected day-old-chicks to be produced and subsequently reared to mature broiler for sale after taking into account the estimated mortality rate.	• Projected selling price of broiler based on management's estimate by referencing the historical average adjusted for abnormal market movements. • Management's estimate of incremental feed and other variable costs expected to be incurred throughout the life cycle.	• The higher the projected selling price, the higher the fair value. • The higher the incremental costs, the lower the fair value.
Broiler inventories The valuation method considers the estimated selling price, weight and the mortality rate of the broiler.	• Projected selling price of broiler based on management's estimate of the current market price. • Management's estimate of incremental feed and other variable costs expected to be incurred throughout the life cycle.	• The higher the projected selling price, the higher the fair value. • The higher the incremental costs, the lower the fair value.
Hatching eggs The valuation method considers the expected day-old-chicks to be hatched and subsequently reared to mature broiler for sale after taking into account the estimated mortality rate.	• Projected selling price of broiler based on management's estimate of the current market price. • Management's estimate of incremental feed and other variable costs expected to be incurred throughout the life cycle.	• The higher the projected selling price, the higher the fair value. • The higher the incremental costs, the lower the fair value.

12. Biological assets (cont'd)

Sensitivity analysis

Sensitivity analysis of the fair value of the biological assets to the possible changes in the key assumptions are disclosed in the table below:

Effect on fair value of biological assets

	Group	
	2018 RM'000	2017 RM'000
Projected selling price of broiler per kg:		
- increased by 5%	14,368	10,719
- decreased by 5%	(14,368)	(10,719)
Number of day-old-chick produced:		
- increased by 5%	1,762	1,924
- decreased by 5%	(1,762)	(1,924)
Feed cost per kg:		
- increased by 5%	(7,979)	(6,009)
- decreased by 5%	7,979	6,009

13. Cash and cash equivalents

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deposits placed with licensed banks	136,305	232,097	3,503	3,292
Cash and bank balances	32,527	25,671	9,998	8,524
	168,832	257,768	13,501	11,816

14. Capital and reserves

Share capital

	Group and Company			
	Amount 2018 RM'000	**Number of shares 2018 '000**	**Amount 2017 RM'000**	**Number of shares 2017 '000**
Issued and fully paid:				
Ordinary shares				
At 1 January	377,501	550,285	275,120	550,239
Shares issued pursuant to the exercise of warrants	-	-	95	46
Transfer of reserves upon expiry of warrants	-	-	33,370	-
Transfer pursuant to Companies Act 2016	-	-	68,916	-
At 31 December	377,501	550,285	377,501	550,285

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

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

In accordance with Section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company had 24 months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016). As at the date of issuance of the financial statements, the Company did not utilise the share premium amounting to RM68,916,000.

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

Warrant reserve

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

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

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

14. 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.

15. Trade and other payables, including derivatives

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Trade payables		59,026	75,038	6,010	6,627
Amount due to subsidiaries	15.1	-	-	129,420	119,545
Other payables and accruals	15.2	79,324	66,329	15,914	19,566
Derivatives at fair value through profit or loss:					
- future and option contracts		217	119	-	-
- foreign currency forward contracts		3,622	5,740	2,169	1,760
		142,189	147,226	153,513	147,498

15.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, repayable on demand and interest bearing (2017: interest bearing).

15.2 Other payables and accruals

Included in other payables and accruals of the Group and of the Company are deposits from customers of RM26,341,000 (2017: RM15,224,000) and RM236,000 (2017: RM208,000) respectively.

16. Loans and borrowings

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Non-current				
Unsecured term loans	151,061	76,194	9,780	25,640
Current				
Unsecured bankers' acceptances/ Unsecured revolving credits	959,499	863,761	535,986	415,718
Unsecured term loans	15,860	19,360	15,860	19,360
	975,359	883,121	551,846	435,078
Total loans and borrowings	1,126,420	959,315	561,626	460,718

Included in the Group's and the Company's loans and borrowings are unsecured bankers' acceptances/ unsecured revolving credits denominated in USD of RM503,156,000 (2017: RM529,657,000) and RM225,247,000 (2017: RM198,044,000) respectively.

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

Group	As at 1 January 2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	As at 31 December 2017/1 January 2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	As at 31 December 2018 RM'000
Non-current							
Unsecured term loans	56,792	19,402	-	76,194	74,867	-	151,061
Current							
Unsecured bankers' acceptances/ Unsecured revolving credits	914,748	(5,452)	(45,535)	863,761	94,641	1,097	959,499
Unsecured term loans	18,710	650	-	19,360	(3,500)	-	15,860
	933,458	(4,802)	(45,535)	883,121	91,141	1,097	975,359
Total liabilities from financing activities	990,250	14,600	(45,535)	959,315	166,008	1,097	1,126,420

16. Loans and borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

Company	As at 1 January 2017 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	As at 31 December 2017/1 January 2018 RM'000	Net changes from financing cash flows RM'000	Foreign exchange movement RM'000	As at 31 December 2018 RM'000
Non-current							
Unsecured term loans	41,450	(15,810)	-	25,640	(15,860)	-	9,780
Current							
Unsecured bankers' acceptances/ Unsecured revolving credits	344,352	73,889	(2,523)	415,718	120,359	(91)	535,986
Unsecured term loans	18,710	650	-	19,360	(3,500)	-	15,860
	363,062	74,539	(2,523)	435,078	116,859	(91)	551,846
Total liabilities from financing activities	404,512	58,729	(2,523)	460,718	100,999	(91)	561,626

17. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from contracts with customers	2,423,774	2,402,283	422,234	433,291

Revenue is recognised when the Group or the Company transfers control of a good to the customers, net of rebates and/or incentives. The Group or the Company allows returns for quality issues and compensation for weight loss exceeding the normal threshold, if any. The performance obligation is satisfied at a point in time and the customers are required to pay within the agreed credit terms, ranging between 0 to 90 days.

