KUANTAN FLOUR MILLS BERHAD
(119598-P)

Annual Report 2015

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CORPORATE STRUCTURE

KUANTAN FLOUR MILLS BERHAD
(119598-P)

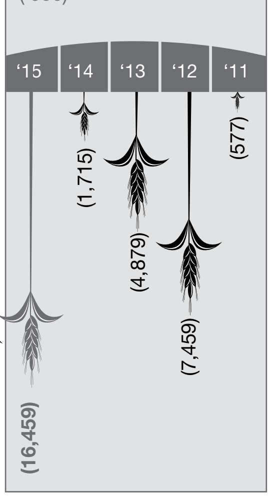
- 100% KFM Transport Sdn Bhd
- 100% KFM Ventures Sdn Bhd
- 100% KFM Biotechnology Sdn Bhd
- 100% KFM Industries Sdn Bhd
- 100% KFM Marketing Sdn Bhd
- 51% KFM Trading Sdn Bhd

GROUP FINANCIAL HIGHLIGHTS

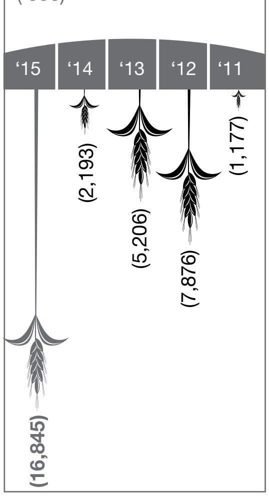
	2015 ’000	2014 ’000	2013 ’000	2012 ’000	2011 ’000
Revenue	24,864	41,655	48,813	53,798	63,159
Operating loss	(16,459)	(1,715)	(4,879)	(7,459)	(577)
Loss before tax	(16,845)	(2,193)	(5,206)	(7,876)	(1,177)
Loss after tax and minority interests	(16,845)	(2,193)	(5,206)	(7,876)	(1,177)
Shareholders' funds	1,286	16,558	18,751	23,957	21,781
Net tangible assets	1,286	16,558	18,751	23,957	21,781
Tangible assets	23,504	30,117	35,176	41,810	44,563
Basic loss per share (sen)	(25.07)	(3.36)	(7.99)	(14.33)	(2.61)
Net Assets per share (sen)	1.88	25.42	28.78	36.77	48.35

REVENUE
(‘000)

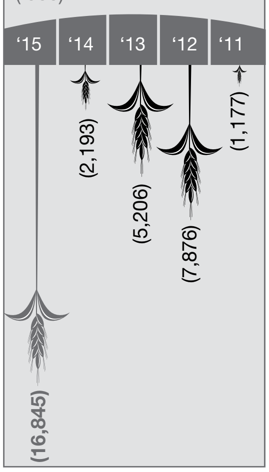
OPERATING LOSS
(‘000)



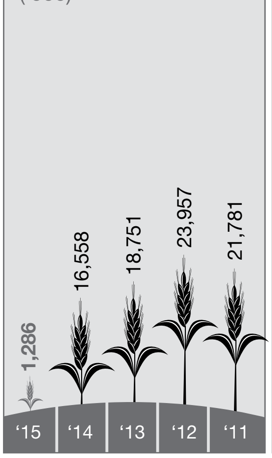
LOSS BEFORE TAX
(‘000)



LOSS AFTER TAX AND MINORITY INTERESTS
(‘000)

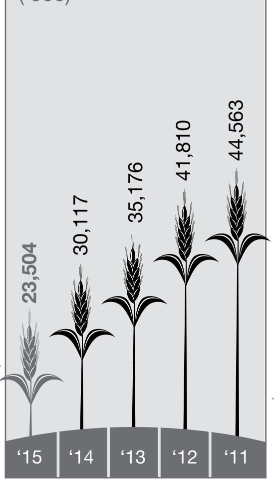


SHAREHOLDERS’ FUNDS
(‘000)

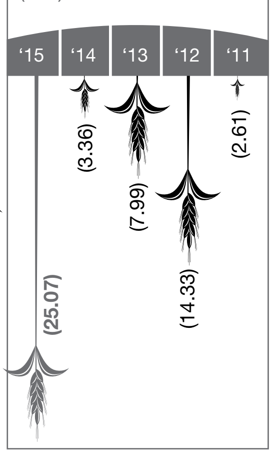


NET TANGIBLE ASSETS
(‘000)

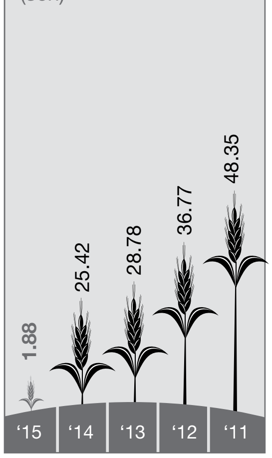
TANGIBLE ASSETS
(‘000)



BASIC LOSS PER SHARE
(sen)



NET ASSETS PER SHARE
(sen)



CORPORATE INFORMATION

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)

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)

Dato' Mohd Hasnulhisham bin Yaakob
(Independent, Non-Executive Director)
(Appointed on 7 May 2012 and resigned on 25 June 2015)

Ng Kay Eng
(Independent, Non-Executive Director)
(Resigned on 24 September 2009, reappointed on 21 December 2009 and resigned on 11 August 2014)

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)
(Appointed on 20 August 2014)

Ng Kay Eng
(Member, Independent, Non-Executive Director)
(Resigned on 11 August 2014)

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
P. O. Box 387
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 Product
Stock Short Name: KFM
Code : 8303

WARRANTS

Main Market of Bursa Malaysia Securities Berhad
Stock Short Name: KFM-WA
Code : 8303-WA

WEBSITE

www.kfmb.com.my

CHAIRMAN'S STATEMENT

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 period ended 30th September 2015. I would like to highlight that there was a change in the financial year end from 31st March to 30th September as per our announcement to Bursa Malaysia on 29th April 2015. The financial statements have been prepared in accordance with the Financial Reporting Standards and the Companies Act 1965 in Malaysia.

FINANCIAL REVIEW

The Group generated and achieved a significantly reduced revenue of RM 24.86 million as compared to the previous financial year's revenue of RM 41.66 million. The decreased revenue was due to the weak financial position of the company and aggravated by the weakening of the Ringgit. We have to further reduce our operation and production level which correspondently affected our sales levels and revenue. We were unable to achieve the required minimum level of production much less to attain the desired economies of scale due to financial constraints.

The Group incurred a higher loss of RM 16.85 million during the financial period ended 30 September 2015 as compared to the previous year's loss of RM 2.19 million. The higher loss incurred was also due to losses on disposal of assets, unrealized foreign exchange loss, written down of inventories, impairment loss on unquoted investment and also due to the additional six (6) months results with the change in our financial period ended to 30th September.

Our weak financial position was further deteriorated by the weak Ringgit versus the US Dollar.

OVERVIEW OF THE INDUSTRY

The Malaysian domestic flour market demand was stable but the industry was challenged by increased wheat cost and compounded by fluctuation in foreign currency exchange rate.

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 and the market demand for flour is anticipated to remain stable or good.

SUBSIDIARY COMPANIES

All subsidiary companies remain dormant during the financial period 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:

1) Safety awareness programs.
2) Continuous training and development programs for employees of all levels throughout the year to enhance their skills, knowledge and competence
3) Annual dinner and festive gatherings for our employees.

PROSPECTS FOR THE YEAR AHEAD

Last year the Group had embarked on an appropriate corporate exercise to acquire some potential business to increase and diversify its revenue bases. Unfortunately it was aborted due to some unforeseen/unavoidable circumstances.

The Group made an announcement to Bursa Malaysia on 28th December 2015 to declare it has become a PN17 entity. The Group will have a 12 months period to regularize its business subject to obtaining the necessary approvals from the authorities. We are still actively identifying strategic businesses that could potentially enhance the future revenue and earnings of the Group.

