

CORPORATE SOCIAL RESPONSIBILITY

Malayan Flour Mills Group is committed to the principle of Corporate Social Responsibility ("CSR") which is to integrate social and environmental concerns into its business values and operations and into its interaction with its stakeholders on a voluntary basis. The stakeholders include the customers, employees, suppliers, the community and the environment.

The Group aims to be recognized as an organization that is transparent and ethical in all its dealings as well as making a positive contribution to the community in which it operates. In addition to building trust with the community and giving the organization an edge in attracting good customers and employees, acting responsibly towards workers and others in society is the long term interest of the Group and its shareholders.

For year 2009, the following activities were undertaken by the Group as its commitment to the principle of CSR:

CSR FOR COMMUNITY

1. Maulidur Rasul Celebration

On 29 March 2009, the Halal Committee of Dindings Poultry Processing Sdn. Bhd. (DPP), once again organized a Maulidur Rasul celebration for the fourth time in DPP compound.

Approximately 250 guests attended the function. VIPs such as officers from Government bodies in Manjung and their wives, the Committee members from nearby mosques including a speaker and group members were invited to perform during the function. Besides that, the management and staff together with their families also joined the function.

At the end of the ceremony, lunch was served. The celebration was reported in the Sinar Harian newspaper, Manjung edition on 31 March 2009.



2. Yayasan Latihan Insan Istimewa

Contribution was made to the "Yayasan Latihan Insan Istimewa", Ipoh, Perak in support of the handicapped and Down Syndrome children in conjunction with the celebration of Chinese New Year.

3. Yayasan Asiaworks

Donation was given to the "Yayasan Asiawork" for part of its AsiaWorks Leadership Program whereby a one day trip for 60 less fortunate children from 3 different homes i.e Pusat Penjagaan Kanak-kanak Cacat, Taman Megah, Rumah KIDS and Rumah Kanak-kanak Angels was organized to visit the Legendary Langkawi Island. The purpose of the trip was to enable the orphans to experience the beauty of our nature and create in them a sense that people do care which could ultimately change how they live their lives.

4. Yayasan Arshad Ayub

Support was given to the "Yayasan Arshad Ayub" which was established in March 2008, focusing on the development of human capital in the nation.

CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

CSR FOR COMMUNITY (CONT'D)

5. University of Malaya, International Institute of Public Policy and Management ("INPUMA") - International Conference

Funding was given to support the International Conference on "Public Policy for Sustainable Development" organised by INPUMA.

The objective of the conference was to provide a forum for the articulation and discussion on a wide-range of issues relating to the topics of public policy on sustainable development.

6. Pusat Harian Kanak-Kanak Spastik ("PHKKS")

Responding to the appeal for donation for the Hari Raya Puasa 2009 Festival Celebration, the Company had contributed to PHKKS to enable it to supply new clothing, goods & sundries and goodies to spastic and physically challenged children.

7. Badan Amal dan Kebajikan Tenaga Isteri-Isteri ("BAKTI")

In respond to the humanitarian request by BAKTI for donation for the Palestinian refugees staying at two camps within the Syrian border, 10,000 kg of flour was donated to those refugees.

8. Donation to the Victims of the Padang Earthquake in Indonesia

Answering the call for humanitarian assistance, donation was given to ease the burden of the victims of the Padang earthquake in Indonesia through the Embassy of Republic of Indonesia.

MARKETPLACE EVENTS

1. Baking Demonstration during Chinese New Year Promotion

In conjunction with the Chinese New Year Promotion at 1 Utama Shopping Centre, Malayan Flour Mills Berhad ("MFM") presented a cookies baking demonstration on 10 January 2009.

MFM's Food Technologists, Ms Koo Hui Miean, from Pasir Gudang plant in Johor and Mr Yip Mun Tsong from Lumut plant in Sitiawan demonstrated 2 different types of cookies using MFM Self-Raising Flour & MFM Superfine Flour. A Question and Answer ("Q&A") session was conducted at the event and lucky participants walked away with complimentary gift when they answered the question correctly.

Audiences got to savour the freshly baked cookies and took home gift-packed cookies at the end of the event.



CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

MARKETPLACE EVENTS (CONT'D)

2. Ayam Dindings Road Shows

Subsidiary, Dindings Poultry Processing Sdn Bhd ("DPP") conducted road shows from February to March in the Klang Valley to promote its further processed poultry products and to build brand awareness in the market.

Samplings were given during the road shows. With every purchase worth RM10.00 and above, the customers were eligible for a lucky draw.



3. Distributors' Convention

Subsidiary, Dindings Poultry Processing Sdn Bhd's ("DPP") 3rd Distributors' Convention was held on 4 & 5 March 2009 at the Swiss Garden Golf Resort & Spa, Damai Laut, Perak.

The Convention kicked off with a visit to DPP's plant in Sitiawan. Participants had an eye-opening experience of the state-of-the-art processing plant. Malayan Flour Mills Berhad ("MFM") Managing Director, Mr Teh Wee Chye, officiated the Distributors' Convention on the second day at the Swiss Garden Golf & Spa, Damai Laut. In his keynote address, Mr Teh presented to the audience a comprehensive global outlook of the current economic crisis.

The highlight of the event was the presentation of Year 2008 Achievement Awards to the distributors. A total of 16 awards were presented for their significant contributions. Another highlight was the introduction of a new software called Distributors Management Systems ("DMS") by the Supply Chain Manager, Mr Cheah Chun Perng. This system is to assist the business partners in their information management for better decision making.

The Convention ended with a closing speech by DPP's Senior General Manager, Mr Low who stressed on the importance of teamwork from everyone to ride out from the critical period.



CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

MARKETPLACE EVENTS (CONT'D)

4. Pastry Making Demonstration

Malayan Flour Mills Berhad ("MFM") celebrated the International Women's Day with a pastry making demonstration at SJKC Pay Teck, Malacca on 8 March 2009. The event was organised by the Malacca Teochew Association ("MTA") Women's Division and had received 51 enthusiastic participants.

MFM Head of Customer Service, Ms Koo Hui Miean, demonstrated 3 recipes using MFM Red Roses Flour namely Curry Puff, Ham Chim Peng and Smiling Ball.

Apart from gaining hands-on experience and guidance in preparing the above favourite tea-time snacks, participants were each given a packet of 1kg Bunga Cempaka flour sponsored by MFM. They also got to bring the fried snacks home.

MFM also contributed 15 cartons of Bunga Cempaka general purpose flour for distribution to blood donors who participated in the blood donation event held at the school.



5. MFM/SUC Cupcake Charity Drive

Malayan Flour Mills Berhad ("MFM") collaborated with the School of Hospitality, Tourism and Leisure Management of Sunway University College (SHTLM) in a charity drive to raise funds for the underprivileged children from the home of "School of Acts" located in Jinjang Utara, Kepong, Kuala Lumpur.

The fund raising activities comprised of a series of weekly cupcakes baking and decorating workshops conducted every Saturday in March 2009, at the Pastry Kitchen of SHTLM. For only RM30 per person, participants gained hands-on experience of baking and decorating the cupcakes. They were also taught to develop a variety of cupcake base. Besides taking home their creations, participants were given goody bags with flour packs sponsored by MFM.

A light tea at the School of Hospitality restaurant capped the workshop; upon completion of the workshops, participants were treated to doughnuts, sandwiches, bruschetta and cupcakes of the day served with coffee or tea.

The finale of the charity drive was held at Sunway Pyramid shopping complex on 5 April 2009, where a total of 1,500 freshly baked cupcakes were sold. An amount of RM5,000 was raised and handed over to the School of Acts.



CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

MARKETPLACE EVENTS (CONT'D)

6. Ayam Dindings Road Shows

From April till June 2009, subsidiary, Dindings Poultry Processing Sdn Bhd ("DPP") had conducted several road shows to promote its further processed products under the Ayam Dindings brand to its consumers.

Activities like product samplings and lucky draws were held to create excitement at the premises.



7. Annual General Meeting

The Company's 49th Annual General Meeting ("AGM") was held on 18 June 2009 at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.



WORKPLACE EVENTS



1. Annual Dinner & Dance

Annual Dinner and Dance was held in appreciation of the hard works and dedication of the employees. The function was held at the Equatorial Hotel on 18 April 2009.

2. Hari Raya and Deepavali Open House

A party was organised in celebration of the Hari Raya and Deepavali on 15 October 2009 for all the staff at the Headquarters. The staffs enjoyed the feast to the fullest.

CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

CSR FOR ENVIRONMENT

The Group is mindful of its responsibility towards preserving the environment and conserving resources wisely. In the Group's daily operations, environment friendly practices are encouraged such as recycling of paper, increased electronic communication, energy saving practices for lighting and equipments and proper waste management.

Environmental Policy

The Group is committed to protect the environment through its corporate Environmental Policy. The Group identifies and manages any significant impacts in the environment through its management system and ensures the followings:-

1. Environmental matters are integrated into all areas of the business.
2. Energy is used efficiently and consumption is monitored.
3. Emissions to air, releases to water and land, are controlled.
4. Solid waste is reduced, reused or recycled where practicable.
5. Environmental issues are considered when making purchasing decisions.
6. Products are transported efficiently to minimise fuel usage, consistent with customers' demands, and vehicle fleet operations.
7. Accidents are prevented so far as reasonably practicable.
8. Effective emergency response procedures are in place to minimise the impact of incidents.
9. All employees are encouraged to participate in improving the environment.

GROUP FINANCIAL HIGHLIGHTS

	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	740,085	794,226	1,031,183	1,198,778	1,201,053
Profit before tax	22,898	43,482	63,985	80,715	92,034
Tax expense	(6,453)	(10,606)	(10,676)	(18,804)	(19,753)
Profit after tax	16,445	32,876	53,309	61,911	72,281
Loss for the year from discontinued operations	(1,118)	-	-	-	-
Profit for the year	15,327	32,876	53,309	61,911	72,281
Minority Interests	(4,902)	(4,575)	(6,718)	(3,940)	(9,402)
Profit attributable to equity holders of the Company	10,425	28,301	46,591	57,971	62,879
Issued Share Capital (RM'000)	95,763	105,219	107,645	107,645	107,645
Shareholders' Fund (RM'000)	286,793	313,053	346,297	388,686	425,435
Net assets per share (sen)	299	298	322	361	395
Earnings per share (sen)	10.89	28.47	43.54	53.85	58.41
Gross dividends (%) - tax exempt	5	5	0	0	0
Gross dividends (%) - taxable	5	5	20	20	20

REVENUE (RM'000)



SHAREHOLDERS' FUND (RM'000)



PROFIT BEFORE TAX (RM'000)



EARNINGS PER SHARE SEN



STATEMENT ON CORPORATE GOVERNANCE

Pursuant to Paragraph 15.25 of the Listing Requirements of the Bursa Malaysia Securities Berhad

The Board of Directors of Malayan Flour Mills Berhad is committed to ensure that the highest standards on Corporate Governance are observed throughout the Group in the interest of the stakeholders. The Board regards Corporate Governance as vitally important to the success of the Company's business and is unreservedly committed to applying the principles necessary to ensure that good governance is practiced in all of its business dealings.

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 ultimate 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 Company in achieving the highest level of business conduct. Its duties and responsibilities included amongst others to establish long and medium terms strategic plans, approve annual budget, establish goals for management and monitor 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 which regulates how business is to be conducted by the Board in accordance with the principles of good Corporate Governance.

The Company has a unitary Board, currently consisting of four (4) Executive Directors and five (5) Non-Executive Directors of whom five (5) are Independent and thus obtain the desired level of objectivity and independence in Board deliberations and decision making. The Board composition also complies with the Listing Requirements of Bursa Malaysia Securities Berhad which require a minimum of 2 or 1/3 of the Board to be independent directors. A brief profile of each director is presented on pages 5 to 8 of this 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, such that no one individual has unfettered powers of decision-making. 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 procedures for appointments to the Board are formal and transparent. The Nomination Committee is responsible for making recommendations for any appointments to the Board by considering the mix of skills, knowledge, expertise and experience which the Director(s) brings to the Board. For the position of independent non-executive director, the Nomination Committee also evaluates the candidate's calibre, credibility and necessary skill and experience to bring an independent judgment and view to matters under consideration. Any new nomination received is forwarded to the Board for assessment and endorsement.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Pursuant to Paragraph 15.25 of the Listing Requirements of the Bursa Malaysia Securities Berhad

BOARD OF DIRECTORS (CONT'D)

Appointment and Re-election of Directors (Cont'd)

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.

