KUANTAN FLOUR MILLS BERHAD
(119598-P)

2 0 1 6
ANNUAL REPORT

Contents

KUANTAN FLOUR MILLS BERHAD
(119598-P)

100% KFM Transport Sdn Bhd

100% KFM Ventures Sdn Bhd

100% KFM Biotechnology Sdn Bhd

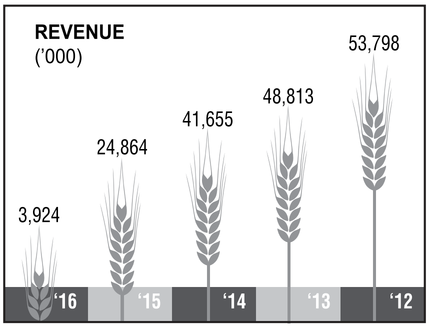
100% KFM Industries Sdn Bhd

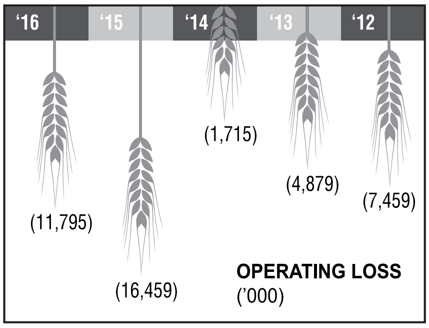
100% KFM Marketing Sdn Bhd

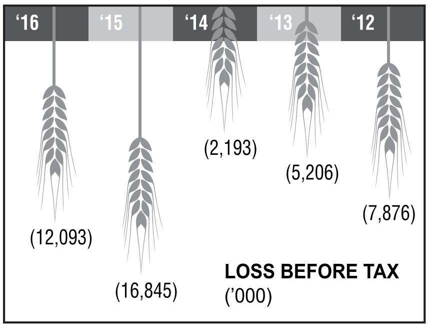
51% KFM Trading Sdn Bhd

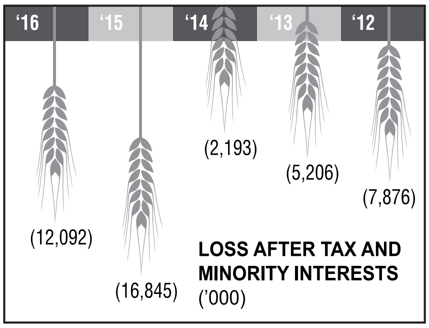
GROUP FINANCIAL HIGHLIGHTS

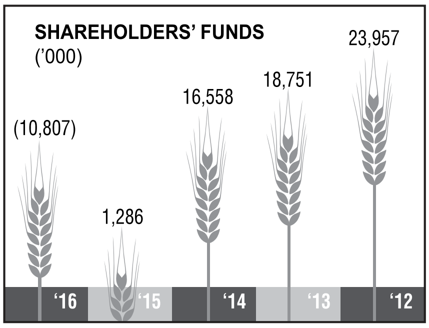
	2016 ' 000	2015 ' 000	2014 ' 000	2013 ' 000	2012 ' 000
Revenue	3,924	24,864	41,655	48,813	53,798
Operating loss	(11,795)	(16,459)	(1,715)	(4,879)	(7,459)
Loss before tax	(12,093)	(16,845)	(2,193)	(5,206)	(7,876)
Loss after tax and minority interests	(12,092)	(16,845)	(2,193)	(5,206)	(7,876)
Shareholders' funds	(10,807)	1,286	16,558	18,751	23,957
Net tangible assets	(10,807)	1,286	16,558	18,751	23,957
Tangible assets	8,233	23,504	30,117	35,176	41,810
Basic loss per share (sen)	(17.72)	(25.07)	(3.36)	(7.99)	(14.33)
Net assets per share (sen)	(15.84)	1.88	25.42	28.78	36.77

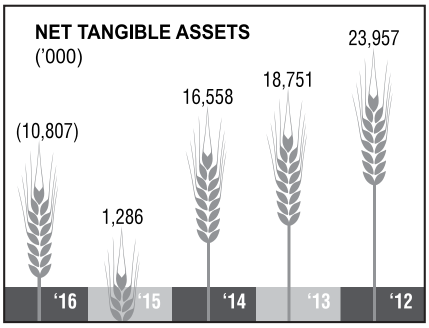


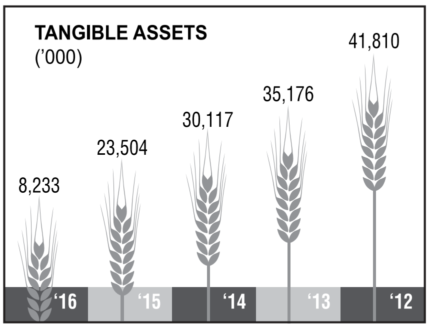


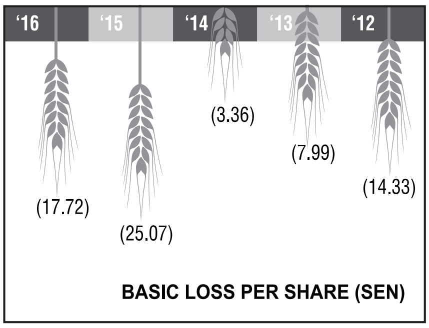


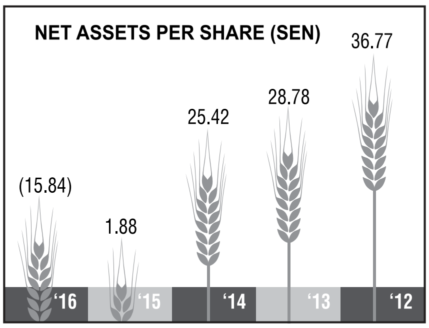












BOARD OF DIRECTORS

Kushairi bin Zaidel
(Independent, Non-Executive Director)
(Resigned on 5 April 2005 and reappointed on 6 January 2009. Redesignated as Independent, Non-Executive Chairman on 20 August 2014)

Lee Chee Kiean
(Non Independent, Executive Director)
(Appointed on 23 May 2008 and resigned on 13 July 2016)

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

Dennis Tow Jun Fye
(Non Independent, Non-Executive Director)
(Appointed on 7 May 2012 and resigned on 01 September 2016)

Iskandar Zurkanain bin Mohamed
(Independent, Non-Executive Director)
(Appointed on 30 November 2016)

AUDIT COMMITTEE

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

Kushairi bin Zaidel
(Member, Independent, Non-Executive Chairman)

Dennis Tow Jun Fye
(Member, Non Independent, Non-Executive Director)
(Resigned 01 September 2016)

Iskandar Zurkanain bin Mohamed
(Member, Independent, Non-Executive Director)
(Appointed on 30 November 2016)

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

REGISTERED OFFICE

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

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

AUDITORS

McMillan Woods Thomas
Chartered Accountants
A37, Jalan Tun Ismail 2
Sri Dagangan 2
25000 Kuantan, Pahang Darul Makmur

SOLICITOR

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Sector : Consumer Products
Stock Short Name : KFM
Code : 8303

WARRANTS

Main Market of Bursa Malaysia Securities Berhad
Stock Short Name : KFM-WA
(delisted on 20 October 2016)
Code : 8303-WA

WEBSITE

www.kfmb.com.my

On behalf of the Board of Directors, I am pleased to present the Annual Report of Kuantan Flour Mills Berhad and the Audited Financial Statements of the Group for the financial year ended 30th September 2016. The financial statements have been prepared in accordance with the Financial Reporting Standards and the Companies Act 1965 in Malaysia.

Financial Review

The Group incurred a loss of RM12.09 million during the financial year ended 30 September 2016 as compared to the previous year's loss of RM16.85 million.

The loss incurred was mainly due to the low level of revenue of merely RM3.92 million, impairment loss on property, plant & equipment (PPE) and impairment loss on investment.

The Group achieved very low revenue of RM3.92 million as compared to the previous financial year's revenue of RM 24.86 million. Indeed due to the severe cash flow situation and the prolonged loss position, the Company decided to temporary cease its flour milling operations at the end of September 2016 while it focus its effort on the company's regularization and restructuring plans to uplift its PN 17 Status.

The announcement on the cessation of the milling operation was made on the 30 September 2016.

The Board of Director wishes to inform all the members that is still actively exploring all possible options to revive the Company and its business operation.

Overview Of The Industry

The Malaysian domestic flour market demand was stable but the industry players were challenged by adverse fluctuation in foreign currency exchange rate.

The impact was so significant even though there was a reduction in the global wheat and commodities prices.

The company was very adversely affected by the weak Ringgit versus the US Dollar. We have no other alternative but to temporary ceased our operation at the year end.

The way forward to mitigate our situation is to increase our production level with injection of fresh capital funding and to seriously identify other alternative businesses that shall give the company sustainable and stable income and profitability.

Subsidiary Companies

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

Corporate Social Responsibility (CSR)

The Group has always acknowledged the importance of CSR as an integral part of our business operations. During the year under review and due to the very tight budget constraint that we faced, we have no choice but to simplify our CSR only to selective programs such as:

- Safety awareness programs.
- Continuous training and development programs for employees of all levels throughout the year to enhance their skills, knowledge and competence.

Prospects For The Year Ahead

As for the outlook of the industry, we expect the fluctuation in the raw material cost to remain as one of the most important challenges that we have to tackle despite the market demand for flour is anticipated to remain stable or good.

The Group's main preoccupation for 2017 will be on its regularization and restructuring plans to uplift its PN 17 Status and embarking on an appropriate corporate exercise to acquire strong going concern businesses to enhance the future earnings of the Group.

In conclusion, the Board of Directors is fully aware of the toughness and the challenges we have to face in order to revive the company as well as the predicament faced by the members.

The Board of Directors shall remain committed to ensure the success in the regularization and restructuring plans execution that we shall go through in the very near future.

Acknowledgement

On behalf of The Board of Directors, may I take this opportunity to thank KFM's management & staff for their loyalty and hard work last year despite having to face myriad uncertainties and operational challenges.

Our sincere gratitude and appreciation to the Group's shareholders, our valued and loyal customers, suppliers, bankers, auditors, Government agencies and all other business associates for their recognition and confidence in KFM, we are looking forward to having your continued support and loyalty.

The Board of Directors, the Management and Staff of KFM would also like to extend our appreciation and thanks to Mr. Lee Chee Kiean who resigned as Executive Director/Chief Executive Officer on 13 July 2016 and Mr. Dennis Tow Jun Fye who has resigned from the Board of Directors on 1st Sept 2016. Their endless contributions to the company would always be remembered and appreciated.

