

LAPORAN TAHUNAN 2003
ANNUAL REPORT



MALAYAN FLOUR MILLS BERHAD
(4260-M)

MALAYAN FLOUR MILLS BERHAD (4260-M)

10th Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur

Tel: No. 03-2161 9055 Fax No. 03-2161 0502



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notice of annual general meeting

NOTICE IS HEREBY GIVEN that the Forty-Fourth Annual General Meeting of Malayan Flour Mills Berhad will be held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur on Thursday, 17th June, 2004 at 9.30 a.m for the following purposes :-

1. To receive and adopt the Audited Accounts for the year ended 31st December, 2003 and the Directors' and Auditors' Reports thereon. **(Resolution 1)**
2. To sanction the payment of a first and final dividend. **(Resolution 2)**
3. To re-elect Mr Teh Wee Chye who retires in accordance with Article 111 of the Company's Articles of Association and being eligible has offered himself for re-election. **(Resolution 3)**
4. To consider and if thought fit, pass the following motions: -
 - (a) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Datuk Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 4)**
 - (b) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Hamzah bin Abu Samah be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; and **(Resolution 5)**
 - (c) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Lee Soon Lee be re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 6)**
5. To consider and if thought fit, pass the following motion: - **(Resolution 7)**
"That the sum of RM220,273 being the Directors' fees payable for the year ended 31st December, 2003, be paid to the Directors and be divided amongst them in such manner as the Board of Directors may decide."
6. To re-appoint Messrs Folks DFK & Co. as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**
7. As Special Business: -
To consider and if thought fit, to pass with or without modifications, the following Resolutions: -

Ordinary Resolution

(Resolution 9)

Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature pursuant to paragraph 10.09 of the Bursa Malaysia Securities Berhad Listing Requirements

notice of annual general meeting CONT'D

"**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 Malaysia") and the approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad ("Company") to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad, Dindings Poultry Processing Sdn Bhd, Muda Fibre Manufacturing Sdn Bhd and Fongcheng Enterprises Sdn Bhd, the nature of which is set out in Section 2 of Part A of the Circular to Shareholders dated 26th May, 2004 for the purposes of Paragraph 10.09 of Bursa Malaysia Listing Requirements, subject to the following:

- (i) 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;
- (ii) 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
- (iii) 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.

Special Resolution

Proposed Amendment to the Memorandum of Association

(Resolution 10)

"**THAT** the following new Clause 3(ss) be inserted immediately after the existing Clause 3(rr) to read as follows:

3(ss) To purchase its own shares subject to, and in accordance with the provisions of the Companies Act, 1965, the rules, regulations and orders made pursuant thereto (as modified, amended or re-enacted from time to time) and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority."

Special Resolution

Proposed Amendment to the Articles of Association

(Resolution 11)

"**THAT** the following new Article 3.2A be inserted immediately after the existing Article 3.2 to read as follows:

3.2A Subject to the provisions of the Companies Act, 1965, the rules and regulations made pursuant thereto and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority, the Company may purchase

notice of annual general meeting CONT'D

its own shares and make payment in respect of such purchase in the manner permitted thereunder. Any shares in the Company so purchased by the Company shall be dealt with as provided by the Act, the rules and regulations made pursuant thereto and the requirements of the Bursa Malaysia Securities Berhad and any other relevant authority."

Ordinary Resolution

Proposed Share Buy-Back of up to 10% of the issued and paid-up share capital of Malayan Flour Mills Berhad

(Resolution 12)

"**THAT**, conditional upon the passing of Resolutions 10 and 11 above and 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 Malaysia") 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 RM1.00 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 Malaysia 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;

AND THAT the authority conferred by this resolution will commence immediately upon the amendments to the Memorandum and Articles of Association of the Company described in the abovementioned Resolutions 10 and 11 being effective and 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 upon completion of the purchase(s) of the MFM Shares by the Company, the Directors of the Company be and are hereby authorised to retain the MFM Shares so purchased as treasury shares, of which may be distributed as dividends to shareholders, and/or resold on the Bursa Malaysia, and/or subsequently cancelled and in any manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of the Bursa Malaysia and any other relevant authority for the time being in force;

notice of annual general meeting CONT'D

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 Malaysia and all other relevant governmental and/or regulatory authorities and to do all such things as the said Directors may deem fit and expedient in the best interest of the Company."

Ordinary Resolution

(Resolution 13)

Proposed Allocation of Options to Mr Teh Wee Heng, Managing Director of Syarikat Pengangkutan Lumut Sdn Bhd, a subsidiary of Malayan Flour Mills Berhad, and a person connected to Mr Teh Wee Chye, Managing Director of Malayan Flour Mills Berhad, pursuant to Malayan Flour Mills Berhad's Employees' Share Option Scheme ("ESOS")

"THAT approval is hereby given for the Company to offer and grant to Mr Teh Wee Heng, being full time Managing Director of Syarikat Pengangkutan Lumut Sdn Bhd, a subsidiary of the Company, options to subscribe for up to a maximum of 300,000 new ordinary shares of RM1.00 each in the Company available under the ESOS subject always to the following limitations:-

- a) not more than fifty per cent (50%) of the new ordinary shares of the Company available under the ESOS in aggregate shall be allocated to the executive Directors and senior management of the Company and its subsidiaries; and
- b) not more than ten per cent (10%) of the new ordinary shares of the Company available under the ESOS shall be allocated to any individual Eligible Employee who, either singly or collectively through persons connected with the Eligible Employee (as defined in the Listing Requirements), holds 20% or more in the issued and paid-up capital of the Company;

AND THAT the Directors be and are hereby authorised to allot and issue from time to time new ordinary shares in the Company to him pursuant to the exercise of such options, subject always to such terms and conditions and/or any adjustments which may be made in accordance with the By-Laws governing and constituting the ESOS."

notice of annual general meeting CONT'D

8. To transact any other business of which due notice shall have been given.

By Order of the Board

Wong Chee Wing (MIA 3919)
Mah Wai Mun (MAICSA 7009729)
Joint Secretaries

Kuala Lumpur
26th May, 2004

Notes:-

1. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy, who, unless he/she is a member must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case, to attend and to vote in his /her stead. The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 10th Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. Notes on Special Business

Resolution 9

The proposed Resolution 9, if passed, will enable the Company to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad, Dindings Poultry Processing Sdn Bhd, Muda Fibre Manufacturing Sdn Bhd and Fongcheng Enterprises Sdn Bhd for the purposes of Paragraph 10.09 of the Bursa Malaysia Listing Requirements. This authority, subject to renewal thereat, will 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) (unless earlier revoked or varied by Ordinary Resolution of the Company in a general meeting), whichever is earlier.

Resolutions 10 and 11

The proposed Resolutions 10 and 11, if passed, will bring the Memorandum and Articles of Association of the Company in line with the current provisions of the Companies Act, 1965 and facilitate the Company's Proposed Share Buy-Back.

Resolution 12

The proposed Resolution 12, if passed, will empower the Directors to purchase the Company's shares of up to a maximum of ten per cent (10%) of the issued and paid-up share capital of the Company by utilising the funds allocated out of the retained profits and share premium accounts of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

Resolution 13

The proposed Resolution 13, if passed, will enable the Company to offer and grant to Mr Teh Wee Heng, the full time Managing Director of a subsidiary company, options to subscribe for up to a maximum of 300,000 new ordinary shares of RM1.00 each in the Company under the Employees' Share Option Scheme.

notice of closure of book

NOTICE IS HEREBY GIVEN that the Register of Members of the Company will be closed from 19th June, 2004 to 22nd June, 2004, both dates inclusive, for the purpose of preparing dividend warrants. If approved by members at the Forty-Fourth Annual General Meeting on 17th June, 2004, the first and final dividend of 10 sen per Ordinary Share less tax in respect of the financial year ended 31st December, 2003 will be paid on 1st July, 2004. The entitlement date for dividend payment is on 18th June, 2004.

FURTHER NOTICE IS HEREBY GIVEN that a Depositor shall qualify for dividend entitlement only in respect of :-

- (a) Shares deposited into the Depositor's securities account before 12.30 p.m. on 16th June, 2004 (in respect of shares which are exempted from mandatory deposit);
- (b) Shares transferred into the Depositor's securities account before 4.00 p.m. on 18th June, 2004 in respect of ordinary transfers; and
- (c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Wong Chee Wing (MIA 3919)
Mah Wai Mun (MAICSA 7009729)
Joint Secretaries

Kuala Lumpur
26th May, 2004

statement accompanying notice of annual general meeting

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

Directors Standing for Re-election

The Directors who are standing for re-election at the Forty-Fourth Annual General Meeting of the Company are as follows:-

1. Tan Sri Datuk Arshad bin Ayub
2. Teh Wee Chye
3. Lee Soon Lee
4. Tan Sri Hamzah bin Abu Samah

Details of Attendance of Directors at Board Meetings

Seven (7) Board Meetings were held during the financial year ended 31st December, 2003. Details of the attendance of Directors at the Board Meetings are as follows:-

Name	Attendance
Teh Liang Teik (Vacated office on 1st January, 2004)	3 / 7
Tan Sri Datuk Arshad bin Ayub	6 / 7
Teh Wee Chye	7 / 7
Teh Wee Kok	6 / 7
Lee Soon Lee	7 / 7
Tan Sri Hamzah bin Abu Samah	6 / 7
Dato' Hj Shaharuddin bin Hj Haron	6 / 7
Geh Cheng Hooi	4 / 6

Details of Place, Date and Time of General Meeting

Place	Date	Time
Theatrette, Ground Floor, Bangunan MIDF, 195A Jalan Tun Razak, 50400 Kuala Lumpur	18th June, 2003	9.30 a.m.

statement accompanying notice of annual general meeting CONT'D

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

Details of Directors Standing for Re-election

1. Tan Sri Datuk Arshad bin Ayub

Tan Sri Datuk Arshad bin Ayub, aged 75, a Malaysian, is an Independent Non-Executive Director of the Company. He was appointed to the Board of the Company on 30th August, 2002 and appointed as Chairman of the Company on 27th February, 2004. He is presently a member of the Audit, Nomination, Remuneration and Bumi-Issue cum ESOS Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, Rumpun Hijau Capital Berhad, Audrey International (M) Berhad, Nationwide Express Courier Services Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad, Perwira Affin Merchant Bank Berhad and Bistari Johor Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company. His securities holdings in the Company are disclosed in the Analysis of Shareholdings on pages 101 and 103 of the Annual Report. He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

2. Teh Wee Chye

Mr Teh Wee Chye, aged 51, a Malaysian, is a Non-Independent Executive Director of the Company. He was appointed to the Board as an Executive Director of the Company on 19th June 1989 and is presently the Managing Director of the Company. He is also the Chairman of the Bumi-Issue cum ESOS Committee and a member of the Remuneration Committee of the Company. He holds a Bachelor of Science Degree in Naval Architect and Marine Engineering and a Masters Degree in Ship Building and Shipping Management from the Massachusetts Institute of Technology, USA. In the summer of 1974, he received his training at the American Bureau of Shipping Research & Development Department, New York. Upon graduation in 1975 he was employed as an Engineer with Eastern Steamship (S) Pte Ltd, Singapore. He joined Malayan Flour Mills Berhad in 1976 as the Deputy Mill Manager and was promoted the Plant Manager in 1978. He was appointed as the Project Manager in 1979 in charge of the Company's entire expansion plans. He is not a director of any other public company. He is the son of Mr Teh Liang Teik who is a substantial shareholder of the Company and brother of Mr Teh Wee Kok who is also a Director of the Company. His securities holdings in the Company are disclosed in the Analysis of Shareholdings on pages 101 and 103 of the Annual Report. He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

statement accompanying notice of annual general meeting CONT'D

Pursuant to Paragraph 8.28(2) of the Listing Requirements of the Bursa Malaysia Securities Berhad

3. Mr Lee Soon Lee

Mr Lee Soon Lee, aged 76, a Malaysian, is a Non-Independent Non-Executive Director of the Company. He was appointed to the Board of the Company on 14th May, 1976 and is presently the Chairman of the Remuneration Committee, a member of the Audit, Nomination and Bumi-Issue cum ESOS Committees of the Company. He is a qualified accountant and was appointed as the Secretary of Malaysian Industrial Development Finance Berhad in 1960 and was promoted to the position of Acting General Manager before leaving the company in 1967 to start his own consultancy business. He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company. He holds 6,000 shares and 3,000 warrants, directly in the Company but does not hold shares in any of its subsidiaries. He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

4. Tan Sri Hamzah bin Abu Samah

Tan Sri Hamzah bin Abu Samah, aged 80, a Malaysian, is an Independent Non-Executive Director of the Company. He was appointed to the Board of the Company on 24th December, 1987 and is presently a member of the Audit, Nomination and Remuneration Committees of the Company. He is a qualified advocate and solicitor [Barristor-at-law (Gray's Inn)] and has an outstanding civil service and political record. He has held the position of Magistrate, Deputy Public Prosecutor, State Legal Adviser and the Chief Registrar of the Federal Court in his legal career before entering politics in 1967 whereby he became the Deputy Minister of Home Affairs (1967-1969). Since then, he has been the Minister of Information and Broadcasting (1969-1971), the Minister of Culture, Youth and Sports (1971-1973), the Minister of Defence (1973-1974), the Minister of Commerce and Industry (1974-1978), the Minister of Law and the Attorney General (1978-1980). He was the Senior Partner of Messrs Hamzah Abu Samah & Partners and remains as the consultant after his retirement. His current directorships in public companies include Kumpulan Hamzah-Kwong Hing Realty Berhad, Malaysia British Assurance Berhad and BBW Gold Consortium Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company. He does not hold any shares, directly or indirectly, in the Company or any of its subsidiaries. He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

corporate information

CHAIRMAN

Tan Sri Datuk Arshad bin Ayub
*P.S.M., S.P.S.K., D.P.M.P., D.P.M.J., D.S.A.P.,
D.P.M.T., P.G.D.K., J.M.N.*

MANAGING DIRECTOR

Teh Wee Chye

DIRECTORS

Teh Wee Kok

Lee Soon Lee *J.M.K.*

Tan Sri Hamzah bin Abu Samah
*P.M.N., S.S.A.P., S.I.M.P., S.M.K., S.P.D.K.,
S.P.M.S., Hon.K.C.V.O.(England)*

Dato' Hj Shahrudin bin Hj Haron
D.P.C.M., J.S.M., P.C.M., K.M.N

Geh Cheng Hooi

AUDIT COMMITTEE

Dato' Hj Shahrudin bin Hj Haron
(Chairman and Independent Non-Executive Director)

Tan Sri Hamzah bin Abu Samah
(Independent Non-Executive Director)

Lee Soon Lee
(Non-Independent Non-Executive Director)

Geh Cheng Hooi
(Independent Non-Executive Director)

Tan Sri Datuk Arshad bin Ayub
(Independent Non-Executive Director)

SECRETARIES

Wong Chee Wing *(MIA 3919)*
Mah Wai Mun *(MAICSA 7009729)*

REGISTERED OFFICE & HEAD OFFICE

10th Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur
Tel. No: 03-2161 9055
Fax No: 03-2161 0502

REGISTRARS

Malaysian Share Registration Services Sdn Bhd
Level 26, Menara Multi Purpose, Capital Square
No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur
Tel. No: 03-2721 2222
Fax No: 03-2721 2530

FACTORIES

Jalan David Sung, Batu Undan
32200 Lumut, Dindings
Perak Darul Ridzuan

Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Johor Darul Takzim

BRANCHES

- **CENTRAL**
10th Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur
- **NORTH**
4557, Jalan Heng Choon Thian
12000 Butterworth, Pulau Pinang
- **PERAK**
2 Laluan Perusahaan10,
Kawasan Perusahaan
Menglembu
31450 Ipoh, Perak Darul Ridzuan

corporate information CONT'D

- **MALACCA**
No. 1, Jalan PM3
Taman Perindustrian Merdeka
Batu Berendam, 75350 Melaka
- **JOHOR**
Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Pasir Gudang, Johor Darul Takzim
- **EAST**
Lot 1763, Kampong Dusun Raja
Jalan Cherang Chempaka, Panji
16100 Kota Bharu, Kelantan Darul Naim
- **KUANTAN**
B-3 Lorong Padang Lalang 14
Jalan Tanjung Api, 25050 Kuantan
Pahang Darul Makmur

SUBSIDIARIES

- Dindings Soya & Multifeeds Sdn Berhad (34884-U)
- Syarikat Pengangkutan Lumut Sdn Bhd (51336-M)
- Dindings Poultry Processing Sdn Bhd (144808-P)
- Dindings Broiler Breeder Farm Sdn Bhd (172600-T)
- MFM Feedmill Sdn Bhd (172615-X)
- MFM Broiler Breeder Farm Sdn Bhd (172596-X)
- Dindings Poultry Development Centre Sdn Bhd (180044-A)
- Semakin Dinamik Sdn Bhd (185533-V)
- Muda Fibre Manufacturing Sdn Bhd (48785-V)
- Vimaflour Ltd
- Accord Hotel Sdn Bhd (133043-U)
- MFM Property Sdn Bhd (176691-P)
- MFM International Ltd
- Mekong Flour Mills Ltd
- Dindings Grand Parent Farm Sdn Bhd (144962-W)

PRINCIPAL BANKERS

- Malayan Banking Berhad (3813-K)
- Standard Chartered Bank Malaysia Berhad (115793-P)
- Bank Islam Malaysia Berhad (98127-X)
- HSBC Bank Malaysia Berhad (127776-V)
- Citibank Berhad (297089-M)
- Alliance Bank Malaysia Bhd (88103-W)
- Hong Leong Bank Berhad (97141-X)
- United Overseas Bank (Malaysia) Bhd (271809-K)
- Bank of China (Malaysia) Bhd (511251-V)

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
- Main Board (Consumer Products Sector)
Stock Code: 3662

SOLICITORS

Isharidah, Ho, Chong & Menon
Skrine

AUDITORS

Folks DFK & Co

directors' profile



Tan Sri Datuk Arshad bin Ayub *(Independent Non-Executive Director)*

Tan Sri Datuk Arshad bin Ayub, aged 75, a Malaysian, was appointed to the Board of the Company on 30th August, 2002 and appointed as Chairman of the Company on 27th February, 2004. He is presently a member of the Audit, Nomination, Remuneration and Bumi-Issue cum ESOS Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, Rumpun Hijau Capital Berhad, Audrey International (M) Berhad, Nationwide Express Courier Services Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad, Perwira Affin Merchant Bank Berhad and Bistari Johor Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Mr Teh Wee Chye *(Non-Independent Executive Director)*

Mr Teh Wee Chye, aged 51, a Malaysian, was appointed to the Board as an Executive Director of the Company on 19th June 1989 and is presently the Managing Director of the Company. He is also the Chairman of the Bumi-Issue cum ESOS Committee and a member of the Remuneration Committee of the Company. He holds a Bachelor of Science Degree in Naval Architect and Marine Engineering and a Masters Degree in Ship Building and Shipping Management from the Massachusetts Institute of Technology, USA. In the summer of 1974, he received his training at the American Bureau of Shipping Research & Development Department, New York. Upon graduation in 1975 he was employed as an Engineer with Eastern Steamship (S) Pte Ltd, Singapore. He joined Malayan Flour Mills Berhad in 1976 as the Deputy Mill Manager and was promoted the Plant Manager in 1978. He was appointed as the Project Manager in 1979 in charge of the Company's entire expansion plans. He is not a director of any other public company. He is the son of Mr Teh Liang Teik who is a substantial shareholder of the Company and brother of Mr Teh Wee Kok who is also a Director of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

directors' profile

Mr Teh Wee Kok *(Non-Independent Non-Executive Director)*

Mr Teh Wee Kok, aged 55, a Malaysian, was appointed to the Board of the Company on 14th May, 1976 as the Deputy Managing Director. On 6th May, 2004, he has been redesignated as a Non-Executive Director. He holds a Bachelor of Science Degree and also a Business Management Degree from the University of California at Berkeley, USA. As Deputy Managing Director of the Company, he has accumulated extensive experience in commodity trading and ship chartering as one of his main function is the purchasing and ship chartering of raw materials such as wheat, corn, soyabeans etc, which he has been involved in since 1976. He is not a director of any other public company. He is the son of Mr Teh Liang Teik who is a substantial shareholder of the Company and brother of Mr Teh Wee Chye who is also a Director of the Company.

