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If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

In line with the provisions of Practice Note 18 on Perusal of Draft Circulars and Other Documents, Bursa Malaysia Securities Berhad has not perused item (II) of this Circular as the transaction falls under the category of Exempt Circulars as outlined in the aforesaid practice note.

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Malayan Flour Mills Berhad

(4260-M)

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (I) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND**

- (II) PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**

The Notice of the 55th Annual General Meeting of MFM to be held at the Auditorium, 3rd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur on Wednesday, 20 May 2015 at 10.00 a.m. is sent to you together with this Circular. Shareholders are advised to refer to the Notice of the 55th Annual General Meeting and the Form of Proxy which are included in the 2014 Annual Report. The Form of Proxy must be lodged at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time appointed for holding the meeting. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : 18/05/2015 at 10:00 a.m.
Date and time of Annual General Meeting : 20/05/2015 at 10:00 a.m. or any adjournment
therefore.

This Circular is dated 28 April 2015

DEFINITIONS

Except where the context otherwise requires, the following terms and abbreviations shall apply throughout this Circular:

“Act”	:	Companies Act, 1965
“AGM”	:	Annual General Meeting
“Board”	:	Board of Directors
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Code”	:	Malaysian Code on Take-Overs and Mergers 1998
“DPDC”	:	Dindings Poultry Development Centre Sdn Bhd, a wholly-owned subsidiary company of MFM
“DPP”	:	Dindings Poultry Processing Sdn Bhd, a 94.7%-owned subsidiary company of MFM
“DSM”	:	Dindings Soya & Multifeeds Sdn Berhad, a 70.2%-owned subsidiary company of MFM
“EPS”	:	Earnings per share
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	31 March 2015, being the latest practicable date prior to the printing of this Circular
“Market Day”	:	Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
“MFM” or “the Company”	:	Malayan Flour Mills Berhad (Co. No. 4260-M)
“MFM Group” or “Group”	:	The Company, its subsidiary and associated companies
“MFMF”	:	MFM Feedmill Sdn Bhd, a wholly-owned subsidiary company of MFM
“MFM Shares”	:	Ordinary shares of RM0.50 each in MFM
“NA”	:	Net Assets
“PGSB”	:	Premier Grain Sdn Bhd, a 51%-owned subsidiary company of MFM
“Proposals”	:	The Proposed Renewal of Shareholders’ Mandate and Proposed Share Buy-back, collectively
“Proposed Renewal of Shareholders’ Mandate”	:	The proposed renewal of shareholders’ mandate for recurrent related party transactions of a revenue or trading nature pursuant to Paragraph 10.09 of the Listing Requirements
“Proposed Share Buy-back”	:	The proposed renewal of authority to enable the Company to purchase MFM shares up to 10% of the issued and paid-up share capital of MFM

DEFINITIONS *(Cont'd)*

“Purchased MFM Shares”	:	MFM Shares purchased pursuant to the Proposed Share Buy-back
“Related Party”	:	A director, major shareholder or person connected with such director or major shareholder
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“SD”	:	Semakin Dinamik Sdn Bhd, a wholly-owned subsidiary company of MFM
“TNL”	:	Thye Nam Loong Sdn Bhd
“TNLH”	:	Thye Nam Loong Holdings Sdn Bhd

CONTENTS

LETTER FROM THE BOARD TO THE SHAREHOLDERS OF MFM CONTAINING:

	Page
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE OF THE PROPOSALS	12
4. FINANCIAL EFFECTS OF THE PROPOSALS	13
5. CONDITIONS OF THE PROPOSALS	15
6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS	15
7. DIRECTORS' RECOMMENDATION	16
8. ANNUAL GENERAL MEETING	17
9. FURTHER INFORMATION	17
 APPENDIX	
I. FURTHER INFORMATION	18

MALAYAN FLOUR MILLS BERHAD

(Company No.: 4260 – M)

(Incorporated in Malaysia)

Registered Office:

22nd Floor, Wisma MCA

163 Jalan Ampang

50450 Kuala Lumpur

28 April 2015

Board of Directors:

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

Teh Wee Chye (*Managing Director*)

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

Geh Cheng Hooi (*Independent Non-Executive Director*)

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

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

Quah Ban Lee (*Finance Director*)

Prakash A/L K.V.P Menon (*Non-Independent Non-Executive Director*)

Tan Sri Mohd Sidek bin Haji Hassan (*Independent Non-Executive Director*)

Azhari Arshad (*Independent Non-Executive Director*)

To: Shareholders of Malayan Flour Mills Berhad

Dear Sir,

- (I) **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND**
- (II) **PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK.**

1. INTRODUCTION

At the AGM held on 14 May 2014, the Company had obtained its shareholders' approval for the general mandate in relation to recurrent related party transactions of a revenue or trading nature which are necessary for MFM Group's day-to-day operations and the proposed share buy-back of up to 10% of the issued and paid-up share capital of the Company.

The shareholders' mandate on Recurrent Related Party Transactions and the existing authority for share buy-back are subject to annual renewal and shall lapse at the conclusion of the Company's forthcoming AGM unless renewals are obtained.

On 26 March 2015, the Company had announced that the Company proposes to seek its shareholders' approval for the Proposed Renewal of Shareholders' Mandate and Proposed Share Buy-back.

The Company now proposed to seek your approval for the Proposals at the forthcoming AGM to be held on 20 May 2015.

The purpose of this Circular is to provide you with the details of the Proposals, to set out the recommendation of the Board of Directors and to seek your approval for the ordinary resolutions to be tabled at the forthcoming AGM as set out in the Notice of AGM.