18. Operating profit

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Operating profit is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit services					
KPMG PLT		359	339	110	95
Affiliates of KPMG PLT		123	128	-	-
Other auditors		16	13	-	-
- Non-audit services					
KPMG PLT		177	17	177	17
Affiliates of KPMG PLT		211	254	122	172
Material expenses/(income):					
Amortisation of intangible assets	4	919	464	153	91
Depreciation of investment properties	5	57	56	57	56
Depreciation of property, plant and equipment	3	56,613	52,861	16,205	15,474
Dividend income from subsidiaries (unquoted)		-	-	(38,519)	(44,681)
Insurance recoveries		(1,277)	(1,744)	(370)	(596)
Interest income from:					
- deposit placed with licensed banks		(11,137)	(13,565)	(457)	(893)
- subsidiaries		-	-	(16,569)	(9,987)
Interest expense from:					
- unsecured bankers' acceptances/unsecured revolving credits		27,733	22,873	16,301	10,177
- unsecured term loans		1,820	2,599	1,820	2,599
- subsidiaries		-	-	4,357	3,197
Net fair value loss/(gain) on biological assets		8,410	(8,192)	-	-
Net (gain)/loss on future and option contracts:					
- realised		(2,689)	7,515	(255)	7,856
- unrealised		(522)	(16,158)	(620)	(12,966)
Net loss/(gain) on foreign exchange:					
- realised		9,082	2,232	2,799	3,343
- unrealised		(404)	4,390	560	384
Personnel expense (including key management personnel):					
- Contributions to Employees Provident Fund		11,453	10,922	4,826	4,463
- Wages, salaries and others		116,124	117,753	41,469	40,946
Rental expenses		4,544	4,759	1,370	1,703
Rental income		(427)	(411)	(4,937)	(5,216)

19. Tax expense

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Recognised in the income statements				
Current tax expense				
- current year	11,033	10,302	1,103	858
- prior year	531	2,252	214	(27)
Total current tax expense	11,564	12,554	1,317	831
Deferred tax expense				
Reversal and origination of temporary differences	(38)	11,158	2,400	6,367
Under/(Over) provision in prior year	941	818	1,000	(495)
Total deferred tax expense	903	11,976	3,400	5,872
Total tax expense	12,467	24,530	4,717	6,703
Reconciliation of tax expense				
Profit for the year	27,466	71,963	38,688	63,747
Total tax expense	12,467	24,530	4,717	6,703
Profit before tax	39,933	96,493	43,405	70,450
Tax at Malaysian tax rate of 24%	9,584	23,158	10,417	16,908
Effect of tax rates in foreign jurisdiction	(2,669)	(2,630)	-	-
Non-deductible expenses	4,640	307	2,334	1,299
Non-taxable income	-	-	(9,245)	(10,724)
Recognition of previously unrecognised deferred tax assets	(886)	(1,144)	-	-
Current year losses for which no deferred tax asset was recognised	359	2,234	-	-
Others	(33)	(465)	(3)	(258)
	10,995	21,460	3,503	7,225
Under/(Over) provision in prior year	1,472	3,070	1,214	(522)
	12,467	24,530	4,717	6,703

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 2018 was based on the profit attributable to ordinary shareholders of the Company and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Profit attributable to ordinary shareholders of the Company	17,776	68,568
	'000	**'000**
Weighted average number of ordinary shares		
Issued ordinary shares at 1 January	550,285	550,239
Effect of ordinary shares issued during the financial year	-	31
	550,285	550,270
Basic earnings per ordinary share (sen)	3.23	12.46

Diluted earnings per ordinary share

The Company does not have any diluted earnings per share as at 31 December 2018. In 2017, the Company's warrants were in anti-dilutive position.

21. Dividends

Dividends recognised by the Company are:

	Sen per share	Total amount RM'000	Date of payment
2018			
Interim 2018 ordinary	2.00	11,006	20 September 2018
Second interim 2017 ordinary	3.50	19,260	30 March 2018
		30,266	
2017			
Interim 2017 ordinary	3.00	16,509	19 September 2017
Second interim 2016 ordinary	3.50	19,258	24 March 2017
		35,767	

On 27 February 2019, the Directors declared a second interim single tier dividend of 1.00 sen per ordinary share totalling approximately RM9,740,000 in respect of the financial year ended 31 December 2018, which will be paid on 29 March 2019.

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

22. Operating segments

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

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

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

The Group's other operations include companies that had ceased operations and dormant companies. None of these segments meets any of the quantitative threshold for determining reportable segments in 2018 or 2017.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Business segments										
Revenue from external customers	1,730,873	1,640,932	692,901	761,351	-	-	-	-	2,423,774	2,402,283
Inter-segment revenue	59,034	35,139	34,893	40,334	-	-	(93,927)	(75,473)	-	-
Total segment revenue	1,789,907	1,676,071	727,794	801,685	-	-	(93,927)	(75,473)	2,423,774	2,402,283
Results from operating activities	65,899	63,606	(929)	37,100	132	(54)	-	-	65,102	100,652
Interest expense	(36,146)	(24,707)	(12,178)	(15,647)	-	-	18,771	14,882	(29,553)	(25,472)
Interest income	27,730	23,603	4,491	4,852	-	-	(20,923)	(14,882)	11,298	13,573
Share of (loss)/profit of equity accounted joint venture, net of tax	(6,908)	7,771	-	-	-	-	-	-	(6,908)	7,771
Share of loss of equity accounted associate, net of tax	(6)	(31)	-	-	-	-	-	-	(6)	(31)
Profit/(Loss) before tax	50,569	70,242	(8,616)	26,305	132	(54)	(2,152)	-	39,933	96,493
Depreciation and amortisation	(28,401)	(27,024)	(29,177)	(26,353)	(11)	(4)	-	-	(57,589)	(53,381)
Tax expense	(13,863)	(16,004)	1,396	(8,526)	-	-	-	-	(12,467)	(24,530)
Insurance recoveries	435	1,437	842	307	-	-	-	-	1,277	1,744
Non-cash income/(expense) other than depreciation and amortisation	501	8,319	(2,631)	3,109	-	-	-	-	(2,130)	11,428
Capital expenditure	(24,883)	(27,540)	(250,357)	(147,604)	-	(55)	2,152	-	(273,088)	(175,199)
Segment assets	1,176,816	1,273,571	937,094	705,370	506	533	-	-	2,114,416	1,979,474
Investment in a joint venture	61,033	47,217	-	-	-	-	-	-	61,033	47,217
Investment in an associate	-	-	-	-	1,113	1,107	-	-	1,113	1,107
Total segments assets	1,237,849	1,320,788	937,094	705,370	1,619	1,640	-	-	2,176,562	2,027,798

22. Operating segments (cont'd)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets.

	Malaysia		Vietnam		Consolidated	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue from external customers	1,590,826	1,655,297	832,948	746,986	2,423,774	2,402,283
Non-current assets	954,541	720,757	106,720	114,833	1,061,261	835,590

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 2018 (2017: Nil).