We thank you.

Kushairi bin Zaidel
Chairman

The Board of Directors (“the Board”) of Kuantan Flour Mills Berhad (“KFM” or “the Company”) is committed to ensure that the principles and best practices of corporate governance as set out in the Malaysian Code on Corporate Governance 2012 (“the Code’) are observed and adopted as a fundamental part of discharging its responsibilities to protect and enhance stakeholders’ value.

The Board is pleased to set out below how the Group has applied the Principles and Recommendations as set out in the Code for the financial year ended 30 September 2016.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

Functions of the Board and the Management

The Board, comprising of members with a wide diverse range of business, financial and technical background, recognises the clear distinction of the roles and responsibilities between the Board and the Management.

The Board implements the policies and is responsible for the overall adequacy and effectiveness of the Group’s risk management and internal control system.

The Management, on the other hand, is responsible for assisting the Board in implementing the policies and procedures adopted by the Board to achieve the Group’s objective and in running the Group’s day-to-day business operation.

Board’s Roles and Responsibilities

The Company is led by an experienced and dynamic Board. It has a balanced board composition with effective independent directors. The Board provides stewardship to the Group’s strategic direction and operations, and ultimately enhancing shareholders value. To fulfill this role, the Board is responsible for the following:-

- Reviewing the performance of the Group.
- Approval of annual and quarterly results, acquisitions and disposals of assets.
- Review the adequacy and effectiveness of the Group’s risk management and internal control system.
- Ensure that there are plans in place for orderly succession of senior management.

Directors’ Code of Conduct

The Directors shall be guided by the Code of Ethics for Directors’ issued by the CCM of Malaysia. The Directors shall observe the Code of Ethic in performance of their duties.

Sustainability

The Board recognizes the environmental sustainability role as a corporate citizen in his business approach, and always endeavours in adopting most environmental friendly, ecological and cost effective production process.

Access to Information and Advice

All Directors have full and unrestricted access to all information of the Group on a timely and accurate manner to enable them to discharge their roles and responsibilities. In addition, the Directors have full and unrestricted access to the Company Secretary, the external auditors for advice and services. If so required, the Directors may also obtain at the Group’s expense independent professional advice from external independent expert in deliberation of their duties.

Company Secretary

The Board recognises the fact that the Company Secretary should be suitably qualified and capable of carrying out its duties as required of the post.

The primary role of the Company Secretary is to provide unhindered advice and services for the Directors, as and when need arises with the primary objective to enhance the effective functioning of the Board and to ensure regulatory compliance.

Board Charter

The Board recognises and observes the role, composition and responsibilities of the Board embodying in the principles of MCCG 2012 and serve as a source of reference for new Board member. The Charter sets out guiding principles of good corporate governance to ensure fairness, transparency, accountability and responsibility. It provides guidance for Directors and Management regarding their roles in discharging their duties towards the Company as well as boardroom activities.

PRINCIPLE 2 – STRENGTHEN COMPOSITION

The Board of Directors delegates specific responsibilities to the respective Committees of the Board namely, the Nomination and Remuneration Committee and the Audit Committee, all of which have their terms of reference to govern their respective scopes and responsibilities.

Nomination and Remuneration Committee and Procedure

The Nomination and Remuneration Committees, sub-committees of the Board, under its terms of reference recommend 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 Committee will also recommend to the Board the framework of executive remuneration package for 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

The aggregate directors' remuneration paid or payable or otherwise made available to all directors of the Company during the financial year ended 30 September 2016 are as follows :-

	Executive	Non-Executive	Total
Salary and other emuloments	224,941	-	224,941
Pension costs - defined Contribution plans	38,863	-	38,863
Fees	-	105,000	105,000
	263,804	105,000	368,804

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

	Executive	Non-Executive
Below RM50, 000	-	3
RM50,001 to RM100,000	-	-
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	1	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
	1	3

PRINCIPLE 3 – REINFORCE INDEPENDENCE

Annual Assessment of Independence

The Board, through the Nomination Committee, shall assess the independence of Independent Directors annually. The criteria for assessing the independence of an Independent Director include the relationship between the Independent Director and the Company and his involvement in any significant transaction with the Company.

Tenure of an Independence Non-Executive Director

The maximum tenure of an Independent Non-Executive Director shall be for a cumulative of nine (9) years. The Independent Non-executive Director may continue to serve on the Board beyond the nine (9) years tenure provided the Independent Non-Executive is re-designated as a Non-Independent Director.

Further continuation is subject to the assessment of the Nomination Committee, justification of the Board and approval of the Shareholder.

Shareholders' Approval for Retaining Independent Director exceeding 9 years service

The Board recommends and seeks for shareholders approval for retaining Independent Non-Executive Director exceeding nine (9) years if service based in the following justifications:

i) They had fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and therefore were able to bring independent and objective judgement to the Board;
ii) Their long tenure with the Company had neither impaired nor compromised their independent judgement. They were free from any business or other relationships which could interfere with their exercise of independent judgement;
iii) They provided effective check and balance in the proceeding of the Board and the Board Committees;
iv) They continued to remain objective and are able to exercise independent judgement in expressing their views and in participating in deliberations and decision making of the Board and Board Committees in the best interest of the Company;
v) They exhibited high commitment and devoted sufficient time and attention to their responsibilities as Independent Directors of the Company; and
vi) They had met with the attendance requirements for Board Meetings pursuant to the MMLR. During the financial year under review, they had each attended all the six Board meetings held. This testifies to their dedication in discharging the responsibilities expected of an Independent Director.

Separation of Position of Chairman and Group Managing Director

The Independent Non-Executive Chairman presides overall meetings of the Board. The role and responsibilities of the Independent Non-Executive Chairman and the Group Managing Director are clearly established, each having separate and clear defined scope of responsibility and authority. The division of roles and responsibilities ensures that there is no excessive concentration of power in these positions.

Composition of the Board

The Board currently has three (3) Non-Executives Directors. The Executive Director has resigned on 13 July 2016. The Chairman assumed the function of the Executive Director with the assistance of the Chief Financial Officer and the management. The Executive Director implements the policies and decisions of the Board, oversees the operations and initiates business development efforts for the Group whilst the Non-Executive Directors bring a wide range of business experience and expertise to the Board for discussions and decision making. The Company's Articles of Association allow minimum of two (2) and maximum nine (9) Directors.

A brief profile of each Director is presented on page 17 of this Annual Report.

PRINCIPLE 4 – FOSTER COMMITMENT

Time Commitment

During the financial year ended 30 September 2016, the Board met on six (6) occasions.

All the 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 (i) Progress report of the Company, and (ii) Major operational and financial issues. All proceedings from the Board meetings are minuted and signed by the Chairman of the meeting

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
Kushairi bin Zaidel	**6**	**6**
Lee Chee Kiean (resigned on 13 July 2016)	**5**	**5**
Leong Chen Nyen	**6**	**5**
Dennis Tow Jun Fye (resigned on 01 September 2016)	**6**	**5**
Iskandar Zurkanain bin Mohamed (appointed on 30 November 2016)	**-**	**-**

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad. For new Directors, a familiarization programme will be conducted for them. This includes a presentation of the Group's operations, meetings with senior management and site visits in order to facilitate their understanding of the Group's operations and requirements.

The Directors are encouraged to attend relevant seminars and courses to keep themselves abreast on the various issues faced in the changing business environment, regulatory and corporate governance developments to enhance their professionalism, skill and knowledge to effectively discharging their duties and responsibilities.

Throughout the financial year under review, the Directors attended various briefings, conferences and seminar programmes covering areas that included corporate governance, leadership, relevant industry updates and global business developments

PRINCIPLE 5 – UPHOLD INTERGRITY IN FINANCIAL REPORTING

Compliance with Applicable Financial Reporting Standards

The financial statements of the Group were prepared in accordance with the applicable accounting standards in Malaysia and the provisions of Companies Act, 1965.

The Board takes responsibility to present a fair assessment of the Group's performance, position and prospects primarily through the annual financial statements, quarterly financial reports and corporate annoucements on significant developments to the shareholders.

The Audit Committee reviews the integrity and reliability of the quarterly financial statements and audited financial statements prior to recommending to the Board.

Directors' responsibility statement in respect of the preparation of the audited financial statements is set out on page 18 of this annual report.

Assessment of Suitability and Independence of External Auditors

The Company has always maintained a close and transparent relationship with the External Auditors. The Audit Committee has been explicitly accorded the power to communicate directly with the External Auditors. The External Auditors are invited to attend the Audit Committee Meetings to facilitate the exchange of view on issues requiring attention. The role of Audit Committee in relation to the External Auditors is described on pages 14.

A summary of the activities of the Audit Committee during the year including the evaluation of independent audit process are set out on page 13 of this annual report.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISKS

Sound Framework to Manage Risks

The Board of Directors recognises the importance of having an effective governance embedding risk management and internal control processes, and acknowledges its overall responsibility for maintaining a sound system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management to safeguard shareholders' investments and the Group's assets.

The Statement on Risk Management and Internal Control is set out on page 15 of this Annual Report.

Internal Audit Function

The Group's internal audit function has the policy to outsource to external professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The Company has now been designated as PN17 entity and is facing severe financial cashflow. During the financial year under review, no internal audit was carried out.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Corporate Disclosure Policies

The core communication channel with the Stakeholders employed by the Company is the announcements made through Bursa Securities and it is the Company policy that all material announcements to be made through Bursa Securities are to be approved by the Board prior to its release to Bursa Securities. The Board observes all disclosure requirements as laid down by MMLR and Capital Markets and Services Act 2007 to have all material event and information to be disseminated publicly and transparently on timely basis with factual, accurate and complete information to ensure fair and equitable access and by all stakeholders without selective disclosure of such information to specific individuals or groups.

Leverage on Information Technology for Effective Dissemination of Information

The Company's website www.kfmb.com.my provides relevant information on the Group which is accessible to the public.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Encourage Shareholder's Participation at General Meetings

The Annual General Meeting ("AGM") is the principal forum for dialogue with the shareholders. Notice of AGM together with copy of the Company's Annual Report will be sent to shareholders at least twenty-one (21) days prior to the meeting. Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf. At the AGM, shareholders are given the opportunity to raise questions on the Group's activities and prospects as well as to communicate their expectations and concerns to the Company. The Board and the Management are available to provide response to questions from shareholders during the meeting.

Extraordinary General Meeting is held as and when shareholders' approvals are required on specific matters.