In its milling business, the way forward to the company is to increase the flour production and sales level through the injection of fresh funding, forging alliances with global wheat traders and/or acquire other alternatives source of operation and revenues that shall bring us stable and sustainable income.

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. We shall remain committed to ensure the success in any implementation 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 commitment last year despite having to face a lot of uncertainties and operational challenges; let's keep up the drive to take KFM further afield.

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 Dato' Mohd Hasnulhisham bin Yaakob and Mr. Ng Kay Eng who have resigned from the Board of Directors during the financial period. Their endless contributions to the company would always be remembered and appreciated.

We thank you.

Kushairi bin Zaidel
Independent, Non-Executive Chairman

CORPORATE GOVERNANCE STATEMENT

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

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

BOARD OF DIRECTORS

This is an experienced Board comprising members with a wide and diverse range of business, financial and technical backgrounds who leads the Group. A brief profile of each Director is presented on pages 17 to 18 of this Annual Report.

BOARD BALANCE

The Board currently has four (4) Directors, comprising one (1) Executive and three (3) Non-Executives. 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's discussions and decision making.

BOARD MEETINGS

During the financial period ended 30 September 2015, the Board met on 10 occasions.

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

Directors	Number of Board Meetings held during Tenure in office	Attendance
Kushairi bin Zaidel	10	9
Lee Chee Kiean	10	10
Leong Chen Nyen	10	10
Dennis Tow Jun Fye	10	10
Dato' Mohd Hasnulhisham bin Yaakob (resigned on 25 June 2015)	9	3
Ng Kay Eng (resigned on 11 August 2014)	2	2

SUPPLY OF INFORMATION

All Directors review the Board's reports prior to the Board meeting. The reports are being issued at least 7 days prior to the meeting in order for Board members to obtain further explanations and information, where necessary. The Board's reports include (i) Progress report of the Company, and (ii) Major operational and financial issues.

Where a potential conflict of interest arises, it is mandatory for the Director concerned to declare his interest and abstain from the deliberation and decision-making process.

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIRECTORS' TRAINING

All the Directors have attended the Mandatory Accreditation Programme ("MAP") prescribed by Bursa Malaysia Securities Berhad. 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 period under review, the Directors attended various briefings, conferences and seminar programmes covering areas that included corporate governance, leadership, relevant industry updates and global busines developments.

NOMINATION AND REMUNERATION COMMITTEES AND PROCEDURES

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

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

Leong Chen Nyen (Chairman)
Kushairi bin Zaidel
Dennis Tow Jun Fye (Appointed on 20 August 2014)

The aggregate directors' remuneration paid or payable or otherwise made available to all directors of the Company during the financial period ended 30 September 2015 are as follows:-

	Executive	Non-Executive	Total
Salary and other emuloments	360,000	–	360,000
Pension costs - defined Contribution plans	68,400	–	68,400
Fees	–	228,000	228,000
	428,400	228,000	656,400

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

	Executive	Non-Executive
Below RM50, 000	–	5
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	–	–
RM300,001 to RM350,000	–	–
RM350,001 to RM400,000	1	–
	1	5

AUDIT COMMITTEE

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

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

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

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

ANNUAL GENERAL MEETING

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

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

RELATIONSHIP WITH EXTERNAL AUDITORS

The role of Audit Committee in relation to the external auditors is described on pages 12 to 14. The Company has always maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

FINANCIAL REPORTING

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

INTERNAL CONTROL

The Group's Internal Control Statement is set out at pages 15 to 16 of this Annual Report.

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

The financial statements for the financial year have been made out in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 and to give a true and fair view of the state of affairs of the Group and of the Company for the financial year ended.

In preparing the financial statements, the Directors have:

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

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

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

OTHER INFORMATION

Non audit fee

The amount of non-audit fees paid to external auditors for the financial period ended 30 September 2015 is RM8,000.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

At the date of issuance of this Annual Report, 3,082,500 Warrants 2011/2016 had been exercised.

Save for the above, the Company did not issue any options, warrants or convertible securities during the financial period ended 30 September 2015.

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;
- Revaluation on Landed Properties;
- Recurrent Related Party Transaction of Revenue or Trading Nature.

AUDIT COMMITTEE REPORT

The members of the Audit Committee of the Company are pleased to present their report for the financial period ended 30 September 2015.

The present members of the Audit Committee comprise:-

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)
(Appointed on 20 August 2014)

Ng Kay Eng
(Member, Independent, Non-Executive Director)
(Resigned on 11 August 2014)

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 period under review are as set out below:

Member	Number of Audit Committee Meetings held during tenure in office	Attendance
Leong Chen Nyen	7	7
Kushairi bin Zaidel	7	7
Dennis Tow Jun Fye (appointed on 20 August 2014)	4	4
Ng Kay Eng (resigned on 11 August 2014)	2	2

Summary of Activities

The Audit Committee carried out the following activities during the financial period ended 30 September 2015:

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board of Directors ("Board") is pleased to provide herewith the Statement on Risk Management and Internal Control of the Group in accordance with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad's Listing Requirements and in consideration with the principles and recommendations relating to risk management and internal controls provided in the Malaysian Code on Corporate Governance.

Board's Responsibilities

The Board recognizes 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, the Board is also aware that due to inherent limitations in any internal control system, it can only provide reasonable and not absolute assurance against any material loss or fraud. Risks cannot be completely eliminated. 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 Framework

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

System of Internal Control

The key elements that the Directors had established within the Group in reviewing the adequacy and integrity of the system of internal control are as follows:

- Clear Group vision, mission, corporate objectives and strategic direction which are communicated to employees at all levels;
- A well defined organization structure, which is updated regularly, with clear reporting lines, responsibilities and delegated authority provides a sound framework within the organization in facilitating check and balances for proper decision making;
- A clear definition of the terms of reference for various committees of the Board of Directors;
- Quarterly review of financial results by the Audit Committee and the Board;
- Well documented internal policies, objectives and operational procedures formulated in compliance with ISO certification;
- Executive Director's active direct involvement in the business operations;
- 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;
- Regular credit reviews being conducted to monitor receivables and continuing updating credit procedures and policies;
- Corporate values, which emphasize on ethical behavior, are set out in the Group's human resource handbook;
- Annual Nomination Committee meeting conducted to enshrined its terms of reference, annual review of the Board of Director on the mix of skills /experiences / other qualities and review the terms of office / performance of the Audit Committee;
- Key business functions of the Group are centralized in the corporate office which enables strenuous monitoring and quick impartment of risk management strategies;
- Adequate insurance coverage of major assets to ensure that assets of the Group are sufficiently covered against mishap that may result in material losses to the Group.
- Safety guidelines for occupational safety and health

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 period ended 30 September 2015. 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 Executive Officer and 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 period ended 30 September 2015 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 26 February 2016.

BOARD OF DIRECTORS

Kushairi bin Zaidel, is a Malaysian, aged 58, 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.

Lee Chee Kiean, is a Malaysian, aged 53, holds a Bachelor Degree in Economics from the University of Dalhousie, Canada. He joined KFMB in 1986 as a Marketing Executive and has held various Managerial positions in the Group and is currently the Executive Director / Chief Executive Officer of the Group. He is also the Deputy Chairman of the Flour Millers Association of Malaysia.

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

Leong Chen Nyen, is a Malaysian, aged 58 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.

Dennis Tow Jun Fye, is a Malaysian, aged 30, 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 presently sits on the Audit, Remuneration and Nomination Committees as an ordinary member.

Mr Dennis is a substantial shareholder of the Company and as at 24 February 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.

Dato' Mohd Hasnulhisham bin Yaakob, is a Malaysian, aged 56, holds a Bachelor Degree in Arts (Geography/ Mass Communication) from the University Sains Malaysia, Pulau Pinang, Malaysia. He is currently the Chairman of Dal Mar Hasil Sdn Bhd, a company involved in the mining industry. Before his involvement in the mining industry, he held several managerial positions in Malayan Banking Berhad, ABN-AMRO Bank N.V., Shah Alam Properties Berhad, Perangsang Templer Golf Club, SAP Holdings Berhad and Templer Park Golf & Resort Berhad.

