



Malayan Flour Mills Berhad
(4260-M)

Passionate

We strive to inspire the best things in life.



Annual Report 2017

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Corporate Information

Chairman

Tan Sri Dato' Seri Utama Arshad bin Ayub

P.S.M., S.P.M.S., S.U.N.S., S.P.M.P., S.P.S.K., P.N.B.S.,
D.P.M.P., D.P.M.J., D.S.A.P., D.P.M.T., D.S.L.J. (Brunei),
P.G.D.K., J.M.N., P.B.E.

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.

Datuk Oh Chong Peng

P.J.N., J.S.M.

Dato' Wira Zainal Abidin bin Mahamad Zain

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

Prakash A/L K.V.P Menon

Azhari Arshad

Quah Poh Keat

Prof. Datin Paduka Dato' Dr Aini binti Ideris, FASc

D.S.I.S., D.P.M.K., P.S.K., K.M.N.

Lim Pang Boon

Audit & Risk Management Committee

Dato' Hj Shaharuddin bin Hj Haron

(Chairman and Independent Non-Executive Director)

Tan Sri Dato' Seri Utama Arshad bin Ayub

(Non-Independent Non-Executive Director)

Datuk Oh Chong Peng

(Independent Non-Executive Director)

Dato' Wira Zainal Abidin bin Mahamad Zain

(Independent Non-Executive Director)

Quah Poh Keat

(Independent Non-Executive Director)

Secretary

Mah Wai Mun (MAICSA 7009729)

Registered Office & Head Office

22nd Floor, Wisma MCA

163 Jalan Ampang, 50450 Kuala Lumpur

Tel. No: 03-2170 0999

Fax No: 03-2170 0888

Website: www.mfm.com.my

Registrar

Symphony Share Registrars Sdn Bhd

Level 6, Symphony House

Pusat Dagangan Dana 1

Jalan PJU 1A/46, 47301 Petaling Jaya

Selangor Darul Ehsan

Tel. No: 03-7849 0777 (Helpdesk)

Fax No: 03-7841 8151/52

Factories

Jalan David Sung, Batu Undan

32200 Lumut

Perak Darul Ridzuan

Lot 133, Jalan Pukal

Pasir Gudang Industrial Estate

81700 Pasir Gudang

Johor Darul Takzim

Branches

• **FEDERAL TERRITORY**

Lot 40, Jalan E 1/4

Taman Ehsan Industrial Park, Kepong

52100 Kuala Lumpur

• **PENANG**

4557, Jalan Heng Choon Thian

12000 Butterworth, Pulau Pinang

• **PERAK**

No. 2, Laluan Perusahaan 10

Kawasan Perusahaan Menglembu

31450 Ipoh, Perak Darul Ridzuan

- **MALACCA**
No. 1, Jalan PM3
Taman Perindustrian Merdeka
75350 Batu Berendam, Melaka
- **JOHOR**
Lot 133, Jalan Pukal
Pasir Gudang Industrial Estate
81700 Pasir Gudang, Johor Darul Takzim
- **KELANTAN**
Lot 4045, Blok C, No. 4 Jalan 1/44
Pengkalan Chepa, Mukim Panchor
Daerah Kemumin
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 Poultry Development Centre Sdn Bhd (180044-A)
- Premier Grain Sdn Bhd (754079-T)
- Semakin Dinamik Sdn Bhd (185533-V)
- Dindings Broiler Breeder Farm Sdn Bhd (172600-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
- AVIOTA Sdn Bhd (1213813-D)

Principal Bankers

- Alliance Bank Malaysia Berhad (88103-W)
- Bangkok Bank Berhad (299740-W)
- MUFG Bank (Malaysia) Berhad (302316-U)
- Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A (Rabobank Nederland) (050090C)
- Hong Leong Bank Berhad (97141-X)
- HSBC Bank Malaysia Berhad (127776-V)
- Malayan Banking Berhad (3813-K)
- OCBC Bank (Malaysia) Berhad (29548-W)

Stock Exchange Listing

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

Solicitors

Isharidah, Ho, Chong & Menon
Skrine

Auditors

KPMG PLT

Board of Directors



Tan Sri Dato' Seri Utama
Arshad bin Ayub



Mr Teh Wee Chye



Dato' Hj Shaharuddin
bin Hj Haron



Datuk Oh Chong Peng



Dato' Wira Zainal Abidin
bin Mahamad Zain



Mr Prakash
A/L K.V.P Menon



Encik Azhari Arshad



Mr Quah Poh Keat



Prof. Datin Paduka
Dato' Dr Aini binti Ideris



Mr Lim Pang Boon

Directors' Profile

Tan Sri Dato' Seri Utama Arshad bin Ayub

(Non-Independent Non-Executive Chairman)

