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Malayan Flour Mills Berhad

(Company No.: 4260 – M)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (I) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY;**
- (II) PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE; AND**
- (III) PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**

The Notice of the 50th Annual General Meeting of MFM to be held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 17 June 2010 at 9.30 a.m. is sent to you together with this Circular. Shareholders are advised to refer to the Notice of the 50th Annual General Meeting and the Form of Proxy which are included in the 2009 Annual Report. The Form of Proxy must be lodged at the Registered Office of the Company at 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur 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 : 15/06/2010 at 9:30 a.m.
Date and time of Annual General Meeting : 17/06/2010 at 9:30 a.m. or any adjournment
therefore.

This Circular is dated 26 May 2010

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
“Articles”	:	Articles of Association of the Company
“Board”	:	Board of Directors
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“Code”	:	Malaysian Code on Take-Overs and Mergers 1998
“DBB”	:	Dindings Broiler Breeder Farm Sdn Bhd, a wholly-owned subsidiary company of MFM
“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”	:	Listing Requirements of Bursa Securities
“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 RM1.00 each in MFM
“NA”	:	Net assets
“PGSB”	:	Premier Grain Sdn Bhd (formerly known as Dindings Trading Sdn Bhd), a 51%-owned subsidiary company of MFM
“Proposals”	:	The Proposed Amendments, Proposed Shareholders’ Mandate and Proposed Share Buy-Back, collectively
“Proposed Amendments”	:	The proposed amendments to the Articles of Association of the Company
“Proposed 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 of Bursa Securities

“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
“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
“TNL”	:	Thye Nam Loong Sdn Bhd
“TNLH”	:	Thye Nam Loong Holdings Sdn Bhd

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MALAYAN FLOUR MILLS BERHAD

(Company No.: 4260 – M)

(Incorporated in Malaysia)

Registered Office:

22nd Floor, Wisma MCA

Jalan Ampang

50450 Kuala Lumpur

26 May 2010

Board of Directors:

Tan Sri Dato' Seri 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*)

Thong Kok Mun (*Executive Director*)

Lim Pang Boon (*Executive Director*)

To: Shareholders of Malayan Flour Mills Berhad

Dear Sir,

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

1. INTRODUCTION

At the AGM held on 18 June 2009, 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 21 April 2010, the Company had announced that the Company proposes to seek its shareholders' approval for the Proposed Shareholders' Mandate and Proposed Renewal of Authority for Share Buy-Back. The Company had also announced that the Company proposes to amend its Articles of Association, to render the Company's Articles of Association in line with the directive from Bursa Securities on the implementation of electronic dividend payment and provisions in the Companies Act, 1965.

The Company now proposed to seek your approval for the Proposals at the forthcoming AGM to be held on 17 June 2010.

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 SPECIAL AND ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Amendments to the Articles of Association

The details of the proposed amendments are set out in Appendix I of this Circular.

2.2 Proposed Shareholders' Mandate

2.2.1 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, 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
DSM, a 70.2%-owned subsidiary company of MFM engaged in the manufacture and sale of animal feeds and related raw materials and the purchase and contract farming of poultry for resale.	Purchase of : <ul style="list-style-type: none"> • flour from MFM • by-product from DPP • poultry feed from MFMF • day-old-chicks from DBB • raw material from MFMF • raw material from PGSB Sale of feeds to: <ul style="list-style-type: none"> • DBB • DPDC • DPP • MFMF Sale of raw material to: <ul style="list-style-type: none"> • MFMF • PGSB Rental of furniture and fitting payable monthly to MFM Rental of property from MFM * Rental of motor vehicle payable monthly to DBB # Rental income of motor vehicle receivable monthly from DBB #	Teh Liang Teik, Teh Wee Chye and Teh Wee Kok (indirect major shareholders of MFM) have indirect major shareholdings in DSM through MFM, TNLH (a direct major shareholder of MFM) and TNL. Teh Wee Chye is also director of DSM.

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

Location	Year built	Rental per month RM	Tenure	Purpose
<i>Office space at Jalan Heng Choon Thian, Butterworth</i>	1960	320	On going	Branch office
<i>Factory space at Jalan David Sung, Batu Undan, Lumut, Dinding, Perak</i>	1966	12,000	On going	Manufacturing activities

These rental expenses and income of DSM involve the renting of different type of motor vehicles from/to DBB for different usage.

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 2009, are set out as follows:

MFM and its subsidiaries with the following related party	Type of Transaction	Estimated value of transactions disclosed in 2009 Mandate⁽¹⁾ RM'000	Actual value of transactions conducted pursuant to 2009 Mandate⁽²⁾ RM'000	Estimated Value of transactions pursuant to 2010 Mandate⁽³⁾ RM'000
DSM	Purchase of:			
	• flour from MFM	10,000	5,951	15,000
	• by-product from DPP	2,000	941	2,000
	• poultry feed from MFMF	5,000	3,050	5,000
	• day-old-chicks from DBB	5,000	-	-
	• raw material from MFMF	-	6,698	20,000
	• raw material from PGSB	-	-	75,000
	Sale of feeds to:			
	• DBB	15,000	10,301	16,000
	• DPDC	95,000	82,480	95,000
	• DPP	10,000	145	-
	• MFMF	-	704	2,000
	Sale of raw material to:			
	• MFMF	8,000	3,224	5,000
	• PGSB	-	7,903	8,500
Rental of furniture and fitting payable monthly to MFM	100	29	100	
Rental of property from MFM	200	136	200	
Rental of motor vehicle payable monthly to DBB	20	-	-	
Rental income of motor vehicle receivable monthly from DBB	20	-	-	
		150,340	121,562	243,800

Notes:

- (1) Estimated value of transactions disclosed in the preceding year's Circular to Shareholders dated 27 May 2009.
- (2) Actual value of transactions conducted from 18 June 2009 to 30 April 2010, being the latest practicable date prior to the printing of this Circular.
- (3) 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.

