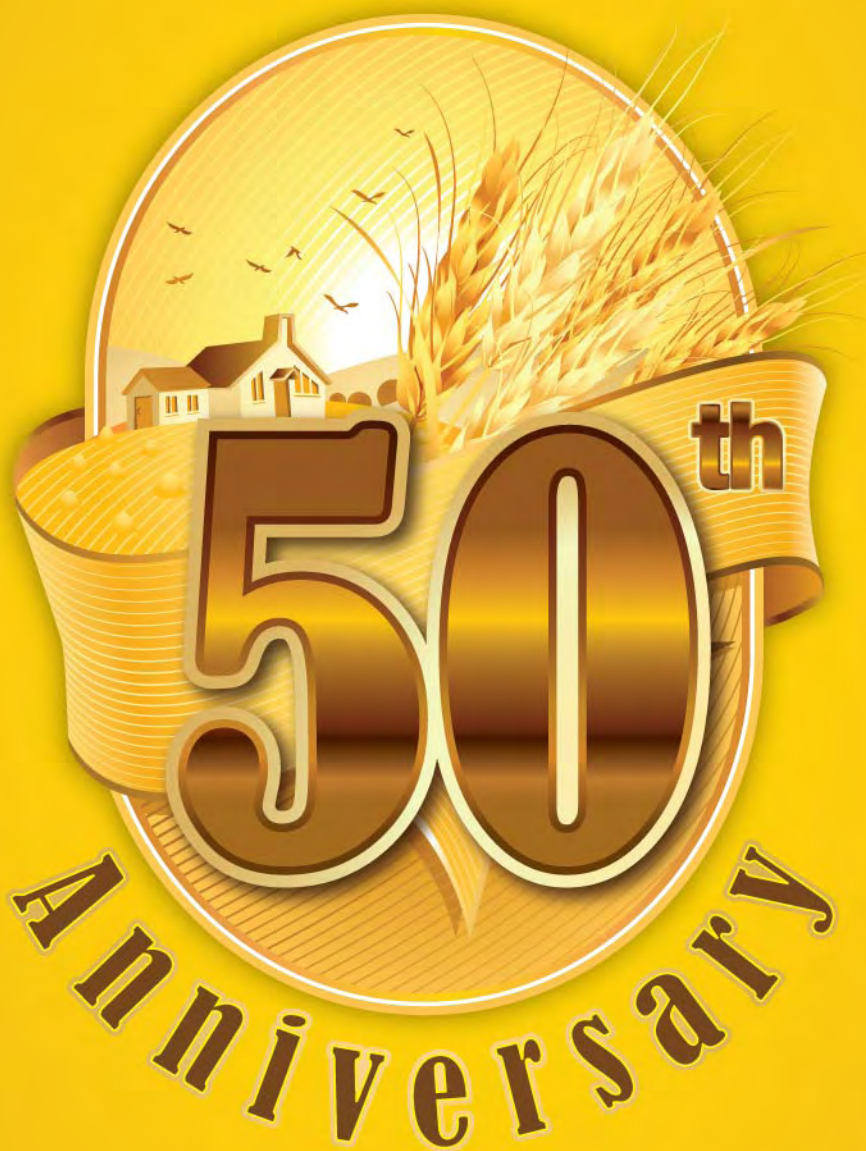




# **Malayan Flour Mills Berhad**

(4260-M)



Annual Report **2010** Laporan Tahunan





## *A Walk Down the Memory Lane of MFM*

### **First Flour Miller in Malaysia**

Malayan Flour Mills Limited was incorporated on 24 June 1961 and subsequently converted into a public company on 16 May 1968 under its present name, Malayan Flour Mills Berhad ("MFM"). It assumed its listed status on 10 July 1968 on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad). MFM will turn 50 this 24 June 2011.

MFM is a pioneer in the flour milling industry in Malaysia. The first Prime Minister of Malaysia, the late Tunku Abdul Rahman, officiated the opening of the RM40 million modern flour mill at Lumut, Perak on 15 October 1966. During the speech by the former Minister of Commerce and Industry, the late Dr. Lim Swee Aun, the mill was referred to as the 'Pride of the Nation'.

