

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

Minutes of the Fifty-Sixth Annual General Meeting of Malayan Flour Mills Berhad
held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang,
50450 Kuala Lumpur on Tuesday, 17 May 2016 at 10.00 a.m.

Present:	Tan Sri Dato' Seri Utama Arshad bin Ayub (Chairman and Shareholder/Proxy)	
	Teh Wee Chye	(Managing Director and Shareholder/Corporate Representative)
	Dato' Hj Shaharuddin bin Hj Haron	(Director and Shareholder)
	Geh Cheng Hooi	(Director and Corporate Representative)
	Datuk Oh Chong Peng	(Director and Shareholder)
	Dato' Wira Zainal Abidin bin Mahamed Zain	(Director and Shareholder)
	Prakash A/L K.V.P Menon	(Director and Shareholder)
	Tan Sri Mohd Sidek bin Haji Hassan	(Director)
	Azhari Arshad	(Director)
	1,352 Shareholders/Proxies	
	1 Corporate Representative	
In Attendance:	Goh Swee Eng	(Chief Financial Officer)
	Mah Wai Mun	(Company Secretary)

1. WELCOME ADDRESS

The Chairman of the Meeting, Tan Sri Dato' Seri Utama Arshad bin Ayub, welcomed all the attendees to the Meeting.

The Chairman introduced each and every member of the Board of Directors as well as the Chief Financial Officer and Company Secretary who were in attendance.

2. QUORUM AND NOTICE OF MEETING

At the request of the Chairman, the Secretary confirmed that a quorum was present and that shareholders of 140,394,890 shares had appointed the Chairman of the Meeting as their proxy.

The Chairman declared the quorum present and called the Meeting to order at 10.00 a.m.

Before proceeding to the agenda of the Meeting, the Chairman presented his Opening Remarks for the Meeting followed by a presentation by the Managing Director, Mr Teh Wee Chye, on the review of the performance of the Group in year 2015.

The Chairman further stated that as the Notice convening the Meeting had been sent to all the shareholders and with the consent of the meeting, the Notice of the Meeting be taken as read.

The Chairman then informed that for the Meeting, the Company's External Auditors be appointed as scrutineer to collect and count the votes as and when necessary and to perform such other duties as may be directed from time to time.

2. **AGENDA 1**
AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

The Audited Financial Statements for the year ended 31 December 2015 together with the Directors' and Auditors' Reports thereon, were laid before the Meeting.

The Chairman informed that in accordance with Section 169(1) of the Companies Act, 1965, the Audited Financial Statements were required to be laid before the shareholders at the Company's Annual General Meeting. The purpose was for the shareholders to seek clarification from the Board of Directors on any matters pertaining to the Audited Financial Statements which had been circulated.

As the Agenda item was meant for discussion only and did not require a formal approval of the shareholders, hence it was not put forward for voting.

Before answering any questions on the Audited Financial Statements from the floor, for the benefit of the shareholders, the Chief Financial Officer, Mr Goh Swee Eng presented the points and queries raised by the Minority Shareholder Watchdog Group ("MSWG") via its letter dated 13 May 2016 and their related answers as follows:

MSWG Question 1

We noted that profit before tax (PBT) has been decreasing over the last 2 years. PBT declined by 48% to RM43.8 million in FY2015 from RM83.7 million in FY2014 due to lower margin in poultry segment and loss on equity accounted joint venture (JV) PT Bungasari Flour Mills Indonesia.

- i. Please brief shareholders on the measures taken by the Group to improve its PBT?
- ii. What were the reasons for higher tax expenses incurred in FY2015 compared to FY2014?
- iii. Please explain the reasons for the continuing poor performance of JV, the challenges and when would the JV be expected to turn profitable?