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 and major shareholders of MFM in the related party as at 30 April 2010 are as follows:

Name of Related Party	Interest in Related Party	Direct	%	Indirect	%
DSM					
TNLH	Shareholder	2,500,000	7.0	26,685,000 ¹	70.2
Teh Liang Teik	Shareholder	-	-	29,185,000 ²	82.0
Teh Wee Chye	Director and Shareholder	-	-	29,185,000 ²	82.0
Teh Wee Kok	Shareholder	-	-	29,185,000 ²	82.0

Notes:

- 1 Deemed interest by virtue of its shareholdings in MFM and TNL which are holding 25,000,000 shares and 1,685,000 shares, respectively in DSM.
- 2 Deemed interest by virtue of their shareholdings in MFM, TNLH (a major shareholder of MFM) 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.

2.2.2 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.

(d) Rental of Motor Vehicle

The rental of motor vehicle shall be on the basis of the prevailing market rates of the motor vehicle over the useful life and shall be on normal commercial terms.

2.2.3 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 transaction price will be determined by the Group based on those offered by/to other unrelated third parties for the same or substantially similar type of transaction to ensure that the Recurrent Transactions is 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.

2.2.4 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.

In compliance with Paragraph 10.09(1)(a) of the Listing Requirements, MFM Group will immediately announces a recurrent related party transaction(s) where:-

- The consideration, value of the assets, capital outlay or costs of the aggregated transaction is equal to or exceeds RM1 million; or
- Any one of the percentage ratio of such aggregated transactions is equal to or exceeds 1%

whichever is the higher.

2.2.5 Validity Period of the Shareholders' Mandate

The Proposed 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 2011, 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.

2.2.6 Disclosure

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

2.2.7 Statement by Audit Committee

The Audit Committee of the Company has reviewed the terms of the Proposed 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 Arshad bin Ayub	Member
Geh Cheng Hooi	Member
Datuk Oh Chong Peng	Member

2.3 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 30 April 2010 of 107,644,606 MFM Shares, the number of shares to be purchased pursuant to the Proposed Share Buy-Back will amount to a maximum of 10,764,461.

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

2.3.1 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.

2.3.2 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 2009, the retained profits and share premium accounts of MFM amounted to approximately RM181.8 million and RM55.9 million respectively. The funding for the Proposed Share Buy-Back is expected to be internally generated.

2.3.3 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.

2.3.4 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.

2.3.5 Public Shareholding Spread

Based on the public shareholding spread of MFM as at 30 April 2010 of 57.91% 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 47.91%. 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.

2.3.6 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.

2.3.7 Directors' shareholdings

Based on the Register of Directors' shareholding as at 30 April 2010 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 :-

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	%
Tan Sri Dato' Seri Arshad bin Ayub	4,653,385	4.32	2,924,000 ⁽¹⁾	2.72	4,653,385	4.80	2,924,000 ⁽¹⁾	3.02
Teh Wee Chye	456,500	0.42	29,870,483 ⁽²⁾	27.75	456,500	0.47	29,870,483 ⁽²⁾	30.83
Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37	0	0	400,000	0.41	0	0
Geh Cheng Hooi	0	0	176,000 ⁽³⁾	0.16	0	0	176,000 ⁽³⁾	0.18
Quah Ban Lee	235,000	0.22	0	0	235,000	0.24	0	0
Datuk Oh Chong Peng	0	0	0	0	0	0	0	0
Dato' Wira Zainal Abidin bin Mahamad Zain	0	0	0	0	0	0	0	0
Thong Kok Mun	0	0	120,000 ⁽⁴⁾	0.11	0	0	120,000 ⁽⁴⁾	0.12
Lim Pang Boon	41,800	0.04	0	0	41,800	0.04	0	0

Notes:

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

2.3.8 Substantial shareholders' shareholding

Based on the Register of substantial shareholders' shareholding as at 30 April 2010 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 Shares	% of Issued Capital	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital
Teh Liang Teik	2,908,800	2.70	27,624,754 ⁽¹⁾	25.66	2,908,800	3.00	27,624,754	28.51
Teh Wee Chye	456,500	0.42	29,870,483 ⁽²⁾	27.75	456,500	0.47	29,870,483	30.83
Teh Wee Kok	1,591,600	1.48	27,624,754 ⁽³⁾	25.66	1,591,600	1.64	27,624,754	28.51
Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.25	949,200 ⁽⁴⁾	0.88	26,100,754	26.94	949,200	0.98
Tan Sri Dato' Seri Arshad Bin Ayub	4,653,385	4.32	2,924,000 ⁽⁵⁾	2.72	4,653,385	4.78	2,924,000	3.02

NOTES:-

- (1) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- (2) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholdings of his spouse.
- (3) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- (4) Deemed interested through TNL and Suai Timber Products Sdn Bhd.
- (5) Deemed interested through Zalaraz Sdn Bhd.