Tan Sri Dato' Seri Utama Arshad bin Ayub (Male), aged 89, 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 as well as member of the Audit & Risk Management 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 and listed issuers include Tomypak Holdings Berhad, Top Glove Corporation Berhad, Bistari Johor Berhad and Karex Berhad. Encik Azhari Arshad who is an Executive Director of the Company is his son. He has no family relationship with the other Directors and/or major shareholder of the Company.

He has attended all the 8 Board meetings held during the financial year. He has no conflict of interest with the Company.

Mr Teh Wee Chye

(Managing Director)

Mr Teh Wee Chye (Male), aged 64, 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 Master's 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 Seu Teck Sean Tong Charitable Organisation Berhad. He is a major shareholder of the Company.

He has attended all the 8 Board meetings held during the financial year. He is deemed interested in various related party transactions with the Group.

Directors' Profile (cont'd)

Dato' Hj Shaharuddin bin Hj Haron

(Independent Non-Executive Director)

Dato' Hj Shaharuddin bin Hj Haron (Male), aged 79, a Malaysian, was appointed to the Board of the Company on 23 September 1993 and is presently the Chairman of the Audit & Risk Management Committee and a member of the Nomination and Remuneration Committees of the Company. He holds a Bachelor (Hons) Degree in Economics from the University of Malaya and a Masters Degree in Economics from the University of 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 attended 7 out of the 8 Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Datuk Oh Chong Peng

(Independent Non-Executive Director)

Datuk Oh Chong Peng (Male), aged 73, a Malaysian, was appointed to the Board of the Company on 20 August 2008 and is presently a member of the Audit & Risk Management, Nomination and Remuneration Committees 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 and retired as a Senior Partner of Coopers & Lybrand in 1997.

Presently, he sits on the Board of British American Tobacco (Malaysia) Berhad, WCE Holdings Berhad, Dialog Group Berhad, Saujana Resort (M) Berhad and PUC Berhad (Formerly known as PUC Founder (MSC) Berhad).

Datuk Oh is a Government appointed member of the Labuan Financial Services Authority (since 1996). He is also a trustee of the UTAR Education Foundation (2002) and a council member of University Tunku Abdul Rahman.

His past appointments included being a Government appointed Committee Member of the Kuala Lumpur Stock Exchange (1990-1996), a Council member (1981-2002), a past President of the MICPA (1994-1996) and a board member of Malaysian Accounting Standards Board (2003-2009). He was Chairman of Land & General Berhad (1999-2007), Nanyang Press Holdings Berhad (2001-2005) and Alliance Financial Group Berhad (2006-2017) and was a board member of Rashid Hussain Berhad Group of Companies (1998-2003) and Star Publications (M) Berhad (1987-2009).

He has attended all the 8 Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Dato' Wira Zainal Abidin bin Mahamad Zain

(Independent Non-Executive Director)

Dato' Wira Zainal Abidin bin Mahamad Zain (Male), aged 68, a Malaysian, was appointed to the Board of the Company on 1 September 2009 and is presently the Chairman of the Nomination Committee and a member of the Audit & Risk Management Committee of the Company. He holds a Bachelor of Arts (Hons-International Relations) 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 (2003-2005), 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 (2010-2014).

He is currently the Independent Non-Executive Chairman of CIMB Vietnam and Independent Non-Executive Chairman of CIMB Cambodia.

He has attended all the 8 Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Mr Prakash A/L K.V.P Menon

(Non-Independent Non-Executive Director)

Mr Prakash A/L K.V.P Menon (Male), aged 59, a Malaysian, was appointed to the Board of the Company on 24 May 2011 and is presently a member of the Nomination and Remuneration Committees of the Company. He is a barrister-at-law (Lincoln's Inn, London) having graduated with LLB (Hons) from University of Manchester.

He was admitted to the English Bar in 1983 and being bestowed the qualification as a Barrister. Upon completion of the term of pupillage, he was called to the Malaysian Bar and was admitted as an Advocate and Solicitor of the High Court of Malaya on 18 June 1984.