Board Meetings

The Board meets at least five (5) times annually, with additional meetings being convened as and when necessary. The Board meetings are scheduled prior to the commencement of the financial year. The Board receives documents on matters requiring its consideration prior to and in advance of each meeting.

Minutes of proceedings and resolutions passed at each Board and Board Committees Meetings are kept in the statutory register at the registered office of the Company. In the event of a potential conflict of interest, the Director in such position will make a declaration to that effect as soon as practicable. The Director concerned will then abstain from any decision-making process in which he has an interest in.

During the year under review, nine (9) Board Meetings were held. The attendance of each Director at the Board meetings are as follows:-

Director	Number of Meetings Attended
Tan Sri Dato'Seri Arshad bin Ayub	9 / 9
Mr Teh Wee Chye	9 / 9
Mr Lee Soon Lee (Retired on 18 June 2009)	3 / 4
Dato' Hj Shaharuddin bin Hj Haron	8 / 9
Mr Geh Cheng Hooi	8 / 9
Mr Quah Ban Lee	9 / 9
Datuk Oh Chong Peng	9 / 9
Mr Thong Kok Mun (Appointed on 11 June 2009)	5 / 5
Mr Lim Pang Boon (Appointed on 11 June 2009)	4 / 5
Dato'Wira Zainal Abidin bin Mahamed Zain (Appointed on 1 September 2009)	3 / 3

Access to Advice and Information

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

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

In furtherance of their duties, the Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board Meeting procedures are followed and that applicable rules and regulations are complied with. In addition, the Directors may take independent advice if necessary at the Company's expense.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Pursuant to Paragraph 15.25 of the Listing Requirements of the Bursa Malaysia Securities Berhad

BOARD OF DIRECTORS (CONT'D)

Directors' Training

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

On appointment, all new Directors in particular the Non-Executive Directors will have the benefit of an induction programme aimed at deepening their understanding of the Company and the business environment and markets in which the Company operates.

The Company Secretary facilitates the participation of training programmes by the Directors and maintains the details of all trainings attended by the Directors.

During the financial year under review, the following training programmes were attended by the Directors of the Company:-

Name of Director	Mode of Training	Title of Training
Tan Sri Dato' Seri Arshad bin Ayub	Seminar	The Non-Executive Director Development Series: Is It Worth The Risk
Teh Wee Chye	Conference	6th SE Asia US Agricultural Cooperators Conference
Dato' Hj Shaharuddin Hj bin Haron	Workshop	One-Day Workshop on Forensic Accounting
Geh Cheng Hooi	Workshop	1. Pre-Summit Workshop on Red-flags & Landmines in Financial Accounts and Improving Risk Committee Performance
	Conference	2. 5th Asia Pacific Audit & Governance Summit 2009
Quah Ban Lee	Workshop	1. KPMG FRS 139, Financial Instruments: Recognition and Measurement Step-by-Step Conversion Workshops
	Conference	2. 5th Asia Pacific Audit & Governance Summit 2009
	Conference	3. KPMG Tax Summit 2009
Datuk Oh Chong Peng	Seminar	FRS 139, Financial Instruments: Recognition and Measurement
Thong Kok Mun	Seminar	Mandatory Accreditation Programme
Lim Pang Boon	Seminar	Mandatory Accreditation Programme
Dato' Wira Zainal Abidin bin Mahamad Zain	Seminar	Mandatory Accreditation Programme

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Pursuant to Paragraph 15.25 of the Listing Requirements of the Bursa Malaysia Securities Berhad

BOARD COMMITTEES

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

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

Audit Committee

The composition and terms of reference of the Audit Committee together with its report are presented on pages 26 to 29 of this Annual Report.

Nomination Committee

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

Dato' Hj Shaharuddin bin Hj Haron (Chairman)	(Independent Non-Executive Director)
Tan Sri Dato' Seri Arshad bin Ayub	(Independent Non-Executive Director)
Mr Geh Cheng Hooi	(Independent Non-Executive Director)

The Committee is responsible for making recommendations for any appointments to the Board, Board Committees as well as positions of the General Manager(s) and Chief Financial Officer. It also assesses 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.

The Committee met three (3) times during the financial year.

Remuneration Committee

The Remuneration Committee comprises of two (2) Independent Non-Executive Directors and one (1) Executive Director as follows:

Tan Sri Dato' Seri Arshad bin Ayub (Chairman)	(Independent Non-Executive Director)
Dato' Hj Shaharuddin bin Hj Haron	(Independent Non-Executive Director)
Mr Teh Wee Chye	(Managing Director)

The primary function of the Remuneration Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Executive Directors and other senior management staff of the Group. The Committee also reviews and recommends for the Board's consideration the Directors'/Committees' fees and meeting allowances.

The Committee also determines the policy for and the scope of service agreements for the Executive Directors of the Group.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Pursuant to Paragraph 15.25 of the Listing Requirements of the Bursa Malaysia Securities Berhad

BOARD COMMITTEES (CONT'D)

Remuneration Committee (Cont'd)

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 increase in Directors' fees has to be approved by the shareholders at the Annual General Meeting.

The Committee met once during the financial year under review.

DIRECTORS' REMUNERATION

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

The Directors are paid meeting allowance for each Board and Committee meeting they attend. Besides this, the Non-Executive Directors of the Company are also paid annual fees which were approved by the shareholders at the Annual General Meeting.

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

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

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

Category	Fees (RM'000)	Salaries (RM'000)	Performance Incentive (RM'000)	Benefits- In-Kind (RM'000)	Other Emoluments (RM'000)
4 Executive Directors	8	1,994	1,649	110	52
7 Non-Executive Directors	469	540	-	30	169

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Pursuant to Paragraph 15.25 of the Listing Requirements of the Bursa Malaysia Securities Berhad

DIRECTORS' REMUNERATION (CONT'D)

(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		2
RM50,001 to RM100,000		2
RM100,001 to RM150,000		1
RM250,001 to RM300,000		1
RM300,001 to RM350,000	1	
RM400,001 to RM450,000	1	
RM600,001 to RM650,000		1
RM650,001 to RM700,000	1	
RM2,400,001 to RM2,450,000	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 ("AGM") 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 AGM.

The timely release of quarterly financial results, the issue of the Company's Annual Reports and the Company's website 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 15.25 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 this 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 Group has in place 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 30 to 31 of this 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 31 December 2009, the Directors have:

- Used 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.

ADDITIONAL COMPLIANCE INFORMATION

The following information is provided in compliance with the Listing Requirements of the Bursa Malaysia Securities Berhad.

1. Utilisation of Proceeds

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

2. Share Buy-back

The Company has not conducted any share buy-back during the financial year ended 31 December 2009.

3. Options, Warrants or Convertible Securities

The Company does not have any outstanding options, warrants or convertible securities.

4. American Depositary Receipt ("ADR") or Global Depositary Receipt ("GDR") Programme

The Company did not sponsor any ADR or GDR programme during the financial year.

5. Imposition of Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant authorities during the financial year.

6. Non-Audit Fees

Non-Audit Fees amounting to RM10,000 would be payable to the External Auditors, KPMG and RM64,000 would be payable to the affiliate of KPMG for the financial year.

7. Variation in Results

There were no material variations between the audited results for the financial year ended 31 December 2009 and the unaudited results for the quarter ended 31 December 2009 of the Group.

8. Profit Guarantee

The Company did not give any profit guarantee during the financial year.

9. Material Contracts involving Directors' and Substantial Shareholders' Interests

There were no material contracts entered into by the Company and/or its subsidiaries involving Directors' and substantial shareholders' interests either subsisting as at 31 December 2009 or entered into since the end of the previous financial year except for the related party transactions disclosed in Note 24 to the financial statements on pages 85 and 86 of this Annual Report.

10. Revaluation Policy on Landed Properties

The Group's revaluation policy is stated in Note 2(c) to the financial statements on pages 52 and 53 of this Annual Report.

11. Recurrent Related Party Transactions of a Revenue or Trading Nature

The Recurrent Related Party Transactions of a Revenue or Trading Nature are disclosed in Note 24 to the financial statements on pages 85 and 86 of this Annual Report.

AUDIT COMMITTEE REPORT

The Board of Malayan Flour Mills Berhad is pleased to present the Audit Committee Report for the year ended 31 December 2009.

MEMBERS

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

Members: 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)

MEETINGS OF THE AUDIT COMMITTEE

During the year, the Audit Committee met five (5) 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	5 of 5 meetings
Geh Cheng Hooi	5 of 5 meetings
Tan Sri Dato' Seri Arshad bin Ayub	5 of 5 meetings
Datuk Oh Chong Peng	5 of 5 meetings
Tan Sri Hamzah bin Abu Samah (Retired on 2 April 2009)	1 of 1 meeting
Lee Soon Lee (Retired on 18 June 2009)	2 of 3 meetings

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

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

AUDIT COMMITTEE REPORT (CONT'D)

TERMS OF REFERENCE

1.0 Members

The Committee shall be appointed by the Board of Directors and shall consist of not less than three members, all of whom shall be non-executive directors, with a majority of them being independent directors.

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

At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or must have other accounting qualifications with at least three years' working experience or fulfils such other requirements as prescribed or approved by the Exchange (Refer Paragraph 15.09(1)(c) of the Bursa Malaysia Securities Berhad's Listing Requirements)

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.

2.0 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 shall convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

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.

AUDIT COMMITTEE REPORT (CONT'D)

3.0 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.

4.0 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.
 - 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 quality 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.

AUDIT COMMITTEE REPORT (CONT'D)

- 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 31 December 2009 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.

The Internal Audit Function is performed in-house and the costs incurred for the financial year 2009 was RM400,000.

STATEMENT ON INTERNAL CONTROL

The Board of Malayan Flour Mills Berhad is pleased to include the Statement on Internal Control in accordance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad Listing Requirements.

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

The Board confirms that there is a risk management plan in place to identify, evaluate and manage significant risks faced by the Group. Risk Management is an integral part of our business operations and this process goes through a review by the Board. During the year, discussions were conducted at different levels of management to identify and address risks identified in the Group. The operational activities of the Group include the assessment of significant risks and the execution of relevant mitigating action plans.

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 regular 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)

OTHER KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

- 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 21 April 2010.





REPORTS & FINANCIAL STATEMENTS

Directors' Report	34
Balance Sheets	39
Income Statements	40
Statement of Changes in Equity	41
Cash Flow Statements	44
Notes to the Financial Statements	47
Statement by Directors	88
Statutory Declaration	89
Independent Auditors' Report	90

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit attributable to:		
Equity holders of the Company	62,879	43,295
Minority interests	9,402	-
	<u>72,281</u>	<u>43,295</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review.

DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) an interim dividend of 5 sen per ordinary share less tax at 25% totalling RM4,037,000 (3.75 sen net per ordinary share) in respect of the year ended 31 December 2008 on 16 January 2009;
- ii) a final dividend of 5 sen per ordinary share less tax at 25% totalling RM4,037,000 (3.75 sen net per ordinary share) in respect of the year ended 31 December 2008 on 6 July 2009;
- iii) a special dividend of 10 sen per ordinary share less tax at 25% totalling RM8,073,000 (7.50 sen net per ordinary share) in respect of the year ended 31 December 2008 on 6 July 2009; and
- iv) an interim dividend of 5 sen per ordinary share less tax at 25% totalling RM4,037,000 (3.75 sen net per ordinary share) in respect of the year ended 31 December 2009 on 15 January 2010.

The final and special dividends recommended by the Directors in respect of the year ended 31 December 2009 is 5 sen per ordinary share and 10 sen per ordinary share respectively less tax at 25% totalling RM4,037,000 (3.75 sen net per ordinary share) and RM8,073,000 (7.50 sen net per ordinary share) respectively.