2.3.9 Implications of the Proposed Share Buy-Back Relating To The Code

As at 30 April 2010, Teh Liang Teik, Teh Wee Chye, Teh Wee Kok, Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Suai Timber Products Sdn Bhd, Thye Nam Loong Shipping Sdn Bhd, Essence Lane Sdn Bhd, Teh Li Li, Teh Li Choo, Victoria Eu, Yong Kai Wai, Duangmanee Liewphairatana, Tan Keng Seng, Teh Mun Yee and Teh Kah Yee collectively owned 36,646,256 ordinary shares of RM1.00 each in MFM which represents 34.04% of the existing issued and paid-up share capital of MFM. As such, they are deemed to be parties acting in concert (“Concerted Parties”).

Based on the Record of Depositors of MFM as at 30 April 2010 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 Concerted Parties of MFM are as follows :-

	Before Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	No. of MFM Shares held				No. of MFM Shares held			
	Direct		Indirect		Direct		Indirect	
	'000	%	'000	%	'000	%	'000	%
Teh Liang Teik	2,909	2.70	27,625 ⁽¹⁾	25.66	2,909	3.00	27,625	28.51
Teh Wee Chye	456	0.42	29,870 ⁽²⁾	27.75	456	0.47	29,870	30.83
Teh Wee Kok	1,592	1.48	27,625 ⁽³⁾	25.66	1,592	1.64	27,625	28.51
Thye Nam Loong Holdings Sdn Bhd	26,101	24.25	949 ⁽⁴⁾	0.88	26,100	26.94	949	0.98
Thye Nam Loong Sdn Bhd	418	0.39	-	-	418	0.43	-	-

	Before Proposed Share Buy-Back				After the Proposed Share Buy-Back			
	No. of MFM Shares held				No. of MFM Shares held			
	Direct		Indirect		Direct		Indirect	
	'000	%	'000	%	'000	%	'000	%
Suai Timber Products Sdn Bhd	532	0.49	-	-	532	0.55	-	-
Thye Nam Loong Shipping Sdn Bhd	575	0.53	-	-	575	0.59	-	-
Essence Lane Sdn Bhd	2,234	2.08	-	-	2,234	2.31	-	-
Teh Li Li ⁽⁵⁾	374	0.35	-	-	374	0.39	-	-
Teh Li Choo ⁽⁶⁾	474	0.44	-	-	474	0.49	-	-
Victoria Eu	12	0.01	2,234 ⁽⁷⁾	2.08	12	0.01	2,234	2.31
Yong Kai Wai ⁽⁸⁾	28	0.03	-	-	28	0.03	-	-
Duangmanee Liewphairatana ⁽⁹⁾	869	0.81	-	-	869	0.90	-	-
Teh Mun Yee ⁽¹⁰⁾	70	0.07	-	-	70	0.07	-	-
Teh Kah Yee ⁽¹¹⁾	1	0.00	-	-	1	0.00	-	-
Tan Keng Seng ⁽¹²⁾	3	0.00	-	-	3	0.00	-	-

Notes: -

- (1) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- (2) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholdings of his spouse.
- (3) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- (4) Deemed interested through TNL and Suai Timber Products Sdn Bhd.
- (5) Teh Li Li is the daughter of Teh Liang Teik.
- (6) Teh Li Choo is the daughter of Teh Liang Teik.
- (7) Deemed interested through Essence Lane Sdn Bhd. Victoria Eu is the spouse of Teh Wee Chye.
- (8) Yong Kai Wai is the spouse of Teh Wee Kok.
- (9) Duangmanee Liewphairatana is the spouse of the late Teh Wee Heng.
- (10) Teh Mun Yee is the daughter of Teh Wee Kok.
- (11) Teh Kah Yee is the daughter of Teh Wee Kok.
- (12) Tan Keng Seng is the spouse of Teh Li Choo.

The Proposed Share Buy-Back, if fully exercised, will result in the equity interest of the Concerted Parties increasing from 34.04% as at 30 April 2010 to 37.83%. The Directors shall take all necessary steps to ensure that the Proposed Share Buy-Back when implemented, will not result in the shareholdings of the Concerted Parties exceeding the limit of 2% in any six month period as provided under the Code which will require them to make a mandatory general offer.

Should such circumstances arise and if required, the Concerted Parties may apply to the Securities Commission for an exemption from the obligations to undertake a mandatory offer prior to such obligation being triggered.

In the event that the Proposed Exemption is not granted, MFM will only proceed with the purchase of its own shares to the extent that it will not contravene the limit as provided under the Code.

2.3.10 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 the Proposed Amendments to the Articles of Association

The rationale for the Proposed Amendments is, *inter alia*:-

- (a) to streamline the Articles with the directive from Bursa Securities on the implementation of electronic dividend payment and the provisions in the Companies Act, 1965; and
- (b) to update the Articles so as to enhance the administration of the internal affairs of the Company as well as to add clarity to the Articles.

The full text of the Proposed Amendments is set out in Appendix I of this Circular.

3.2 Rationale for and Benefit of the Proposed 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 Shareholders' Mandate are in the ordinary course of business of MFM and of a recurring nature. By obtaining the Proposed 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.

3.3 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 Amendments and Proposed 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 30 April 2010 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 RM1.00 each	RM
Issued and paid-up share capital as at 30 April 2010	107,644,606	107,644,606
Less:		
Assuming cancellation of Shares bought back under the Proposed Share Buy-Back	(10,764,461)	(10,764,461)
Share capital after the cancellation of shares bought back	96,880,145	96,880,145

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 or 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 2010.