Poll Voting

The Board encourages participation at general meetings. It will endeavour to put substantive resolutions by poll voting. Whilst the ordinary business resolutions will be carried out by a show of hands. The Chairman does inform the shareholders of their right to demand a poll vote at the commencement of the general meeting.

Effective Communication and Proactive Engagements with Shareholders

The Company recognises the importance of communicating with its shareholders and does this through the Annual Report, AGM and announcements via Bursa Securities. During the AGM, sufficient time will be allocated for shareholders to ask questions about the Group and its operations. In addition, shareholders are able to obtain latest information of the Group at the Company's website.

This Statement was approved by the Board on 9 January 2017.

The members of the Audit Committee of the Company are pleased to present their report for the financial year ended 30 September 2016.

The present members of the Audit Committee comprise: -

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

Kushairi bin Zaidel
(Member, Independent, Non-Executive Chairman)

Iskandar Zurkanain bin Mohamed
(Member, Independent, Non-Executive Director)
(Appointed on 30 November 2016)

Dennis Tow Jun Fye
(Member, Non Independent, Non-Executive Director)
(Resigned 01 September 2016)

Meetings

The Committee shall meet at least four (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 under review are as set out below:

Member	Number of Audit Committee Meetings held during tenure in office	Attendance
Leong Chen Nyen	**6**	**6**
Kushairi bin Zaidel	**6**	**6**
Dennis Tow Jun Fye (resigned 01 September 2016)	**6**	**5**
Iskandar Zurkanain bin Mohamed (appointed on 30 November 2016)	**-**	**-**

Summary of Activities

The Audit Committee carried out the following activities:

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.

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.
- 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.

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.

Introduction

The Malaysian Code on Corporate Governance requires the Board of Directors (Board) to maintain a sound system of risk management and internal control to safeguard Shareholders' investments and the Group's assets. The Board of Kuantan Flour Mills Berhad ("KFMB") is committed to maintaining a sound system of internal control and effective risk management as part of its ongoing efforts to practice good corporate governance.

This statement of risk management and internal control is prepared in accordance with paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and Practice Note 9 of Bursa Securities Malaysia Berhad ("Bursa Securities").

Board's Responsibilities

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility in maintaining a sound, adequate and effective internal control and risk management system within the Group to ensure good corporate governance.

However, due to inherent limitations in any internal control system, such system is design to manage rather than eliminate risks that may impede the achievement of the Group's business and corporate objectives. In this regard, the systems and procedures put in place are aimed at minimizing and managing risks. All aspects of financial, organizational, operational, compliance controls as well as risk management procedures are contained within this system of Risk Management and Internal Control.

Risk Management

Risk management is firmly embedded in the Group's management system. The Board regards risk management as an integral part of the Group's business operations. The Group had established a risk management process to identify, evaluate and manage significant risks faced by the Group and formulate appropriate measures to address those risks.

The responsibility for reviewing the adequacy and effectiveness of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and effectiveness of the internal control system through independent reviews performed by the internal audit function, external auditors and Management.

Internal Control System

The Board is committed to maintain a strong control structure and environment for the proper conduct of the Group's business operations. The key elements are as follows:-

- Organisation and definition of the Management structure of Group including areas of responsibilities and segregation of authorities and limits;
- The Board and Audit Committee meet on a quarterly basis and on an ad-hoc basis where there is a need arise to discuss matters raised by the Management, on strategic and operational matters inclusive of potential risks and control issues.
- The Board had delegated the responsibilities to several committees and to the Management of the Company to implement and monitor designated tasks.
- Performance reports are provided to the Board to facilitate review and monitoring of financial performance.
- Proper guidelines within the Group for recruitment and selection, compensation and benefits, performance management, training and development, employee communication and human resource administration;
- Structured training and development programs conducted both internally and externally covering all levels of staff to upgrade their knowledge, skill and competency;
- Segregation of duties to reduce the scope for error and to prevent collision;
- Health and Safety Policies and Procedures are in place to assist in maintaining a safe working environment for all employees.

Internal Audit Function

The Group's internal audit function has the policy to outsource to external professional services firm, to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The Company has now been designated as PN17 entity and is facing severe financial cashflow. During the financial year under review, no internal audit was carried out.

Review of the Statement by External Auditors

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad's Listing Requirements, the External Auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 30 September 2016. Based on their review, the External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control of the Group.

The Board is of the view that the Company's risk management and internal control system is operating effectively and adequately, in all material aspects, and have received the same assurance from the Chief Financial Officer of the Company. The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Company had been in place throughout the financial year ended 30 September 2016 and up to the date of approval of this statement.

This statement is made in accordance with a resolution of the Board of Directors dated 9 January 2017.

Kushairi bin Zaidel, is a Malaysian, aged 59, is currently the Independent, Non-Executive Chairman of the Group. 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.

Leong Chen Nyen, is a Malaysian, aged 59, 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 Singapore Chartered Accountants.

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.

Iskandar Zurkanain bin Mohamed, is a Malaysian, aged 43. He started his career in the defence industry in 1994 with Zetro Sdn Bhd and later joined Bakti Udara Sdn Bhd as product accounts manager and involved in the sales of various military aircrafts and spares. He then embarked on his own career and started his own company Powerstar Sdn Bhd, McNa Enterprise Sdn Bhd and Stable Flex Solutions Sdn Bhd in which he continued in the business of sales of building materials and specialized military equipment to armed forces

He was appointed on 30 November 2016 as Independent, Non-Executive Director and presently sits on the Audit Committee as an ordinary member.

Encik Iskandar Zurkanain 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.

Lee Chee Kiean, is a Malaysian, aged 54, 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 was the Executive Director / Chief Executive Officer of the Group.

He has resigned as an Executive Director / Chief Executive Officer on 13 July 2016.

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.

Dennis Tow Jun Fye, is a Malaysian, aged 31, holds a Bachelor Degree in Arts / Commerce, major in Accounting and Finance from Deakin University, Melbourne. Currently, he holds various directorship and senior management positions in Seasons Apartment Hotel Group and International Equities Corporation Ltd.

He has resigned as a Non Independent, Non-Executive Director on 01 September 2016.

Mr Dennis is a substantial shareholder of the Company and as at 30 December 2016, he holds 14.08% of the total issued ordinary shares of the Company. He also has indirect interest in a subsidiary company, KFM Trading Sdn Bhd. 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.

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

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which have been made out in accordance with the applicable Financial Reporting Standards in Malaysia and to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- adopted 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.

OTHER INFORMATION

Non audit fee

The amount of non-audit fees paid to external auditors for the financial year ended 30 September 2016 is RM3,000.

Options, Warrants or Convertible Securities

There were no options, warrants or convertible securities exercised during the financial year ended 30 September 2016.

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;
- 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 Contracts involving directors and major shareholders' interest;
- Contracts Relating to Loans involving directors and major shareholders' interest;
- Recurrent Related Party Transaction of Revenue or Trading Nature.

The Directors submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2016.

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 13 to the financial statements.

There was no significant change in the nature of these activities during the financial year.

Financial results

	Group RM	Company RM
Loss for the period attributable to equity holders of the Company	(12,092,211)	(12,039,199)

Dividends

No dividend has been paid or declared by the Company since 30 September 2015.

Reserves and provisions

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

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:

Kushairi bin Zaidel	
Leong Chen Nyen	
Iskandar Zurkanain bin Mohamed	Appointed on: 30.11.2016
Dennis Tow Jun Fye	Resigned on: 1.9.2016
Lee Chee Kiean	Resigned on: 13.7.2016

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial period, no Director has received or become entitled to receive a benefit (other than Directors' remunerations disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests in shares

According to the register of directors' shareholdings, none of the Directors in office at the end of the year held any interests in shares in the Company and its related corporation during the year.

Warrants

The Company had on 20 October 2011 issued 23,382,426 warrants in conjunction with the Rights Issue. The warrants are constituted by a Deed Poll dated 6 September 2011 ("Deed Poll"). The salient features of the warrants are as follows:

(a) Each warrant entitles the registered holder to subscribe for one (1) new ordinary share of RM0.50 each in the Company at an exercise price of RM0.51 per ordinary share.

(b) The exercise price of the warrants are subject to adjustments under certain circumstances in accordance with the terms of the Deed Polls.

(c) The warrants do not entitle the registered holders for any voting rights in any general meeting of the Company or to participate in any distribution and/or offer of further securities in the Company unless the warrants holders become shareholders by exercising their warrants.

(d) The warrants are for a period of 5 years and expired on 19 October 2016.

The movements in the Company's unissued number of shares under warrants during the financial period are as follows:

	Number of ordinary shares of RM0.05 each			
	1.10.2015	Issued	Exercised	30.9.2016
Number of unissued shares under warrants	20,299,926	-	-	20,299,926

Statutory information on the financial statements

Before the statements of profit or loss and other comprehensive income and statements of financial position were made out, the Directors took reasonable steps:

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

- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

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, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

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

- 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 liability of any other person; or

- any contingent liability of the Group or of the Company, which has arisen since the end of the financial year.

Statutory information on the financial statements (continued)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- the loss of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than RM4,283,097 impairment loss for the property, plant and equipment; and

- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the loss of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, McMillan Woods Thomas, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 11 January 2017.

Kushairi bin Zaidel
Director

Leong Chen Nyen
Director

		Group		Company	
			Period ended		Period ended
		2016	30.9.2015	**2016**	30.9.2015
	Note	**RM**	RM	**RM**	RM
Revenue	4	**3,924,194**	24,863,847	**3,924,194**	24,863,847
Cost of sales	5	**(9,007,990)**	(30,739,264)	**(9,007,990)**	(30,739,264)
Gross loss		**(5,083,796)**	(5,875,417)	**(5,083,796)**	(5,875,417)
Other operating income		**2,702,138**	37,350	**2,660,698**	29,168
Impairment loss for property, plant and equipment		**(4,283,097)**	-	**(4,283,097)**	-
Administrative expenses		**(4,492,838)**	(8,324,902)	**(4,397,763)**	(8,261,971)
Selling expenses		**(637,072)**	(2,295,709)	**(637,072)**	(2,295,709)
Finance costs	6	**(298,169)**	(386,177)	**(298,169)**	(386,177)
Loss before tax	7	**(12,092,834)**	(16,844,855)	**(12,039,199)**	(16,790,106)
Taxation	10	**-**	-	**-**	-
Net loss for the year/period, representing total comprehensive loss for the year/period		**(12,092,834)**	(16,844,855)	**(12,039,199)**	(16,790,106)
Attributable to:					
Equity holders of the Company		**(12,092,211)**	(16,844,064)	**(12,039,199)**	(16,790,106)
Non-controlling interests		**(623)**	(791)	**-**	-
		(12,092,834)	(16,844,855)	**(12,039,199)**	(16,790,106)
Loss per share attributable to equity holders of the Company (sen)					
Basic	11(a)	**(17.72)**	(25.07)	**-**	-
Diluted	11(b)	**-**	-	**-**	-

The accompanying notes form an integral part of these financial statements.

