

# 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