KFM

Kuantan Flour Mills Berhad
(119598-P)

Annual Report 2011

Contents

Corporate Structure

KUANTAN FLOUR MILLS BERHAD
(119598-P)

KFM Transport Sdn Bhd
100%

KFM Ventures Sdn Bhd
100%

KFM Trading Sdn Bhd
100%

KFM Biotechnology Sdn Bhd
100%

KFM Industries Sdn Bhd
100%

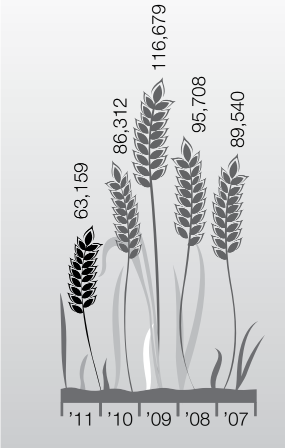
KFM Marketing Sdn Bhd
95%

KFM-Bunge Flour Mixes Sdn Bhd
60%

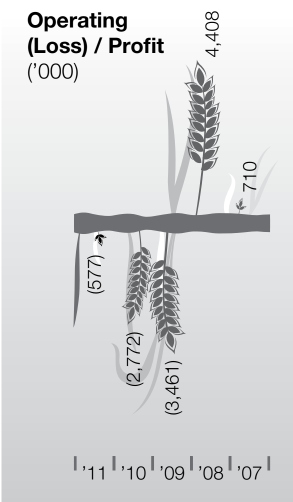
Group Financial Highlights

	2011 ’000	2010 ’000	2009 ’000	2008 ’000	2007 ’000
Revenue	63,159	86,312	116,679	95,708	89,540
Operating (loss) / profit	(577)	(2,772)	(3,461)	4,408	710
(Loss) / Profit before tax	(1,177)	(3,810)	(4,968)	2,265	(759)
(Loss) / Profit After tax and minority interests	(1,177)	(3,797)	(4,980)	2,255	(1,259)
Shareholders’ funds	21,781	23,029	26,826	31,806	29,551
Net tangible assets	21,781	23,029	26,826	31,806	29,551
Tangible assets	44,563	48,015	56,081	58,750	60,108
Basic (loss)/earnings per share (sen)	(2.61)	(8.43)	(11.05)	5.01	(2.80)

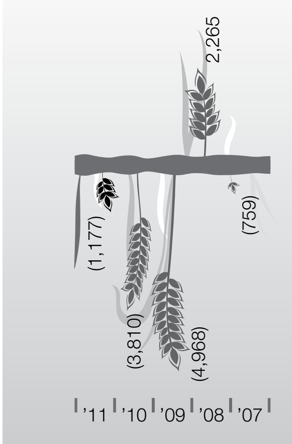
Revenue (’000)



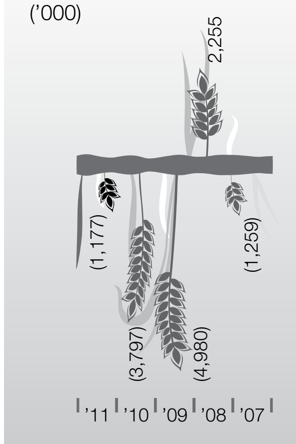
Operating (Loss) / Profit (’000)



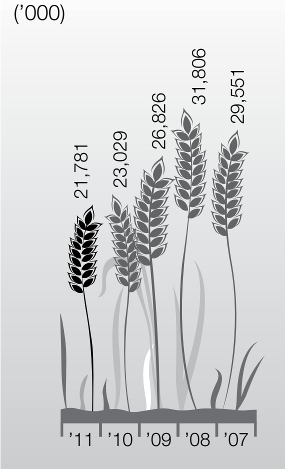
(Loss) / Profit Before Tax (’000)



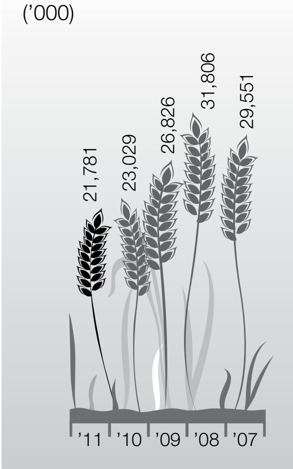
(Loss) / Profit After Tax And Minority Interests (’000)



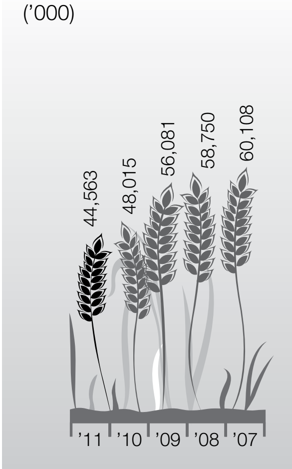
Shareholders’ Funds (’000)



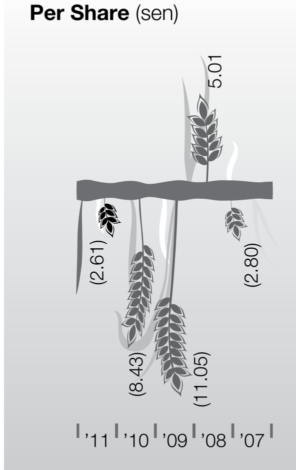
Net Tangible Assets (’000)



Tangible Assets (’000)



Basic (Loss) / Earnings Per Share (sen)



Corporate Information

Board of Directors

Tan Sri Mohamed Bin Ngah Said
(Non Independent, Executive Chairman)
(Appointed on 23 May 2008 and redesignated as Executive Chairman on 25 September 2009)

Lee Chee Kiean
(Non Independent, Executive Director)
(Appointed on 23 May 2008)

Leong Chen Nyen
(Independent, Non-Executive Director)
(Appointed on 23 May 2008)

Kushairi Bin Zaidel
(Independent, Non-Executive Director)
(Resigned on 5 April 2005 and reappointed on 6 January 2009)

Ng Kay Eng
(Independent, Non-Executive Director)
(Resigned on 24 September 2009 and reappointed on 21 December 2009)

Audit Committee

Leong Chen Nyen
(Chairman, Independent, Non-Executive Director)

Kushairi Bin Zaidel
(Member, Independent, Non-Executive Director)

Ng Kay Eng
(Member, Independent, Non-Executive Director)

Company Secretary

Tan Yoke May (MACS 01531)
Inuri Management Sdn Bhd
177-3, Floor 3, Jalan Sarjana
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel: +603-91304794
Fax: +603-91329692

Auditors

Ernst & Young
Chartered Accountants
11th Floor, Kompleks Teruntum
Jalan Mahkota
25000 Kuantan, Pahang Darul Makmur

Registered Office

Kawasan Lembaga Pelabuhan Kuantan
KM 25, Jalan Kuantan/Kemaman
P. O. Box 387
Tanjung Gelang
25740 Kuantan
Tel: +609-5833611
Fax: +609-5833618

Solicitors

Hakem Arabi & Associates
Advocates & Solicitors
No 1-3, Mezzanine Floor, Hotel Sentral Building
No 30, Jalan Thambillai, Brickfields,
50100 Kuala Lumpur

Bankers

Malayan Banking Berhad
CIMB Bank Berhad
Affin Investment Bank Berhad

Share Registrar

Bina Management (M) Sdn Bhd
Lot 10, The Highway Centre
Jalan 51/205
46050 Petaling Jaya, Selangor Darul Ehsan
Tel: +603-77843922
Fax: +603-77841988

Stock Exchange Listing

Bursa Malaysia Securities Berhad
(Main Market)
Code : 8303

Website

www.kfmb.com.my

Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the annual Report of Kuantan Flour Mills Berhad and the audited Financial Statements of the Group and of the Company for the financial year ended 31st March 2011. The financial statements have been prepared in accordance with the Financial Reporting Standards and the Companies Act 1965 of Malaysia.

Financial Review

Although the Group was operating under extremely challenging conditions during the financial year ended 31 March 2011, a lower loss of RM1.18 million was recorded as against a loss of RM3.79 million for the previous financial year. The Group achieved a lower sales volume with revenue of RM63.16 million as compared to RM86.3 million for the previous year.

At the company level, a lower loss of RM1.14 million was also recorded as compared to a loss of RM3.71 for the previous financial year.

Generally, the company's performance had been adversely affected by the volatility of wheat prices and ocean freight rates, coupled with the stiff competition within the industry.

Review Of The Industry

The flour industry remains very competitive due to the competition in the local market and volatility of raw materials cost. However, the Government is rendering their assistance to the industry in the form of subsidies for the general purpose flour produced which is a controlled price item. The ever changing industry environment has brought with it both challenges and opportunities. The Board is committed to working together with the management team to represent the best interests of our shareholders to ensure the Group operates successfully.

Subsidiary Companies

All subsidiary companies remain dormant during the financial year under review.

Corporate Social Responsibility (CSR)

CSR is an integral part of our business operations. Various programs and contributions in kind and monetary were implemented during the year under review, such as :

1) Safety awareness programs.
2) Contribution in kind to Malaysian Nature Society during their environment cleaning programs.
3) Donation to needy children in Philippines.
4) Donations to schools and other welfare and charitable organizations.
5) Continuous training and development programs for employees of all levels throughout the year to enhance their skills, knowledge and competency.
6) Flour for flood victims and less fortunate citizens.
7) Annual dinner and festive gatherings for our employees.
8) Sports activities to build up interaction among different levels of employees in the company.

Prospects For The Year Ahead

Looking ahead to the immediate future, the Group is committed to take necessary measures to turnaround the company's business. To achieve this, a program of extensive research is undertaken to evaluate potential investments and projects and the ongoing sustainability of our business. Frequent review of sales efforts are also being made to ensure that we deliver the finest quality flour and provide the best technical services to our customers. Close attention to the commodities market will ensure that we purchase the most suitable grains to produce our flour in the most cost efficient manner. With the manufacturing sector particularly the food related industries is projected to grow at a modest pace in 2011, the Group is optimistic of achieving better results in the coming financial year.

Chairman's Statement

Further, the Company is currently undertaking a fund raising corporate exercise as announced vide a series of announcements to the Bursa Malaysia Securities Berhad since 23rd March 2011. The Board strongly believes that upon completion of the exercise in the very near future, the financial position and performance of the Group will be enhanced significantly in the years ahead.

Acknowledgement

The Board of Directors would like to convey their sincere gratitude and appreciation to the management and employees for their commitment and commendable efforts towards the company in working under such challenging conditions in the flour industry.

Acknowledgement of appreciation also goes to the Group's shareholders, customers, suppliers, bankers, auditors, Government agencies and all other business associates for their support and cooperation.

Thank you.