23. Financial instruments

23.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(a) Fair value through profit or loss ("FVTPL")
- Mandatorily required by MFRS 9

(b) Amortised cost ("AC")

2018 Financial assets	Note	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Group				
Trade and other receivables, including derivatives	10	413,189	412,569	620
Cash and cash equivalents	13	168,832	168,832	-
		582,021	581,401	620
Company				
Trade and other receivables, including derivatives	10	477,153	476,533	620
Cash and cash equivalents	13	13,501	13,501	-
		490,654	490,034	620

23. Financial instruments (cont'd)

23.1 Categories of financial instruments (cont'd)

2018 Financial liabilities	Note	Carrying amount RM'000	AC RM'000	Mandatorily at FVTPL RM'000
Group				
Trade and other payables, including derivatives	15	(142,189)	(138,350)	(3,839)
Loans and borrowings	16	(1,126,420)	(1,126,420)	-
		(1,268,609)	(1,264,770)	(3,839)
Company				
Trade and other payables, including derivatives	15	(153,513)	(151,344)	(2,169)
Loans and borrowings	16	(561,626)	(561,626)	-
		(715,139)	(712,970)	(2,169)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

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

2017 Financial assets	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
Group				
Trade and other receivables, including derivatives	10	375,345	375,345	-
Cash and cash equivalents	13	257,768	257,768	-
		633,113	633,113	-
Company				
Trade and other receivables, including derivatives	10	419,073	419,073	-
Cash and cash equivalents	13	11,816	11,816	-
		430,889	430,889	-

23. Financial instruments (cont'd)

23.1 Categories of financial instruments (cont'd)

2017 Financial liabilities	Note	Carrying amount RM'000	L&R/ (FL) RM'000	FVTPL RM'000
Group				
Trade and other payables, including derivatives	15	(147,226)	(141,367)	(5,859)
Loans and borrowings	16	(959,315)	(959,315)	-
		(1,106,541)	(1,100,682)	(5,859)
Company				
Trade and other payables, including derivatives	15	(147,498)	(145,738)	(1,760)
Loans and borrowings	16	(460,718)	(460,718)	-
		(608,216)	(606,456)	(1,760)

23.2 Net gains and losses arising from financial instruments

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Net (losses)/gains on:				
Fair value through profit or loss:				
- foreign currency forward contracts	-	(21,316)	-	(2,539)
- future and option contracts	-	8,643	-	5,109
Financial assets/(liabilities) at fair value through profit or loss: Mandatorily required by MFRS 9				
- foreign currency forward contracts	1,920	-	(408)	-
- future and option contracts	3,211	-	876	-
Financial assets at amortised cost	8,129	-	16,026	-
Loans and receivables	-	13,401	-	11,152
Financial liabilities measured at amortised cost	(40,151)	(10,778)	(25,428)	(17,160)
	(26,891)	(10,050)	(8,934)	(3,438)
Net (loss)/gain on impairment of financial instruments:				
- financial assets at amortised cost	(3,138)	(172)	(988)	272

23. Financial instruments (cont'd)

23.3 Financial risk management

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

23.4 Credit risk

Credit risk is the risk of a financial loss 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 arise principally from its receivables from customers. There are no significant changes as compared to prior periods.

Trade 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.

At each reporting date, the Group or the Company assess whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk and credit quality

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

The Group and the Company receive financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks.

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

Trade receivables (cont'd)

Concentration of credit risk

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	237,230	215,480	65,928	67,761
Vietnam	96,140	79,270	-	-
	333,370	294,750	65,928	67,761

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group and the Company manage its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within the credit terms of 90 days. The Group's and the Company's debt recovery process are as follows:

(a) Above 30 days past due after credit term, the Group or the Company will start to initiate a structured debt recovery process which is monitored by the sales management team; and

(b) Above 180 days past due after credit term, the Group or the Company will commence a legal proceeding against the customer.

The Group and the Company use an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group and the Company also consider differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group and the Company believe that these factors are immaterial for the purpose of impairment calculation for the year.

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

Trade receivables (cont'd)

Recognition and measurement of impairment losses (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

	Group			Company		
2018	**Gross carrying amount RM'000**	**Loss allowances RM'000**	**Net balance RM'000**	**Gross carrying amount RM'000**	**Loss allowances RM'000**	**Net balance RM'000**
Not past due	328,517	-	328,517	65,732	-	65,732
Credit impaired						
More than 90 days past due	9,189	(4,336)	4,853	337	(141)	196
Individually impaired	1,379	(1,379)	-	812	(812)	-
	339,085	(5,715)	333,370	66,881	(953)	65,928

There are trade receivables where the Group and the Company have not recognised any loss allowance as the trade receivables are supported by bank guarantees in managing the exposure to credit risk.

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

	Group			Company		
	Trade receivables			Trade receivables		
2018	**Lifetime ECL RM'000**	**Credit impaired RM'000**	**Total RM'000**	**Lifetime ECL RM'000**	**Credit impaired RM'000**	**Total RM'000**
Balance at 1 January as per MFRS 139			3,418			379
Adjustments on initial application of MFRS 9			-			-
Balance at 1 January as per MFRS 9	-	3,418	3,418	-	379	379
Amounts written off	-	(841)	(841)	-	(22)	(22)
Net remeasurement of loss allowance	-	3,138	3,138	-	596	596
Balance at 31 December	-	5,715	5,715	-	953	953

As at 31 December 2018, RM841,000 and RM22,000 of trade receivables for the Group and for the Company were written off but they are still subject to enforcement activity.

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

Trade receivables (cont'd)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

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

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

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the balance sheet date, the maximum exposure to credit risk is represented by their carrying amounts in the balance sheet.

These banks and financial institutions have low credit risks. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to financial institutions 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 Company has provided proportionate financial guarantees totalling up to USD12.6 million (2017: USD6.0 million) in respect of financing facilities granted to its joint venture corporation.

As at 31 December 2018, the maximum exposure to credit risk amounted to USD3.5 million (2017: USD4.8 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 balance sheet date, 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

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

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

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay its advance to the Company in full;
- The subsidiary's advance is overdue for more than 365 days; and
- The subsidiary is continuously loss-making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' advances as at 31 December 2018.

Company	Gross carrying amount RM'000	Impairment loss allowances RM'000	Net balance RM'000
2018			
Low credit risk	405,966	-	405,966
Credit impaired	392	(392)	-
	406,358	(392)	405,966

23. Financial instruments (cont'd)

23.4 Credit risk (cont'd)

Intercompany advances (cont'd)

Recognition and measurement of impairment loss (cont'd)

The movement in the allowance for impairment in respect of subsidiaries' advances during the year is as follows:

Company	2018 Lifetime ECL RM'000
Balance at 1 January as per MFRS 139	-
Adjustments on initial application of MFRS 9	-
Balance at 1 January as per MFRS 9	-
Net remeasurement of loss allowance	392
Balance at 31 December	392

23.5 Interest rate risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to interest rate risk

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

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Fixed rate instruments					
Deposits placed with licensed banks	13	136,305	232,097	3,503	3,292
Unsecured bankers' acceptances/Unsecured revolving credits	16	(959,499)	(863,761)	(535,986)	(415,718)
		(823,194)	(631,664)	(532,483)	(412,426)
Floating rate instruments					
Unsecured term loans	16	(166,921)	(95,554)	(25,640)	(45,000)

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				
2018				
Floating rate instruments	(634)	634	(634)	634
2017				
Floating rate instruments	(363)	363	(363)	363
Company				
2018				
Floating rate instruments	(97)	97	(97)	97
2017				
Floating rate instruments	(171)	171	(171)	171

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).