The opening of the mill was the realisation of a long cherished dream of the mill's founder, the late Datuk David L.F. Sung, a well-known banker and industrialist of Hong Kong. Datuk Sung came from a family whose ancestors founded China's first machine operated flour mill in Shanghai in 1890. Datuk Sung found Malaysia to be an ideal environment to establish a modern flour mill to serve the requirements of the local market. The facility he established became an icon in the flour-milling industry.

The mill was designed and supplied by Henry Simon Ltd. of England. It is strategically located at Batu Undan, Lumut, off the Dindings River in the State of Perak. The location was chosen because of :

- Its natural harbour which has a deep water anchorage where ocean-going ships carrying wheat from all over the world could be delivered safely to the door-steps of the mill.
- The entire mill building is sitting on top of granite thus reducing construction cost as there was no requirement for piling.



Clearing jungles



Early construction of flour mill in Lumut, Perak



Ground beam of Lumut mill



Piling for the jetty in Lumut



Construction of flour mill in progress



MFM early signboard



Temporary office nearby construction site



- There was a large farm population in the upper Perak and surrounding areas which could absorb a substantial quantity of the mill's by-products.

As part of the site preparation, the Company had to build several miles of roads and blast away one side of a granite hill. It was an engineering feat then.

MFM's jetty, with its intake plant and belt conveyor housed inside the conveying tunnel, was designed to discharge large ocean going vessels at high speeds.

This mill has created tremendous job opportunities and until today it remains as one of the well-known landmarks in Perak.

As a result of this flourmill, consumption of flour increased rapidly in Malaysia due to:

- General awareness of high nutritional value in wheat products
- Changing eating habits of Malaysians
- Increase of industrial population (migration from rural to urban areas)

The opening of MFM has transformed Malaysia from a flour importing country to being self-sufficient in wheat flour.

### **Expansion & Diversification by Mr Teh Liang Teik**

In May 1976, Mr Teh Liang Teik, realising the potential of MFM, acquired the controlling interests in MFM from the Sung family. Throughout his tenure as the Managing Director of MFM, Mr Teh Liang Teik has contributed significantly to its dynamic growth and diversification.

Mr Teh Liang Teik expanded the facilities at Lumut to include a feed mill, breeder farm, broiler farm and poultry processing plant. The feed mill at Lumut was launched in 1983 with the objective of producing quality feeds for the poultry and aqua culture industry. This feed mill had succeeded in creating a niche in the local animal feed market within a year. As part of his vision, another flour mill and feed mill was subsequently set up at Pasir Gudang in the Southern Region.

Encouraged by its venture into producing animal feeds, MFM went further downstream by investing in Dindings Poultry Processing Sdn Bhd ("DPP") in 1985 to produce processed chicken and further processed poultry products from its plant at Sitiawan, Perak.

As part of the Poultry Integration Project, Dindings Broiler Breeder Farm Sdn Bhd was established in 1988. It commenced its production of broiler day-old-chicks in 1990. The broiler breeder farm can produce about 1.9 million broiler day old-chicks monthly.



**Form work and reinforcement for floor slab**



**Layout of reinforcement for floor slab**



**Construction of jetty in progress**



**Milling equipment**



**Opening ceremony of MFM in Lumut, officiated by the first Prime Minister of Malaysia, the late Tunku Abdul Rahman**



**Touring the plant by the late Tunku Abdul Rahman with the late Datuk David Sung**



**MFM flour mill at Lumut, Perak**



In 1989, Dindings Poultry Development Centre Sdn Bhd was established to reinforce the poultry integration project by producing its own broilers.

In 2001, another breeder farm, Semakin Dinamik Sdn Bhd, was set up at Ayer Hitam, Johor to meet the demands of day-old-chicks from the Southern Region.

In line with the vision of MFM to be a leading food manufacturing enterprise in the South-East Asian region, in 1992 MFM joined the business delegation led by Tun Dr Mahathir bin Mohamad, the former Prime Minister of Malaysia to Vietnam. As a result of this business trip, MFM had decided to expand its operations to Vietnam. A Joint Venture was formed and in January 1998, Vimaflour Ltd commenced its commercial operation. The flourmill is located in Cai Lan Port, Quang Ninh Province, where the famous Halong Bay is renowned for its scenery with more than 2,000 islands protruding from the sea.

Recognising the tremendous growth potential in the flour market in Vietnam and with its market position firmly established, in year 2000 MFM was fortunate to be awarded with another flourmill license in Southern Vietnam issued to Mekong Flour Mills Ltd ("MFML"), a wholly-owned subsidiary of MFM. MFML commenced its production in April 2003.