SHAREHOLDERS ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Renewal of Shareholders' Mandate

2.1.1 Class of related party with whom the transaction will be carried out and nature of the transaction

MFM is principally engaged in the milling and selling of wheat flour together with its allied products such as bran, pollard and wheat germ, whilst its subsidiaries are involved in the manufacture and sale of animal feeds, breeding and sale of day-old chicks and broilers, poultry processing and trading of raw materials.

In the ordinary course of business, the MFM Group has engaged in and is expected to continue to engage in transactions with related party as follows:

Name and Principal Activities of Related Party	Nature of Recurrent Related Party Transaction	Nature of Relationship
<p>DSM, a 70.2%-owned subsidiary company of MFM engaged in the manufacture and sale of animal feeds and related raw materials.</p>	<p>Purchase of :</p> <ul style="list-style-type: none"> • flour from MFM • by-product from DPP • poultry feed from MFMF • raw material from PGSB • raw material from MFMF <p>Sale of feeds to:</p> <ul style="list-style-type: none"> • DPDC • MFMF <p>Sale of raw material to:</p> <ul style="list-style-type: none"> • MFMF • PGSB <p>Rental of furniture and fitting payable monthly to MFM</p> <p>Rental of property from MFM *</p> <p>Rental income of property receivable monthly from MFM #</p> <p>Rental income of property receivable monthly from PGSB @</p>	<p>Teh Wee Chye (director and major shareholder of MFM), Duangmanee Liewphairatana (major shareholder of MFM) and Teh Wee Kok (substantial shareholder and person connected to the major shareholders of MFM) have indirect major shareholdings in DSM through MFM, TNLH and TNL.</p> <p>Teh Wee Chye is also director of DSM.</p>

* *Details of the rental of the property from MFM by DSM are as follows:*

<i>Location</i>	<i>Year built</i>	<i>Size (square feet)</i>	<i>Rental per month (RM)</i>	<i>Tenure</i>	<i>Purpose</i>
<i>Office space at Jalan Heng Choon Thian, Butterworth</i>	<i>1960</i>	<i>60</i>	<i>320</i>	<i>On going</i>	<i>Branch office</i>
<i>Factory space at Jalan David Sung, Batu Undan, Lumut , Perak</i>	<i>1966</i>	<i>90,103</i>	<i>70,419</i>	<i>On going</i>	<i>Manufacturing activities</i>

The rental income of DSM involves the renting of warehouse to MFM. The location of the warehouse is at Jalan David Sung, Batu Undan, Lumut, Perak measuring 32,442 square feet and the monthly rental is RM3,000.00.

@ The rental income of DSM involves the renting of warehouse to PGSB. The location of the warehouse is at Jalan David Sung, Batu Undan, Lumut, Perak measuring 32,442 square feet and the monthly rental is RM350.00.

The estimated value of the recurrent related party transactions for the period from the conclusion of the forthcoming AGM of the Company until the conclusion of the next AGM of the Company based on similar transactions during the financial year ended 31 December 2014, are set out as follows:

MFM and its subsidiaries with the following related party	Type of Transaction	(A) Estimated value of transactions disclosed in 2014 Mandate⁽¹⁾ RM'000	(B) Actual value of transactions conducted pursuant to 2014 Mandate⁽²⁾ RM'000	Deviation between (A) and (B)⁽³⁾ (%)	Estimated Value of transactions pursuant to 2015 Mandate⁽⁴⁾ RM'000
DSM	Purchase of:				
	• flour from MFM	22,000	17,919	-	20,000
	• by-product from DPP	3,700	2,829	-	3,700
	• poultry feed from MFMF	5,000	2,439	-	5,000
	• raw material from PGSB	212,000	184,841	-	200,000
	• raw material from MFMF	10,000	1,090	-	10,000
	Sale of feeds to:				
	• DPDC	314,000	224,458	-	300,000
	• MFMF	20,000	7,486	-	20,000
	Sale of raw material to:				
	• MFMF	5,000	200	-	5,000
	• PGSB	20,000	27,545	38 ⁽⁵⁾	20,000
	Rental of furniture and fitting payable monthly to MFM	50	29	-	30
Rental of property from MFM	1,000	707	-	1,000	
Rental income of property receivable monthly from MFM	50	28	-	30	
Rental income of property receivable monthly from PGSB	50	6	-	10	
		612,850	469,577	-	584,770

Notes:

- (1) Estimated value of transactions disclosed in the preceding year's Circular to Shareholders dated 22 April 2014.
- (2) Actual value of transactions conducted from 14 May 2014 to 31 March 2015, being the latest practicable date prior to the printing of this Circular.
- (3) Deviation where the actual value exceeds the estimated value by 10% or more.
- (4) Estimated value of transactions for the period from the conclusion of the forthcoming AGM of the Company until the conclusion of the next AGM of the Company.
- (5) The variation was attributed to higher requirement for raw material in PGSB.

There is no amount due and owing by the related party to MFM Group pursuant to the recurrent related party transactions which exceeded the credit terms as at 31 December 2014.

The estimated value of transactions shown above are based on the transactions and/or management estimates. Due to the nature of the transactions, the aggregate and actual value of the transactions may vary and exceed the estimates shown above.