He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Mr Lee Soon Lee *(Non-Independent Non-Executive Director)*

Mr Lee Soon Lee, aged 76, a Malaysian, was appointed to the Board of the Company on 14th May, 1976 and is presently the Chairman of the Remuneration Committee, a member of the Audit, Nomination and Bumi-Issue cum ESOS Committees of the Company. He is a qualified accountant and was appointed as the Secretary of Malaysian Industrial Development Finance Berhad in 1960 and was promoted to the position of Acting General Manager before leaving the company in 1967 to start his own consultancy business. He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



Tan Sri Hamzah bin Abu Samah *(Independent Non-Executive Director)*

Tan Sri Hamzah bin Abu Samah, aged 80, a Malaysian, was appointed to the Board of the Company on 24th December, 1987 and is presently a member of the Audit, Nomination and Remuneration Committees of the Company. He is a qualified advocate and solicitor [Barristor-at-law (Gray's Inn)] and has an outstanding civil service and political record. He has held the position of Magistrate, Deputy Public Prosecutor, State Legal Adviser and the Chief Registrar of the Federal Court in his legal career before entering politics in 1967 whereby he became the Deputy Minister of Home Affairs (1967-1969). Since then, he has been the Minister of Information and Broadcasting (1969-1971), the Minister of Culture, Youth and Sports (1971-1973), the Minister of Defence (1973-1974), the Minister of Commerce and Industry (1974-1978), the Minister of Law and the Attorney General (1978-1980). He was the Senior Partner of Messrs Hamzah Abu Samah & Partners and remains as the consultant after his retirement. His current directorships in public companies include Kumpulan Hamzah-Kwong Hing Realty Berhad, Malaysia British Assurance Berhad and BBW Gold Consortium Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

directors' profile CONT'D



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

Dato' Hj Shaharuddin bin Hj Haron, aged 65, a Malaysian, was appointed to the Board of the Company on 23rd September, 1993 and is presently the Chairman of the Audit and Nomination Committees and a member of the Remuneration and Bumi-Issue cum ESOS Committees of the Company. He holds a Bachelor (Hons) Degree in Economics from the University of Malaya and a Masters Degree in Economics from the University of Pittsburg, USA. He has a long and outstanding civil service record which began in 1963 when he joined the Economic Planning Unit of the Prime Minister's Department where he was promoted to the position of Director. Since then, he has held various senior positions in the Government. He was the first Secretary of the Foreign Investment Committee (1974-1979), the Director General of Insurance in the Ministry of Finance (1983), the Director General of the National Padi and Rice Board (1985) and Secretary General of the Ministry of Public Enterprise (1986), Ministry of International Trade and Industry (1990) and Ministry of Domestic Trade and Consumer Affairs (1992). Presently, he sits on the Board of Gopeng Berhad, Ladang Perbadanan-FIMA Berhad, Latitude Tree Holdings Berhad, EXIM Bank (Malaysia) Berhad, Edaran Otomobil Nasional Bhd and Ajinomoto (Malaysia) Bhd. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



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

Mr Geh Cheng Hooi, aged 69, a Malaysian, was appointed to the Board of the Company on 11th March, 2003 and is presently a member of the Audit and Bumi-Issue cum ESOS Committees of the Company. After qualifying as a Chartered Accountant in the United Kingdom in 1959, he worked for Price Waterhouse, London as a qualified assistant in 1960/1961 before returning to Malaysia to join KPMG Peat Marwick ("KPMG") in 1961. He was admitted as a partner in KPMG in 1964 and retired as senior partner in 1989. Presently, he is an adviser/consultant in KPMG, a position which he was appointed since 1989. He is also a Fellow of the Institute of Certified Accountants of England and Wales and a member of the Malaysian Institute of Certified Public Accounts ("MICPA"). His current directorships in public companies include Star Publications (Malaysia) Berhad, Lingui Developments Berhad, LPI Capital Bhd, NCB Holdings Bhd, Hap Seng Consolidated Berhad, Tien Wah Press Holdings Bhd, Paramount Corporation Bhd and PLUS Expressway Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 4 out of the 6 Board Meetings held during the financial year subsequent to his appointment. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

statement on corporate governance

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Directors remains committed to achieving and maintaining the highest standards on Corporate Governance throughout the Group in line with the Malaysian Code on Corporate Governance (the "Code"). The Board collectively views good Corporate Governance as synonymous with four key principles; namely transparency, accountability, integrity and financial performance.

The Board views the maintenance of high standards of corporate governance as a continuous process incorporating current developments from both within and outside the Country. The Board makes adjustments as may be appropriate and the overriding principle is to adopt the substance rather than the form, with the ultimately objective of enhancing the business processes and shareholder value.

This statement describes the approach that the Company has taken with respect to each of the key principles and the extent of its compliance with the best practices during the financial year.

BOARD OF DIRECTORS

Composition of the Board and Balance

The Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The roles and functions of the Board including the executive and non-executive Directors are clearly defined in the Board Charter.

There are currently seven (7) Directors on the Board comprising of two (2) Executive Directors and five (5) Non-Executive Directors of whom four (4) are Independent. The profiles of the members of the Board are presented on pages 13 to 15 of the Annual Report.

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. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies.

The presence of the Independent Non-Executive Directors fulfills a pivotal role in corporate accountability and provides unbiased, objective and independent view, advice and judgment to the decision making process of the Board.

Appointment and Re-election of Directors

The Nomination Committee is responsible for making recommendations for any appointments to the Board by considering the mix of skills and experience which the Director(s) brings to the Board.

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

In respect of the re-election of Directors, the Article provides that at least one third or the nearest to one-third of the remaining Directors are subject to re-election by rotation at each Annual General Meeting and that all Directors are subject to re-election by rotation at least once in every three years.

Directors over seventy years old are required to submit themselves for re-appointment annually in accordance to Section 129(6) of the Companies Act, 1965.

statement on corporate governance CONT'D

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

Board Meetings

The Board ordinarily meets at least four times yearly with additional meetings being convened when urgent and important decisions need to be taken between scheduled meetings. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. All proceedings from the Board meetings are minuted.

The Board met for a total of seven (7) times during the year ended 31st December, 2003. Details on the attendance of the Directors at the Board meetings are presented on page 8 of the Annual Report.

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.

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 followed and that applicable rules and regulations are complied with. Whenever necessary, the Directors may, in the discharge of their duties, obtain independent professional advice at the expense of the Company.

Directors' Training

All the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysis Malaysia (RIAM). With effect from 1st July, 2003, all directors of public listed companies are required to attend Continuing Education Programme prescribed by the Bursa Malaysia Securities Berhad. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

BOARD COMMITTEES

The Board delegates certain responsibilities to Executive Committee, Audit Committee, Nomination Committee, Remuneration Committee and Bumi-Issue cum ESOS Committee. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The Board retains full responsibility for the direction and control of the Company and the Group.

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 full Board meeting.

Audit Committee

The composition and terms of reference of the Audit Committee together with its report are presented on pages 21 to 23 of the Annual Report.

statement on corporate governance CONT'D

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

Nomination Committee

The Nomination Committee consists of one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors as follows:

Dato' Hj Shaharuddin bin Hj Haron (Chairman)	(Independent Non-Executive Director)
Mr Lee Soon Lee	(Non-Independent Non-Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non-Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Independent Non-Executive Director)

The Committee is responsible for making recommendations for any appointments to the Board and to assess the effectiveness of the Board as a whole, the various Committees and each individual director's contribution to the effectiveness of the decision-making process of the Board.

Remuneration Committee

The Remuneration Committee comprises of one (1) Non-Independent Non-Executive Director, three (3) Independent Non-Executive Directors and one (1) Non-Independent Executive Director as follows:

Mr Lee Soon Lee (Chairman)	(Non-Independent - Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non - Executive Director)
Tan Sri Hamzah bin Abu Samah	(Independent Non - Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Independent Non - Executive Director)
Mr Teh Wee Chye	(Non-Independent - Executive Director)

The primary function of the Remuneration Committee is to develop and recommend the remuneration policy on Executives and Directors to the Board. The Committee also reviews and recommends for the Board's approval the Directors' fees/attendance fees. In addition, the Company reimburses reasonable expenses incurred by the Directors in the course of discharging their duties.

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 are approved at the Annual General Meeting by the shareholders.

Bumi-Issue cum ESOS Committee

The Bumi-Issue cum ESOS Committee consists of one (1) Non-Independent Executive Director, one (1) Non-Independent Non-Executive Director and three (3) Independent Non-Executive Directors as follows:-

Mr Teh Wee Chye (Chairman)	(Non-Independent Executive Director)
Mr Lee Soon Lee	(Non-Independent - Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non - Executive Director)
Tan Sri Datuk Arshad bin Ayub	(Independent Non - Executive Director)
Mr Geh Cheng Hooi	(Independent Non - Executive Director)

The Committee is to oversee the implementation of the Special Issue of 16,000,000 ordinary shares to Approved Bumiputra Investors as well as implement and administer the Employees' Share Option Scheme of the Company.

statement on corporate governance CONT'D*Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad***DIRECTORS' REMUNERATION**

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

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

Category	Fees (RM'000)	Salaries (RM'000)	Bonus (RM'000)	Benefits- In-Kind (RM'000)	Other Emoluments (RM'000)
2 Executive Directors	50	809	110	43	34
6 Non-Executive Directors	170	75	10	-	202

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

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM50,000	-	1
RM50,001 to RM100,000	-	4
RM200,001 to RM250,000	-	1
RM250,001 to RM300,000	1	-
RM600,001 to RM650,000	-	-
RM700,001 to RM750,000	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 Annual General Meeting and to participate in the proceedings. Shareholders' suggestions received during Annual General Meetings are reviewed and considered for implementation wherever possible. Every opportunity is given to the shareholders to ask questions and seek clarification on the business and performance of the Company. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written reply after the Annual General Meeting.

The timely release of quarterly financial results and the issue of the Company's Annual Reports provide regular information on the state of affairs of the Group. These, together with the announcements to the 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.

statement on corporate governance CONT'D

Pursuant to Paragraph 15.26 of the Listing Requirements of the Bursa Malaysia Securities Berhad

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 review of operations and corporate developments are also contained in the Annual Report to 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 judgments and estimates are being used.

- **Internal Control**

The Directors acknowledge that they are responsible for maintaining 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 Internal Control as set out on pages 24 to 25 of the Annual Report provides an overview of the state of internal controls within the Group.

- **Relationship with 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 31st December, 2003, the Directors have:

- Use appropriate accounting policies and applied them consistently;
- Made judgments 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.

audit committee report

Pursuant to Paragraph 15.16 of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Malayan Flour Mills Berhad is pleased to present the Audit Committee Report for the year ended 31st December, 2003.

Members

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

Members: Tan Sri Hamzah bin Abu Samah
(Independent Non-Executive Director)

Lee Soon Lee
(Non-Independent Non-Executive Director)

Geh Cheng Hooi
(Independent Non-Executive Director)

Tan Sri Datuk Arshad bin Ayub
(Independent Non-Executive Director)

Meetings of the Audit Committee

During the year, the Audit Committee met seven (7) times and the details of the attendance of each member of the Audit Committee are as follows:

Audit Committee Members	Attendance
Dato' Hj Shaharuddin bin Hj Haron	6 of 7 meetings
Tan Sri Hamzah bin Abu Samah	7 of 7 meetings
Lee Soon Lee	7 of 7 meetings
Geh Cheng Hooi (appointed on 11th March, 2003)	5 of 6 meetings
Tan Sri Datuk Arshad bin Ayub (appointed on 18th June, 2003)	4 of 4 meetings

At each Audit Committee Meeting, Internal Audit Department tabled its audit report to the Audit Committee for deliberation. The weaknesses in procedures were identified and actions were taken to rectify those weaknesses.

The Chairman of the Audit Committee reported on each meeting to the Board at the Board Meeting.

Terms Of Reference

1. Members

The Committee shall be appointed by the Board of Directors and shall consist of not less than three members, of whom the majority shall be independent directors.

The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an independent director.

audit committee report CONT'D

Pursuant to Paragraph 15.16 of the Listing Requirements of the Bursa Malaysia Securities Berhad

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have other accounting qualifications (Refer Paragraph 15.10(1)(c) of the Bursa Malaysia Securities Berhad Listing Requirements) with at least three years' working experience.

Where the members of the Audit Committee for any reason be reduced to below three, the Board of Directors shall within three months of that event, appoint such number of new members as may required to make up the minimum number of three members.

The secretary of the Committee shall be the Company Secretary / Head of Internal Audit.

2. Meetings

Meetings shall be held no less than four times a year although additional meetings may be called at any time at the discretion of the Chairman.

The Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit shall normally attend meetings. Representatives of the external auditors shall attend meetings no less than two times a year where matters relating to the audit of the statutory accounts are to be discussed.

The Committee papers will be circulated to all members 10 days prior to the date of the meeting.

The draft minutes of each meeting shall be finalised within two weeks of each meeting and circulated to all Audit Committee members.

A quorum shall consist of a majority of independent directors.

3. Authority

The Committee shall have the authority to investigate matters within its authority and request for any information it seeks as relevant to its employees are directed to co-operate with any request made by the Committee.

The Committee is authorised to obtain such independent professional advice as it considers necessary. The Audit Committee shall have no executive powers as regards to its findings and recommendations.

4. Duties and Responsibilities

- a) The Chairman of the Audit Committee shall report to the Board after each Committee meeting, including any findings and recommendations of the Committee.
- b) To review and evaluate financial and accounting policies and adequacy of management controls instituted.
- c) To review the financial statements and annual report prior to approval by the Board of Directors.
- d) To be satisfied that the accounting policies of the Group are in accordance with the law and appropriate Accounting Standards.
- e) Internal Audit:
 - To ensure the maintenance of an Internal Audit Department with appropriate resources to carry out its duties. The Head of Internal Audit reports directly to the Audit Committee.
 - To review the Internal Audit reports to management and to ensure follow up by Management on agreed recommendations.
 - To evaluate and appraise the effectiveness of the Internal Audit Function.

audit committee report CONT'D

Pursuant to Paragraph 15.16 of the Listing Requirements of the Bursa Malaysia Securities Berhad

- To recommend the appointment, transfer or dismissal of the Internal Audit Personnel.
 - To approve remuneration of the Head of Internal Audit.
 - To approve the budget for the Internal Audit Department.
 - To approve the Audit Plan and review performance in relation to the Plan.
 - To undertake the Quality Assurance Review of the Internal Audit function to ensure that its core competencies are adequate.
- f) External Auditors:
- To oversee all matters relating to external audit including the review of the audit plan and audit report.
 - To evaluate the competence of external auditors and make recommendations concerning their appointment and dismissal.
 - To review the audited annual financial statements and external auditors' opinion rendered in respect to such financial statements including the nature and extent of any significant changes in accounting principles or the application therein.
- g) To review the nature of any related party transactions that may arise within the Company or Group.
- h) To review compliance with government regulations.
- i) To consider and examine such other matters as the Committee considers appropriate.
- j) The term of office and performance of the Audit Committee and each of its members must be reviewed by the Board at least once every 3 years to determine whether such Audit Committee and members have carried out their duties in accordance with their terms of reference.

Summary Of Activities Of The Audit Committee

The summary of the activities of the Audit Committee in the discharge of its duties and responsibilities for the financial year ended 31st December, 2003 was as follows:

- a) Reviewed the quarterly financial statements, interim financial announcements and year end financial statements of the Group and press releases relating to financial matters prior to the approval by the Board.
- b) Reviewed the related party transactions that had arisen within the Company or the Group.
- c) Reviewed with the external auditors their audit plans prior to commencement of audit.
- d) Discussed and reviewed the Group's financial year-end statements with the external auditors including issues and findings noted in the course of the audit of the Group's Financial Statements.
- e) Reviewed and appraised the audit reports submitted by the Internal Auditors.
- f) The Committee also appraised the adequacy of actions and remedial measures taken by the Management in resolving audit issues reported and recommended further improvement measures.

Internal Audit Function

The Internal Audit Department undertakes internal audit functions based on the audit plan that is reviewed by the Audit Committee and approved by the Board. The audit plan covers review of adequacy of risks management, operational controls, compliance with law and regulations, quality of assets, management efficiency and level of customer services amongst others. The internal audit report is deliberated by the Audit Committee and recommendations are duly acted by Management.

statement on internal control

Pursuant to Paragraph 15.27 (b) of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Malayan Flour Mills Berhad is pleased to include the Statement on Internal Control in accordance with paragraph 15.27(b) of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements and as guided by the Bursa Malaysia’s Statement on Internal Control Guidance for Directors of Public Listed Companies.

The Board of Directors recognises the importance of maintaining a sound system of internal control over all financial, operational and compliance controls to safeguard shareholders’ investment and the Group’s assets. The Board acknowledges its responsibility for the Group’s system of internal control, risk management, and for reviewing the adequacy and integrity of those systems. The internal control systems are designed to manage rather than to eliminate the risk of failure and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Group has in place ongoing process to review the effectiveness, adequacy and integrity of the system of internal control.

Risk Management

During the year, the Board has continued with the development of formal risk management processes which are still on-going todate. Workshops had been conducted by an external consultant to train the various heads of department in the Group in developing a systematic approach to risk identification and evaluation. Key personnel have been selected to establish a risk register and the various management actions and controls to mitigate risks. The ongoing risk management processes are coordinated by the Internal Audit Department with all the business heads of the Group.

The Board is committed to further develop the risk management process in line with the guidelines issued by the relevant authorities.

Other key elements of internal control

- The Board meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of committees and senior management and to consider and approve measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control.
- An independent internal audit department reports directly to the Audit Committee. Internal audit plans are reviewed and approved by the Audit Committee and the plans are to monitor compliance with and adequacy of the Group’s system of internal control and to provide assurance on the effectiveness of the Group’s system of internal control including policies and procedures. Follow-up reviews on the previous audit reports were carried out to ensure that appropriate actions have been implemented to address control weaknesses highlighted.
- The Group has in place an organisation structure with proper segregation of duties and reporting procedures and authorisation limits and all heads of business units and departments are accountable for ensuring the effective implementation of established policies and procedures.
- The Group has in place a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a timely basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior year, with major variances explained and appropriate action taken or plans put in place.

statement on internal control CONT'D

Pursuant to Paragraph 15.27 (b) of the Listing Requirements of the Bursa Malaysia Securities Berhad

- The Group Managing Director meets with the senior management regularly to review and resolve key operational, financial, personnel and other key management issues, including issues of risks and internal controls. Significant issues are highlighted and discussed at Board meetings.
- The Credit Committee meets regularly to conduct credit reviews, monitor receivables, progress of legal cases and formulates credit procedures and policies.
- The training and development programs are established to enhance and improve employee competencies and proficiencies. This is implemented through a combination of on-the-job training and classroom training courses.

The Board and Management are committed towards operating a sound system of internal control and the internal control systems will continue to be reviewed, added or updated in line with the changes in the operating environment.