Since his admission to the Malaysian Bar, he has been in private practice and is a Senior Partner in the firm of Isharidah, Ho, Chong & Menon and is actively involved in the area of litigation. He has been in active practice for more than 30 years. He is not a director of any other public company and listed issuer.

He has attended all the 8 Board meetings held during the financial year. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Directors' Profile (cont'd)

Encik Azhari Arshad

(Director, Business Development & Corporate Affairs)

Encik Azhari Arshad (Male), aged 56, a Malaysian, was appointed to the Board as a Non-Executive Director on 16 August 2012 and was subsequently appointed as a Business Development & Corporate Affairs Director on 5 May 2015. He holds a Bachelor of Science Degree in Economics from University of Buckingham (UK).

He has more than 20 years' experience in business development and marketing. In 1988, he joined Shell Malaysia Trading as a Senior Marketing Executive. Thereafter, he joined Pennzoil Malaysia as a Marketing Country Manager in 1993. In 1996, he was with Conoco Philips Malaysia as a Marketing Director in Malaysia. From 2002 until 2006, he was the Business Development and Marketing Strategy Consultant for Petronas downstream sector companies i.e. Petronas Dagangan Berhad and Petronas Holdings respectively. Subsequently, he was the Business Strategy, Marketing & Project Development Consultant for South-East Asia in US Management & Marketing Consultancy.

He is not a director of any other public company and listed issuer. He is the son of the Chairman of the Company, Tan Sri Dato' Seri Utama Arshad bin Ayub.

He has attended all the 8 Board Meetings held during the financial year. He has no conflict of interest with the Company.

Mr Quah Poh Keat

(Independent Non-Executive Director)

Mr Quah Poh Keat (Male), aged 65, a Malaysian, was appointed to the Board of the Company on 25 May 2017 and is presently a member of the Audit & Risk Management Committee of the Company. He is a member of the Malaysian Institute of Accountants ("MIA"), Fellow of the Malaysian Institute of Taxation ("MIT"), member of the Malaysian Institute of Certified Public Accountants ("MICPA"), member of the Chartered Institute of Management Accountants ("CIMA") and a Fellow of the Association of Chartered Certified Accountants ("FCCA").

He was a partner of KPMG Malaysia since 1 October 1982 and was the Senior Partner of the firm from 1 October 2000 until 30 September 2007. Prior to taking up the position of Senior Partner, he was in charge of the Tax Practice and the Japanese Practice in KPMG Malaysia. He was also a member of the KPMG Japanese Practice Council which is the governing body within KPMG International which looks after the Japanese Practices in the KPMG world. He was also a member of KPMG Asia Pacific Board and a member of KPMG International Council. He retired from KPMG Malaysia on 31 December 2007.

He had served as an Independent Non-Executive Director of Public Bank Berhad Group from 30 July 2008 to 1 October 2013 until his appointment as the Deputy Chief Executive Officer of Public Bank Berhad from 1 October 2013 until 31 December 2015. Prior to that, he was an Independent Non-Executive Director of IOI Properties Berhad, PLUS Expressways Berhad, IOI Corporation Berhad and Telekom Malaysia Berhad.

Presently, he sits on the Board of Public Mutual Berhad, LPI Capital Berhad, Lonpac Insurance Berhad, Kuala Lumpur Kepong Berhad and Paramount Corporation Berhad.

He has attended all the 4 Board meetings held during the financial year subsequent to his appointment. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Prof. Datin Paduka Dato' Dr Aini binti Ideris

(Independent Non-Executive Director)

Prof. Datin Paduka Dato' Dr Aini binti Ideris (Female), aged 65, a Malaysian, was appointed to the Board of the Company on 25 May 2017 and is presently a member of the Nomination Committee of the Company. She holds a Doctor of Veterinary Medicine (DVM) in 1979 from Universiti Pertanian Malaysia ("UPM") (currently, Universiti Putra Malaysia), Masters of Veterinary Science (MVSc) in 1981 from University of Liverpool, England, Doctor of Philosophy (PhD) (Avian Medicine) in 1989 from UPM. She had attended a Postdoctoral training from 1990 to 1992 at University of California Davis, USA and a Postdoctoral training in 1993 at Cornell University, USA.