Tan Sri Mohamed Bin Ngah Said
Chairman

Corporate Governance Statement

The Board of Directors ("the Board") continues to use its best endeavour to ensure the highest standards of corporate governance to be practiced throughout the Group as a fundamental part of discharging its responsibilities in order to protect and enhance stakeholders' value. To this end, the Board fully supports the recommendations of the Malaysian Code of Corporate Governance.

The Board is pleased to set out below a description of how the Group has applied the principles as set out in the Code.

BOARD OF DIRECTORS

This is an experienced Board comprising members with a wide and diverse range of business, financial and technical backgrounds who leads the Group. A brief profile of each Director is presented on page 16 of this Annual Report.

BOARD BALANCE

The Board currently has five (5) Directors, comprising two (2) Executives and three (3) Non-Executives. The Executive Directors implement the policies and decisions of the Board, oversee the operations and initiate business development efforts for the Group whilst the Non-Executive Directors bring a wide range of business experience and expertise to the Board's discussions and decision making.

BOARD MEETINGS

During the financial year ended 31 March 2011, the Board met on nine (9) occasions.

The number of Directors' meetings and attendance of Directors for the financial year under review are set out below:

Directors	Number of Board Meetings held during Tenure in office	Attendance
Tan Sri Mohamed Bin Ngah Said	9	9
Lee Chee Kiean	9	9
Leong Chen Nyen	9	9
Kushairi Bin Zaidel	9	8
Ng Kay Eng	9	9

SUPPLY OF INFORMATION

All Directors review the Board's reports prior to the Board meeting. The reports are being issued at least 7 days prior to the meeting in order for Board members to obtain further explanations and information, where necessary. The Board's reports include -

Progress report of the company
Major operational and financial issues

All Directors have full access to the advice and services of the Company Secretary and the senior management staffs in the Group and when required, the Directors also obtain at the Group's expense independent professional advice from external independent expert in deliberance of their duties.

Corporate Governance Statement

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of any additional Director will be made as and when it is deemed necessary through an independent and objective selection process, then to be reviewed by the existing Board with due consideration given to the mix of expertise and experience required for an effective Board. In accordance with the Company's Articles of Association, one-third of the Board members (except the Managing Director) shall retire from office at each Annual General Meeting and they can offer themselves for re-election. Newly appointed Directors by the Board are subject to election by the shareholders at the next Annual General Meeting ("AGM") held following their appointments. The Articles of Association of the Company also provide that all Directors shall retire from office once every three (3) years.

Pursuant to Section 129(6) of the Companies Act, 1965, Directors who are over the age of seventy(70) years shall retire at every AGM and may offer themselves for re-appointment to hold office until the next AGM.

DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad. The following Directors have also attended the Continuing Education Programmes conducted by various leaders during the financial year under review. The training programmes, seminars and conferences attended include:

Director	Date of Training	Topic
Tan Sri Mohamed Bin Ngah Said	03 March 2011	Practical Guide to Related Party Party transactions of PLC's.
Lee Chee Kiean	28 March 2011	Key Components of Boardroom Effectiveness.
Leong Chen Nyen	07 April 2010	Forum on FRS for SME.
	06 July to 07 July 2010	National Tax Conference 2010.
	09 November 2010	National Seminar on Taxation 2010.
	23 November 2010	Practice Continuation and Partners' Dispute Resolution.
Kushairi Bin Zaidel	28 March 2011	Key Components of Boardroom Effectiveness.
Ng Kay Eng	28 March 2011	Key Components of Boardroom Effectiveness.

NOMINATION AND REMUNERATION COMMITTEES AND PROCEDURES

The Nomination and Remuneration Committees, sub-committees of the Board, under its term of reference shall recommend the new directors to the Board and to review annually the mix of skills and experiences and other qualities to enable the Board to function competently and efficiently. In furtherance to that the committees will also recommend to the Board the framework of executive remuneration package for each Executive Director based on his duties and responsibilities. It is nevertheless the ultimate decision of the entire Board to approve the appointment of new directors and to approve the remuneration of these Directors. Directors do not participate in decisions on their own remuneration packages. The directors' fees are approved at the Annual General Meeting by the shareholders, based on the recommendation of the Board.

Both the Nomination and Remuneration Committees currently comprise the following members:

Leong Chen Nyen (Chairman)
Kushairi Bin Zaidel
Ng Kay Eng

Corporate Governance Statement

The aggregate directors' remuneration paid or payable or otherwise made available to all directors of the Company during the financial year ended 31 March 2011 are as follows:-

	Executive	Non-Executive	Total
Salary and other emoluments	383, 000	–	383, 000
Pension costs – defined Contribution plans	53, 270	–	53, 270
Fees	–	108, 000	108, 000
	436, 270	**108, 000**	**544, 270**

The number of directors of the Company whose income from the Company falling within the following bands are:-

	Executives	Non-Executive
Below RM50, 000	–	3
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	–	–
RM150,001 to RM200,000	1	–
RM200,001 to RM250,000	–	–
RM250,001 to RM300,000	1	–
	2	3

AUDIT COMMITTEE

The Board of Directors has established an Audit Committee. The membership of this Committee, the terms of reference and its activities are set out on pages 12 to 14.

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Company values its dialogue with both institutional shareholders and private investors, and recognizes the timely and efficient dissemination of relevant information to be provided to them. In this regard, it strictly adheres to the disclosure requirement of Bursa Malaysia Securities Berhad (BMSB). Among others, information is communicated through the following:

- Announcements made to BMSB including Quarterly Results and Annual Results
- Annual Reports
- Press Interview
- Analyst briefing with fund managers and potential investors
- The company's website at www.kfmb.com.my

Apart from the mandatory announcements of the Group's financial results and corporate developments to the BMSB, the Company also responds to members during the annual general meeting.

Corporate Governance Statement

ANNUAL GENERAL MEETING

The Annual General Meeting is the principal forum for dialogue and interaction with the shareholders wherein shareholders are given opportunity to raise questions pertaining to the business activities and direction of the Group. Notice and annual reports are sent out to shareholders at least 21 days before the date of the meeting. The Board and management are available to provide response to questions from shareholders during the meeting.

Items of special business included in the notice of the meeting will be accompanied by an explanatory statement to facilitate full understanding and evaluation of the issues involved.

RELATIONSHIP WITH EXTERNAL AUDITORS

The role of Audit Committee in relation to the external auditors is described on page 14. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcements to shareholders, the directors aim to present a balanced and understandable assessment of the Group's financial performance, financial position and financial prospects. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy, adequacy and completeness.

INTERNAL CONTROL

The Group's Internal Control Statement is set up at page 15 of this Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The financial statements for the financial year has been made out in accordance with the Financial Reporting Standard and the Companies Act, 1965 and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flow of the Group and of the Company for the financial year ended.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy on the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Corporate Governance Statement

OTHER INFORMATION

Non audit fee

The amount on non-audit fees paid to external auditors for the financial year ended 31 March 2011 is RM15, 000.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Bursa Securities Listing Requirements, the following additional information is provided:-
During the financial year under review, there were no:

- Utilisation of Proceeds;
- Share buybacks;
- Options, Warrants or Convertible Securities;
- American Depository Receipt ("ADR") / Global Depository Receipt ("GDR") Programme Sponsored by the Company;
- Sanctions and/or Penalties;
- Profit Estimate, Forecast or Projection;
- Profit Guarantee;
- Material Contract involving directors and major shareholders' interest;
- Contracts relating to Loans involving directors and major shareholders' interest;
- Revaluation on Landed Properties;
- Recurrent Related Party Transaction of Revenue or Trading Nature.

Audit Committee Report

The members of the Audit Committee of the Company are pleased to present their report for the financial year ended 31 March 2011.

The present members of the Audit Committee comprise:-

Leong Chen Nyen
(Chairman, Independent, Non-Executive Director)

Kushairi Bin Zaidel
(Member, Independent, Non-Executive Director)

Ng Kay Eng
(Member, Independent, Non-Executive Director)

MEETINGS

The Committee shall meet at least (4) times annually, or more frequently as circumstances dictate. As part of the duty to foster open communication, the internal auditors and a representative(s) of the external auditors (if required) will normally attend the meetings. Other Board members and senior management staff may attend upon invitation by the Committee. The Company Secretary or any other person appointed by the Committee for this purpose shall act as Secretary for the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Committee and the Board.

A quorum shall be two members, both being independent Directors and one of whom shall be the Chairman of the Audit Committee.

The number of Audit Committee meetings and the attendance for the financial year in view are as set out below:

Member	Number of Audit Committee Meetings held during tenure in office	Attendance
Leong Chen Nyen	5	5
Kushairi Bin Zaidel	5	4
Ng Kay Eng	5	5

SUMMARY OF ACTIVITIES

The Audit Committee carried out the following activities during the financial year ended 31 March 2011:

a) Reviewed internal audit reports presented and considered the findings on the Group's operations through the review of internal audit reports tabled and management responses thereof;
b) Reviewed the Internal Audit Plans for the financial year;
c) Reviewed the unaudited quarterly financial statements and the annual financial statements of the Company and of the Group and recommending the same for approval by the Board upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities have been complied with. Any significant issues resulting from the audit of the financial statements by external auditors were noted.

Audit Committee Report

TERMS OF REFERENCE

The Audit Committee is governed by the following terms of reference:

1) Membership

The Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, majority of whom shall comprise Independent Non-Executive Directors. All members of the Committee are Non-Executive Directors. The members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director. No Alternate Director shall be appointed as member of the Audit Committee.

At least one member of the Audit Committee:-
- must be a member of the Malaysian Institute of Accountants or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years working experience and:
  - he must passed the examination specified in Part 1 of the First Schedule of the Accountants Act, 1967;
  - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;
  - must have a degree/master/doctorate in accounting or finance and at least 3 years post qualification experience in accounting or finance;
  - must have at least 7 years experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

In the event of any vacancy in the Audit Committee resulting in a breach in the Bursa Securities Listing Requirements, the vacancy must be filled within three (3) months.

2) Authority

The Committee is authorized by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Committee is also authorized by the Board to obtain external legal or other independent professional advice as necessary.

3) Duties

The duties of the Committee shall be:
- To recommend the appointment of external auditors and the audit fee.
- To discuss with the external auditors, prior to the commencement of audit, the nature and scope of audit and to ensure co-ordination of audit where more than one audit firm is involved.
- To review the quarterly announcements to Bursa Malaysia Securities Berhad and year end annual financial statements before submission to the Board, focusing on:
  - going concern assumptions.
  - compliance with accounting standards and regulatory requirements.
  - any changes in accounting policies and practices.
  - significant issues arising from the audit.
  - major judgmental areas.
- To discuss problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to discuss (in the absence of management, where necessary).
- To review the external auditors' management letter and management's response.
- To oversee internal audit function by:
  - reviewing the adequacy of scope, functions and resources of the internal auditors and to ensure that it has the necessary authority to carry out its work.
  - reviewing internal audit programme.
  - ensuring coordination of external audit with internal audit.
  - considering the major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function.