Statement made in accordance with the resolution of the Directors dated 27th February, 2004.

chairman's statement

“On behalf of the Board of Directors, I am pleased to present our Company's Annual Report and Accounts for the year ended 31st December, 2003.”



Tan Sri Datuk Arshad bin Ayub

REVIEW OF RESULTS AND CORPORATE DEVELOPMENTS

For the year under review, the business and operating environment for the first half of the year were very difficult due to the negative effects from SARS (Severe Acute Respiratory Syndrome) and the Iraq war. During the year, the prices of imported raw materials and ocean freight escalated arising from a combination of factors such as bad harvest in the grains exporting Countries, China's importation of a tremendous amount of grains and the escalating crude oil prices, all of which had impacted negatively on the performance of the Group and the Company.

The Company registered a turnover of RM183.9 million for the year under review, an increase of 12.4% as compared with the previous year. The Group recorded an increase in turnover to RM605.3 million, up by 7.1% from RM565.2 million in the previous year. The Company recorded a decrease in profit before taxation of RM1.3 million against RM14.9 million, a decrease of RM13.6 million as compared with the previous year. The Group's profit before taxation decreased by RM10.1 million from RM18.7 million to RM8.6 million for the year under review.

On 30th May, 2003 and 25th July, 2003, the Company had made the following announcements to the Bursa Malaysia Securities Berhad (previously known as the Kuala Lumpur Stock Exchange) in respect of the following Proposals:-

- i) Proposed Share buy-back of up to a maximum of ten percent of its issued and paid-up Share Capital;
- ii) Proposed Special Issue of 16 million Ordinary shares of RM1.00 each to approved Bumiputra Investors to be approved by the Ministry of International Trade and Industry ("MITI"); and
- iii) Proposed Employees' Share Option Scheme.

chairman's statement CONT'D

On 17th November, 2003 and 5th December, 2003, both the Securities Commission ("SC") and MITI had via separate letters approved the above Proposals. At an Extraordinary General Meeting held on 13th May, 2004 the Company obtained the shareholders' approval for the Proposals as outlined above except for the Proposed Share Buy-Back as it failed to obtain the 75% majority votes required to amend the Memorandum and Articles of Association.

The Company's overseas subsidiary in North Vietnam, Vimaflour Ltd has continued to perform excellently with the plant running at full capacity. The Board of Vimaflour Ltd had approved an expansion of the plant capacity to cater for the increased demand, to be implemented between Year 2004/2005. The project cost is estimated at USD 2.5 million, to be financed from internally generated funds of Vimaflour Ltd. During the financial year ended 31st December, 2003, Vimaflour Ltd had paid out to its Joint Venture Partner, the 30% of the USD500,000 maiden dividend declared in the accounts for the year ended 31st December, 2002. The 70% portion amounted to USD350,000 due to the Company was repatriated to Malaysia in the first quarter of 2004.

Mekong Flour Mills Ltd had commenced commercial production and sales in April, 2003. The sales recorded in December, 2003 had increased by more than 100% as compared to the initial start-up months. Though the Company is presently incurring a start-up loss, it is within the projection and the Company is expected to break-even for the financial year ending 31st December, 2004.

I am very pleased to share with you that during the year, the poultry integration activity of the Group had achieved a turnaround with a profit of RM1.1 million as compared to a loss of RM11.1 million recorded in the previous year. This is as a result of the exercise undertaken last year to rationalize the poultry integration operations and stop the drain on the Group's resources arising from years' of continuing losses. Much remains to be done in this area and the Group will spare no efforts to continue with the excellent work initiated of which the initial positive results have given the team of people including the Directors much encouragement.

In line with good Corporate Governance, the Group had engaged the services of a firm of Consultants to review and update the current risk management framework. Training sessions were conducted for the key Management staff of the Group to update them on the methodologies of the risk identification, assessment, measurement and continuous monitoring of same. This is a continuous process of which each department within the Group is expected to identify those material risks and provide mitigating measures to minimise the negative impact.

The Group had also engaged a firm of Management Consultants to review and design a performance based pay structure. This together with the Employees' Share Option Scheme ("ESOS") will further encourage active and pro-active participation from staff at all levels towards the long term objectives of the Group.

SUBSIDIARIES

For the current year under review, all the subsidiaries in the Group made positive contribution to the Group's profitability, except for those engaged in the transport and polypropylene bags activities.

In terms of profit contribution to the Group, the flourmilling activity remains the main contributor to the Group in terms of both profitability and turnover. The overseas subsidiary, Vimaflour Ltd continues to be the main contributor in terms of profitability.

The poultry integration activity contributed 25.7% in turnover and about 7.5% in terms of profitability for the year under review. The feedmilling activity continues to face stiff market competition and despite the 25.3% contribution in turnover, the profit contribution is only less than 1%.

chairman's statement CONT'D

SUBSIDIARIES (cont'd)

The transport activity registered a loss of RM0.4 million for the year. The main reasons are intense market competition, increased operating costs due to withdrawal of subsidy on diesel and downturn in economy in the first half of year 2003.

The implementation of AFTA (Asian Free Trade Agreement) has impacted negatively on the performance of the polypropylene bags activity. The costs of imported fabrics and bags are cheaper than the Company's cost of production. The Management is presently evaluating the situation and appropriate strategies will be formulated to rationalise the operation of this activity.

PROSPECTS

The Board of Directors expects Year 2004 to be another challenging year. The growth of the Group's profitability is largely impacted by the prices of imported raw materials and ocean freight. The Board is cautiously optimistic that barring a major change in the operating environment, the Group's financial performance for the year ending 31st December, 2004 may be maintained if not improved through a continuous process of cost efficiency measures, prudent credit control policy and rationalization of the Group's operations so as to achieve greater operational efficiency.

DIVIDENDS

The Board has recommended a first and final dividend of 10 sen per Ordinary Share less tax payable on 1st July, 2004 to Shareholders appearing on the Register of Members as at 5.00 p.m. on 18th June, 2004 subject to the approval of Shareholders at the forthcoming Annual General Meeting.

RETIREMENT

Mr. Teh Liang Teik has retired from the post of Non-Executive Chairman on 1st January, 2004. On behalf of the Board of Directors and staff, I would like to record a note of appreciation for his contributions made over the years and would wish him a very happy retirement.

I trust that my fellow Board Members and staff of all levels shall continue to give guidance and support to me and together we shall bring the Group to greater heights.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to express our appreciation to the Management and staff at all levels for their commitment, dedication, support, hard work and invaluable contribution to the growth of the Company and the Group. I would also like to express my sincere appreciation to all our customers, shareholders, suppliers, financiers and regulatory authorities and agencies for the continued support rendered to the Group.

Tan Sri Datuk Arshad bin Ayub
Chairman

Kuala Lumpur
26th May, 2004

group financial highlights

Year ended 31st December	1999 RM'000	2000 RM'000	2001 RM'000	2002 RM'000	2003 RM'000
Turnover	588,397	583,939	558,215	565,228	605,254
Operating profit before tax	62,574	36,010	27,456	21,831	13,041
Share of profit/(loss) in associated companies	-	-	152	(647)	40
Exceptional items	(4,049)	(1,500)	(1,500)	(2,531)	(4,447)
Profit before taxation	58,525	34,510	26,108	18,653	8,634
Taxation	764	(10,093)	(11,080)	(6,565)	(3,934)
Profit after taxation	59,289	24,417	15,028	12,088	4,700
Minority Interests	(5,742)	(1,905)	(290)	(1,356)	(331)
Profit attributable to shareholders	53,547	22,512	14,738	10,732	4,369
Issued Share Capital (RM'000)	84,015	84,015	84,015	84,015	84,015
Shareholders' Fund (RM'000)	261,867	274,913	289,067	288,235	282,837
Net tangible assets per share (sen)	312	327	344	343	337
Earnings per share (sen)	63.74	26.80	17.54	12.77	5.20
Gross dividends (%) - tax exempt	10	10	10	10	-
Gross dividends (%) - taxable	-	-	-	-	10

FINANCIAL STATEMENTS



directors' report

The Directors have pleasure in submitting their report together with the audited financial statements of the Company and of the Group for the year ended 31st December, 2003.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to carry on the business of milling and selling wheat flour together with its allied products. The principal activities of the subsidiary companies are detailed in Note 15 to the financial statements. There have been no significant changes in the nature of these activities during the year.

RESULTS

	Group RM	Company RM
Profit/(Loss) after taxation	4,699,988	(713,257)
Minority interests	(331,246)	-
Net profit/(loss) for the year	<u>4,368,742</u>	<u>(713,257)</u>

RESERVES AND PROVISIONS

There were no material transfers made to or from reserves or provisions accounts during the year other than those disclosed in the financial statements.

DIVIDENDS

Dividends paid, declared or proposed since the end of the Company's previous financial year were as follows :-

- (a) In respect of the year ended 31st December, 2002, as proposed in the Directors' Report for that year, a first and final dividend of :-

10 sen per ordinary share, tax exempt, paid on 1st July, 2003 RM8,401,461

- (b) The Directors recommend a first and final dividend in respect of the current year ended 31st December, 2003 of 10 sen per ordinary share less tax at 28% amounting to RM6,049,052. The financial statements for the current year do not reflect this proposed dividend. If approved by the shareholders at the forthcoming Annual General Meeting, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profit in the next financial year ending 31st December, 2004.

directors' report (cont'd)

DIRECTORS

The Directors in office since the date of the last Directors' Report on 10th April, 2003 are as follows :-

Teh Liang Teik (vacated office on 1st January, 2004)

Tan Sri Datuk Arshad bin Ayub

Teh Wee Chye

Teh Wee Kok

Lee Soon Lee

Tan Sri Hamzah bin Abu Samah

Dato' Hj Shaharuddin bin Hj Haron

Geh Cheng Hooi

Pursuant to Section 129(6) of the Companies Act, 1965, Lee Soon Lee, Tan Sri Hamzah bin Abu Samah and Tan Sri Datuk Arshad bin Ayub retire from the board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

In accordance with Article 111 of the Company's Articles of Association, Teh Wee Chye retires from the board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

The following represents the interests of Directors in shares and warrants in the Company and shares in its subsidiaries registered in the names of the Directors or in the names of companies in which the Directors have an interest :-

Shareholdings in the Company

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik	Teh Liang Teik	2,908,800	-	-	2,908,800
Teh Wee Kok	Teh Wee Kok	1,591,600	-	-	1,591,600
Lee Soon Lee	Lee Soon Lee	6,000	-	-	6,000
Teh Wee Chye	Teh Wee Chye	6,500	-	-	6,500
Tan Sri Datuk Arshad bin Ayub	Tan Sri Datuk Arshad bin Ayub	30,285	-	17,000	13,285
Teh Liang Teik Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	26,100,754	-	-	26,100,754
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Sdn Bhd	417,600	-	-	417,600
Teh Liang Teik Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	574,800	-	-	574,800
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Suai Timber Products Sdn Bhd	531,600	-	-	531,600
Teh Wee Chye	Essence Lane Sdn Bhd	2,233,729	-	-	2,233,729

directors' report (cont'd)

DIRECTORS (cont'd)

Shareholdings in the Company (cont'd)

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Tan Sri Datuk Arshad bin Ayub	Zalaraz Sdn Bhd	54,000	-	54,000	-
Tan Sri Datuk Arshad bin Ayub	Maybank Nominees (Tempatan) Sdn Bhd	-	84,000	-	84,000
Tan Sri Datuk Arshad bin Ayub	Malaysia Nominees (Tempatan) Sdn Bhd	195,000	-	-	195,000

Interest in warrants of the Company

Directors	Registered in the name of	Number of warrants of the Company			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik	Teh Liang Teik	1,454,400	-	-	1,454,400
Teh Wee Kok	Teh Wee Kok	47,400	-	-	47,400
Lee Soon Lee	Lee Soon Lee	3,000	-	-	3,000
Tan Sri Datuk Arshad bin Ayub	Tan Sri Datuk Arshad bin Ayub	5,000	-	5,000	-
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	13,185,377	-	-	13,185,377
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Sdn Bhd	208,800	-	-	208,800

directors' report (cont'd)**DIRECTORS** (cont'd)**Interest in warrants of the Company (cont'd)**

Directors	Registered in the name of	Number of warrants of the Company			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Shipping Sdn Bhd	287,400	-	-	287,400
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Suai Timber Products Sdn Bhd	265,800	-	-	265,800
Teh Wee Chye	Essence Lane Sdn Bhd	1,120,114	-	-	1,120,114
Tan Sri Datuk Arshad bin Ayub	Zalaraz Sdn Bhd	12,000	-	12,000	-

Shareholdings in subsidiary company, Dindings Soya & Multifeeds Sdn Berhad

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	21,250,000	-	-	21,250,000
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	2,500,000	-	-	2,500,000
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Sdn Bhd	1,685,000	-	-	1,685,000

Shareholdings in subsidiary company, Dindings Poultry Processing Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	38,303,000	-	-	38,303,000

directors' report (cont'd)**DIRECTORS** (cont'd)**Shareholdings in subsidiary company, Dindings Poultry Processing Sdn Bhd (cont'd)**

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Dindings Soya & Multifeeds Sdn Berhad	12,857,000	-	-	12,857,000

Shareholdings in subsidiary company, Muda Fibre Manufacturing Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	6,000,001	-	-	6,000,001
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Thye Nam Loong Holdings Sdn Bhd	1,000,000	-	-	1,000,000

Shareholdings in subsidiary company, Dindings Grand Parent Farm Sdn Bhd

Directors	Registered in the name of	Number of ordinary shares of RM1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	-	2	-	2

Shareholdings in subsidiary company, MFM International Ltd (incorporated in British Virgin Islands)

Directors	Registered in the name of	Number of ordinary shares of USD1.00 each			
		Balance at 1.1.2003	Acquired	Disposed	Balance at 31.12.2003
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	1,000	16,000,000	-	16,001,000

directors' report (cont'd)**DIRECTORS (cont'd)****Interests in indirect subsidiary company, Mekong Flour Mills Ltd (incorporated in Vietnam)**

Directors	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			
		Balance at 1.1.2003 VND'000	Acquired VND'000	Disposed VND'000	Balance at 31.12.2003 VND'000
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	MFM International Ltd (wholly owned by Malayan Flour Mills Berhad)	221,573,777	22,718,856	-	244,292,633

Interests in subsidiary company, Vimaflour Ltd (incorporated in Vietnam)

Directors	Registered in the name of	Interests in capital denominated in Vietnamese Dong (VND)			
		Balance at 1.1.2003 VND'000	Acquired VND'000	Disposed VND'000	Balance at 31.12.2003 VND'000
Teh Liang Teik, Teh Wee Kok & Teh Wee Chye	Malayan Flour Mills Berhad	114,095,104	-	-	114,095,104

By virtue of their shareholdings in the Company, Teh Liang Teik, Teh Wee Kok and Teh Wee Chye are also deemed to be interested in the shares of all the other subsidiaries in Malaysia not listed above, being wholly owned subsidiaries of the Company and for which there were no movements in their interests in the shares held during the year.

Other than as disclosed, no other Directors in office at the end of the financial year held any interest in shares and warrants of the Company and shares in its subsidiary companies.

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the Directors or their nominees might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than those disclosed as Directors' fees and emoluments in the financial statements) by reason of a contract made by the Company or a related corporation with any Directors or with a firm of which a Director is a member or with a company in which the Director has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business and transactions as detailed in Note 26 to the financial statements.

directors' report (cont'd)

OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company and the Group were made out, the Directors took reasonable steps :-
- (i) to satisfy themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) As at the date of this report, the Directors are not aware of any circumstances :-
- (i) which would render the amount written off for bad debts and provision made for doubtful debts in the Company and the Group inadequate to any substantial extent;
 - (ii) which would render the values of current assets in the financial statements of the Company and the Group misleading;
 - (iii) which would have arisen which render adherence to the existing method of valuation of assets and liabilities of the Company and the Group misleading or inappropriate; and
 - (iv) not otherwise dealt with in this report or the financial statements of the Company and the Group which would render any amount stated in the financial statements misleading.
- (c) As at the date of this report, there does not exist :-
- (i) any charge on the assets of the Company or of the Group which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Company and the Group which has arisen since the end of the financial year.
- (d) In the opinion of the directors :-
- (i) no contingent or other liabilities have become enforceable or are likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Company and of the Group to meet their obligations when they fall due;
 - (ii) the results of the Company's and the Group's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for the effects of exceptional items as stated in Note 4 to the financial statements; and
 - (iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Company or of the Group for the financial year in which this report is made.

directors' report (cont'd)

AUDITORS

The auditors, Messrs. Folks DFK & Co. have expressed their willingness to continue in office.

Signed in accordance with a resolution of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

Kuala Lumpur
16th April, 2004

consolidated income statement

for the year ended 31st December, 2003

	NOTE	2003 RM	Restated 2002 RM
REVENUE	3(r)		
Sales of goods		598,552,296	558,089,507
Services		6,702,483	7,138,506
		605,254,779	565,228,013
COST OF SALES			
Cost of inventories sold		(532,148,611)	(484,886,334)
Cost of services		(5,368,688)	(6,983,029)
		(537,517,299)	(491,869,363)
GROSS PROFIT		67,737,480	73,358,650
OTHER OPERATING INCOME		9,558,587	5,463,062
SELLING & DISTRIBUTION EXPENSES		(31,461,821)	(31,988,182)
ADMINISTRATION EXPENSES		(24,487,771)	(20,932,403)
OTHER OPERATING EXPENSES		(10,976,389)	(6,010,159)
OPERATING PROFIT		10,370,086	19,890,968
FINANCE COSTS		(1,776,053)	(591,051)
SHARE OF RESULTS OF AN ASSOCIATED COMPANY		40,173	(646,979)
PROFIT BEFORE TAXATION	4	8,634,206	18,652,938
TAXATION	6	(3,934,218)	(6,564,914)
PROFIT AFTER TAXATION		4,699,988	12,088,024
MINORITY INTERESTS		(331,246)	(1,355,777)
NET PROFIT FOR THE YEAR		4,368,742	10,732,247
EARNINGS PER SHARE (SEN) - BASIC	7	5.20	12.77
NET DIVIDEND PER SHARE (SEN)	8	7.20	10.00
			(Tax Exempt)

The annexed notes form an integral part of, and should read in conjunction with, this statement.

consolidated balance sheet

as at 31st December, 2003

	NOTE	2003 RM	Restated 2002 RM
SHARE CAPITAL	9	84,014,606	84,014,606
RESERVES	10	198,822,008	204,220,227
TOTAL CAPITAL AND RESERVES		282,836,614	288,234,833
MINORITY INTERESTS		27,445,148	27,894,283
LONG TERM AND DEFERRED LIABILITIES			
Deferred tax liabilities	11	6,627,525	6,220,435
Retirement benefits	12	288,936	263,237
Hire purchase creditors	13	-	28,845
		317,198,223	322,641,633
Represented by :-			
PROPERTY, PLANT AND EQUIPMENT	14	237,815,784	239,004,832
ASSOCIATED COMPANY	16	1,938,824	1,898,650
INVESTMENTS	17	2,659,448	5,157,442
DEFERRED TAX ASSETS	11	2,695,293	3,167,264
CURRENT ASSETS			
Inventories	18	172,697,713	164,900,467
Trade and other receivables	19	99,366,079	104,652,420
Tax recoverable		5,846,004	1,950,734
Deposits, cash and bank balances	20	29,244,546	31,913,778
		307,154,342	303,417,399
CURRENT LIABILITIES			
Trade and other payables	21	38,897,624	35,900,112
Bank borrowings	22	194,775,956	190,545,978
Tax payable		1,391,888	3,557,864
		235,065,468	230,003,954
NET CURRENT ASSETS		72,088,874	73,413,445
		317,198,223	322,641,633