### Transformation by Mr Teh Wee Chye

As a result of the foresight and determination of Mr Teh Liang Teik, MFM has emerged to be a regional flour miller, achieving economies of scale and contributing positively to the economic well being of the country as well as to its shareholders. After serving MFM Group for 26 years, Mr Teh Liang Teik retired in April 2002 and was succeeded by his son, Mr Teh Wee Chye.

Under the leadership of Mr Teh Wee Chye, the Group embarked on various initiatives in line with its Vision, Missions and Strategies to transform MFM from a family-managed company to a professionally managed organization. These initiatives will position MFM well to face the challenges ahead and to enhance shareholders' value.

### Significant Milestone

The commitment together with effort to achieve greater economies of scale and efficiencies, along with the transformation, had contributed to substantial improvement in MFM Group's performance.

Commendable financial results of MFM Group were recorded in 2006 whereby a profit before tax of RM43.5 million was registered as compared to RM22.9 million in 2005.

MFM Group reached a new milestone in 2007 with a profit before tax of RM64.0 million on the back of record revenue of RM1.0 billion, which was 30% above the revenue of RM794.2 million recorded in 2006.

MFM flour mill at Pasir Gudang, Johor



Opening ceremony of Dindings Poultry Processing Sdn Bhd ("DPP"), officiated by the former Prime Minister, Tun Dr. Mahathir Mohamad



Donation to Bakti



Touring DPP Plant



DPP Processing Plant at Sitiawan, Perak



Breeding house





In 2008, in spite of the high volatility in the global commodity market as well as the fuel, ocean freight and foreign exchange markets, MFM Group achieved another milestone when it registered a profit before tax of RM80.7 million, which represented an increase of 26% over the profit before tax in the previous year. The revenue rose 16% to RM1.2 billion from RM1.0 billion in the prior year.

With continuous efforts in growing economies of scales and cost reduction through operational efficiency as well as the effect of focusing on human capital development, MFM Group continued to move up the scale with revenue of RM1.2 billion and RM1.6 billion been recorded in year 2009 and 2010 respectively. Profit before tax of RM92.0 million and RM127.9 million were registered for year 2009 and 2010 respectively. Earnings per ordinary share in 2010 rose to 78.8 sen from 58.4 sen recorded in 2009.

29 January 2010 marked another very important milestone in the history of MFM. On this auspicious day, MFM signed a Joint Venture Agreement with Toyota Tsusho Corporation (“TTC”) and Toyota Tsusho (Singapore) Pte Ltd (“TTSPL”) to establish Premier Grain Sdn Bhd (“PGSB”), a joint-venture company, for the purpose of carrying out the trading of raw materials for animal feeds in Malaysia. Deputy Minister of International Trade and Industry, Dato’ Jacob Dungau, officiated the signing ceremony and the launching of the corporate logo of PGSB.

The joint venture was the result of numerous successful and cordial business dealings between MFM and TTC Group. The relationship between MFM and TTC flourished after the successful merger of TTC with Tomen Corporation in 2006.

Tomen Corporation had a long and established relationship with MFM dated back to 1976, when Mr Teh Liang Teik was the Managing Director of MFM. The idea of the joint venture was mooted in year 2008 as both parties felt that a joint venture will have a synergistic effect. In September 2009, a decision was reached culminating in the signing ceremony on 29 January 2010.

This joint venture with TTC Group is the first with our esteemed partner and other joint ventures with TTC are expected to follow. The joint venture will also enable MFM Group to achieve one of its vital key success factors, which is to grow further in economies of scale in the food business as well as enhancing the efficiency of its business.

## Future Plans

For its business to be sustainable and to add value to the stakeholders, MFM is continuing to grow its business by way of expanding its existing facilities in Malaysia and Vietnam as well as actively exploring investment opportunities in the ASEAN region.