The shareholdings of the interested director, major shareholders and persons connected to them in the related party as at the LPD are as follows:

Name of Related Party	Interest in Related Party	Direct	%	Indirect	%
DSM					
TNLH	Shareholder	2,500,000	7.02	1,685,000 ⁽¹⁾	4.73
Teh Wee Chye	Director and Shareholder	-	-	29,185,000 ⁽²⁾	81.96
Teh Wee Kok	Shareholder	-	-	29,185,000 ⁽²⁾	81.96
Duangmanee Liewphairatana	Shareholder	-	-	29,185,000 ⁽²⁾	81.96

Notes:

- (1) Deemed interest by virtue of its shareholding in TNL which is holding 1,685,000 shares in DSM.
- (2) Deemed interest by virtue of their shareholdings/interest in MFM, TNLH and TNL.

It is anticipated that the MFM Group will continue to enter into the related party transactions as mentioned above in the ordinary course of business.

2.1.2 Procedures for Determination of Transaction Price

(a) Sale or Purchase of Goods and Services

The sale or purchase of goods and services shall be determined on the basis of the prevailing rates/prices of the goods or services (including preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases) according to their usual commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations.

(b) Rental of Properties

The rental of properties shall be on the basis of the prevailing market rates for the same or substantially similar properties and shall be on normal commercial terms.

(c) Rental of Furniture and Fitting

The rental of furniture and fitting shall be on the basis of the prevailing market rates of the assets over the useful life and shall be on normal commercial terms.

2.1.3 Guidelines and Review Procedures

The Management has implemented the following procedures by which transaction prices are determined to ensure that the recurrent related party transactions are undertaken on an arm's length basis, on normal commercial terms and are on terms not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders:

- (a) A list of companies connected to the related parties will be circulated within the MFM Group and all related parties will be notified that all recurrent related party transactions are required to be undertaken on an arm's length basis and on normal commercial terms.

- (b) Records will be maintained by the Company to capture all recurrent related party transactions that are pursuant to the Proposed Shareholders' Mandate.
- (c) The annual internal audit plan shall incorporate a review of all recurrent related party transactions entered into pursuant to the Proposed Shareholders' Mandate to ensure that relevant approvals have been obtained and review procedures in respect of such transactions are adhered to.
- (d) The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor recurrent related party transactions have been complied with.
- (e) The Board of MFM and the Audit Committee shall have overall responsibility for the determination of the review procedures with authority to sub-delegate to individuals or committees within the Company as they deem appropriate. If a member of the Board of MFM or the Audit Committee has an interest in a recurrent related party transaction, as the case may be, he will abstain from any decision-making by the Board of MFM or the Audit Committee in respect of that recurrent related party transaction.
- (f) The transaction process and terms are determined based on the prevailing market rates which are determined by market forces, demand and supply, quality of the product and services and other relevant factors.

At least 2 other contemporaneous transactions with unrelated parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the Board and the Audit Committee will rely on their market knowledge of prevailing industry norms bearing in mind the urgency and efficiency of services to be provided or required to ensure that the Recurrent Transactions are not detrimental to the Group.

Pursuant to Paragraph 10.09 of the Listing Requirements, the Management will ensure that the interested director, major shareholder or person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, shall not vote on the resolution approving the transactions.

Interested directors or interested major shareholders must ensure that persons connected with them abstain from voting on the resolution approving the transactions.

2.1.4 Guidelines on Thresholds of Authority

There are no specific thresholds for approval of recurrent related party transactions within the Group. However, the Group has in place internal authority limit matrices governing all business transactions. As the recurrent related party transactions are conducted in the ordinary course of business, these are also covered under the same authority limit matrices. All business transactions shall be reviewed and approved by the senior management and/or the Board from time to time in accordance with the authority limit matrices of the Group, subject to the provisions in the Listing Requirements and/or the Act, where necessary.

2.1.5 Validity Period of the Shareholders' Mandate

The Proposed Renewal of Shareholders' Mandate, if approved at the forthcoming AGM, will remain in force until:

- (i) the conclusion of the next AGM of MFM to be held in the year 2016, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed;
- (ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("CA") (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of CA); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

2.1.6 Disclosure

Disclosure will be made in the annual reports of the Company of the aggregate value of transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial years which the shareholders' mandate remains in force.

2.1.7 Statement by Audit Committee

The Audit Committee of the Company has reviewed the terms of the Proposed Renewal of Shareholders' Mandate and is satisfied that the procedures for recurrent related party transactions are adequate to ensure that such transactions are not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

The Group has in place adequate procedures and processes to monitor, track and identify recurrent related party transactions in a timely and orderly manner, and such procedures and processes are reviewed on a quarterly basis or whenever the need arises.

If the Audit Committee is not reasonably satisfied with the terms of the recurrent related party transactions during periodic review, then a review of the Company's standard sales procedure will be made to ascertain whether their application and compliance have been met.

The members of the Audit Committee are as follows:

Name	Position in Audit Committee
Dato' Hj Shaharuddin bin Hj Haron	Chairman
Tan Sri Dato' Seri Utama Arshad bin Ayub	Member
Geh Cheng Hooi	Member
Datuk Oh Chong Peng	Member
Dato' Wira Zainal Abidin bin Mahamad Zain	Member
Azhari Arshad	Member

2.2 Proposed Share Buy-back

The Board proposes to seek renewal of the authorisation from the shareholders for the Company to purchase up to a maximum of ten per cent (10%) of its issued and paid-up share capital of the Company at any given point in time, if deemed fit and expedient by the Board. The authority from the shareholders for the Proposed Share Buy-back, if renewed, the actual number of shares which may be purchased and the timing of the purchase(s) will depend on, inter-alia, market conditions as well as the availability of retained profits and share premium and the financial resources of the Company to give effect to such purchase(s). Based on the issued and paid-up capital of MFM as at the LPD of 538,228,080 MFM Shares, the number of shares to be purchased pursuant to the Proposed Share Buy-back will amount to a maximum of 53,822,808.