The annexed notes form an integral part of, and should read in conjunction with, this statement.

consolidated statement of changes in equity

for the year ended 31st December, 2003

	Note	Share capital RM	Share premium RM	Capital reserves RM	Exchange translation differences RM	Retained profit RM	Total RM
Balance at 1st January, 2002							
- as previously reported		84,014,606	41,686,650	26,369,308	2,141,162	134,854,806	289,066,532
- prior year adjustments	23	-	-	(7,058,661)	-	4,920,946	(2,137,715)
- as restated		84,014,606	41,686,650	19,310,647	2,141,162	139,775,752	286,928,817
Currency translation loss not recognised in the income statement		-	-	-	(1,024,770)	-	(1,024,770)
Net profit for the year							
- as previously reported		-	-	-	-	10,012,514	10,012,514
- prior year adjustments	23	-	-	-	-	719,733	719,733
- as restated		-	-	-	-	10,732,247	10,732,247
Dividend paid for the year ended 31st December, 2001	8	-	-	-	-	(8,401,461)	(8,401,461)
Balance at 31st December, 2002		<u>84,014,606</u>	<u>41,686,650</u>	<u>19,310,647</u>	<u>1,116,392</u>	<u>142,106,538</u>	<u>288,234,833</u>
Balance at 1st January, 2003							
- as previously reported		84,014,606	41,686,650	26,369,308	1,116,392	136,465,859	289,652,815
- prior year adjustments	23	-	-	(7,058,661)	-	5,640,679	(1,417,982)
- as restated		84,014,606	41,686,650	19,310,647	1,116,392	142,106,538	288,234,833
Currency translation loss not recognised in the income statement		-	-	-	(1,365,500)	-	(1,365,500)
Net profit for the year		-	-	-	-	4,368,742	4,368,742
Dividend paid for the year ended 31st December, 2002	8	-	-	-	-	(8,401,461)	(8,401,461)
Balance at 31st December, 2003		<u>84,014,606</u>	<u>41,686,650</u>	<u>19,310,647</u>	<u>(249,108)</u>	<u>138,073,819</u>	<u>282,836,614</u>

The annexed notes form an integral part of, and should read in conjunction with, this statement.

consolidated cash flow statement

for the year ended 31st December, 2003

	2003 RM	Restated 2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,634,206	18,652,938
Adjustments for :-		
Share of associated company's results	(40,173)	646,979
Provision for retirement benefits	37,955	35,027
Depreciation	21,324,456	19,755,763
Interest expenses	5,050,619	5,842,158
Gain on disposal of property, plant and equipment	(88,287)	(117,018)
Property, plant and equipment written off	19,139	22,968
Allowance for impairment of property, plant and equipment	1,947,261	2,531,104
Allowance for doubtful debts	1,012,643	1,615,174
Allowance for diminution in value of quoted investment	(2,006)	2,229
Allowance for diminution in value of unquoted investment	2,500,000	-
Bad debts written off	187,959	54,981
Net unrealised loss on foreign currency exchange	75,597	169,288
Interest income	(792,424)	(776,651)
Allowance for old and slow moving inventories	232,541	-
Inventories written off	152,249	80,744
Goodwill written off	21,257	-
Pre-operating expenses written off	130,585	-
Project expenses written off	318,865	-
Loss arising from damaged inventories	2,540,004	-
Operating profit before working capital changes	43,262,446	48,515,684
Decrease/(Increase) in trade and other receivables	3,388,603	(2,905,051)
Increase in inventories	(11,188,383)	(51,009,143)
Increase in trade and other payables	3,134,090	5,955,501
Cash generated from operations	38,596,756	556,991
Taxation paid	(9,105,094)	(11,225,018)
Interest received	792,424	1,168,224
Interest paid	(5,050,619)	(5,842,158)
Retirement benefits paid	(12,256)	(32,339)
Net cash from/(used in) operating activities	25,221,211	(15,374,300)

The annexed notes form an integral part of, and should read in conjunction with, this statement.

consolidated cash flow statement (cont'd)

for the year ended 31st December, 2003

	2003 RM	Restated 2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of a subsidiary company, net of cash acquired (Note 24(a)(iii))	-	-
Proceeds from disposal of property, plant and equipment	422,641	280,015
Purchase of property, plant and equipment	(23,735,247)	(46,481,338)
Pre-operating expenses incurred	(130,585)	-
Net cash used in investing activities	(23,443,191)	(46,201,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of hire purchase liabilities	(69,227)	(69,227)
Term loans repaid	-	(14,257,171)
Dividends paid to shareholders of the Company	(8,401,461)	(8,401,461)
Dividends paid to minority shareholders of subsidiary companies	(570,000)	(917,917)
Net increase in other bank borrowings	6,429,478	68,876,340
Net cash (used in)/from financing activities	(2,611,210)	45,230,564
NET DECREASE IN CASH AND CASH EQUIVALENTS	(833,190)	(16,345,059)
Cash and cash equivalents at beginning of year	29,347,254	45,878,846
Foreign currency exchange differences on opening balances	(212,191)	(186,533)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	28,301,873	29,347,254

The annexed notes form an integral part of, and should read in conjunction with, this statement.

income statement

for the year ended 31st December, 2003

	NOTE	2003 RM	Restated 2002 RM
REVENUE	3(r)	183,924,656	163,703,960
COST OF SALES		(158,172,928)	(129,202,295)
GROSS PROFIT		25,751,728	34,501,665
OTHER OPERATING INCOME		4,323,593	4,786,110
SELLING AND DISTRIBUTION EXPENSES		(9,375,699)	(9,280,558)
ADMINISTRATION EXPENSES		(9,698,334)	(8,188,639)
OTHER OPERATING EXPENSES		(8,497,994)	(6,704,734)
OPERATING PROFIT		2,503,294	15,113,844
FINANCE COST		(1,174,871)	(211,355)
PROFIT BEFORE TAXATION	4	1,328,423	14,902,489
TAXATION	6	(2,041,680)	(6,505,181)
NET (LOSS)/PROFIT FOR THE YEAR		(713,257)	8,397,308
(LOSS)/EARNINGS PER SHARE (SEN) - BASIC	7	(0.85)	10.00
NET DIVIDEND PER SHARE (SEN)	8	7.20	10.00
			(Tax Exempt)

The annexed notes form an integral part of, and should read in conjunction with, this statement.

balance sheet

as at 31st December, 2003

	NOTE	2003 RM	Restated 2002 RM
SHARE CAPITAL	9	84,014,606	84,014,606
RESERVES	10	224,486,202	233,600,920
TOTAL CAPITAL AND RESERVES		308,500,808	317,615,526
DEFERRED TAX LIABILITIES	11	6,226,025	6,013,435
		314,726,833	323,628,961
Represented by :-			
PROPERTY, PLANT AND EQUIPMENT	14	74,727,783	72,100,792
SUBSIDIARY COMPANIES	15	189,070,866	134,270,864
INVESTMENTS	17	2,652,448	5,150,442
CURRENT ASSETS			
Inventories	18	76,028,165	57,313,482
Trade and other receivables	19	90,909,048	137,907,072
Tax recoverable		3,177,510	-
Deposits, cash and bank balances	20	955,947	3,056,874
		171,070,670	198,277,428
CURRENT LIABILITIES			
Trade and other payables	21	36,976,084	11,341,531
Bank borrowings	22	85,818,850	74,100,806
Tax payable		-	728,228
		122,794,934	86,170,565
NET CURRENT ASSETS		48,275,736	112,106,863
		314,726,833	323,628,961

The annexed notes form an integral part of, and should read in conjunction with, this statement.

statement of changes in equity

for the year ended 31st December, 2003

	Note	Share capital RM	Share premium RM	Capital reserves RM	Retained profit RM	Total RM
Balance at 1st January, 2002						
- as previously reported		84,014,606	41,686,650	26,369,308	169,952,311	322,022,875
- effect of adoption of MASB 25	23	-	-	(7,058,661)	2,655,465	(4,403,196)
- as restated		84,014,606	41,686,650	19,310,647	172,607,776	317,619,679
Net profit for the year						
- as previously reported		-	-	-	8,257,547	8,257,547
- effect of adoption of MASB 25	23	-	-	-	139,761	139,761
- as restated		-	-	-	8,397,308	8,397,308
Dividend paid for the year ended 31st December, 2001	8	-	-	-	(8,401,461)	(8,401,461)
Balance at 31st December, 2002		<u>84,014,606</u>	<u>41,686,650</u>	<u>19,310,647</u>	<u>172,603,623</u>	<u>317,615,526</u>
Balance at 1st January, 2003						
- as previously reported		84,014,606	41,686,650	26,369,308	169,808,397	321,878,961
- effect of adoption of MASB 25	23	-	-	(7,058,661)	2,795,226	(4,263,435)
- as restated		84,014,606	41,686,650	19,310,647	172,603,623	317,615,526
Net loss for the year		-	-	-	(713,257)	(713,257)
Dividend paid for the year ended 31st December, 2002	8	-	-	-	(8,401,461)	(8,401,461)
Balance at 31st December, 2003		<u>84,014,606</u>	<u>41,686,650</u>	<u>19,310,647</u>	<u>163,488,905</u>	<u>308,500,808</u>

The annexed notes form an integral part of, and should read in conjunction with, this statement.

cash flow statement

for the year ended 31st December, 2003

	2003 RM	2002 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,328,423	14,902,489
Adjustments for :-		
Depreciation	6,297,751	5,529,530
Interest expenses	2,609,601	1,951,761
Allowance for impairment of investment in subsidiary companies	6,000,000	6,700,000
Allowance for diminution in value of quoted investment	(2,006)	2,229
Allowance for diminution in value of unquoted investment	2,500,000	-
Property, plant and equipment written off	-	2,505
Allowance for doubtful debts	102,643	502,451
Bad debts written off	44,567	54,981
Interest income	(87,531)	(587,705)
Gain on disposal of property, plant and equipment	(30,371)	(80,546)
Dividend income	(1,330,000)	(1,362,500)
Operating profit before working capital changes	17,433,077	27,615,195
Decrease/(Increase) in subsidiary companies' balances	10,628,955	(29,433,324)
Increase in inventories	(18,714,683)	(31,280,648)
Decrease in trade and other receivables	930,774	16,027,062
Increase/(Decrease) in trade and other payables	1,455,638	(589,969)
Cash generated from/(utilised in) operations	11,733,761	(17,661,684)
Dividends from subsidiary companies	-	1,362,500
Interest received	87,531	979,278
Interest paid	(2,609,601)	(1,951,761)
Taxation paid	(5,734,828)	(7,114,537)
Net cash from/(used in) operating activities	3,476,863	(24,386,204)

The annexed notes form an integral part of, and should read in conjunction with, this statement.

cash flow statement (cont'd)

for the year ended 31st December, 2003

	2003 RM	2002 RM
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	33,000	81,130
Purchase of property, plant and equipment	(8,927,371)	(4,771,532)
Acquisition of shares in a subsidiary company (Note 24 (a))	(2)	-
Net cash used in investing activities	(8,894,373)	(4,690,402)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders of the Company	(8,401,461)	(8,401,461)
Net increase in other bank borrowings	12,676,553	15,302,066
Net cash from financing activities	4,275,092	6,900,605
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,142,418)	(22,176,001)
Cash and cash equivalents at beginning of year	1,703,134	23,879,135
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)	560,716	1,703,134

The annexed notes form an integral part of, and should read in conjunction with, this statement.

notes to the financial statements

as at 31st December, 2003

1. GENERAL INFORMATION

Malayan Flour Mills Berhad is a public company limited by shares, incorporated and domiciled in Malaysia. The Company is listed on the Main Board of the Bursa Malaysia Securities Berhad.

Its registered office and principal place of business is located at 10th Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.

The principal activities of the Company are to carry on the business of milling and selling wheat flour together with its allied products. The principal activities of the subsidiary companies are detailed in Note 15 below.

The financial statements are denominated in Ringgit Malaysia.

The financial statements were authorised for issue by the Board of Directors on 16th April, 2004.

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

- (a) A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include cash and bank balances, trade and other receivables, deposits with licensed banks and investments.

Financial liabilities of the Group include trade and other payables and bank borrowings.

In respect of the Company, financial assets and liabilities also included amount owing by and owing to subsidiary companies respectively.

- (b) The Group's financial instruments are subject to a variety of financial risks including currency risk, interest rate risk, credit risk, market risk, liquidity and cash flow risks.

The Group's overall financial risk management objective is to seek to address and control the risks to which the Group is exposed and to minimise or avoid the incidence of loss that may result from its exposure to such risks and to enhance returns where appropriate.

The Board is primarily responsible for the management of these risks and to formulate policies and procedures for the management thereof. The risks are managed by regular risk reviews, internal control systems, on-going formulation and adherence to financial risk policies and mitigated by insurance coverage where appropriate.

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk mainly due to its substantial purchases of raw materials from overseas suppliers that are denominated in a currency other than Ringgit Malaysia (RM). These purchases are denominated primarily in United States Dollar (USD).

Since 1st September, 1998, the USD is pegged by the Malaysian authorities to Ringgit Malaysia at USD1.00 to RM3.80 to provide a stable rate of exchange.

With the peg, the Group's exposure to the risk of fluctuation in RM/USD exchange rates is minimised. In view of the minimal risk, the Group does not enter into foreign currency forward contracts as a means of hedging against such risk.

The Group does not hedge nor speculate in foreign currency derivatives.

notes to the financial statements (cont'd)

as at 31st December, 2003

2. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (cont'd)

(ii) Interest Rate Risk

The Group has interest rate risks in respect of its borrowings and deposits with licensed banks.

The Group's bank borrowings are subject to interest based on floating rates while hire purchase financing and interest bearing deposits are based on fixed rates.

Market interest rates movements are monitored with the view to ensuring that the most competitive rates are secured and where appropriate borrowing arrangements and interest bearing deposits are restructured or reduced.

(iii) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade receivables.

Credit risk is addressed by a Credit Committee that sets policies, carries out evaluation and institutes mitigating actions.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

(iv) Market Risk

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market prices.

The Group has an investment in Shanghai Malayan Flour & Foods Co. Ltd., a foreign corporation registered in the People's Republic of China. This investment is held for long term and the Group monitors the performance of this corporation through Board representation.

(v) Liquidity and Cash Flow Risks

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

Liquidity and cash flow risks are addressed by annual and continuous review and forward planning of cash flow in relation to business plans to ensure a balanced and prudent portfolio of cash and other liquid assets and credit facilities is maintained. The proper management of currency, interest rate and credit risks have the effect of further minimising the incidence and effects of liquidity and cash flow risks.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous year except for the adoption of the following Standards of the Malaysian Accounting Standards Board (MASB) which became effective during the year :-

- (i) MASB 25, Income Taxes;
- (ii) MASB 27, Borrowing Costs;
- (iii) MASB 28, Discontinuing Operations; and
- (iv) MASB 29, Employee Benefits.

The effects of adopting MASB 25 and MASB 29 are disclosed in Note 23 to the financial statements. The adoption of MASB 27 and MASB 28 do not give rise to any adjustments to the opening balances of retained profit of the prior and current year or to changes in comparatives.

(a) Basis of Preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with applicable approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to the balance sheet date.

Subsidiary companies are those companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiary companies are consolidated using the acquisition method of accounting. Under the acquisition method, the results of subsidiary companies acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or to the date of disposal. At the date of acquisition, the fair values of the net assets of the subsidiary companies are determined and the fair values are reflected in the consolidated financial statements.

Intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation unless cost cannot be recovered. The consolidated financial statements reflect external transactions and balances only.

(c) Goodwill on Consolidation

The excess of the cost of acquisition of subsidiary companies over the fair values of the net assets acquired is taken up as goodwill on consolidation.

Where the fair values of net assets acquired exceeds the cost of acquisition, the surplus arising is taken up as negative goodwill on consolidation.

Goodwill or negative goodwill on consolidation is amortised or written off based on reviews by the Directors.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Associated Companies

Associated companies are those companies in which the Group has long term equity interest and where the Group exercises significant influence but not control over the financial and operating policies of those companies.

Investments in associated companies are accounted for in the consolidated financial statements by the equity method of accounting. Under the equity method of accounting, the Group's share of profit less losses of the associated companies is included in the consolidated income statement based on the latest audited financial statements of the associated companies and the Group's share of post-acquisition retained profit and reserves less losses is added to the cost of investment in the consolidated balance sheet. Equity accounting is discontinued when a nil carrying value of the investment in an associated company is reached unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gain on transactions between the Group and the associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are eliminated unless the cost cannot be recovered.

The difference between the cost of acquisition and the fair value of net assets acquired is reflected as goodwill or discount on acquisition. Goodwill or discount on acquisition of associated companies is amortised or written off based on reviews by the Directors.

(e) Investments

(i) Investments in Subsidiary Companies and Associated Companies

Investments in subsidiary companies and associated companies are stated at cost less impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

(ii) Other Investments

Other investments held for long term are stated at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses except for certain properties which are carried at their 1983 valuation less accumulated depreciation.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Property, Plant and Equipment and Depreciation (cont'd)

The Company does not adopt a policy of revaluation and has applied the transitional provisions issued by the Malaysian Accounting Standards Board upon adoption of the International Accounting Standard No. 16 (Revised) whereby the previous revaluation of certain properties in 1983 less accumulated depreciation may be retained as the carrying amount with continuity in the depreciation policy.

Freehold land is not amortised. Leasehold land is amortised over the period of the respective leases ranging from 30 to 99 years. All other property, plant and equipment are depreciated on the straight line basis so as to write off the cost or valuation of the assets over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use.

The principal annual rates used are :-

Buildings	2 - 10 %
Jetty	2 %
Plant, machinery, fixtures and equipment	5 - 25 %
Motor vehicles and boats	5 - 20 %

Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost of manufacturing and trading inventories is determined on the weighted average cost basis. For finished goods and semi-processed goods, cost consists of materials, direct labour and an appropriate proportion of production overheads.

Cost of broiler inventories consists of the original purchase price of day-old chicks plus all growing costs. Growing costs include cost of feeds, direct labour and an appropriate portion of farm overheads.

Cost of hatching eggs includes cost of direct materials, direct labour and a proportion of overhead cost.

Poultry parent inventories are stated at cost less depreciation which is calculated to write down the cost over the estimated economic egg-laying lives of the parent stocks. Costs consist of the original purchase prices of breeder birds plus a proportion of assigned growing costs. Assigned growing costs include cost of feeds, direct labour and an appropriate portion of farm overheads.

Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Trade and Other Receivables

Trade and other receivables are carried at anticipated realisable value. Bad debts are written off as and when ascertained and allowance is made for any debts considered to be doubtful of collection.

(i) Trade and Other Payables

Trade and other payables are stated at cost.

(j) Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(k) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, production and preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

(l) Taxation

Tax expense/(income) is the aggregate amount of current and deferred tax included in the determination of net profit or loss for the year.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method on temporary differences at balance sheet date between the carrying amounts of assets and liabilities and the amounts used for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(m) Employee Benefits****(i) Short-Term Employee Benefits**

Wages, salaries and social security contributions, paid annual and sick leave, bonuses and non-monetary benefits are recognised as an expense or included in the costs of assets, where applicable, in the period in which the associated services are rendered by employees of the Group.

(ii) Post-Employment Benefits**(a) Defined Contribution Plans**

Defined contribution plans are post-employment benefits plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in the income statement in the period to which the contributions relate or included in the costs of assets, where applicable.

(b) Defined Benefit Plans

Defined benefit plans are post-employment benefits plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

A subsidiary operates an unfunded defined benefit final salary plan for eligible employees.