She is actively involved as Council Member of Academy of Sciences Malaysia and Malaysian College of Veterinary Specialists ("MCVS"); a Member of the Board of Governance of International Medical University ("IMU") and International Medical College ("IMC"); a Board Member of Yayasan Putra Business School and UPM Education & Training; a Council Member of Malaysian Cancer Research Institute ("MCRI") and Executive Member of National Cancer Council ("MAKNA"). She is the Founding Chairman of the Board of Directors of UPM Holdings Sdn Bhd.

She is actively involved in research on avian respiratory and immunosuppressive diseases, development of conventional and genetically engineered vaccines. In 2011, she received the National Academic Award (AAN) 2010 for the Innovation and Product Commercialisation Award Category. Her research group also won the Innovation Award in Public and Private Sector Research (2008) in which she was the co-researcher.

She is the Coordinator for the National Centre of Excellence for Swiftlets, under the Ministry of Agriculture and Agro-based Industry ("MOA") and Vice President of the World Veterinary Poultry Association ("WVPA"). She has extensive administrative experience other than in the field of teaching and learning. She was the Acting Head of the Department of Veterinary Clinical Studies, Chairman of the Veterinary Teaching Hospital, Deputy Dean of the Faculty of Veterinary Medicine, Dean of the Graduate School and Chairman of the Deans of Graduate Studies, Public Institutions of Higher Learning Council, Malaysia.

She was the Deputy Vice-Chancellor (Academic and International) of UPM from December 2008 to 2013 and was Chairman of Deputy Vice-Chancellors' Committee/Rector (Academic and International) during that period. In October 2015, she was appointed as the first Director of Corporate Strategy & Communications Office (CoSComm), UPM until her appointment as the 8th Vice-Chancellor of UPM on 1 January 2016. Presently, she sits on the Board of QL Resources Berhad.

She has attended 2 out of the 4 Board meetings held during the financial year subsequent to her appointment. She has no family relationship with any Director and/or major shareholder of the Company. She has no conflict of interest with the Company.

Directors' Profile (cont'd)

Mr Lim Pang Boon

(Executive Director)

Mr Lim Pang Boon (Male), aged 62, a Malaysian, was appointed to the Board as an Executive Director of the Company on 1 January 2018. He holds a Bachelor of Science Degree in Electrical Engineering from University of Arkansas, USA.

He was a Project/Site Engineer of Tenaga Ewbank Consulting Engineers prior to joining the Company 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 the Project Manager for the setting up of Vimaflour Ltd in 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 and listed issuer. He has no family relationship with any Director and/or major shareholder of the Company. He has no conflict of interest with the Company.

Key Senior Management Profile

Mr Teh Wee Chye

(Managing Director)

Aged 64, Male, Malaysian

Mr Teh Wee Chye 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. His profile is listed in the Directors' Profile on page 5 of this Annual Report.

Mr Lim Pang Boon

(Executive Director cum Head of Flour Division - Vietnam)

Aged 62, Male, Malaysian

Mr Lim Pang Boon was appointed to the Board as an Executive Director of the Company on 1 January 2018 and is presently the General Director, Flour Division in Vietnam. His profile is listed in the Directors' Profile on page 10 of this Annual Report.

Mr Ho Hau Chieh

(Head of Flour Division - Malaysia)

Aged 48, Male, Malaysian

Mr Ho Hau Chieh joined the Company on 3 July 2017 as the General Manager of Flour Division of Malaysia.

He holds a Bachelor of Economics (major in Business Administration) from University of Malaya. He has more than 20 years of experience in fast moving consumer goods industry.

Encik Azhari Arshad

(Director, Business Development & Corporate Affairs)

Aged 56, Male, Malaysian

Encik Azhari Arshad was appointed to the Board as the Business Development & Corporate Affairs Director on 5 May 2015. His profile is listed in the Directors' Profile on page 8 of this Annual Report.

Mr Ang Pun Heng

(Head of Poultry Integration Division)

Aged 59, Male, Malaysian

Mr Ang Pun Heng joined the Group in January 2009 as a General Manager and subsequently was promoted as the Executive Director in-charge of the poultry integration.

He has more than 35 years of experience in poultry industry.

Mr Tony Wo Kah Keat

(General Manager, Poultry Processing)

Aged 48, Male, Malaysian

Mr Tony Wo Kah Keat joined the Group on 20 September 2004 and was promoted to the current position on 1 May 2010.

He is a Fellow of the Association of Chartered Certified Accountants ("FCCA") and a member of the Malaysian Institute of Accountants ("MIA").