Audit Committee Report

- To monitor related party transactions entered into by the Company and the Group, and to ensure that the Directors report such transactions annually to shareholders via annual reports.
- To review the effectiveness of internal control systems.

4) Internal Audit Function

The internal audit functions of the Group, as an integral and essential part of risk management process, have been outsourced to a professional firm to maintain independence and attain efficiency in the review and maintenance of the systems of control. The internal audit monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlight significant findings in respect of any non-compliance. The annual audit plan is reviewed and approved by the Audit Committee and the findings of the audits are submitted to the Audit Committee for review.

The internal audit fee incurred for the financial year ended was RM36, 000.00.

5) Access and relationship with External Auditors

The committee shall have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to senior management of the Company and its subsidiaries. The committee is also authorized to take such independent professional advice as it considers necessary.

In the performance of its duties and fulfilling its fiduciary responsibilities as determined by the Board and at all time at the cost of the Company, the committee:-

(i) have authority to investigate any matter within its terms of reference;
(ii) have the resources which are required to perform its duties, have full and unrestricted access to any information pertaining to the Group;
(iii) have direct communication channel with external auditors and person(s) carrying out the internal audit function or activity (if any);
(iv) be able to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
(v) be able to convene meetings with the external auditors, excluding the attendance of the executive members of the Group, whenever deemed necessary ; and
(vi) be able to report promptly to the BMSB on any matters reported by it to the Board of the Company, which has not been satisfactorily resolved in a breach of the Listing Requirements.

Statement of Internal Control

INTRODUCTION

The Malaysian Code of Corporate Governance requires a listed entity to maintain a sound system of internal control in order to safeguard its shareholders' investment and the Group's assets. The Board of Directors ("Board") of Kuantan Flour Mills Berhad has prepared this Statement of Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Listing Requirements and in accordance with the Statement on Internal Control – Guidance for Directors of Public Listed Companies. The Board continues to commit in maintaining a sound system of internal control and is pleased to provide this statement which outlines the state, nature and scope of internal control of the Group during the financial year under review.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibilities to maintain a sound system of internal control and risk management practices for good corporate governance. An appropriate control mechanism and framework has been established under the system of internal control and its adequacy and integrity is being reviewed regularly. This on going process in place will identify, evaluate, monitor and manage any significant risks that may affect the achievement of the corporate objectives. However, such systems are designed only to manage and not to eliminate the risk of failure and can only provide reasonable and not absolute assurance against any misstatement or losses. The internal control system covers all aspect of financial, organizational, operational, compliance controls as well as risk management procedures.

RISK MANAGEMENT AND INTERNAL AUDIT

Risk Management is an integral part of the Group's management system and business activities. The management had established risk management policies, strategies and processes to identify, evaluate and manage significant risks faced by the Group and take appropriate measures to mitigate any such risks. The risk management provides an interactive process between the Board, top and middle management in order to create risk awareness and enhance risk management capabilities throughout the Group. The Board is committed to continuously improve and strengthen the risk management process of the Group.

Internal audits were undertaken by an external professional firm of internal auditors to provide an independent assessment of the adequacy, efficiency and effectiveness on the internal control systems of the Group. The scope of the internal audit function covers the audit of all the business operations. The Audit Committee ("AC") has full and direct access to the internal auditors. The internal audit work plan is regularly reviewed and approved by the AC. The AC would ensure that the internal auditors have the sufficient resources to perform their functions adequately.

SYSTEM OF INTERNAL CONTROL

The following key elements of the System of Internal Control have been established within the Group:

- A well defined organization structure with clear reporting lines, responsibilities and delegated authority which is updated regularly;
- Well documented internal policies, objectives and operational procedures formulated in compliance with ISO certification;
- Quarterly review of financial results by the AC and the Board;
- Executive Directors active direct involvement in the business operations;
- Review annual budgets and approved by the Board for accountability and transparency;
- Regular management meetings to discuss and resolve operational and other major issues affecting the Group;
- Structured training and development programs conducted both internally and externally covering all levels of staff to upgrade their knowledge, skill and competency.

This statement is made in accordance with a resolution of the Board of Directors dated 18 August 2011.

Board of Directors

Tan Sri Mohamed Bin Ngah Said, is a Malaysian, aged 73, is currently the Executive Chairman of the Group. He graduated from the Royal Military College in Malaysia and the Royal Military Academy in Sandhurst. He joined the Royal Malaysian Air Force in 1958 and retired as the Chief of the Royal Malaysian Air Force after a career spanning more than 30 years with the Arm Force.

Tan Sri Mohamed does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

Lee Chee Kiean, is a Malaysian, aged 48, holds a Bachelor Degree in Economics from the University of Dalhousie, Canada. He joined KFMB in 1986 as a Marketing Executive and has held various Managerial positions in the Group and is currently the Executive Director / Chief Executive Officer of the Group. He is also the Deputy Chairman of the Flour Millers Association of Malaysia.

Mr Lee has nominal interest in the securities of the Company, he has no family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

Leong Chen Nyen, is a Malaysian, aged 53, is a member of the Malaysian Institute of Accountants, a member of the Malaysian Institute of Certified Public Accountants, a member of the Association of Chartered Certified Accounts, United Kingdom and a member of the Institute of Certified Public Accountants of Singapore.

He was formerly with Arthur Young (presently known as Ernst & Young), Kuala Lumpur and Deloitte & Touche, Singapore. He started his own accounting practice in March 1994 and is now the Senior Partner of Leong Ho & Associates.

He is presently the Chairman of the Audit, Remuneration and Nomination Committees.

Mr Leong does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

Ng Kay Eng, is a Malaysian, aged 47, was admitted as an Advocate and Solicitor in the High Court in New Zealand in 1990 and in the High Court of Malaya in 1991. Currently a partner with Messrs Shamiah K.E. Ng & Siva, he began his career in 1991 with various firms and in February 1995, set up his own legal practice under the name of Messrs K.E. Ng & Co., which in July 1996 merged into the current partnership.

He presently sits on the Audit, Remuneration and Nomination Committees as an ordinary member.

Mr Ng does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

Kushairi Bin Zaidel, is a Malaysian, aged 53, As an Accountant, he started his professional service career in Sarawak as an Auditor with HRM/Arthur Anderson. He then embarked on his corporate career in 1988 when he joined a very established property development company, Borneo Development Sdn Bhd which is jointly owned by the State Government of Sarawak and Sabah. He left the corporate sector to pursue his entrepreneurship endeavours in 1995.

His formal education includes a Bachelor of Business (Accountancy) and other formal qualifications namely Chartered Company Secretary and Certified Financial Planner. He is a member of the Australian Society of CPAs, the Malaysian Institute of Chartered Secretaries & Administrators and the Financial Planning Association of Malaysia.

He presently sits on the Audit, Remuneration and Nomination Committees as an ordinary member.

Encik Kushairi does not have any interest in the securities of the Company, neither does he has any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

Directors' Report

The directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are flour milling and trading in its related products.

The principal activities of the subsidiaries are described in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Loss for the year	1,177,172	1,138,575
Attributable to:		
Equity holders of the Company	1,177,172	1,138,575
Minority interests	–	–
	1,177,172	1,138,575

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects arising from the changes in accounting policies due to the adoption of *FRS 139 Financial Instruments: Recognition and Measurement* which has resulted in a decrease in the Group and the Company's loss net of tax by RM29,357 as disclosed in Note 2.2 to the financial statements.

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tan Sri Mohamed bin Ngah Said
Lee Chee Kiean
Leong Chen Nyen
Kushairi bin Zaidel
Ng Kay Eng

Directors' Report

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the Company as shown in Note 10 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTEREST

	Number of ordinary shares of RM1.00 each			
	At 1.4.2010	**Acquired**	**Sold**	**At 31.3.2011**
The Company				
Direct interest:				
Lee Chee Kiean	10,000	–	–	10,000
Subsidiary - KFM Marketing Sdn. Bhd.				
Direct interest:				
Lee Chee Kiean	10,000	–	–	10,000

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

  (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and

  (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

Directors' Report

OTHER STATUTORY INFORMATION (CONT'D.)

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

Details of significant events are disclosed in Note 32 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 July 2011.

Tan Sri Mohamed bin Ngah Said **Lee Chee Kiean**

Statement by Directors
Pursuant to Section 169(15) of the Companies Act 1965

We, **Tan Sri Mohamed bin Ngah Said** and **Lee Chee Kiean**, being two of the directors of **Kuantan Flour Mills Berhad**, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 23 to 63 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 as at 31 March 2011 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 4 July 2011.

Tan Sri Mohamed bin Ngah Said **Lee Chee Kiean**

Statutory Declaration
Pursuant to Section 169(16) of the Companies Act 1965

I, **Chan Sen San**, being the officer primarily responsible for the financial management of **Kuantan Flour Mills Berhad**, do solemnly and sincerely declare that the accompanying financial statements set out on pages 23 to 63 are in my opinion 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 Chan Sen San
at Kuantan in the state of
Pahang Darul Makmur on 4 July 2011. **Chan Sen San**

Before me,

PESURUHJAYA SUMPAH MALAYSIA
NO: C026
YIP AH CHAI
251, TKT. 1, LORONG TUN ISMAIL 1,
25000 KUANTAN PAHANG

Independent Auditors' Report
to the members of Kuantan Flour Mills Berhad (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kuantan Flour Mills Berhad, which comprise the statements of financial position as at 31 March 2011 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 23 to 63.

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 judgement, 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of the 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 at 31 March 2011 and of their financial performance and cash flows for the year then ended.

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 required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

In our opinion, except for a dormant subsidiary, KFM-Bunge Flour Mixes Sdn. Bhd. which registers have not been properly updated, the registers required by the Act to be kept by the Company and by its other subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

Independent Auditors' Report
to the members of Kuantan Flour Mills Berhad (Incorporated in Malaysia)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D.)

(c) The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

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.