4.3 Dividends

A final dividend of 5 sen per MFM share less tax and a special dividend of 10 sen per MFM share less tax amounting to approximately RM12.11 million was paid on 6 July 2009 in respect of the financial year ended 31 December 2008 and an interim dividend of 5 sen per MFM share less tax amounting to RM4.04 million was paid on 15 January 2010 in respect of the financial year ended 31 December 2009. Pursuant to the announcement made by MFM dated 19 February 2010, the Board of Directors of MFM recommends a final dividend of 5 sen per MFM share less tax and a special dividend of 10 sen per MFM share less tax amounting to approximately RM12.11 million in respect of the financial year ended 31 December 2009. The Proposed Share Buy-Back is not expected to have any material effect on the dividend payment for the financial year ended 31 December 2009.

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 2010 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 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.

4.6 Substantial Shareholders

For illustrative purposes only, the effects of the Proposed Share Buy-Back on the substantial shareholders' shareholdings of MFM is set out below: -

SUBSTANTIAL SHAREHOLDERS	Shareholdings as at 30 April 2010				After the Proposed Share Buy-Back			
	Direct Interest		Indirect Interest		Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Teh Liang Teik	2,908,800	2.70	27,624,754 ⁽¹⁾	25.66	2,908,800	3.00	27,624,754	28.51
Teh Wee Chye	456,500	0.42	29,870,483 ⁽²⁾	27.75	456,500	0.47	29,870,483	30.83
Teh Wee Kok	1,591,600	1.48	27,624,754 ⁽³⁾	25.66	1,591,600	1.64	27,624,754	28.51
Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.25	949,200 ⁽⁴⁾	0.88	26,100,754	26.94	949,200	0.98
Tan Sri Dato' Seri Arshad Bin Ayub	4,653,385	4.32	2,924,000 ⁽⁵⁾	2.72	4,653,385	4.78	2,924,000	3.02

NOTES:-

- (1) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- (2) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholdings of his spouse.
- (3) Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd, and Suai Timber Products Sdn Bhd.
- (4) Deemed interested through TNL and Suai Timber Products Sdn Bhd.
- (5) Deemed interested through Zalaraz Sdn Bhd.

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 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 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. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

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 Shareholders' Mandate

- (a) Teh Liang Teik is a major shareholder of MFM and TNLH. TNLH is a major shareholder of MFM and it holds 24.25% equity interest in the Company. He is therefore deemed interested in the Proposed Shareholders' Mandate and will abstain from voting on the resolution pertaining to the Proposed Shareholders' Mandate.
- (b) 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, DBB, DPP, DSM, 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 Shareholders' Mandate and has abstained and will abstain from all board deliberations and voting pertaining to the Proposed Shareholders' Mandate.
- (c) Teh Wee Kok is a major shareholder of MFM and TNLH. He is also a director of TNLH. He is therefore deemed interested in the Proposed Shareholders' Mandate and will abstain from voting on the resolution pertaining to the Proposed Shareholders' Mandate.
- (d) TNLH is a major shareholder of MFM. It also has an indirect interest in MFM by virtue of its major shareholdings of 50,000 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.

The shareholdings of the above interested director and major shareholders in MFM as at 30 April 2010 are as follows:

Director/Major Shareholder	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares of RM1.00	%	No. of ordinary shares of RM1.00	%
Teh Liang Teik	2,908,800	2.70	27,624,754 ¹	25.66
Teh Wee Chye	456,500	0.42	29,870,483 ²	27.75
Teh Wee Kok	1,591,600	1.48	27,624,754 ³	25.66
TNLH	26,100,754	24.25	949,200 ⁴	0.88

Notes:

- 1 Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- 2 Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholdings of his spouse.
- 3 Deemed interested through TNLH, TNL, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- 4 Deemed interested through TNL and Suai Timber Products Sdn Bhd.

The shareholding of the above interested director in TNLH as at 30 April 2010 is as follow:

Directors	<-----Direct----->		<-----Indirect----->	
	No. of ordinary shares of RM1.00	%	No. of ordinary shares of RM1.00	%
Teh Wee Chye	11,792,250	49.14	-	-

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

7. DIRECTORS' RECOMMENDATION

7.1 Proposed Amendments to the Articles of Association

Your Directors are of the opinion that the Proposed Amendments is in the best interest of the Company. As such, your Directors recommend that you vote in favour of the special resolution for the Proposed Amendments to be tabled at the forthcoming AGM.

7.2 Proposed Shareholders' Mandate

Your Directors (except Mr Teh Wee Chye who has abstained from giving any opinion), having considered all aspects of the Proposed Shareholders' Mandate, are of the opinion that the Proposed 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 Shareholders' Mandate to be tabled at the forthcoming AGM.

7.3 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 2009 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 Registered Office of the Company not later than forty-eight (48) hours before the time fixed 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 Appendices for further information.