		Group		Company	
		2016	2015	**2016**	2015
	Note	**RM**	RM	**RM**	RM
Non current assets					
Property, plant and equipment	12	**6,679,857**	13,357,885	**6,679,443**	13,341,002
Investments in subsidiaries	13	**-**	-	**5,109**	5,109
Other investment	14	**477,151**	1,352,760	**477,151**	1,352,760
		7,157,008	14,710,645	**7,161,703**	14,698,871
Current assets					
Non-current assets held for disposal	15	**-**	1,237,229	**-**	1,237,229
Inventories	16	**381,364**	6,087,461	**381,364**	6,087,461
Receivables, deposits and prepayments	17	**260,929**	781,074	**287,202**	801,227
Deposits, cash and bank balances	18	**433,676**	687,384	**430,457**	684,379
		1,075,969	8,793,148	**1,099,023**	8,810,296
Less: Current liabilities					
Payables	19	**18,992,028**	21,585,626	**18,985,909**	21,610,767
Current tax liabilities		**13,609**	13,069	**13,609**	13,069
Borrowings	20	**29,944**	207,074	**29,944**	207,074
		19,035,581	21,805,769	**19,029,462**	21,830,910
Net current liabilities		**(17,959,612)**	(13,012,621)	**(17,930,439)**	(13,020,614)
Less: Non current liabilities					
Borrowings	20	**4,638**	412,432	**4,638**	412,432
Net (liabilities)/assets		**(10,807,242)**	1,285,592	**(10,773,374)**	1,265,825
Equity attributable to owners of the Company					
Share capital	21	**3,411,454**	3,411,454	**3,411,454**	3,411,454
Share premium	22	**30,825**	30,825	**30,825**	30,825
Accumulated losses		**(14,251,936)**	(2,159,725)	**(14,215,653)**	(2,176,454)
Shareholders' equity		**(10,809,657)**	1,282,554	**(10,773,374)**	1,265,825
Non-controlling interests		**2,415**	3,038	**-**	-
Total equity		**(10,807,242)**	1,285,592	**(10,773,374)**	1,265,825

The accompanying notes form an integral part of these financial statements.

Group	Attributable to owners of the Company				Non controlling interest	Total equity
	Share capital (Note 21)	Share premium (Note 22)	Accumulated losses	Total		
	RM	RM	RM	RM	RM	RM
At 31 March 2014	32,573,292	-	(16,018,749)	16,554,543	3,829	16,558,372
Issues of shares						
– warrant exercised	1,541,250	30,825	-	1,572,075	-	1,572,075
Capital reduction	(30,703,088)	-	30,703,088	-	-	-
Total comprehensive loss	-	-	(16,844,064)	(16,844,064)	(791)	(16,844,855)
At 30 September 2015	3,411,454	30,825	(2,159,725)	1,282,554	3,038	1,285,592
At 30 September 2015	**3,411,454**	**30,825**	**(2,159,725)**	**1,282,554**	**3,038**	**1,285,592**
Total comprehensive loss	**-**	**-**	**(12,092,211)**	**(12,092,211)**	**(623)**	**(12,092,834)**
At 30 September 2016	**3,411,454**	**30,825**	**(14,251,936)**	**(10,809,657)**	**2,415**	**(10,807,242)**

Company	Share capital (Note 21)	Share premium (Note 22)	Accumulated losses	Total
	RM	RM	RM	RM
At 31 March 2014	32,573,292	-	(16,089,436)	16,483,856
Issue of shares				
– warrant exercised	1,541,250	30,825	-	1,572,075
Capital reduction	(30,703,088)	-	30,703,088	-
Total comprehensive loss	-	-	(16,790,106)	(16,790,106)
At 30 September 2015	3,411,454	30,825	(2,176,454)	1,265,825
At 30 September 2015	**3,411,454**	**30,825**	**(2,176,454)**	**1,265,825**
Total comprehensive loss	**-**	**-**	**(12,039,199)**	**(12,039,199)**
At 30 September 2016	**3,411,454**	**30,825**	**(14,215,653)**	**(10,773,374)**

The accompanying notes form an integral part of the financial statements.

	Note	Group 2016 RM	Group Period ended 30.9.2015 RM	Company 2016 RM	Company Period ended 30.9.2015 RM
Operating activities					
Loss before tax		**(12,092,834)**	(16,844,855)	**(12,039,199)**	(16,790,106)
Adjustments for:					
Depreciation for property, plant and equipment		**1,412,905**	2,566,324	**1,396,436**	2,512,618
Loss on disposal of property, plant and equipment		**584,144**	514,919	**584,144**	514,919
Property, plant and equipment written off		**16,068**	10,547	**16,068**	10,547
Impairment loss for property, plant and equipment		**4,283,097**	-	**4,283,097**	-
Gain on disposal from non-current assets held for disposal		**(1,642,624)**	-	**(1,642,624)**	-
Depreciation for non-current assets held for disposal		**18,786**	43,433	**18,786**	43,433
Unrealised foreign exchange (gain)/loss		**(645,887)**	2,515,492	**(645,887)**	2,515,492
Inventories written down		**317,954**	1,349,875	**317,954**	1,349,875
Impairment loss on trade receivables		**28,075**	77,943	**28,075**	77,943
Reversal of impairment loss on trade receivables		**(600)**	(3,700)	**(600)**	(3,500)
Interest income		**(5,806)**	(24,643)	**(5,806)**	(24,643)
Unwinding of discount on receivables		**-**	(1,024)	**-**	(1,024)
Impairment for unquoted investment		**875,609**	382,741	**875,609**	382,741
Interest expense		**298,169**	386,177	**298,169**	386,177
Operating cash flows before changes in working capital		**(6,552,944)**	(9,026,771)	**(6,515,778)**	(9,025,528)
Changes in working capital					
- inventories		**5,388,143**	(5,232,720)	**5,388,143**	(5,232,720)
- receivables, deposits and prepayments		**492,670**	5,726,169	**486,550**	5,718,730
- payables		**(1,947,711)**	6,575,847	**(1,978,971)**	6,596,878
Cash flows used in operations		**(2,619,842)**	(1,957,475)	**(2,620,056)**	(1,942,640)
Interest paid		**(298,169)**	(386,177)	**(298,169)**	(386,177)
Tax paid		**(600)**	(850)	**(600)**	(850)
Tax refunded		**1,140**	-	**1,140**	-
Net cash flows used in operating activities		**(2,917,471)**	(2,344,502)	**(2,917,685)**	(2,329,667)

	Note	Group 2016 RM	Group Period ended 30.9.2015 RM	Company 2016 RM	Company Period ended 30.9.2015 RM
Investing activities					
Purchase of property, plant and equipment		**(1,780)**	(27,552)	**(1,780)**	(27,552)
Proceeds from disposal of property, plant and equipment		**383,594**	472,679	**383,594**	472,679
Proceeds from disposal of non-current assets held for disposal		**2,861,067**	-	**2,861,067**	-
Interest received		**5,806**	24,643	**5,806**	24,643
Net cash flows from investing activities		**3,248,687**	469,770	**3,248,687**	469,770
Financing activities					
Proceeds from issues of shares for conversion of warrants		**-**	1,572,075	**-**	1,572,075
Repayment of obligations under financing leases		**(67,078)**	(240,369)	**(67,078)**	(240,369)
Repayment of term loans		**(517,846)**	(190,414)	**(517,846)**	(190,414)
Net cash flows (used in)/from financing activities		**(584,924)**	1,141,292	**(584,924)**	1,141,292
Net decrease in cash and cash equivalents		**(253,708)**	(733,440)	**(253,922)**	(718,605)
Cash and cash equivalents					
- at start of the financial year/period		**687,384**	1,420,824	**684,379**	1,402,984
- at end of the financial year/period	18	**433,676**	687,384	**430,457**	684,379

The accompanying notes form an integral part of these financial statements.

1 General information

The principal activities of the Company are flour milling and trading of its related products. The principal activities of the subsidiaries are described in Note 13 to the financial statements.

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 and principal place of business 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 financial statements are presented in Ringgit Malaysia.

2 Basis of preparation of financial statements

(a) The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the individual policy statements in Note 3 to the financial statements and comply with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

(b) The financial statements have been prepared on the assumption that the Group and the Company are going concerns. The Group and the Company incurred net losses during the financial year ended 30 September 2016 of RM12,092,834 and RM12,039,199 respectively and, as at the date, the Group and the Company had net current liabilities of RM17,959,612 and RM17,930,439 respectively and negative shareholders' funds of RM10,809,657 and RM10,773,374 respectively.

The Company is currently formulating to address the Company's PN17 status. The Company is required to submit its Proposed Regularisation Plan ("PRP") to the relevant authorities by 28 December 2016.

The going concern assumption is highly dependent upon successful approval and implementation of the Regularisation Plan and the ability of the Group and the Company to generate sufficient cash flows to fulfil their obligation as and when the fall due.

3 Summary of significant accounting policies

(a) 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 of 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 acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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.

3 Summary of significant accounting policies (continued)

(b) Non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

(c) 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.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings, factory and civil works	20 to 50 years
Plant and machinery	10 to 30 years
Equipment and fixtures	5 years
Motor vehicles	5 to 10 years

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.

(d) 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.

3 Summary of significant accounting policies (continued)

(d) Impairment of non-financial assets (continued)

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. Impairment loss on goodwill is not reversed in a subsequent period.

(e) Subsidiaries

The Group controls an entity when the Group is exposed to, or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

(f) 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 to 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.

(i) 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 are held primarily for trading purposes are presented as current whereas financial assets that are not held primarily for trading purposes are presented as current or non-current based on the settlement date.

The Group and the Company did not have any financial assets at fair value through profit or loss during the financial year ended 30 September 2016.

(ii) 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.

3 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

(iii) 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.

The Group and the Company did not have any held-to-maturity investments during the financial year ended 30 September 2016.

(iv) Available for sale financial assets

Available-for-sale financial assets that are designated as available for sale or are not classified in any of the three preceding categories.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Group's and the Company's right to receive payment is established.

Investments in equity instruments whose fair value cannot be measured reliably are measured at cost less impairment loss.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

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 entirely, 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.

(g) 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.

(i) 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.