The liability recognised is the net total of the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised actuarial gains or losses and unrecognised past service cost. The present value of the defined benefit obligations is determined on a triennial basis by actuarial valuations using the Projected Unit Credit Method, whereby the amount of benefit that employees have earned in return for their services in the current and prior periods are estimated.

Actuarial gains or losses arise from experience adjustments or changes in actuarial assumptions. When the net cumulative unrecognised actuarial gains or losses exceed 10% of the present value of the defined benefit obligation, such excess amount of gains or losses are recognised as income or expense over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognised on a straight line basis over the average period until the benefits become vested or to the extent that the benefits are already vested following the introduction of, or changes to, the defined benefit plan, the past service cost is recognised immediately.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(n) Foreign Currencies**

Transactions in foreign currencies are converted into Ringgit Malaysia at exchange rates ruling at the transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the income statement.

For consolidation purposes, financial statements in foreign currencies are translated into Ringgit Malaysia at the rates of exchange ruling at the balance sheet date. The translation differences arising therefrom are taken to reserves.

The closing rates as at balance sheet date used for principal foreign currency translations are as follows :-

	2003 RM	2002 RM
1 Singapore Dollar (SGD)	2.22	2.19
1 United States Dollar (USD)	3.80	3.80
1000 Vietnamese Dong (VND)	0.24	0.25

(o) Impairment of Assets

The carrying amounts of non current assets (other than deferred tax assets and other investments) are reviewed for impairment at each balance sheet date. Impairment losses are provided when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and its value in use which is measured by reference to discounted future cash flows.

An impairment loss is charged to the income statement unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised directly against the revaluation surplus account for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

An impairment loss is only reversed to the extent of previously recognised impairment losses on an asset. All reversals of an impairment loss is credited to the income statement unless the asset is carried at revalued amount where the reversal is recognised directly to the revaluation surplus account of the same asset.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

(i) Assets Acquired under Hire Purchase and Finance Lease Arrangements

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of the fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are charged to income statement over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 3(f) above.

(ii) Operating Lease

Operating lease payments are recognised as expenses in the income statement on a straight line basis over the period of the relevant leases.

(q) Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared on or before the balance sheet date are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

(r) Revenue

Revenue from sale of goods is recognised upon the transfer of risks and rewards of ownership to the buyer of the goods, based on invoiced value, net of discounts and returns.

Revenue from services is recognised upon rendering of services.

Rental income is recognised on an accrual basis over the period of tenancy.

Interest income is recognised on an accrual basis.

notes to the financial statements (cont'd)

as at 31st December, 2003

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Revenue (cont'd)

Dividend income is recognised when the right to receive payment has been established.

Jetty income is recognised based on the length of stay of vessel and at contractual rates.

Group revenue are stated net of all intra-group transactions.

(s) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash and bank balances, deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method.

(t) Financial Instruments

Financial instruments are recognised when a contractual relationship has been established.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as expense or income and distributions in respect of financial instruments classified as equity are charged to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group's accounting policies and methods adopted in respect of each class of financial instruments and further information thereof are disclosed in the individual accounting policy statements or notes to the financial statements associated with those financial instruments.

notes to the financial statements (cont'd)

as at 31st December, 2003

4. PROFIT BEFORE TAXATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Profit before taxation is stated after charging :-				
Auditors' remuneration				
- current year	180,419	169,508	34,000	34,000
- underprovision in prior year	2,000	-	-	-
Depreciation	21,324,456	19,755,763	6,297,751	5,529,530
Directors' emoluments	2,284,272	2,619,692	1,244,875	1,539,253
Directors' fees	360,366	241,319	220,273	195,069
Interest expenses included in :				
- finance costs	1,765,120	580,118	1,174,871	211,355
- cost of sales	3,274,566	5,251,107	1,434,730	1,740,406
Rental of land and buildings	2,000,560	1,577,822	549,996	375,402
Retirement benefits	37,955	35,027	-	-
Bad debts written off	187,959	54,981	44,567	54,981
Allowance for doubtful debts	1,012,643	1,615,174	102,643	502,451
Allowance for diminution in value of quoted investment	(2,006)	2,229	(2,006)	2,229
Allowance for obsolete inventories	232,541	-	-	-
Inventories written off	152,249	80,744	-	-
Project expenses written off	318,865	-	-	-
Property, plant and equipment written off	19,139	22,968	-	2,505
Hire purchase interest	10,933	10,933	-	-
Loss on foreign currency exchange :				
- realised	987,083	718,853	15,098	4,496
- unrealised	223,335	169,288	-	-
Goodwill written off	21,257	-	-	-
Pre-operating expenses written off	130,585	-	-	-
Exceptional items :-				
Allowance for impairment of :				
- property, plant and equipment	1,947,261	2,531,104	-	-
- subsidiary companies	-	-	6,000,000	6,700,000
Allowance for diminution in value of unquoted investment	2,500,000	-	2,500,000	-
Loss arising from damaged inventories	2,540,004	-	-	-
Estimated value of benefits-in-kind of Directors	73,700	54,379	43,200	32,979

notes to the financial statements (cont'd)

as at 31st December, 2003

4. PROFIT BEFORE TAXATION (cont'd)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
and crediting :-				
Dividends from :				
- subsidiary companies (tax exempt)	-	-	1,330,000	1,362,500
- others	250	250	-	-
Gain on disposal of property, plant and equipment	88,287	117,018	30,371	80,546
Interest income	792,424	776,651	87,531	587,705
Jetty income	869,432	853,208	869,432	853,208
Rental income	2,132,228	1,101,429	1,846,013	1,849,681
Gain on foreign currency exchange :				
- realised	18,585	219,144	-	-
- unrealised	147,738	-	-	-

5. EMPLOYEES INFORMATION

	Group		Company	
	2003 RM	Restated 2002 RM	2003 RM	2002 RM
Staff costs :-				
Salaries, wages, bonuses, allowances and leave pay	44,468,924	42,695,931	12,509,793	11,620,133
Amount contributed under defined contribution plan :				
- Employees Provident Fund (EPF)	5,002,087	4,630,172	1,897,348	1,585,669
Defined benefit plan	37,955	35,027	-	-
Others	2,780,597	2,358,303	862,957	668,925
	52,289,563	49,719,433	15,270,098	13,874,727

The number of employees of the Group and the Company at end of the financial year were 2,575 (2002 : 2,352) and 443 (2002 : 444) respectively.

notes to the financial statements (cont'd)

as at 31st December, 2003

6. TAXATION

	Group		Company	
	2003 RM	Restated 2002 RM	2003 RM	Restated 2002 RM
Current year tax expense :				
- Malaysian income tax	(2,474,890)	(5,935,300)	(1,872,890)	(5,800,000)
- foreign tax	(1,066,050)	(860,175)	-	-
	(3,540,940)	(6,795,475)	(1,872,890)	(5,800,000)
Deferred tax (expense)/income resulting from the origination and reversal of temporary differences	(930,000)	915,967	(263,529)	39,513
	(4,470,940)	(5,879,508)	(2,136,419)	(5,760,487)
Current taxation over/(under) provided in prior years :				
- Malaysian income tax	512,037	(577,654)	43,800	(636,942)
- foreign tax	(26,254)	-	-	-
Deferred tax over/(under) provided in prior years :				
- Malaysian income tax	50,939	(107,752)	50,939	(107,752)
	(3,934,218)	(6,564,914)	(2,041,680)	(6,505,181)

- (a) The general income tax rate in Malaysia is 28% of taxable income. During the year, the income tax rate for the first RM100,000 of taxable income in respect of companies with issued capital of not exceeding RM2,500,000 was reduced to 20% and the rate for taxable income in excess of RM100,000 remained at 28%.

Taxation for foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

notes to the financial statements (cont'd)

as at 31st December, 2003

6. TAXATION (cont'd)

(b) A reconciliation of tax expense applicable to profit before taxation at the applicable statutory tax rate to the tax expense at the effective tax rate of the Group and Company is as follows :-

	Group		Company	
	2003 RM	Restated 2002 RM	2003 RM	Restated 2002 RM
Profit before taxation	8,634,206	18,652,938	1,328,423	14,902,489
Taxation at the rate of 28% (2002 : 28%)	2,417,578	5,222,823	371,958	4,172,697
Tax savings of 8% on profit at the rate of 20% (2002 : Nil)	(8,000)	-	-	-
Net taxation at applicable tax rates	2,409,578	5,222,823	371,958	4,172,697
Tax effect in respect of :-				
Different tax rates in foreign jurisdictions	(467,000)	(1,396,765)	-	-
Income not subject to tax	(41,024)	(16,079)	(375,218)	(396,593)
Expenses not deductible for taxation purposes	2,153,618	1,031,052	3,005,275	2,313,726
Double deduction of expenses	(95,597)	(133,809)	(55,620)	(65,818)
Tax savings arising from utilisation of previously unrecognised unabsorbed reinvestment allowances	(912,762)	(268,922)	(809,976)	(263,525)
Tax savings arising from utilisation of previously unrecognised unabsorbed tax losses and deductible temporary differences	(529,754)	(751,475)	-	-
Deferred tax assets not recognised	1,953,881	2,192,683	-	-
Taxation (over)/under provided in prior years :				
- current tax expense	(485,783)	577,654	(43,800)	636,942
- deferred taxation	(50,939)	107,752	(50,939)	107,752
	<u>3,934,218</u>	<u>6,564,914</u>	<u>2,041,680</u>	<u>6,505,181</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

6. TAXATION (cont'd)

- (c) The following are estimated unabsorbed tax losses and unutilised capital allowances which are available for set-off against future taxable income :-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Unabsorbed tax losses	40,834,192	37,111,310	-	-
Unutilised capital allowances	52,932,506	52,772,900	-	-
	93,766,698	89,884,210	-	-
Estimated tax effect at 28% thereon	26,254,675	25,167,579	-	-

7. EARNINGS/(LOSS) PER SHARE**(a) Basic**

The basic earnings/(loss) per share is calculated on the Group's profit after taxation and minority interest of RM4,368,742 (2002 : RM10,732,247) and the Company's loss after taxation of RM713,257 (2002 : RM8,397,308) and is based on the issued share capital of 84,014,606 (2002 : 84,014,606) ordinary shares.

Previously, the comparative basic earnings per share of the Group and of the Company were stated as 11.92 sen and 9.83sen respectively. These were restated due to the restatement of results arising from the change in accounting policies as disclosed in Note 23 to the financial statements.

(b) Diluted

The number of convertible warrants issued by the Company for the year ended 31st December, 2003 is 41,985,394 (2002 : 41,985,394) (see Note 9.2). The warrants confer the right to the holders to subscribe to one ordinary share of RM1.00 each for every warrant held at the exercise price of RM3.39. The average transacted price of the ordinary share for 2003 was RM1.80 (2002 : RM1.91) per share.

As the exercise price exceeded the fair value (average transacted price) for 2002 and 2003, the assumed conversion of the warrants to ordinary shares is anti-dilutive for both the years.

notes to the financial statements (cont'd)

as at 31st December, 2003

8. DIVIDEND

	Group and Company	
	2003	2002
	RM	RM
First and final dividend :-		
10 sen per ordinary share less tax at 28%		
(2002 : 10 sen, tax exempt)	<u>6,049,052</u>	<u>8,401,461</u>

A first and final dividend in respect of the current year ended 31st December, 2003 of 10 sen per ordinary share less tax at 28% amounting to RM6,049,052 will be proposed for shareholders' approval at the forthcoming Annual General Meeting. The financial statements for the current year do not reflect this proposed dividend. If approved by the shareholders, the dividend will be accounted for in the shareholders' equity as an appropriation of retained profit in the next financial year ending 31st December, 2004.

9. SHARE CAPITAL

	Group and Company	
	2003	2002
	RM	RM
9.1 Share capital		
Authorised :-		
200,000,000 ordinary shares of RM1.00 each	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid :-		
84,014,606 ordinary shares of RM1.00 each	<u>84,014,606</u>	<u>84,014,606</u>
9.2 Warrants		
	Group and Company	
	2003	2002
	No.	No.
At beginning and end of year	<u>41,985,394</u>	<u>41,985,394</u>

A total of 42,000,000 warrants were issued by the Company on 31st July, 1995 in connection with the issue of RM100,000,000 nominal amount of 5% Redeemable Bank Guaranteed Bonds 1995/2000.

The warrants are constituted by a deed poll dated 26th July, 1995 and three supplemental deed poll dated 11th September, 1995, 23rd May, 1997 and 17th August, 1999 respectively.

The warrants are listed on the Main Board of the Kuala Lumpur Stock Exchange and confer the right to holders thereof at any time, not later than the maturity date, to subscribe for one new ordinary share of RM1.00 each in the Company for every warrant held at an exercise price, to be paid in cash, of RM3.39 per share or as adjusted in certain circumstances as set out in the Deeds constituting the warrants.

notes to the financial statements (cont'd)

as at 31st December, 2003

9. SHARE CAPITAL (cont'd)

On 1st March, 1999 the Company obtained approval from the Securities Commission to extend the original maturity date of 30th January, 2000 by another 5 years to 30th January, 2005. This extension was approved by the shareholders and warrant holders of the Company on 5th August, 1999.

10. RESERVES

	Group		Company	
	2003	Restated	2003	Restated
	RM	2002	RM	2002
	RM	RM	RM	RM
Capital Reserves - surplus on revaluation of property, plant and equipment in 1983	19,310,647	19,310,647	19,310,647	19,310,647
Share premium	41,686,650	41,686,650	41,686,650	41,686,650
Exchange translation difference	(249,108)	1,116,392	-	-
Retained profit	138,073,819	142,106,538	163,488,905	172,603,623
	<u>198,822,008</u>	<u>204,220,227</u>	<u>224,486,202</u>	<u>233,600,920</u>

- (i) With the exception of retained profit, all other reserves are not distributable by way of dividends in cash.
- (ii) The Company has an estimated Section 108 tax credit under the Malaysian Income Tax Act, 1967 of RM74,149,000 (2002 : RM68,770,000) which, subject to agreement with the Malaysian tax authorities, is available to frank the payment of dividends out of its retained profit as at year end, in full.
- (iii) The Company has tax exempt income of approximately RM29,684,000 (2002 : RM25,851,000) which, subject to agreement with the Malaysian tax authorities and the availability of profits, is distributable by way of tax exempt dividend.

notes to the financial statements (cont'd)

as at 31st December, 2003

11. DEFERRED TAXATION

	Group		Company	
	2003 RM	Restated 2002 RM	2003 RM	Restated 2002 RM
At beginning of year	3,053,171	3,861,386	6,013,435	5,945,196
Recognised in the income statement (Note 6)	879,061	(808,215)	212,590	68,239
At end of year	3,932,232	3,053,171	6,226,025	6,013,435
Presented after appropriate offsetting as follows :-				
Deferred tax assets	(2,695,293)	(3,167,264)	-	-
Deferred tax liabilities	6,627,525	6,220,435	6,226,025	6,013,435
	3,932,232	3,053,171	6,226,025	6,013,435

(a) The components and movements of deferred tax liabilities and assets during the year prior to offsetting are as follows :-

2003			
Deferred Tax Liabilities of the Group			
	Restated Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Excess of capital allowances over depreciation	10,621,178	16,041	10,637,219
Revaluation of property, plant and equipment	4,263,435	(139,761)	4,123,674
	14,884,613	(123,720)	14,760,893

notes to the financial statements (cont'd)

as at 31st December, 2003

11. DEFERRED TAXATION (cont'd)

Deferred Tax Assets of the Group			
	Restated Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Unabsorbed tax losses	(96,474)	(84,168)	(180,642)
Unutilised capital allowances	(8,984,198)	1,152,444	(7,831,754)
Other deductible temporary differences	(2,750,770)	(65,495)	(2,816,265)
	<u>(11,831,442)</u>	<u>1,002,781</u>	<u>(10,828,661)</u>
Deferred Tax Liabilities of the Company			
	Restated Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Excess of capital allowances over depreciation	2,450,000	380,396	2,830,396
Revaluation of property, plant and equipment	4,263,435	(139,761)	4,123,674
	<u>6,713,435</u>	<u>240,635</u>	<u>6,954,070</u>
Deferred Tax Assets of the Company			
	Balance at 1.1.2003 RM	Recognised in the income statement RM	Balance at 31.12.2003 RM
Deductible temporary differences	<u>(700,000)</u>	<u>(28,045)</u>	<u>(728,045)</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

11. DEFERRED TAXATION (cont'd)

2002 (Restated)			
Deferred Tax Liabilities of the Group			
	Balance at 1.1.2002 RM	Recognised in the income statement RM	Balance at 31.12.2002 RM
Excess of capital allowances over depreciation	9,982,620	638,558	10,621,178
Revaluation of property, plant and equipment	4,403,196	(139,761)	4,263,435
	<u>14,385,816</u>	<u>498,797</u>	<u>14,884,613</u>
Deferred Tax Assets of the Group			
	Balance at 1.1.2002 RM	Recognised in the income statement RM	Balance at 31.12.2002 RM
Unabsorbed tax losses	(103,360)	6,886	(96,474)
Unutilised capital allowances	(8,069,792)	(914,406)	(8,984,198)
Other deductible temporary differences	(2,351,278)	(399,492)	(2,750,770)
	<u>(10,524,430)</u>	<u>(1,307,012)</u>	<u>(11,831,442)</u>
Deferred Tax Liabilities of the Company			
	Balance at 1.1.2002 RM	Recognised in the income statement RM	Balance at 31.12.2002 RM
Excess of capital allowances over depreciation	2,102,000	348,000	2,450,000
Revaluation of property, plant and equipment	4,403,196	(139,761)	4,263,435
	<u>6,505,196</u>	<u>208,239</u>	<u>6,713,435</u>
Deferred Tax Assets of the Company			
	Balance at 1.1.2002 RM	Recognised in the income statement RM	Balance at 31.12.2002 RM
Deductible temporary differences	<u>(560,000)</u>	<u>(140,000)</u>	<u>(700,000)</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

11. DEFERRED TAXATION (cont'd)

- (b) The amount of deductible temporary differences and unabsorbed tax losses for which deferred tax assets have not been recognised in the financial statements are as follows :-

	2003 RM	Group 2002 RM
Unabsorbed tax losses	40,189,290	36,766,760
Unutilised capital allowances	24,961,923	20,687,116
Other deductible temporary differences	494,317	360,460
	<u>65,645,530</u>	<u>57,814,336</u>

The deductible temporary differences and unabsorbed tax losses are available for set off against future taxable profits of respective subsidiaries for an indefinite period except for the unabsorbed tax losses of approximately RM2,131,500 of a foreign subsidiary company which shall expire in 2008.

12. RETIREMENT BENEFITS

- (a) A subsidiary company operates an unfunded defined benefit plan for all eligible employees. The type of plan is a defined benefit final salary plan in which benefits are payable upon attaining the normal retirement age, death or retirement due to ill-health in respect of employees who have served continuously for a period of at least 5 years. The amount payable is calculated based on a scale of benefits that increases with the length of service.

The movements in the provision for retirement benefits during the year are as follows :-

	2003 RM	Group Restated 2002 RM
At beginning of year	263,237	260,549
Charged to income statement	37,955	35,027
	<u>301,192</u>	<u>295,576</u>
Benefits paid	(12,256)	(32,339)
At the end of year	<u>288,936</u>	<u>263,237</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

12. RETIREMENT BENEFITS (cont'd)

(b) The amount recognised in the Group's balance sheet represents the present value of the unfunded defined benefit obligations.