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.

23. Financial instruments (cont'd)

23.6 Foreign currency risk (cont'd)

Exposure to foreign currency risk

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

	Note	Denominated in USD 2018 RM'000	Denominated in USD 2017 RM'000
Group			
Unsecured bankers' acceptances/ Unsecured revolving credits	16	(503,156)	(529,657)
Financial liabilities at fair value through profit or loss: - foreign currency forward contracts	15	(3,622)	(5,740)
		(506,778)	(535,397)
Company			
Unsecured bankers' acceptances/ Unsecured revolving credits	16	(225,247)	(198,044)
Financial liabilities at fair value through profit or loss: - foreign currency forward contracts	15	(2,169)	(1,760)
		(227,416)	(199,804)

Currency risk sensitivity analysis

A 5 percent (2017: 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.

	2018		2017	
	Equity RM'000	Profit or loss RM'000	Equity RM'000	Profit or loss RM'000
Group				
USD	(2,535)	2,535	(6,492)	6,492
Company				
USD	1,212	(1,212)	1,186	(1,186)

23. Financial instruments (cont'd)

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
2018							
Non-derivative financial liabilities							
Trade and other payables	15	138,350	-	138,350	138,350	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	959,499	2.73 - 6.16	968,561	968,561	-	-
Unsecured term loans	16	166,921	3.93 - 5.22	186,990	23,757	99,933	63,300
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	15	3,622	-	436,441	436,441	-	-
Inflow		-	-	(432,819)	(432,819)	-	-
Future and option contracts (gross settled):							
Outflow	15	217	-	2,819	2,819	-	-
Inflow		-	-	(2,602)	(2,602)	-	-
		1,268,609		1,297,740	1,134,507	99,933	63,300

23. Financial instruments (cont'd)

23.7 Liquidity risk (cont'd)

Maturity analysis (cont'd)

Group	Note	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2017							
Non-derivative financial liabilities							
Trade and other payables	15	141,367	-	141,367	141,367	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	863,761	1.93 - 4.50	871,345	871,345	-	-
Unsecured term loans	16	95,554	4.57 - 4.97	104,496	23,520	68,170	12,806
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	15	5,740	-	367,224	367,224	-	-
Inflow		-	-	(361,484)	(361,484)	-	-
Future and option contracts (gross settled):							
Outflow	15	119	-	11,973	11,973	-	-
Inflow		-	-	(11,854)	(11,854)	-	-
		1,106,541		1,123,067	1,042,091	68,170	12,806

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
2018							
Non-derivative financial liabilities							
Trade and other payables	15	151,344	-	151,344	151,344	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	535,986	2.73 - 4.31	539,408	539,408	-	-
Unsecured term loans	16	25,640	3.93 - 5.22	26,760	16,702	10,058	-
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	15	2,169	-	257,151	257,151	-	-
Inflow		-	-	(254,982)	(254,982)	-	-
		715,139		719,681	709,623	10,058	-
2017							
Non-derivative financial liabilities							
Trade and other payables	15	145,738	-	145,738	145,738	-	-
Unsecured bankers' acceptances/ Unsecured revolving credits	16	415,718	2.24 - 4.15	418,887	418,887	-	-
Unsecured term loans	16	45,000	4.57 - 4.97	47,755	21,050	24,460	2,245
Derivative financial liabilities							
Foreign currency forward contracts (gross settled):							
Outflow	15	1,760	-	229,245	229,245	-	-
Inflow		-	-	(227,485)	(227,485)	-	-
		608,216		614,140	587,435	24,460	2,245

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.

Fair value of financial instruments carried at fair value

	Level 1 RM'000	Level 2 RM'000	Total RM'000
Group			
2018			
Financial asset			
Future and option contracts	620	-	620
Financial liabilities			
Foreign currency forward contracts	-	3,622	3,622
Future and option contracts	217	-	217
	217	3,622	3,839
2017			
Financial liabilities			
Foreign currency forward contracts	-	5,740	5,740
Future and option contracts	119	-	119
	119	5,740	5,859
Company			
2018			
Financial asset			
Future and option contracts	620	-	620
Financial liability			
Foreign currency forward contracts	-	2,169	2,169
2017			
Financial liability			
Foreign currency forward contracts	-	1,760	1,760

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

23. Financial instruments (cont'd)

23.8 Fair value information (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 (2017: no transfer in either directions).

Fair value of financial instruments not carried at fair value

Level 3 fair value

Level 3 fair value not carried at fair value comprises long term loan where its fair value approximate its carrying amount. The fair value is estimated using discounted cash flows with a discount rate based on the current market rate of borrowing of the respective Group entities at the reporting date.

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 2018 and 31 December 2017 were as follows:

		Group	
	Note	2018 RM'000	2017 RM'000
Total borrowings	16	1,126,420	959,315
Less: Cash and cash equivalents	13	(168,832)	(257,768)
Net debt		957,588	701,547
Total equity		894,173	907,264
Debt-to-equity ratio		1.07	0.77

25. Capital and other commitments

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment				
Contracted but not provided for	233,427	400,215	27,306	9,633

26. Related parties

Identity of related parties

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

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and the Company other than as disclosed elsewhere in the financial statements, are shown below. The balances related to the below transactions are shown in Note 10 and Note 15.

		Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
A.	**Subsidiaries**				
	Sales of goods	-	-	32,378	41,477
	Purchases of goods	-	-	212	-
	Rental of premises	-	-	86	90
	Rental of furniture and fittings	-	-	147	147
	Rental of equipment	-	-	4,317	4,589
	Rental of motor vehicles	-	-	-	20
	Interest income	-	-	16,569	9,987
	Interest expense	-	-	(4,357)	(3,197)
B.	**Key management personnel**				
	Directors				
	- Fees	978	920	966	881
	- Remuneration	7,253	5,655	5,546	4,653
	- Other short-term employee benefits (including estimated monetary value of benefits-in-kind)	405	432	292	321
	Total short-term employee benefits	8,636	7,007	6,804	5,855

27. Significant events

(i) On 30 January 2018, Dindings Poultry Development Centre Sdn. Bhd. ("DPDC") entered into a Business Transfer Agreement with MFM Feedmill Sdn. Bhd. ("MFMF") to acquire the entire business of MFMF ("MFMF business") for a total consideration equal to the value of the net assets of MFMF business as at 31 March 2018 ("MFMF consideration") to be wholly satisfied by the issuance and allotment of such number of new ordinary shares in DPDC to the Company at the issue price of RM1.00 per ordinary share. On the same date, DPDC also entered into a Business Transfer Agreement with Dindings Soya & Multifeeds Sdn. Berhad ("DSM") to acquire the poultry feed business undertaken by DSM ("DSM business") for a total consideration equal to the value of the net assets of DSM business as at 31 March 2018 ("DSM consideration") to be wholly satisfied by the issuance and allotment of such number of new ordinary shares in DPDC to the Company at the issue price of RM1.00 per ordinary share.

On 20 April 2018, the total consideration of the transfer of MFMF business to DPDC is RM29,923,310 based on the value of the net assets of MFMF business as at 31 March 2018. As a settlement of MFMF consideration, DPDC has alloted 29,923,310 ordinary shares to the Company, being the sole shareholder of MFMF, credited as fully paid-up based on the issue price of RM1.00 per ordinary share. On the same date, the total consideration of the transfer of DSM business to DPDC is RM36,534,250 based on the value of the net assets of DSM business as at 31 March 2018. As a settlement of DSM consideration, DPDC has alloted 36,534,250 ordinary shares to the Company, being a major shareholder of DSM, credited as fully paid-up based on the issue price of RM1.00 per ordinary share.

(ii) On 19 July 2018, the Company announced the following proposals:

(a) Proposed Renounceable Rights Issue of up to RM165,085,617 in nominal value of 5-year Redeemable Convertible Unsecured Loan Stocks ("RCULS") at 100% of its nominal value of RM1.00 on the basis of 3 RCULS for every 10 existing ordinary shares of MFLOUR ("MFLOUR Shares" or "Shares") held on an entitlement date to be determined later ("Entitlement Date") together with up to 82,542,808 new MFLOUR Shares ("Bonus Shares I") on the basis of 1 Bonus Share I for every 2 RCULS subscribed and up to 82,542,808 Free Detachable Warrants ("Free Warrants I") on the basis of 1 Free Warrant I for every 2 RCULS subscribed ("Proposed Rights Issue of RCULS"); and

(b) Proposed Renounceable Rights Issue of new MFLOUR Shares ("Rights Shares") up to 110,057,078 Rights Shares based on the assumed entitlement basis of 1 Rights Share for every 5 existing MFLOUR Shares held on the Entitlement Date, together with up to 55,028,539 new MFLOUR Shares ("Bonus Shares II") on the assumed basis of 1 Bonus Share II for every 2 Rights Shares subscribed and up to 55,028,539 Free Detachable Warrants ("Free Warrants II") on the assumed basis of 1 Free Warrant II for every 2 Rights Shares subscribed to raise gross proceeds of up to RM110.06 million.

(Collectively referred to as the "Rights Issue")

The above Rights Issue was approved by the shareholders at the Extraordinary General Meeting held on 26 October 2018.

On 26 November 2018, the Board of Directors fixed the conversion price of the RCULS at RM0.50 per RCULS, the RCULS coupon rate of 5% per annum on the nominal value of the RCULS, the entitlement basis for the Rights Issue of Shares, the issue price of Rights Shares at RM0.50 per Rights Share and the exercise price of the Free Warrants I and II at RM0.68 each.

27. Significant events (cont'd)

On 28 January 2019, the Rights Issue has been completed following the listing of and quotation for the following on the Main Market of Bursa Securities:

(i) 165,084,641 RCULS at 100% of its nominal value of RM1.00 under the Rights Issue of RCULS;
(ii) 220,113,744 Rights Shares at RM0.50 per Rights Share under the Rights Issue of Shares;
(iii) 137,570,667 Bonus Shares under the Rights Issue; and
(iv) 137,570,667 Free Warrants under the Rights Issue.

28. Subsequent event

On 14 March 2019, the Company increased its investment in PT Bungasari by subscribing additional 1,320 shares with a nominal value of USD1,000 (in Indonesian Rupiah equivalent) per share based on a proportionate shareholding for a cash consideration of approximately RM5.4 million (equivalent to approximately USD1.3 million). Subsequent to the subscription, the percentage of ownership interest in PT Bungasari remained at 30%.

29. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, *Revenue from Contracts with Customers* and MFRS 9, *Financial Instruments* on their financial statements. The Group and the Company generally applied the requirements of these accounting standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives. There are no significant impact from the adoption of MFRS 15.

29.1 Accounting for financial instruments

(a) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, *Financial Instruments: Recognition and Measurement.*

(ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

(iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

29. Significant changes in accounting policies (cont'd)

29.1 Accounting for financial instruments (cont'd)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9:

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

Category under MFRS 139	31 December 2017 RM'000	1 January 2018 Reclassification to new MFRS 9 category Amortised cost ("AC") RM'000	Notes
Financial assets			
Group			
Loans and receivables			
Trade and other receivables	375,345	375,345	29.1(b)(i)
Cash and cash equivalents	257,768	257,768	
	633,113	633,113	
Company			
Loans and receivables			
Trade and other receivables	419,073	419,073	29.1(b)(i)
Cash and cash equivalents	11,816	11,816	
	430,889	430,889	

29. Significant changes in accounting policies (cont'd)

29.1 Accounting for financial instruments (cont'd)

(b) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9: (cont'd)

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018: (cont'd)

		1 January 2018	
		Reclassification to new MFRS 9 category	
Category under MFRS 139	31 December 2017 RM'000	Amortised cost ("AC") RM'000	Fair value through profit or loss ("FVTPL") RM'000
Financial liabilities			
Group			
Fair value through profit or loss			
Foreign currency forward contracts	5,740	-	5,740
Future and option contracts	119	-	119
Other financial liabilities measured at amortised cost			
Trade and other payables	141,367	141,367	-
Loans and borrowings	959,315	959,315	-
	1,106,541	1,100,682	5,859
Company			
Fair value through profit or loss			
Foreign currency forward contracts	1,760	-	1,760
Other financial liabilities measured at amortised cost			
Trade and other payables	145,738	145,738	-
Loans and borrowings	460,718	460,718	-
	608,216	606,456	1,760

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost.

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

In the opinion of the Directors, the financial statements set out on pages 89 to 168 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of their financial performance and cash flows for the financial year then ended.