3 **Summary of significant accounting policies** (continued)

(g) **Impairment of financial assets** (continued)

(i) **Trade and other receivables and other financial assets carried at amortised cost** (continued)

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 impairment 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.

(ii) **Available for sale financial assets**

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

(h) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, deposits held at call with banks and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) **Inventories**

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

- raw material: 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.

(j) **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.

Provision 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 reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of the time is recognised as a finance cost.

3 Summary of significant accounting policies (continued)

(k) Government grant

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.

(l) 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 MFRS 139, are recognised in the statement 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.

(i) 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 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.

(ii) 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.

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

(m) 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 that the Group and the Company incurred in connection with the borrowing of funds.

3 Summary of significant accounting policies (continued)

(n) 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 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.

(o) 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 the consideration received or receivable.

(i) Sale of goods

Revenue from sale of goods is recognised upon 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 possible return of goods.

(ii) Revenue from services

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

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised using the effective interest method.

(p) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contribution 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.

(ii) Defined contribution plans

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

(iii) 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.

3 Summary of significant accounting policies (continued)

(q) Income taxes

(i) 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.

(ii) 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.

(r) Share capital

Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(s) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial positions of the Group.

(t) Foreign currency

(i) 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.

3 Summary of significant accounting policies (continued)

(t) Foreign currency (continued)

(ii) 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 period.

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

4 Revenue

	Group and Company	
		Period ended
	2016	30.9.2015
	RM	RM
Sales of flour and related products	**3,874,553**	21,283,079
Transportation income	**49,641**	1,809,789
Government grant	**-**	1,770,979
	3,924,194	24,863,847

5 Cost of sales

	Group and Company	
		Period ended
	2016	30.9.2015
	RM	RM
Cost of inventories sold	**8,789,619**	28,416,495
Cost of services rendered	**218,371**	2,322,769
	9,007,990	30,739,264

6 Finance costs

	Group and Company	
		Period ended
	2016	30.9.2015
	RM	RM
Hire purchase	**2,953**	20,861
Term loan	**66,730**	57,338
Short term borrowing	**228,486**	307,978
	298,169	386,177

7 Loss before tax

The following items have been charged/(credited) in arriving at loss before tax:

	Group		Company	
		Period ended		Period ended
	2016	30.9.2015	**2016**	30.9.2015
	RM	RM	**RM**	RM
Auditors' remuneration				
- current year	**54,000**	67,000	**48,000**	60,000
- other services	**3,000**	3,000	**3,000**	3,000
Non-executive directors' remuneration (Note 9)	**105,000**	228,000	**105,000**	228,000
Depreciation of property, plant and equipment	**1,412,905**	2,566,324	**1,396,436**	2,512,618
Loss on disposal of property, plant and equipment	**584,144**	514,919	**584,144**	514,919
Property, plant and equipment written off	**16,068**	10,547	**16,068**	10,547
Depreciation for non-current assets held for disposal	**18,786**	43,433	**18,786**	43,433
Employee benefits expense (Note 8)	**2,326,399**	6,228,074	**2,326,399**	6,228,074
Rental of land and building	**385,948**	588,128	**385,948**	588,128
Rental of software	**39,000**	108,000	**39,000**	108,000
Inventories written down	**317,954**	1,349,875	**317,954**	1,349,875
Impairment loss on trade receivables	**28,075**	77,943	**28,075**	77,943
Impairment for unquoted investment	**875,609**	382,741	**875,609**	382,741
Net foreign exchange (gain)/loss:				
- Realised	**(140,080)**	(2,153)	**(140,080)**	(2,153)
- Unrealised	**(645,887)**	2,517,645	**(645,887)**	2,517,645
Gain on disposal from non-current assets held for disposal	**(1,642,624)**	-	**(1,642,624)**	-
Unwinding of discount on receivables	**-**	(1,024)	**-**	(1,024)
Interest - fixed deposits	**(5,806)**	(24,643)	**(5,806)**	(24,643)
Bad debt recovered	**(21,440)**	-	**(15,000)**	-
Reversal of impairment loss on trade receivables	**(600)**	(3,700)	**(600)**	(3,500)

8 Employee benefits expense

	Group and Company	
		Period ended
	2016	30.9.2015
	RM	RM
Wages and salaries	**1,969,364**	5,194,280
Social security contributions	**28,548**	79,811
Pension costs – defined contribution plan	**276,060**	762,757
Other staff related expenses	**52,427**	191,226
	2,326,399	6,228,074

9 Directors' remuneration

	Group and Company	
	2016	Period ended 30.9.2015
	RM	RM
Executive directors' remuneration		
- salaries and other emoluments	**224,941**	360,000
- pension costs – defined contribution plan	**38,863**	68,400
	263,804	428,400
Non - executive Directors (Note 7)		
- Fees	**105,000**	228,000
Total directors' remuneration (Note 23)	**368,804**	656,400

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

	Number of Directors	
	2016	Period ended 30.9.2015
Executive directors:		
RM50,001 - RM100,000	**-**	-
RM100,001 - RM150,000	**-**	-
RM150,001 - RM200,000	**-**	-
RM200,001 - RM250,000	**-**	-
RM250,001 - RM300,000	**1**	-
RM300,001 - RM350,000	**-**	-
RM350,001 - RM400,000	**-**	1
Non-executive directors:		
Up to RM50,000	**3**	5

10 Taxation

(a) Tax charge for the year/period

There is no tax charge as the Group and the Company are in tax loss position.

(b) Numerical reconciliation of income tax expense

The explanation on the difference in the tax on the Group's and Company's loss and the theoretical amount that would arise using the statutory income tax rate of Malaysia is as follows:

	Group		Company	
		Period ended		Period ended
	2016	30.9.2015	**2016**	30.9.2015
	RM	RM	**RM**	RM
Loss before tax	**(12,092,834)**	(16,844,855)	**(12,039,199)**	(16,790,106)
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	**(2,902,280)**	(4,211,214)	**(2,889,408)**	(4,197,526)
Tax effect of:				
- expenses not deductible for tax purposes	**1,341,901**	1,188,797	**1,329,029**	1,173,276
- income not taxable	**(1,153,621)**	-	**(1,153,621)**	-
- utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**-**	(1,833)	**-**	-
- deferred tax assets not recognised in respect of current year tax losses and deductible temporary differences	**2,714,000**	3,024,250	**2,714,000**	3,024,250
	-	-	**-**	-

(c) 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	
		Period ended		Period ended
	2016	30.9.2015	**2016**	30.9.2015
	RM	RM	**RM**	RM
Unused tax losses	**59,161,447**	48,250,447	**53,933,000**	43,022,000
Deductible temporary differences	**4,079,000**	2,400,000	**4,079,000**	2,400,000
Unutilised reinvestment allowances	**9,972,944**	9,972,944	**9,972,944**	9,972,944

The unused tax losses and unutilised reinvestment allowance of the Group are available for 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 the guidelines issued by the tax authority.

11 Loss per share

(a) Basic

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

	Group	
	2016	Period ended 30.9.2015
Loss net of tax attributable to owners of the Company used in the computation of basic and diluted loss per share (RM)	**(12,092,211)**	(16,844,064)
Weighted average number of ordinary shares for basic loss per share computation	**68,229,084**	67,183,176
Basic loss per share (sen)	**(17.72)**	(25.07)

(b) Diluted

Diluted loss per share is not presented as the effect is anti-dilutive.

12 Property, plant and equipment

Group	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
Cost					
At 31 March 2014	10,447,918	37,373,614	5,468,225	8,299,450	61,589,207
Additions	-	-	27,552	-	27,552
Reclassified to non-current assets held for disposal	(581,769)	-	-	-	(581,769)
Written off	-	-	(853,360)	-	(853,360)
Disposal	-	-	(1,280)	(1,843,179)	(1,844,459)
At 30 September 2015	9,866,149	37,373,614	4,641,137	6,456,271	58,337,171
Addition	**-**	**-**	**-**	**1,780**	**1,780**
Disposal	**-**	**-**	**(2,980)**	**(3,741,073)**	**(3,744,053)**
Written off	**(69,804)**	**(275,149)**	**(236,158)**	**(1,962,086)**	**(2,543,197)**
At 30 September 2016	**9,796,345**	**37,098,465**	**4,401,999**	**754,892**	**52,051,701**

12 Property, plant and equipment (continued)

Group (continued)	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
Accumulated depreciation and Impairment losses					
At 31 March 2014	5,882,599	27,884,217	4,793,638	5,601,632	44,162,086
Depreciation	374,903	1,414,569	295,636	481,216	2,566,324
Reclassified to non-current assets held for disposal	(49,450)	-	-	-	(49,450)
Written off	-	-	(842,813)	-	(842,813)
Disposal	-	-	(810)	(856,051)	(856,861)
At 30 September 2015	6,208,052	29,298,786	4,245,651	5,226,797	44,979,286
Depreciation	**249,282**	**909,736**	**132,426**	**121,461**	**1,412,905**
Written off	**(69,804)**	**(275,149)**	**(240,041)**	**(1,942,135)**	**(2,527,129)**
Impairment losses recognised	**1,729,204**	**2,553,893**	**-**	**-**	**4,283,097**
Disposal	**-**	**-**	**(1,919)**	**(2,774,396)**	**(2,776,315)**
Reclassification	**-**	**11,593**	**26,107**	**(37,700)**	**-**
At 30 September 2016	**8,116,734**	**32,498,859**	**4,162,224**	**594,027**	**45,371,844**
Net carrying amount					
At 30 September 2015	3,658,097	8,074,828	395,486	1,229,474	13,357,885
At 30 September 2016	**1,679,611**	**4,599,606**	**239,775**	**160,865**	**6,679,857**

Company	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
Cost					
At 31 March 2014	10,378,114	37,098,465	4,996,748	6,097,816	58,571,143
Additions	-	-	27,552	-	27,552
Reclassified to non-current assets held for disposal	(581,769)	-	-	-	(581,769)
Written off	-	-	(853,360)	-	(853,360)
Disposal	-	-	(1,280)	(1,843,179)	(1,844,459)
At 30 September 2015	9,796,345	37,098,465	4,169,660	4,254,637	55,319,107
Additions	**-**	**-**	**-**	**1,780**	**1,780**
Written off	**-**	**-**	**(162,602)**	**(1,204,647)**	**(1,367,249)**
Disposal	**-**	**-**	**(2,980)**	**(2,296,878)**	**(2,299,858)**
At 30 September 2016	**9,796,345**	**37,098,465**	**4,004,078**	**754,892**	**51,653,780**