(c) The amount recognised as an expense in the Group's income statement can be analysed as follows :-

	Group	
	2003 RM	2002 RM
Current service cost	20,386	19,052
Interest cost	17,569	15,975
	<u>37,955</u>	<u>35,027</u>

(d) The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows :-

	Group	
	2003 %	2002 %
Discount rate	7	7
Future average salary increases	6	6

13. HIRE PURCHASE CREDITORS

	Group	
	2003 RM	2002 RM
Future minimum payments :-		
Payable within 1 year	33,309	80,160
Payable between 2 to 5 years	-	33,400
	<u>33,309</u>	<u>113,560</u>
Future finance charges	(4,465)	(15,488)
Present value	<u>28,844</u>	<u>98,072</u>
Payable :-		
Payable within 1 year (included under other payables - Note 21)	28,844	69,227
Payable between 2 to 5 years	-	28,845
	<u>28,844</u>	<u>98,072</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment of the Group and Company comprised :-

2003				
Group	Cost RM	Accumulated depreciation/ Accumulated impairment losses RM	Net book value RM	Depreciation charge/ Impairment losses RM
At cost :-				
Freehold land	1,715,424	-	1,715,424	-
Leasehold land :				
- Long lease	8,033,657	1,981,866	6,051,791	199,828
- Short lease	8,969,092	2,794,305	6,174,787	298,886
Buildings	180,037,579	57,862,696	122,174,883	5,795,348
Jetty	459,288	42,868	416,420	9,186
Plant, machinery, fixtures and equipment	239,897,009	177,644,599	62,252,410	13,711,187
Motor vehicles and boat	37,447,768	27,496,274	9,951,494	2,654,096
Capital work-in-progress	7,203,774	-	7,203,774	-
At valuation :-				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	620,103	1,443,389	24,888
Buildings	23,447,856	10,194,617	13,253,239	456,842
Jetty	6,072,795	2,468,773	3,604,022	121,456
	<u>518,921,885</u>	<u>281,106,101</u>	<u>237,815,784</u>	<u>23,271,717</u>
Company	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
At cost :-				
Freehold land	98,000	-	98,000	-
Long leasehold land	5,244,933	1,365,106	3,879,827	155,837
Buildings	50,231,997	13,777,756	36,454,241	1,250,286
Jetty	459,288	42,868	416,420	9,186
Plant, machinery, fixtures and equipment	65,983,419	59,560,824	6,422,595	3,382,046
Motor vehicles and boat	13,775,422	10,784,567	2,990,855	897,210
Capital work-in-progress	2,591,044	-	2,591,044	-
At valuation :-				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	620,103	1,443,389	24,888
Buildings	23,447,856	10,194,617	13,253,239	456,842
Jetty	6,072,795	2,468,773	3,604,022	121,456
	<u>173,542,397</u>	<u>98,814,614</u>	<u>74,727,783</u>	<u>6,297,751</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2002				
Group	Cost RM	Accumulated depreciation/ Accumulated impairment losses RM	Net book value RM	Depreciation charge/ Impairment losses RM
At cost :-				
Freehold land	1,715,424	-	1,715,424	-
Leasehold land :				
- Long lease	8,033,657	1,782,038	6,251,619	199,829
- Short lease	9,106,035	2,532,863	6,573,172	303,445
Buildings	155,325,566	52,145,808	103,179,758	4,851,348
Jetty	459,288	33,682	425,606	9,186
Plant, machinery, fixtures and equipment	213,069,088	165,618,087	47,451,001	13,789,819
Motor vehicles and boat	35,125,571	25,452,460	9,673,111	2,530,054
Capital work-in-progress	41,257,154	-	41,257,154	-
At valuation :-				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	595,215	1,468,277	24,888
Buildings	23,447,856	9,737,775	13,710,081	456,842
Jetty	6,072,795	2,347,317	3,725,478	121,456
	<u>499,250,077</u>	<u>260,245,245</u>	<u>239,004,832</u>	<u>22,286,867</u>
Company	Cost RM	Accumulated depreciation RM	Net book value RM	Depreciation charge RM
At cost :-				
Freehold land	98,000	-	98,000	-
Long leasehold land	5,244,933	1,209,269	4,035,664	155,837
Buildings	46,375,453	12,527,470	33,847,983	927,055
Jetty	459,288	33,682	425,606	9,186
Plant, machinery, fixtures and equipment	63,613,436	56,181,001	7,432,435	3,081,618
Motor vehicles and boat	12,139,012	10,003,698	2,135,314	752,648
Capital work-in-progress	1,647,803	-	1,647,803	-
At valuation :-				
Freehold land	3,574,151	-	3,574,151	-
Long leasehold land	2,063,492	595,215	1,468,277	24,888
Buildings	23,447,856	9,737,775	13,710,081	456,842
Jetty	6,072,795	2,347,317	3,725,478	121,456
	<u>164,736,219</u>	<u>92,635,427</u>	<u>72,100,792</u>	<u>5,529,530</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) The movements of property, plant and equipment during the year are as follows :-

2003 Group	Balance at 1.1.2003 RM	Additions RM	Disposals/ Reduction RM	Transfer RM	Net exchange differences RM	Balance at 31.12.2003 RM
Cost/Valuation						
At cost :-						
Freehold land	1,715,424	-	-	-	-	1,715,424
Leasehold land :						
- Long lease	8,033,657	-	-	-	-	8,033,657
- Short lease	9,106,035	-	-	-	(136,943)	8,969,092
Buildings	155,325,566	306,552	(10,469)	24,859,683	(443,753)	180,037,579
Jetty	459,288	-	-	-	-	459,288
Plant, machinery, fixtures and equipment	213,069,088	5,023,599	(1,611,141)	23,831,072	(415,609)	239,897,009
Motor vehicles and boat	35,125,571	2,345,576	(727,999)	828,177	(123,557)	37,447,768
Capital work-in-progress	41,257,154	16,059,520	-	(49,518,932)	(593,968)	7,203,774
At valuation :-						
Freehold land	3,574,151	-	-	-	-	3,574,151
Long leasehold land	2,063,492	-	-	-	-	2,063,492
Buildings	23,447,856	-	-	-	-	23,447,856
Jetty	6,072,795	-	-	-	-	6,072,795
	<u>499,250,077</u>	<u>23,735,247</u>	<u>(2,349,609)</u>	<u>-</u>	<u>(1,713,830)</u>	<u>518,921,885</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Accumulated depreciation and impairment losses

	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 1.1.2003 RM	Depreciation charge for the year RM	Written off / Deletions RM	Net exchange differences RM	Impairment losses for the year RM	Accumulated depreciation RM	Accumulated impairment losses RM	Balance at 31.12.2003 RM
Assets at cost:-										
Leasehold land :										
- Long lease	1,782,038	-	1,782,038	199,828	-	-	-	1,981,866	-	1,981,866
- Short lease	2,532,863	-	2,532,863	298,886	-	(37,444)	-	2,794,305	-	2,794,305
Buildings	52,145,808	-	52,145,808	5,484,175	(2,191)	(76,269)	311,173	57,551,523	311,173	57,862,696
Jetty	33,682	-	33,682	9,186	-	-	-	42,868	-	42,868
Plant, machinery, fixtures and equipment	153,968,798	11,649,289	165,618,087	12,075,219	(1,447,546)	(237,129)	1,635,968	164,407,013	13,237,586	177,644,599
Motor vehicles and boat	25,452,460	-	25,452,460	2,653,976	(546,379)	(63,903)	120	27,496,154	120	27,496,274
Assets at valuation:-										
Long leasehold land	595,215	-	595,215	24,888	-	-	-	620,103	-	620,103
Buildings	9,737,775	-	9,737,775	456,842	-	-	-	10,194,617	-	10,194,617
Jetty	2,347,317	-	2,347,317	121,456	-	-	-	2,468,773	-	2,468,773
	<u>248,595,956</u>	<u>11,649,289</u>	<u>260,245,245</u>	<u>21,324,456</u>	<u>(1,996,116)</u>	<u>(414,745)</u>	<u>1,947,261</u>	<u>267,557,222</u>	<u>13,548,879</u>	<u>281,106,101</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

2003					
Company	Balance at 1.1.2003 RM	Additions RM	Disposals/ Reduction RM	Transfers RM	Balance at 31.12.2003 RM
Cost/Valuation					
At cost :-					
Freehold land	98,000	-	-	-	98,000
Long leasehold land	5,244,933	-	-	-	5,244,933
Buildings	46,375,453	-	-	3,856,544	50,231,997
Jetty	459,288	-	-	-	459,288
Plant, machinery, fixtures and equipment	63,613,436	1,479,938	(4,850)	894,895	65,983,419
Motor vehicles and boat	12,139,012	1,752,753	(116,343)	-	13,775,422
Capital work-in-progress	1,647,803	5,694,680	-	(4,751,439)	2,591,044
At valuation :-					
Freehold land	3,574,151	-	-	-	3,574,151
Long leasehold land	2,063,492	-	-	-	2,063,492
Buildings	23,447,856	-	-	-	23,447,856
Jetty	6,072,795	-	-	-	6,072,795
	<u>164,736,219</u>	<u>8,927,371</u>	<u>(121,193)</u>	<u>-</u>	<u>173,542,397</u>
Company					
	Balance at 1.1.2003 RM	Charge for the year RM	Deletion RM	Balance at 31.12.2003 RM	
Accumulated depreciation					
Assets at cost :-					
Long leasehold land	1,209,269	155,837	-	1,365,106	
Buildings	12,527,470	1,250,286	-	13,777,756	
Jetty	33,682	9,186	-	42,868	
Plant, machinery, fixtures and equipment	56,181,001	3,382,046	(2,223)	59,560,824	
Motor vehicles and boat	10,003,698	897,210	(116,341)	10,784,567	
Assets at valuation :-					
Long leasehold land	595,215	24,888	-	620,103	
Buildings	9,737,775	456,842	-	10,194,617	
Jetty	2,347,317	121,456	-	2,468,773	
	<u>92,635,427</u>	<u>6,297,751</u>	<u>(118,564)</u>	<u>98,814,614</u>	

notes to the financial statements (cont'd)

as at 31st December, 2003

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

(c) Plant and equipment include the following assets acquired under hire purchase arrangement :-

Group	Cost RM	Accumulated depreciation RM	Net book value RM	Current depreciation RM
2003				
Motor vehicles	259,600	34,613	224,987	12,980
2002				
Motor vehicles	259,600	21,633	237,967	12,980

(d) The Company's land, buildings and jetty were revalued by the Directors on 1st January, 1983 based on valuation by independent professional valuers using the fair market value method.

In accordance with the transitional provisions issued by the Malaysian Accounting Standards Board in the adoption of International Accounting Standard No. 16 (Revised) - Property, Plant and Equipment, these assets are stated at their previously revalued amounts. The net carrying amounts of these assets as at balance sheet date had they been stated at their historical costs less depreciation are not disclosed as historical records are not available.

- (e) The Group's property, plant and equipment as at balance sheet date include an unused machinery of RM3,099,987 (VND12,537 million) at cost, owned by a foreign subsidiary which had been fully written down in the Group's financial statements for the year ended 2002.
- (f) During the year, a subsidiary company, Dindings Soya & Multifeeds Sdn Berhad wrote down the carrying value of its unused soya extraction plant from RM2,700,000 to RM1,191,900 (2002 : RM4,200,000 to RM2,700,000) based on the Directors' estimation of the net recoverable amount.
- (g) During the year, a subsidiary company, Dindings Broiler Breeder Farm Sdn Bhd has made a full allowance for impairment loss in respect of its unused farm buildings amounting to RM447,261 (2002 : RMNil).

15. SUBSIDIARY COMPANIES

	Company	
	2003 RM	2002 RM
Unquoted shares at cost	201,770,866	140,970,864
Less : Accumulated impairment losses	(12,700,000)	(6,700,000)
	189,070,866	134,270,864

notes to the financial statements (cont'd)

as at 31st December, 2003

15. SUBSIDIARY COMPANIES (cont'd)

The subsidiary companies, all of which are incorporated in Malaysia except as disclosed otherwise, comprise :-

Direct subsidiary company	Principal activities	Effective interest in equity	
		2003 %	2002 %
Dindings Soya & Multifeeds Sdn Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	60	60
Syarikat Pengangkutan Lumut Sdn Bhd	Transport management	100	100
Dindings Poultry Processing Sdn Bhd *	Processing and sale of poultry products	85	85
Dindings Broiler Breeder Farm Sdn Bhd	Breeding and sale of day-old chicks	100	100
MFM Feedmill Sdn Bhd	Manufacture and sale of animal feeds and sale of related raw materials	100	100
MFM Broiler Breeder Farm Sdn Bhd	Breeding of day-old chicks (dormant)	100	100
Dindings Poultry Development Centre Sdn Bhd	Poultry grow-out farm and training and research centre and letting of property	100	100
Semakin Dinamik Sdn Bhd	Breeding and sale of day-old-chicks and eggs	100	100
Vimaflour Ltd * (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	70	70
Muda Fibre Manufacturing Sdn Bhd	Manufacture and sale of polypropylene and polyethylene woven bags and its allied products	60	60
MFM Property Sdn Bhd	Property investment (dormant)	100	100
Accord Hotel Sdn Bhd	Hotel operation and management (dormant)	100	100

* Subsidiary companies not audited by Folks DFK & Co.

notes to the financial statements (cont'd)

as at 31st December, 2003

15. SUBSIDIARY COMPANIES (cont'd)

Direct subsidiary company	Principal activities	Effective interest in equity	
		2003 %	2002 %
Dindings Grand Parent Farm Sdn Bhd	Grandparent stock farm (dormant)	100	-
MFM International Ltd * (incorporated in British Virgin Islands)	Investment holding	100	100
Indirect subsidiary company			
Mekong Flour Mills Ltd * (incorporated in Vietnam)	Flour and feed milling	100	100

* Subsidiary companies not audited by Folks DFK & Co.

- (a) The impairment losses recognised represent the allowance made to adjust the carrying amounts of certain subsidiary companies to their estimated recoverable amounts. The recoverable amounts are estimated based on the projected future net cash flows of the subsidiary companies, discounted at the Group's expected rate of returns.
- (b) The financial statements of a foreign subsidiary company, Vimaflour Ltd ("Vimaflour") were qualified on an except for basis and the summarised details of the qualification are as follows:-

Included in property, plant and equipment is a Miag flour milling machine carried at the value of VND12,537 million (RM3,099,987). The company has not used the asset since acquiring it in a prior year (1996) and has not recorded any depreciation with respect thereto. The company has no plan for the future use of the asset and has not recorded any provision for impairment.

In consolidating Vimaflour financial statements, adjustments have been made to the Group's financial statements to recognise the impairment in value in full in the year 2002. Consequently this qualification does not apply to the Group.

notes to the financial statements (cont'd)

as at 31st December, 2003

16. ASSOCIATED COMPANY

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Unquoted shares at cost	2,800,000	2,800,000	-	-
Share of post-acquisition reserves less goodwill written off	(861,176)	(901,350)	-	-
	<u>1,938,824</u>	<u>1,898,650</u>	<u>-</u>	<u>-</u>

Associated company can be analysed as follows :-

	Group	
	2003 RM	2002 RM
Group's share of net assets	<u>1,938,824</u>	<u>1,898,650</u>

The details of the associated company are as follows :-

Name of company	Principal activities	Effective interest in equity	
		2003 %	2002 %
Fongcheng Enterprises Sendirian Berhad (incorporated in Malaysia)	Poultry merchant	<u>24</u>	<u>24</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

17. INVESTMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Quoted in Malaysia - shares at cost	114,000	114,000	107,000	107,000
Unquoted shares at cost				
- in Malaysia	60,000	60,000	60,000	60,000
- foreign	5,081,971	5,081,971	5,081,971	5,081,971
	5,255,971	5,255,971	5,248,971	5,248,971
Less : Allowance for diminution in value of :				
- quoted investment	(96,523)	(98,529)	(96,523)	(98,529)
- unquoted investment	(2,500,000)	-	(2,500,000)	-
	2,659,448	5,157,442	2,652,448	5,150,442
Market value of quoted shares	20,377	18,171	10,477	8,471

The foreign unquoted investment is represented by a 12% interest in the registered capital of Shanghai Malayan Flour & Foods Co. Ltd (SMFF), a foreign corporation registered in the People's Republic of China. The investment is held in United States Dollar.

18. INVENTORIES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost :-				
Raw materials	137,506,002	121,558,358	70,806,222	52,216,378
Semi-processed goods	1,585,910	2,568,058	-	-
Finished goods	17,746,258	22,053,538	2,546,588	2,374,873
Broilers, day-old chicks and hatching eggs	2,109,833	4,345,426	-	-
Consumables	9,587,952	9,598,752	2,675,355	2,722,231
	168,535,955	160,124,132	76,028,165	57,313,482
At cost less depreciation :-				
Poultry parent inventories	4,161,758	4,776,335	-	-
At net realisable value :-				
Raw materials	2,248	-	-	-
Semi-processed goods	225,625	-	-	-
Finished goods	4,668	-	-	-
	232,541	-	-	-
Allowance for old and slow moving inventories	(232,541)	-	-	-
	-	-	-	-
	172,697,713	164,900,467	76,028,165	57,313,482

notes to the financial statements (cont'd)

as at 31st December, 2003

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	100,111,786	97,215,175	30,479,428	30,635,893
Allowance for doubtful debts	(10,386,754)	(10,147,723)	(2,500,000)	(2,500,000)
	89,725,032	87,067,452	27,979,428	28,135,893
Amount owing by subsidiary companies	-	-	60,198,070	106,118,110
Other receivables, deposits and prepayments	11,967,438	19,810,060	2,943,061	3,761,937
Allowance for doubtful debts	(2,326,391)	(2,225,092)	(211,511)	(108,868)
	9,641,047	17,584,968	2,731,550	3,653,069
	99,366,079	104,652,420	90,909,048	137,907,072
The currency exposure profile of trade receivables is as follows :				
- Ringgit Malaysia	72,379,662	76,025,988	27,979,428	28,135,893
- VND	17,345,370	11,041,464	-	-
	89,725,032	87,067,452	27,979,428	28,135,893

- (a) The normal credit terms of trade receivables range from 30 to 60 days.
- (b) The Group has no significant concentration of credit risk.
- (c) The amount owing by subsidiary companies is unsecured, interest free and has no fixed terms of repayment.
- (d) Included under trade receivables of the Group as at 31st December, 2003 is an amount owing by an associated company, Fongcheng Enterprises Sendirian Berhad of RM4,491,092 (2002 : RM3,187,651).

notes to the financial statements (cont'd)

as at 31st December, 2003

20. DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits with licensed banks	12,568,615	7,570,632	190,998	2,039,732
Cash and bank balances	16,675,931	24,343,146	764,949	1,017,142
	<u>29,244,546</u>	<u>31,913,778</u>	<u>955,947</u>	<u>3,056,874</u>
The currency exposure profile of deposits, cash and bank balances is as follows :				
- Ringgit Malaysia	5,533,006	10,456,173	899,538	2,952,528
- USD	314,348	7,623,526	21,398	69,304
- SGD	35,011	35,042	35,011	35,042
- VND	23,362,181	13,799,037	-	-
	<u>29,244,546</u>	<u>31,913,778</u>	<u>955,947</u>	<u>3,056,874</u>

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade payables	21,001,195	17,833,785	3,315,362	2,638,263
Amount owing to subsidiary companies	-	-	29,557,610	5,378,695
Other payables and accruals	17,867,585	17,997,100	4,103,112	3,324,573
Hire purchase creditors (Note 13)	28,844	69,227	-	-
	<u>38,897,624</u>	<u>35,900,112</u>	<u>36,976,084</u>	<u>11,341,531</u>
The currency exposure profile of trade payables is as follows :				
- Ringgit Malaysia	15,789,610	14,985,763	3,315,362	2,638,263
- USD	696,610	-	-	-
- VND	4,514,975	2,848,022	-	-
	<u>21,001,195</u>	<u>17,833,785</u>	<u>3,315,362</u>	<u>2,638,263</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

21. TRADE AND OTHER PAYABLES (cont'd)

The amount owing to subsidiary companies is unsecured and has no fixed terms of repayment. The amount owing to subsidiary companies is interest free except for a balance of RM24,378,509 (2002 : RM5,047,770) as at 31st December, 2003 of which interest is charged at a rate of 3% (2002 : 3%) per annum.