DIRECTORS' REPORT (CONT'D)

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Seri Arshad bin Ayub
 Teh Wee Chye
 Dato' Hj Shaharuddin bin Hj Haron
 Geh Cheng Hooi
 Quah Ban Lee
 Datuk Oh Chong Peng
 Thong Kok Mun (appointed on 11 June 2009)
 Lim Pang Boon (appointed on 11 June 2009)
 Dato' Wira Zainal Abidin bin Mahamad Zain (appointed on 1 September 2009)
 Lee Soon Lee (retired on 18 June 2009)

DIRECTORS' INTERESTS

The interests and deemed interests in the shares and options of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Company – Malayan Flour Mills Berhad				
Direct interest				
Teh Wee Chye	456,500	-	-	456,500
Tan Sri Dato' Seri Arshad bin Ayub	4,331,485	283,200	-	4,614,685
Dato' Hj Shaharuddin bin Hj Haron	400,000	-	-	400,000
Quah Ban Lee	235,000	-	-	235,000
Lim Pang Boon	41,800	-	-	41,800
Deemed interest				
Teh Wee Chye				
- own	29,858,483	-	-	29,858,483
- others *	12,000	-	-	12,000
Tan Sri Dato' Seri Arshad bin Ayub	2,704,400	72,000	-	2,776,400
Geh Cheng Hooi	3,000	155,000	-	158,000
Thong Kok Mun				
- others *	118,000	-	-	118,000

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

	Number of ordinary shares of RM1 each			
	At 1.1.2009	Bought	Sold	At 31.12.2009
Deemed interest in subsidiary company				
- Dindings Soya & Multifeeds Sdn. Berhad				
Teh Wee Chye	29,185,000	-	-	29,185,000
- Muda Fibre Manufacturing Sdn. Bhd.				
Teh Wee Chye	7,000,001	-	-	7,000,001
- Dindings Poultry Processing Sdn. Bhd.				
Teh Wee Chye	51,160,000	-	-	51,160,000
- Premier Grain Sdn. Bhd. (formerly known as Dindings Trading Sdn. Bhd.)				
Teh Wee Chye	10,200	9,800	-	20,000
Interest in capital contribution denominated in Vietnamese Dong (VND)				
	At 1.1.2009 VND'000	Bought VND'000	Sold VND'000	At 31.12.2009 VND'000
- Vimaflour Limited				
Teh Wee Chye	149,310,144	-	-	149,310,144

* Deemed to have interest through spouse and children pursuant to the Section 134(12)(c) of the Companies Act, 1965.

By virtue of his interest in the shares of the Company, Mr. Teh Wee Chye is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Malayan Flour Mills Berhad has an interest.

None of the other Directors holding office at 31 December 2009 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received nor become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with Director 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 a Director who has significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 24 to the financial statements.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS (CONT'D)

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

There were no changes in the authorised, issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts, and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT (CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Seri Arshad bin Ayub

Teh Wee Chye

Kuala Lumpur
21 April 2010

BALANCE SHEETS

at 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 restated RM'000	2009 RM'000	2008 restated RM'000
Assets					
Property, plant and equipment	3	198,095	197,356	92,377	83,466
Intangible assets	4	2,580	3,339	623	1,196
Investment properties	5	5,619	5,676	5,348	5,405
Investments in subsidiaries	6	-	-	149,323	149,316
Investments in associates	7	143	319	-	-
Other investments	8	94	112	60	60
Deferred tax assets	9	2,596	2,593	-	-
Total non-current assets		209,127	209,395	247,731	239,443
Receivables, deposits and prepayments	10	195,754	201,386	156,046	180,065
Inventories	11	249,184	282,000	100,027	104,954
Current tax assets		94	748	-	-
Cash and cash equivalents	12	142,179	104,056	26,306	40,928
Total current assets		587,211	588,190	282,379	325,947
Total assets		796,338	797,585	530,110	565,390
Equity					
Share capital		107,645	107,645	107,645	107,645
Reserves		317,790	281,041	254,757	227,609
Total equity attributable to equity holders of the Company		425,435	388,686	362,402	335,254
Minority interests		39,340	33,571	-	-
Total equity	13	464,775	422,257	362,402	335,254
Liabilities					
Deferred tax liabilities	9	7,200	6,889	7,200	6,889
Total non-current liabilities		7,200	6,889	7,200	6,889
Payables and accruals	14	84,895	82,206	26,585	72,057
Loans and borrowings	15	229,439	279,908	127,500	144,865
Current tax liabilities		5,992	2,288	2,386	2,288
Dividend payable		4,037	4,037	4,037	4,037
Total current liabilities		324,363	368,439	160,508	223,247
Total liabilities		331,563	375,328	167,708	230,136
Total equity and liabilities		796,338	797,585	530,110	565,390

The notes set out on pages 47 to 87 are an integral part of these financial statements.

INCOME STATEMENTS

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Revenue		1,201,053	1,198,778	388,030	429,377
Cost of goods sold		(1,010,891)	(1,017,888)	(290,856)	(325,876)
Gross profit		190,162	180,890	97,174	103,501
Other income		6,620	11,498	8,036	23,911
Distribution and selling expenses		(67,519)	(61,137)	(28,956)	(26,335)
Administrative expenses		(25,083)	(27,265)	(13,130)	(14,698)
Other expenses		(7,375)	(16,290)	(219)	(16,275)
Results from operating activities		96,805	87,696	62,905	70,104
Interest expense		(9,870)	(14,868)	(4,454)	(5,625)
Interest income		5,275	8,399	555	506
Operating profit	16	92,210	81,227	59,006	64,985
Share of loss after tax of equity accounted associates		(176)	(512)	-	-
Profit before tax		92,034	80,715	59,006	64,985
Tax expense	18	(19,753)	(18,804)	(15,711)	(15,647)
Profit for the year		72,281	61,911	43,295	49,338
Attributable to:					
Equity holders of the Company		62,879	57,971		
Minority interests		9,402	3,940		
Profit for the year		72,281	61,911		
Basic earnings per ordinary share (sen)	19	58.41	53.85		

The notes set out on pages 47 to 87 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

<div>← <i>Attributable to equity holders of the Company</i> →</div> <div>← <i>Non-distributable</i> → <i>Distributable</i></div>									
				Other					
		Share	Share	Revaluation	capital	Translation	Retained		
		capital	premium	reserve	reserves	reserve	earnings	Total	Minority
<i>Group</i>	<i>Note</i>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	interests
									<i>RM'000</i>
At 1 January 2008		107,645	55,862	19,310	7,673	(19,843)	175,650	346,297	32,851
Foreign exchange translation differences		-	-	-	-	403	-	403	(99)
Net gain/ (loss) recognised directly in equity		-	-	-	-	403	-	403	(99)
Profit for the year		-	-	-	-	-	57,971	57,971	3,940
Total recognised income and expense for the year		-	-	-	-	403	57,971	58,374	3,841
Bonus shares issued by a subsidiary		-	-	-	6,935	-	(6,935)	-	-
Realisation of revaluation reserves		-	-	(2,243)	-	-	2,243	-	-
Dividends to equity holders	20	-	-	-	-	-	(15,985)	(15,985)	-
Dividends to minority interests		-	-	-	-	-	-	-	(3,121)
At 31 December 2008		107,645	55,862	17,067	14,608	(19,440)	212,944	388,686	33,571

STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 December 2009

<div>← Attributable to equity holders of the Company →</div>										
<div>← Non-distributable → Distributable</div>										
				Other						
		Share	Share	Revaluation	capital	Translation	Retained		Minority	Total
Group	Note	capital	premium	reserve	reserves	reserve	earnings	Total	interests	equity
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009										
		107,645	55,862	17,067	14,608	(19,440)	212,944	388,686	33,571	422,257
Foreign exchange translation differences		-	-	-	-	(9,983)	-	(9,983)	(1,881)	(11,864)
Net loss recognised directly in equity		-	-	-	-	(9,983)	-	(9,983)	(1,881)	(11,864)
Profit for the year		-	-	-	-	-	62,879	62,879	9,402	72,281
Total recognised income and expense for the year		-	-	-	-	(9,983)	62,879	52,896	7,521	60,417
Acquisition of minority interest		-	-	-	-	-	-	-	(6)	(6)
Dividends to equity holders	20	-	-	-	-	-	(16,147)	(16,147)	-	(16,147)
Dividends to minority interests		-	-	-	-	-	-	-	(1,746)	(1,746)
At 31 December 2009										
		107,645	55,862	17,067	14,608	(29,423)	259,676	425,435	39,340	464,775

STATEMENT OF CHANGES IN EQUITY (CONT'D)

for the year ended 31 December 2009

Company	Note	Non-distributable			Distributable	Total RM'000
		Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	
At 1 January 2008		107,645	55,862	19,310	119,084	301,901
Profit for the year		-	-	-	49,338	49,338
Realisation of revaluation reserves		-	-	(2,243)	2,243	-
Dividends to equity holders	20	-	-	-	(15,985)	(15,985)
At 31 December 2008/ 1 January 2009		107,645	55,862	17,067	154,680	335,254
Profit for the year		-	-	-	43,295	43,295
Dividends to equity holders	20	-	-	-	(16,147)	(16,147)
At 31 December 2009		107,645	55,862	17,067	181,828	362,402

The notes set out on pages 47 to 87 are an integral part of these financial statements.

CASH FLOW STATEMENTS

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000 restated	2009 RM'000	2008 RM'000 restated
Cash flows from operating activities					
Profit before tax		92,034	80,715	59,006	64,985
Adjustments for:					
Amortisation of intangible assets	4	1,224	1,715	907	889
Depreciation of investment properties	5	57	57	57	57
Depreciation of property, plant and equipment	3	16,575	19,294	5,768	5,702
Dividend income		-	-	(4,554)	(18,432)
Gain on disposal of an associate		-	(39)	-	(18)
Gain on disposal of property, plant and equipment		(499)	(1,109)	(60)	(244)
Impairment on property, plant and equipment		1,613	2,809	-	-
Intangible assets written off		3	-	3	-
Interest expense		9,870	14,868	4,454	5,625
Interest income		(5,275)	(8,399)	(555)	(506)
Property, plant and equipment written off		53	1,760	9	1,760
Share of loss of equity accounted associates		176	512	-	-
Unrealised loss on foreign exchange		842	737	-	-
Operating profit before changes in working capital		116,673	112,920	65,035	59,818
Changes in working capital:					
Inventories		27,524	1,721	4,927	(24,009)
Payables and accruals		6,572	(8,208)	(45,472)	30,395
Receivables, deposits and prepayments		2,937	(14,272)	24,019	(45,853)
Cash generated from operations		153,706	92,161	48,509	20,351
Interest paid		(9,870)	(14,868)	(4,454)	(5,625)
Interest received		5,275	8,399	555	506
Tax paid		(15,053)	(19,098)	(15,302)	(13,599)
Net cash generated from operating activities		134,058	66,594	29,308	1,633

CASH FLOW STATEMENTS (CONT'D)

for the year ended 31 December 2009

	Note	Group		Company	
		2009 RM'000	2008 RM'000 restated	2009 RM'000	2008 RM'000 restated
Cash flows from investing activities					
Acquisition of intangible assets		(589)	(1,112)	(337)	(183)
Acquisition of minority interest	25	(7)	-	-	-
Acquisition of property, plant and equipment		(23,457)	(28,250)	(14,814)	(23,073)
Dividend received		-	-	4,554	18,181
Increase in investment in a subsidiary		-	-	(7)	-
Subscription of shares in a subsidiary		-	-	-	*
Proceeds from disposal of an associate		-	18	-	18
Proceeds from disposal of property, plant and equipment		1,207	2,438	186	419
Proceeds from disposal of other investments		18	-	-	-
Net cash used in investing activities		(22,828)	(26,906)	(10,418)	(4,638)
Cash flows from financing activities					
Dividends paid to minority shareholders		(4,867)	-	-	-
Dividends paid to equity holders of the Company		(16,147)	(15,931)	(16,147)	(15,931)
(Repayment of)/Proceeds from loans and borrowings		(48,831)	(54,919)	(17,365)	32,593
Net cash (used in)/generated from financing activities		(69,845)	(70,850)	(33,512)	16,662
Net increase/(decrease) in cash and cash equivalents		41,385	(31,162)	(14,622)	13,657
Effect of exchange rate fluctuations on cash held		(3,262)	972	-	-
Cash and cash equivalents at 1 January	(i)	104,056	134,246	40,928	27,271
Cash and cash equivalents at 31 December	(i)	142,179	104,056	26,306	40,928

* denotes RM326

CASH FLOW STATEMENTS (CONT'D)

for the year ended 31 December 2009

i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits placed with licensed banks	12	100,826	86,190	17,000	34,100
Cash and bank balances	12	41,353	17,866	9,306	6,828
		142,179	104,056	26,306	40,928

The notes set out on pages 47 to 87 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Malayan Flour Mills Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The address of its registered office, which is also its principal place of business is as follow:

Registered office and principal place of business

22nd Floor, Wisma MCA
Jalan Ampang
50450 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in associates.

