

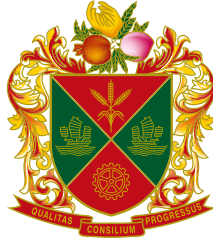
Malayan Flour Mills Berhad

(4260-M)



2009

| Annual Report | Laporan Tahunan



Malayan Flour Mills Berhad

(4260-M)

Vision

We aspire to be a leading food manufacturing enterprise in the region.

Mission

We are the preferred provider and strategic partner in the food industry.

We drive operational excellence by embracing a culture of continuous improvement.

We add value to our stakeholders by growing economy of scale.



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CORPORATE INFORMATION

CHAIRMAN

TAN SRI DATO' SERI ARSHAD BIN AYUB

S.P.M.S., P.S.M., S.P.S.K., P.N.B.S., 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

DATO' HJ SHAHARUDDIN BIN HJ HARON

D.P.C.M., J.S.M., P.C.M., K.M.N.

GEH CHENG HOOI

QUAH BAN LEE

DATUK OH CHONG PENG

THONG KOK MUN

LIM PANG BOON

DATO' WIRA ZAINAL ABIDIN BIN MAHAMAD ZAIN

D.G.M.K., D.S.D.K., K.M.N., S.M.T., A.M.K.

AUDIT COMMITTEE

DATO' HJ SHAHARUDDIN BIN HJ HARON

(Chairman and Independent Non-Executive Director)

GEH CHENG HOOI

(Independent Non-Executive Director)

TAN SRI DATO' SERI ARSHAD BIN AYUB

(Independent Non-Executive Director)

DATUK OH CHONG PENG

(Independent Non-Executive Director)

SECRETARY

MAH WAI MUN (MAICSA 7009729)

REGISTERED OFFICE & HEAD OFFICE

22nd Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur
Tel. No: 03-2170 0999
Fax No: 03-2170 0888
Website: www.mfm.com.my

CORPORATE INFORMATION (CONT'D)

REGISTRARS

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor
Tel. No: 03-7841 8000
Fax No: 03-7841 8008

FACTORIES

Jalan David Sung, Batu Undan
32200 Lumut
Perak Darul Ridzuan

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

BRANCHES

- **FEDERAL TERRITORY**
Lot 40, Jalan E 1/4
Taman Ehsan Industrial Park
Kepong, 52100 Kuala Lumpur
- **PENANG**
4557, Jalan Heng Choon Thian
12000 Butterworth, Pulau Pinang
- **PERAK**
No. 2, Laluan Perusahaan 10
Kawasan Perusahaan Menglembu
31450 Ipoh
Perak Darul Ridzuan
- **MALACCA**
No. 1, Jalan PM3
Taman Perindustrian Merdeka
75350 Batu Berendam, Melaka
- **JOHOR**
Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Pasir Gudang
Johor Darul Takzim
- **KELANTAN**
Lot 1763, Kampong Dusun Raja
Jalan Cherang Chempaka Panji
16100 Kota Bharu
Kelantan Darul Naim

- **PAHANG**

B-5 Lorong Padang Lalang
14, Jalan Tanjung Api
25050 Kuantan
Pahang Darul Makmur

SUBSIDIARIES

- Vimaflour Ltd
- MFM International Ltd
- Mekong Flour Mills Ltd
- Dindings Soya & Multifeeds Sdn Berhad (34884-U)
- MFM Feedmill Sdn Bhd (172615-X)
- Dindings Poultry Processing Sdn Bhd (144808-P)
- Dindings Broiler Breeder Farm Sdn Bhd (172600-T)
- Dindings Poultry Development Centre Sdn Bhd (180044-A)
- Semakin Dinamik Sdn Bhd (185533-V)
- Premier Grain Sdn Bhd (754079-T)
[Formerly known as Dindings Trading Sdn Bhd]
- Syarikat Pengangkutan Lumut Sdn Bhd (51336-M)
- Muda Fibre Manufacturing Sdn Bhd (48785-V)
- Dindings Grand Parent Farm Sdn Bhd (144962-W)
- MFM Property Sdn Bhd (176691-P)
- MFM Ltd