He has resigned as an Independent Non-Executive Director on 25 June 2015.

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

DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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 period ended 30 September 2015.

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 period.

CHANGE IN REPORTING PERIOD

The financial period-end of the Company was changed from 31 March to 30 September.

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the period attributable to equity holders of the Company	(16,844,064)	(16,790,106)

DIVIDENDS

No dividend has been paid or declared by the Company since 31 March 2014. The Directors do not recommend the payment of any dividend for the current financial period.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial period 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:

Lee Chee Kiean	
Leong Chen Nyen	
Kushairi bin Zaidel	
Dennis Tow Jun Fye	
Ng Kay Eng	Resigned on: 11.8.2014
Dato' Mohd Hasnulhisham bin Yaakob	Resigned on: 25.6.2015

DIRECTORS' BENEFITS

During and at the end of the financial period, 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 year, 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, particulars of interests of Directors who held office at the end of the financial period in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.05 (31.3.2014: RM0.50) each			
	1.4.2014	**Acquired**	**Sold**	**30.9.2015**
Direct interest - in the Company				
Lee Chee Kiean	16,000	–	–	16,000
Dennis Tow Jun Fye	9,251,000	254,000	–	9,505,000

Other than disclosed above, according to the register of directors' shareholdings, the other Directors in office at the end of the financial period did not hold any interest in shares in the Company and its related corporations during the financial period.

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

ISSUE OF SHARES

During the period, the Company has increased its issued and fully paid ordinary share capital from 65,146,584 to 68,229,084 by issuance of 3,082,500 ordinary shares of RM0.50 each for warrants exercised during the period.

The new ordinary shares issued during the financial period ranked pari passu in all respect with the existing ordinary shares of the Company.

CAPITAL REDUCTION

During the period, the Company has reduced its share capital from RM34,114,542 comprising 68,229,084 ordinary shares of RM0.50 each to RM3,411,454 comprising 68,229,084 ordinary shares of RM0.05 each by way of cancellation of RM0.45 of the par value of the existing ordinary shares in the Company against the accumulated losses of the Company. The capital reduction was done via a High Court Order dated 10 September 2015.

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 are expiring 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 (31.3.2014: RM0.50) each			
	1.4.2014	**Issued**	**Exercised**	**30.9.2015**
Number of unissued shares under warrants	23,382,426	–	(3,082,500)	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 period 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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 period 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 period.

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 period were not substantially affected by any item, transaction or event of a material and unusual nature; and

- there has not arisen in the interval between the end of the financial period 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 period 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 12 January 2016

Dennis Tow Jun Fye
Director

Lee Chee Kiean
Director

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2015

		Group		Company	
		2015	31.3.2014	2015	31.3.2014
	Note	RM	RM	RM	RM
Revenue	4	**24,863,847**	41,655,418	**24,863,847**	41,655,418
Cost of sales	5	**(30,739,264)**	(42,763,680)	**(30,739,264)**	(42,763,680)
Gross loss		**(5,875,417)**	(1,108,262)	**(5,875,417)**	(1,108,262)
Other operating income		**37,350**	4,366,917	**29,168**	4,365,417
Administrative expenses		**(8,324,902)**	(3,124,716)	**(8,261,971)**	(3,082,636)
Selling expenses		**(2,295,709)**	(1,849,194)	**(2,295,709)**	(1,849,194)
Finance costs	6	**(386,177)**	(477,789)	**(386,177)**	(477,789)
Loss before tax	7	**(16,844,855)**	(2,193,044)	**(16,790,106)**	(2,152,464)
Taxation	10	**–**	–	**–**	–
Net loss for the period, representing total comprehensive loss for the period		**(16,844,855)**	(2,193,044)	**(16,790,106)**	(2,152,464)
Attributable to:					
Equity holders of the Company		**(16,844,064)**	(2,192,974)	**(16,790,106)**	(2,152,464)
Non-controlling interests		**(791)**	(70)	**–**	–
		(16,844,855)	(2,193,044)	**(16,790,106)**	(2,152,464)
Loss per share attributable to equity holders of the Company (sen)					
Basic	11(a)	**(25.07)**	(3.36)	**–**	–
Diluted	11(b)	**–**	–	**–**	–

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2015

	Note	Group 2015 RM	Group Year ended 31.3.2014 RM	Company 2015 RM	Company Year ended 31.3.2014 RM
Non current assets					
Property, plant and equipment	12	**13,357,885**	17,427,121	**13,341,002**	17,356,532
Investments in subsidiaries	13	**–**	–	**5,109**	5,109
Other investment	14	**1,352,760**	1,735,501	**1,352,760**	1,735,501
Trade receivables		**–**	1,024	**–**	1,024
		14,710,645	19,163,646	**14,698,871**	19,098,166
Current assets					
Non-current assets held for disposal	15	**1,237,229**	748,343	**1,237,229**	748,343
Inventories	16	**6,087,461**	2,204,616	**6,087,461**	2,204,616
Receivables, deposits and prepayments	17	**781,074**	6,579,438	**801,227**	6,592,352
Deposits, cash and bank balances	18	**687,384**	1,420,824	**684,379**	1,402,984
		8,793,148	10,953,221	**8,810,296**	10,948,295
Less: Current liabilities					
Payables	19	**21,585,626**	12,494,287	**21,610,767**	12,498,397
Current tax liabilities		**13,069**	13,919	**13,069**	13,919
Borrowings	20	**207,074**	301,475	**207,074**	301,475
		21,805,769	12,809,681	**21,830,910**	12,813,791
Net current liabilities		**(13,012,621)**	(1,856,460)	**(13,020,614)**	(1,865,496)
Less: Non current liabilities					
Borrowings	20	**412,432**	748,814	**412,432**	748,814
Net assets		**1,285,592**	16,558,372	**1,265,825**	16,483,856
Equity attributable to owners of the Company					
Share capital	21	**3,411,454**	32,573,292	**3,411,454**	32,573,292
Share premium	22	**30,825**	–	**30,825**	–
Accumulated losses		**(2,159,725)**	(16,018,749)	**(2,176,454)**	(16,089,436)
Shareholders' equity		**1,282,554**	16,554,543	**1,265,825**	16,483,856
Non-controlling interests		**3,038**	3,829	**–**	–
Total equity		**1,285,592**	16,558,372	**1,265,825**	16,483,856

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2015

Group	Note	Attributable to owners of the Company: Share capital (Note 21) RM	Share premium (Note 22) RM	Accumulated losses RM	Total RM	Non-controlling interest RM	Total equity RM
At 31 March 2013		32,573,292	–	(13,825,775)	18,747,517	3,899	18,751,416
Total comprehensive loss		–	–	(2,192,974)	(2,192,974)	(70)	(2,193,044)
At 31 March 2014		32,573,292	–	(16,018,749)	16,554,543	3,829	16,558,372
At 31 March 2014		**32,573,292**	**–**	**(16,018,749)**	**16,554,543**	**3,829**	**16,558,372**
Issues of shares							
– warrant exercised	21	**1,541,250**	**30,825**	**–**	**1,572,075**	**–**	**1,572,075**
Capital reduction	21	**(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**

Company	Note	Share capital (Note 21) RM	Share premium (Note 22) RM	Accumulated losses RM	Total RM
At 31 March 2013		32,573,292	–	(13,936,972)	18,636,320
Total comprehensive loss		–	–	(2,152,464)	(2,152,464)
At 31 March 2014		32,573,292	–	(16,089,436)	16,483,856
At 31 March 2014		**32,573,292**	**–**	**(16,089,436)**	**16,483,856**
Issue of shares					
– warrant exercised	21	**1,541,250**	**30,825**	**–**	**1,572,075**
Capital reduction	21	**(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**