Ernst & Young
AF: 0039
Chartered Accountants

Sandra Segaran a/l Muniandy@Krishnan
No. 2882/01/13(J)
Chartered Accountant

Kuantan, Pahang Darul Makmur, Malaysia
4 July 2011

Statements of Comprehensive Income
For the financial year ended 31 March 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Revenue	4	63,159,431	86,312,129	63,159,431	86,312,129
Cost of sales	5	(59,223,370)	(84,074,577)	(59,223,370)	(84,074,577)
Gross profit		3,936,061	2,237,552	3,936,061	2,237,552
Other income	6	648,971	598,780	634,412	635,047
Other items of expense					
Administrative expenses		(3,105,780)	(3,395,449)	(3,052,624)	(3,347,475)
Selling expenses		(2,056,705)	(2,212,880)	(2,056,705)	(2,212,880)
Finance costs	7	(599,719)	(1,037,659)	(599,719)	(1,037,198)
Loss before tax	8	(1,177,172)	(3,809,656)	(1,138,575)	(3,724,954)
Income tax benefit	11	–	12,908	–	11,751
Loss net of tax, representing total comprehensive income for the year		(1,177,172)	(3,796,748)	(1,138,575)	(3,713,203)
Attributable to:					
Equity holders of the Company		(1,177,172)	(3,796,748)	(1,138,575)	(3,713,203)
Minority interests		–	–	–	–
		(1,177,172)	(3,796,748)	(1,138,575)	(3,713,203)
Loss per share attributable to equity holders of the Company (sen)					
- Basic	12(a)	(2.61)	(8.43)		
- Diluted	12(b)	–	–		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Financial Position
As at 31 March 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Assets					
Non-current assets					
Property, plant and equipment	13	23,733,190	24,324,130	23,553,289	24,101,381
Investments in subsidiaries	14	–	–	8	8
Other investments	15	1,735,500	1,735,500	1,735,500	1,735,500
		25,468,690	26,059,630	25,288,797	25,836,889
Current assets					
Inventories	17	8,329,789	6,107,192	8,329,789	6,107,192
Trade and other receivables	18	8,871,725	13,876,658	8,859,612	13,862,246
Other current assets	19	244,726	283,246	244,726	283,246
Investment securities	20	–	16,677	–	16,677
Cash and bank balances	21	1,647,587	1,671,982	1,635,876	1,650,933
		19,093,827	21,955,755	19,070,003	21,920,294
Total assets		44,562,517	48,015,385	44,358,800	47,757,183
Equity and liabilities					
Current liabilities					
Loans and borrowings	22	3,929,119	6,635,679	3,929,119	6,635,679
Trade and other payables	23	17,352,159	14,093,040	17,339,730	14,064,723
		21,281,278	20,728,719	21,268,849	20,700,402
Net current (liabilities)/assets		(2,187,451)	1,227,036	(2,198,846)	1,219,892
Non-current liability					
Loans and borrowings	22	1,499,981	4,257,233	1,499,981	4,257,233
Total liabilities		22,781,259	24,985,952	22,768,830	24,957,635
Net assets		21,781,258	23,029,433	21,589,970	22,799,548
Equity attributable to owners of the parent					
Share capital	24	45,053,000	45,053,000	45,053,000	45,053,000
Share premium	24	6,446,933	6,446,933	6,446,933	6,446,933
Accumulated losses		(29,718,677)	(28,470,502)	(29,909,963)	(28,700,385)
		21,781,256	23,029,431	21,589,970	22,799,548
Minority interests		2	2	–	–
Total equity		21,781,258	23,029,433	21,589,970	22,799,548
Total equity and liabilities		44,562,517	48,015,385	44,358,800	47,757,183

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Changes in Equity
For the financial year ended 31 March 2011

Group	Total equity RM	Total equity attributable to owners of the parent RM	Share capital (Note 24) RM	Share premium (Note 24) RM	Accumulated losses RM	Minority interests RM
		← Attributable to owners of the parent	← Non-distributable →		→	
Opening balance at 1 April 2009	26,826,181	26,826,179	45,053,000	6,446,933	(24,673,754)	2
Total comprehensive income	(3,796,748)	(3,796,748)	–	–	(3,796,748)	–
Closing balance at 31 March 2010	23,029,433	23,029,431	45,053,000	6,446,933	(28,470,502)	2
Opening balance at 1 April 2010	23,029,433	23,029,431	45,053,000	6,446,933	(28,470,502)	2
Effects of adopting FRS 139	(71,003)	(71,003)	–	–	(71,003)	–
	22,958,430	22,958,428	45,053,000	6,446,933	(28,541,505)	2
Total comprehensive income	(1,177,172)	(1,177,172)	–	–	(1,177,172)	–
Closing balance at 31 March 2011	21,781,258	21,781,256	45,053,000	6,446,933	(29,718,677)	2

Company	Total equity RM	Share capital (Note 24) RM	Share premium (Note 24) RM	Accumulated losses RM
Opening balance at 1 April 2009	26,512,751	45,053,000	6,446,933	(24,987,182)
Total comprehensive income	(3,713,203)	–	–	(3,713,203)
Closing balance at 31 March 2010	22,799,548	45,053,000	6,446,933	(28,700,385)
Opening balance at 1 April 2010	22,799,548	45,053,000	6,446,933	(28,700,385)
Effects of adopting FRS 139	(71,003)	–	–	(71,003)
	22,728,545	45,053,000	6,446,933	(28,771,388)
Total comprehensive income	(1,138,575)	–	–	(1,138,575)
Closing balance at 31 March 2011	21,589,970	45,053,000	6,446,933	(29,909,963)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Statements of Cash Flows
For the financial year ended 31 March 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Operating activities					
Loss before tax		(1,177,172)	(3,809,656)	(1,138,575)	(3,724,954)
Adjustments for:					
Depreciation	8	951,902	992,585	909,054	948,806
(Gain)/loss on disposal of property, plant and equipment	6,8	(23,180)	32,223	(23,180)	32,223
Property, plant and equipment written off	8	–	43,486	–	43,486
Unrealised foreign exchange gain	6	(245,070)	(412,169)	(245,070)	(412,169)
Loss on disposal of marketable securities	8	6,976	–	6,976	–
Reversal for onerous contract	8	–	(2,445,989)	–	(2,445,989)
Impairment loss on trade receivables	8	1,197	69,649	1,197	69,649
Bad debts written off	8	–	501	–	345
Reversal of impairment loss on trade receivables	6	(77,310)	(119,663)	(62,751)	(68,261)
Bad debts recovered	6	(18,701)	(10,366)	(18,701)	(104,751)
Short term accumulating compensated absences	9	–	(8,993)	–	(8,993)
Inventories written down	8	3,836	81,946	3,836	81,946
Interest income	6	(18,453)	(23,328)	(18,453)	(23,328)
Interest income from receivables	6	(29,357)	–	(29,357)	–
Interest expense	7	599,719	1,037,659	599,719	1,037,198
Total adjustments		1,151,559	(762,459)	1,123,270	(849,838)
Operating cash flows before changes in working capital		(25,613)	(4,572,115)	(15,305)	(4,574,792)
Changes in working capital					
(Increase)/decrease in inventories		(2,226,433)	752,992	(2,226,433)	752,992
Decrease in receivables		5,066,050	5,989,381	5,049,192	5,997,163
Increase in payables		3,504,189	2,829,017	3,520,077	2,842,357
Total changes in working capital		6,343,806	9,571,390	6,342,836	9,592,512

Statements of Cash Flows
For the financial year ended 31 March 2011

	Note	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash flows from operations		6,318,193	4,999,275	6,327,531	5,017,720
Interest paid		(599,719)	(1,037,659)	(599,719)	(1,037,198)
Tax paid		–	(9,720)	–	(9,720)
Tax refund		–	32,871	–	–
Net cash flows from operating activities		5,718,474	3,984,767	5,727,812	3,970,802
Investing activities					
Purchase of property, plant and equipment		(148,462)	(760,187)	(148,462)	(760,187)
Proceeds from disposal of property, plant and equipment		38,680	100,300	38,680	100,300
Proceeds from disposal of marketable securities		9,701	–	9,701	–
Interest received		47,810	23,328	47,810	23,328
Net cash flows used in investing activities		(52,271)	(636,559)	(52,271)	(636,559)
Financing activities					
Repayment of obligations under financing leases		(644,306)	(700,540)	(644,306)	(700,540)
Repayment of term loans		(5,046,292)	(3,556,147)	(5,046,292)	(3,556,147)
Proceeds from term loans		–	442,000	–	442,000
Net cash flows used in financing activities		(5,690,598)	(3,814,687)	(5,690,598)	(3,814,687)
Net decrease in cash and cash equivalents		(24,395)	(466,479)	(15,057)	(480,444)
Cash and cash equivalents at 1 April		1,671,982	2,138,461	1,650,933	2,131,377
Cash and cash equivalents at 31 March	21	1,647,587	1,671,982	1,635,876	1,650,933

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the Financial Statements
- 31 March 2011

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, P.O.Box 387, 25740 Kuantan, Pahang Darul Makmur.

The principal activities of the Company are flour milling and trading in its related products. The principal activities of the subsidiaries are described in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 4 July 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards and the Companies Act 1965 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and revised FRS which are mandatory for financial periods beginning on or after 1 January 2010 as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 April 2010, the Company adopted the following new and amended FRS and IC Interpretations mandatory for annual financial periods beginning on or after 1 January 2010.

- FRS 7 *Financial Instruments: Disclosures*
- FRS 8 *Operating Segments*
- FRS 101 *Presentation of Financial Statements (Revised)*
- FRS 123 *Borrowing Costs*
- FRS 139 *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 1 *First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of and Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 132 *Financial Instruments: Presentation*
- Amendments to FRS 139 *Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives*
- Improvements to FRS issued in 2009
- IC Interpretation 9 *Reassessment of Embedded Derivatives*
- IC Interpretation 10 *Interim Financial Reporting and Impairment*

FRS 4 Insurance Contracts, Amendments to FRS 2 Share-based Payment – Vesting Conditions and Cancellations, 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 and TR i-3 Presentation of Financial Statements of Islamic Financial Institutions will also be effective for annual periods beginning on or after 1 January 2010. These FRS and IC Interpretation are, however, not applicable to the Group or the Company.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except for those discussed below:

FRS 7 Financial Instruments: Disclosures

Prior to 1 April 2010, information about financial instruments was disclosed in accordance with the requirements of FRS 132 Financial Instruments: Disclosure and Presentation. FRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The Group and the Company have applied FRS 7 prospectively in accordance with the transitional provisions. Hence, the new disclosures have not been applied to the comparatives. The new disclosures are included throughout the Group's and the Company's financial statements for the year ended 31 March 2011.

FRS 8 Operating Segments

FRS 8, which replaces FRS 114 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The Standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the reportable operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114. The Group has adopted FRS 8 retrospectively. These revised disclosures, including the related revised comparative information, are shown in Note 31 to the financial statements.

FRS 101 Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes in the presentation and disclosures of financial statements. The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. The Standard also introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group and the Company have elected to present this statement as one single statement.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

The revised FRS 101 also requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital (see Note 30).