MFM Response

- i. The Group continuously aims to sustain its profitability through competitive pricing, increasing cost effectiveness through efficient operations, effective customer management and maintaining consistent quality.
- ii. In FY2014, there was a deferred tax credit of RM10.5 million arising from utilizing previously unrecognized deferred tax assets which had significantly reduced tax expenses in FY 2014. Please refer to Note 18 to the Financial Statements.
- iii. Share of losses in the JV in FY2015 mainly due to unfavourable margins on its products arising from intense price war in the first half of FY2015 and unrealized foreign exchange loss arising mainly from its USD borrowings. With the strengthening of Indonesian Rupiah and stable pricing, there is a turnaround since 4th quarter of FY2015.

MSWG Question 2

The poultry integration business segment recorded operating profit of RM29.7 million in FY2015 a drop of 44% from previous year of RM52.9 million.(see page 113)

- i. What were the reasons for the lower sale volume and how would the Board address the issue?
- ii. What is the expected revenue figure for FY2016?
- iii. Please elaborate on the improved margin and is it sustainable going forward?

MFM Response

- i. The poultry integration business segment recorded lower profit in FY2015 mainly due to lower sales volume in feeds coupled with lower live bird price as a result of flood in January and February 2015, then in October and November 2015 which touched RM2.88/kg as a result of competitive pressures in the market.
- ii. Due to the current economic condition, it is expected to be a moderate growth in revenue.
- iii. We are expanding our poultry integration segment and the capital expenditure is highly depending on the timing of land approval by the authorities.

MSWG Question 3

What was the reason for the increase of the Group's other expenses from RM5.0 million in FY2014 to RM16.5 million in FY2015 (see page 61). Please explain.

MFM Response

Other expenses increase in FY2015 mainly due to net realized loss in foreign currency in subsidiaries mainly due to devaluation of Vietnam Dong against USD in August 2015.

MSWG Question 4

With the completion of the corporate exercise to acquire 2.96% of the equity interest in Dindings Poultry Processing Sdn Bhd (DPP) and 17.55% of the equity interest in Dindings Soya & Multifeeds Sdn. Bhd (DSM). Please share on the Group's plan to invest in aqua feed mill, going forward.

MFM Response

MFM is in the preliminary stage of planning a new aqua feed mill on part of the industrial land. Like the poultry, the consumption of fish in Malaysia is currently at 51kg per capita and expected to increase as the population and income per capita increase.

MSWG Question 5

Recommendation 3.2 of the Malaysia Code on Corporate Governance 2012 states that the tenure limit for independent directors should not exceed nine (9) years. We noted that Mr. Geh Cheng Hooi and Dato' Hj Shaharuddin bin Hj Haron have served as Independent Directors of the Group for more than 12 years exceeding the 9 years tenure recommended by the Code. We hope that the Board would address the issue in the Board's succession planning process.

MFM Response

Currently, the Board Charter of MFM 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 subject to the Independent Director's Self-Assessment for Annual Declaration of Independence and the annual Individual Director Self/Peer Evaluation to ensure that each of them continues to fulfill the definition of independence as set out in Bursa Malaysia Securities Berhad 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.

MSWG Question 6

The recent amendments to Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements requires companies to publish the summary of key matters discussed at the AGMs onto the companies' website for AGMs held on or after 1 July 2016. In line with this, we hope the Board would publish the summary of proceedings for this AGM on the Company's website.

MFM Response

In line with the spirit of transparency and good Corporate Governance practices, MFM has already published the minutes of its AGM on the Group's website since year 2014.

MSWG Question 7

We refer to our letter dated 13 May 2015 on diversity including on gender.

MFM Response

The Board, which comprises of diverse ethnicity and age, has also taken note of the recommendation of the Malaysian Code on Corporate Governance 2012 to establish a policy formalizing 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 as the Board believes that it is of utmost importance that the Company has an effective composition of Board, regardless of gender, to discharge their duties effectively in the best interests of the Company and shareholders.

Upon the presentation, it was opened to the floor for questions on the Audited Financial Statements for the year ended 31 December 2015. Amongst the salient questions raised by the shareholders/proxies which were responded by the Board accordingly were as follows:-

- (1) Shareholder, Mr Ong Leong Huat raised the following questions:-
 - (i) What was the positive impact of the withdrawal of the subsidy for 25kg bag flour on the Company?