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

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

DETAILS OF THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Article No.	Existing Articles	Amended Articles	Rationale
100 - Directors contract with other companies	<p>No Director shall be disqualified by his office from holding any office or place of profit under the Company or under any company in which the Company shall be a shareholder or otherwise interested or from contracting with the Company either as vendor, purchaser, or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided, nor shall any Director be liable to account to the Company for any profit arising from such office or place of profit or realized by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relations thereby established but it is declared that the nature of his interests must be disclosed by him at the meeting of the Directors at which the contract or arrangement is first taken into consideration if his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interests. If a Director becomes interested in a contract or arrangement after it is made or entered into the disclosure of his interest shall be made at the first meeting of the Directors held after he becomes so interested. No Director shall vote on any contract or proposed contract or arrangement in which he is directly or indirectly interested or on any matter arising thereon and if he votes, his vote shall not be counted. Provided always that a Director may vote:-</p> <p>(a) On any loan of money he may make to the Company and on any security to be given by</p>	<p>No Director shall be disqualified by his office from holding any office or place of profit under the Company or under any company in which the Company shall be a shareholder or otherwise interested or from contracting with the Company either as vendor, purchaser, or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided, nor shall any Director be liable to account to the Company for any profit arising from such office or place of profit or realized by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relations thereby established but it is declared that the nature of his interests must be disclosed by him at the meeting of the Directors at which the contract or arrangement is first taken into consideration if his interest then exists, or in any other case at the first meeting of the Directors after the acquisition of his interests. If a Director becomes interested in a contract or arrangement after it is made or entered into the disclosure of his interest shall be made at the first meeting of the Directors held after he becomes so interested. No Director shall <u>Subject to Section 131A of the Act, a Director shall not participate in any discussion or</u> vote on any contract or proposed contract or arrangement in which he is directly or indirectly interested or on any matter arising thereon and if he votes, his vote shall not be counted. <u>A Director shall, notwithstanding his interest, be counted in the quorum for any</u></p>	<p>To reflect the provisions of Section 131A of the Companies Act, 1965.</p>

	<p>the Company to him for any such loan and on any contract or indemnity to himself against any loss he may suffer by reason of becoming or being surety for the Company; or</p> <p>(b) on any contract in which he is only interested by reason of being a member or creditor of a company or corporation which is interested in a contract or proposed contract with the first mentioned company if the interest of the Director may properly be regarded as not being a material interest.</p> <p>Provided further that this prohibition may be suspended or relaxed to any extent by an ordinary resolution in a general meeting.</p>	<p><u>meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.</u> Provided always that a Director may vote:-</p> <p>(a) On any loan of money he may make to the Company and on any security to be given by the Company to him for any such loan and on any contract or indemnity to himself against any loss he may suffer by reason of becoming or being surety for the Company; or</p> <p>(b) on any contract in which he is only interested by reason of being a member or creditor of a company or corporation which is interested in a contract or proposed contract with the first mentioned company if the interest of the Director may properly be regarded as not being a material interest.</p> <p>Provided further that this prohibition may be suspended or relaxed to any extent by an ordinary resolution in a general meeting.</p>	
<p>106 - Business of Company to be managed by Directors</p>	<p>The business of the Company shall be managed by the Directors who may pay all such expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company as they think fit, any may exercise all such powers of the Company and do on behalf of the Company all such acts as may be exercised and done by the Company, and as are not by law or by these Articles required to be exercised or done by the Company in General Meeting, but the exercise of all such powers shall be subject to and in accordance with the provisions of any law in that behalf and of these Articles and shall also be subject to and in accordance with any regulations</p>	<p>The business <u>and affairs</u> of the Company shall be managed by <u>or under the direction of</u> the Directors. <u>The Directors shall have all powers necessary for managing, directing and supervising the management of the business and affairs of the Company subject to any modification, exception or limitation contained in the Act, the Securities Laws and the Company's Memorandum of Association or these Articles and</u> who may pay all such expenses of and preliminary and incidental to the promotion, formation, establishment and registration of the Company as they think fit, any may exercise all such powers of the Company and do on behalf of the Company</p>	<p>To reflect the provisions of Section 131B of the Companies Act, 1965.</p>

	<p>or provisions made by the Company in General Meeting. Provided that no regulation so passed shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.</p>	<p>all such acts as may be exercised and done by the Company, and as are not by law or by these Articles required to be exercised or done by the Company in General Meeting, but the exercise of all such powers shall be subject to and in accordance with the provisions of any law in that behalf and of these Articles and shall also be subject to and in accordance with any regulations or provisions made by the Company in General Meeting. Provided that no regulation so passed shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.</p>	
<p>129 - Circular Resolution</p>	<p>A resolution in writing signed by a majority of the number of Directors shall be as effective for all purposes as a resolution passed at a meeting of the Directors duly convened, held and constituted.</p>	<p>A resolution in writing signed <u>or approved by letter, telegram, telex, facsimile transmission or other forms of electronic communications</u> by a majority of the number of Directors shall be as effective for all purposes as a resolution passed at a meeting of the Directors duly convened, held and constituted. <u>Any such resolution may consist of several documents in like form, each signed by one or more directors and may be transmitted by facsimile transmission or other electronic means to the Company provided that the original signed copy thereof shall as soon as practicable be delivered to the Secretary.</u></p>	<p>To facilitate approval by written electronic communication.</p>
<p>134 - Creation of reserve fund and distribution of bonus</p>	<p>The Director may, before recommending any dividend, set aside, out of the profits of the Company, such sums as they think proper as a reserve fund or reserve funds, which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for the gradual liquidation of any debt or liability of the Company, or shall, with the sanction of the Company in General Meeting be, as to the whole or in part, applicable for equalizing dividends, or for distribution by way of bonus</p>	<p>The Director may, before recommending any dividend, set aside, out of the profits of the Company, such sums as they think proper as a reserve fund or reserve funds, which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for the gradual liquidation of any debt or liability of the Company, or shall, with the sanction of the Company in General Meeting be, as to the whole or in part, applicable for equalizing dividends, or for distribution by way of bonus</p>	<p>The words “(other than the shares of the Company)” are deleted to enable the Company’s reserves to be used for share buy-back.</p>