22. BANK BORROWINGS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Bills payable	133,478,434	145,627,801	85,423,619	72,747,066
Bank overdrafts	942,673	2,566,524	395,231	1,353,740
Other short term loans	60,354,849	42,351,653	-	-
	<u>194,775,956</u>	<u>190,545,978</u>	<u>85,818,850</u>	<u>74,100,806</u>

(a) Bills payable, bank overdrafts and other short term loans are unsecured.

Interest on bills payable is calculated at rates ranging between 1.70% to 4.95% (2002 : 2.84% to 2.94%) per annum.

Interest on bank overdrafts is calculated at rates ranging from 3.70% to 9.00% (2002 : 7.40% to 7.90%) per annum.

Other short term loans relate to that of foreign subsidiaries and interests are payable at rates ranging from 2.10% to 9.00% (2002 : 2.40% to 8.40%) per annum.

(b) The currency exposure profile of other bank borrowings is as follows :-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Ringgit Malaysia	134,421,107	148,194,325	85,818,850	74,100,806
USD	59,117,309	32,986,516	-	-
VND	1,237,540	9,365,137	-	-
	<u>194,775,956</u>	<u>190,545,978</u>	<u>85,818,850</u>	<u>74,100,806</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

23. CHANGE IN ACCOUNTING POLICIES AND PRIOR YEAR ADJUSTMENTS**(a) Change in Accounting Policies**

During the year, the Group changed its accounting policies to comply with the new Malaysian Accounting Standards Board's Standards, MASB 25 - Income Taxes and MASB 29 - Employee Benefits. The change in accounting policies which resulted in prior year adjustments are discussed below.

(i) MASB 25, Income Taxes

Under MASB 25, deferred tax liabilities are recognised for all taxable temporary differences. Previously, deferred tax liabilities were provided for on account of timing differences only to the extent that a tax liability was expected to materialise in the foreseeable future. In addition, deferred tax assets are now recognised for all deductible temporary differences and unabsorbed tax losses when it is probable that sufficient taxable profit will be available against which the deductible temporary differences and unabsorbed tax losses can be utilised. Previously, deferred tax assets were not recognised unless there was reasonable expectation of their realisation.

(ii) MASB 29, Employee Benefits

Following the adoption of MASB 29, the obligations under defined benefit plan are determined using the Projected Unit Credit Method. Previously, the defined benefit obligations was calculated using the Attained Age Method instead of Projected Unit Credit Method.

(b) Prior Year Adjustments

The change in accounting policies due to the adoption of MASB 25 and MASB 29 have been accounted for retrospectively and have resulted in prior year adjustments. The effects on the current and comparative financial statements of the Group and of the Company are as follows :-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Effects on retained profit				
At 1st January, as previously reported	136,465,859	134,854,806	169,808,397	169,952,311
Effects of adopting :				
- MASB 25	5,661,300	4,934,951	2,795,226	2,655,465
- MASB 29	(20,621)	(14,005)	-	-
	5,640,679	4,920,946	2,795,226	2,655,465
At 1st January, as restated	142,106,538	139,775,752	172,603,623	172,607,776

notes to the financial statements (cont'd)

as at 31st December, 2003

23. CHANGE IN ACCOUNTING POLICY AND PRIOR YEAR ADJUSTMENT (cont'd)**(b) Prior Year Adjustments** (cont'd)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Effect on capital reserves				
At 1st January, as previously reported	26,369,308	26,369,308	26,369,308	26,369,308
Effect of adopting MASB 25	(7,058,661)	(7,058,661)	(7,058,661)	(7,058,661)
At 1st January, as restated	19,310,647	19,310,647	19,310,647	19,310,647
Effects on net profit for the year				
Net profit/(loss) before change in accounting policy/as previously reported	4,633,792	10,012,514	(853,018)	8,257,547
Effects of adopting :				
- MASB 25	(320,517)	726,349	139,761	139,761
- MASB 29	55,467	(6,616)	-	-
	(265,050)	719,733	139,761	139,761
Net profit/(loss) for the year	4,368,742	10,732,247	(713,257)	8,397,308

Other comparative amounts as at 31st December, 2002 have been restated as follows :-

	As previously reported RM	Effects of change in accounting policies RM	As restated RM
Group			
Minority interests	27,606,840	287,443	27,894,283
Deferred tax liabilities	1,957,000	4,263,435	6,220,435
Deferred tax assets	-	3,167,264	3,167,264
Retirement benefits	228,869	34,368	263,237
Company			
Deferred tax liabilities	1,750,000	4,263,435	6,013,435

notes to the financial statements (cont'd)

as at 31st December, 2003

24. ACQUISITION/SUBSCRIPTION OF SHARES IN SUBSIDIARY COMPANIES**(a) Acquisition of Shares in a Subsidiary Company**

During the financial year, the Company acquired 100% of the total issued and paid-up share capital of Dindings Grand Parent Farm Sdn Bhd (DGPF) for a total consideration of RM2.

- (i) The effect of the acquisition of DGPF on the financial results of the Group for the financial year ended 31st December, 2003 is as follows :-

	10 months ended 31.12.2003 RM
Net loss for the period	(11,994)

- (ii) The effect of the acquisition of DGPF on the financial position of the Group is as follows :-

	At 31.12.2003 RM
Receivables	25,372
Cash and bank balances	2
Payables	(58,623)
Decrease in Group's net assets	(33,249)

- (iii) Details of the fair value of net assets acquired, goodwill on consolidation and cash flows arising from the acquisition at the date of acquisition are as follows :-

	2003 RM
Receivables	25,372
Cash and bank balances	2
Payables	(46,629)
	(21,255)
Goodwill on consolidation	21,257
Total purchase consideration	2
Cash and cash equivalents of subsidiary acquired	(2)
Cash flow on acquisition, net of cash acquired	-

notes to the financial statements (cont'd)

as at 31st December, 2003

24. ACQUISITION/SUBSCRIPTION OF SHARES IN SUBSIDIARY COMPANIES (cont'd)**(b) Subscription of Shares in a Subsidiary Company**

During the financial year, the Company subscribed for an additional 16,000,000 shares of USD1.00 each in MFM International Ltd by way of conversion of advances of USD16,000,000 (RM60,800,000) made by the Company to MFM International Ltd for MFM International Ltd's investment in Mekong Flour Mills Ltd.

25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits, cash and bank balances (Note 20)	29,244,546	31,913,778	955,947	3,056,874
Bank overdrafts (Note 22)	(942,673)	(2,566,524)	(395,231)	(1,353,740)
	<u>28,301,873</u>	<u>29,347,254</u>	<u>560,716</u>	<u>1,703,134</u>

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**(a) Transactions with related companies :-**

	2003 RM	2002 RM
Freight and workshop services provided by a subsidiary :		
- to the Company	2,393,564	2,208,844
- to other subsidiaries	1,214,421	1,436,943
Hire of machinery and motor vehicles charged to subsidiaries	634,640	573,663
Interest charged by a subsidiary	460,359	113,632
Rental of premises :		
- charged to subsidiaries	334,623	388,623
- charged by a subsidiary	124,805	74,856
Supervision fee charged by a subsidiary	215,549	193,380
Sales to subsidiaries	32,955,055	11,976,146
Purchases from subsidiaries	2,604,499	3,427,079
Sales between subsidiaries	<u>129,545,391</u>	<u>128,447,675</u>

The above transactions are carried out in the normal course of business and are established under negotiated terms and conditions.

notes to the financial statements (cont'd)

as at 31st December, 2003

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

- (b) Transactions with an associated company, Fongcheng Enterprises Sendirian Berhad are carried out in the ordinary course of business and are established under negotiated terms and conditions.

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of feeds and day-old chicks	16,874,474	29,425,242	-	-

The balance due from Fongcheng Enterprises Sendirian Berhad is disclosed under Note 19(d).

- (c) Transactions with other related parties :-

The following transactions were entered into in the ordinary course of business and are established under negotiated terms with companies in which certain Directors, namely, Teh Liang Teik, Teh Wee Kok and Teh Wee Chye have substantial equity interest :-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of goods to :				
- Thye Nam Loong Sdn Bhd	-	6,831,135	-	3,491,622
Services rendered/hiring of lorries to :				
- Pembena Transport Sdn Bhd	75,550	60,000	-	-
- Indah Enterprise Sdn Bhd	50,400	18,000	-	-
	125,950	78,000	-	-
Freight services provided by :				
- Pembena Transport Sdn Bhd	-	794,406	-	67,731
- Indah Enterprise Sdn Bhd	-	498,489	-	97,988
	-	1,292,895	-	165,719

notes to the financial statements (cont'd)

as at 31st December, 2003

26. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

The balances due to or from the above related parties included in the financial statements are as follows:-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Amount included in :-				
Receivables :				
- Thye Nam Loong Sdn Bhd	-	1,204,765	-	278,756
- Pembena Transport Sdn Bhd	358,143	435,864	358,143	417,580
- Indah Enterprise Sdn Bhd	194,618	294,743	194,618	239,893
- Kitake Development Ltd.	-	836,701	-	836,701
Payables :				
- Indah Enterprise Sdn Bhd	43,233	18,224	-	-
- Pembena Transport Sdn Bhd	13,903	13,237	-	-

27. SEGMENT REPORTING**(a) Primary Reporting Format - Business Segments**

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

- | | |
|--------------------------|---|
| (i) Flour | - Milling and selling wheat flour together with its allied products |
| (ii) Feeds | - Manufacture and sale of animal feeds and related raw materials |
| (iii) Transport | - Transport management |
| (iv) Poultry integration | - Processing and sale of poultry products, breeding and sale of day-old-chicks and eggs and contract farming activities |
| (v) Polypropylene goods | - Manufacture and sale of polypropylene and polyethylene woven bags and its allied products |

All intersegment transactions have been entered into in the ordinary course of business and have been established under negotiated terms and conditions.

notes to the financial statements (cont'd)

as at 31st December, 2003

27. SEGMENT REPORTING (cont'd)

(a) Primary Reporting Format - Business Segments (cont'd)

2003	Flour RM	Feeds RM	Transport RM	Poultry integration RM	Polypropylene goods RM	Group RM
Sales						
Total sales	289,181,394	203,521,188	9,957,260	167,233,603	11,561,222	681,454,667
Intersegment sales	(5,308,584)	(50,683,829)	(3,823,534)	(11,944,802)	(4,439,139)	(76,199,888)
External sales	<u>283,872,810</u>	<u>152,837,359</u>	<u>6,133,726</u>	<u>155,288,801</u>	<u>7,122,083</u>	<u>605,254,779</u>
Results						
Segment results (External)	15,082,898	(28,408)	(409,465)	1,056,861	(1,643,878)	14,058,008
Allowance for impairment of property, plant and equipment	-	(1,500,000)	-	(447,261)	-	(1,947,261)
	15,082,898	(1,528,408)	(409,465)	609,600	(1,643,878)	12,110,747
Interest income						792,424
Unallocated expenses :						
- Allowance for diminution in value of investments						(2,497,994)
- Others						(35,091)
Profit from operations						10,370,086
Finance costs						(1,776,053)
Share of results of an associated company	-	-	-	40,173	-	40,173
Profit before taxation						8,634,206
Taxation						(3,934,218)
Profit after taxation						4,699,988
Minority interests						(331,246)
Net profit for the year						<u>4,368,742</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

27. SEGMENT REPORTING (cont'd)**(a) Primary Reporting Format - Business Segments** (cont'd)

2003	Flour RM	Feeds RM	Transport RM	Poultry integration RM	Polypropylene goods RM	Group RM
Other information						
Segment assets						
Segment assets	362,854,915	67,740,592	3,837,937	97,102,385	7,562,914	539,098,743
Investment in an associate	-	-	-	1,938,824	-	1,938,824
Unallocated assets						11,226,126
Consolidated total assets						552,263,693
Segment liabilities						
Segment liabilities	162,497,525	54,913,060	2,165,615	11,972,277	1,441,261	232,989,738
Unallocated liabilities						8,992,191
Consolidated total liabilities						241,981,929
Capital expenditure	17,898,742	1,795,950	30,028	3,998,529	11,998	23,735,247
Depreciation and amortisation	12,199,178	2,270,366	106,674	6,491,085	257,153	21,324,456
Allowance for impairment of property, plant and equipment	-	1,500,000	-	447,261	-	1,947,261
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	3,001,128	500,962	-	840,790	330,496	4,673,376

notes to the financial statements (cont'd)

as at 31st December, 2003

27. SEGMENT REPORTING (cont'd)

(a) Primary Reporting Format - Business Segments (cont'd)

2002 (Restated)	Flour RM	Feeds RM	Transport RM	Poultry integration RM	Polypropylene goods RM	Group RM
Sales						
Total sales	265,485,129	227,031,963	10,977,673	140,653,679	12,522,150	656,670,594
Intersegment sales	(5,053,195)	(30,953,561)	(3,839,167)	(46,655,105)	(4,941,553)	(91,442,581)
External sales	<u>260,431,934</u>	<u>196,078,402</u>	<u>7,138,506</u>	<u>93,998,574</u>	<u>7,580,597</u>	<u>565,228,013</u>
Results						
Segment results (External)	31,521,181	1,026,698	113,971	(11,115,889)	110,159	21,656,120
Allowance for impairment of property, plant and equipment	(1,031,104)	(1,500,000)	-	-	-	(2,531,104)
	<u>30,490,077</u>	<u>(473,302)</u>	<u>113,971</u>	<u>(11,115,889)</u>	<u>110,159</u>	<u>19,125,016</u>
Interest income						776,651
Unallocated expenses :						
- Allowance for diminution in value of investments						(2,229)
- Others						(8,470)
Profit from operations						19,890,968
Finance costs						(591,051)
Share of results of an associated company	-	-	-	(646,979)	-	(646,979)
Profit before taxation						18,652,938
Taxation						(6,564,914)
Profit after taxation						12,088,024
Minority interests						(1,355,777)
Net profit for the year						<u>10,732,247</u>

notes to the financial statements (cont'd)

as at 31st December, 2003

27. SEGMENT REPORTING (cont'd)

(a) Primary Reporting Format - Business Segments (Cont'd)

2002 (Restated)	Flour RM	Feeds RM	Transport RM	Poultry integration RM	Polypropylene goods RM	Group RM
Other information						
Segment assets						
Segment assets	313,103,487	104,453,738	4,429,664	103,973,699	14,376,272	540,336,860
Investment in an associate	-	-	-	1,898,650	-	1,898,650
Unallocated assets						10,410,077
Consolidated total assets						552,645,587
Segment liabilities						
Segment liabilities	130,331,037	79,843,514	2,156,041	9,848,719	1,891,230	224,070,541
Unallocated liabilities						12,445,930
Consolidated total liabilities						236,516,471
Capital expenditure	41,786,822	965,872	65,377	3,627,842	35,425	46,481,338
Depreciation and amortisation	10,157,990	2,319,367	108,398	6,886,387	283,621	19,755,763
Allowance for impairment of property, plant and equipment	1,031,104	1,500,000	-	-	-	2,531,104
Non-cash expenses other than depreciation, amortisation and allowance for impairment losses	779,177	1,000,000	-	20,463	169,744	1,969,384

(b) Secondary Reporting Format - Geographical Segments

In determining the geographical segments of the Group, sales is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets.

	Sales		Total assets		Capital expenditure	
	2003 RM	2002 RM	2003 RM	2002 RM	2003 RM	2002 RM
Malaysia	472,351,567	456,523,893	360,916,179	393,401,514	14,763,876	9,466,048
Vietnam	132,903,212	108,704,120	180,121,388	148,833,996	8,971,371	37,015,290
	605,254,779	565,228,013	541,037,567	542,235,510	23,735,247	46,481,338
Unallocated assets			11,226,126	10,410,077		
			552,263,693	552,645,587		

notes to the financial statements (cont'd)

as at 31st December, 2003

28. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Authorised and contracted for :				
- Investments in a foreign subsidiary company :				
- Mekong Flour Mills Ltd	-	-	-	5,599,000
- Acquisition of property, plant and equipment for Vietnam project	-	6,117,000	-	-
- Acquisition of plant and equipment	3,224,786	5,373,000	688,000	5,373,000
Authorised but not contracted for :				
- Acquisition of property, plant and equipment for Vietnam project	9,500,000	20,010,000	-	-
Lease commitments				
- within 1 year	1,553,750	2,204,000	-	-
- 2 to 5 years	3,142,850	3,311,000	-	-
	4,696,600	5,515,000	-	-
	17,421,386	37,015,000	688,000	10,972,000

29. CONTINGENCIES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
(i) Contingent Liabilities (Unsecured)				
Legal claim made by third party in respect of building works for a subsidiary under appeal	2,580,000	2,000,000	2,580,000	2,000,000
Legal claims made by suppliers under dispute	1,214,500	994,000	-	-
(ii) Contingent Assets				
Insurance claims pending agreement	3,341,000	-	-	-

notes to the financial statements (cont'd)

as at 31st December, 2003

29. CONTINGENCIES (cont'd)

The insurance claims were in respect of losses and other related expenses incurred arising from damages to inventories during the year. These claims were not recognised in the financial statements pending agreement with the insurers.

30. FINANCIAL INSTRUMENTS**(a) Maturity Profile and Effective Interest Rates**

The maturity profile and effective interest rates of financial instruments exposed to interest rate risk are as follows :-

Group	Maturity profile			Total RM	Effective interest rates
	Within 1 year RM	1 to 5 years RM	More than 5 years RM		
2003					
Financial assets					
Deposits with licensed banks	12,568,615	-	-	12,568,615	3.0% - 6.4%
Financial liabilities					
Bills payable	133,478,434	-	-	133,478,434	1.7% - 4.9%
Bank overdrafts	942,673	-	-	942,673	3.7% - 9.0%
Other short term loans	60,354,849	-	-	60,354,849	2.1% - 9.0%
Hire purchase creditors	28,844	-	-	28,844	9.8%
2002					
Financial assets					
Deposits with licensed banks	7,570,632	-	-	7,570,632	2.6% - 3.2%
Financial liabilities					
Bills payable	145,627,801	-	-	145,627,801	2.4% - 8.9%
Bank overdrafts	2,566,524	-	-	2,566,524	7.4% - 7.9%
Other short term loans	42,351,653	-	-	42,351,653	2.4% - 8.4%
Hire purchase creditors	69,227	28,845	-	98,072	9.8%

notes to the financial statements (cont'd)

as at 31st December, 2003

30. FINANCIAL INSTRUMENTS (cont'd)**(a) Maturity Profile and Effective Interest Rates**

Company	Maturity profile			Total RM	Effective interest rates
	Within 1 year RM	1 to 5 years RM	More than 5 years RM		
2003					
Financial assets					
Deposits with licensed banks	190,998	-	-	190,998	3.0%
Financial liabilities					
Bills payable	85,423,619	-	-	85,423,619	3.6% - 4.9%
Bank overdrafts	395,231	-	-	395,231	3.7% - 7.4%
Amount owing to a subsidiary company	24,378,509	-	-	24,378,509	3.0%
2002					
Financial assets					
Deposits with licensed banks	2,039,732	-	-	2,039,732	2.6% - 3.2%
Financial liabilities					
Bills payable	72,747,066	-	-	72,747,066	2.4% - 2.9%
Bank overdrafts	1,353,740	-	-	1,353,740	7.4% - 7.9%
Amount owing to a subsidiary company	5,047,770	-	-	5,047,770	3.0%

(b) Fair values

- (i) The carrying amount of the current financial assets and liabilities of the Group and the Company at the balance sheet date approximated their fair values due to the relatively short term nature of these financial instruments.
- (ii) There is no significant difference between the fair value and the carrying amount of the hire purchase creditors.
- (iii) The fair value of the quoted investment is based on the quoted market price as at balance sheet date as disclosed under Note 17 to the financial statements. The fair value of non-current unquoted investment is not provided as it is not practicable to estimate the fair value reliably.
- (iv) The fair value of amounts owing by and owing to subsidiary companies are not provided as it is not practical to estimate fair values reliably due to the lack of fixed repayment terms.

notes to the financial statements (cont'd)

as at 31st December, 2003

31. SIGNIFICANT EVENTS

On 30th May, 2003 the Company has made the following announcements :-

- (i) Proposed Share Buy-Back of up to a maximum of 10% of the issued and paid-up share capital of the Company ("Proposed Share Buy-Back");
- (ii) Proposed Special Issue of 16,000,000 new ordinary shares of RM1.00 each in the Company at an issue price to be determined later ("Proposed Special Issue"); and
- (iii) Proposed Employees' Share Option Scheme ("Proposed ESOS") of not more than 10% of the issued and paid-up share capital of the Company at any point in time during the duration of the Proposed ESOS.