The Company is principally engaged in the business of milling and selling wheat flour and trading in grains and other allied products, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

The financial statements were approved by the Board of Directors on 21 April 2010.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards ("FRSs"), accounting principles generally accepted and the Companies Act, 1965 in Malaysia.

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2009

- FRS 8, *Operating Segments*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, *Insurance Contracts*
- FRS 7, *Financial Instruments: Disclosures*
- FRS 101, *Presentation of Financial Statements (revised)*
- FRS 123, *Borrowing Costs (revised)*
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
- Amendments to FRS 2, *Share-based Payment: Vesting Conditions and Cancellations*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 101, *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132, *Financial Instruments: Presentation*
 - *Puttable Financial Instruments and Obligations Arising on Liquidation*
 - *Separation of Compound Instruments*

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010 (cont'd)

- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement*
 - *Reclassification of Financial Assets*
 - *Collective Assessment of Impairment for Banking Institutions*
- Improvements to FRSs (2009)
- IC Interpretation 9, *Reassessment of Embedded Derivatives*
- IC Interpretation 10, *Interim Financial Reporting and Impairment*
- IC Interpretation 11, *FRS 2 – Group and Treasury Share Transactions*
- IC Interpretation 13, *Customer Loyalty Programmes*
- IC Interpretation 14, *FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation – Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 15, *Agreements for the Construction of Real Estate*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distribution of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

In this set of financial statements, the Group and the Company have chosen to early adopt the amendments to FRS117, *Leases* under the improvements to FRSs (2009). All other abovementioned standards, amendments and interpretations have not been applied by the Group and the Company in preparing this set of financial statements.

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(a) Statement of compliance (cont'd)

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for FRS 4, Amendments to FRS 2, IC Interpretations 11, 13 and 14 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 or 1 January 2011, except for Amendments to FRS 2, IC Interpretations 12, 15, 16 and 17 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

Material impact of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, is disclosed below:

Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes which will become effective for the Group's financial statements for the year ending 31 December 2010. Significant amendment that has material impact is:

FRS 117, *Leases*

The amendments clarify the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which has been applied retrospectively in accordance with the transitional provisions.

The Group and the Company have chosen to early adopt the amendments and this change in accounting policy will result in classification of lease of land amounting to RM12,167,000 and RM3,234,000 respectively as at 31 December 2009 from leasehold land to property, plant and equipment.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

1. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, other than disclosed in Note 2 (d) – Leased assets.

The comparatives in the financial statements have been restated to take into account the effect of adopting the amendments to FRS117, *Leases*. (See Note 26)

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses, unless the investment is held for sale.

(ii) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Associates (cont'd)

Associates are accounted for in the consolidated financial statements using the equity method unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The consolidated financial statements include the Group's share of the profit or loss of the equity accounted associates, after adjustments, if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted associates, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale.

(iii) Changes in Group composition

When a group purchases a subsidiary's equity shares from minority interests for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the acquisition method of accounting is applied.

(iv) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interest that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently report profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gain arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

(ii) *Operations denominated in functional currencies other than Ringgit Malaysia*

The assets and liabilities of operations in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the balance sheet date. The income and expenses of operations in functional currencies other than RM are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in translation reserve. On disposal, accumulated translation differences are recognised in the consolidated income statement as part of the gain or loss on sale.

(c) Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are stated at cost / valuation less accumulated depreciation and accumulated impairment losses.

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain properties were revalued in 1983 and no later valuation has been recorded for these property, plant and equipment, except in the case of impairment adjustments based on a valuation.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other operating expenses" respectively in the income statements. When revalued assets are derecognised, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

(iii) Depreciation

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- | | |
|--|--|
| • leasehold land | 30 to 99 years |
| • buildings | 10 and 50 years or over lease period, whichever is shorter |
| • jetty | 50 years |
| • plant, machinery, fixtures and equipment | 4 and 10 years |
| • motor vehicles and boats | 5 and 10 years |

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

In the previous years, leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as leasehold land on the balance sheet, except for leasehold land classified as investment property.

The Group has early adopted the amendments to FRS 117, Leases which is effective for the period beginning on 1 January 2010 in relation to the classification of lease of land. Leasehold land which is in substance a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(e) Intangible assets

(i) Computer software

Computer software acquired by the Group is stated at cost less accumulated amortisation and impairment loss, if any.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Intangible assets (cont'd)

(i) Computer software (cont'd)

The cost capitalised includes expenditures that are directly attributable to the acquisition of the software licenses and any other development costs directly attributable to the preparation of the computer software for its intended use.

(ii) Subsequent expenditure

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iii) Amortisation

Amortisation of computer software is charged to the income statements on a straight-line basis over its estimated useful lives. Computer software is amortised from the date that it is available for use.

The estimated useful life of computer software is 4 years.

(f) Investments in equity securities

Investments in equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries and associates, are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities other than investment in subsidiaries and associates, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in equity securities are accounted for using settlement date accounting. Settlement date accounting refers to:

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition of an asset and recognition of any gain or loss on disposal on the date it is delivered.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Investment properties

(i) *Investment properties carried at cost*

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(c).

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

(ii) *Determination of fair value*

The Directors estimate the fair values of the Group's investment properties without the involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of semi-processed goods and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

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

Cost of hatching eggs includes costs of direct materials, direct labour and a proportion of overhead cost incurred to maintain the layer during their egg laying stage.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Inventories (cont'd)

Poultry parent inventories are stated at depreciated cost after accounting for its net realisable value at the end of its useful life. Cost includes original purchase price 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 is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts.

(k) Impairment of assets

The carrying amounts of assets except for financial assets (excluding investments in subsidiaries and investments in associates), inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash-generating unit").

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount, unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

(l) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

(m) Employee benefits

Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Employee benefits (cont'd)

Short term employee benefits (cont'd)

The Group's contribution to statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(n) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(o) Revenue recognition

(i) Goods sold

Revenue from sale of goods and services are measured at the fair value of the consideration receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Rental income

Rental income from investment property is recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Rental income from jetty is recognised at contractual rates based on the length of stay of vessel on an accrual basis.

(iii) Dividend income

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

(p) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or tax loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance is treated as the tax base of the assets and is recognised as a reduction of tax expense as and when they are utilised.

(r) Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT

	Land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in progress RM'000	Total RM'000
Group							
Cost/Valuation							
At 1 January 2008, restated							
- At cost	22,169	177,771	909	267,676	32,211	2,821	503,557
- At valuation	-	21,386	6,073	-	-	-	27,459
	22,169	199,157	6,982	267,676	32,211	2,821	531,016
Additions	-	527	662	4,131	1,040	21,890	28,250
Disposals	-	(1,083)	-	(14,286)	(2,452)	-	(17,821)
Write-off	-	-	(3,217)	(1,677)	(72)	-	(4,966)
Transfers	-	1,185	3,336	6,152	-	(10,673)	-
Effect of movements in exchange rate	(75)	(285)	-	(301)	(41)	(4)	(706)
At 31 December 2008/ 1 January 2009, restated	22,094	199,501	7,763	261,695	30,686	14,034	535,773
Additions	-	2,228	656	5,272	2,255	13,046	23,457
Disposals	-	-	-	(449)	(3,409)	-	(3,858)
Write-off	-	(3,076)	-	(5,424)	(69)	-	(8,569)
Transfers	-	38	10,672	78	1,456	(12,244)	-
Effect of movements in exchange rate	(788)	(3,053)	-	(3,314)	(416)	-	(7,571)
At 31 December 2009	21,306	195,638	19,091	257,858	30,503	14,836	539,232
Representing items at:							
- At cost	21,306	174,252	16,030	257,858	30,503	14,836	514,785
- At valuation	-	21,386	3,061	-	-	-	24,447
	21,306	195,638	19,091	257,858	30,503	14,836	539,232

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in progress RM'000	Total RM'000
Group							
Depreciation and impairment							
At 1 January 2008, restated:							
Accumulated depreciation	6,895	88,390	3,042	194,658	27,939	-	320,924
Accumulated impairment	-	311	-	15,036	-	-	15,347
	6,895	88,701	3,042	209,694	27,939	-	336,271
Charge for the year	608	6,169	173	10,602	1,742	-	19,294
Impairment	-	1,409	-	1,400	-	-	2,809
Disposals	-	(260)	-	(14,131)	(2,101)	-	(16,492)
Write-off	-	-	(1,517)	(1,617)	(72)	-	(3,206)
Transfers	-	5	-	(5)	-	-	-
Effect of movements in exchange rate	(20)	(48)	-	(151)	(40)	-	(259)
At 31 December 2008/ 1 January 2009, restated:							
Accumulated depreciation	7,483	94,256	1,698	201,064	27,468	-	331,969
Accumulated impairment	-	1,720	-	4,728	-	-	6,448
	7,483	95,976	1,698	205,792	27,468	-	338,417
Charge for the year	601	4,540	380	9,620	1,434	-	16,575
Impairment	-	1,502	-	111	-	-	1,613
Disposals	-	-	-	(366)	(2,784)	-	(3,150)
Write-off	-	(3,076)	-	(5,374)	(66)	-	(8,516)
Transfers	-	-	-	(311)	311	-	-
Effect of movements in exchange rate	(292)	(918)	-	(2,214)	(378)	-	(3,802)
At 31 December 2009							
Accumulated depreciation	7,792	95,112	2,078	202,721	25,985	-	333,688
Accumulated impairment	-	2,912	-	4,537	-	-	7,449
	7,792	98,024	2,078	207,258	25,985	-	341,137

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in progress RM'000	Total RM'000
Group							
Carrying amounts							
At 1 January 2008, restated	15,274	110,456	3,940	57,982	4,272	2,821	194,745
At 31 December 2008/ 1 January 2009, restated	14,611	103,525	6,065	55,903	3,218	14,034	197,356
At 31 December 2009	13,514	97,614	17,013	50,600	4,518	14,836	198,095
Company							
Cost/Valuation							
At 1 January 2008, restated							
- At cost	6,058	49,274	909	81,031	13,712	1,207	152,191
- At valuation	-	21,386	6,073	-	-	-	27,459
	6,058	70,660	6,982	81,031	13,712	1,207	179,650
Additions	-	34	662	483	1,029	20,865	23,073
Disposals	-	-	-	(35)	(1,417)	-	(1,452)
Write-off	-	-	(3,217)	(827)	(72)	-	(4,116)
Transfers	-	883	3,336	4,044	-	(8,263)	-
At 31 December 2008/ 1 January 2009, restated	6,058	71,577	7,763	84,696	13,252	13,809	197,155
Additions	-	148	657	1,933	905	11,171	14,814
Disposals	-	-	-	(286)	(734)	-	(1,020)
Write-off	-	-	-	(2,281)	-	-	(2,281)
Transfers	-	-	10,671	1	-	(10,672)	-
At 31 December 2009	6,058	71,725	19,091	84,063	13,423	14,308	208,668
Representing items at:							
- At cost	6,058	50,339	16,030	84,063	13,423	14,308	184,221
- At valuation	-	21,386	3,061	-	-	-	24,447
At 31 December 2009	6,058	71,725	19,091	84,063	13,423	14,308	208,668

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Land RM'000	Buildings RM'000	Jetty RM'000	Plant, machinery, fixtures and equipment RM'000	Motor vehicles and boats RM'000	Capital work-in progress RM'000	Total RM'000
Company							
Depreciation							
At 1 January 2008, restated	2,488	28,182	3,043	66,818	11,089	-	111,620
Charge for the year	167	1,297	173	2,911	1,154	-	5,702
Disposals	-	-	-	(33)	(1,244)	-	(1,277)
Write-off	-	-	(1,517)	(767)	(72)	-	(2,356)
At 31 December 2008/ 1 January 2009, restated	2,655	29,479	1,699	68,929	10,927	-	113,689
Charge for the year	169	1,424	380	2,868	927	-	5,768
Disposals	-	-	-	(272)	(622)	-	(894)
Write-off	-	-	-	(2,272)	-	-	(2,272)
At 31 December 2009	2,824	30,903	2,079	69,253	11,232	-	116,291
Carrying amounts							
At 1 January 2008, restated	3,570	42,478	3,939	14,213	2,623	1,207	68,030
At 31 December 2008/ 1 January 2009, restated	3,403	42,098	6,064	15,767	2,325	13,809	83,466
At 31 December 2009	3,234	40,822	17,012	14,810	2,191	14,308	92,377

3.1 Impairment

The Group assessed the recoverable amount of all the property, plant and equipment and wrote down the carrying amount of certain assets by RM1,613,000 (2008 - RM2,809,000) based on their recoverable scrap values. The impairment is included in other expenses.