12 Property, plant and equipment (continued)

Company (continued)	**Buildings, factory and civil works RM**	**Plant and machinery RM**	**Equipment and fixtures RM**	**Motor vehicles RM**	**Total RM**
Accumulated depreciation and Impairment losses					
At 31 March 2014	5,812,795	27,620,661	4,418,857	3,362,298	41,214,611
Depreciation	374,903	1,414,569	241,930	481,216	2,512,618
Reclassified to non-current assets held for disposal	(49,450)	-	-	-	(49,450)
Written off	-	-	(842,813)	-	(842,813)
Disposal	-	-	(810)	(856,051)	(856,861)
At 30 September 2015	6,138,248	29,035,230	3,817,164	2,987,463	41,978,105
Depreciation	**249,282**	**909,736**	**115,957**	**121,461**	**1,396,436**
Written off	**-**	**-**	**(166,485)**	**(1,184,696)**	**(1,351,181)**
Impairment losses recognised	**1,729,204**	**2,553,893**	**-**	**-**	**4,283,097**
Disposal	**-**	**-**	**(1,919)**	**(1,330,201)**	**(1,332,120)**
At 30 September 2016	**8,116,734**	**32,498,859**	**3,764,717**	**594,027**	**44,974,337**
Net carrying amount					
At 30 September 2015	3,658,097	8,063,235	352,496	1,267,174	13,341,002
At 30 September 2016	**1,679,611**	**4,599,606**	**239,361**	**160,865**	**6,679,443**

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 the year-end is as follows:

	Group and Company	
	2016 RM	2015 RM
Not later than 1 year	**354,865**	346,697
Later than 1 year and not later than 5 years	**940,358**	1,295,020
Later than 5 years	**3,380,491**	3,380,466
	4,675,714	5,022,183

<u>Assets held under finance leases</u>

The carrying amounts of property, plant and equipment held under finance leases at the reporting date are as follows:

	Group and Company	
	2016 RM	2015 RM
Motor vehicles	**102,528**	281,181
Plant and machinery	**-**	95,538
Equipment and fixtures	**-**	106,723
	102,528	483,442

13 Investments in subsidiaries

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	**1,346,108**	1,346,107
Less: Accumulated impairment losses	**(1,340,999)**	(1,340,998)
	5,109	5,109

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Proportion (%) of ownership interest 2016 %	2015 %	Principal activities
KFM Transport Sdn Bhd	Malaysia	**100**	100	Dormant
KFM Marketing Sdn Bhd	Malaysia	**100**	100	Dormant
KFM Ventures Sdn Bhd	Malaysia	**100**	100	Dormant
KFM Biotechnology Sdn Bhd	Malaysia	**100**	100	Dormant
KFM Industries Sdn Bhd	Malaysia	**100**	100	Dormant
KFM Trading Sdn Bhd	Malaysia	**51**	51	Dormant

All subsidiaries are audited by McMillan Woods Thomas.

14 Other investment

	Group and Company 2016 RM	Group and Company 2015 RM
Available-for-sale financial asset		
Unquoted shares, at cost	**1,735,501**	1,735,501
Impairment loss	**(1,258,350)**	(382,741)
	477,151	1,352,760

15 Non – current assets held for disposal

The disposals completed during the financial year upon completion of the conditions in the Sale and Purchase Agreements.

Movements of the assets are as follows:

	Group and Company 2016 RM	Group and Company 2015 RM
Office building held for disposal:		
At start of the financial year/period	**1,237,229**	748,343
Reclassified from property, plant and equipment	**-**	532,319
Depreciation for the financial year/period	**(18,786)**	(43,433)
Disposal during the financial year/period	**(1,218,443)**	-
At end of the financial year/period	**-**	1,237,229

16 Inventories

	Group and Company	
	2016	2015
	RM	RM
Cost		
Finished goods	**15,015**	64,079
Work - in – progress	**-**	188,495
Consumables	**366,349**	819,192
	381,364	1,071,766
Net realisable value		
Raw materials	**-**	5,015,695
	381,364	6,087,461

17 Receivables, deposits and prepayments

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Trade receivables – third parties	**354,007**	707,409	**210,809**	564,211
Less: Impairment loss	**(318,211)**	(303,636)	**(175,015)**	(160,440)
	35,796	403,773	**35,794**	403,771
Other receivables	**567,028**	682,471	**567,027**	682,471
Less: Impairment loss	**(500,000)**	(500,000)	**(500,000)**	(500,000)
	67,028	182,471	**67,027**	182,471
Amounts due from subsidiaries	**-**	-	**26,276**	20,155
Deposits	**24,716**	31,591	**24,716**	31,591
Prepayments	**133,389**	163,239	**133,389**	163,239
	260,929	781,074	**287,202**	801,227

Trade receivables are non-interest bearing and are generally on 7 to 90 days (2015: 7 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

17 Receivables, deposits and prepayments (continued)

Ageing analysis of trade receivables

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

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Neither past due nor impaired	**-**	238,211	**-**	238,211
1 to 30 days past due not impaired	**-**	21,743	**-**	21,743
31 to 60 days past due not impaired	**-**	4,798	**-**	4,798
61 to 90 days past due not impaired	**-**	3,085	**-**	3,085
More than 90 days past due not impaired	**35,796**	135,936	**35,794**	135,934
	35,796	165,562	**35,794**	165,560
Impaired	**318,211**	303,636	**175,015**	160,440
	354,007	707,409	**210,809**	564,211

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 and the Company have trade receivables amounting to RM35,796 (2015: RM165,562) and RM35,794 (2015: RM165,560) respectively that are past due at 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. As at 30 September 2016, 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.

17 Receivables, deposits and prepayments (continued)

Trade receivables that is 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			
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Trade receivables				
- nominal amount	**318,211**	303,636	**175,015**	160,440
Less: Impairment losses	**(318,211)**	(303,636)	**(175,015)**	(160,440)
	-	-	-	-

Movement in allowance accounts:

	Group		**Company**	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
At start of the financial year/period	**303,636**	248,048	**160,440**	85,997
Charge for the financial year/period	**28,075**	77,943	**28,075**	77,943
Written off	**(12,900)**	(18,655)	**(12,900)**	-
Reversal of impairment losses	**(600)**	(3,700)	**(600)**	(3,500)
At end of the financial year/period	**318,211**	303,636	**175,015**	160,440

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.

Other receivable that is impaired

At the reporting date, the Company has provided an allowance of RM500,000 (2015: RM500,000) for impairment of the amount due from a third party with a nominal amount of RM500,000 (2015: RM500,000).

There has been no movement in this allowance account for the financial year ended 30 September 2016 (2015: RM500,000).

18 Cash and cash equivalents

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Deposits with licensed banks	**240,000**	450,000	**240,000**	450,000
Cash and bank balances	**193,676**	237,384	**190,457**	234,379
Deposits, cash and bank balances	**433,676**	687,384	**430,457**	684,379
Deposits pledged as security	**(240,000)**	(450,000)	**(240,000)**	(450,000)
	193,676	237,384	**190,457**	234,379

The effective weighted average interest rate of the deposits at the end of the year/period was as follows:

	Group and Company	
	2016	2015
	%	%
Deposits with licensed banks	**3.45**	3.45

19 Payables

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Trade payables	**13,006,801**	14,945,275	**12,995,612**	14,932,261
Other payables	**5,204,395**	4,694,075	**5,204,395**	4,694,075
Accruals	**780,832**	1,472,314	**774,332**	1,465,314
Deposits	**-**	473,962	**-**	473,962
Amounts due to subsidiaries	**-**	-	**11,570**	45,155
	18,992,028	21,585,626	**18,985,909**	21,610,767

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2015: 30 to 90 days).

The amounts due to subsidiaries are unsecured, non-interest bearing and are repayable on demand.

20 Borrowings

	Group and Company	
	2016	2015
	RM	RM
Current		
Finance leases	**29,944**	69,676
Term loans	**-**	137,398
	29,944	207,074
Non-current		
Finance leases	**4,638**	31,984
Term loans	**-**	380,448
	4,638	412,432
Total borrowings	**34,582**	619,506

The remaining maturities of the borrowings as at 30 September are as follows:

	Group and Company	
	2016	2015
	RM	RM
On demand within one year	**29,944**	207,074
More than 1 year and less than 2 years	**4,638**	178,454
More than 2 years and less than 5 years	**-**	233,978
	34,582	619,506

Finance leases

Finance leases are secured by a charge over leased assets (Note 12). The average discount rate implicit in the leases of the Group and of the Company is 4.56% (2015: 6.83%) per annum.

Term loans

The term loans of the Group and of the Company for financial period 30 September 2015 are secured by deed of assignment of all rights, titles and interest of 3 units of shop lots owned by the Company.

21 Share capital

	Ordinary shares of RM0.05 each			
	2016 Unit	2015 Unit	**2016 RM**	2015 RM
Authorised				
At start of the financial year/period	**150,000,000**	150,000,000	**7,500,000**	75,000,000
Capital reduction	**-**	-	**-**	(67,500,000)
At end of the financial year/period	**150,000,000**	150,000,000	**7,500,000**	7,500,000
Issued and fully paid				
At start of the financial year/period	**68,229,084**	65,146,584	**3,411,454**	32,573,292
Issued during the financial year/period	**-**	3,082,500	**-**	1,541,250
Capital reduction	**-**	-	**-**	(30,703,088)
At end of the financial year/period	**68,229,084**	68,229,084	**3,411,454**	3,411,454

22 Share premium

	2016 RM	2015 RM
At start of the financial year/period	**30,825**	-
Issued during the financial year/period	**-**	30,825
At end of the financial year/period	**30,825**	30,825

Share premium is arising from the issue of ordinary shares and are non-distributable by way of dividends.

23 Significant related party disclosures

Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the year/period are as follows:

	Group and Company	
	2016 RM	2015 RM
Short term employee benefits	**858,502**	1,689,524
Post-employment benefits: Defined contribution plan	**126,612**	256,150
	985,114	1,945,674
Included in the total key management personnel are:		
Directors' remuneration (Note 9)	**368,804**	656,400

24 Commitments

(a) Operating lease commitment – as lessee

Information regarding the operating lease in relation to lease of land for the factory is disclosed in Note 12.