The revised FRS 101 was adopted retrospectively by the Group and the Company.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Changes in accounting policies (cont'd.)

FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 April 2010 in accordance with the transitional provisions. The effects arising from the adoption of this Standard have been accounted for by adjusting the opening balance of retained earnings as at 1 April 2010. Comparatives are not restated. The details of the changes in accounting policies and the effects arising from the adoption of FRS 139 are discussed below:

- **Impairment of trade receivables**

  Prior to 1 April 2010, provision for doubtful debts was recognised when it was considered uncollectible. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 April 2010, the Group has remeasured the allowance for impairment losses as at that date in accordance with FRS 139 but no adjustments is required to be made to the opening balance of retained earnings as at that date.

- **Trade receivables scheme**

  The Company had entered into a settlement scheme with two of its trade debtors. The settlement scheme had resulted in current and non-current portion of the trade receivable. Prior to 1 April 2010, the trade receivables is recorded at its nominal amount. Upon the adoption of FRS 139, the non-current portion of the trade receivable is recorded initially at fair value that is lower than its nominal amount. The difference between the fair value and the nominal amount is recorded as interest income. Subsequent to initial recognition, the non-current portion is measured at amortised cost. As at 1 April 2010, the Company has remeasured such amount at their amortised cost and the adjustment to its previous carrying amount is recognised as an adjustment to the opening balance of retained earnings as at that date.

  The following are effects arising from the above changes in accounting policies:

	Increase/(decrease)	
	As at 31 March 2011 RM	As at 1 April 2010 RM
Statement of financial position		
Group and Company		
Loans and receivables	29,357	71,003
Accumulated losses	(29,357)	(71,003)
Statement of comprehensive income		
Interest from loans and receivables	29,357	29,357
Loss net of tax	(29,357)	(29,357)

Notes to the Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 1 First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3 Business Combinations (Revised)	1 July 2010
Amendments to FRS 2 Share-based Payment	1 July 2010
Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 127 Consolidated and Separate Financial Statements	1 July 2010
Amendments to FRS 138 Intangible Assets	1 July 2010
Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12 Service Concession Arrangements	1 July 2010
IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17 Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to FRS 132: Classification of Rights Issues	1 March 2010
Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 January 2011
Amendments to FRS 7: Improving Disclosures about Financial Instruments	1 January 2011

IC Interpretation 15 Agreements for the Construction of Real Estate is also effective for annual periods beginning on or after 1 July 2010 but is not applicable to the Group.

Except for the changes in accounting policies arising from the revised FRS 3 and the amendments to FRS 127, IC Interpretation 15, as well as the new disclosures required under the Amendments to FRS 7, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of the initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below.

Revised FRS 3 Business Combinations and Amendments to FRS 127 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2010. The revised FRS 3 introduces a number of changes in the accounting for business combinations occurring after 1 July 2010. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 127 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments have been made to FRS 107 Statement of Cash Flows, FRS 112 Income Taxes, FRS 121 The Effects of Changes in Foreign Exchange Rates, FRS 128 Investments in Associates and FRS 131 Interests in Joint Ventures. The changes from revised FRS 3 and Amendments to FRS 127 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early adopted. However, the Group does not intend to early adopt.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.5 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with owners. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.6 Foreign currency

a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

Notes to the Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.6 Foreign currency (cont'd.)

b) Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss for the year.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Building under construction is also not depreciated as this asset is not available for use. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Buildings, factory and civil works	2% - 5%
Plant and machinery	3.33%
Equipment and fixtures	20%
Motor vehicles	5% - 20%

The carrying values of property,plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment loss on goodwill is not reversed in a subsequent period.

2.9 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.10 Financial assets (cont'd.)

a) Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets held for trading are derivatives (including separated embedded derivatives) or financial assets acquired principally for the purpose of selling in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other losses or other income.

Financial assets at fair value through profit or loss could be presented as current or non-current. Financial assets that is held primarily for trading purposes are presented as current whereas financial assets that is not held primarily for trading purposes are presented as current or non-current based on the settlement date.

b) Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

c) Held-to-maturity investments

Financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.11 Impairment of financial assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group and the Company consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's and the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank and demand deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all conditions attached will be met. Where the grant relates to an asset, the fair value is recognised as deferred capital grant in the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.16 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of FRS 139, are recognised in the statement of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities held for trading include derivatives entered into by the Group and the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group and the Company have not designated any financial liabilities at fair value through profit or loss.

b) Other financial liabilities

The Group's and the Company's other financial liabilities include trade payables, other payables and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Notes to the Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.16 Financial liabilities (cont'd.)

b) Other financial liabilities (cont'd.)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.18 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Leased assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.19 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Notes to the Financial Statements
- 31 March 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.19 Revenue (cont'd.)

b) Revenue from services

Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

c) Interest income

Interest income is recognised using the effective interest method.

d) Dividend income

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

2.20 Employee benefits

a) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

b) Defined contribution plans

The Group participates in the national pension scheme as defined by the law of the country in which it has operations. The Group makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the reporting date.

2.21 Income taxes

a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Notes to the Financial Statements
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.21 Income taxes (cont'd.)

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3.1. Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Group which may have significant effects on the amounts recognised in the financial statements.

3.2. Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful live. Management estimates the useful lives of these plant and machinery to be 30 years. These are common life expectancies applied for the assets owned by the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

Notes to the Financial Statements
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4. REVENUE

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Sale of flour and related products	60,746,028	83,554,038	60,746,028	83,554,038
Transportation income	1,860,532	2,133,458	1,860,532	2,133,458
Government grant	552,871	624,633	552,871	624,633
	63,159,431	86,312,129	63,159,431	86,312,129

5. COST OF SALES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cost of inventories sold	57,380,755	82,532,534	57,380,755	82,532,534
Cost of services rendered	1,842,615	1,542,043	1,842,615	1,542,043
	59,223,370	84,074,577	59,223,370	84,074,577

6. OTHER INCOME

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Miscellaneous	2,547	–	2,547	–
Interest income from receivables	29,357	–	29,357	–
Interest income from short term deposit with licensed banks	18,453	23,328	18,453	23,328
Gain on disposal of property, plant and equipment	23,180	–	23,180	–
Insurance claim on property, plant and equipment	37,600	–	37,600	–
Net realised foreign exchange gain	196,753	26,538	196,753	26,538
Net unrealised foreign exchange gain	245,070	412,169	245,070	412,169
Bad debts recovered	18,701	10,366	18,701	104,751
Reversal of impairment loss on trade receivables	77,310	119,663	62,751	68,261
Liabilities no longer required	–	6,716	–	–
	648,971	598,780	634,412	635,047

Notes to the Financial Statements
- 31 March 2011

7. FINANCE COSTS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Interest expense on:				
Hire purchase	56,066	96,932	56,066	96,932
Term loans	543,653	940,266	543,653	940,266
Overdraft	–	461	–	–
	599,719	1,037,659	599,719	1,037,198

8. LOSS BEFORE TAX

The following amounts have been included in arriving at loss before tax:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Depreciation of property, plant and equipment (Note 13)	951,902	992,585	909,054	948,806
Auditors' remuneration	54,500	53,500	48,000	48,000
Impairment loss on trade receivables (Note 18)	1,197	69,649	1,197	69,649
Employee benefits expense (Note 9)	4,891,059	4,831,443	4,891,059	4,831,443
Directors' fee (Note 10)	108,000	156,000	108,000	156,000
Property, plant and equipment written off	–	43,486	–	43,486
Rental of land and buildings	394,012	544,426	394,012	544,426
Rental of software	72,000	61,679	72,000	61,679
Bad debts written off	–	501	–	345
Write down of inventories	3,836	81,946	3,836	81,946
Reversal of onerous contract	–	(2,445,989)	–	(2,445,989)
Loss on disposal of property, plant and equipment	–	32,223	–	32,223
Loss on disposal of marketable securities	6,976	–	6,976	–

9. EMPLOYEE BENEFITS EXPENSE

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Wages and salaries	4,131,132	4,117,335	4,131,132	4,117,335
Social security contributions	59,490	57,931	59,490	57,931
Short-term accumulating compensated absences	–	(8,993)	–	(8,993)
Pension costs - defined contribution plan	517,248	507,802	517,248	507,802
Other staff related expenses	183,189	157,368	183,189	157,368
	4,891,059	4,831,443	4,891,059	4,831,443

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM436,270 (2010: RM481,020) as further disclosed in Note 10.

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10. DIRECTORS' REMUNERATION

	Group and Company 2011 RM	2010 RM
Executive directors' remuneration (Note 9):		
Salaries and other emoluments	383,000	425,400
Pension costs - defined contribution plan	53,270	55,620
	436,270	481,020
Non-executive directors' remuneration (Note 8):		
Fees	108,000	156,000
Other emoluments	–	4,450
	108,000	160,450
Total directors' remuneration (Note 25)	544,270	641,470

The number of directors of the Company whose total remuneration during the year fell within the following bands is analysed below:

	Number of Directors 2011	2010
Executive directors:		
RM50,001 - RM100,000	–	1
RM100,001 - RM150,000	–	–
RM150,001 - RM200,000	1	1
RM200,001 - RM250,000	–	1
RM250,001 - RM300,000	1	–
Non-executive directors:		
RM1 - RM50,000	3	6

11. INCOME TAX BENEFIT

Major components of income tax benefit

The major components of income tax benefit for the years ended 31 March 2011 and 31 March 2010 are:

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Statements of comprehensive income:				
Current income tax:				
Over provision in prior years	–	(12,908)	–	(11,751)

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11. INCOME TAX BENEFIT (CONT'D.)

Reconciliation between tax benefit and accounting loss

The reconciliation between tax benefit and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 March 2011 and 31 March 2010 are as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Group				
Loss before tax	(1,177,172)	(3,809,656)	(1,138,575)	(3,724,954)
Tax at Malaysian statutory tax rate of 25% (2010: 25%)	(294,293)	(952,414)	(284,644)	(931,239)
Adjustments:				
Non-deductible expenses	98,644	126,030	87,550	81,867
Income not subject to taxation	(62,726)	(103,041)	(61,268)	(103,041)
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	–	(23,015)	–	–
Deferred tax assets not recognised in respect of current year tax losses and unabsorbed capital allowances	258,375	952,440	258,362	952,413
Over provision of tax expense in prior years	–	(12,908)	–	(11,751)
Income tax benefit recognised in profit or loss	–	(12,908)	–	(11,751)

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2010: 25%) of the estimated assessable profit for the year.

12. LOSS PER SHARE

(a) Basic

Basic loss per share amounts are calculated by dividing loss for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2011 RM	**2010 RM**
Loss net of tax attributable to owners of the parent used in the computation of basic and diluted loss per share	(1,177,172)	(3,796,748)

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12. LOSS PER SHARE (CONT'D.)