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

STATEMENTS OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	Note	Group 2015 RM	Group Year ended 31.3.2014 RM	Company 2015 RM	Company Year ended 31.3.2014 RM
Operating activities					
Loss before tax		**(16,844,855)**	(2,193,044)	**(16,790,106)**	(2,152,464)
Adjustments for:					
Depreciation for property, plant and equipment		**2,566,324**	1,825,966	**2,512,618**	1,790,160
Loss/(Gain) on disposal of property, plant and equipment		**514,919**	(303,076)	**514,919**	(303,076)
Property, plant and equipment written off		**10,547**	–	**10,547**	–
Depreciation for non-current assets held for disposal		**43,433**	–	**43,433**	–
Unrealised foreign exchange loss		**2,515,492**	207,283	**2,515,492**	207,283
Inventories written down		**1,349,875**	–	**1,349,875**	–
Impairment loss on trade receivables		**77,943**	17,393	**77,943**	17,393
Reversal of impairment loss on trade receivables		**(3,700)**	(8,254)	**(3,500)**	(7,354)
Interest income		**(24,643)**	(22,137)	**(24,643)**	(22,137)
Unwinding of discount on receivables		**(1,024)**	(7,214)	**(1,024)**	(7,214)
Liabilities no longer required		**–**	(4,025,635)	**–**	(4,025,635)
Impairment for unquoted investment		**382,741**	–	**382,741**	–
Interest expense		**386,177**	477,789	**386,177**	477,789
Operating cash flows before changes in working capital		**(9,026,771)**	(4,030,929)	**(9,025,528)**	(4,025,255)
Changes in working capital					
- inventories		**(5,232,720)**	652,442	**(5,232,720)**	652,442
- receivables, deposits and prepayments		**5,726,169**	2,369,399	**5,718,730**	2,364,665
- payables		**6,575,847**	1,227,155	**6,596,878**	1,227,330
Cash flows (used in)/from operations		**(1,957,475)**	218,067	**(1,942,640)**	219,182
Interest paid		**(386,177)**	(477,789)	**(386,177)**	(477,789)
Tax paid		**(850)**	(1,140)	**(850)**	(1,140)
Tax refunded		**–**	8,895	**–**	8,895
Net cash flows used in operating activities		**(2,344,502)**	(251,967)	**(2,329,667)**	(250,852)

Statements of Cash Flows (continued)

FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	Note	Group 2015 RM	Group Year ended 31.3.2014 RM	Company 2015 RM	Company Year ended 31.3.2014 RM
Investing activities					
Purchase of property, plant and equipment		**(27,552)**	(32,810)	**(27,552)**	(32,810)
Proceeds from disposal of property, plant and equipment		**472,679**	580,000	**472,679**	580,000
Interest received		**24,643**	22,137	**24,643**	22,137
Net cash flows from investing activities		**469,770**	569,327	**469,770**	569,327
Financing activities					
Proceeds from issues of shares for conversion of warrants		**1,572,075**	–	**1,572,075**	–
Repayment of obligations under financing leases		**(240,369)**	(219,859)	**(240,369)**	(219,859)
Repayment of term loans		**(190,414)**	(117,312)	**(190,414)**	(117,312)
Net cash flows from/(used in) financing activities		**1,141,292**	(337,171)	**1,141,292**	(337,171)
Net decrease in cash and cash equivalents		**(733,440)**	(19,811)	**(718,605)**	(18,696)
Cash and cash equivalents					
- at start of the financial period/year		**1,420,824**	1,440,635	**1,402,984**	1,421,680
- at end of the financial period/year	18	**687,384**	1,420,824	**684,379**	1,402,984

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2015

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 Group and the Company incurred net losses during the financial period ended 30 September 2015 of RM16,844,855 and RM16,790,106 respectively and as of that date, the Group and the Company had net current liabilities of RM13,012,621 and RM13,020,614 respectively.

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.

Freehold land has an unlimited useful life and therefore is not depreciated. 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")).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets (continued)

(i) Financial assets at fair value through profit or loss (continued)

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 period ended 30 September 2015.

(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.

(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 period ended 30 September 2015.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets (continued)

(iv) Available for sale financial assets (continued)

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.

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of financial assets (continued)

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income taxes (continued)

(ii) Deferred tax (continued)

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.

(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 2015 RM	Year ended 31.3.2014 RM
Sales of flour and related products	**21,283,079**	37,529,134
Transportation income	**1,809,789**	1,814,709
Government grant	**1,770,979**	2,311,575
	24,863,847	41,655,418

5 COST OF SALES

	Group and Company 2015 RM	Year ended 31.3.2014 RM
Cost of inventories sold	**28,416,495**	40,683,004
Cost of services rendered	**2,322,769**	2,080,676
	30,739,264	42,763,680

6 FINANCE COSTS

	Group and Company 2015 RM	Year ended 31.3.2014 RM
Hire purchase	**20,861**	31,658
Term loan	**57,338**	74,290
Short term borrowing	**307,978**	371,841
	386,177	477,789

7 LOSS BEFORE TAX

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

	Group		Company	
	2015	**Year ended 31.3.2014**	**2015**	**Year ended 31.3.2014**
	RM	**RM**	**RM**	**RM**
Auditors' remuneration				
- current year	**67,000**	55,000	**60,000**	48,000
- over accrued previous year	**–**	(2,000)	**–**	–
- other services	**3,000**	3,000	**3,000**	3,000
Non-executive directors' remuneration (Note 9)	**228,000**	33,000	**228,000**	33,000
Depreciation of property, plant and equipment	**2,566,324**	1,825,966	**2,512,618**	1,790,160
Loss/(Gain) on disposal of property, plant and equipment	**514,919**	(303,076)	**514,919**	(303,076)
Employee benefits expense (Note 8)	**6,228,074**	5,076,830	**6,228,074**	5,076,830
Rental of land and building	**588,128**	407,345	**588,128**	407,345
Rental of software	**108,000**	72,000	**108,000**	72,000
Inventories written down	**1,349,875**	–	**1,349,875**	–
Net foreign exchange loss/(gain):				
- realised	**(2,153)**	2,283	**(2,153)**	2,283
- unrealised	**2,517,645**	207,283	**2,517,645**	207,283
Impairment loss on trade receivables	**77,943**	17,393	**77,943**	17,393
Unwinding of discount on receivables	**(1,024)**	(7,214)	**(1,024)**	(7,214)
Interest - fixed deposits	**(24,643)**	(22,137)	**(24,643)**	(22,137)
Reversal of impairment loss on trade receivables	**(3,700)**	(8,254)	**(3,500)**	(7,354)
Bad debts recovered	**–**	(600)	**–**	–

8 EMPLOYEE BENEFITS EXPENSE

	Group and Company	
	2015	**Year ended 31.3.2014**
	RM	**RM**
Wages and salaries	**5,194,280**	4,243,843
Social security contributions	**79,811**	59,739
Pension costs – defined contribution plan	**762,757**	559,914
Other staff related expenses	**191,226**	213,334
	6,228,074	5,076,830

9 DIRECTORS' REMUNERATION

	Group and Company	
		Year ended
	2015	31.3.2014
	RM	RM
Executive directors' remuneration		
- salaries and other emoluments	**360,000**	240,000
- pension costs – defined contribution plan	**68,400**	45,600
	428,400	285,600
Non - executive Directors (Note 7)		
- Fees	**228,000**	33,000
Total directors' remuneration (Note 23)	**656,400**	318,600

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

	Number of Directors	
		Year ended
	2015	31.3.2014
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:		
Below RM1 – RM50,000	**5**	2

10 TAXATION

(a) Tax charge for the period/year

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	
	2015 RM	**Year ended 31.3.2014 RM**	**2015 RM**	**Year ended 31.3.2014 RM**
Loss before tax	**(16,844,855)**	(2,193,044)	**(16,790,106)**	(2,152,464)
Tax calculated at the Malaysian tax rate of 25% (31.3.2014: 25%)	**(4,211,214)**	(548,261)	**(4,197,526)**	(538,116)
Tax effect of:				
- expenses not deductible for tax purposes	**1,188,797**	100,913	**1,173,276**	90,393
- income not taxable	**–**	(241,777)	**–**	(241,777)
- utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(1,833)**	(375)	**–**	–
- deferred tax assets not recognised in respect of current year tax losses and deductible temporary differences	**3,024,250**	689,500	**3,024,250**	689,500
	–	–	**–**	–

(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	
	2015 RM	**Year ended 31.3.2014 RM**	**2015 RM**	**Year ended 31.3.2014 RM**
Unused tax losses	**48,250,447**	38,553,447	**43,022,000**	33,325,000
Deductible temporary differences	**2,400,000**	–	**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 period, net of tax attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial period.