The salient information on the Proposed Share Buy-back are as follows:-

2.2.1 Timeframe

The authority for the Proposed Share Buy-back will be effective immediately upon the passing of the ordinary resolution at the forthcoming AGM of the Company for the Proposed Share Buy-back and shall continue in force until:-

- (a) the conclusion of the first 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.

2.2.2 Sources of Funds

The Proposed Share Buy-back shall be made out of the retained profits and share premium accounts of MFM. MFM therefore proposes to allocate an amount not exceeding the audited retained profits and share premium of MFM for the purpose of the Proposed Share Buy-back. Based on the latest audited financial statements of MFM as at 31 December 2014, the retained profits and share premium accounts of MFM amounted to approximately RM241.7 million and RM59.4 million respectively. The funding for the Proposed Share Buy-back is expected to be internally generated.

2.2.3 Pricing

MFM shall purchase its own shares or resell its treasury shares (if applicable) only on the market of Bursa Securities. The price for the purchase of shares shall not be more than 15% above the weighted average market price of MFM shares for the five (5) market days immediately preceding the date of purchase. The treasury shares shall be resold at:-

- (a) a price which is not less than the weighted average market price for MFM shares for five (5) market days immediately prior to the resale; or
- (b) a discounted price of not more than 5% to the weighted average market price for the shares for 5 market days immediately prior to the resale provided that:-
 - (i) the resale takes place no earlier than 30 days from the date of the purchase; and
 - (ii) the resale price is not less than the cost of purchase of the shares being resold.

2.2.4 Treatment of shares purchased

In accordance with the Act, the Directors will deal with MFM Shares that may be purchased pursuant to the Proposed Share Buy-back (hereinafter known as “Purchased MFM Shares”) in the following manner:-

- (a) to cancel the Purchased MFM Shares; or
- (b) to retain the Purchased MFM Shares as treasury shares for distribution as share dividends to the shareholders and/or resell on the Bursa Securities or subsequently cancel the Purchased MFM Shares; or
- (c) to retain part of the Purchased MFM Shares as treasury shares and cancel the remainder.

MFM intends to retain the Purchased MFM Shares as treasury shares, or cancel the Purchased MFM Shares or a combination of both.

The Board of Directors may decide to cancel the Purchased MFM Shares if the cancellation of the shares is expected to enhance the EPS of the MFM as a result of the reduction in issued and paid-up capital of the Company and thereby in the long term, have a positive impact on the market price of the MFM Shares.

If the Board of Directors decides to retain the Purchased MFM Shares as treasury shares, it may distribute the treasury shares as dividend to the shareholders and/or resell the Purchased MFM Shares on the Bursa Securities and utilise the proceeds for any feasible investment opportunity arising in the future, or as working capital.

In the event the Company decides to resell the Company’s treasury shares, the Company will make an announcement on the day of the resale is made providing details of the description of the shares resold, the number of shares resold, the resale price of each share resold or, where relevant, the highest and lowest resale price and the total consideration received.

In the event that MFM decides to cancel the Company’s treasury shares, MFM will make an announcement on the day the cancellation is made providing details of the number of treasury shares cancelled, the date of the cancellation and the outstanding paid-up share capital after the cancellation.

In the event that the Purchased MFM Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions and otherwise are suspended and the Purchased MFM Shares shall not be taken into account in calculating the number or percentage of a class of shares in MFM for any purpose including substantial shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of votes on resolutions at a meeting.

2.2.5 Public Shareholding Spread

Based on the public shareholding spread of MFM as at the LPD of 62.26% and assuming the Company purchased its own shares up to ten per cent (10%) of the issued and paid-up share capital of MFM and that the number of MFM Shares, held directly and indirectly by the substantial shareholders and Directors of MFM remain unchanged, the public shareholding spread of MFM is expected to be approximately 52.26%. In any case, the Proposed Share Buy-back will be implemented in such a manner so as not to cause the public shareholding spread to fall below the minimum 25% threshold set by Bursa Securities.

2.2.6 Potential Advantages and Disadvantages of the Proposed Share Buy-back

The Proposed Share Buy-back if exercised, is expected to potentially benefit MFM and its shareholders as follows:-

- (i) The Company would expect to enhance the EPS of the Group (in the case where the Directors resolve to cancel the Purchased MFM Shares and/or retained as treasury shares and the treasury shares are not subsequently resold), and thereby long term and genuine investors may expect to enjoy a corresponding increase in the value of their investments in the Company.
- (ii) If the Purchased MFM Shares are retained as treasury shares, it will provide the Directors with the option to sell the Purchased MFM Shares at a higher price and generate profits for MFM. Alternatively, the Purchased MFM Shares retained as treasury shares can be distributed as share dividends to shareholders.

The potential disadvantage of the Proposed Share Buy-back, if implemented, will be the reduction of the financial resources of MFM and may result in MFM forgoing other investment opportunities that may emerge in the future. In addition, as the Proposed Share Buy-back can only be made out of retained profits and share premium of the Company, it will result in a reduction in the financial resources available for distribution to shareholders in the immediate future. However, the financial resources of MFM will increase upon the resale of the Purchased MFM Shares, which are held as treasury shares, in the open market.