PRINCIPAL BANKERS

- Malayan Banking Berhad (3813-K)
- HSBC Bank Malaysia Berhad (127776-V)
- Alliance Bank Malaysia Bhd (88103-W)
- Deutsche Bank (Malaysia) Bhd (312552-W)
- Hong Leong Bank Berhad (97141-X)
- OCBC Bank (Malaysia) Berhad (29548-W)
- Bank Islam Malaysia Berhad (98127-X)

STOCK EXCHANGE LISTING

BURSA MALAYSIA SECURITIES BERHAD

- Main Market (Consumer Products Sector)
Stock Code: 3662

SOLICITORS

Isharidah, Ho, Chong & Menon
Skrine

AUDITORS

KPMG

BOARD OF DIRECTORS



**Tan Sri Dato' Seri Arshad
bin Ayub**

Independent Non-Executive Chairman



Mr Teh Wee Chye

Managing Director



**Dato' Hj Shaharuddin
bin Hj Haron**

Independent Non-Executive Director



Mr Geh Cheng Hooi

Independent Non-Executive Director



Mr Quah Ban Lee

Finance Director



Datuk Oh Chong Peng

Independent Non-Executive Director



Mr Thong Kok Mun

Executive Director



Mr Lim Pang Boon

Executive Director



**Dato' Wira Zainal Abidin
bin Mahamad Zain**

Independent Non-Executive Director

DIRECTORS' PROFILE

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

Tan Sri Dato' Seri Arshad bin Ayub, aged 81, a Malaysian, was appointed to the Board of the Company on 30 August 2002 and is presently the Chairman of the Company. He is also the Chairman of the Remuneration Committee and a member of the Audit and Nomination 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, LBI Capital Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended all the 9 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 (Managing Director)

Mr Teh Wee Chye, aged 57, a Malaysian, was appointed to the Board as an Executive Director of the Company on 19 June 1989 and is presently the Managing Director of the Company. He is also 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 also a director of United Teochew (Malaysia) Berhad and Seu Teck Sean Tong Charitable Organisation Berhad. He is a substantial shareholder of the Company.

He has attended all the 9 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 71, a Malaysian, was appointed to the Board of the Company on 23 September 1993 and is presently the Chairman of the Audit and Nomination Committees and a member of the Remuneration Committee 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 Pittsburgh, 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 till 1979. He 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, Latitude Tree Holdings Berhad and Ajinomoto (Malaysia) Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 8 out of the 9 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 Geh Cheng Hooi (Independent Non-Executive Director)

Mr Geh Cheng Hooi, aged 75, a Malaysian, was appointed to the Board of the Company on 11 March 2003 and is presently a member of the Audit and Nomination 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. He is also a Fellow of The Institute of Chartered Accountants of England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). His current directorships in public companies include Lingui Developments Berhad, Paramount Corporation Behad and Wawasan TKH Holdings Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

He has attended 8 out of the 9 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 Quah Ban Lee (Finance Director)

Mr Quah Ban Lee, aged 52, a Malaysian, was appointed to the Board of the Company on 18 August 2005 and is presently the Finance Director of the Company. He is a qualified Chartered Accountant from The Institute of Chartered Accountants of England and Wales and a member of the Malaysian Institute of Accountants ("MIA"). He also possesses a Bachelor of Arts (Hons) in Economics and Accounting Degree from the University of Reading in the United Kingdom. He has more than 20 years experience in finance, including a number of years in professional accounting firms, both in the United Kingdom and Malaysia. He has worked with other public listed companies in Malaysia prior to joining the Company. 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 9 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)

Datuk Oh Chong Peng (Independent Non-Executive Director)

Datuk Oh Chong Peng, aged 65, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently a member of the Audit Committee of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales as well as a member of the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA).

He joined Coopers & Lybrand (now known as PricewaterhouseCoopers) in London in 1969 and in Malaysia in 1971. He was a Partner of Coopers & Lybrand Malaysia from 1974. He retired as a Senior Partner of Coopers & Lybrand in 1997 and then joined the Rashid Hussain Berhad Group of Companies in 1998 until 2003.

He is currently the Independent Non-Executive Chairman of Alliance Financial Group Berhad and also sits on the boards of British American Tobacco (Malaysia) Berhad, IJM Corporation Berhad, IJM Plantations Berhad, Kumpulan Europlus Berhad, Dialog Group Berhad, Ingenious Growth Berhad and several other private companies.