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

Tan Sri Dato' Seri Utama Arshad bin Ayub
Director

Teh Wee Chye
Director

Kuala Lumpur
18 March 2019

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

I, **Cheang Kiat Cheong**, the officer primarily responsible for the financial management of Malayan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 89 to 168 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Cheang Kiat Cheong, MIA CA26881, at Kuala Lumpur in the State of Wilayah Persekutuan on 18 March 2019.

Cheang Kiat Cheong

Before me:

Samugamvassoo (W632)
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 2018 of the Group and of the Company, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 89 to 168.

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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

Assessment on the valuation of biological assets

Refer to Note 2(i) - Significant accounting policies: Biological assets and Note 12 – 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 less costs to sell.

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.

Key Audit Matters (cont'd)

How the matter was addressed in our audit

We performed the following audit procedures, amongst others:

- We 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, mortality rate, selling prices of broilers and the costs expected to arise throughout the life of the parent stock and broilers by comparing to externally derived data as well as our own assessments which took into account historical trends, industry data and other corroborative evidence available.

- We assessed the appropriateness of the range used to test the sensitivity analysis performed by the management.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matter

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

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

Chong Dee Shiang
Approval Number: 02782/09/2020 J
Chartered Accountant

Petaling Jaya
18 March 2019

Analysis of Shareholdings

As at 29 March 2019

Share Capital	-	RM514,744,962
Class and Number of Issued Shares	-	978,443,441 ordinary shares

12,374 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	1,536	12.41	17,275	0.00
100 to 1,000	1,084	8.76	673,552	0.07
1,001 - 10,000	5,490	44.37	29,854,554	3.05
10,001 - 100,000	3,697	29.88	120,770,900	12.34
100,001 to less than 5% of issued shares	565	4.57	681,151,289	69.62
5% and above of issued shares	2	0.01	145,975,871	14.92
	12,374	100.00	978,443,441	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)]	79,200,000	8.09
2. Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	66,775,871	6.82
3. Thye Nam Loong Holdings Sdn Bhd	44,412,076	4.54
4. HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	40,210,539	4.11
5. Astar Commercial Limited	39,294,750	4.02
6. Duangmanee Liewphairatana	33,380,875	3.41
7. Yong Kok Yian	31,034,372	3.17
8. UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	28,879,719	2.95
9. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub)	25,446,300	2.60
10. Amble Volume Sdn Bhd	22,621,500	2.31
11. Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Seri Utama Arshad bin Ayub)	19,165,000	1.96
12. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd)	18,428,263	1.88
13. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Zalaraz Sdn Bhd)	15,499,800	1.58
14. Citigroup Nominees (Tempatan) Sdn Bhd (Employees Provident Fund Board)	15,485,800	1.58

Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
15. Teh Wee Chye	12,983,376	1.33
16. Perbadanan Pembangunan Pertanian Negeri Perak	12,010,930	1.23
17. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	11,794,313	1.21
18. Tan Sri Dato' Seri Utama Arshad bin Ayub	10,074,870	1.03
19. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chong Yiew On)	8,802,000	0.90
20. Malacca Equity Nominees (Tempatan) Sdn Bhd (Exempt An for Phillip Capital Management Sdn Bhd)	7,995,225	0.82
21. Ooi Chieng Sim	7,903,400	0.81
22. Citigroup Nominees (Asing) Sdn Bhd [Exempt An for Citibank New York (Norges Bank 14)]	7,653,500	0.78
23. HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Prakash A/L K.V.P Menon)	6,996,000	0.72
24. Solid Esteem Sdn Bhd	5,884,242	0.60
25. Amsec Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Quek See Kui)	5,380,250	0.55
26. Su Ming Keat	5,245,000	0.54
27. Voon Chong Kian	5,200,000	0.53
28. Citigroup Nominees (Asing) Sdn Bhd (CBNY for Dimensional Emerging Markets Value Fund)	4,901,775	0.50
29. Lim Kooi Wah	4,614,000	0.47
30. HSBC Nominees (Tempatan) Sdn Bhd (HSBC (M) Trustee Berhad for Pertubuhan Keselamatan Sosial)	4,500,000	0.46

Substantial Shareholders

	Direct Interest		Indirect Interest	
Name	No. of Shares	%	No. of Shares	%
Teh Wee Chye	120,023,411	12.27	64,017,360(1)	6.54
Duangmanee Liewphairatana	33,380,875	3.41	45,526,097(2)	4.65
Tan Sri Dato' Seri Utama Arshad bin Ayub	54,686,170	5.59	15,499,800(3)	1.58

Directors' Interests in the Company and its Related Corporations

Name	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	54,686,170	5.59	15,499,800[(3)]	1.58
Teh Wee Chye	120,023,411	12.27	64,017,360[(1)]	6.54
Datuk Oh Chong Peng	23,087	0.00	-	-
Dato' Wira Zainal Abidin bin Mahamad Zain	8,250	0.00	-	-
Prakash A/L K.V.P Menon	7,078,500	0.72	-	-
Azhari Arshad	350,000	0.04	15,499,800[(4)]	1.58
Lim Pang Boon	488,585	0.05	-	-

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 Zalaraz Sdn Bhd.

(4) Deemed interested through Zalaraz Sdn Bhd.

Analysis of RCULS Holdings

As at 29 March 2019

Unconverted RCULS	-	129,847,821
Conversion Price	-	RM0.50
Maturity Date	-	24 January 2024

Size of Holdings	No. of RCULS Holders	% of RCULS Holders	No. of RCULS	% of RCULS
Less than 100	13	0.84	428	0.00
100 to 1,000	238	15.37	150,339	0.11
1,001 - 10,000	936	60.43	3,742,259	2.88
10,001 - 100,000	288	18.59	8,593,941	6.62
100,001 to less than 5% of RCULS	69	4.45	55,179,286	42.50
5% and above of RCULS	5	0.32	62,181,568	47.89
	1,549	100.00	129,847,821	100.00

Thirty (30) Largest RCULS Holders		No. of RCULS	Percentage Holding (%)
1.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	20,421,078	15.73
2.	HSBC Nominees (Asing) Sdn Bhd [Exempt An for Credit Suisse (SG BR-TST-ASING)]	14,400,000	11.09
3.	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	12,141,067	9.35
4.	Thye Nam Loong Holdings Sdn Bhd	8,074,923	6.22
5.	Astar Commercial Limited	7,144,500	5.50
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	5,250,858	4.04
7.	Tan Sri Dato' Seri Utama Arshad bin Ayub	4,649,940	3.58
8.	CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub)	4,626,600	3.56
9.	Amble Volume Sdn Bhd	4,113,000	3.17
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd)	3,350,593	2.58
11.	Teh Wee Chye	3,087,500	2.38
12.	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Seri Utama Arshad bin Ayub)	3,030,000	2.33
13.	Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sun Ping)	2,000,000	1.54
14.	Malacca Equity Nominees (Tempatan) Sdn Bhd [Exempt An for Phillip Capital Management Sdn Bhd (EPF)]	1,984,400	1.53