3.2 Property, plant and equipment under the revaluation model

The Company's buildings and jetty were revalued on 1 January 1983 by independent professionally qualified valuers using an open market value method.

The Company has availed itself to the transitional provision when the MASB first issued FRS 116₂₀₀₄, *Property, Plant and Equipment* in 2000. Due to the absence of historical records, the Group is not able to provide the carrying amounts of the revalued freehold land and buildings had they been carried under the cost model.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

3.3 Land

Included in the carrying amounts of land are:

	2009 RM'000	2008 restated RM'000
Group		
Freehold land	1,346	1,346
Short term leasehold land	8,098	9,009
Long term leasehold land	4,070	4,256
	13,514	14,611
Company		
Long term leasehold land	3,234	3,403

Legal title to certain leasehold land of the Group with a carrying amount of RM1,747,000 (2008 - RM1,797,000) have not been transferred to the respective subsidiaries.

The carrying amounts of land at 1 January 2009 and 31 December 2009 have been adjusted following the adoption of the amendments to FRS117, *Leases*, where leasehold land, which are in substance a finance lease, has been reclassified from leasehold land to property, plant and equipment.

4. INTANGIBLE ASSETS

	Computer softwares Group RM'000	Company RM'000
Cost		
At 1 January 2008	8,172	5,183
Additions	1,112	183
Effect of movements in exchange rates	(8)	-
At 31 December 2008/1 January 2009	9,276	5,366
Additions	589	337
Write-off	(436)	(436)
Effect of movements in exchange rates	(725)	-
At 31 December 2009	8,704	5,267

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. INTANGIBLE ASSETS (CONT'D)

	Computer softwares Group RM'000	Company RM'000
Amortisation		
At 1 January 2008	4,219	3,281
Amortisation for the year	1,715	889
Effect of movements in exchange rates	3	-
At 31 December 2008/1 January 2009	5,937	4,170
Amortisation for the year	1,224	907
Write-off	(433)	(433)
Effect of movements in exchange rates	(604)	-
At 31 December 2009	6,124	4,644
Carrying amounts		
At 1 January 2008	3,953	1,902
At 31 December 2008/1 January 2009	3,339	1,196
At 31 December 2009	2,580	623

4.1 Intangible assets

Intangible assets principally comprise expenditure that are directly attributable to the acquisition of software licences and any other development costs directly attributable to the preparation of the computer software for its intended use.

4.2 Amortisation and impairment charge

The amortisation is allocated to the income statements on a straight-line basis over the intangible assets' estimated useful lives.

5. INVESTMENT PROPERTIES

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Cost/Valuation			
At 1 January 2008/31 December 2008/31 December 2009	3,943	2,836	6,779
Representing item at:			
- At cost	369	1,096	1,465
- At valuation	3,574	1,740	5,314
	3,943	2,836	6,779

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INVESTMENT PROPERTIES (CONT'D)

	Freehold land RM'000	Buildings RM'000	Total RM'000
Group			
Depreciation			
At 1 January 2008	-	1,046	1,046
Depreciation for the year	-	57	57
At 31 December 2008/1 January 2009	-	1,103	1,103
Depreciation for the year	-	57	57
At 31 December 2009	-	1,160	1,160
Carrying amounts			
At 1 January 2008	3,943	1,790	5,733
At 31 December 2008/1 January 2009	3,943	1,733	5,676
At 31 December 2009	3,943	1,676	5,619
Company			
Cost/Valuation			
At 1 January 2008/31 December 2008/31 December 2009	3,672	2,836	6,508
Representing item at:			
- At cost	98	1,096	1,194
- At valuation	3,574	1,740	5,314
	3,672	2,836	6,508
Depreciation			
At 1 January 2008	-	1,046	1,046
Depreciation for the year	-	57	57
At 31 December 2008/1 January 2009	-	1,103	1,103
Depreciation for the year	-	57	57
At 31 December 2009	-	1,160	1,160
Carrying amounts			
At 1 January 2008	3,672	1,790	5,462
At 31 December 2008/1 January 2009	3,672	1,733	5,405
At 31 December 2009	3,672	1,676	5,348

The fair value of the investment properties for the Group and the Company as at 31 December 2009 approximate RM29,400,000 (2008 - RM29,400,000) and RM28,800,000 (2008 - RM28,800,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

5. INVESTMENT PROPERTIES (CONT'D)

The following are recognised in the income statements in respect of investment properties:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Rental income	199	222	235	258
Direct operating expenses of investment properties:				
- revenue generating investment properties	43	48	51	48

Certain investment properties were revalued on 1 January 1983 by independent professionally qualified valuers using the open market value method.

The Group has availed itself to the transitional provision when the MASB first issued FRS 116²⁰⁰⁴ *Property, Plant and Equipment* in 2000. Due to the absence of historical records, the Group is not able to provide the carrying amounts of the revalued freehold land and buildings had they been carried under the cost model.

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 RM'000	2008 RM'000
Unquoted shares at cost	203,390	203,383
Less: Accumulated impairment	(54,067)	(54,067)
	149,323	149,316

During the year, the Company acquired 9,800 ordinary shares of RM1.00 each in Premier Grain Sdn. Bhd. (formerly known as Dindings Trading Sdn. Bhd.) ("PGSB"), representing 49% of the equity interest in PGSB for a cash consideration of RM7,301. The remaining 51% of the equity interest in PGSB is held by 95% owned subsidiary of the Company, Dindings Poultry Processing Sdn. Bhd..

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The subsidiaries, all of which are incorporated in Malaysia except as disclosed otherwise, comprise:

Name of subsidiary	Principal activities	Effective ownership interest	
		2009 %	2008 %
Dindings Soya & Multifeeds Sdn. Berhad	Manufacture and sale of animal feeds and related raw materials, purchase and contract farming of poultry for resale	70	70
Syarikat Pengangkutan Lumut Sdn. Bhd.	Transport management. The Company ceased its operations in 2006	100	100
Dindings Poultry Processing Sdn. Bhd.	Processing and sale of poultry products	95	95
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
Dindings Poultry Development Centre Sdn. Bhd.	Poultry grow-out farm and letting of property	100	100
Semakin Dinamik Sdn. Bhd.	Breeding and sale of day-old chicks and eggs	100	100
Vimaflour Limited* (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. The Company ceased its operations in 2004	60	60
MFM International Ltd. (incorporated in British Virgin Islands) #	Investment holding	100	100

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Effective ownership interest	
		2009 %	2008 %
MFM Property Sdn. Bhd.	Dormant	100	100
Dindings Grand Parent Farm Sdn. Bhd.	Dormant	100	100
MFM Ltd.	Dormant	100	100
Premier Grain Sdn. Bhd. (formerly known as Dindings Trading Sdn. Bhd.)	Dormant	97**	48**
Subsidiary of MFM International Ltd.			
Mekong Flour Mills Ltd.* (incorporated in Vietnam)	Milling and selling wheat flour together with its allied products	100	100

* Audited by other member firms of KPMG International

** 51% direct interest is held through Dindings Poultry Processing Sdn. Bhd.

Not audited by KPMG

The impairment recognised represents the allowance made to adjust the carrying amount of the investment in certain subsidiaries to their estimated recoverable amount.

The financial statements of a foreign subsidiary were qualified on an except for basis and the summarised details of the qualification are as follows:

Included in property, plant and equipment are machinery and equipment with a carrying value of approximately RM2,001,000 (2008: RM2,199,000) which the subsidiary has not put into use since they were contributed by a shareholder in 1995. There is no evidence that these assets will generate future economic benefits to the subsidiary and no depreciation has been provided for these assets. The subsidiary has not carried out a valuation of this machinery and equipment. The audit report of this subsidiary has been qualified and carried an except for opinion on the basis that they were unable to determine its net realisable value by other audit procedures.

In consolidating the subsidiary's financial statements, these assets were fully impaired in the Group's consolidated financial statements in the year 2002. Consequently, this qualification does not apply to the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Unquoted shares at cost	2,800	2,800	-	-
Share of post-acquisition reserves	(2,657)	(2,481)	-	-
	143	319	-	-

Summary financial information on associates:

	Country incorporation	Effective ownership interest %	Revenues (100%) RM'000	Loss (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
Group						
2009						
Fongcheng Enterprises Sendirian Berhad +	Malaysia	28	73,763	(440)	7,366	(7,009)
2008						
Fongcheng Enterprises Sendirian Berhad +	Malaysia	28	71,241	(1,264)	8,310	(7,512)

+ Held through Dindings Soya & Multifeeds Sdn. Berhad

8. OTHER INVESTMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Non-current				
Unquoted shares in Malaysia	60	60	60	60
Unquoted shares outside Malaysia	5,116	5,134	5,082	5,082
Less: Allowance for diminution in value	(5,082)	(5,082)	(5,082)	(5,082)
	94	112	60	60

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Group						
Property, plant and equipment	-	-	6,972	5,600	6,972	5,600
Revaluation on property, plant and equipment	-	-	3,290	3,425	3,290	3,425
Provisions	(5,658)	(4,729)	-	-	(5,658)	(4,729)
Tax (assets)/liabilities	(5,658)	(4,729)	10,262	9,025	4,604	4,296
Set off	3,062	2,136	(3,062)	(2,136)	-	-
Net tax (assets)/liabilities	(2,596)	(2,593)	7,200	6,889	4,604	4,296
Company						
Property, plant and equipment	-	-	6,146	4,774	6,146	4,774
Revaluation on property, plant and equipment	-	-	3,290	3,425	3,290	3,425
Provisions	(2,236)	(1,310)	-	-	(2,236)	(1,310)
Tax (assets)/liabilities	(2,236)	(1,310)	9,436	8,199	7,200	6,889
Set off	2,236	1,310	(2,236)	(1,310)	-	-
Net tax liabilities	-	-	7,200	6,889	7,200	6,889

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2009 RM'000	2008 RM'000
Taxable temporary differences	(13,934)	(9,925)
Unutilised capital allowance	69,028	65,322
Tax loss carry-forwards	74,906	68,200
	130,000	123,597
Tax at 25% (2008: 25%)	32,500	30,899

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

Note	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current				
Trade receivables	194,769	206,806	60,246	74,834
Less: Allowance for doubtful debts	(7,405)	(11,567)	(2,490)	(2,604)
	187,364	195,239	57,756	72,230
Amount due from subsidiaries	10.1	-	129,747	141,184
Less: Allowance for doubtful debts	-	-	(35,787)	(35,787)
	-	-	93,960	105,397
Other receivables	4,582	2,725	2,361	1,263
Deposits	1,264	978	656	573
Prepayments	2,544	2,444	1,313	602
	8,390	6,147	4,330	2,438
	195,754	201,386	156,046	180,065

10.1 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

11. INVENTORIES

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Raw materials	202,104	228,195	91,498	92,924
Finished goods	22,345	30,004	5,009	7,115
Poultry livestock and hatching eggs	13,179	10,979	-	-
Consumables	11,556	12,822	3,520	4,915
	249,184	282,000	100,027	104,954

The write-down of inventories to net realisable value amounted to RM1,538,000 (2008 - RM12,238,000). The write-down is included in cost of goods sold.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Deposits placed with licensed banks	100,826	86,190	17,000	34,100
Cash and bank balances	41,353	17,866	9,306	6,828
	142,179	104,056	26,306	40,928

13. SHARE CAPITAL AND RESERVES

13.1 Share capital

	Group and Company			
	Amount 2009 RM'000	Number of shares 2009 '000	Amount 2008 RM'000	Number of shares 2008 '000
Authorised:				
Ordinary shares of RM1 each	200,000	200,000	200,000	200,000
Issued and fully paid:				
Ordinary shares at RM1 each	107,645	107,645	107,645	107,645

13.2 Revaluation reserve

The revaluation reserve relates to surplus on revaluation of property, plant and equipment in 1983.