Nevertheless, the Directors of MFM will be mindful of the interest of the Company and its shareholders when exercising the Proposed Share Buy-back.

2.2.7 Directors' Shareholdings

Based on the Register of Directors' shareholding as at the LPD and assuming the Proposed Share Buy-back is implemented in full (i.e. up to 10% of the issued and paid-up capital of MFM and all Purchased MFM Shares is assumed to be cancelled) and that the Purchased MFM Shares are from shareholders other than the substantial shareholders and Directors, the effect of the Proposed Share Buy-back on the shareholdings of the Directors of MFM are as follows:-

	Before Proposed Share Buy-back				After Proposed Share Buy-back			
	Direct		Indirect		Direct		Indirect	
Director	No. of MFM Shares held	%	No. of MFM Shares held	%	No. of MFM Shares held	%	No. of MFM Shares held	%
Tan Sri Dato' Seri Utama Arshad bin Ayub	24,211,925	4.50	15,202,000 ⁽¹⁾	2.82	24,211,925	5.00	15,202,000 ⁽¹⁾	3.14
Teh Wee Chye	45,462,477	8.45	38,823,220 ⁽²⁾	7.21	45,462,477	9.39	38,823,220 ⁽²⁾	8.01
Dato' Hj Shaharuddin bin Hj Haron	2,000,000	0.37	-	-	2,000,000	0.41	-	-
Geh Cheng Hooi	-	-	1,659,000 ⁽³⁾	0.31	-	-	1,659,000 ⁽³⁾	0.34
Quah Ban Lee	1,175,000	0.22	-	-	1,175,000	0.24	-	-
Datuk Oh Chong Peng	5,150	0	-	-	5,150	0	-	-

Director	Before Proposed Share Buy-back				After Proposed Share Buy-back			
	Direct		Indirect		Direct		Indirect	
	No. of MFM Shares held	%	No. of MFM Shares held	%	No. of MFM Shares held	%	No. of MFM Shares held	%
Dato' Wira Zainal Abidin bin Mahamad Zain	5,000	0	-	-	5,000	0	-	-
Prakash A/L K.V.P Menon	-	-	-	-	-	-	-	-
Tan Sri Mohd Sidek bin Haji Hassan	-	-	-	-	-	-	-	-
Azhari Arshad	-	-	15,202,000 ⁽⁴⁾	2.82	-	-	15,202,000 ⁽⁴⁾	3.14

Notes:

- (1) Deemed interested through Zalaraz Sdn Bhd.
- (2) Deemed interested through TNLH, TNL, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholding of his spouse.
- (3) Deemed interested through Emmel Sdn Bhd and shareholding of his spouse.
- (4) Deemed interested through Zalaraz Sdn Bhd.

2.2.8 Substantial Shareholders' Shareholding

Based on the Register of substantial shareholders' shareholding as at the LPD and assuming the Proposed Share Buy-back is implemented in full (i.e. up to 10% of the issued and paid-up capital of MFM) and that the Purchased MFM Shares are from shareholders other than the substantial shareholders and Directors, the effect of the Proposed Share Buy-back on the shareholdings of the substantial shareholders of MFM are as follows:-

SUBSTANTIAL SHAREHOLDERS	Before Proposed Share Buy-back				After the Proposed Share Buy-back			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
	No. of MFM Shares	% of Issued Capital	No. of MFM Shares	% of Issued Capital	No. of MFM Shares	% of Issued Capital	No. of MFM Shares	% of Issued Capital
Teh Wee Chye	45,462,477	8.45	38,823,220 ⁽¹⁾	7.21	45,462,477	9.39	38,823,220	8.01
Teh Wee Kok	-	-	27,591,575 ⁽²⁾	5.13	-	-	27,591,575	5.70
Duangmanee Liewphairatana	32,880,875	6.11	27,591,575 ⁽³⁾	5.13	32,880,875	6.79	27,591,575	5.70
Yong Kok Yian	28,534,372	5.30	5,000,000 ⁽⁴⁾	0.93	28,534,372	5.89	5,000,000	1.03
Thye Nam Loong Holdings Sdn Bhd	26,916,410	5.00	675,165 ⁽⁵⁾	0.13	26,916,410	5.56	675,165	0.14
Tan Sri Dato' Seri Utama Arshad bin Ayub	24,211,925	4.50	15,202,000 ⁽⁶⁾	2.82	24,211,925	5.00	15,202,000	3.14

Notes:-

- (1) Deemed interested through TNLH, TNL, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholding of his spouse.
- (2) Deemed interested through TNLH, TNL and Suai Timber Products Sdn Bhd.
- (3) Deemed interested through TNLH, TNL and Suai Timber Products Sdn Bhd.
- (4) Deemed interested through Favourite Access Sdn Bhd.
- (5) Deemed interested through TNL and Suai Timber Products Sdn Bhd.
- (6) Deemed interested through Zalaraz Sdn Bhd.

2.2.9 Implications of the Proposed Share Buy-back Relating To The Code

Pursuant to the Code, a person or a group of persons acting in concert will be required to make a mandatory general offer if his/their stake(s) in the Company is/are increased to beyond 33% of its issued and paid-up share capital or if his/their existing shareholding(s) is/are more than 33% but less than 50% and it exceeds by another 2% in any six (6) months' period.

In the event that the Proposed Share Buy-back results in the shareholdings of any of the above parties being affected, the said person or group of persons acting in concert will be obliged to make a mandatory general offer for the remaining MFM shares not held by him/them. However, an exemption from a mandatory offer obligation may be granted by the Securities Commission under Practice Note 2.9.10 of the Code, subject to the affected person and the parties acting in concert complying with certain conditions, if the obligation is triggered as a result of action outside their direct participation.