(a) Basic (cont'd.)

	Number of shares	Number of shares
Weighted average number of ordinary shares for basic earnings per share computation	45,053,000	45,053,000
	Sen per share	**Sen per share**
Basic loss per share (sen)	(2.61)	(8.43)

(b) Diluted

Diluted loss per share is not presented as the Company has no potential ordinary share transactions as at the reporting date that will affect the amount of capital used to produce the loss for the year.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
Cost:							
At 1 April 2009	11,700	10,847,294	37,212,444	5,241,949	9,476,943	18,900	62,809,230
Additions	–	541,446	–	71,418	52,000	95,323	760,187
Disposals	–	–	–	–	(751,874)	–	(751,874)
Write off	–	–	–	(154,440)	–	–	(154,440)
Reclassification	–	40,323	–	73,900	–	(114,223)	–
At 31 March 2010 and 1 April 2010	11,700	11,429,063	37,212,444	5,232,827	8,777,069	–	62,663,103
Additions	–	–	–	90,470	285,992	–	376,462
Disposals	–	–	–	(8,180)	(253,214)	–	(261,394)
At 31 March 2011	11,700	11,429,063	37,212,444	5,315,117	8,809,847	–	62,778,171

Notes to the Financial Statements
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
Group (cont'd.)							
Accumulated depreciation:							
At 1 April 2009	–	4,640,708	23,869,455	3,823,870	5,742,660	–	38,076,693
Depreciation charge for the year (Note 8)	–	276,254	283,272	290,643	142,416	–	992,585
Disposals	–	–	–	–	(619,351)	–	(619,351)
Write off	–	–	–	(110,954)	–	–	(110,954)
At 31 March 2010 and 1 April 2010	–	4,916,962	24,152,727	4,003,559	5,265,725	–	38,338,973
Depreciation charge for the year (Note 8)	–	282,963	269,505	282,961	116,473	–	951,902
Disposals	–	–	–	–	(245,894)	–	(245,894)
At 31 March 2011	–	5,199,925	24,422,232	4,286,520	5,136,304	–	39,044,981
Net carrying amount:							
At 31 March 2010	11,700	6,512,101	13,059,717	1,229,268	3,511,344	–	24,324,130
At 31 March 2011	11,700	6,229,138	12,790,212	1,028,597	3,673,543	–	23,733,190

	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
Company							
Cost:							
At 1 April 2009	11,700	10,777,490	36,937,295	4,770,472	7,275,309	18,900	59,791,166
Additions	–	541,446	–	71,418	52,000	95,323	760,187
Disposals	–	–	–	–	(751,874)	–	(751,874)
Write off	–	–	–	(154,440)	–	–	(154,440)
Reclassification	–	40,323	–	73,900	–	(114,223)	–
At 31 March 2010 and 1 April 2010	11,700	11,359,259	36,937,295	4,761,350	6,575,435	–	59,645,039
Additions	–	–	–	90,470	285,992	–	376,462
Disposals	–	–	–	(8,180)	(253,214)	–	(261,394)
At 31 March 2011	11,700	11,359,259	36,937,295	4,843,640	6,608,213	–	59,760,107

Notes to the Financial Statements
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13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
Company (cont'd.)							
Accumulated depreciation:							
At 1 April 2009	–	4,570,904	23,605,899	3,607,328	3,541,026	–	35,325,157
Depreciation charge for the year (Note 8)	–	276,254	283,272	246,864	142,416	–	948,806
Disposals	–	–	–	–	(619,351)	–	(619,351)
Write off	–	–	–	(110,954)	–	–	(110,954)
At 31 March 2010 and 1 April 2010	–	4,847,158	23,889,171	3,743,238	3,064,091	–	35,543,658
Depreciation charge for the year (Note 8)	–	282,963	269,505	240,113	116,473	–	909,054
Disposals	–	–	–	–	(245,894)	–	(245,894)
At 31 March 2011	–	5,130,121	24,158,676	3,983,351	2,934,670	–	36,206,818
Net carrying amount:							
At 31 March 2010	11,700	6,512,101	13,048,124	1,018,112	3,511,344	–	24,101,381
At 31 March 2011	11,700	6,229,138	12,778,619	860,289	3,673,543	–	23,553,289

The factory is a flour mill constructed on a land leased by Novation Agreement between Kuantan Port Authority, Kuantan Port Consortium Sdn. Bhd. and the Company. The total rental commitment payable under the lease as at year-end is as follows:

	Group and Company 2011 RM	2010 RM
Not later than 1 year	293,073	277,916
Later than 1 year and not later than 5 years	1,275,685	1,069,372
Later than 5 years	4,849,271	4,473,576
	6,418,029	5,820,864

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

Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate cost of RM228,000 (2010: RM Nil) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM148,462 (2010: RM760,187) and RM148,462 (2010: RM760,187). The carrying amounts of property, plant and equipment held under finance leases at the reporting date were as follows:

	Group and Company	
	2011 RM	2010 RM
Motor vehicles	3,001,801	2,844,639
Plant and machinery	74,953	77,481
Equipment and fixtures	35,458	53,958
	3,112,212	2,976,078

Assets pledged as security

The net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 22) are as follows:

	Group and Company	
	2011 RM	2010 RM
Buildings	1,367,528	1,396,483

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Unquoted shares at cost	1,911,006	1,911,006
Less: Accumulated impairment losses	(1,910,998)	(1,910,998)
	8	8

Notes to the Financial Statements
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14. INVESTMENTS IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows:

Names of subsidiaries	Country of incorporation	Proportion (%) of ownership interest 2011	2010	Principal activities
KFM Transport Sdn. Bhd.	Malaysia	100	100	Ceased operations
KFM Marketing Sdn. Bhd.	Malaysia	95	95	Ceased operations
KFM Ventures Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Trading Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Biotechnology Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Industries Sdn. Bhd.	Malaysia	100	100	Dormant
KFM-Bunge Flour Mixes Sdn. Bhd. *	Malaysia	60	60	Dormant

* The registers which are required to be kept by the company under the Companies Act, 1965 have not been properly updated. In relation to this, the directors have proposed to apply to Companies Commission of Malaysia in order to strike off this Company under Section 308 of the Companies Act 1965.

15. OTHER INVESTMENTS

	Group and Company	
	2011 RM	2010 RM
Unquoted shares, at cost	1,735,500	1,735,500

16. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following items as they arose in companies with recent history of losses.

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Unused tax losses	23,316,701	23,346,016	16,291,333	16,313,532
Unabsorbed capital allowances	1,913,807	1,913,807	–	–
Unutilised reinvestment allowances	9,972,944	9,972,944	9,972,944	9,972,944
	35,203,452	35,232,767	26,264,277	26,286,476

The unused tax losses, unabsorbed capital allowances and unutilised reinvestment allowances of the Group are available indefinitely for offsetting against future taxable profits of the respective entities within the Group, subject to no substantial change in shareholdings of those entities under the Income Tax Act, 1967 and guidelines issued by the tax authority.

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17. INVENTORIES

	Group and Company 2011 RM	Group and Company 2010 RM
Cost		
Raw materials	5,425,729	3,010,057
Finished goods	1,345,038	1,594,214
Work-in-progress	380,042	269,485
	7,150,809	4,873,756
Net realisable value		
Consumables	1,178,980	1,233,436
	8,329,789	6,107,192

18. TRADE AND OTHER RECEIVABLES

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Current				
Trade receivables				
Third parties	9,886,007	11,715,776	8,497,880	10,296,826
Less: Allowance for impairment				
Third parties	(1,610,265)	(1,700,843)	(222,451)	(284,005)
Trade receivables, net	8,275,742	10,014,933	8,275,429	10,012,821
Other receivables				
Deposits	54,971	3,453,390	43,171	3,441,090
Other receivables	795,532	524,212	795,532	524,212
	850,503	3,977,602	838,703	3,965,302
Less: Allowance for impairment				
Third party	(500,000)	(500,000)	(500,000)	(500,000)
Other receivables, net	350,503	3,477,602	338,703	3,465,302
	8,626,245	13,492,535	8,614,132	13,478,123
Non-current				
Trade receivables				
Third parties	245,480	384,123	245,480	384,123
Total trade and other receivables (current and non-current)	8,871,725	13,876,658	8,859,612	13,862,246
Add: Cash and bank balances (Note 21)	1,647,587	1,671,982	1,635,876	1,650,933
Total loans and receivables	10,519,312	15,548,640	10,495,488	15,513,179

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18. TRADE AND OTHER RECEIVABLES (CONT'D.)

a) Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 90 day (2010: 7 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

The ageing analysis of the Group and of the Company's trade receivables are as follows:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Neither past due nor impaired	7,632,307	9,660,617	7,632,307	9,660,617
1 to 30 days past due not impaired	216,524	48,432	216,524	48,432
31 to 60 days past due not impaired	107,227	17,625	107,227	17,625
61 to 90 days past due not impaired	23,265	2,617	23,265	2,617
More than 90 days past due not impaired	541,899	669,765	541,586	667,653
	888,915	738,439	888,602	736,327
Impaired	1,610,265	1,700,843	222,451	284,005
	10,131,487	12,099,899	8,743,360	10,680,949

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM888,915 (2010: RM738,439) that are past due at the reporting date but not impaired.

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally between 7 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group's trade receivables relate to a large number of diversified customers. There is no significant concentration of credit risk. At 31 March 2011, the directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

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18. TRADE AND OTHER RECEIVABLES (CONT'D.)

a) Trade receivables (cont'd.)

Receivables that are impaired

The Group and the Company's trade receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	Individually impaired			
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Trade receivables - nominal amount	1,610,265	1,700,843	222,451	284,005
Less: Allowance for impairment	(1,610,265)	(1,700,843)	(222,451)	(284,005)
	–	–	–	–

Movement in allowance accounts:

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
At 1 April	1,700,843	3,757,216	284,005	1,516,639
Charge for the year (Note 8)	1,197	69,649	1,197	69,649
Written off	(14,465)	(2,006,359)	–	(1,234,022)
Reversal of impairment losses	(77,310)	(119,663)	(62,751)	(68,261)
At 31 March	1,610,265	1,700,843	222,451	284,005

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

b) Other receivables

Other receivable that is impaired

At the reporting date, the Company has provided an allowance of RM500,000 (2010: RM500,000) for impairment of the amount due from a third party with a nominal amount of RM500,000 (2010: RM500,000). This third party had defaulted on its payments.

There has been no movement in this allowance account for the financial year ended 31 March 2011 (2010: RM500,000).