13.3 Other capital reserve

The other capital reserve comprises an amount transferred from retained earnings arising from the issuance of bonus shares by subsidiaries.

13.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

13.5 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank all of its distributable reserves at 31 December 2009 if paid out as dividends.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

13. SHARE CAPITAL AND RESERVES (CONT'D)

13.5 Section 108 tax credit (cont'd)

The Finance Act 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the remaining Section 108 tax credit as at 31 December 2009 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

14. PAYABLES AND ACCRUALS

	Note	Group		Company	
		2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Trade payables		37,398	27,895	4,777	6,972
Amount due to subsidiaries	14.1	-	-	6,018	42,748
Other payables and accruals	14.2	47,497	54,311	15,790	22,337
		84,895	82,206	26,585	72,057

14.1 Amount due to subsidiaries

The amount due to subsidiaries is unsecured, interest free and repayable on demand.

14.2 Other payables and accruals

Included in other payables of the Group and of the Company are deposits from customers of RM15,576,000 (2008 - RM13,599,000) and an amount of RM3,070,000 (2008 - RM3,124,000) payable to Mr Teh Liang Teik, a former Director and Chairman of the Company as retirement gratuity.

15. LOANS AND BORROWINGS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current				
Unsecured bankers' acceptances/ Unsecured revolving credits	185,310	241,708	127,500	144,865
Unsecured short term loans	44,129	38,200	-	-
	229,439	279,908	127,500	144,865

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

15. LOANS AND BORROWINGS (CONT'D)

15.1 Terms and debts repayment schedule

	2009		2008	
	Year of maturity	Carrying amount due within 1 year RM'000	Year of maturity	Carrying amount due within 1 year RM'000
Group				
Unsecured bankers' acceptance/ Unsecured revolving credits denominated in:				
- RM	2010	185,310	2009	169,154
- USD	2010	-	2009	72,554
Unsecured short term loans denominated in:				
- USD	2010	23,025	2009	38,200
- VND	2010	21,104		-
		<u>229,439</u>		<u>279,908</u>
Company				
Unsecured bankers' acceptance/ Unsecured revolving credits denominated in:				
- RM	2010	127,500	2009	97,759
- USD	2010	-	2009	47,106
		<u>127,500</u>		<u>144,865</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. OPERATING PROFIT

	Group		Company	
	2009 RM'000	2008 RM'000 restated	2009 RM'000	2008 RM'000 restated
Operating profit is arrived at after charging:				
Allowance for doubtful debts				
- amount due from subsidiaries	-	-	-	14,157
Amortisation of intangible assets	1,224	1,715	907	889
Auditors' remuneration:				
- Audit services				
KPMG	185	148	65	40
Affiliates of KPMG	98	95	-	-
Other auditors	5	4	-	-
- Other services				
KPMG	10	10	10	10
Bad debts written off	13	85	-	-
Depreciation of investment properties	57	57	57	57
Depreciation of property, plant and equipment	16,575	19,294	5,768	5,702
Impairment on property, plant and equipment	1,613	2,809	-	-
Intangible assets written off	3	-	3	-
Inventories written down	1,538	12,238	-	-
Personnel expenses (including key management personnel):				
- Contributions to Employees Provident Fund	5,375	4,985	2,682	2,287
- Wages, salaries and others	58,174	54,406	22,055	21,881
Property, plant and equipment written off	53	1,760	9	1,760
Realised loss on foreign exchange	2,641	7,433	-	-
Rental expenses	2,563	2,699	1,267	1,435
Unrealised loss on foreign exchange	842	737	-	-
and after crediting:				
Dividends from subsidiaries (unquoted):				
- non tax exempt	-	-	480	960
- tax exempt	-	-	4,074	17,472
Gain on disposal of property, plant and equipment	499	1,109	60	244
Gain on disposal of an associate	-	39	-	18
Realised gain on foreign exchange	-	-	1,145	926
Rental income from:				
- investment properties	199	222	235	258
- others	233	383	570	570
Reversal of allowance for doubtful debts	1,199	1,778	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensations are as follows:

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Directors				
- Fees	476	467	465	452
- Remuneration	4,405	2,952	4,194	2,882
Other short term employee benefits (including estimated monetary value of benefits-in-kind)	141	98	141	98
	5,022	3,517	4,800	3,432

18. TAX EXPENSE

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Current tax expense				
Malaysian - current year	14,740	15,946	14,004	15,396
- prior year	925	195	1,396	-
Overseas - current year	3,788	3,177	-	-
Total current tax	19,453	19,318	15,400	15,396
Deferred tax expense				
Origination and reversal of temporary differences	300	(514)	311	251
Total deferred tax	300	(514)	311	251
Total tax expense	19,753	18,804	15,711	15,647
Recognised in the income statements				
Profit for the year	72,281	61,911	43,295	49,338
Total tax expense	19,753	18,804	15,711	15,647
Profit before tax	92,034	80,715	59,006	64,985
Tax at Malaysian tax rate of 25% (2008 - 26%)	23,009	20,986	14,752	16,896
Effect of tax rates in foreign jurisdiction	(4,372)	(4,980)	-	-
Effect of change in tax rate*	-	751	-	(153)
Non-deductible expenses	2,493	1,692	2,255	4,561
Tax exempt income	(120)	(266)	(1,146)	(4,809)
Tax incentives	(2,499)	(508)	-	-
Unrecognised deferred tax assets	1,601	1,009	-	-
Tax savings from group relief	(1,546)	(712)	(1,546)	(712)
Others	262	637	-	(136)
	18,828	18,609	14,315	15,647
Underprovision in prior years	925	195	1,396	-
	19,753	18,804	15,711	15,647

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

18. TAX EXPENSE (CONT'D)

- * The corporate tax rates are 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

Subject to agreement by the Inland Revenue Board, the Group has estimated unutilised reinvestment allowance amounting to RM1,604,800 (2008 - RM1,604,800) available at the balance sheet date to be carried forward to set off against future taxable income.

A subsidiary in a foreign jurisdiction has been granted a 50% tax reduction whilst another foreign subsidiary was subject to a 15% tax rate on its taxable income and an exemption for income from an additional production line for the first 3 years commencing 2007 and thereafter, a 50% tax reduction for the next 5 years.

19. EARNINGS PER SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary equity holders of RM62,879,000 (2008 - RM57,971,000) and the number of ordinary shares outstanding of 107,645,000 (2008 - 107,645,000).

20. DIVIDENDS

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2009			
Interim 2009 ordinary	3.75	4,037	16 January 2009
Final 2008 ordinary	3.75	4,037	6 July 2009
Special 2008 ordinary	7.50	8,073	6 July 2009
Total amount		<u>16,147</u>	
2008			
Interim 2008 ordinary	3.75	4,037	16 January 2008
Final 2007 ordinary	3.70	3,983	25 June 2008
Special 2007 ordinary	7.40	7,965	25 June 2008
Total amount		<u>15,985</u>	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

20. DIVIDENDS (CONT'D)

After the balance sheet date, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial reports upon approval by the equity holders.

	Sen per share (net of tax)	Total amount RM'000
Final ordinary	3.75	4,037
Special ordinary	7.50	8,073
Total amount		<u>12,110</u>

21. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of deferred tax assets, investments in associates and related revenue and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

Inter-segment pricing is determined on an arm's length basis.

Business segments

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

- | | |
|---|--|
| • Flour and trading in grains and other allied products | Milling and selling wheat flour and trading in grains and other allied products |
| • Feeds and trading of related raw materials | Manufacture and sale of animal feeds and related raw materials |
| • Poultry integration | Processing and sale of poultry products, breeding and sale of day-old-chicks, sale of eggs and contract farming activities |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. SEGMENT REPORTING (CONT'D)

	Flour and trading in grains and other allied products RM'000	Feed and trading in related raw materials RM'000	Poultry integration RM'000	Eliminations RM'000	Consolidated RM'000
2009					
Business segments					
Total external revenue	727,752	296,601	176,700	-	1,201,053
Inter-segment revenue	9,775	57,119	841	(67,735)	-
Total segment revenue	737,527	353,720	177,541	(67,735)	1,201,053
Segment result	100,053	7,957	(11,020)	-	96,990
Unallocated expenses					(185)
Results from operating activities					96,805
Interest income					5,275
Interest expense					(9,870)
Operating profit					92,210
Share of loss after tax of equity accounted associates					(176)
Profit before tax					92,034
Tax expense					(19,753)
Profit for the year					72,281
2008					
Business segments					
Total external revenue	746,236	291,964	160,578	-	1,198,778
Inter-segment revenue	9,647	38,713	999	(49,359)	-
Total segment revenue	755,883	330,677	161,577	(49,359)	1,198,778
Segment result	98,676	3,327	(14,061)	-	87,942
Unallocated expenses					(246)
Results from operating activities					87,696
Interest income					8,399
Interest expense					(14,868)
Operating profit					81,227
Share of loss after tax of equity accounted associates					(512)
Profit before tax					80,715
Tax expense					(18,804)
Profit for the year					61,911

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

21. SEGMENT REPORTING (CONT'D)

	Flour and trading in grains and other allied products		Feed and trading in related raw materials		Poultry integration		Consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Segment assets	558,460	555,183	146,708	149,311	86,221	87,175	791,389	791,669
Investment in associates							143	319
Unallocated assets							4,806	5,597
Total assets							796,338	797,585
Segment liabilities	221,400	231,283	83,553	120,032	13,167	14,580	318,120	365,895
Unallocated liabilities							13,443	9,433
Total liabilities							331,563	375,328
Capital expenditure	16,452	24,824	1,341	1,746	6,253	2,792	24,046	29,362
Depreciation of property, plant and equipment (2008 restated)	10,677	10,797	1,662	1,776	4,236	6,721	16,575	19,294
Amortisation of intangible assets	1,120	1,608	-	-	104	107	1,224	1,715
Depreciation of investment properties	57	57	-	-	-	-	57	57
Impairment on property, plant and equipment recognised directly in income statements	-	-	1,502	-	111	2,809	1,613	2,809
Non-cash expenses other than depreciation and amortisation	890	2,692	193	612	6	85	1,089	3,389

	Malaysia		Vietnam		Consolidated	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Geographical segments						
Revenue from external customers	851,556	872,272	349,497	326,506	1,201,053	1,198,778
Segment assets	525,070	553,148	271,318	244,437	796,388	797,585
Capital expenditure	22,744	27,792	1,302	1,570	24,046	29,362

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate, currency and liquidity risks arises in the normal course of the Group's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is addressed by the Credit Committee that sets policies, approves credit evaluations and institutes mitigating actions. New customers are subject to 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.