He has more than 20 years of experience in finance and other management disciplines, including a number of years in professional accounting firms.

Key Senior Management Profile (cont'd)

Mr Lee Low

(General Manager, Aquaculture)

Aged 54, Male, Malaysian

Mr Lee Low joined the Group on 15 June 2017 as the General Manager of Aquaculture.

He holds a Bachelor of Science in Fisheries from Universiti Putra Malaysia and is an active member of the Malaysia Aquaculture Development Association ("MADA").

He has over 28 years of experience in aquaculture industry managing the marine shrimp hatchery, shrimp farming, shrimp processing plant, a few species of marine & freshwater fish farming and aquafeed marketing.

Dr Chay Seong Hoe

(General Manager, Breeder and Hatchery)

Aged 46, Male, Malaysian

Dr Chay Seong Hoe joined the Group on 1 May 2009 as a Farm Operations Manager and was promoted to the current position on 1 January 2012.

He holds a Doctor of Veterinary Medicine Degree from Universiti Putra Malaysia. He has more than 20 years of experience in poultry farming.

Mr Cheang Kiat Cheong

(Chief Financial Officer)

Aged 41, Male, Malaysian

Mr Cheang Kiat Cheong joined the Company on 9 November 2017 as the Chief Financial Officer of the Company.

He is a Fellow of the Association of Chartered Certified Accountants ("FCCA"), a Certified Internal Auditor ("IIA") and a member of the Malaysian Institute of Accountants ("MIA").

He has over 19 years of experience in the food and consumer goods sectors. Prior to joining the Company, he worked in several multinational corporations and had held various regional positions in finance overseeing a diverse portfolio of brands in the food, household and body care categories in Asia Pacific.

Mr Chua Kiat Hwa

(Senior General Manager, Purchasing)

Aged 55, Male, Malaysian

Mr Chua Kiat Hwa joined the Company on 16 March 1992 and was promoted to the current position on 1 January 2016.

He holds a Master of Business Administration from Hawaii Pacific University, Honolulu, Hawaii and a Bachelor Degree in Arts from Universiti Kebangsaan Malaysia.

He has more than 20 years of commodity trading experience, having constant dealings with large international commodity brokers and grains institutions.

Mdm Carol Chan Chui Yoke

(General Manager, Group Human Resources)
Aged 46, Female, Malaysian

Mdm Carol Chan Chui Yoke joined the Company on 2 June 2014 as the General Manager, Group Human Resources.

She holds a Master of Business Administration from University of Missouri, Kansas City, USA.

She has more than 20 years of experience in full spectrum of Human Capital functions with more than 10 years' experience in senior position in driving human resources strategies that support the Company's overall business plans and strategies.

Dr Tan Leong Chee

(General Manager, Group Engineering Services & Projects)
Aged 54, Male, Malaysian

Dr Tan Leong Chee joined the Company on 10 November 2014 as the General Manager, Group Engineering Services & Projects.

He holds a Doctor of Philosophy from Nanyang Technological University, Singapore, a Master of Engineering from National University of Singapore and a Bachelor of Civil Engineering from University of Malaya.

He has more than 30 years of experience in managing projects for the construction of jetty, industrial building, power plants, airport, high-rise building, residential and infrastructure works for highways. He was also involved in the conceptual stage, pre-contract administration, post-contract administration and closure of the projects.

Ir Beh Men Huat

(General Manager, Group Engineering Services & Projects)
Aged 61, Male, Malaysian

Ir Beh Men Huat joined the Company on 5 December 2008 as the Senior Manager, Group Engineering Services & Projects and was subsequently promoted to be General Manager in 2012.

He holds a Bachelor of Science Degree in Civil Engineering (First Class Honours) from University of Strathclyde, United Kingdom and a Master of Finance from RMIT University, Australia. He is also a Professional Engineer registered with the Board of Engineers.

He has more than 35 years of working experience in both the public and private sectors, primarily in the field of water privatisation concession, planning, design, construction supervision, contract administration and project management in building, civil, infrastructure works in Malaysia and overseas.

Additional Information:

1. Save for Mr Teh Wee Chye, Encik Azhari Arshad and Mr Lim Pang Boon, none of the other Key Senior Management members have any directorship in public companies and listed issuers.
2. Save for Mr Teh Wee Chye and Encik Azhari Arshad, none of the other Key Senior Management members have any family relationship with any Director and/or major shareholder of the Company.
3. Save for Mr Teh Wee Chye, none of the other Key Senior Management members have any conflict of interest in business transactions with the Company.