The Proposed Special Issue is to fulfil the conditions imposed by the Ministry of International Trade and Industry ("MITI") on approving the issue of Rights and Bonus shares and Bonds issue by the Company in 1995. The Proposed Special Issue shall be allocated to the Group's Bumiputra Directors (including past Directors) and other approved Bumiputra investors. The proceeds from the Proposed Special Issue shall be utilised for working capital purposes.

MITI has given its approval to the Company on the above proposals on 13th November, 2003.

Approval from the Securities Commission on the Proposed Special Issue, Proposed ESOS and the listing and quotation for the new ordinary shares of RM1.00 each in the Company arising from these proposals on the Main Board of the Malaysia Securities Exchange Berhad was given on 5th December, 2003.

The above proposals are pending the approval of the shareholders.

MITI has given the Company an extension of time to 31st March, 2004 to implement the Proposed Special Issue. On 30th March, 2004, the Company has made an application to MITI to further extend the deadline for the implementation of the Proposed Special Issue to 31st August, 2004.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform with the current year's presentation.

The restatement of comparatives arising from the change in accounting policies is disclosed in Note 23 to the financial statements.

In addition, the presentation and classification of certain items in the current year's financial statements have been changed or modified to comply with the requirements of MASB 25, Income Taxes and MASB 29, Employee Benefits which came into effect during the financial year.

statement by directors

In the opinion of the Directors, the financial statements set out on pages 39 to 97 are drawn up in accordance with applicable approved Accounting Standards in Malaysia so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31st December, 2003 and of the results and cash flows of the Company and of the Group for the year ended on that date.

Signed at Kuala Lumpur this 16th day of April, 2004

On behalf of the Directors,

TAN SRI DATUK ARSHAD BIN AYUB
Director

TEH WEE CHYE
Director

statutory declaration

I, WONG CHEE WING, being the Officer primarily responsible for the financial management of MALAYAN FLOUR MILLS BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 39 to 97 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)	
abovenamed Wong Chee Wing at Kuala)	WONG CHEE WING
Lumpur this 16th day of April, 2004)	

Before me,

ROBERT LIM HOCK KEE
Commissioner for Oaths
Kuala Lumpur

report of the auditors to the members

We have audited the financial statements set out on pages 39 to 97 of Malayan Flour Mills Berhad. The preparation of the financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations, which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements.

We believe our audit provides a reasonable basis for our opinion.

In our opinion :-

(a) the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved Accounting Standards in Malaysia so as to give a true and fair view of :-

- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company; and
- (ii) the state of affairs of the Group and of the Company as at 31st December, 2003 and of the results of the operations and cash flows of the Group and of the Company for the year ended on that date;

and

(b) the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and by the subsidiary companies of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We have considered the financial statements and the auditors' reports thereon of the subsidiary companies of which we have not acted as auditors, as indicated in Note 15 to the financial statements.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification except as disclosed in Note 15 and did not include any adverse comment made under Subsection (3) of Section 174 of the Companies Act, 1965.

FOLKS DFK & CO.
NO. : AF 0502
CHARTERED ACCOUNTANTS

OOI CHEE KUN
NO. : 996/03/06(J/PH)
PARTNER

Kuala Lumpur
16th April, 2004

analysis of shareholdings

as at 20th April, 2004

Authorised Share Capital	-	RM200,000,000
Issued & Fully Paid-up Capital	-	RM84,014,606
Class of Shares	-	Ordinary shares of RM1.00 each

6,743 ordinary shareholders

Voting rights: One vote for one share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Issued Shares	% of Issued Capital
Less than 100	97	1.44	2,422	0.00
100 to 1,000	2,320	34.41	1,976,817	2.35
1,001 - 10,000	3,770	55.91	14,013,614	16.68
10,001 - 100,000	511	7.58	12,850,643	15.30
100,001 to less than 5% of issued shares	44	0.65	29,070,356	34.60
5% and above of issued shares	1	0.01	26,100,754	31.07
	6,743	100.00	84,014,606	100.00

THIRTY (30) LARGEST SHAREHOLDERS

Name	No. of Shares	Percentage Holding (%)
1. Thye Nam Loong Holdings Sdn Bhd	26,100,754	31.07
2. JB Nominees (Asing) Sdn Bhd (Solid Esteem Sdn Bhd for Wise Bright Investment Limited)	3,500,572	4.17
3. Teh Liang Teik	2,908,800	3.46
4. Amble Volume Sdn Bhd	2,742,000	3.26
5. Essence Lane Sdn Bhd	2,233,729	2.66
6. Teh Wee Kok	1,591,600	1.89
7. JB Nominees (Asing) Sdn Bhd (Amble Volume Sdn Bhd for Rise Glory Investment Limited)	1,572,171	1.87
8. Favourite Access Sdn Bhd	1,000,000	1.19
9. Employees Provident Fund Board	968,000	1.15
10. Thye Heng Realty Sdn Bhd	950,000	1.13
11. M&A Nominee (Asing) Sdn Bhd (A/C for Pedigree Limited)	922,000	1.10
12. Alliancegroup Nominees (Tempatan) Sdn Bhd (Pheim Asset Management Sdn Bhd for Employees Provident Fund)	916,000	1.09
13. Solid Esteem Sdn Bhd	864,000	1.03
14. Duangmanee Liewphairatana	753,000	0.90
15. Thye Heng (How Kee) Company Sdn Bhd	676,800	0.81
16. Yeoh Kean Hua	610,000	0.73
17. Thye Nam Loong Shipping Sdn Bhd	574,800	0.68
18. Suai Timber Products Sdn Bhd	531,600	0.63
19. Cartaban Nominees (Asing) Sdn Bhd (Credit Suisse Singapore for Lavarra Limited)	530,000	0.63
20. Teh Li Li	440,001	0.52
21. Teh Li Choo	439,238	0.52

analysis of shareholdings (cont'd)

as at 20th April, 2004

THIRTY (30) LARGEST SHAREHOLDERS (cont'd)

Name	No. of Shares	Percentage Holding (%)
22. Thye Nam Loong Sdn Bhd	417,600	0.50
23. Ong Ah Yiew @ Ong Keng Wah	390,000	0.46
24. Lai Foh Yau	300,000	0.36
25. Cartaban Nominees (Tempatan) Sdn Bhd (A/C for Su Ming Keat)	300,000	0.36
26. Chan Soo Hin	239,000	0.28
27. Universiti Malaya	235,200	0.28
28. Menteri Kewangan Malaysia (Section 29-SICDA)	228,845	0.27
29. Hong Leong Finance Berhad (A/C for Ch'ng Ai Lee)	227,000	0.27
30. Lim Tean Kau	225,000	0.27

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Thye Nam Loong Holdings Sdn Bhd	26,100,754	31.07	949,200	1.13
Teh Liang Teik	2,908,800	3.46	27,624,754	32.88
Teh Wee Kok	1,591,600	1.89	27,624,754	32.88
Teh Wee Chye	6,500	0.01	29,858,483	35.54
Solid Esteem Sdn Bhd	864,000	1.03	3,500,572	4.17
Amble Volume Sdn Bhd	2,742,000	3.26	1,572,171	1.87
Wise Bright Investment Limited	-	-	4,364,572	5.20
Rise Glory Investment Limited	-	-	4,314,171	5.13

DIRECTORS' INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tah Sri Datuk Arshad bin Ayub	104,685	0.12	187,600	0.22
Teh Wee Chye	6,500	0.01	29,858,483	35.54
Teh Wee Kok	1,591,600	1.89	27,624,754	32.88
Lee Soon Lee	6,000	0.01	-	-
Tan Sri Hamzah bin Abu Samah	-	-	-	-
Dato' Hj Shaharuddin bin Hj Haron	-	-	-	-
Geh Cheng Hooi	-	-	-	-

Directors, Teh Wee Chye and Teh Wee Kok are deemed to have interests in all the shares held by the Company in its related corporations by virtue of their substantial shareholdings in the Company.

analysis of warrant holdings

as at 20th April, 2004

Size of Holdings	No. of Warrantholders	% of Warrantholders	No. of Warrants	% of Warrants
Less than 100	21	0.64	1,057	0.00
100 to 1,000	865	26.18	792,369	1.89
1,001 - 10,000	2,033	61.51	8,159,187	19.43
10,001 - 100,000	367	11.10	9,907,024	23.60
100,001 to less than 5% of warrants	17	0.51	7,758,094	18.48
5% and above of warrants	2	0.06	15,367,663	36.60
	3,305	100.00	41,985,394	100.00

THIRTY (30) LARGEST WARRANT HOLDERS

Name	No. of Warrants	Percentage Holding (%)
1. Thye Nam Loong Holdings Sdn Bhd	13,185,377	31.40
2. Solid Esteem Sdn Bhd	2,182,286	5.20
3. Amble Volume Sdn Bhd	2,001,085	4.77
4. Teh Liang Teik	1,454,400	3.46
5. Essence Lane Sdn Bhd	1,120,114	2.67
6. Thye Heng (How Kee) Company Sdn Bhd	588,000	1.40
7. Yap Thiam Fook	370,000	0.88
8. Thye Nam Loong Shipping Sdn Bhd	287,400	0.68
9. Suai Timber Products Sdn Bhd	265,800	0.63
10. Hoi Hung Chor	249,000	0.59
11. Thye Nam Loong Sdn Bhd	208,800	0.50
12. Employees Provident Fund Board	200,000	0.48
13. Choo Teik Heng	197,000	0.47
14. Menteri Kewangan Malaysia (Section 29-SICDA)	194,245	0.46
15. Sing Kong Hum	151,150	0.36
16. Tan Boon Pi @ Tan Hoy	141,100	0.34
17. Khor Joo Hong	122,000	0.29
18. Chin Chin Choo	107,000	0.25
19. Lembaga Tabung Haji	101,000	0.24
20. Mayban Nominees (Asing) Sdn Bhd (DBS Bank for Bloomswick Ltd)	100,000	0.24
21. Grace Yeoh Cheng Geok	99,000	0.24
22. Lim Poo Lee @ Lim Foo Lee	99,000	0.24
23. Tan Geok Seng	97,000	0.23
24. Wong Kian Teck	96,200	0.23
25. Pua Lay Koon	95,000	0.23
26. Ng Kean Lee	93,000	0.22
27. Chon Kee Kuan	92,000	0.22
28. Yau See Hing	91,000	0.22
29. Loo Huck Loo	85,000	0.20
30. Mayban Nominees (Tempatan) Sdn Bhd (A/C for Lim Yong Hwa)	80,600	0.19

analysis of warrant holdings (cont'd)

as at 20th April, 2004

DIRECTORS' INTERESTS IN THE COMPANY

Name	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Tah Sri Datuk Arshad bin Ayub	-	-	-	-
Teh Wee Chye	-	-	15,067,491	35.89
Teh Wee Kok	47,400	0.11	13,947,377	33.22
Lee Soon Lee	3,000	0.01	-	-
Tan Sri Hamzah bin Abu Samah	-	-	-	-
Dato' Hj Shaharuddin bin Hj Haron	-	-	-	-
Geh Cheng Hooi	-	-	-	-

details of assets

Details of land and buildings are as follows:-

Description, Location & Size	Existing Use	Year Buildings Were Built	Approximate Value RM	Net Book Value at 31-12-03 RM
(i) Owned by the Company, shown at valuation:				
Freehold land and buildings				
- Land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	1960	5,160,000 at 22-12-1981	2,873,000
- Freehold land with residential building Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acres	Vacant	1939	21,725,500 at 5-12-1996	1,639,000
Freehold land				
- Lots 5326, 5327 and part of Lots 5331 & 5332 District of Dindings Perak Darul Ridzuan Total: 9.00 acres	Vacant	-	72,000 at 29-12-1981	72,000
Leasehold land and buildings				
- Lots 4902 (expiring on 11-12-2061) 5022 (expiring on 25-4-2075) 5337 (expiring on 25-4-2075) 5466 & 5336 (expiring on 22-11-2090) Mukim of Lumut, District of Dindings Perak Darul Ridzuan Total: 61.43 acres	Factory	1966-1981	33,515,000 at 29-12-1981	13,687,000
(ii) Owned by the Company, shown at cost:				
- Building on Lots 4902, 5022 5336, 5337 & 5466 Mukim of Lumut District of Dindings Perak Darul Ridzuan	Factory	1982-1987	20,000,000 at 1987	12,698,000

details of assets (cont'd)

Description, Location & Size	Existing Use	Year Buildings Were Built	Net Book Approximate Value RM	Value at 31-12-03 RM
Leasehold land with shophouses HSD 24168 to 24177 PT No. 19472 to 19481 (Expiring on 26-6-2089) Mukim of Kajang District of Ulu Langat Selangor Darul Ehsan Total: 0.41 acres	Rented out on 1 to 3 year lease	1991	7,030,000 at 13-6-1994	3,040,000
- Freehold land with shophouses Grant No. 36370 Lot No. 12256 Mukim of Pulau District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Rented out on 1 to 3 year lease	1979	190,000 at 1991	168,000
- Leasehold land with building Lot PTD 119736, HSD 238626 (Expiring on 28-2-2051) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 10.1 acres	Factory	1992	24,613,000 at 15-2-1995	22,266,000
- Leasehold land with building HSD 34668 PTD 6411 (Expiring on 22-7-2096) Mukim of Batu Berendam Daerah Melaka Tengah Total: 0.13 acres	Shoplot	1997	302,800 at 1997	539,000
- Freehold land with building Lot PTB 18284 Mukim of Tampoi District of Johor Bahru Johor Darul Takzim Total: 0.12 acres	Factory	1999	700,000 at 1999	665,000
- Freehold land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	1960	659,000 at 1999	938,000

details of assets (cont'd)

Description, Location & Size	Existing Use	Year Buildings Were Built	Net Book Approximate Value RM	Value at 31-12-03 RM
(iii) Owned by the subsidiaries shown at cost:				
- Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder Farm	1989	12,630,000 at 15-2-1995	5,069,000
- Leasehold land with building Estet Perindustrian Kampung Acheh Mukim of Sitiawan District of Manjong Perak Darul Ridzuan (Title yet to be issued) Total: 16.1 acres	Factory	1990	14,086,000 at 15-2-1995	7,098,000
- Freehold land with house PTD 46071 Title No. 142790 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Own use	1991	63,000 at 1991	52,000
- Leasehold land with farm buildings Pasir Panjang Mukim of Pengkalan Bahru Perak Darul Ridzuan (Title yet to be issued) Total: 621 acres	Broiler Farm	1992	18,429,000 at 31-12-1994	9,125,000
- Leasehold land with building Lot PTD 119736, HSD 238626 (Expiring on 28-2-2051) Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 10.1 acres	Factory	1992	4,017,000 at 15-2-1995	3,335,000
- Leasehold land with building HS(M) 2/1991, PT No. 2981 (Expiring on 24-4-2081) Mukim of Sungai Seluang District of Kulim, Kedah Total: 9 acres	Factory	1982	3,102,000 at 31-12-1996	2,506,000

details of assets (cont'd)

Description, Location & Size	Existing Use	Year Buildings Were Built	Net Book Approximate Value RM	Value at 31-12-03 RM
- Freehold land Grant 1784, Lot 12653 Mukim of Sitiawan District of Dindings Perak Darul Ridzuan Total: 17 acres	Vacant	-	255,775 at 1997	271,000
- Land Use Rights with building (Expiring on 31-8-2024) Cai Lan, Quang Ninh Province The Socialist Republic of Vietnam Total: 17.30 acres	Factory	1997	28,604,000 at 2003	28,604,000
- Freehold land with farm buildings GM 168 to 171 (inclusive) Lot 8209 to 8212 (inclusive) Mukim of Sri Gading (VIII) District of Batu Pahat Johor Darul Takzim Total: 17.84 acres	Breeder Farm	1996	2,600,000 at 2000	2,894,000
- Phu My Industrial Zone I Tan Thanh District Baria – Vungtau Province The Socialist Republic of Vietnam Total: 17.29 acres (Expiring on 30-6-2048)	Factory	2003	22,677,000 at 2003	22,677,000

notes

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form of proxy

I/We, _____

IC No. / Passport No. / Co. No. _____ CDS Account No. _____

of _____

being a member/members of **MALAYAN FLOUR MILLS BERHAD** hereby appoint _____

_____ IC No. _____

of _____

or failing him/her _____ IC No. _____

of _____

as my/our proxy to vote on my/our behalf at the Forty-Fourth Annual General Meeting of the Company to be held on Thursday, 17th June, 2004 at 9.30 a.m. and at any adjournment thereof.

My/Our proxy is to vote as indicated below:-

No.	Motions	For	Against
1.	To adopt reports and accounts		
2.	To sanction dividend		
3.	To re-elect Mr Teh Wee Chye under Article 111 of the Company's Articles of Association		
4.	To re-appoint the following Directors pursuant to Section 129 (6) of the Companies Act, 1965:-		
5.	a. Tan Sri Datuk Arshad bin Ayub		
6.	b. Tan Sri Hamzah bin Abu Samah		
	c. Mr Lee Soon Lee		
7.	To approve payment of Directors' fees totalling RM220,273		
8.	To re-appoint Auditors		
9.	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
10.	Proposed Amendment to the Memorandum of Association		
11.	Proposed Amendment to the Articles of Association		
12.	Proposed Share Buy-Back		
13.	Proposed Allocation of Options to Mr Teh Wee Heng		

Dated this _____ day of _____, 2004

Number of shares held _____

Signature of shareholder (s) _____

Witness by _____ (Signature)

Address _____

Occupation _____

Notes:-

1. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint a proxy, who, unless he/she is a member must be a qualified legal practitioner, an approved company auditor or a person approved by the Registrar of Companies in a particular case, to attend and to vote in his/her stead. The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 10th Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
2. Where a member appoints two proxies, the appointment shall be invalid unless he/she specifies the proportions of his/her holding to be represented by each proxy.

fold

Affix
stamp
here

MALAYAN FLOUR MILLS BERHAD (4260-M)
10th Floor, Wisma MCA,
Jalan Ampang, 50450 Kuala Lumpur

fold