	Group 2015	Group Year ended 31.3.2014
Loss net of tax attributable to owners of the Company used in the computation of basic and diluted loss per share (RM)	**(16,844,064)**	(2,192,974)
Weighted average number of ordinary shares for basic loss per share computation	**67,183,176**	65,146,584
Basic loss per share (sen)	**(25.07)**	(3.36)

(b) Diluted

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

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
Cost						
At 1 April 2013	11,700	11,429,063	37,373,614	5,381,015	8,828,003	63,023,395
Additions	–	–	–	87,210	–	87,210
Reclassified to non-current assets held for disposal	–	(866,000)	–	–	–	(866,000)
Disposal	(11,700)	(115,145)	–	–	(528,553)	(655,398)
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**

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
Accumulated depreciation					
At 1 April 2013	5,764,640	26,882,314	4,577,318	5,607,979	42,832,251
Additions	283,330	1,001,903	216,320	324,413	1,825,966
Reclassified to non-current assets held for disposal	(117,657)	–	–	–	(117,657)
Disposal	(47,714)	–	–	(330,760)	(378,474)
At 31 March 2014	5,882,599	27,884,217	4,793,638	5,601,632	44,162,086
Additions	**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**
Net carrying amount					
At 31 March 2014	4,565,319	9,489,397	674,587	2,697,818	17,427,121
At 30 September 2015	**3,658,097**	**8,074,828**	**395,486**	**1,229,474**	**13,357,885**

Company	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
Cost						
At 1 April 2013	11,700	11,359,259	37,098,465	4,909,538	6,626,369	60,005,331
Additions	–	–	–	87,210	–	87,210
Reclassified to non-current assets held for disposal	–	(866,000)	–	–	–	(866,000)
Disposal	(11,700)	(115,145)	–	–	(528,553)	(655,398)
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**

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	**Buildings, factory and civil works RM**	**Plant and machinery RM**	**Equipment and fixtures RM**	**Motor vehicles RM**	**Total RM**
Accumulated depreciation					
At 1 April 2013	5,694,836	26,618,758	4,238,343	3,368,645	39,920,582
Additions	283,330	1,001,903	180,514	324,413	1,790,160
Reclassified to non-current assets held for disposal	(117,657)	–	–	–	(117,657)
Disposal	(47,714)	–	–	(330,760)	(378,474)
At 31 March 2014	5,812,795	27,620,661	4,418,857	3,362,298	41,214,611
Additions	**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**
Net carrying amount					
At 31 March 2014	4,565,319	9,477,804	577,891	2,735,518	17,356,532
At 30 September 2015	**3,658,097**	**8,063,235**	**352,496**	**1,267,174**	**13,341,002**

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 period-end is as follows:

	Group and Company	
	2015 RM	**31.3.2014 RM**
Not later than 1 year	**346,697**	322,498
Later than 1 year and not later than 5 years	**1,295,020**	1,403,747
Later than 5 years	**3,380,466**	3,779,685
	5,022,183	5,505,930

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets held under finance leases

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

	Group and Company	
	2015	**31.3.2014**
	RM	**RM**
Motor vehicles	**281,181**	439,486
Plant and machinery	**95,538**	144,833
Equipment and fixtures	**106,723**	138,943
	483,442	723,262

Assets pledged as security

The net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 20) are as follows:

	Group and Company	
	2015	**31.3.2014**
	RM	**RM**
Buildings	**–**	1,280,662

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2015	**31.3.2014**
	RM	**RM**
Unquoted shares, at cost	**1,346,107**	1,346,107
Less: Accumulated impairment losses	**(1,340,998)**	(1,340,998)
	5,109	5,109

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Proportion (%) of ownership interest 2015 %	Proportion (%) of ownership interest 31.3.2014 %	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	
	2015	**31.3.2014**
	RM	**RM**
Available-for-sale financial asset		
Unquoted shares, at cost	**1,735,501**	1,735,501
Impairment loss	**(382,741)**	–
	1,352,760	1,735,501

15 NON – CURRENT ASSETS HELD FOR DISPOSAL

During the period the Company has entered into sale and purchase agreements as follows:

(a) On 10 July 2015 the Company has signed a sale and purchase agreement on the disposal of its 2 units of office building, located in Subang Jaya, Selangor Darul Ehsan, for total consideration of RM2,100,000.

(b) On 15 September 2015 the Company has also signed a sale and purchase agreement on the disposal of its 1 unit of office building, located in Johor Bahru, Johor Darul Takzim, for total consideration of RM890,000.

The disposals are not taken up in the current financial period due to certain conditions have yet to be complied with.

All the assets above are pledged as securities for loans and borrowings (Note 20).

Details of the assets are as follows:

	Group and Company	
	2015	**31.3.2014**
	RM	**RM**
Office building held for disposal:		
At start of the period/year	**748,343**	–
Reclassified from property, plant and equipment	**532,319**	748,343
Depreciation for the period/year	**(43,433)**	–
At end of the period/year	**1,237,229**	748,343

16 INVENTORIES

	Group and Company	
	2015	**31.3.2014**
	RM	**RM**
Cost		
Raw materials	**–**	283,395
Finished goods	**64,079**	772,579
Work - in - progress	**188,495**	66,099
Consumables	**819,192**	1,082,543
	1,071,766	2,204,616
Net realisable value		
Raw materials	**5,015,695**	–
	6,087,461	2,204,616

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2015 RM	31.3.2014 RM	2015 RM	31.3.2014 RM
Non current				
Trade receivables - third parties	**–**	–	**–**	–
Add: Unwinding of discount	**–**	1,024	**–**	1,024
	–	1,024	**–**	1,024
Current				
Trade receivables – third parties	**707,409**	6,054,395	**564,211**	5,892,342
Less: Impairment loss	**(303,636)**	(248,048)	**(160,440)**	(85,997)
	403,773	5,806,347	**403,771**	5,806,345
Other receivables	**682,471**	1,049,896	**682,471**	1,049,896
Less: Impairment loss	**(500,000)**	(500,000)	**(500,000)**	(500,000)
	182,471	549,896	**182,471**	549,896
Amounts due from subsidiaries	**–**	–	**20,155**	20,716
Deposits	**31,591**	51,371	**31,591**	43,571
Prepayments	**163,239**	171,824	**163,239**	171,824
	781,074	6,579,438	**801,227**	6,592,352

Trade receivables are non-interest bearing and are generally on 7 to 90 days (31.3.2014: 7 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	Group		Company	
	2015 RM	31.3.2014 RM	2015 RM	31.3.2014 RM
Neither past due nor impaired	**238,211**	5,368,296	**238,211**	5,368,296
1 to 30 days past due not impaired	**21,743**	96,164	**21,743**	96,164
31 to 60 days past due not impaired	**4,798**	96,455	**4,798**	96,455
61 to 90 days past due not impaired	**3,085**	1,645	**3,085**	1,645
More than 90 days past due not impaired	**135,936**	244,811	**135,934**	244,809
	165,562	439,075	**165,560**	439,073
Impaired	**303,636**	248,048	**160,440**	85,997
	707,409	6,055,419	**564,211**	5,893,366

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

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 RM165,562 (31.3.2014: RM439,075) and RM165,560 (31.3.2014: RM439,073) 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 2015, 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.