Chairman's Statement

*On behalf of the Board of Directors,
I am pleased to present the Annual
Report of Malayan Flour Mills
Berhad ("MFM") for the financial
year ended 31 December 2017.*

Review of Performance

MFM recorded a revenue of RM2.40 billion for the financial year 2017 (RM2.54 billion in 2016), amidst the challenging business conditions both globally and locally. This was attributed to lower sales volume across our operating segments. The Group's profit before tax decreased by 13% to RM96.5 million, attributed to lower sales volume in 2017 and a one-off insurance recovery in 2016. These were partially offset by slight improvement in gross margin, from 11.0% to 11.3%; coupled with a higher share of profit of equity accounted joint venture.

The revenue of flour and grains trading segment contributed 68% of our Group's turnover. The revenue for this segment decreased by 5% to RM1.6 billion as compared to previous year primarily due to lower sales volume of grains trading resulting from stiffer competition on the domestic front caused by bumper yield of global agricultural commodities in 2017. Operating profit of the segment stood at RM63.6 million, representing an 18% improvement from a year earlier due to margin improvement in the flour business. This segment constituted 63% of our Group's operating profit.

Our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia ("BFMI"), had delivered 84% increase in revenue to RM995 million in 2017 as compared to RM540 million in the previous financial year due to strong momentum in the operations. Our Group's share of profit in 2017 was at RM7.8 million as compared to the previous year's RM6.4 million recorded due to BFMI's sustained efforts in the distribution, sales and marketing as well as the efficiency in plant operations to ramp up volume in 2017.



The poultry integration segment had recorded lower revenue of RM761 million primarily due to lower sales volume in poultry feed. This segment delivered RM37.1 million of operating profit, decreased from RM61.5 million a year earlier due to margin compression and higher operating expenses. There was also a one-off insurance recovery of RM4.2 million in 2016.

Our Group is embarking on investment/expansion in the poultry integration segment further downstream to create stability and enhance its future earnings growth.

Human Capital

Talent development and succession planning programs continue to be a focus for us and these are directed towards developing competencies and ensuring sustainability in our businesses in alignment with our long-term vision to becoming a leading food manufacturing enterprise in the region. More on these are detailed in pages 18 to 49 of this Annual Report under the section 'Sustainability Statement'. In 2017, MFM has facilitated a strategic collaboration between University of Arkansas ("UARK") and Universiti Putra Malaysia ("UPM") where a student exchange program on poultry science is being developed. The curriculum includes courses like animal physiology, poultry nutrition and integrated poultry management systems. MFM will provide scholarship for selected students to spend one year at UARK.

Outlook

We believe our businesses are well-positioned for future growth, particularly in the poultry integration segment where we are investing for the future, both in the upgrading of the processing plant as well as modernising the farming practices. Despite the uncertain economic environment both globally and locally, we expect our Group's performance in 2018 to remain positive.

Dividend

The Board of Directors had declared an interim single tier dividend of 3.00 sen per ordinary share for financial year ended 31 December 2017 which was paid on 19 September 2017.

The Board of Directors had further declared a second interim single tier dividend of 3.50 sen per ordinary share for financial year ended 31 December 2017 which will be paid on 30 March 2018.

Directors

During the year, 3 directors have joined the Board, bringing with them wealth of experience that will contribute towards bringing the Company to the next level.

On behalf of the Board, I welcome Prof. Datin Paduka Dato' Dr Aini binti Ideris, Mr Quah Poh Keat and Mr Lim Pang Boon for a collaborative and synergistic working relationship with MFM.

Appreciation

I would like to extend my sincere appreciation to my fellow Directors, the management and employees at all levels in the Group for their steadfast and unwavering effort, support and commitment.

Equally important, I would also like to thank you, our shareholders, as well as our customers, suppliers, bankers, business associates, government agencies and regulatory authorities, for the unrelenting support, trust and confidence in MFM during the year.

Tan Sri Dato' Seri Utama Arshad bin Ayub

Chairman

Management Discussion and Analysis

Group Strategy and Objective

Our key strengths lie in our good manufacturing practices in which we have diligently honed over the past 50 years and also our industrialised approaches to agri-food production. By leveraging our core competencies in mass production, economies of scale, technical know-hows and standardisation of best practices, we have been able to replicate our good manufacturing practices into the poultry integration business and expanding our flour business beyond Malaysia to Vietnam and Indonesia.