At the balance sheet date, other than the amount due from subsidiaries, constituting 60% (2008 – 59%) of the receivables, deposits and prepayments of the Company, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Liquidity risk

The Group and the Company monitor and maintain a level of cash and cash equivalents and facilities deemed adequate by management to finance the Group and the Company's operations and to mitigate the effects of fluctuations in cash flows.

Interest rate risk

The Group and the Company's exposure to interest rate risk relates primarily to their borrowings and deposits with licensed banks.

The Group and the Company's bank borrowings are subject to interest based on floating rates 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 are restructured or reduced. The Group and the Company's interest bearing assets are mainly placed in short term deposits with reputable financial institutions.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. FINANCIAL INSTRUMENTS (CONT'D)

Effective interest rates and repricing analysis

In respect of financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature, or may reprice.

	Average effective interest rate %	Total RM'000	Less than 1 year RM'000
Group			
2009			
Fixed rate instruments			
Deposits with licensed banks	0.4 – 10.5	100,826	100,826
Unsecured bankers' acceptances / Unsecured revolving credits	2.5 – 2.9	185,310	241,708
Unsecured short term loans	2.8 – 12.0	44,129	38,200
2008			
Fixed rate instruments			
Deposits with licensed banks	2.5 -17.5	86,190	86,190
Unsecured bankers' acceptances / Unsecured revolving credits	2.7 - 4.9	241,708	241,708
Unsecured short term loans	3.5 - 6.9	38,200	38,200
Company			
2009			
Fixed rate instruments			
Deposits with licensed banks	2.0	17,000	17,000
Unsecured bankers' acceptances/Unsecured revolving credits	2.5 – 2.9	127,500	127,500
2008			
Fixed rate instruments			
Deposits with licensed banks	2.5 - 3.6	34,100	34,100
Unsecured bankers' acceptances/Unsecured revolving credits	3.0 - 4.9	144,865	144,865

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

22. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar (USD).

The Group and the Company monitor their exposure to foreign currency movements closely and where appropriate, the Group and the Company have used forward exchange contracts to hedge some of its foreign currency risk.

Fair values

The carrying amounts of cash and cash equivalents, receivables, other payables and short term borrowings, approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

23. CAPITAL AND OTHER COMMITMENTS

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Property, plant and equipment				
Authorised but not contracted for	106,671	-	98,887	-
Contracted but not provided for	21,059	18,911	18,568	16,521

24. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. RELATED PARTIES (CONT'D)

Identity of related parties (cont'd)

The significant related party transactions of the Group and the Company, other than key management personnel, are as follow:

	2009 RM'000	2008 RM'000
Group		
Purchase of computer software from an associate	-	(115)*
Services rendered and hiring of motor vehicles from companies in which a Director, Teh Wee Chye, has financial interest		
- Pembena Transport Sdn. Bhd.	(45)	(90)
- Indah Enterprise Sdn. Bhd.	(31)	(61)
<i>* The associate was disposed off on 10 November 2008</i>		
Company		
Subsidiaries		
- Sales of goods	9,775	9,647
- Purchase of goods	-	(131)
- Rental of premises	459	459
- Rental of furniture and fittings	147	147
Services rendered and hiring of motor vehicles from companies in which a Director, Teh Wee Chye, has financial interest		
- Pembena Transport Sdn. Bhd.	(45)	(90)
- Indah Enterprise Sdn. Bhd.	(31)	(61)

Balances with subsidiaries and related parties are disclosed in Note 10 and 14. All transactions have been entered in the ordinary course of business and have been established based on negotiated terms.

25. ACQUISITION OF MINORITY INTEREST

During the year, the Group acquired 49% interest in Premier Grain Sdn. Bhd. (formerly known as Dinding Tradings Sdn. Bhd.) for a cash consideration of RM7,301, increasing its ownership from 51% to 100%. The Group recognised a decrease in minority interest of RM6,380.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. CHANGE IN ACCOUNTING POLICY

FRS 117, Leases

The Group and the Company have early adopted the amendment to FRS 117. The Group and the Company have reassessed and determined that all leasehold land of the Group and of the Company are in substance finance leases and have reclassified the leasehold land to property, plant and equipment.

The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic earnings per ordinary share for the current and prior periods.

Following the early adoption of the amendment to FRS 117, certain comparatives have been represented as follows:

	31.12.2008		1.1.2008	
	As restated RM'000	As previously stated RM'000	As restated RM'000	As previously stated RM'000
Group				
Balance sheets				
Property, plant and equipment	197,356	184,091	194,745	180,817
Leasehold land	-	13,265	-	13,928
Cash flow statements				
Depreciation of property, plant and equipment	19,294	18,686		
Amortisation of leasehold land	-	608		
Company				
Balance sheets				
Property, plant and equipment	83,466	80,063	68,030	64,460
Leasehold land	-	3,403	-	3,570
Cash flow statements				
Depreciation of property, plant and equipment	5,702	5,535		
Amortisation of leasehold land	-	167		

27. EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

On 31 March 2010, Premier Grain Sdn. Bhd. (formerly known as Dindings Trading Sdn. Bhd.) ("PGSB") has issued additional 19,980,000 new ordinary shares of RM1 each at par for cash. The Company has subscribed 10,180,000 new ordinary shares at RM1 each in PGSB and its effective ownership interest has decreased from 97% to 51%.

STATEMENT BY DIRECTORS

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 39 to 87 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dato' Seri Arshad bin Ayub

Teh Wee Chye

Kuala Lumpur
21 April 2010

STATUTORY DECLARATION

pursuant to Section 169(16) of the Companies Act, 1965

I, **Quah Ban Lee**, the Director primarily responsible for the financial management of Malayan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 39 to 87 are, to the best of my knowledge and belief, 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 in Kuala Lumpur on 21 April 2010.

Quah Ban Lee

Before me,

P.Thurirajoo (W438)
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the Members of Malayan Flour Mills Berhad

Report on the Financial Statements

We have audited the financial statements of Malayan Flour Mills Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 39 to 87.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT (CONT'D)

to the Members of Malayan Flour Mills Berhad

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements.
- c) We are satisfied that the accounts 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act except as disclosed in Note 6.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG

Firm Number: AF 0758
Chartered Accountants

Chong Dee Shiang

Approval Number: 2782/09/10(J)
Chartered Accountant

Petaling Jaya
21 April 2010

ANALYSIS OF SHAREHOLDINGS

as at 30 April 2010

Authorised Capital - RM200,000,000
 Issued and fully paid - RM107,644,606
 Class of shares - Ordinary shares of RM1.00 each

4,401 ordinary shareholders

Voting rights: One vote for one share

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Issued Shares	% of Issued Capital
Less than 100	178	4.04	4,587	0.00
100 to 1,000	1,415	32.15	1,183,652	1.10
1,001 - 10,000	2,351	53.42	8,824,223	8.20
10,001 - 100,000	404	9.18	10,338,026	9.60
100,001 to less than 5% of issued shares	51	1.16	51,589,364	47.93
5% and above of issued shares	2	0.05	35,704,754	33.17
	4,401	100.00	107,644,606	100.00

Thirty (30) Largest Shareholders	No. of Shares	Percentage Holding (%)
1. Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.25
2. HSBC Nominees (Asing) Sdn Bhd [Exempt An For Credit Suisse (SG BR-TST-ASING)]	9,604,000	8.92
3. Astar Commercial Limited	5,313,000	4.94
4. Onas Resources Sdn Bhd	5,300,000	4.92
5. Star Hill Avenue (M) Sdn Bhd	5,298,000	4.92
6. A. A. Anthony Nominees (Asing) Sdn Bhd [Solid Esteem Sdn Bhd for Wise Bright Investment Limited]	3,500,572	3.25
7. Teh Liang Teik	2,908,800	2.70
8. Zalaraz Sdn Bhd	2,870,000	2.67
9. Amble Volume Sdn Bhd	2,742,000	2.55
10. Tan Sri Dato' Seri Arshad bin Ayub	2,623,385	2.44
11. Essence Lane Sdn Bhd	2,233,729	2.08
12. Mayban Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Tan Sri Dato' Seri Arshad bin Ayub]	2,030,000	1.89
13. Teh Wee Kok	1,591,600	1.48
14. A. A. Anthony Nominees (Tempatan) Sdn Bhd [Amble Volume Sdn Bhd for Rise Glory Investment Limited]	1,572,171	1.46
15. Favourite Access Sdn Bhd	1,000,000	0.93
16. Duangmanee Liewphairatana	869,300	0.81

ANALYSIS OF SHAREHOLDINGS (CONT'D)

as at 30 April 2010

Thirty (30) Largest Shareholders		No. of Shares	Percentage Holding (%)
17.	Solid Esteem Sdn Bhd	864,000	0.80
18.	Koperasi Polis Diraja Malaysia Berhad	840,200	0.78
19.	Yeoh Kean Hua	690,000	0.64
20.	Thye Nam Loong Shipping Sdn Bhd	574,800	0.53
21.	Cartaban Nominees (Asing) Sdn Bhd [Caceis Bank Paris for Prevoir Renaissance Vietnam]	562,000	0.52
22.	Suai Timber Products Sdn Bhd	531,600	0.49
23.	Lai Foh Yau	500,000	0.46
24.	Teh Li Choo	473,572	0.44
25.	Teh Wee Chye	456,500	0.42
26.	Thye Nam Loong Sdn Bhd	417,600	0.39
27.	Teh Wei Siong	406,000	0.38
28.	Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37
29.	Allison Foo May Ling	400,000	0.37
30.	Alliancegroup Nominees (Tempatan) Sdn Bhd [Pledged Securities Account for Teh Win Kee]	381,455	0.35

SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Thye Nam Loong Holdings Sdn Bhd	26,100,754	24.25	949,200 ⁽¹⁾	0.88
Teh Liang Teik	2,908,800	2.70	27,624,754 ⁽²⁾	25.66
Teh Wee Kok	1,591,600	1.48	27,624,754 ⁽³⁾	25.66
Teh Wee Chye	456,500	0.42	29,870,483 ⁽⁴⁾	27.75
Tan Sri Dato' Seri Arshad bin Ayub	4,653,385	4.32	2,924,000 ⁽⁵⁾	2.72

DIRECTORS' INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

Name	Direct Interest		Indirect Interest	
	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Seri Arshad bin Ayub	4,653,385	4.32	2,924,000 ⁽⁵⁾	2.72
Teh Wee Chye	456,500	0.42	29,870,483 ⁽⁴⁾	27.75
Dato' Hj Shaharuddin bin Hj Haron	400,000	0.37	-	-
Geh Cheng Hooi	-	-	176,000 ⁽⁶⁾	0.16
Quah Ban Lee	235,000	0.22	-	-
Datuk Oh Chong Peng	-	-	-	-
Lim Pang Boon	41,800	0.04	-	-
Thong Kok Mun	-	-	120,000 ⁽⁷⁾	0.11
Dato' Wira Zainal Abidin bin Mahamad Zain	-	-	-	-

ANALYSIS OF SHAREHOLDINGS (CONT'D)

as at 30 April 2010

Director, Teh Wee Chye is deemed to have interests in all the shares held by the Company in its related corporations by virtue of his substantial shareholdings in the Company.

Notes:

- ⁽¹⁾ Deemed interested through Thye Nam Loong Sdn Bhd and Suai Timber Products Sdn Bhd.
- ⁽²⁾ Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- ⁽³⁾ Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Thye Nam Loong Shipping Sdn Bhd and Suai Timber Products Sdn Bhd.
- ⁽⁴⁾ Deemed interested through Thye Nam Loong Holdings Sdn Bhd, Thye Nam Loong Sdn Bhd, Thye Nam Loong Shipping Sdn Bhd, Suai Timber Products Sdn Bhd, Essence Lane Sdn Bhd and shareholdings of his spouse.
- ⁽⁵⁾ Deemed interested through Zalaraz Sdn Bhd.
- ⁽⁶⁾ Deemed interested through Emmel Sdn Bhd and shareholdings of his spouse.
- ⁽⁷⁾ Deemed interested through shareholdings of his spouse.