Thirty (30) Largest RCULS Holders	No. of RCULS	Percentage Holding (%)
15. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	1,815,442	1.40
16. Yap Pen Ji @ Yap Fan Yee	1,500,000	1.16
17. Malacca Equity Nominees (Tempatan) Sdn Bhd (Exempt An for Phillip Capital Management Sdn Bhd)	1,473,100	1.13
18. HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Prakash A/L K.V.P Menon)	1,272,000	0.98
19. Lim Gaik Bway @ Lim Chiew Ah	1,124,400	0.87
20. Chew Hem Poo @ Choy Nean Chin	1,087,400	0.84
21. RHB Capital Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Francis Chia Mong Tet (CEB)]	900,000	0.69
22. Malacca Equity Nominees (Tempatan) Sdn Bhd (Exempt An for Phillip Capital Management Sdn Bhd)	820,000	0.63
23. Solid Esteem Sdn Bhd	721,958	0.56
24. UOB Kay Hian Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teo Kwee Hock)	662,090	0.51
25. CIMSEC Nominees (Asing) Sdn Bhd (CIMB Bank for Abdul Aziz bin Mohamed Hussain)	532,500	0.41
26. Ng Wai Yuan	527,000	0.41
27. Tan Hoee Eng	510,840	0.39
28. Chia Xiat Lin, Francesca	500,000	0.39
29. Lim Boon Ngee	500,000	0.39
30. RHB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Francis Chia Mong Tet)	500,000	0.39

Directors' Interests in the Company

	Direct Interest		Indirect Interest	
Name	No. of RCULS	%	No. of RCULS	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	12,306,540	9.48	50,000(1)	0.04
Teh Wee Chye	35,659,395	27.46	11,628,065(2)	8.96
Datuk Oh Chong Peng	2,000	0.00	-	-
Dato' Wira Zainal Abidin bin Mahamad Zain	1,500	0.00	-	-
Prakash A/L K.V.P. Menon	1,287,000	0.99	-	-
Lim Pang Boon	66,120	0.05	-	-
Azhari Arshad	-	-	50,000(3)	0.04

Notes:

(1) *Deemed interested through Zalaraz Sdn Bhd.*

(2) *Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Suai Timber Products Sdn Bhd and Essence Lane Sdn Bhd.*

(3) *Deemed interested through Zalaraz Sdn Bhd.*

Analysis of Warrant Holdings

As at 29 March 2019

Unexercised Warrants	-	137,569,417
Exercise Price	-	RM0.68
Expiry Date	-	23 January 2024

Size of Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrants	% of Warrants
Less than 100	89	3.51	3,917	0.00
100 to 1,000	542	21.36	309,475	0.23
1,001 - 10,000	1,252	49.35	4,991,382	3.63
10,001 - 100,000	532	20.97	19,030,436	13.83
100,001 to less than 5% of Warrants	119	4.69	78,906,113	57.36
5% and above of Warrants	3	0.12	34,328,094	24.95
	2,537	100.00	137,569,417	100.00

	Thirty (30) Largest Warrant Holders	No. of Warrants	Percentage Holding (%)
1.	HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	12,210,539	8.88
2.	HSBC Nominees (Asing) Sdn Bhd [Exempt An for Credit Suisse (SG BR-TST-ASING)]	12,000,000	8.72
3.	Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Teh Wee Chye)	10,117,555	7.35
4.	Thye Nam Loong Holdings Sdn Bhd	6,729,102	4.89
5.	Astar Commercial Limited	5,953,750	4.33
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	4,375,715	3.18
7.	Tan Sri Dato' Seri Utama Arshad bin Ayub	3,874,950	2.82
8.	Teh Wee Chye	3,639,725	2.65
9.	Amble Volume Sdn Bhd	3,427,500	2.49
10.	CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Sri Dato' Seri Utama Arshad bin Ayub)	2,913,900	2.12
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Essence Lane Sdn Bhd)	2,792,160	2.03
12.	Yeoh Yew Choo	2,362,700	1.72
13.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chong Yiew On)	1,760,400	1.28
14.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Goh Leng Pheow)	1,642,000	1.19
15.	CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tey Hock Seng)	1,567,000	1.14

Thirty (30) Largest Warrant Holders	No. of Warrants	Percentage Holding (%)
16. CIMSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ting Kuok Ley @ David Kuok Leh Ting)	1,560,000	1.13
17. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Looi Boon Han)	1,530,000	1.11
18. UOB Kay Hian Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	1,512,868	1.10
19. Maybank Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Sri Dato' Seri Utama Arshad bin Ayub)	1,456,000	1.06
20. Tan Hoee Eng	1,234,033	0.90
21. CIMSEC Nominees (Tempatan) Sdn Bhd (CIMB Bank for Tan Seng Kow)	1,211,900	0.88
22. AMSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Quek See Kui)	1,076,050	0.78
23. HLIB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Prakash A/L K.V.P Menon)	1,060,000	0.77
24. Lim Boon Ngee	1,000,000	0.73
25. Tan Boon Siang	1,000,000	0.73
26. Su Ming Keat	955,000	0.69
27. CIMSEC Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ong Chai Kin)	900,000	0.65
28. Lim Hui Huat @ Lim Hooi Chang	880,000	0.64
29. Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Choon Soo)	800,000	0.58
30. Gan Wee Kok	746,900	0.54

Directors' Interests in the Company

	Direct Interest		Indirect Interest	
Name	No. of Warrants	%	No. of Warrants	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	8,244,850	5.99	-	-
Teh Wee Chye	25,975,944	18.88	9,690,052[(1)]	7.04
Datuk Oh Chong Peng	4,387	0.00	-	-
Dato' Wira Zainal Abidin bin Mahamad Zain	1,250	0.00	-	-
Prakash A/L K.V.P. Menon	1,072,500	0.78	-	-
Lim Pang Boon	80,085	0.06	-	-
Azhari Arshad	62,500	0.05	-	-

Notes:

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

List of Properties

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-18 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	58	9 Sept 1996	3,049,000
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	79	4 Dec 1996	1,578,000
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 with 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	37-52	6 Oct 1998	24,441,000
Freehold land with shop house Grant No. 36370, Lot No. 12256 Mukim of Pulai District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Shoplot	39	1991	140,000
Leasehold land with buildings 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	26	3 Feb 1995	60,485,000