- (ii) Noted that there were capital expenditure for the last 2 years and similarly, there was a committed capital expenditure for year 2016. Which area/segment was the capital expenditure for?
- (iii) The reason of the increased distribution expenses.

The Managing Director responded as follows:-

- (i) The Company welcomed the removal of the subsidy for the 25kg bag flour as it allowed the Company to compete on a more healthy ground. Hence, the Company is able to serve the customers better and more cost effective. Sales volume for both the 1 kg and 25 kg bag flour had increased.
- (ii) The capital expenditure was for the expansion of the broiler/breeder farms and poultry processing plant.
- (iii) The increased distribution expenses were arising from the operations in Vietnam due to the strict limit on the transportation tonnage.

(2) Shareholder, Mr Oh Ah Nuang raised the following questions/comment:-

- (i) When will the joint venture in Indonesia expected to breakeven?
- (ii) He experienced shortage of 1 kg bag flour in hypermarkets subsequent to the withdrawal of the subsidy for 25 kg bag flour.
- (iii) As part of the corporate social responsibility, can a visit to the flour mill be requested by the shareholders?

The Managing Director responded as follows:-

- (i) The Company would monitor the performance of the joint venture closely.
- (ii) The Company had expanded its sales volume of flour to meet the requirements of the end users. However, due to the quota allocated, the Company has to be balance as sales exceeded the quota would incur losses.
- (iii) The Management would be happy to look into the request. Mr Oh was advised to write in for the request.

(3) Shareholder, Mr Lim Pin Yeong raised the following questions/comment:-

- (i) MFM Group had good poultry management but the profit had dropped in year 2015.
- (ii) Was the current mill producing the aqua feed operating at full capacity?

The Managing Director responded as follows:-

- (i) During the end of year 2014, there was a severe flood at the East Coast which resulted in the drop of poultry sales and pricing. That situation continued into year 2015 until February. The sales and pricing only picked up in March 2015.

Then, in August, arising from the crisis in China, the poultry price had fall below cost. These had attributed to the lower profit for the poultry segment.

The performance of the poultry division had continued to improve. Last year, Dindings Poultry Development Centre Sdn Bhd was being awarded as the Outstanding Broiler and Breeder Farm.

- (ii) The capacity for the production of aqua feed was already full and there is increasing trend of growing fish in freshwater pond.
- (4) Shareholder, Mr Tan commented that in term of investors' relation, there was no Analyst following on the performance of the Company. Hence, proposed that the Board/Management could give some briefings to the Analyst. As the Group has good prospect, it should let the investors know the performance and progress of the Group. Hence, hoped there would be more disclosure on the management analysis and discussion next year.

The Chairman thanked Mr Tan for his comment and advised that the Board had discussed on the investors' relation and agreed that moving forward, there would be more emphasis on the investors' relation.

After the clarification session on questions from the shareholders/proxies, the Audited Financial Statements for the year ended 31 December 2015 together with the Directors' and Auditors' Reports thereon were declared received and noted.

3. **RESOLUTION 1**
RE-ELECTION OF TAN SRI MOHD SIDEK BIN HAJI HASSAN IN ACCORDANCE WITH ARTICLE 111 OF THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed By: Mr Siew See San
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that Tan Sri Mohd Sidek bin Haji Hassan, a Director who retires by rotation in accordance with Article 111 of the Company's Articles of Association and has offered himself for re-election, be and is hereby re-elected as Director of the Company.

4. **RESOLUTION 2**
RE-ELECTION OF ENCIK AZHARI ARSHAD IN ACCORDANCE WITH ARTICLE 111 OF THE COMPANY'S ARTICLES OF ASSOCIATION

Proposed By: Ms Tan Hoe Eng
Seconded By: Mr Yap Chun Won

The following resolution was put to the Meeting and declared carried:

RESOLVED that Encik Azhari Arshad, a Director who retires by rotation in accordance with Article 111 of the Company's Articles of Association and has offered himself for re-election, be and is hereby re-elected as Director of the Company.

