

Statement on Corporate Governance

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

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

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

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

Board of Directors

Roles and Responsibilities of the Board

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

Amongst the key responsibilities of the Board are as follows:

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

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

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

Statement on Corporate Governance (cont'd)

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

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

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

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

Composition and Balance of the Board

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

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

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

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

Independence of Directors

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

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

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

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

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

Separation of positions of the Chairman and Managing Director

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

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

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

Appointment and Re-election of Directors

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

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

Statement on Corporate Governance (cont'd)

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

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

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

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

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

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

Board Meetings and Time Commitment

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

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

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

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

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

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

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

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

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

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

Access to Advice and Information

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

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

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

Statement on Corporate Governance (cont'd)

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

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

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

Directors' Continuing Development

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

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

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

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

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

Leadership/Directorship/Management

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

Corporate Governance/Risk Management/Investors Relation

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

Finance/Audit

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

Compliance/Economy

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

Board Committees

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

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

Audit Committee

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

Nomination Committee

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

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

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

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

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

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

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

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

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

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

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

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

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

Remuneration Committee

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

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

The terms of reference of the Committee are as follows:

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

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

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

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

Directors' Remuneration

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

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

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

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

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

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

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

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

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

Range of Remuneration	Company		Group	
	Executive Directors	Non-Executive Directors	Executive Directors	Non-Executive Directors
RM1 to RM50,000		1		1
RM100,001 to RM150,000		5		4
RM150,001 to RM200,000				1
RM250,001 to RM300,000		1		
RM350,001 to RM400,000				1
RM550,001 to RM600,000	1		1	
RM3,350,001 to RM3,400,000	1		1	

Relationship with Shareholders and Investors

The Board recognises the importance of maintaining an effective communication with the shareholders and the general public. All shareholders are encouraged to attend the Company's AGM and to participate in the proceedings. All the Directors were in attendance at the AGM held on 17 May 2016 to engage with the shareholders and answer to their queries. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Company. The Company's responses to the queries submitted in advance by the Minority Shareholder Watchdog Group are also presented to the shareholders. Shareholders' suggestions received during AGM are reviewed and considered for implementation wherever possible. A press conference is held immediately after the AGM to brief and update the media representatives on the outcome of the AGM and the operations of the Group. Summary of the minutes of the AGM is also posted on the Company's website for the information and benefit of all the shareholders of the Company.

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

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

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

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

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

Accountability and Audit

Financial Reporting

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

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

Statement on Corporate Governance (cont'd)

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Corporate Disclosure

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

Internal Control

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

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

Whistle Blowing Policy

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

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

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

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

Code of Conduct

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

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

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

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

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

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

Indemnification of Directors and Officers

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

Relationship with External Auditors

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

Directors' Responsibility Statement

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

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

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