Flour mill at Cai Lan, Northern Vietnam



Flour mill at Baria-Vungtau Province, Southern Vietnam



Participation in the World Halal Forum



Participation in the Malaysia International Halal Showcase (“MIHAS”)



Special Award of Malaysia Agriculture, Horticulture & Agrotourism Show (“MAHA”)



Opening ceremony of Premier Grain Sdn Bhd officiated by Deputy Minister of International Trade and Industry, Dato’ Jacob Dungau



# *Vision*

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

# *Missions*

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

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

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





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# Corporate Information

## CHAIRMAN

**Tan Sri Dato' Seri Arshad bin Ayub**  
S.P.M.S., P.S.M., S.P.S.K., P.N.B.S., D.P.M.P., D.P.M.J.,  
D.S.A.P., D.P.M.T., P.G.D.K., J.M.N.

## MANAGING DIRECTOR

**Teh Wee Chye**

## DIRECTORS

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

**Geh Cheng Hooi**

**Quah Ban Lee**

**Datuk Oh Chong Peng**

**Thong Kok Mun**

**Lim Pang Boon**

**Dato' Wira Zainal Abidin bin Mahamad Zain**  
D.G.M.K., D.S.D.K., K.M.N., S.M.T., A.M.K.

## AUDIT COMMITTEE

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

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

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

**Datuk Oh Chong Peng**  
(Independent Non-Executive Director)

## SECRETARY

**Mah Wai Mun** (MAICSA 7009729)

## REGISTERED OFFICE & HEAD OFFICE

22nd Floor, Wisma MCA  
Jalan Ampang, 50450 Kuala Lumpur  
**Tel. No:** 03-2170 0999 **Fax No:** 03-2170 0888  
**Website:** [www.mfm.com.my](http://www.mfm.com.my)

## REGISTRARS

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Block D13, Pusat Dagangan Dana 1  
Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor  
**Tel. No:** 03-7841 8000 **Fax No:** 03-7841 8008

## FACTORIES

Jalan David Sung, Batu Undan  
32200 Lumut  
Perak Darul Ridzuan

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

## BRANCHES

### • FEDERAL TERRITORY

Lot 40, Jalan E 1/4  
Taman Ehsan Industrial Park  
Kepong, 52100 Kuala Lumpur

### • PENANG

4557, Jalan Heng Choon Thian  
12000 Butterworth, Pulau Pinang

### • PERAK

No. 2, Laluan Perusahaan 10  
Kawasan Perusahaan Menglembu  
31450 Ipoh, Perak Darul Ridzuan

### • MALACCA

No. 1, Jalan PM3  
Taman Perindustrian Merdeka  
75350 Batu Berendam, Melaka

### • JOHOR

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

### • KELANTAN

Lot 1763, Kampong Dusun Raja  
Jalan Cherang Chempaka Panji  
16100 Kota Bharu, Kelantan Darul Naim

### • PAHANG

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



## SUBSIDIARIES

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

## PRINCIPAL BANKERS

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

## STOCK EXCHANGE LISTING

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

## SOLICITORS

Isharidah, Ho, Chong & Menon  
Skrine

## AUDITORS

KPMG



# *Board of Directors*



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



**Mr Teh Wee Chye**



**Dato' Hj Shaharuddin  
bin Hj Haron**



**Mr Geh Cheng Hooi**



**Mr Quah Ban Lee**



**Datuk Oh Chong Peng**



**Mr Thong Kok Mun**



**Mr Lim Pang Boon**



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



# Directors' Profile

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

Tan Sri Dato' Seri Arshad bin Ayub, aged 82, 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, a member of the Audit and Nomination Committees of the Company. He graduated with a Diploma in Agriculture in 1954 from College of Agriculture, Serdang and pursued his Bachelor of Science degree in Economics with Statistics at the University College of Wales, Aberystwyth in the United Kingdom in 1958 and also Diploma in Business Administration (IMEDE), Lausanne, Switzerland in 1964. He has a distinguished career in the Malaysian Civil Service. Among the top posts he held were First Director, Mara Institute of Technology (1965-1975), Deputy Governor of Bank Negara Malaysia (1975-1977), Deputy Director-General in the Economic Planning Unit of the Prime Minister's Department (1977-1978) and Secretary-General in the Ministry of Primary Industries (1978), Ministry of Agriculture (1979-1981) and Ministry of Land and Regional Development (1981-1983). His current directorships in public companies include Kulim (Malaysia) Berhad, KPJ Healthcare Berhad, Sindora Berhad, LBI Capital Berhad, Tomypak Holdings Berhad, Top Glove Corporation Berhad, Pelaburan Johor Berhad and Bistari Johor Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