Datuk Oh is a Government appointed member of the Labuan Offshore Financial Services Authority. He is a trustee of the UTAR Education Foundation and a council member of University Tunku Abdul Rahman. He also sits on the Listing Committee of Bursa Malaysia.

His past appointments included being a Government appointed Member of the Kuala Lumpur Stock Exchange (1990-1996), a Council member (1981-2001) and a past President (1994-1996) of the MICPA.

He has attended all the 9 Board Meetings held during the financial year. He has no family relationship with any Director and/or substantial shareholder of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

Mr Thong Kok Mun (Executive Director)

Mr Thong Kok Mun, aged 52, a Malaysian, was appointed to the Board as an Executive Director of the Company on 11 June 2009. He holds a Bachelor of Science Degree in Mechanical Engineering from University of Birmingham, United Kingdom, Msc. Operational Research from University of Hull, United Kingdom and Diploma in Flour Milling Technologist from Swiss Milling School, St. Gallen, Switzerland.

He joined Malayan Flour Mills Berhad ("MFM") in 1982 as the Milling Engineer at Lumut Plant and was promoted to Plant Manager of MFM Pasir Gudang Plant in 1992. He was a Trainer at MFM Lumut for the setting up of Vimaflour Ltd from 1996 to 1997 and appointed as the Plant Manager of Vimaflour Ltd, Vietnam in 1997. Subsequently, he was in-charge of MFM Lumut Plant from 2000 to 2002 as the Plant Manager.

He is the Deputy General Director and Authorised Representative of the Member's Council of Mekong Flour Mills Ltd, Vietnam since 2002 and 2003 respectively. In 2006, he was appointed the General Manager of MFM Flour Division in Malaysia.

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 5 Board Meetings held during the financial year subsequent to his appointment as a Director of the Company. 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)

Mr Lim Pang Boon (Executive Director)

Mr Lim Pang Boon, aged 54, a Malaysian, was appointed to the Board as an Executive Director of the Company on 11 June 2009. He holds a Bachelor of Science Degree in Electrical Engineering from University of Arkansas, USA and Diploma in Electrical Engineering from Singapore Polytechnic.

He was a Project/Site Engineer of Tenaga Ewbank Consulting Engineers prior to joining Malayan Flour Mills Berhad ("MFM") as an Electrical Engineer at its Lumut Plant from 1990 to 1992 and was promoted to Plant Manager of MFM Feedmill Sdn Bhd at Pasir Gudang from 1993 to 2000.

He was also the Project Manager for the setting up of Vimaflour Ltd at Vietnam from 1996 to 1998. Subsequently, he was appointed as the General Director and Authorised Representative of the Members' Council of Vimaflour Ltd in 2002.

He was also appointed as the Deputy General Director and Authorised Representative of the Member's Council of Mekong Flour Mills Ltd in 2000 and 2006 respectively. He was later promoted as the General Director in 2008.

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 4 out of the 5 Board Meetings held during the financial year subsequent to his appointment as a Director of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

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

Dato'Wira Zainal Abidin bin Mahamad Zain, aged 60, a Malaysian, was appointed to the Board of the Company on 1 September 2009. He holds a Bachelor of Arts (Hons.) Degree from University of Malaya.

He has a distinguished career in the Malaysian Civil Service. His past appointments include being appointed to the Administrative and Diplomatic Service of Malaysia as Assistant Secretary at the Ministry of Foreign Affairs (1973), Second Secretary of the Embassy of Malaysia in Jakarta, Indonesia (1974), Assistant Secretary of Ministry of Foreign Affairs (1977), Charge d'Affaires of the Embassy of Malaysia in Tehran, Iran (1979-1982), Principal Assistant Secretary of Ministry of Foreign Affairs (1982), Charge d' Affaires of Embassy of Malaysia in Abu Dhabi, United Arab Emirates (1984), Consul General of the Consulate General Malaysia in Jeddah (1986), Under Secretary (West Asia, Africa & OIC) of Ministry of Foreign Affairs (1989), Consul General of the Consulate General Malaysia in Vancouver, Canada (1991), Ambassador of Malaysia to Brazil (1995), Ambassador of Malaysia to Vietnam (1998), Under Secretary (South East Asia & Pacific) of Ministry of Foreign Affairs (2001), Malaysia's First Director General [Southeast Asia Regional Centre for Counter Terrorism (SEARCCT)], Ministry of Foreign Affairs (2003), Ambassador of Malaysia to the Republic of Indonesia (2005-2009) and Malaysia's First ASEAN Permanent Representative ad-interim Republic of Indonesia (March 2009-July 2009).