LIST OF PROPERTIES

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-09 RM
Freehold land with shophouses Lots 448 & 449 Section 4 Town of Butterworth, Penang Total: 1.62 acres	Shoplot	49	9 Sept 1996	3,506,000
Freehold land with residential building Lot 449 Section 67 District of Kuala Lumpur Total: 1.00 acres	Commercial land and building	70	4 Dec 1996	1,615,000
Freehold land Lots 5326, 5327 and part of Lots 5331 & 5332 District of Dindings Perak Darul Ridzuan Total: 9.00 acres	Vacant land	-	1981	72,000
Leasehold land and buildings Lots 4902 (expiring on 11-12-2061) 5337 (expiring on 25-4-2075) 5466 & 5336 (expiring on 22-11-2090) PT 4333 HSD 28222/PT 4334 HSD 28223 (expiring on 25-4-2075) Mukim of Lumut, District of Dindings Perak Darul Ridzuan Total: 61.43 acres	Office and factory	28-43	6 Oct 1998	27,678,000
Freehold land with shophouses Grant No. 36370, Lot No. 12256 Mukim of Pulau District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Shoplot	30	1991	157,000

LIST OF PROPERTIES (CONT'D)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-09 RM
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	Office and factory	17	3 Feb 1995	29,220,000
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	12	1997	467,000
Freehold land with building Lot PTB 18284 Mukim of Tampoi District of Johor Bahru Johor Darul Takzim Total: 0.12 acres	Factory	10	1999	579,000
Leasehold land with farm buildings Kawasan Batu Undan Mukim of Lumut Perak Darul Ridzuan (Title yet to be issued) Total: 200 acres	Breeder Farm	20	13 Mar 1995	2,153,000
Leasehold land with building PN 108306, Lot 6478 Mukim of Lumut District of Manjung Perak Darul Ridzuan Total: 16.1 acres	Office and factory	19	10 Mar 1995	5,970,000
Freehold land with house PTD 46071 Title No. 142790 Mukim of Plentong District of Johor Bahru Johor Darul Takzim Total: 0.04 acres	Residential house	18	1990	44,000

LIST OF PROPERTIES (CONT'D)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-09 RM
Leasehold land with farm buildings Pasir Panjang Mukim of Pengkalan Bahru Perak Darul Ridzuan (Title yet to be issued) Total: 621 acres	Broiler Farm	17	1992	2,754,000
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: 7.5 acres	Office and factory	27	14 Jul 2004	1,996,000
Freehold land Grant 1784, Lot 12653 Mukim of Sitiawan District of Dindings Perak Darul Ridzuan Total: 17 acres	Vacant land	-	1997	271,000
Freehold land GM 3937, Lot 12553 Mukim of Bagan Serai District of Kerian Perak Darul Ridzuan Total: 2.19 acres	Vacant land	-	1990	1
Land Use Rights with building (expiring on 31-8-2024) Cai Lan, Quang Ninh Province The Socialist Republic of Vietnam Total: 17.30 acres	Office and factory	12	1994	20,199,000
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	13	2000	2,136,000

LIST OF PROPERTIES (CONT'D)

Description, Location & Size	Existing Use	Approximate Age of Building (Year)	Date/Year of last Revaluation/ Acquisition	Net Book Value At 31-12-09 RM
Land Use Rights with building (expiring on 30-6-2048) Phu My Industrial Zone I Tan Thanh District Baria - Vungtau Province The Socialist Republic of Vietnam Total: 17.29 acres	Office and factory	7	2000	16,721,000

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth 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, 17 June 2010 at 9.30 a.m. for the following purposes :-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2009 together with the Reports of the Directors and Auditors thereon. [Please refer to note (1)].
2. To sanction the payment of a Final Dividend of 5 sen per Ordinary Share less 25% income tax and a Special Dividend of 10 sen per Ordinary Share less 25% income tax for the financial year ended 31 December 2009. **(Resolution 1)**
3. To re-elect Mr Quah Ban Lee who retires in accordance with Article 111 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 2)**
4. To re-elect Mr Thong Kok Mun who retires in accordance with Article 98 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 3)**
5. To re-elect Mr Lim Pang Boon who retires in accordance with Article 98 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 4)**
6. To re-elect Dato' Wira Zainal Abidin bin Mahamad Zain who retires in accordance with Article 98 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **(Resolution 5)**
7. To consider and if thought fit, pass the following motions: -
 - (a) "That pursuant to Section 129 (6) of the Companies Act, 1965, Tan Sri Dato' Seri Arshad bin Ayub be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; **(Resolution 6)**
 - (b) "That pursuant to Section 129 (6) of the Companies Act, 1965, Mr Geh Cheng Hooi be re-appointed as a Director of the Company to hold office until the next Annual General Meeting"; and **(Resolution 7)**
 - (c) "That pursuant to Section 129 (6) of the Companies Act, 1965, Dato' Hj Shaharuddin bin Hj Haron be re-appointed as a Director of the Company to hold office until the next Annual General Meeting". **(Resolution 8)**
8. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**
9. As Special Business:-

To consider and if thought fit, to pass with or without modifications, the following motions:-

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9.1 Special Resolution 1 (Resolution 10) Proposed Amendments to the Articles of Association of the Company

"THAT the amendments to the Articles of Association of the Company in the manner as set out in **Appendix I** attached to the Circular to Shareholders dated 26 May 2010 be and are hereby approved **AND THAT** the Directors and Secretary be and are hereby authorised to carry out all the necessary formalities in effecting the aforesaid amendments **AND FURTHER THAT** the Directors be authorised with full power to assent to any conditions, modifications, variations and / or amendments as may be required by the relevant authorities."

9.2 Ordinary Resolution 1 (Resolution 11) Proposed Renewal of 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

"THAT subject always to the Companies Act, 1965, the provisions of the Memorandum and Articles of Association of the Company, the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, approval be and is hereby given to Malayan Flour Mills Berhad ("Company") to enter into recurrent transactions with Dindings Soya & Multifeeds Sdn Berhad, the nature of which is set out in Section 2 of the Circular to Shareholders dated 26 May 2010 for the purposes of Paragraph 10.09 of the Bursa Securities Listing Requirements, subject to the following:-

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

9.3 Ordinary Resolution 2

(Resolution 12)

Proposed Renewal of Authority for Share Buy-Back

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

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

- (a) the conclusion of the first annual general meeting of the Company following the general meeting at which such resolution was passed at which time it shall lapse unless by ordinary resolution passed at that meeting, the authority is renewed, either conditionally or subject to conditions; or
- (b) the expiration of the period within which the next annual general meeting after that date is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by shareholders in a general meeting,

whichever occurs first.

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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."

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

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Company Secretary

Kuala Lumpur
26 May 2010

Notes:-

1. *This Agenda item is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders and hence, is not put forward for voting.*
2. *A member entitled to attend and vote at the 50th Annual General Meeting is entitled to appoint not more than two proxies to attend and to vote in his/her stead. The proxy shall be a member of the Company, an Advocate, an approved company Auditor or a person approved by the Companies Commission of Malaysia.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.*
4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.*
5. *The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or the hand of the attorney duly authorised.*
6. *The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.*

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

7. *For the purpose of determining a member who shall be entitled to attend this 50th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at 14 June 2010. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.*
8. *Notes on Special Business*

Resolution 10

The proposed Resolution 10, if passed, will bring the Articles of Association of the Company in line with the directive from Bursa Securities on the implementation of electronic dividend payment and provisions in the Companies Act, 1965 as well as for better clarity and administrative efficiency.

Resolution 11

The proposed Resolution 11, if passed, will enable the Company to enter into recurrent related party transactions with Dindings Soya & Multifeeds Sdn Berhad for the purposes of Paragraph 10.09 of the Bursa Securities 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.

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.

NOTICE OF CLOSURE OF BOOK

NOTICE IS HEREBY GIVEN that the Register of Members of the Company will be closed from 24 June 2010 to 25 June 2010, both dates inclusive, for the purpose of preparing dividend warrants. If approved by members at the Fiftieth Annual General Meeting on 17 June 2010, the final dividend of 5 sen per Ordinary Share less 25% income tax and a Special Dividend of 10 sen per Ordinary Share less 25% income tax in respect of the financial year ended 31 December 2009 will be paid on 5 July 2010. The entitlement date for dividend payment is on 23 June 2010.

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 21 June 2010 (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 23 June 2010 in respect of ordinary transfers; and
- (c) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of the Bursa Malaysia Securities Berhad.

By Order of the Board

Mah Wai Mun (MAICSA 7009729)
Company Secretary

Kuala Lumpur
26 May 2010

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

PARTICULARS OF DIRECTORS STANDING FOR RE-APPOINTMENT

1. **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 a direct interest of 4.32% in the Company which represents 4,653,385 ordinary shares and an indirect interest of 2.72% by virtue of his directorship and shareholding in Zalaraz Sdn Bhd which holds 2,924,000 ordinary shares in the Company.

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.

2. **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 Berhad and Wawasan TKH Holdings Berhad.

He has an indirect interest of 0.16% in the Company by virtue of his directorship and shareholding in Emmel Sdn Bhd which holds 156,000 ordinary shares in the Company and the interest in the 20,000 ordinary shares held by his spouse.

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.

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

PARTICULARS OF DIRECTORS STANDING FOR RE-APPOINTMENT (CONT'D)

3. 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 holds 400,000 ordinary shares in the Company but does not hold shares in any of its subsidiaries.

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.

Form of Proxy

I/We, _____

I/C No./Passport No./Co. No. _____ CDS Account No. _____

of _____

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

_____ I/C No. _____ of _____

or failing him/her _____ I/C No. _____

of _____

or the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Fiftieth Annual General Meeting of the Company to be held on Thursday, 17 June 2010 at 9.30 a.m. and at any adjournment thereof.

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

No.	Motions	For	Against
1.	Declaration of a Final Dividend and a Special Dividend		
2.	Re-election of Mr Quah Ban Lee under Article 111 of the Company's Articles of Association		
3.	Re-election of Mr Thong Kok Mun under Article 98 of the Company's Articles of Association		
4.	Re-election of Mr Lim Pang Boon under Article 98 of the Company's Articles of Association		
5.	Re-election of Dato'Wira Zainal Abidin bin Mahamad Zain under Article 98 of the Company's Articles of Association		
6.	Re-appointment of the following Directors pursuant to Section 129(6) of the Companies Act, 1965:- a. Tan Sri Dato' Seri Arshad bin Ayub b. Mr. Geh Cheng Hooi c. Dato' Hj Shaharuddin bin Hj Haron		
7.			
8.			
9.	Re-appointment of Auditors		
10.	Proposed Amendments to the Articles of Association		
11.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
12.	Proposed Renewal of Authority for Share Buy-Back		

Dated this _____ day of _____, 2010.

Number of shares held_____
Signature/Common Seal of Shareholder**Notes:-**

1. A member entitled to attend and vote at the 50th Annual General Meeting is entitled to appoint not more than two proxies to attend and to vote in his/her stead. The proxy shall be a member of the Company, an Advocate, an approved company Auditor or a person approved by the Companies Commission of Malaysia.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holding to be represented by each proxy.
3. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with ordinary shares of the Company.
4. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under seal or the hand of the attorney duly authorised.
5. The instrument appointing a proxy must be duly deposited at the Registered Office of the Company, 22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur, not less than 48 hours before the time for holding the meeting or any adjournment thereof.
6. For the purpose of determining a member who shall be entitled to attend this 50th Annual General Meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Article 66(b) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a Record of Depositors as at 14 June 2010. Only a depositor whose name appears on such Record of Depositors shall be entitled to attend the said meeting or appoint proxies to attend and vote on his/her behalf.

fold here

Affix
stamp
here

The Company Secretary
MALAYAN FLOUR MILLS BERHAD (4260-M)
22nd Floor, Wisma MCA
Jalan Ampang, 50450 Kuala Lumpur

fold here

MALAYAN FLOUR MILLS BERHAD (4260-M)

22nd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur

T: (603) 2170 0999

F: (603) 2170 0888

www.mfm.com.my