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

## **Mr Teh Wee Chye** (Managing Director)

Mr Teh Wee Chye, aged 58, a Malaysian, was appointed to the Board as an Executive Director of the Company on 19 June 1989 and is presently the Managing Director of the Company. He is also a member of the Remuneration Committee of the Company. He holds a Bachelor of Science Degree in Naval Architect and Marine Engineering and a Masters Degree in Ship Building and Shipping Management from the Massachusetts Institute of Technology, USA. In the summer of 1974, he received his training at the American Bureau of Shipping Research & Development Department, New York. Upon graduation in 1975 he was employed as an Engineer with Eastern Steamship (S) Pte Ltd, Singapore. He joined Malayan Flour Mills Berhad in 1976 as the Deputy Mill Manager and was promoted as the Plant Manager in 1978. He was appointed as the Project Manager in 1979 in charge of the Company's entire expansion plans. He is also a director of United Teochew (Malaysia) Berhad and Seu Teck Sean Tong Charitable Organisation Berhad. He is a substantial shareholder of the Company.

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



# Directors' Profile *(cont'd)*

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

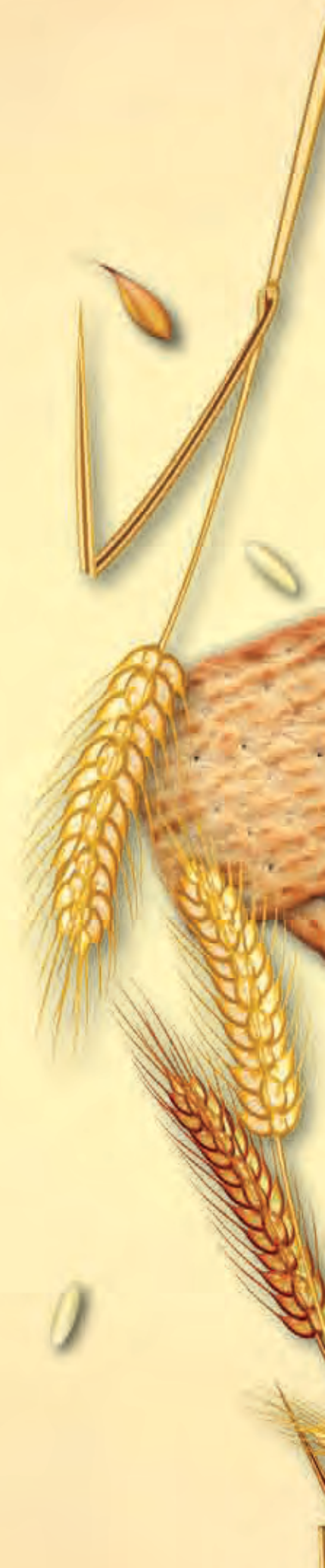
Dato' Hj Shaharuddin bin Hj Haron, aged 72, a Malaysian, was appointed to the Board of the Company on 23 September 1993 and is presently the Chairman of the Audit and Nomination Committees and a member of the Remuneration Committee of the Company. He holds a Bachelor (Hons) Degree in Economics from the 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 and Latitude Tree Holdings Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

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

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

Mr Geh Cheng Hooi, aged 76, a Malaysian, was appointed to the Board of the Company on 11 March 2003 and is presently a member of the Audit and Nomination Committees of the Company. After qualifying as a Chartered Accountant in the United Kingdom in 1959, he worked for Price Waterhouse, London as a qualified assistant in 1960/1961 before returning to Malaysia to join KPMG Peat Marwick ("KPMG") in 1961. He was admitted as a partner in KPMG in 1964 and retired as senior partner in 1989. He is also a Fellow of The Institute of Chartered Accountants of England and Wales ("ICAEW") and a member of the Malaysian Institute of Certified Public Accountants ("MICPA"). His current directorships in public companies include Lingui Developments Berhad, Paramount Corporation Behad and Wawasan TKH Holdings Berhad. He has no family relationship with any Director and/or substantial shareholder of the Company.

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







### **Mr Quah Ban Lee**

(Finance Director)

Mr Quah Ban Lee, aged 53, a Malaysian, was appointed to the Board of the Company on 18 August 2005 and is presently the Finance Director of the Company. He is a qualified Chartered Accountant from The Institute of Chartered Accountants of England and Wales (“ICAEW”) and a member of the Malaysian Institute of Accountants (“MIA”). He also possesses a Bachelor of Arts (Hons) in Economics and Accounting Degree from the University of Reading in the United Kingdom. He has more than 20 years experience in finance, including a number of years in professional accounting firms, both in the United Kingdom and Malaysia. He has worked with other public listed companies in Malaysia prior to joining the Company. He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company.