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19. OTHER CURRENT ASSETS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Prepayments	222,198	260,718	222,198	260,718
Tax recoverable	22,528	22,528	22,528	22,528
	244,726	283,246	244,726	283,246

20. INVESTMENT SECURITIES

	Group and Company 2011 RM Carrying amount	Group and Company 2011 RM Market value of quoted investment	Group and Company 2010 RM Carrying amount	Group and Company 2010 RM Market value of quoted investment
Current				
Held for trading investment				
- Equity instruments (quoted in Malaysia)	–	–	16,677	11,184

21. CASH AND CASH EQUIVALENTS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Cash in hand and at banks	902,836	945,684	891,125	924,635
Deposits with licensed banks	744,751	726,298	744,751	726,298
Cash and bank balances	1,647,587	1,671,982	1,635,876	1,650,933

Deposits with licensed banks of the Group and the Company earn interest at the respective deposits rates. The weighted average effective interest rates as at 31 March 2011 for the Group and the Company were 3.02% (2010: 3.47%) and 3.02% (2010: 3.47%) respectively.

Deposits with licensed banks of the Group and of the Company amounting to RM744,751 (2009: RM726,298) are pledged as securities for bank guarantees.

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22. LOANS AND BORROWINGS

	Maturity	Group and Company 2011 RM	2010 RM
Current			
Secured:			
Obligations under finance leases (Note 26)	2011-2015	354,907	647,176
Term loans	2011-2019	3,574,212	5,988,503
		3,929,119	6,635,679
Non-current			
Secured:			
Obligations under finance leases (Note 26)	2011-2015	275,233	399,270
Term loans	2011-2019	1,224,748	3,857,963
		1,499,981	4,257,233
Total loans and borrowings		5,429,100	10,892,912

The remaining maturities of the loans and borrowings as at 31 March are as follows:

	Group and Company 2011 RM	2010 RM
On demand or within one year	3,929,119	6,635,679
More than 1 year and less than 2 years	568,638	3,046,320
More than 2 years and less than 5 years	348,007	502,533
5 years or more	583,336	708,380
	5,429,100	10,892,912

The weighted average effective interest rates per annum at the reporting date for borrowings, excluding obligations under finance leases, were as follows:

	Group and Company 2011 RM %	2010 RM %
Term loans	6.83	8.01

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 13). The average discount rate implicit in the leases of the Group and of the Company is 3.41% per annum (2010: 3.00% per annum).

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22. LOANS AND BORROWINGS (CONT'D.)

Term loans

The term loans of the Group and the Company are secured by the following:

(a) a negative pledge on the assets of the Company;

(b) a registered debenture incorporating a fixed and floating charge of RM7,000,000 over all assets of the Company, both present and future;

(c) deed of assignments of all rights, titles and interest of 3 units of shoplots owned by the Company.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Trade payables				
Third parties	8,932,794	10,624,205	8,914,276	10,605,686
Other payables				
Accruals	1,999,884	953,743	1,999,884	953,743
Sundry payables	6,419,481	2,515,092	6,408,682	2,505,294
Amount due to subsidiaries	–	–	16,888	–
	8,419,365	3,468,835	8,425,454	3,459,037
Total trade and other payables	17,352,159	14,093,040	17,339,730	14,064,723
Add: Loans and borrowings (Note 22)	5,429,100	10,892,912	5,429,100	10,892,912
Total financial liabilities carried at amortised cost	22,781,259	24,985,952	22,768,830	24,957,635

a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days.

b) Amounts due to subsidiaries

These amounts are unsecured, non-interest bearing and are repayable on demand.

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24. SHARE CAPITAL AND SHARE PREMIUM

	Group and Company			
	Number of ordinary shares of RM1 each	Amount		
	Share capital (Issued and fully paid)	Share capital (Issued and fully paid) RM	Share premium RM	Total RM
At beginning of year/end of year	45,053,000	45,053,000	6,446,933	51,499,933

	Number of ordinary shares of RM1 each		Amount	
	2011	2010	2011 RM	2010 RM
Authorised share capital				
At beginning of year/end of year	50,000,000	50,000,000	50,000,000	50,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

25. SIGNIFICANT RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follow:

	Group and Company	
	2011 RM	2010 RM
Short-term employee benefits	1,255,767	1,270,490
Post-employment benefits: Defined contribution plan	172,202	161,880
	1,427,969	1,432,370

Included in the total key management personnel are:

Directors' remuneration (Note 10)	544,270	641,470

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26. FINANCE LEASE COMMITMENTS

The Group has finance leases for certain items of property, plant and equipment (Note 13). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group and Company 2011 RM	2010 RM
Minimum lease payments:		
Not later than 1 year	383,997	695,493
Later than 1 year and not later than 2 years	182,935	288,831
Later than 2 years and not later than 5 years	111,576	127,773
Total minimum lease payments	678,508	1,112,097
Less: Amounts representing finance charges	(48,368)	(65,651)
Present value of minimum lease payments	630,140	1,046,446
Present value of payments:		
Not later than 1 year	354,907	647,176
Later than 1 year and not later than 2 years	169,462	275,440
Later than 2 years and not later than 5 years	105,771	123,830
Present value of minimum lease payments	630,140	1,046,446
Less: Amount due within 12 months (Note 22)	(354,907)	(647,176)
Amount due after 12 months (Note 22)	275,233	399,270

27. CONTINGENT LIABILITY

Litigation case

A customer, Sidney Marketing Sdn. Bhd. has initiated legal action against a subsidiary of the Company. The plaintiff has made a claim of RM1,000,000 for a breach of a purported agreement to set-up a joint venture business. The court has fixed the matter for case management on 8 August 2011. The directors, upon legal advice, are of the opinion that the claim would not succeed and any decision made would be in favour of the Group.

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28. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

	Note	Group and Company			
		2011 RM		2010 RM	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Non-current unquoted shares	15	1,735,500	*	1,735,500	*
Investment security	20	–	–	16,677	11,184
Financial liabilities:					
Loans and borrowings (non-current)					
Term loans	22	1,224,748	932,864	3,857,963	3,171,145
- Obligations under finance leases	26	275,233	256,774	399,270	388,734

* Fair value information has not been disclosed for the Group's investment in equity instrument that is carried at cost because fair value cannot be measured reliably. This equity instrument represents ordinary shares that is not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the forseeable future.

B. Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	18
Trade and other payables	23
Loans and borrowings (current)	22

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, due to their short-term nature.

The carrying amounts of the current portion of loans and borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

Notes to the Financial Statements
- 31 March 2011

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and management. The audit committee provides independent oversight to the effectiveness of the risk management process.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 18.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

	Group			
	2011		2010	
	RM	% of total	RM	% of total
By country:				
Malaysia	7,888,998	93%	10,250,782	99%
Singapore	467,958	5%	148,274	1%
Philippines	164,266	2%	–	0%
	8,521,222	100%	10,399,056	100%

Notes to the Financial Statements
- 31 March 2011

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

a) Credit risk (cont'd.)

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 18. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 18.

b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposures to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met.

The Group's overall liquidity risk management is to maintain sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises funding from shareholders, capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations.

	2011 RM			
	On demand or within one year	**One to five years**	**Over five years**	**Total**
Group				
Financial liabilities:				
Trade and other payables	17,352,159	–	–	17,352,159
Loans and borrowings	3,929,119	916,645	583,336	5,429,100
Total undiscounted financial liabilities	21,281,278	916,645	583,336	22,781,259
Company				
Financial liabilities:				
Trade and other payables	17,339,730	–	–	17,339,730
Loans and borrowings	3,929,119	916,645	583,336	5,429,100
Total undiscounted financial liabilities	21,268,849	916,645	583,336	22,768,830

Notes to the Financial Statements
- 31 March 2011

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D.)

c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily from its loans and borrowings.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM47,990 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposure arising from sales or purchases that are denominated in a currency other than the functional currency of the Group, Ringgit Malaysia ("RM"). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD"), and Singapore Dollars ("SGD").

Approximately 6.8% (2010: 0.6%) and 78.0% (2010: 83.5%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's and the Company's loss net of tax to a reasonably possible change in the USD and SGD exchange rate against the functional currency of the Group entities with all other variables held constant.

	Group and Company Impact on loss net of tax Decrease/(increase) 2011 RM
USD/RM - strengthened 5%	2,285,660
USD/RM - weakened 5%	(2,285,660)
SGD/RM - strengthened 5%	191,369
SGD/RM - weakened 5%	(191,369)

Notes to the Financial Statements
- 31 March 2011

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at a resonable level. Included in the Group net debt are loans and borrowings, trade and other payables, less cash and bank balances. Capital includes equity attributable to owners of the parent.

		Group		Company	
	Note	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Loans and borrowings	22	5,429,100	10,892,912	5,429,100	10,892,912
Trade and other payables	23	17,352,159	14,093,040	17,339,730	14,064,723
Less: Cash and bank balances	21	(1,647,587)	(1,671,982)	(1,635,876)	(1,650,933)
Net debt		21,133,672	23,313,970	21,132,954	23,306,702
Equity attributable to owners of the parent		21,781,256	23,029,431	21,589,970	22,799,548
Capital and net debt		42,914,928	46,343,401	42,722,924	46,106,250
Gearing ratio		49%	50%	49%	51%

31. SEGMENT INFORMATION

Geographical information

Revenue information based on the geographical location of customers is as follows:

	Revenue	
	2011 RM	2010 RM
Malaysia	58,863,474	85,759,249
Singapore	3,827,378	478,889
Philippines	468,579	73,991
	63,159,431	86,312,129

No segmental analysis by business segment had been prepared as the operations are principally flour milling. The other activities are not significant to the Group.

Notes to the Financial Statements
- 31 March 2011

32. SIGNIFICANT EVENTS

On 23 March 2011, the Company had announced to undertake the following corporate exercises:

(i) "To carry out share capital reduction of its existing issued and paid-up share capital of RM45,053,000 comprising 45,053,000 shares of RM1.00 each via the cancellation of RM0.50 of the par value of its shares pursuant to Section 64 of the Companies Act, 1965 ("Act") and reduction of the share premium account pursuant to Section 60 and Section 64 of the Act ("Capital Reduction");

(ii) "To carry out a private placement of 4,505,300 new ordinary shares of RM0.50 each in the Company representing 10% of the issued and paid-up share capital of the Company ("Private Placement");

(iii) To carry out a renounceable rights issue of up to 24,779,150 new ordinary shares of RM0.50 each ("Rights Shares") on the basis of one (1) Rights Share for every two (2) existing shares held in the Company after the Capital Reduction and Private Placement, together with up to 37,168,725 new free detachable warrants ("Warrants") on the basis of three (3) Warrants for every two (2) Rights Shares subscribed ("Rights Issue");

(iv) To increase the authorised share capital from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM75,000,000 comprising 150,000,000 ordinary shares of RM0.50 each ("Increase in Authorised Share Capital"); and

(v) To carry out amendments to the Memorandum and Articles of Association of the Company ("M&A") to facilitate the implementation of the Capital Reduction as well as the Increase in Authorised Share Capital ("Amendments").