Receivables that are impaired

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

	Group		Company	
	Individually impaired			
	2015	**31.3.2014**	**2015**	**31.3.2014**
	RM	**RM**	**RM**	**RM**
Trade receivables				
- nominal amount	**303,636**	248,048	**160,440**	85,997
Less: Allowance for impairment	**(303,636)**	(248,048)	**(160,440)**	(85,997)
	–	–	**–**	–

Movement in allowance accounts:

	Group		Company	
	2015	**31.3.2014**	**2015**	**31.3.2014**
	RM	**RM**	**RM**	**RM**
At 1 April	**248,048**	1,454,911	**85,997**	75,958
Charge for the year	**77,943**	17,393	**77,943**	17,393
Written off	**(18,655)**	(1,216,002)	**–**	–
Reversal of impairment losses	**(3,700)**	(8,254)	**(3,500)**	(7,354)
At 31 March	**303,636**	248,048	**160,440**	85,997

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.

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Other receivable that is impaired

At the reporting date, the Company has provided an allowance of RM500,000 (31.3.2014: RM500,000) for impairment of the amount due from a third party with a nominal amount of RM500,000 (31.3.2014: RM500,000).

There has been no movement in this allowance account for the financial period ended 30 September 2015 (31.3.2014: RM500,000).

18 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	**31.3.2014**	**2015**	**31.3.2014**
	RM	**RM**	**RM**	**RM**
Deposits with licensed banks	**450,000**	626,382	**450,000**	626,382
Cash and bank balances	**237,384**	794,442	**234,379**	776,602
	687,384	1,420,824	**684,379**	1,402,984
Deposits pledged as security	**(450,000)**	(626,382)	**(450,000)**	(626,382)
	237,384	794,442	**234,379**	776,602

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

	Group and Company	
	2015	**31.3.2014**
	%	**%**
Deposits with licensed banks	**3.45**	3.12

19 PAYABLES

	Group		Company	
	2015	**31.3.2014**	**2015**	**31.3.2014**
	RM	**RM**	**RM**	**RM**
Trade payables	**14,945,275**	8,904,925	**14,932,261**	8,886,406
Other payables	**4,694,075**	1,213,847	**4,694,075**	1,213,048
Accruals	**1,472,314**	1,375,515	**1,465,314**	1,367,515
Deposits	**473,962**	1,000,000	**473,962**	1,000,000
Amounts due to subsidiaries	**–**	–	**45,155**	31,428
	21,585,626	12,494,287	**21,610,767**	12,498,397

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (31.3.2014: 30 to 90 days).

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

20 BORROWINGS

	Group and Company 2015 RM	Group and Company 31.3.2014 RM
Current		
Finance leases	**69,676**	184,163
Term loans	**137,398**	117,312
	207,074	301,475
Non-current		
Finance leases	**31,984**	157,866
Term loans	**380,448**	590,948
	412,432	748,814
Total borrowings	**619,506**	1,050,289

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

	Group and Company 2015 RM	Group and Company 31.3.2014 RM
On demand within one year	**207,074**	301,475
More than 1 year and less than 2 years	**178,454**	220,618
More than 2 years and less than 5 years	**233,978**	406,496
More than 5 years	**–**	121,700
	619,506	1,050,289

The weighted average effective interest rate per annum at the reporting date for term loans is 6.28% (31.3.2014: 6.33%).

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 6.83% (31.3.2014: 7.90%) per annum.

Term loans

The term loans of the Group and of the Company 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 (31.3.2014: RM0.50) each			
	2015 Unit	**31.3.2014 Unit**	**2015 RM**	**31.3.2014 RM**
Authorised				
At start of the financial period/year	**150,000,000**	150,000,000	**75,000,000**	75,000,000
Capital reduction	**–**	–	**(67,500,000)**	–
At end of the financial period/year	**150,000,000**	150,000,000	**7,500,000**	75,000,000
Issued and fully paid				
At start of the financial period/year	**65,146,584**	65,146,584	**32,573,292**	32,573,292
Issued during the period/year	**3,082,500**	–	**1,541,250**	–
Capital reduction	**–**	–	**(30,703,088)**	–
At end of the financial period/year	**68,229,084**	65,146,584	**3,411,454**	32,573,292

During the period, the Company increased its issued and fully paid ordinary share capital from 65,146,584 to 68,229,084 by issuance of 3,082,500 ordinary shares of RM0.50 each for warrants exercised during the period.

The new ordinary shares issued during the financial period ranked pari passu in all respect with the existing ordinary shares of the Company.

During the period, the Company has reduced its share capital from RM34,114,542 comprising 68,229,084 ordinary shares of RM0.50 each to RM3,411,454 comprising 68,229,084 ordinary shares of RM0.05 each by way of cancellation of RM0.45 of the par value of the existing ordinary shares in the Company against the accumulated losses of the Company. The capital reduction was done via a High Court Order dated 10 September 2015.

22 SHARE PREMIUM

	2015 RM	**31.3.2014 RM**
At start of the financial period/year	**–**	–
Issued during the period/year	**30,825**	–
At end of the financial period/year	**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 period were as follows:

	Group and Company 2015 RM	Group and Company 31.3.2014 RM
Short term employee benefits	**1,689,524**	1,020,360
Post-employment benefits: Defined contribution plan	**256,150**	170,184
	1,945,674	1,190,544

Included in the total key management personnel are:

Directors' remuneration (Note 9)	**656,400**	318,600

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 2015 RM	Group and Company 31.3.2014 RM
Minimum lease payments		
Not later than 1 year	**72,628**	197,179
Later than 1 year and not later than 2 years	**32,913**	115,739
Later than 2 years and not later than 5 years	**–**	53,853
Total minimum lease payments	**105,541**	366,771
	(3,881)	(24,742)
	101,660	342,029
Present value of payments		
Not later than 1 year	**69,676**	184,163
Later than 1 year and not later than 2 years	**31,984**	103,306
Later than 2 years and not later than 5 years	**–**	54,560
Present value of minimum lease payments	**101,660**	342,029
Less amount due within 12 months	**(69,676)**	(184,163)
Amounts due after 12 months	**31,984**	157,866

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			
	2015		31.3.2014	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
Unquoted shares	**1,352,760**	*****	1,735,501	*
Financial liabilities				
Non-current				
Term loans	**380,448**	**245,462**	590,948	382,848
Finance leases	**31,984**	**32,016**	157,866	153,350

* 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.

(b) Determination of fair value

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

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.

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			
	2015		31.3.2014	
	RM	**% of total**	**RM**	**% of total**
By country:				
Malaysia	**403,773**	**100.0**	5,766,326	99.3
Singapore	**–**	**–**	41,045	0.7
	403,773	**100.0**	5,807,371	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.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 – 2015 Financial liabilities	**On demand or within one year RM**	**1 to 5 years RM**	**Over 5 years RM**	**Total RM**
Trade and other payables	19,639,350	–	–	19,639,350
Accruals	1,472,314	–	–	1,472,314
Loans and borrowings	207,074	412,432	–	619,506
Total undiscounted financial liabilities	21,318,738	412,432	–	21,731,170

Company - 2015	**RM**	**RM**	**RM**	**RM**
Trade and other payables	19,626,336	–	–	19,626,336
Accruals	1,465,314	–	–	1,465,314
Loans and borrowings	207,074	412,432	–	619,506
Total undiscounted financial liabilities	21,298,724	412,432	–	21,711,156

(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.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM5,909 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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") and Singapore Dollars ("SGD").