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 31-12-18 RM
Leasehold land with building PN 25155, Lot 7114 (expiring on 22-7-2096) Mukim of Batu Berendam District of Melaka Tengah Melaka Darul Azim Total: 0.13 acre	Factory	21	1997	358,000
Freehold land with building HS(D) 212786 PTB 18284 Bandar Johor Bahru District of Johor Bahru Johor Darul Takzim Total: 0.13 acre	Factory	19	1999	450,000
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	7	2011	2,765,000
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	29	2015	87,897,000
Leasehold land with buildings HSD 42440, PT 19754 (expiring on 13-9-2116) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 26.68 acres	Office and factory	28	10 Mar 1995	6,194,000
Freehold land with house GRN 160946 Lot 45520 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acre	Residential house	27	2017	151,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-18 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	26	2015	62,115,000
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 buildings (expiring on 31-8-2024) Cai Lan, Quang Ninh Province The Socialist Republic of Vietnam Total: 17.30 acres	Office and factory	21	1994	32,190,000
Freehold land with farm buildings HS(M) 15129 PTD 21255 Mukim of Sri Gading District of Batu Pahat Johor Darul Takzim Total: 17.84 acres	Broiler farm	22	2000	6,592,000
Land Use Rights with buildings (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	16	2000	14,427,000

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 31-12-18 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	8	2010	2,693,000
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	7	2011	6,761,000
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	7	2011	25,552,000
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
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	14,980,000

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-18 RM
Freehold land with farm buildings GRN 65374 Lot 3160 GRN 61255 Lot 3163 Mukim of Lenggong District of Hulu Perak Perak Darul Ridzuan Total: 21.67 acres	Breeder farm	1	2014	5,243,000
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 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	Vacant Land	-	2014	8,643,000

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 31-12-18 RM
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	4	2014	1,641,000
Leasehold land with buildings PN 296140 Lot 15562 (expiring on 9-7-2105) Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 5.172 acres	Factory	1	2015	39,100,000

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fifty-Ninth 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 Friday, 24 May 2019 at 10.00 a.m. for the following purposes:-

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. [Please refer to Explanatory Notes].

2. To re-elect the following Directors who retire by rotation in accordance with Clause 132 of the Constitution of the Company and being eligible, offer themselves for re-election:

   (i) Tan Sri Dato' Seri Utama Arshad bin Ayub **(Ordinary Resolution 1)**
   (ii) Mr Teh Wee Chye **(Ordinary Resolution 2)**
   (iii) Mr Azhari Arshad **(Ordinary Resolution 3)**

3. To approve the payment of Directors' fees of RM965,984 for the financial year ended 31 December 2018. **(Ordinary Resolution 4)**

4. To approve an amount of up to RM320,000 as benefits payable to the Directors for the period from the conclusion of the 59th Annual General Meeting ("AGM") until the conclusion of the next AGM of the Company. **(Ordinary Resolution 5)**

5. To re-appoint Messrs KPMG PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

Special Business

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

6. **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 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Ordinary Resolution 7)**

7. **Proposed Renewal of Authority for Share Buy-back**

   "**THAT** subject to the Companies Act 2016, the provisions of the Constitution 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 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 Constitution of the Company and the requirements and/or guidelines of the Bursa Securities and all other relevant governmental and/or regulatory authorities and to do all such things as the said Directors may deem fit and expedient in the best interest of the Company." **(Ordinary Resolution 8)**

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

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Company Secretary

Kuala Lumpur
25 April 2019

Notes:-

1. *A member entitled to attend, speak and vote at the 59th AGM is entitled to appoint not more than 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 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 1 proxy but not more than 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, Boardroom Share Registrars Sdn Bhd (formerly known as 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 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 59th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 82 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at **17 May 2019**. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.*

Explanatory Notes on Ordinary Business

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

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

Ordinary Resolutions 4 and 5: Directors' Fees and Other Benefits

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

In this respect, the Board wishes to seek the shareholders' approval for the following payments to Directors at the 59th AGM:-

***Resolution 4:** Payment of Directors' fees totalling RM965,984 in respect of the financial year ended 31 December 2018; and*

***Resolution 5:** Payment of benefits payable to the Directors which have been reviewed by the Remuneration Committee and Board of Directors of the Company for the period from the conclusion of the 59th AGM until the conclusion of the next AGM of the Company.*

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

Explanatory Notes on Special Business

Ordinary Resolution 7: Authority to Directors to Allot and Issue Shares

The proposed Resolution 7 is for the purpose of seeking a renewal of the general mandate ("General Mandate") and if passed, will empower the Directors of the Company pursuant to Sections 75 and 76 of the Companies Act 2016, to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed 10% of the total number of issued shares of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next AGM of the Company.

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

As at the date of this Notice, no new share in the Company was issued pursuant to the General Mandate granted to the Directors at the 58th AGM of the Company held on 22 May 2018.

Ordinary Resolution 8: Proposed Renewal of Authority for Share Buy-back

The proposed Resolution 8, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of 10% of the total number of issued shares of the Company by utilising the funds allocated out of the retained profits of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

Statement Accompanying Notice of Annual General Meeting

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

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

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

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

As at the date of this Notice, no new share in the Company was issued pursuant to the General Mandate granted to the Directors at the Fifty-Eighth AGM of the Company held on 22 May 2018.

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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-Ninth Annual General Meeting of the Company to be held at the Auditorium, 3rd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Friday, 24 May 2019 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
	Re-election of the following Directors who retire by rotation in accordance with Clause 132 of the Constitution of the Company:-		
1.	a. Tan Sri Dato' Seri Utama Arshad bin Ayub		
2.	b. Mr Teh Wee Chye		
3.	c. Mr Azhari Arshad		
4.	Payment of Directors' fees		
5.	Payment of benefits payable to the Directors		
6.	Re-appointment of Auditors		
7.	Authority to Directors to Allot and Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016		
8.	Proposed Renewal of Authority for Share Buy-back		

* Strike out whichever not applicable

Dated this _____________ day of ____________________, 2019

____
Signature/Common Seal of Shareholder

Notes:-

1. *A member entitled to attend, speak and vote at the 59th Annual General Meeting is entitled to appoint not more than 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 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 1 proxy but not more than 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, Boardroom Share Registrars Sdn Bhd (formerly known as 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 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 59th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 82 of the Constitution of the Company and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at **17 May 2019**. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.*

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AFFIX
STAMP
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Share Registrar
BOARDROOM SHARE REGISTRARS SDN BHD
(formerly known as 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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