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 3 Board Meetings held during the financial year subsequent to his appointment as a Director of the Company. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am delighted to report that Malayan Flour Mills Berhad ('MFM'), since the Company's inception over four decades ago, has delivered record revenue and profit for the financial year ended 31 December 2009.

REVIEW OF PERFORMANCE

MFM achieved a profit before tax of RM92.0 million in 2009, representing a growth of 14% from RM80.7 million reported in the previous year. The revenue of RM1.2 billion was at a similar level to that of the previous year.

Commodity prices declined sharply towards the end of 2008 from record high level in the middle of that year. However, the prices firmed up slightly at the beginning of 2009. Government economic stimulus packages implemented in Malaysia and Vietnam have assisted in improving business and consumer sentiments, thereby sustaining demand. Continuous efforts in growing economies of scales, and cost reduction through operational efficiency as well as the effect of focusing on human capital development had contributed to the Group's better performance.

The flour milling business remains strong and constitutes a key component of the Group's profitability. Although overall average selling prices had decreased in tandem with the lower grain costs as compared to the prior year, flour sales were more favourable. This increase resulted in a profit before tax recorded of RM100.1 million for the year.

The feeds business chalked up a 139% growth in profit before tax to RM8.0 million underpinned by higher sales and the positive improvements in operational efficiency. We continue to build on our trading of raw materials business. In line with this endeavour, MFM entered into a joint venture with Toyota Tsusho Corporation on 29 January 2010. The joint venture is expected to contribute positively to the profitability and growth of the Group in the future.

Although the poultry business has underperformed in recent years, the Group is confident that ongoing efforts in this area will lead to an improvement in performance. Losses for the year had narrowed to RM11.0 million from RM14.1 million reported in the previous year. The Group is focused on building a more efficient integrated poultry supply chain.

Throughout the year under review, the Group embarked on various Corporate Social Responsibility projects which included monetary contributions to the victims of the Padang earthquake as well as other social and welfare causes.

CHAIRMAN'S STATEMENT (CONT'D)

OUTLOOK

With an improved economic environment and barring any unforeseen circumstances, MFM is expected to perform favourably in 2010. The Group has embarked on an expansion project to enlarge our manufacturing, packaging and warehousing facilities in Malaysia. These are scheduled to be completed in 2011. It is expected that this expansion will contribute positively to the Group and assist in achieving greater economies of scale.

DIVIDENDS

With the favourable results for year ended 31 December 2009, the Board of Directors is pleased to recommend a final dividend of 5 sen per ordinary share, less tax at 25% (Year ended 31 December 2008: 5 sen per ordinary share, less tax at 25%) and a special dividend of 10 sen per ordinary share, less tax at 25% (Year ended 31 December 2008: 10 sen per ordinary share, less tax at 25%), for your approval at the forthcoming Annual General Meeting to be held on 17 June 2010.

Including the interim dividend of 5 sen per ordinary share, less tax at 25% (Year ended 31 December 2008: 5 sen per ordinary share, less tax at 25%) paid on 15 January 2010, the total dividend payout would be 20 sen per share.

DIRECTORS

We are sad to bid farewell to Mr Lee Soon Lee who had retired from the Board on 18 June 2009. On behalf of the Board, I would like to record our appreciation for his invaluable contributions during his 33 years tenure in office.

It is my pleasure to welcome Messrs Thong Kok Mun and Lim Pang Boon, both of whom were appointed on 11 June 2009, and Dato' Wira Zainal Abidin bin Mahamad Zain who joined the Board on 1 September 2009. They bring with them considerable experiences in their respective fields which would be of great benefit to MFM.

APPRECIATION

On behalf of the Board of Directors, I would like to express our heartfelt appreciation to the management and employees of the Group for their continued dedication, support and commitment during the year.

We would also like to thank you, our shareholders, as well as our customers, suppliers, bankers, government agencies and regulatory authorities, for the unrelenting support and confidence in MFM.

TAN SRI DATO' SERI ARSHAD BIN AYUB

Chairman

Kuala Lumpur
26 May 2010