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



### **Datuk Oh Chong Peng**

(Independent Non-Executive Director)

Datuk Oh Chong Peng, aged 66, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently a member of the Audit Committee of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales (“ICAEW”) as well as a member of the Malaysian Institute of Certified Public Accountants (“MICPA”) and the Malaysian Institute of Accountants (“MIA”).

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

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

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

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

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



# Directors' Profile *(cont'd)*

## **Mr Thong Kok Mun** (Executive Director)

Mr Thong Kok Mun, aged 53, a Malaysian, was appointed to the Board as an Executive Director of the Company on 11 June 2009. He holds a Bachelor of Science Degree in Mechanical Engineering from University of Birmingham, United Kingdom, Msc. Operational Research from University of Hull, United Kingdom and Diploma in Flour Milling Technologist from Swiss Milling School, St. Gallen, Switzerland.

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

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

He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company. He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.

## **Mr Lim Pang Boon** (Executive Director)

Mr Lim Pang Boon, aged 55, a Malaysian, was appointed to the Board as an Executive Director of the Company on 11 June 2009. He holds a Bachelor of Science Degree in Electrical Engineering from University of Arkansas, USA and Diploma in Electrical Engineering from Singapore Polytechnic.

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

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

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

He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company. He has attended 6 out of the 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.



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

Dato' Wira Zainal Abidin bin Mahamad Zain, aged 61, a Malaysian, was appointed to the Board of the Company on 1 September 2009. He holds a Bachelor of Arts (Hons.) Degree from University of Malaya.

He has a distinguished career in the Malaysian Civil Service. His past appointments include being appointed to the Administrative and Diplomatic Service of Malaysia as Assistant Secretary at the Ministry of Foreign Affairs (1973), Second Secretary of the Embassy of Malaysia in Jakarta, Indonesia (1974), Assistant Secretary of Ministry of Foreign Affairs (1977), Charge d' Affaires of the Embassy of Malaysia in Tehran, Iran (1979-1982), Principal Assistant Secretary of Ministry of Foreign Affairs (1982), Charge d' Affaires of Embassy of Malaysia in Abu Dhabi, United Arab Emirates (1984), Consul General of the Consulate General Malaysia in Jeddah (1986), Under Secretary (West Asia, Africa & OIC) of Ministry of Foreign Affairs (1989), Consul General of the Consulate General Malaysia in Vancouver, Canada (1991), Ambassador of Malaysia to Brazil (1995), Ambassador of Malaysia to Vietnam (1998), Under Secretary (South East Asia & Pacific) of Ministry of Foreign Affairs (2001), Malaysia's First Director General [Southeast Asia Regional Centre for Counter Terrorism (SEARCCT)], Ministry of Foreign Affairs (2003), Ambassador of Malaysia to the Republic of Indonesia (2005-2009), Malaysia's First ASEAN Permanent Representative ad-interim Republic of Indonesia (March 2009-July 2009) and Special Envoy of the Prime Minister of Malaysia to The Islamic Republic of Afghanistan (2010).

He is not a director of any other public company. He has no family relationship with any Director and/or substantial shareholder of the Company. He has attended 7 Board Meetings held during the financial year. He has no conflict of interest with the Company and has not been charged for any offence within the past ten years.





# Chairman's Statement



It is with great pleasure to announce that Malayan Flour Mills Berhad (“MFM”) has achieved a stellar performance for the financial year ended 31 December 2010, amidst challenging domestic and global business conditions.

## **Review of Performance**

For the year 2010, MFM registered a record profit before tax of RM127.9 million, representing a 39% improvement from a year earlier and higher revenue of RM1.6 billion. Earnings per ordinary share rose to 78.8 sen from 58.4 sen recorded in 2009.

Due to unfavourable weather conditions in grain growing areas, and the ban on export of wheat from Russia, there were a lot of concerns on the global grains supply situation. This coupled with higher global demand, had resulted in escalating commodity prices in the second half of 2010. Despite the volatility we had been able to manage our grain costs effectively.