As it is not intended for the Proposed Share Buy-back to trigger the obligation to undertake a mandatory general offer by any of its substantial shareholders and/or parties acting in concert with them, the Company is mindful that only such number of shares are purchased, retained as treasury shares, cancelled or distributed such that the Code will not be triggered. However, in the event that an obligation to undertake a mandatory offer should arise with respect to any parties resulting from the Proposed Share Buy-back, the relevant parties shall make the necessary application to the Securities Commission for an exemption from undertaking a mandatory offer under the Code before a mandatory offer is triggered.

2.2.10 Purchase, Resale and Cancellation of Treasury Shares made in the Previous Twelve (12) Months

MFM has not made any purchases of its own shares in the twelve (12) months preceding the date of this Circular and thus, there is no resale or cancellation of treasury shares to date.

3. RATIONALE OF THE PROPOSALS

3.1 Rationale for and Benefit of the Proposed Renewal of Shareholders' Mandate

The recurrent related party transactions are conducted on an arm's length basis with margins for the purchase and/or sale of products and the purchase of services being within the standard range applied by the Group in conformity with past transactions and with market practice.

The recurrent related party transactions envisaged in the Proposed Renewal of Shareholders' Mandate are in the ordinary course of business of MFM and of a recurring nature. By obtaining the Proposed Renewal of Shareholders' Mandate and the renewal of the same on an annual basis, the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative expenses associated with the convening of such meetings.

The related parties which are involved in the recurrent transactions have long-standing relationship with the Group and where applicable have proven their reliability and expertise in their respective fields. In some instances, the related parties provide MFM Group the support for its operational and business needs and further enhance its ability to explore business opportunities within the MFM Group.

3.2 Rationale for the Proposed Share Buy-back

The Proposed Share Buy-back, if exercised, is expected to potentially benefit the Company and its shareholders as follows:-

- (a) MFM would expect to enhance the EPS of the Group (in the case where the Directors resolve to cancel the Purchased Shares and/or retain as treasury shares and the treasury shares are not subsequently resold), and thereby long term and genuine investors may expect to enjoy corresponding increase in the value of their investments in MFM;
- (b) If the Purchased Shares are kept as treasury shares, the Directors may have an opportunity to sell the Purchased Shares at a higher price and make exceptional gain for the Company. Alternatively, the Purchased Shares can be distributed as share dividends to shareholders; and
- (c) MFM may be able to stabilise the supply and demand of MFM Shares in the open market and thereby support its fundamental value.

4. FINANCIAL EFFECTS OF THE PROPOSALS

The Proposed Renewal of Shareholders' Mandate will not have any material financial effects on MFM Group.

The effects of the Proposed Share Buy-back are as follows:-

4.1 Share Capital

For illustration purposes only, the scenario below shows the movement of the share capital of the Company as at the LPD upon the implementation of the Proposed Share Buy-back. The financial effects are based on the following assumptions:-

- (a) The purchase of the own shares of up to ten per cent (10%) of the issued and paid-up share capital of MFM is carried out in full; and
- (b) Purchased MFM Shares are cancelled.

The proforma effect of the Proposed Share Buy-back on the issued and paid-up share capital of MFM is illustrated below:-

	No. of shares of RM0.50 each	RM
Issued and paid-up share capital as at the LPD	538,228,080	269,114,040
Less:		
Assuming cancellation of Shares bought back under the Proposed Share Buy-back	(53,822,808)	(26,911,404)
Share capital after the cancellation of shares bought back	484,405,272	242,202,636

There will be no effect on the issued and paid-up share capital of MFM if the shares purchased pursuant to the Proposed Share Buy-back are retained as treasury shares, re-sold or distributed to its shareholders. In the event that the Purchased MFM Shares are held as treasury shares, the rights attached to them as to voting, dividends and participation in other distributions and otherwise are suspended and the Purchased MFM Shares shall not be taken into account in calculating the number or percentage of a class of shares in MFM for any purpose including substantial shareholdings, take-overs, notices, the requisitioning of meetings, the quorum for meetings and the result of votes on resolutions at a meeting.

4.2 EPS

The effects of the Proposed Share Buy-back on the EPS of the Group are dependent on the actual number of the shares bought back and the purchase price of the shares and the effective funding cost to the Company. Assuming the Purchased MFM Shares are retained as treasury shares and resold, the EPS will increase if the selling price is higher than the interest forgone on the Purchased MFM Shares. If the Purchased MFM Shares are cancelled, the EPS will increase provided that the income forgone incurred on the Purchased MFM Shares is less than the EPS before the Proposed Share Buy-back. The effective reduction in the number of shares in the computation of the consolidated EPS pursuant to the Proposed Share Buy-back may generally, all else being equal, have a positive impact on the consolidated EPS of the MFM Group for the financial year ending 31 December 2015.

4.3 Dividends

Assuming the Proposed Share Buy-back is fully implemented, dividend would be paid on the remaining issued and paid-up share capital of MFM (excluding MFM Purchased Shares). The Proposed Share Buy-back may have an impact on the Company's dividend policy for the financial year ending 31 December 2015 as it would reduce the cash available which otherwise may be used for dividend payments. Nonetheless, the treasury shares purchased may be distributed as dividends to the shareholders of the Company, if the Company so decides.