	<p>among the members and Directors of the Company for the time being on such terms and in such manner as the Company in General Meeting shall from time to time determine, and pending such application, the Directors may employ the sums from time to time so set apart as aforesaid in the business of the Company, or invest the same in such securities (other than the shares of the Company) as they may select with full power to employ the assets constituting the reserve fund in the business of the Company, and without being bound to keep them separate from the other assets. The Directors may also from time to time carry forward such sums as may be deemed expedient of the Company in General Meeting.</p>	<p>among the members and Directors of the Company for the time being on such terms and in such manner as the Company in General Meeting shall from time to time determine, and pending such application, the Directors may employ the sums from time to time so set apart as aforesaid in the business of the Company, or invest the same in such securities (other than the shares of the Company) as they may select with full power to employ the assets constituting the reserve fund in the business of the Company, and without being bound to keep them separate from the other assets. The Directors may also from time to time carry forward such sums as may be deemed expedient of the Company in General Meeting.</p>	
<p>137 - Dividend Payment by Cheque or Telegraphic Transfer or Electronic Transfer and unpaid dividend to bear no interest</p>	<p>Unless otherwise directed by the Company in General Meeting any dividend may be paid by cheque or warrant through the post to the last registered address of the member or person entitled and to such address as the member may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the person to whom it is sent. No unpaid dividend or unpaid interest shall bear interest as against the Company.</p>	<p>Unless otherwise directed by the Company in General Meeting any dividend may be paid by cheque or warrant through the post to the last registered address of the member or person entitled and to such address as the member may in writing direct <u>or by way of telegraphic transfer or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment.</u> Every cheque or warrant <u>or telegraphic transfer or electronic transfer or remittance</u> so sent shall be made payable to the order of the person to whom it is sent; <u>and the payment of any such cheque or warrant or telegraphic transfer or electronic transfer or remittance shall operate as a good and full discharge to the Company in respect of the payment represented thereby, notwithstanding that in the case of payment by cheque or warrant, it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant or telegraphic transfer or</u></p>	<p>To provide for payment of any dividend, interest or other money payable by the Company to its shareholders by electronic payment.</p>

		<p><u>electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.</u></p> <p>No unpaid dividend or unpaid interest shall bear interest as against the Company.</p>	
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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

Save as disclosed below, neither the Company nor its subsidiaries 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 subsidiaries as at the date of this Circular:-

(i) **Kuala Lumpur High Court Civil Suit No: D1-22-834-2003 in respect of Dindings Soya & Multifeeds Sdn Bhd and See Hoe Siong Sdn Bhd, Tung Ah Lan and Lim Kue Lai**

On 21 May 2003, Dindings Soya & Multifeeds Sdn Bhd (“DSM”), a 70%-owned subsidiary of MFM, had filed a Writ of Summons against See Hoe Siong Sdn Bhd for the sum of RM1,009,567.55 together with interests of 1% per month from 28 February 2003 till realization of the said sum in respect of goods sold and delivered to See Hoe Siong Sdn Bhd.

However, DSM’s application for Summary Judgment against Tung Ah Lan and Lim Kue Lai respectively under a Guarantee and Indemnity dated 25 October 2001 was dismissed for triable issues. DSM had filed an appeal to the Judge in Chambers against the aforesaid decision, but the Judge had directed the parties to resolve the matter vide an application under Order 14A *Rules of the High Court, 1980* i.e. to dispose of the matter without having to go for trial as the issues raised are on question of law and construction of a document (Guarantee and Letter of Indemnity) and withdrew DSM’s Appeal to Judge in Chambers with no order as to cost. The Judge directed the parties to file written submissions together with Bundle of Authorities for Order 14A.

On 19 September 2005, the Judge had allowed Order 14A with costs against Tung Ah Lan and Lim Kue Lai. Extracted the sealed Order 14A and proceeding with bankruptcy against Tung Ah Lan and Lim Kue Lai.

(a) **Seremban High Court Bankruptcy No.: 29-306-2006 in respect of DSM and Tung Ah Lan**

DSM had filed the Bankruptcy Notice for the sum of RM1,394,586.19 as at 2 May 2006 being the principal sum and interest due on the Order 14A dated 19 September 2005 vide Kuala Lumpur High Court Civil Suit No. D1-22-834-2003.

The Bankruptcy Notice was served on the Judgment Debtor (Tung Ah Lan) by way of substituted service on 18 January 2007. Creditor’s Petition was served on the Judgment Debtor by way of substituted service on 19 November 2007. The matter came up for Hearing of Creditor’s Petition on 26 February 2008 and

successfully obtaining Receiving Order and Adjudication Order against the Judgment Debtor.

The Solicitors had filed Proof of Debt and served sealed copies of the said Receiving Order and Adjudication Order on the Insolvency Malaysia, Seremban on 11 June 2008.

(b) Seremban High Court Bankruptcy No.: 29-307-2006 in respect of DSM and Lim Kue Lai

The Bankruptcy Notice was also served on the Judgment Debtor (Lim Kue Lai) by way of substituted service on 31 October 2006. The matter came up for Hearing of Creditor's Petition on 21 August 2007 and successfully obtained Receiving Order and Adjudication Order against the Judgment Debtor. The Solicitors had filed Proof of Debt and served sealed copies of the said Receiving Order and Adjudication Order on the Insolvency Malaysia, Seremban on 11 June 2008.