The flour milling business had contributed significantly to the Group’s results in 2010. The commendable performance was due to the efficient purchase of wheat, consistent product quality and customer service support which resulted in a higher demand for our flour products. As a result, we recorded a 16% increase in profit before tax to RM113.2 million for the year under review.

The feeds and feed ingredients trading business registered a revenue growth of 89% on the account of higher demand for poultry and aqua feeds products and incremental sales from the trading of grains by the new joint venture with Toyota Tsusho Corporation which commenced operations on 1 April 2010. This joint venture had delivered positive results during the year. It supports the feeds business with regular supply of fresh grains to ensure consistency in feeds quality for our customers. The feeds and feed ingredients trading business posted revenue of RM440.1 million and a profit before tax of RM11.0 million for the year.



# Chairman's Statement *(cont'd)*

The management's determination to turnaround the poultry integrated business has finally reaped results with the business posting a profit before tax of RM3.8 million in 2010 as compared to a loss of RM13.1 million reported a year earlier. We are committed to grow this business further and attain greater economies of scale by expanding our broiler, breeder and further processed poultry products capacities. We aspire to be the preferred supplier and aims to enrich and nourish the nation with our quality poultry products.

Corporate social responsibility remains an integral part of our business operations. Various programs and monetary contributions in the area of public welfare and health were implemented during the year under review.

## Outlook

We believe MFM is well positioned for further growth. Our expansion project to enlarge our manufacturing, packaging and warehousing facilities in Malaysia, as mentioned in my report last year, is making good progress. These facilities are scheduled to be commissioned next year.

In the light of the current volatile and uncertain economic climate, we will continue to leverage on our competitive advantages while managing our business prudently.

## Dividends

In view of the better performance for year ended 31 December 2010, the Board of Directors are recommending a final dividend of 5 sen per ordinary share, less tax at 25% (Year ended 31 December 2009: 5 sen per ordinary share, less tax at 25%) and a special dividend of 15 sen per ordinary share, less tax at 25% (Year ended 31 December 2009: 10 sen per ordinary share, less tax at 25%), for your approval at the forthcoming Annual General Meeting to be held on 24 May 2011.

Including the interim dividend of 6 sen per ordinary share, less tax at 25% (Year ended 31 December 2009: 5 sen per ordinary share, less tax at 25%) paid on 15 December 2010, the total dividend payout would be 26 sen per share.

## Appreciation

On behalf of the Board of Directors, I would like to extend our gratitude to the management and employees at all levels in the Group for their commendable efforts towards moving up the scale and for efficiently putting in place a new venture that contributed to the profitability of the Group.

Our sincere appreciation also goes to the Group's shareholders, customers, suppliers, bankers, business associates, government agencies and regulatory authorities, for their continued support and cooperation during the year.

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

Kuala Lumpur  
29 April 2011



# Corporate Social Responsibility

Malayan Flour Mills Berhad (“MFM”) continues its commitment to the principle of Corporate Social Responsibility (“CSR”) by way of being transparent and ethical in all its dealings as well as making 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.

## CSR for Marketplace

MFM has embedded CSR into its business philosophy and policies to meet the expectations of its stakeholders which include the shareholders, suppliers and customers.

The Company is committed to ethical business approach through compliance with law, honoring business obligations and ensuring integrity in its business dealings.

In relation to customers, the Company is creating value for its customers by providing differentiated offerings based on its best cost production, consistent quality, service and innovative solutions. The Company is also committed in its customer-focus approach by understanding its customers’ history, culture, decision-making process, key people, vision, mission, strategies, goals and strengths. Focus is placed on the customers’ needs as well as building trust in the relationships with the customers.

MFM takes seriously all feedback, complaints and compliments that it received from its stakeholders. Initiatives such as customer service programmes which effectively monitor complaints and aim to provide continuous improvement are in place.

MFM also committed to the safety and quality of all its products with the adoption of HACCP system, applying Good Manufacturing Practice and training the employees on the Good Hygiene Practice throughout the food processing flow chart from raw material to finished goods as well as engaging in only ethical procurement practices.

## CSR for Community

MFM is committed to improving opportunities and quality of life in the community it serves. In its effort to ease the burden of the rising cost of medication and healthcare on those who require medical treatments, the Company extended financial support to the Manjung Dialysis Centre for the purchase of a new dialysis machine to enable the poor and needy kidney failure patients in the district of Manjung to continue to enjoy the facilities provided by the Dialysis Centre.