4.4 NA

The Proposed Share Buy-back may increase or decrease the NA per Share depending on the purchase price(s) of MFM Shares to be bought back. NA per Share is likely to increase if the purchase price is less than the NA per Share and decrease if the purchase price exceeds the NA per share at the time when the shares are purchase.

Should the Purchased MFM Shares be resold, the NA per Share will increase if the Company realizes a gain from the resale, and vice versa.

If the treasury shares are distributed as share dividends, the NA of the Group will decrease by the cost of the treasury shares.

4.5 Working Capital

The Proposed Share Buy-back will reduce the working capital and cash flow of the Group, the quantum of which depends on, among others, the number of MFM Shares eventually purchased and the purchase price(s) of MFM Shares. For MFM Shares purchased which are kept as treasury shares, upon their resale, the working capital and cash flow will increase. The quantum of the increase in the working capital and cash flow will depend on the actual selling price(s) of the treasury shares and the number of treasury shares resold.

5. CONDITIONS OF THE PROPOSALS

The Proposals are conditional upon approval being obtained from Shareholders of the Company at an AGM to be held.

The Proposed Renewal of Shareholders' Mandate being sought from shareholders is subject to annual renewal and the aggregate value of the recurrent related party transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during a financial year shall be disclosed in the Company's annual report for the financial year.

The approval for the Proposed Share Buy-back sought from the shareholders is subject to an annual renewal.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM

Save as disclosed below, none of the other Directors and/or major shareholders of MFM or any persons connected to them have any interest, direct or indirect, in the Proposals:

6.1 Proposed Renewal of Shareholders' Mandate

- (a) Teh Wee Chye is a common Director and major shareholder of MFM and TNLH. He is also a director of most of the MFM's subsidiary companies namely DPDC, DPP, DSM, Dindings Broiler Breeder Farm Sdn Bhd, Muda Fibre Manufacturing Sdn Bhd, Syarikat Pengangkutan Lumut Sdn Bhd, MFMF, Semakin Dinamik Sdn Bhd, VimafLOUR Ltd, MFM International Ltd, Mekong Flour Mills Ltd, MFM Ltd, Dindings Grand Parent Farm Sdn Bhd and PGSB. He is therefore deemed interested in the Proposed Renewal of Shareholders' Mandate and has abstained and will abstain from all board deliberations and voting pertaining to the Proposed Renewal of Shareholders' Mandate.
- (b) Teh Wee Kok is a substantial shareholder of MFM and also a director and major shareholder of TNLH. He is therefore deemed interested in the Proposed Renewal of Shareholders' Mandate and will abstain from voting on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate.
- (c) Duangmanee Liewphairatana is a major shareholder of MFM and TNLH. She is therefore deemed interested in the Proposed Renewal of Shareholders' Mandate and will abstain from voting on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate.
- (d) TNLH is a substantial shareholder of MFM and also has an indirect interest in MFM by virtue of its major shareholdings of 50,000 ordinary shares of RM100.00 each and 180,000 ordinary shares of RM1.00 each, representing 83% and 45% equity interest, respectively in TNL and Suai Timber Products Sdn Bhd which are shareholders of MFM. It is therefore deemed interested in the Proposed Renewal of Shareholders' Mandate and will abstain from voting on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate.

The shareholdings of the above interested director, major shareholders and person connected to them in MFM as at the LPD are as follows:

Director/Major Shareholders/ Person connected	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares of RM0.50	%	No. of ordinary shares of RM0.50	%
Teh Wee Chye	45,462,477	8.45	38,823,220 ⁽¹⁾	7.21
Teh Wee Kok	-	-	27,591,575 ⁽²⁾	5.13
Duangmanee Liewphairatana	32,880,875	6.11	27,591,575 ⁽³⁾	5.13
TNLH	26,916,410	5.00	675,165 ⁽⁴⁾	0.13

Notes:

- (1) Deemed interested through TNLH, TNL, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholding of his spouse.
- (2) Deemed interested through TNLH, TNL and Suai Timber Products Sdn Bhd.
- (3) Deemed interested through TNLH, TNL and Suai Timber Products Sdn Bhd.
- (4) Deemed interested through TNL and Suai Timber Products Sdn Bhd.

The shareholdings of the above interested director, major shareholders and person connected to them in TNLH as at the LPD are as follows:

Director/Major Shareholders/ Person connected	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares of RM1.00	%	No. of ordinary shares of RM1.00	%
Teh Wee Chye	4,233,563	17.64	-	-
Teh Wee Kok	4,313,142	17.97	-	-
Duangmanee Liewphairatana	2,963,142	12.35	-	-

The aforementioned director, major shareholders and persons connected to them are deemed interested in the Proposed Renewal of Shareholders' Mandate and will therefore abstain from voting in respect of their direct and indirect interests in MFM and will ensure that the persons connected with them will abstain from voting on the resolution pertaining to the Proposed Renewal of Shareholders' Mandate at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

7.1 Proposed Renewal of Shareholders' Mandate

Your Directors (except Mr Teh Wee Chye who has abstained from giving any opinion), having considered all aspects of the Proposed Renewal of Shareholders' Mandate, are of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of the Company. Accordingly, they (except Mr Teh Wee Chye) recommend that you vote in favour of the ordinary resolution for the Proposed Renewal of Shareholders' Mandate to be tabled at the forthcoming AGM.

7.2 Proposed Share Buy-back

Your Directors are of the opinion that the Proposed Share Buy-back is in the best interest of the Company. As such, your Directors recommend that you vote in favour of the ordinary resolution in respect of the Proposed Share Buy-back to be tabled at the forthcoming AGM.