(ii) Taiping High Court Civil Suit No: 22-33-2002 in respect of Ding Hing Ming and Dindings Soya & Multifeeds Sdn Bhd

On 20 June 2003, the Registrar had granted a Summary Judgment in favour of Ding Hing Ming against DSM for the sum of RM993,349.43 together with interests of RM69,843.00 in respect of goods sold and delivered to Ding Hing Ming pursuant to an Agreement for Contract Farming. As a result thereof, DSM had filed an appeal to the Judge in Chambers against the said decision in which the Appeal was subsequently dismissed by the Judge on 9 April 2004. DSM has filed an appeal to the Court of Appeal against the aforesaid decision. The matter is now pending a hearing date being fixed by the Court of Appeal.

DSM had filed an application for stay of execution of the summary judgment but was dismissed with costs on 30 July 2004. Stakeholder sum of RM1,063,883.43 was released to Ding Hing Ming's solicitors on 30 May 2005.

The Appeal came up for Hearing at the Putrajaya Court of Appeal on 7 July 2009 and successfully won the appeal and that the Respondent is to refund the judgment sum within (6) months from the date of the last hearing. Till to-date, the Respondent has not refunded the judgment sum and in the circumstances, we have filed a Notice of Motion (Application Leave To Apply For Committal) against the Respondent on 2 March 2010. Meanwhile, we are awaiting for the extraction of the said Notice of Motion from the Putrajaya Court of Appeal.

Plaintiff filed an application at the Putrajaya Court of Appeal for stay of execution [Enclosure 46a] and was dismissed with costs of RM1,000.00 on 20 October 2009.

Ding Hing Ming had also filed an application for further and better particulars [Enclosure 43] in relation to DSM's Defence and Counter Claim in which the same was dismissed with costs by the Senior Assistant Registrar on 7 March 2005. Ding Hing Ming then filed an Appeal to the Judge in Chambers (Enclosure 250) against the said decision given by the Senior Assistant Registrar on 7 March 2005. The Judge in Chambers allowed Ding Hing Ming's application with costs on 13 October 2005.

Ding Hing Ming filed another application for striking out DSM's Defence and Counter Claim [Enclosure 282] which was dismissed with costs by the Senior Assistant Registrar on 24 March 2006. Ding Hing Ming then filed an Appeal to the Judge in Chambers [Enclosure 309] against the said decision given on 24 March 2006. The decision for the Appeal [Enclosure 309] was dismissed with costs on 14 December 2009.

Plaintiff filed another application to request for further particulars of alleged fraud or conspiracy [Enclosure 363] on 27 January 2010. The said application [Enclosure 363] is fixed for decision on 30 April 2010.

Plaintiff's Case Management was fixed on 9 December 2009 and till to-date no new date has been fixed yet.

Plaintiff filed another application to re-amend Plaintiff's Amended Writ Summons and Statement of Claim, Reply and Defence to Counter Claim [Enclosure 332]. The said application [Enclosure 332] was dismissed with costs on 20 January 2010 and the said Appeal is fixed for decision on 30 April 2010.

(iii) Kuala Lumpur High Court Civil Suit No: D1-22-852-2001 in respect of MFM Feedmill Sdn Bhd and Chua Chen Chai, Chua Chin Sim, Chua Chin Huat and Chua Chin Hin (collectively referred to as the "Defendants").

On 16 March 2003, MFM Feedmill Sdn Bhd ("MFMF"), a wholly-owned subsidiary of MFM, had filed a suit against the aforesaid Defendants for the sum of RM1,500,000.00 pursuant to a Guarantee and Indemnity dated 14 June 1996. Summary Judgment was granted in favour of MFMF against the Defendants on 30 August 2002. The Defendants' appeal to the Judge in Chambers was dismissed with costs on 25 February 2003 and the Defendants subsequently filed an appeal to the Court of Appeal against the said decision. The Appeal came up for mention at the Putrajaya Court of Appeal on 27 March 2009, the Court dismissed the Respondents/ Defendants' Appeal without costs on the basis that the Appellants have been declared bankrupt and the Official Receiver has no intention to proceed further with the appeal.

MFMF proceeded with Bankruptcy proceedings against the Defendants.

(a) Johor Bahru High Court Bankruptcy No.: 3897-2003 in respect of MFMF and Chua Chen Chai

The Creditors' Petition against Chua Chen Chai came up for hearing on 8 December 2004 and Receiving Order and Adjudication Order were obtained. Proof of Debt was filed and sealed copies of the said Orders were served at the Insolvency Malaysia, Johor Bahru on 16 December 2005.

(b) Johor Bahru High Court Bankruptcy No.: 3894-2003 in respect of MFMF and Chua Chin Sim

The Creditors' Petition against Chua Chin Sim came up for hearing on 27 May 2004 and Receiving Order and Adjudication Order were obtained. Proof of Debt was filed and sealed copies of the said Orders were served at the Insolvency Malaysia, Johor Bahru on 3 December 2004.

(c) Johor Bahru High Court Bankruptcy No.: 3895-2003 in respect of MFMF and Chua Chin Huat

The Creditors' Petition against Chua Chin Huat came up for hearing on 5 October 2004 and Receiving Order and Adjudication Order were obtained. Draft Orders was filed on 6 October 2004 at the Johor Bahru High Court. The sealed copies of Receiving Order and Adjudication Order dated 5 October 2004 were extracted. Proof of Debt was filed and sealed copies of the said Orders were served at the Insolvency Malaysia, Johor Bahru on 13 March 2007.