The Company also responded to the appeal for fund for the purchase of medical wheelchair by Yayasan Latihan Insan Istimewa Ipoh, a home for handicapped and Down Syndrome children and adults.

Besides this, the Group contributed its flour products and further processed poultry products to the Lung Foundation of Malaysia for its Charity Bazaar to raise funds to improve the standard of care and treatment of patients with chronic lung diseases.

Not forgetting the old folks welfare, contribution was given to the Manjung Welfare Home for the Aged for its fund raising dinner organized to raise funds for the daily needs of the home.

To bring joy and hopes to the spastic and physically challenged children, the Company also made contribution to a Spastic Centre for its Hari Raya Puasa Celebration.



# Corporate Social Responsibility *(cont'd)*

Education has always been an important aspect of any society and provides the necessary intellectual components to enhance a person's contribution to society. In support of this, the Company has established a collaboration with KDU College to enhance culinary arts education with locally produced flour and poultry products. The collaboration will add value to learning, both for the culinary arts students and lecturing professionals where there can be intimate exchange of ideas, explore internship and career opportunities. It is a win-win situation for the Company as KDU students recognise the brand of MFM in their everyday use, they will also serve as MFM's ambassadors.

Fund was also given to the International Institute of Public Policy and Management ("INPUMA") of University Malaya towards the publication of its book which was launched by the Minister of Higher Education of Malaysia in conjunction with the 10th Anniversary Celebration of INPUMA.

Besides this, financial supports were granted to a deserving scholar to complete his degree programme as well as schools for various purposes such as sports event and upgrading of buildings.

The Company also continued its support to the development of Wushu, a sport which is now classified by the Malaysian Sports Council as a core sport. It is also categorised as a premier sport of Malaysia and a fixed sport at the SUKMA, SEA Games and Asian Games.

## **CSR for Workplace**

Employees provide the know-how, productivity, customer service and innovativeness necessary for business activity. Therefore, the continued success of a company is reliant on the commitment of its employees.

Recognising this, MFM has taken initiatives that promote the retention and development of its staff and nurture workplace environments that will attract recruits of the highest calibre.

MFM believes in developing the potential and skill competency of its employees and is committed to ensure that they are trained to undertake the position for which they are employed and to develop their abilities and skills in line with technological changes and other needs of the organization. Hence, training programs and development are designed to help the individual employee to develop the targeted competencies.

During the year under review, the Group in collaboration with the Federal of Malaysian Manufacturers Institute conducted an Executive Development Certification Program for the employees of the Group. 20 employees were selected to participate in the program which aimed to provide the fundamental management and leadership skills for the talented executives who have the right fit for the organization, to develop the talented executives to grow their careers with the Group as well as to create opportunities as part of the executive retention program.

The Company also provides, and strives to maintain, a clean, healthy and safe working environment for its employees to carry out their business activities.

In term of the welfare of the employees, MFM offers its employees clear and fair terms of employment. Benefits like medical, hospitalization and insurance coverage are provided to protect the livelihood of the employees. Various activities like Annual Dinner and Festive Celebrations were also organized to foster better ties and interaction amongst the employees.

## **CSR for Environment**

The Group is mindful of its responsibility towards preserving the environment and conserving resources wisely. The Group is committed to protect the environment through its corporate Environmental Policy whereby in its daily operations, environment friendly practices are observed such as recycling of paper, increased electronic communication, energy saving practices for lighting and equipments and proper management of wastage.



# Corporate Events

## *Distributors' Convention*

Subsidiary, Dindings Poultry Processing Sdn Bhd held its Distributors' Convention at Genting Highland.



## *Launching Ceremony for Premier Grain Sdn Bhd ("PGSB")*

Launching Ceremony for PGSB, a joint-venture company with Toyota Tsusho Corporation and Toyota Tsusho (Singapore) Pte Ltd for the purpose of carrying out the trading of raw materials for animal feeds in Malaysia.



## *Annual Dinner & Dance*

Annual Dinner and Dance was held at the Nikko Hotel (now known as Intercontinental Hotel).



## *Annual General Meeting*

MFM's 50th Annual General Meeting was held at the Auditorium, 3rd Floor, Wisma MCA, Jalan Ampang, 50450 Kuala Lumpur.