8. ANNUAL GENERAL MEETING

The Notice of AGM that contains the resolutions pertaining to the Proposals has been incorporated into the 2014 Annual Report which is being circulated to you together with this Circular.

If you are unable to attend and vote in person at the AGM, you should complete and return the enclosed Proxy Form in accordance with the instructions therein as soon as possible and in any event must be deposited at the office of the Company's Share Registrar, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time appointed for holding the AGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently wish to do so.

9. FURTHER INFORMATION

Shareholders of MFM are advised to refer to the attached Appendix for further information.

Yours faithfully
for and on behalf of the Board of Directors of
MALAYAN FLOUR MILLS BERHAD

Tan Sri Dato' Seri Utama Arshad bin Ayub
Independent Non-Executive Chairman

FURTHER INFORMATION**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors of MFM and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

2. MATERIAL LITIGATION

As at the LPD, neither the Company nor its subsidiary companies are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and the Directors of MFM do not have any knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings which may materially affect the financial position or business of the Company and/or its subsidiary companies.

3. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor its subsidiary companies have entered into any material contracts (not being contracts entered into in the ordinary course of business of the Group) during the last two (2) years immediately preceding the date of this Circular:-

- (i) Sale and Purchase Agreement dated 10 September 2013 for the purchase of 38.6625 hectares of freehold land held under Geran 43156 and 11810 for Lot 4656 and 9132, Mukim Lenggong, District of Hulu Perak, Perak by Dindings Poultry Development Centre Sdn Bhd from Golden Megacity Sdn Bhd for a consideration of RM7.60 million.
- (ii) Sale and Purchase Agreement dated 9 January 2014 for the purchase of 10.829 acres of leasehold land held under H.S(M) 42038 PT 65617, Mukim Kapar, District of Klang, Selangor by Malayan Flour Mills Berhad from Perbadanan Kemajuan Negeri Selangor for a consideration of RM15.45 million.
- (iii) Sale and Purchase Agreement dated 27 January 2014 for the purchase of 4.3504 hectares of freehold land held under Geran 65374, Lot 3160, Mukim Lenggong, District of Hulu Perak, Perak by Dindings Poultry Development Centre Sdn Bhd from Chow Yun Choi and Su Sok Chin for a consideration of RM0.90 million.
- (iv) Sale and Purchase Agreement dated 27 January 2014 for the purchase of 4.4187 hectares of freehold land held under Geran 61255, Lot 3163, Mukim Lenggong, District of Hulu Perak, Perak by Dindings Poultry Development Centre Sdn Bhd from Chong Yoon Li and Chow Chee Seng for a consideration of RM0.92 million.
- (v) Sale and Purchase Agreement dated 25 April 2014 for the purchase of 14 pieces of freehold land of 41.544 acres in Mukim Beriah, District of Kerian, Perak by Dindings Poultry Development Centre Sdn Bhd from Chee Swee Chin and Chee Wee Boon for a total consideration of RM3.32 million.

- (vi) Sale and Purchase Agreement dated 25 April 2014 for the purchase of 29 pieces of freehold land of 59.7523 acres in Mukim Beriah, District of Kerian, Perak by Dindings Poultry Development Centre Sdn Bhd from Chee Swee Chin for a total consideration of RM4.78 million.
- (vii) Sale and Purchase Agreement dated 25 April 2014 for the purchase of a piece of freehold land of 1.6311 acres held under GM1092, Lot 964, 8th Mile Bukit Merah in the Mukim Beriah, District of Kerian, Perak by Dindings Poultry Development Centre Sdn Bhd from Chee Wee Tuck for a consideration of RM0.13 million.
- (viii) Sale and Purchase Agreement dated 29 August 2014 for the purchase of 0.6687 hectare of freehold land held under GM2935, Lot 102, Mukim Pengkalan Baharu, District of Manjung, Perak by Dindings Poultry Development Centre Sdn Bhd from Yap Bee Kian for a consideration of RM0.36 million.
- (ix) Sale and Purchase Agreement dated 29 August 2014 for the purchase of 0.3604 hectare of freehold land held under GM2949, Lot 101, Mukim Pengkalan Baharu, District of Manjung, Perak by Dindings Poultry Development Centre Sdn Bhd from Loy Say Lee for a consideration of RM0.19 million.

4. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MFM Shares as traded on the Main Market of Bursa Securities for the past 12 months from April 2014 to March 2015 are as follows:-

	High	Low
	RM	RM
2014		
April	1.58	1.48
May	1.64	1.54
June	1.63	1.56
July	2.12	1.58
August	2.22	1.85
September	1.99	1.85
October	1.96	1.71
November	1.93	1.72
December	1.73	1.38
2015		
January	1.68	1.53
February	1.68	1.54
March	1.58	1.49

Last transacted price of MFM Shares on 25 March 2015, being the day prior to the date of announcement of the Proposals was RM1.50.

Last transacted price of MFM Shares on the LPD was RM1.51.

(Source: The Star Online)

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours (except for public holidays) at the Registered Office of MFM at 22nd Floor, Wisma MCA, 163 Jalan Ampang, 50450 Kuala Lumpur, from the date of this Circular up to and including the date of the AGM:

- (i) The Memorandum and Articles of Association of MFM;
- (ii) The audited consolidated financial statements of MFM Group, for the past two (2) financial years ended 31 December 2013 and 2014; and
- (iii) The material contracts referred to in Section 3.