Approximately 0.91% (31.3.2014: 0.47%) and 53.93% (31.3.2014: 60.24%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

Sensitivity analysis for foreign currency risk

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

	Group and Company Impact on loss net of tax Decrease/(Increase) RM
USD/RM – strengthened 5%	**770,322**
USD/RM – weakened 5%	**(770,322)**
SGD/RM – strengthened 5%	**11,318**
SGD/RM – weakened 5%	**(11,318)**

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	
	2015	**31.3.2014**	**2015**	**31.3.2014**
	RM	**RM**	**RM**	**RM**
Borrowings	**619,506**	1,050,289	**619,506**	1,050,289
Trade and other payables	**21,111,664**	11,494,287	**21,136,805**	11,498,397
Less: Deposits, cash and bank balances	**(687,384)**	(1,420,824)	**(684,379)**	(1,402,984)
Net debt	**21,043,786**	11,123,752	**21,071,932**	11,145,702
Equity attributable to owners of the Company	**1,282,554**	16,554,543	**1,265,825**	16,483,856
Capital and net debt	**22,326,340**	27,678,295	**22,337,757**	27,629,558
Gearing ratio	**94%**	40%	**94%**	40%

28 SEGMENTAL INFORMATION

Geographical information

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

	Revenue	
	2015	**31.3.2014**
	RM	**RM**
Malaysia	**24,637,479**	41,459,497
Singapore	**226,368**	195,921
	24,863,847	41,655,418

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:

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.

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 January 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 January 2014, have been adopted, but the adoptions do not have a significant impact on the financial statements:

MFRS 10, MFRS 12 and MFRS 127	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127)
Amendment to MFRS 132	Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 136	Impairment of Assets – Recoverable Amount Disclosure for Non-Financial Assets
Amendment to MFRS 139	Financial Instruments: Recognised and Measurement – Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

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.

Effective for financial period beginning on or after 1 July 2014

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

Effective for financial period beginning on or after 1 January 2016

Amendments to MFRS 10, MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
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

Effective for financial period beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers

Effective for financial period beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)

32 SIGNIFICANT EVENTS

During the financial period, the following events have occurred:

(a) On 9 May 2014, the Company has announced that Bursa Malaysia Securities Berhad had approved the listing of and quotation for up to 8,852,900 Placement of Shares.

(b) On 10 November 2014, the Company has announced that it will neither seeking an extension of time nor pursuing the implement of the Placement.

(c) On 21 January 2015, the Company has entered into a heads of agreement (HOA) with Lim Chang Huat. Pursuant to the HOA the Company is expected to undertake several proposals.

(d) On 20 March 2015, the Company and Lim Chang Huat have mutually agreed not to extend the HOA which had resulted in the HOA being terminated.

(e) On 29 June 2015, the Company has announced to undertake the following:

   (i) Proposed reduction of RM0.45 of the par value of each existing share of RM0.50 in the Company pursuant to Section 64 of the Companies Act, 1965; and

   (ii) Proposed amendments to the Memorandum of Association of the Company.

(f) On 10 September 2015, the capital reduction of the existing issued and paid up capital of RM34,114,542 comprising 68,229,084 ordinary shares of RM0.50 each to RM3,411,454 comprising 68,229,084 ordinary shares of RM0.05 each by way of cancellation of RM0.45 of the par value of the existing ordinary shares in the Company against the accumulated losses of the Company. The capital reduction was done via a High Court Order dated 10 September 2015. The exercise was completed on 17 September 2015.

33 EVENT AFTER THE BALANCE SHEET DATE

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 is looking into formulating a regularisation plan to address its PN17 status.

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 2015, 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 2015 RM	**Company 2015 RM**
Total accumulated losses of the Company and its subsidiaries		
Realised	**(2,479,595)**	**(4,694,099)**
Unrealised	**2,517,645**	**2,517,645**
Less: Consolidation adjustments	**(2,197,775)**	**–**
Accumulated losses as per financial statements	**(2,159,725)**	**(2,176,454)**

35 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 12 January 2016.

STATEMENT BY DIRECTORS

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

We, Dennis Tow Jun Fye and Lee Chee Kiean, being two of the Directors of Kuantan Flour Mills Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 23 to 61 are drawn up 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 2015 and of the results and cash flows of the Group and of the Company for the period ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 12 January 2016

Dennis Tow Jun Fye
Director

Lee Chee Kiean
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 23 to 61 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: 12 January 2016

Before me:

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF KUANTAN FLOUR MILLS BERHAD

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 2015 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 period then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 23 to 61.

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

The Group and the Company incurred net losses during the financial period ended 30 September 2015 of RM16,844,855 and RM16,790,106 respectively and as of that date, the Group and the Company had net current liabilities of RM13,012,621 and RM13,020,614 respectively.

The Company had entered into a Heads of Agreement with Lim Chang Huat (NEP Holdings (Malaysia) Berhad to jointly embark on a corporate exercise to enhance the Group's activities. The deal was called-off and till to date the Company has not been able to finalise any business plan to revive the Group. 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 2015 and of their financial performance and cash flows for the period 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
[2589/08/16(J)]
Partner of the firm

Kuantan 12 January 2016

STATISTIC ON SHAREHOLDINGS

AS AT 24 FEBRUARY 2016

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

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

	No. of Shares			
Name of Substantial Shareholder	**Direct Interest**	**%**	**Deemed Interest**	**%**
Dennis Tow Jun Fye	9,606,000	14.080	–	–
Neo Kim Hock	5,346,250	7.840	–	–

	No. of Holders		No. of Shares		%	
SIZE OF HOLDINGS	**MALAYSIAN**	**FOREIGN**	**MALAYSIAN**	**FOREIGN**	**MALAYSIAN**	**FOREIGN**
Less Than 100	82	2	1,747	59	0.00	0.00
100 - 1000	1,013	9	965,695	8,100	1.42	0.01
1001 - 10000	1,607	24	6,804,767	118,700	9.97	0.17
10001 - 100000	533	17	18,190,766	469,700	26.66	0.69
100001 and below 5%	70	6	24,079,500	2,621,800	35.30	3.84
5% and above	1	0	5,346,250	–	7.84	0.00
Directors	2	0	9,622,000	–	14.10	0.00
	3,308	58	65,010,725	3,218,359	95.29	4.71

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company – Kuantan Flour Mills Berhad

Name of Directors	**Direct Interest**	**%**	**Deemed Interest**	**%**
Kushairi bin Zaidel	–	–	–	–
Lee Chee Kiean	16,000	0.02	5,000	–
Leong Chen Nyen	–	–	–	–
Dennis Tow Jun Fye	9,606,000	14.08	–	–

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	4,426,700	6.49
3	LEE CHAI HUAT	2,180,000	3.20
4	LIM SAM KEOW	2,005,200	2.94
5	LEE FONG KUAN	1,700,000	2.49
6	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR ZULKIFLI BIN ISMAIL (MARGIN)	1,000,000	1.47
7	CITIGROUP NOMINEES (ASING) SDN BHD (EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED [CLIENT A/C-NR])	969,700	1.42
8	LIM POH FONG	871,500	1.28
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	KHOR AH YEAM	800,000	1.17
12	ROZANA BINTI REDZUAN	752,700	1.10
13	CIMSEC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD [RETAIL CLIENTS])	722,500	1.06
14	YEE TAI SENG	628,600	0.92
15	PHANG SHIH WEI	600,000	0.88
16	CHEOW BOON CHEE	500,000	0.73
17	GAN LAM SEONG	500,000	0.73
18	TAN SIOW HWEE	485,000	0.71
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LIM KIAM HOOI)	449,700	0.66
20	LEE KAH MUN	445,400	0.65

THIRTY LARGEST SHAREHOLDERS (continued)

NO.	NAMES	NO.OF SHARES	%
21	CHNG (CHING) JOONG SIEW	418,100	0.61
22	CHONG HON YEN	400,000	0.59
23	TAN TONG HENG	400,000	0.59
24	TAN PEK LENG	367,100	0.54
25	CHIK KIN YEUN	360,000	0.53
26	UOB KAY HIAN NOMINEES (ASING) SDN BHD (EXEMPT AN FOR UOB KAY HIAN PTE LTD [A/C CLIENTS])	359,600	0.53
27	TAY AH HOCK @ TEE TIAM HOCK	340,400	0.50
28	EAGLE OPTION SDN BHD	340,000	0.50
29	LIEW SHUI HONG	340,000	0.50
30	ABDULLAH BIN MAT DESA	300,000	0.44
		33,959,400	49.79

ANALYSIS OF WARRANT HOLDINGS (WARRANTS 2011/2016)