As a result, our Group has built a solid operating foundation upon two key pillars of growth – flour and grains trading and poultry integration segments. In short, our two business pillars are very much in line with our long-term vision to becoming a leading food manufacturing enterprise in the region.

Financial Performance Review

Financial year 2017 proved to be a demanding year for MFM where revenue has contracted 5% to RM2.4 billion, whilst profit before tax (“PBT”) albeit still positive but has decreased 13% versus a year earlier to RM96.5 million. This is due to challenges faced in the grains trading business and poultry feed volume, raw materials and production performance issues in the poultry integration segment. Despite these, there were spark of bright spots in other parts of the Group that mitigated some of the challenges. Margin in our flour businesses has improved by 2 percentage points and this helped delivered an improvement in PBT of the flour and grains trading segment by RM10.0 million to RM70.2 million. This is mainly attributed to our move to diversify sourcing of wheat from our traditional sources and focus on working with profitable customers to grow their business. The strength of growth of our joint venture in Indonesia, PT Bungasari Flour Mills Indonesia (“BFMI”) also contributed positively to the Group’s PBT by RM7.8 million. This has again proven our strategy to invest beyond our home ground with strategic partners is paying dividend.

Net interest expenses increased from RM10.5 million in the previous financial year to RM11.9 million for the current financial year primarily caused by the increase in borrowings to finance the purchase of grains.

As at 31 December 2017, our Group’s total assets stood at RM2.0 billion with cash and cash equivalents of RM257.8 million. Our Group’s EBITDA decreased by 5% to RM161.8 million in the current financial year as compared to RM169.5 million previously.

Review of Operation

In 2017, due to challenges faced from stiffer competition, rising costs of production, raw materials quality and production performance issues, our sales volume and profitability have been adversely affected.

Our flour and grains trading segment revenue declined by 5% to RM1.6 billion mainly due to lower sales volume in the grains trading business. Competition in grains business was stiff due to aggressive marketing from new entrants and excess of supply compared to demand. Despite the poorer results from grains business, the better performance from flour business has more than offset the impact resulting in operating profit increased by 18% to RM63.6 million which constitutes 63% of the Group’s operating profit. The improvement is due to improved contribution margin percentage in flour business.

BFMI continues to improve with revenue increase by 84% and PBT increase by 113%. Our Group’s share of profit of equity accounted joint venture in 2017 has also improved by 21% to RM7.8 million.

The revenue for our poultry integration segment saw a decline of 5% to RM761 million mainly due to lower sales volume in poultry feed. The operating profit has also dropped by 40% to RM37.1 million which accounts for 37% of the Group's operating profit. The main contributing factors for the poorer results are raw materials quality, production performance issues and rising input costs of production. Action plans have been deployed to address the performance issues and we have seen improvements in our recent production performance. On raw materials quality issues, we will continue to improve on our sourcing and enhance our storage preservation in ensuring quality of our raw materials is sustained.

Despite the dip in our poultry integration segment performance in 2017, with our team's concerted efforts and dedication, we remain positive and confident that our results in 2018 will be better.

Anticipated or Known Risks

Food safety and compliance to standards are top priorities for us as a food manufacturer as usage of flour and poultry is very wide and diverse and it cut across different cultural background, race and religion. To ensure our customers and consumers in general are able to use products produced by us without any worry or doubt, we have implemented Hazard Analysis and Critical Control Points ("HACCP") in all our manufacturing facilities. At the same time, all our products are halal certified by JAKIM (Department of Islamic Development Malaysia) and are subject to annual compliance audit.

Due to the nature of the poultry industry which faces inherent risks of avian diseases outbreak, we are always vigilant in managing our farms with comprehensive biosecurity measures in place.

In summary, we are confident that based on our track record and leading position in the flour and poultry industries, our Group will be able to mitigate such risks with our proactive and preventive measures put in place.

Outlook and Prospects

As food manufacturing is our core business, we are responsible to feed people in the countries in which we operate, and challenges of uncertain global economic environment, volatile commodity prices and foreign exchange rates will have an impact on us.

But these challenges are not new to us and we have over the past 5 decades developed our core competencies in managing these uncertainties. We expect the Group's performance to remain positive in 2018.