(b) Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment (Note 12). 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 payments are as follows:

	Group and Company	
	2016	2015
	RM	RM
Minimum lease payments		
Not later than 1 year	**30,845**	72,628
Later than 1 year and not later than 2 years	**4,665**	32,913
Total minimum lease payments	**35,510**	105,541
	(928)	(3,881)
	34,582	101,660
Present value of payments		
Not later than 1 year	**29,944**	69,676
Later than 1 year and not later than 2 years	**4,638**	31,984
Present value of minimum lease payments	**34,582**	101,660
Less amount due within 12 months	**(29,944)**	(69,676)
Amounts due after 12 months	**4,638**	31,984

25 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

	Group and Company			
	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RM	**RM**	RM	RM
Financial assets:				
Unquoted shares	**477,151**	*	1,352,760	*
Financial liabilities				
Non-current				
Term loans	-	-	380,448	245,462
Finance leases	**4,638**	**4,638**	31,984	32,016

*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.

25 Fair value of financial instruments (continued)

(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	17
Trade and other payables	19
Borrowings	20

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

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

26 Financial risk management objectives and policies

The Group and Company are exposed to financial risks arising from their operations and 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 risks management process.

It is, and has been throughout the current and previous financial period, 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 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.

26 Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

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			
	2016		2015	
	RM	**% of total**	RM	% of total
By country:				
Malaysia	**35,796**	**100.0**	**403,773**	**100.0**

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 17. 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 17.

(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 arise 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.

Group - 2016 **Financial liabilities**	**On demand or within one year** **RM**	**1 to 5 years** **RM**	**Total** **RM**
Trade and other payables	18,211,196	-	**18,211,196**
Accruals	780,832	-	**780,832**
Loans and borrowings	29,944	4,638	**34,582**
Total undiscounted financial liabilities	19,021,972	4,638	**19,026,610**

Company - 2016	**RM**	**RM**	**RM**
Trade and other payables	18,200,007	-	**18,200,007**
Accruals	774,332	-	**774,332**
Loans and borrowings	29,944	4,638	**34,582**
Total undiscounted financial liabilities	19,004,283	4,638	**19,008,921**

26 Financial risk management objectives and policies (continued)

(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 loss net of tax would remain unchanged because all term loans of the Group have been fully repaid in December 2015 and August 2016.

(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 purchase that are denominated in a currency other than the functional currency of the Group ie RM. The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD").

Approximately NIL (2015: 0.91%) and 62.86% (2015: 53.93%) 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 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) RM
USD/RM – strengthened 5%	**283,113**
USD/RM – weakened 5%	**(283,113)**

27 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 reasonable 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.

27 Capital management (continued)

	Group		Company	
	2016	2015	**2016**	2015
	RM	RM	**RM**	RM
Borrowings	**34,582**	619,506	**34,582**	619,506
Trade and other payables	**18,992,028**	21,111,664	**18,985,909**	21,136,805
Less: Deposits, cash and bank balances	**(433,676)**	(687,384)	**(430,457)**	(684,379)
Net debt	**18,592,934**	21,043,786	**18,590,034**	21,071,932
Equity attributable to owners of the Company	**(10,809,657)**	1,282,554	**(10,773,374)**	1,265,825
Capital and net debt	**7,783,277**	22,326,340	**7,816,660**	22,337,757
Gearing ratio	**239%**	94%	**238%**	94%

28 Segmental information

Geographical information

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

	Revenue	
	2016	2015
	RM	RM
Malaysia	**3,924,194**	24,637,479
Singapore	**-**	226,368
	3,924,194	24,863,847

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

29 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.

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.

Key sources of estimation uncertainty

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

29 Significant accounting judgements and estimates (continued)

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 10 to 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.

Impairment on property, plant and equipment

The Group assesses whether there are indicators of impairment for all its assets at the end of the reporting year. The assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. The Group engaged an independent valuer (the Valuer) to perform a valuation on property, plant and equipment. The Valuer valued property, plant and equipment using market value method. The values of the property, plant and equipment under the market value method are based on "as is where is" basis. The valuation has taken into consideration the cost of replacement, respective ages, estimated remaining life, intensity of use, the state of repair and current prices for similar used property.

30 Adoption of new and revised Malaysian Financial Reporting Standards and Interpretations

During the financial year, the Group has adopted the following new and revised Malaysian Financial Reporting Standards and Interpretations (collectively referred to as 'MFRSs'), issued by the Malaysian Accounting Standards Board ('MASB') and effective for the financial periods beginning on or after 1 July 2014:

MFRSs that do not have significant impacts on these financial statements

The following new and revised MFRSs issued by the MASB, effective for financial periods beginning on or after 1 July 2014, have been adopted, but the adoptions do not have a significant impact on the financial statements:

<u>Effective for financial period beginning on or after 1 July 2014</u>

Amendments to MFRS 119	Defined Benefit Plans: Employee Contributions

Annual Improvements to MFRSs 2010 – 2012 Cycle:

Amendment to MFRS 2	Share-based Payment
Amendment to MFRS 3	Business Combinations
Amendment to MFRS 8	Operating Segments
Amendment to MFRS 13	Fair Value Measurement
Amendment to MFRS 116	Property, Plant and Equipment
Amendment to MFRS 124	Related Party Disclosures
Amendment to MFRS 138	Intangible Assets

Annual Improvements to MFRSs 2011 – 2013 Cycle:

Amendment to MFRS 1	First-time Adoption of Financial Reporting Standards
Amendment to MFRS 3	Business Combinations
Amendment to MFRS 13	Fair Value Measurement
Amendment to MFRS 140	Investment Property

31 Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following Standards, Amendments and Issue Committee ("IC") Interpretations have been issued by the Malaysian Accounting Board (MASB) but are not yet effective and have not been adopted by the Group.

<u>Effective for financial period beginning on or after 1 January 2016</u>

Amendments to MFRS 10, MFRS 12, MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
MFRS 14	Regulatory Deferral Accounts
MFRS 101	Disclosure Initiative
Amendments to MFRS 116, MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116, MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Annual Improvements to MFRSs 2012 – 2014 Cycle:	
Amendment to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendment to MFRS 7	Financial Instruments: Disclosures
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 134	Interim Financial Reporting

<u>Effective for the financial period beginning on or after 1 January 2017</u>

Amendments to MFRS 107	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to MFRSs 2014 – 2016 Cycle:	
Amendment to MFRS 12	Disclosure of Interests in Other Entities

<u>Effective for financial period beginning on or after 1 January 2018</u>

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customers
MFRS 15	Clarification to MFRS 15
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfers of Investment Property
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRSs 2014 – 2016 Cycle:	
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 128	Investments in Associates and Joint Ventures

<u>Effective for financial period beginning on or after 1 January 2019</u>

MFRS 16	Leases

32 Significant events during the financial year

(a) On 28 December 2015, the Company has announced that it is an affected listed issuer as it has triggered Paragraph 2.1(a) of the Practice Note No. 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as the shareholders' equity of the Company on a consolidated basis is 25% or less of the issued and paid-up capital of the Company and such shareholders' equity is less than RM40 million based on the Company's unaudited management accounts as at 30 November 2015.

The Company has 12 months from 28 December 2015 to submit a regularisation plan to the relevant authorities.

(b) On 30 September 2016, due to severe cash flow situation and prolonged loss position, the Company has ceased its flour milling operations for the time being pending regularisation plan to be in place.

33 Significant events occurring after the reporting period

(a) On 19 October 2016 the warrant issued by the Company had expired and delisted on 20 October 2016

(b) On 9 December 2016, the Company secured a Letter of Interest (LOI) from Felcra Bhd on its interest to explore and possibility to participate in the Company's equity

(c) On 13 December 2016 and 28 December 2016, the Company has applied to Bursa Malaysia to seek for extension of time for 6 months on PN17 status to finalise its regularisation plan and the outcome of Bursa Malaysia's decision on its application for extension of time to submit its regulation plan is still pending

(d) On 14 December 2016, the Company had received a letter from Felcra Bhd informing that they are retracting their register interest and ceasing all exploratory pursuit to participate in the Company's equity

(e) On 27 December 2016, the Company has entered into a Memorandum of Understanding (MOU) with Lotus Essential Sdn Bhd (Lotus). As part of the Company proposal to restructure its debts and reconstruct its business, the Company is proposing to, amongst others to carry out an equity fund raising exercise via a rights issues and special issue of shares and cooperate and collaborate with Lotus to carry out flour milling activities and trading of flour and food related products.

34 Supplementary information on the breakdown of realised and unrealised profits and losses

The breakdown of the retained profits of the Group and of the Company as at 30 September 2016, into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by Malaysian Institute of Accountants.

	Group 2016 RM	Company 2016 RM
Total accumulated losses of the Company and its subsidiaries		
Realised	(13,275,456)	(15,437,570)
Unrealised	1,221,917	1,221,917
Less: Consolidation adjustments	(2,198,397)	-
Accumulated losses as per financial statements	(14,251,936)	(14,215,653)

35 Approval of financial statements

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 11 January 2017.

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Kushairi bin Zaidel and Leong Chen Nyen, being two of the Directors of Kuantan Flour Mills Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 19 to 56 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 September 2016 and of the results and cash flows of the Group and of the Company for the financial year then ended.

The supplementary information set out in Note 34 on page 56 have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institutes of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

In accordance with a resolution of the Board of Directors dated 11 January 2017.

Kushairi bin Zaidel
Director

Leong Chen Nyen
Director

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 financial statements set out on pages 19 to 56 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.

Chan Sen San

Subscribed and solemnly declared by the abovenamed Chan Sen San

At: Kuantan

On: 11 January 2017

Before me:

Pesuruhjaya Sumpah Malaysia
No. C108
Chan Chiu Wah
41 Jalan Mahkota
25000 Kuantan
Pahang Darul Makmur

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 30 September 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 19 to 56.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

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

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

Basis of qualified opinion

Going concern

The Group and the Company incurred net losses during the financial year ended 30 September 2016 of RM12,092,834 and RM12,039,199 respectively and, as at that date, the Group and the Company had net current liabilities of RM17,959,612 and RM17,930,439 respectively and negative shareholders' funds of RM10,809,657 and RM10,773,374 respectively.

The Company has yet to finalise any business plan to revive the Group since the announcement made on 28 December 2015 on its status as an affected issuer under Practice Note No.17 ("PN17"). This situation indicates the existence of a material uncertainty that may cast significant doubt on the Group and the Company ability to continue as a going concern and therefore the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis of Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Group and the Company as at 30 September 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Act, to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

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

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other reporting responsibilities

The supplementary information set out in Note 34 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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.