AS PER RECORD OF DEPOSITORS AS AT 24 FEBRUARY 2016

Total Number of Warrants 2011/2016 ("Warrants") issued	:	23,382,426
Total number of Warrants outstanding	:	20,299,926
Exercise Price Per Warrant	:	RM0.51 each
Exercise Period	:	Five (5) years commencing from and inclusive of date of issue of the Warrants i.e. from 20 October 2011 but not later than 5.00 p.m. on the Expiry Date which falls on 19 October 2016 and the Warrant Holder is entitled to subscribe for one (1) new share of RM0.50 each in the Company for each Warrant held at the Exercise Price.
Voting Rights	:	None

DISTRIBUTION OF WARRANT HOLDINGS

	No. of Warrants Holders	% of Warrant Holders	No. of Warrants Outstanding	%
RANGE OF WARRANT HOLDINGS				
Less Than 100	10	3.97	425	0.00
100 - 1000	28	11.11	17,700	0.08
1001 - 10000	97	38.49	388,101	1.92
10001 - 100000	89	35.32	3,427,750	16.89
100001 and below 5%	23	9.13	7,432,100	36.61
5% and above	3	1.19	8,918,550	43.93
Directors	2	0.79	115,300	0.57
	252	100.00	20,299,926	100.00

SUBSTANTIAL WARRANT HOLDERS

	No. of Shares			
Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Neo Kim Hock	6,851,550	33.751	–	–
Dennis Tow Jun Fye	106,300	0.524	–	–

Analysis of Warrant holdings (Warrants 2011/2016) (continued)

AS PER RECORD OF DEPOSITORS AS AT 24 FEBRUARY 2016

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS
The Company – Kuantan Flour Mills Berhad

	No. of Shares			
Name of Director	**Direct Interest**	**%**	**Deemed Interest**	**%**
Kushairi bin Zaidel	–			
Lee Chee Kiean	9,000	0.044	3,000 *	0.015
Leong Chen Nyen	–	–	–	–
Dennis Tow Jun Fye	106,300	0.524	–	–

* Deemed interest via his spouse warrant in the Company

THIRTY LARGEST WARRANT HOLDERS
as at 24 February 2016

NO.	NAMES	NO.OF SHARES	%
1	NEO KIM HOCK	6,758,700	33.30
2	ROZANA BINTI REDZUAN	1,126,350	5.55
3	MAYBANK NOMINEES (TEMPATAN) SDN BHD (AHMAD SOFIAN BIN GHAZI)	1,033,500	5.09
4	LEE CHAI HUAT	946,600	4.66
5	HLIB NOMINEES (TEMPATAN) SDN BHD (HONG LEONG BANK BHD FOR JAMES ANTHONY CHONG)	759,300	3.74
6	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT)	749,300	3.69
7	LEE KAH MUN	735,300	3.62
8	TANG YEOW WAH	408,100	2.01
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR CHIK CHAN CHEE @ CHEOK CHAN CHEE)	370,100	1.82
10	CHENG HAN TIONG	352,200	1.73
11	KELVIN TEH WEI LOON	332,900	1.64
12	CIMSEC NOMINEES (TEMPATAN) SDN BHD (CIMB BANK FOR TEH SWEE HENG [MM1118])	310,600	1.53

Analysis of Warrant holdings (Warrants 2011/2016) (continued)

AS PER RECORD OF DEPOSITORS AS AT 24 FEBRUARY 2016

THIRTY LARGEST WARRANT HOLDERS (continued)
as at 24 February 2016

NO.	NAMES	NO.OF SHARES	%
13	LIEW SIEW KEONG	300,000	1.48
14	LEE FOOK KWAN	255,000	1.26
15	RONEY B ZAIDELL	200,000	0.99
16	WONG KOK PENG	200,000	0.99
17	CHUA LEE GUAN	199,700	0.98
18	MASZUAN BIN SALLEH	199,700	0.98
19	PUBLIC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TEH KENG CHYE [E-SJA])	195,000	0.96
20	TEH YEE QING	160,300	0.79
21	MUHAMAD ZARRIN BIN MOHD ASMAWI	150,500	0.75
22	ABD RAHMAN BIN ABDULLAH	150,000	0.74
23	YEW SUI LEONG	130,000	0.64
24	LIM CHIN GUAN	112,500	0.56
25	MOHAMED FAZDLI BIN MOHAMED NOOR	110,000	0.54
26	DENNIS TOW JUN FYE	106,300	0.52
27	WU SONG SEE @ GOH SONG SEE	105,000	0.52
28	LEE ENG HIN	100,000	0.49
29	LIEW SHUI HONG	100,000	0.49
30	LIM KIM WAH	100,000	0.49
		16,756,950	82.55

LIST OF PROPERTIES HELD BY THE GROUP

AS AT 30 SEPTEMBER 2015

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	30 years and 23 years	1,061 1,856
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	13 years	1,790
HS(D) 116996 - 116997, Lot No. PT No. 24900 - 24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan.	*	99 years leasehold expiring 21 February 2093	23-Apr-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	11 years	364
HS(D) 116996 - 116997, Lot No. PT No. 24900 - 24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan.	*	99 years leasehold expiring 21 February 2093	26-Jul-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	11 years	358
HS(D) 191512, Lot No. 61067, Mukim Plentong, District of Johor Bahru, Johor.	*	Freehold	31-Jul-09	446 sq. metres	1 unit 1 1/2 storey terrace factory	24 years	515

** - Non - current assets held for disposal*

NOTICE OF THIRTY-FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting of the Company will be held at Casuarina Hall, Swiss Garden Beach Resort, 2656 - 2657, Mukim Sungai Karang, Balok Beach, 26100 Beserah, Kuantan, Pahang on Thursday, 31 March 2016 at 2.00p.m. for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the period ended 30 September 2015 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 period ended 30 September 2015. (Resolution 1)

3. To re-elect as Director, Mr. Dennis Tow Jun Fye, 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-appoint Messrs. McMillan Woods Thomas (Audit Firm No.AF001879) as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 3)

AS SPECIAL BUSINESS

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

5. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** (Resolution 4)

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

6. 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
4th March 2016

Notes:

1. Only a member whose name appears on the Record of Depositors as at 24 March 2016 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 provisions 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.

Audited Financial Statements for the financial period ended 30 September 2015 and the Reports of the Directors and Auditors thereon

6. 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

Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965

7. The General Mandate pursuant to Resolution 4 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 29 September 2014 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

Ordinary Resolution No. 4, if passed, will give the Directors of the Company, from the date of the Annual General Meeting, authority to allot and issue ordinary shares from the un-issued share capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being as and when business opportunities arise which the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

Name of Director who is standing for Re-election pursuant to Article 63:
- Mr. Dennis Tow Jun Fye

The details of the Director who are standing for re-election /re-appointment are set out in the Directors' Profile on Pages 17 to 18 and their securities holdings in the Company are set out in the Statistics on Shareholdings and Analysis of Warrant Holdings (Warrant 2011/2016) on Pages 65 to 70 of this Annual Report.

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

PROXY FORM

I/We, ...

of..

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

....

of..

or failing him/her ....

of..

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Thirty-First Annual General Meeting of the Company to be held on Thursday, 31 March 2016 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 period ended 30 September 2015		
2.	Re-election of Director, Mr. Dennis Tow Jun Fye		
3.	Re-appointment of Messrs. McMillan Woods Thomas (Audit Firm No.AF001879) as Auditors and to authorize the Directors to fix their remuneration		
	SPECIAL BUSINESS		
4.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		

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

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

First Named Proxy	%
Second Named Proxy	%
	100 %

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

Signed this .... Day of .... , 2016.

....
Signature of Shareholder or Common Seal

No. of shares held:	

Notes:

1. *Only a member whose name appears on the Record of Depositors as at 24 March 2016 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 provisions 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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Stamp

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

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www.kfmb.com.my

KFM

KUANTAN FLOUR MILLS BERHAD
(119598-P)