Except for the Capital Reduction, the remaining of corporate exercises are yet to be concluded as at the reporting date.

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 March 2011 were authorised for issue in accordance with a resolution of the directors on 4 July 2011.

Statistic on Shareholdings
As at 15 August 2011

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Authorised Share Capital	:	RM75,000,000 of 150,000,000 ordinary shares of RM0.50 each
Issued and fully paid	:	RM24,779,150 comprising 49,558,300 ordinary shares of RM0.50 each
Class of share	:	Ordinary shares of RM0.50 each
Voting Rights		
- On show of hands	:	1 vote
- On a poll	:	1 vote for each share held

Name of Substantial Shareholder	No. of Shares Direct Interest	%	Deemed Interest	%
NEO KIM HOCK	6,042,200	12.19	–	–

	No. of Holders		No. of Shares		%	
SIZE OF HOLDINGS	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
Less Than 100	81	1	1,721	9	0.00	0.00
100 - 1000	1,245	14	1,195,058	12,171	2.41	0.02
1001 - 10000	1,993	36	8,141,916	170,799	16.43	0.34
10001 - 100000	397	14	11,499,226	364,600	23.20	0.74
100001 and below 5%	45	3	24,397,600	3,765,200	49.23	7.60
5% and above	0	0	0	0	0	0
Directors	1	0	10,000	0	0.02	0.00
	3,762	68	45,245,521	4,312,779	91.30	8.70

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company – Kuantan Flour Mills Berhad

	No. of Shares Direct Interest	%	Deemed Interest	%
Tan Sri Mohamed Bin Ngah Said	–	–	–	–
Lee Chee Kiean	10,000	0.02	3,000	–
Leong Chen Nyen	–	–	–	–
Kushairi Bin Zaidel	–	–	–	–
Ng Kay Eng	–	–	–	–

All the Directors, by virtue of their interests in the shares of the Company, are also deemed to have interests in the shares of the Company's subsidiaries to the extent that the Company has an interest.

Statistic on Shareholdings
As at 15 August 2011

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	NO.OF SHARES	%
1	F.I.T NOMINEES (ASING) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NUEVIZ INVESTMENT PRIVATE LIMITED [MG0031-199])	2,203,700	4.45
2	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT)	2,018,400	4.07
3	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD (PLEDGED SECURITIES ACCOUNT FOR SOH KEY CHAI [SFC])	1,896,300	3.83
4	TANG YEOW WAH	1,790,800	3.61
5	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LEE CHAI HUAT (MG0019-199))	1,768,800	3.57
6	CHIEW KIM LEE	1,511,700	3.05
7	ROZANA BINTI REDZUAN	1,501,800	3.03
8	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH [A/C CLIENTS – FGN])	1,451,500	2.93
9	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [SFC])	1,389,200	2.80
10	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [MG0237-199])	1,320,000	2.66
11	SOH HAN CHUEN	1,154,900	2.33
12	KWONG AH NGAW @ KWONG YING SIEW	831,900	1.68
13	LEE FONG KUAN	600,000	1.21
14	WONG SIEW FAI	526,000	1.06
15	GAN LAM SEONG	500,000	1.01
16	NG LIAN KOON	458,000	0.92
17	KWONG YOU LAM	455,200	0.92
18	PUBLIC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW [E-KLG/BTG])	408,200	0.82
19	TAN SWEE KUANG	400,000	0.81
20	CHIK KIN YEUN	388,000	0.78

Statistic on Shareholdings
As at 15 August 2011

THIRTY LARGEST SHAREHOLDERS (CONT'D)

NO.	NAMES	NO.OF SHARES	%
21	OSK NOMINEES (TEMPATAN) SDN BERHAD (PLEDGED SECURITIES ACCOUNT FOR LOH KUWEI LAM)	382,500	0.77
22	EAGLE OPTION SDN BHD	340,000	0.69
23	NG WOOI YING	339,000	0.68
24	LAI THIAM POH	318,500	0.64
25	ECML NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LEONG KAM CHEE [002])	300,000	0.61
26	TA NOMINEES (TEMPATAN) SDN BHD (PLEGED SECURITIES ACCOUNT FOR LOH YIM QUIN)	295,000	0.60
27	M.I.T NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN CHEN YAN [MG0036-199])	246,000	0.50
28	CHIN CHEE PONG	233,400	0.47
29	TAN CHEE HWA	227,600	0.46
30	TA NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW)	225,400	0.45
		25,481,800	51.41

List of Properties
As at 31 March 2011

A summary of KFM's owned properties is set out as below:

Location	Tenure	Date of Revaluation/ Date of Acquisition	Area	Description	Age of Building	Net Carrying Amount RM'000
Pajakan Negeri 550 Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	21 years and 3.5 months lease expiring on 30 December 2027	15-Sep-85	25,425 sq. metres	Office and Factory	25 years and 18 years	1,503 2,329
HS(M) 13839 Lot. No. 23617 Mukim Kuala Kuantan, Kuantan, Pahang	Freehold	14-Dec-90	446 sq. metres	Double storey Detached House	20 years	67
HS(D) 116996 - 116997, Lot No. PT No. 24900 - 24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan.	99 years leasehold expiring 21 February 2093	23-Apr-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	6 years	404
HS(D) 116996 - 116997, Lot No. PT No. 24900 - 24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan.	99 years leasehold expiring 21 February 2093	26-Jul-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	6 years	397
HS(D) 191512, Lot No. 61067, Mukim Plentong, District of Johor Bahru, Johor.	Freehold	31-Jul-09	446 sq. metres	1 unit 1 1/2 storey terrace factory	19 years	567

Notice of Twenty Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty Seventh Annual General Meeting of the Company will be held at the Casuarina Hall, Swiss Garden Resort & Spa, Kuantan, 2657, Mukim Sungai Karang, Balok Beach, 26100 Beserah, Kuantan, Pahang Darul Makmur on Monday, 26 September, 2011 at 2.00 p.m. for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 March 2011 together with the Reports of the Directors and Auditors thereon.
(Refer to Note 6)

2. To approve the payment of Directors' fees for the financial year ended 31 March 2011. (Resolution 1)

3. To re-elect as Director, Mr. Lee Chee Kiean, who retires by rotation in accordance with Article 63 of the Company's Articles of Association and, being eligible, offers himself for re-election. (Resolution 2)

4. To pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: - (Resolution 3)

"That Tan Sri Mohamed Bin Ngah Said, who is retiring pursuant to Section 129(2) of the Companies Act, 1965 be and is hereby re-appointed as Director of the Company and to hold office until the conclusion of the next Annual General Meeting."

5. To re-appoint Messrs. Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 4)

AS SPECIAL BUSINESS
To consider and, if thought fit, to pass the following Ordinary Resolution: -

6. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** (Resolution 5)

"That pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
(Refer to Note 7)

7. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

BY ORDER OF THE BOARD,

Tan Yoke May
(MACS 01531)
Company Secretary

Kuala Lumpur
29th August 2011

Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. A member may appoint one (1) or more than one (1) proxy to attend and vote instead of the member. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.

3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

4. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or by his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised. In the case of joint holders, all holders must sign the Proxy Form.

5. The instrument appointing a proxy must be deposited at the registered office of the Company at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, 25740 Kuantan, Pahang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

6. **Audited Financial Statements for the financial year ended 31 March 2011 together with the Reports of the Directors and Auditors thereon**
   This agenda is tabled 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.

Explanatory Notes on Special Business

7. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**
   As at the date of this notice, there are 4,505,300 new shares in the Company issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 29th September 2010 and which will lapse at the conclusion of the Twenty Seventh Annual General Meeting.

   The General Mandate pursuant to Resolution 5 will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions.

   Ordinary Resolution No. 5, if passed, will give the Directors of the Company, from the date of the Annual General Meeting, authority to allot and issue ordinary shares from the un-issued share capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being as and when business opportunities arise which the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

Statement Accompanying the Notice of Annual General Meeting
Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

Name of Director who is standing for Re-election pursuant to Article 63:
- Mr. Lee Chee Kiean

Name of Director who is standing for Re-appointment pursuant to Section 129 of Companies Act, 1965:
- Tan Sri Mohamed Bin Ngah Said

The details of the Directors who are standing for re-election /re-appointment are set out in the Directors' Profile on Page 16 and their securities holdings in the Company are set out in the Statistics on Shareholdings on Page 64 of this Annual Report.

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KUANTAN FLOUR MILLS BERHAD
Company No. 119598 – P
(Incorporated in Malaysia)

PROXY FORM

I/We, ...

of..

Being a member/members of **KUANTAN FLOUR MILLS BERHAD** (Company No. 119598-P) hereby appoint ....

....

of..

or failing him/her ....

of..
or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty Seventh Annual General Meeting of the Company to be held on Monday, 26 September 2011 and at any adjournment thereof. My/Our proxy is to vote as indicated below: -

ORDINARY BUSINESS		**FOR**	**AGAINST**
1.	Approval of Directors' fees for the year ended 31st March 2011		
2.	Re-election of Director, Mr. Lee Chee Kiean		
3.	Re-appointment of Director, Tan Sri Mohamed bin Ngah Said		
4.	Re-appointment of Messrs. Ernst & Young as Auditors and Authorize the Directors to fix their remuneration		
SPECIAL BUSINESS			
5.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		

(Please indicate with an "X" in the appropriate box against the resolutions on how you wish your proxy to vote. If no instruction is given, this form will be taken to authorise the proxy to vote at his/her discretion.)

The proportion of my/our holding to be represented by my/our proxy/proxies is as follows: -

First Named Proxy	%
Second Named Proxy	%
	100 %

In case of a vote taken by show of hands, the first proxy shall vote on my/our behalf.

Signed this ....Day of..., 2011.

No. of shares held:	

....
Signature of Shareholder or Common Seal

Notes:

1. *A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *A member may appoint one (1) or more than one (1) proxy to attend and vote instead of the member. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.*
3. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
4. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or by his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised. In the case of joint holders, all holders must sign the Proxy Form.*
5. *The instrument appointing a proxy must be deposited at the registered office of the Company at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, 25740 Kuantan, Pahang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.*

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Stamp

The Company Secretary
KUANTAN FLOOR MILLS BERHAD (119598-P)
Kawasan Lembaga Pelabuhan Kuantan
KM25, Jalan Kuantan/Kemaman
Tanjung Gelang
25740 Kuantan
Pahang

Please fold here


KFM