(d) Johor Bahru High Court Bankruptcy No.: 3896-2003 in respect of MFMF and Chua Chin Hin

The Creditors' Petition against Chua Chin Huat came up for hearing on 25 August 2004 and Receiving Order and Adjudication Order were obtained. Proof of Debt was filed and sealed copies of the said Orders were served at the Insolvency Malaysia, Johor Bahru on 7 July 2005.

(iv) Kuala Lumpur High Court Civil Suit No: S5-22-56-2006 in respect of Amirullah Bin Abdullah and Persatuan Pengguna Islam Malaysia and Dindings Poultry Processing Sdn Bhd

On 19 January 2006 Amirullah bin Abdullah ("First Plaintiff") and Persatuan Pengguna Islam Malaysia ("Second Plaintiff") had brought an action against Dindings Poultry Processing Sdn Bhd ("DPP"), a 95%-owned subsidiary of MFM, for alleged negligence in supplying non-Halal chicken to the public. The Plaintiffs have made a claim for a sum of RM1,000,000.00 as general damages and RM100,000,000.00 as exemplary damages together with interest and costs. DPP had filed separate applications to strike out both the Plaintiffs' Statement of Claim.

The application to strike out the claim filed by the First Plaintiff was fixed for hearing on 30 August 2006 but the Plaintiff's counsel was absent from the hearing. The Senior Assistant Registrar accordingly, directed DPP's counsel to submit and upon hearing, struck out the Statement of Claim with costs. The Court awarded a sum of RM37,976.10 (inclusive of disbursements) as costs. The Solicitors have served an order to the First Plaintiff requiring him to pay the amount awarded by the Court but he failed to do so.

The Solicitors thereafter proceeded to file Bankruptcy Notice against the First Plaintiff and the same was filed on 15 November 2007. The Solicitors have served the Bankruptcy papers accordingly on First Plaintiff and the hearing for the Bankruptcy Proceedings was fixed on 17 February 2009. However on the said date, the First Plaintiff appeared in Court to dispute the Bankruptcy Proceedings. The First Plaintiff has filed an application to set aside the Bankruptcy Proceedings and the same was heard and dismissed by the High Court Registrar on 12 August 2009. The First Plaintiff thereafter filed an appeal against the decision on 17 August 2009. In addition, the First Plaintiff also filed an application to stay all bankruptcy proceedings pending disposal of their appeal. The Appeal is now fixed for hearing on 21 May 2010. However no date has been fixed for the stay application.

The Second Plaintiff's claim was fixed for decision on 6 July 2006 and the Registrar of High Court had allowed DPP's application to set aside the writ filed by the Second Plaintiff. However, on 14 July 2006, the Second Plaintiff filed the Notice of Appeal to Judge in Chambers in court. The Appeal came up for hearing on 2 October 2006 and the Judge directed the parties to file Written Submissions and fixed 15 January 2007 as the mention date for the said Appeal. However, due to the absence of the Plaintiff's counsel and late submission, the Judge had set further timeline for compliance of written submission and had fixed 9 March 2007 as the next mention date. The Appeal is fixed for decision on 12 July 2007 and on the aforesaid date, the Court dismissed the said appeal with costs. No further appeal was filed by the Second Plaintiff and the Solicitor proceeded to have the costs awarded taxed. The Court awarded a sum of RM303,891.31 as costs on 13 December 2007.

The First and Second Plaintiff's Solicitors have filed an application for extension of time to review the decision of the Registrar on the costs. However the same was dismissed with costs of RM500 payable to DPP.

3. MATERIAL CONTRACTS

Save as disclosed below, neither the Company nor its subsidiaries 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 hereof:-

- (i) Joint Venture Agreement dated 29 January 2010 entered into between Malayan Flour Mills Berhad, Toyota Tsusho Corporation and Toyota Tsusho (Singapore) Pte Ltd for the purpose of establishing a joint venture company, PGSB to carry out the trading of raw materials for animal feeds.
- (ii) Share Subscription Agreement dated 29 January 2010 between Malayan Flour Mills Berhad, Toyota Tsusho Corporation, Toyota Tsusho (Singapore) Pte Ltd and PGSB to subscribe shares in PGSB for its establishment as a joint venture company.
- (iii) Sale and Purchase Agreement dated 29 January 2010 for the purchase of 7.689 hectares of leasehold land held under H.S. (D) 3/74, PT 29, Mukim Lumut, Daerah Manjung, Perak and 2.7544 hectares of leasehold land held under H.S. (D) 4/74, PT 30, Mukim Lumut, Daerah Manjung, Perak by Dindings Broiler Breeder Farm Sdn Bhd from Shell Malaysia Trading Sdn Bhd for a consideration of RM1,910,985.90.

4. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of MFM Shares as traded on Bursa Malaysia for the past 12 months are as follows:-

	High	Low
	RM	RM
2009		
May	2.95	2.83
June	3.18	2.95
July	3.08	2.93
August	3.14	3.00
September	3.25	3.11
October	3.20	3.10
November	3.30	3.02
December	3.25	2.27
2010		
January	3.36	3.18
February	3.40	3.26
March	4.10	3.35
April	4.06	3.80

Last transacted price of MFM Shares on 20 April 2010, being the day prior to the date of announcement of the Proposals was RM3.95.

Last transacted price of MFM Shares on 19 May 2010, being the day prior to the date of printing of the Circular was RM3.98.

(Source: Bursa Malaysia Daily Diary)

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, 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 accounts of MFM for the past two (2) financial years ended 31 December 2009 and unaudited results for period ended 31 March 2010;
- (iii) The material litigation referred to in Section 2; and
- (iv) The material contracts referred to in Section 3.