5. **RESOLUTION 3**
RE-APPOINTMENT OF DIRECTOR, TAN SRI DATO' SERI UTAMA ARSHAD BIN AYUB PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

Proposed By: Mr Siew See San
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' Seri Utama Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.

6. **RESOLUTION 4**
RE-APPOINTMENT OF DIRECTOR, MR GEH CHENG HOOI PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

Proposed By: Mr Siew See San
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that pursuant to Section 129(6) of the Companies Act, 1965, Mr Geh Cheng Hooi be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.

7. **RESOLUTION 5**
RE-APPOINTMENT OF DIRECTOR, DATO' HJ SHAHARUDDIN BIN HJ HARON PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

Proposed By: Mr Yap Chun Won
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that pursuant to Section 129(6) of the Companies Act, 1965, Dato' Hj Shaharuddin bin Hj Haron be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.

8. **RESOLUTION 6**
RE-APPOINTMENT OF DIRECTOR, DATUK OH CHONG PENG PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965

Proposed By: Mr Yap Chun Won
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that pursuant to Section 129(6) of the Companies Act, 1965, Datuk Oh Chong Peng be re-appointed as a Director of the Company to hold office until the next Annual General Meeting.

9. **RESOLUTION 7**
RE-APPOINTMENT OF RETIRING AUDITORS

Proposed By: Mr Yap Chun Won
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that Messrs KPMG be and are hereby re-appointed as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting at the remuneration to be determined by the Directors.

10. **RESOLUTION 8**
AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

Proposed By: Mr Yap Chun Won
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that subject always to the Companies Act, 1965, provisions of the Company's Memorandum and Articles of Association and the approval from the relevant authorities, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue and allot shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

11. **RESOLUTION 9**
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE PURSUANT TO PARAGRAPH 10.09 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Proposed By: Mr Yap Chun Won
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED that subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad ("Company") and its subsidiary companies ("Malayan Flour Mills Group") to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad, the nature of which is set out in Section 2 of the Circular to Shareholders dated 25 April 2016 for the purposes of Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities, subject to the following:-

- (a) the transactions are carried out in the ordinary course of business, at arm's length, on normal commercial terms and on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders;
- (b) disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year and that such approval shall continue in force, unless revoked or varied by Ordinary Resolution of the Company in a general meeting and will subject to renewal thereat, expire at the conclusion of the next Annual General Meeting of the Company following the passing of this Ordinary Resolution or at the expiration of the period within which the next Annual General Meeting of the Company is required to be held under the Companies Act, 1965 (excluding any extension of such period as may be allowed under the Companies Act, 1965); and
- (c) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

12. **RESOLUTION 10**
PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK

Proposed By: Mr Yap Chun Won
Seconded By: Ms Tan Hoe Eng

The following resolution was put to the Meeting and declared carried:

RESOLVED:-

THAT subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-back") as may be determined by the Directors of the Company from time to time through the Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased pursuant to this resolution does not exceed ten per cent (10%) of the total issued and paid-up share capital of the Company as at the point of purchase and that an amount not exceeding the Company's retained profits and share premium accounts at the time of the purchase(s) will be allocated by the Company for the Proposed Share Buy-back;

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

- (a) the conclusion of the 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.

AND THAT authority be and is hereby given unconditionally and generally to the Directors of the Company to take all such steps as are necessary or expedient (including without limitation, the opening and maintaining of central depository account(s) under the Securities Industry (Central Depositories) Act, 1991, and the entering into of all other agreements, arrangements and guarantee with any party or parties) to implement, finalise and give full effect to the aforesaid purchase with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities and with the fullest power to do all such acts and things thereafter (including without limitation, the cancellation or retention as treasury shares of all or any part of the repurchased shares) in accordance with the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company and the requirements and/or guidelines of the Bursa Securities and all other relevant governmental and/or regulatory authorities and to do all such things as the said Directors may deem fit and expedient in the best interest of the Company.

13. **CLOSE OF MEETING**

The Secretary reported that no notice has been received to transact any other business.

The Chairman thanked the members for their attendance and declared the Meeting closed.

The Meeting ended at 11.00 a.m.

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Chairman