McMillan Woods Thomas
(AF 001879)
Chartered Accountants

Chong Loong Choy
[2589/08/18(J)]
Partner of the firm

Kuantan 11 January 2017

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Authorised Share Capital	:	RM7,500,000 of 150,000,000 ordinary shares of RM0.05 each
Issued and fully paid	:	RM3,411,454 comprising 68,229, 084 ordinary shares of RM0.05 each
Class of share	:	Ordinary shares of RM0.05 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	%
Dennis Tow Jun Fye	9,606,000	14.080	-	-
Neo Kim Hock	5,346,250	7.840	-	-

SIZE OF HOLDINGS	No. of Holders MALAYSIAN	FOREIGN	No. of Shares MALAYSIAN	FOREIGN	% MALAYSIAN	FOREIGN
Less Than 100	82	2	1,781	59	0.00	0.00
100 - 1000	1,002	8	949,195	7,600	1.39	0.01
1001 - 10000	1,551	22	6,605,033	106,700	9.68	0.16
10001 - 100000	502	15	17,188,616	488,700	25.19	0.72
100001 and below 5%	78	6	26,309,900	2,493,800	38.56	3.66
5% and above	2	0	14,077,700	-	20.63	0.00
	3,217	53	65,132,225	3,096,859	95.46	4.54

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company – Kuantan Flour Mills Berhad

Name of Directors	No. of Shares Direct Interest	%	Deemed Interest	%
Kushairi bin Zaidel	-	-	-	-
Leong Chen Nyen	-	-	-	-
Iskandar Zurkanain bin Mohamed	-	-	-	-

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.

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	NO. OF SHARES	%
1	DENNIS TOW JUN FYE	9,606,000	14.08
2	NEO KIM HOCK	4,471,700	6.55
3	LEE CHAI HUAT	2,180,000	3.20
4	LIM SAM KEOW	2,005,200	2.94
5	KOH OON MOI	1,400,000	2.05
6	CITIGROUP NOMINEES (ASING) SDN BHD (EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED [CLIENT A/C-NR])	969,700	1.42
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM KIAM HOOI	900,300	1.32
8	MERCURY SECURITIES SDN BHD (BENEFICIARY PDT [093-778] LIM TONG WEE)	900,000	1.32
9	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (MAYBANK KIM ENG SECURITIES PTE LTD FOR TAN BOON KIAT)	858,200	1.26
10	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT)	833,000	1.22
11	ROZANA BINTI REDZUAN	752,700	1.10
12	CIMSEC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD [RETAIL CLIENTS])	722,500	1.06
13	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR ZULKIFLI BIN ISMAIL [MARGIN])	536,900	0.79
14	GAN LAM SEONG	500,000	0.73
15	SAW LEE LENG	500,000	0.73
16	TAN SIOW HWEE	485,000	0.71
17	CHIENG KEE SIANG	424,900	0.62
18	CHUE CHING WEN	400,000	0.59
19	TAN PEK LENG	400,000	0.59
20	TIU LAY LAY	388,000	0.57
21	CHAN WAI KIM	380,000	0.56
22	LEW CHEE CHING	375,700	0.55
23	UOB KAY HIAN NOMINEES (ASING) SDN BHD (EXEMPT AN FOR UOB KAY HIAN PTE LTD [A/C CLIENTS])	359,600	0.53
24	LEAW MEE HWA	350,000	0.51
25	LEW KIM LEONG	350,000	0.51
26	EAGLE OPTION SDN BHD	340,000	0.50
27	CHNG (CHING) JOONG SIEW	323,800	0.47
28	NG KAY HOCK	310,000	0.45
29	ABDULLAH BIN MAT DESA	300,000	0.44
30	SAW LEE LENG	300,000	0.44
		32,623,200	47.81

LIST OF PROPERTIES HELD BY THE GROUP as at 30 September 2016

A summary of KFM-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	31 years and 24 years	933 1,751
Pajakan Negeri 550 Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	17 years and 7 months lease expiring on 30 December 2027	1-Jun-10	4,253 sq. metres	Wheat silos	14 years	1,678

NOTICE IS HEREBY GIVEN that the Thirty–Second Annual General Meeting of the Company will be held at the Casuarina Hall, Swiss Garden Beach Resort, 2656–2657, Mukim Sungai Karang, Balok Beach, 26100 Beserah, Kuantan, Pahang, Malaysia on Monday, 27 February 2017 at 3.00 p.m. for the purpose of transacting the following businesses: -

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 30 September 2016 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 30 September 2016. (Resolution 1)

3. To re-elect as Director, Leong Chen Nyen, 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 re-elect as Director, Iskandar Zurkanain Bin Mohamed , who retires by rotation in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for re-election. (Resolution 3)

5. To re-appoint Messrs. McMillan Woods Thomas (Audit Firm No.AF001879) 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 Resolutions:

6. Ordinary Resolution
   Retention of Kushairi Bin Zaidel as Independent Non-Executive Director (Resolution 5)
   " That Kushairi Bin Zaidel, whose tenure on the Board exceeds a cumulative term of more than nine (9) years be and is hereby retained as Independent Non-Executive Director of the Company." (Refer to Note 7)

7. Ordinary Resolution
   Retention of Leong Chen Nyen as Independent Non-Executive Director (Resolution 6)
   " That, subject to the passing of Resolution 2, Leong Chen Nyen , whose tenure on the Board exceeds a cumulative term of more than nine (9) years be and is hereby retained as Independent Non-Executive Director of the Company." (Refer to Note 7)

8. Ordinary Resolution
   Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965 (Resolution 7)
   "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 8)

9. Special Resolution
   Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments") (Resolution 8)

   "That the proposed amendments to the Articles of Association of the Company as set out in the APPENDIX attached hereto and are hereby approved and adopted;

   And That the Directors and the Secretary of the Company be and are hereby authorized to carry out the necessary formalities in effecting the Proposed Amendments." (Refer to Note 9 and APPENDIX)

10. 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
31 January 2017

Notes:

1. Only a member whose name appears on the Record of Depositors as at 20 February 2017 shall be entitled to attend the meeting and to speak and vote thereat. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. A member may appoint one or more than one proxy to attend and vote instead of the member. Where a member appoints two or more proxies, the appointments shall be invalid unless the member 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 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 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 Form of Proxy.

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 30 September 2016 and 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. **Retention of Independent Non-Executive Directors**
   Pursuant to the Malaysian Code on Corporate Governance 2012, the Board of Directors has vide the Nomination Committee, conducted an assessment to assess the independence of Kushairi bin Zaidel and Leong Chen Nyen, who have served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and has recommended them to continue to serve as Independent Non-Executive Director of the Company,

   Full details of the Board's Justifications for the retention of Kushairi bin Zaidel and Leong Chen Nyen is set out in the Statement of Corporate Governance in the 2016 Annual Report.

8. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**
The General Mandate pursuant to Resolution 7 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.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 31 March 2016 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

Ordinary Resolution No. 7, 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.

9. **Proposed Amendments to the Articles of Association of the Company ("Proposed Amendments")**
The proposed Resolution 8, if passed, will bring the Articles of Association of the Company in line with the amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Details of the Proposed Amendments are set out in the Appendix attached hereto.

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:
- Leong Chen Nyen

Name of Director who is standing for Re-election pursuant to Article 68:
- Iskandar Zurkanain Bin Mohamed

The details of the Directors who are standing for re-election /re-appointment are set out in the Directors' Profile on Page 17 and their securities holdings in the Company are set out in the Statistics on Shareholdings on Page 60 of this Annual Report.

The Annual Report 2016 of the Company is in CD-ROM format.

A printed copy of the Annual Report 2016 shall be provided to the shareholders within four (4) market days from the date of receipt of their written request to:

Kawasan Lembaga Pelabuhan Kuantan
KM25, Jalan Kuantan/Kemaman
Tanjung Gelang
25740 Kuantan
Fax to 609-5833618

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

Existing Articles	Proposed Amended Articles
Article 51 - Poll to be taken If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the chairman directs, and the result of the poll shall be the resolution of the meeting at which the poll was demanded, but a poll demanded on the election of a chairman or on a question of adjournments shall be taken forthwith	Article 51 - Poll to be taken If a poll is duly demanded it shall be taken in such manner and either at once or after an interval or adjournment or otherwise as the chairman directs, and the result of the poll shall be the resolution of the meeting at which the poll was demanded, but a poll demanded on the election of a chairman or on a question of adjournments shall be taken forthwith. **The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than, the question on which the poll has been demanded.** **The poll may be conducted manually using voting slips or electronically using various form of electronic voting devices. Such votes shall be counted by the poll administrator, and verified by the scrutineers, as may be appointed by the Company for the purpose of determining the outcome of the resolution(s) to be decided on poll.**

Existing Articles	Proposed Amended Articles
Article 97- Accounts to be kept The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be opened to the inspection of members not being Directors and no member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorized by the Directors or by the Company in general meeting. **The interval between the close of the financial year of the Company and the issue of the annual audited accounts, the directors' and auditors' report shall not exceed four (4) months.**	Article 97- Accounts to be kept The Directors shall cause proper accounting and other records to be kept and shall distribute copies of balance sheets and other documents as required by the Act and shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounting and other records of the Company or any of them shall be opened to the inspection of members not being Directors and no member (not being a Director) shall have any right of inspecting any account or book or paper of the Company except as conferred by statute or authorized by the Directors or by the Company in general meeting.

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 Thirty -Second Annual General Meeting of the Company to be held on Monday, 27 February 2017 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 30 September 2016		
2. Re-election of Director, Leong Chen Nyen		
3. Re-election of Director , Iskandar Zurkanain Bin Mohamed		
4. Re-appointment of Messrs. McMillan Woods Thomas (Audit Firm No.AF001879) as Auditors and to authorize the Directors to fix their remuneration		
SPECIAL BUSINESS		
5. Retention of Independent Non-Executive Director, Kushairi Bin Zaidel		
6. Retention of Independent Non-Executive Director, Leong Chen Nyen		
7. Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
8. Proposed Amendments to the Articles of Association of the Company		

(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 %

Signed this ____________ Day of ______________, 2017.

CDS account no:
Number of shares held :

____
Signature or Common Seal of Shareholder

Notes:

1. Only a member whose name appears on the Record of Depositors as at 20 February 2017 shall be entitled to attend the meeting and to speak and vote thereat. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. A member may appoint one or more than one proxy to attend and vote instead of the member. Where a member appoints two or more proxies, the appointments shall be invalid unless the member 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 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 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 Form of Proxy.
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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AFFIX STAMP

The Company Secretary
KUANTAN FLOUR MILLS BERHAD (119598-P)
Kawasan Lembaga Pelabuhan Kuantan
KM 25, Jalan Kuantan/Kemaman
Tanjung Gelang, 25740 Kuantan, Pahang

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KFM

KUANTAN FLOUR MILLS BERHAD

(119598-P)