

**Kuantan Flour Mills Berhad**  
(119598-P)

Annual Report  
2014





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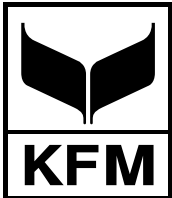
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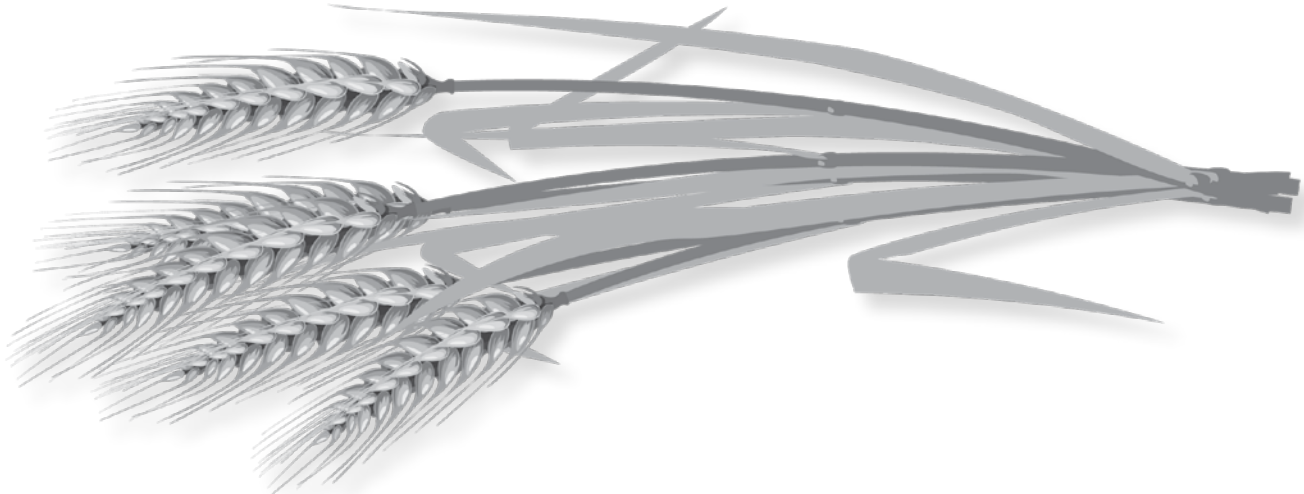
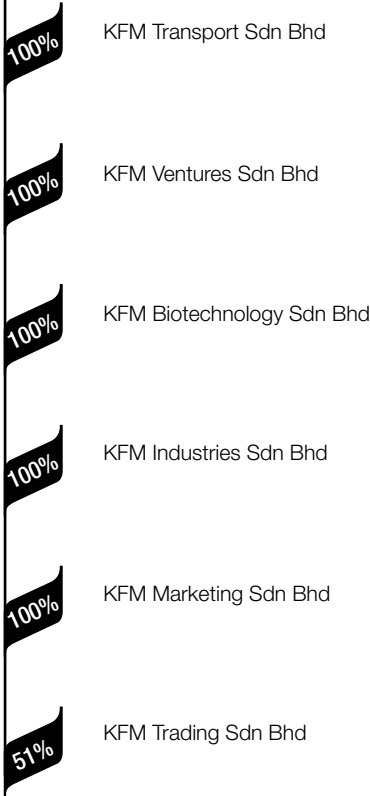
# CORPORATE STRUCTURE

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KUANTAN FLOUR MILLS BERHAD (119598-P)



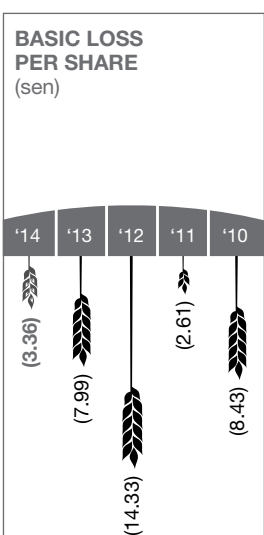
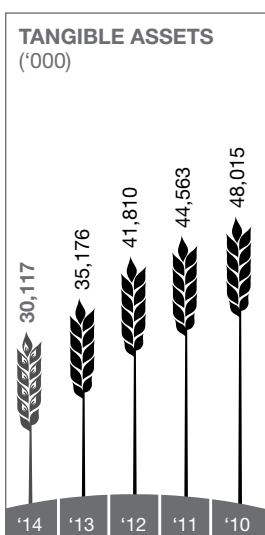
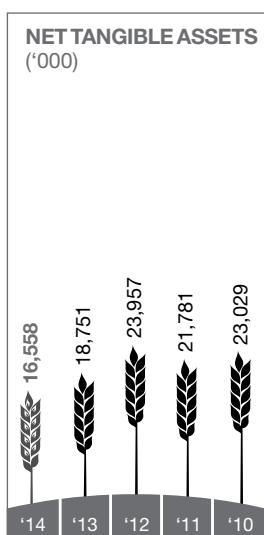
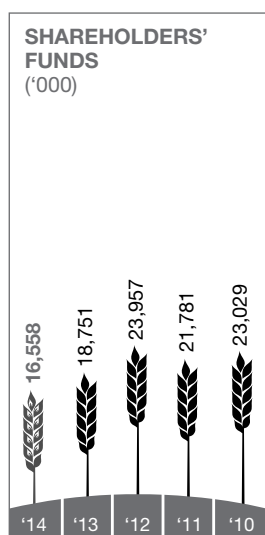
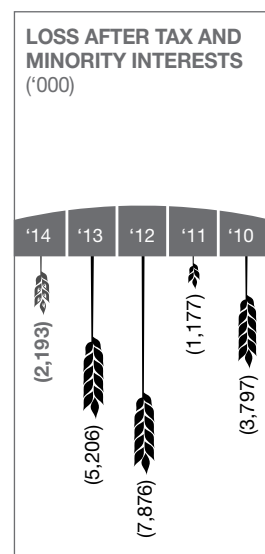
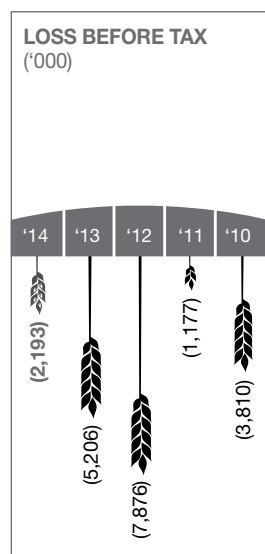
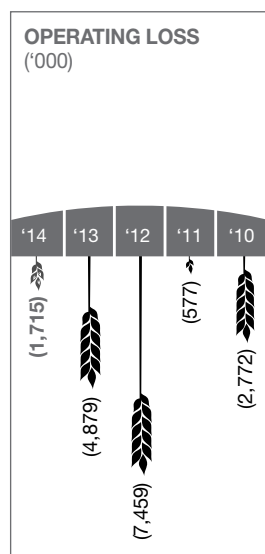
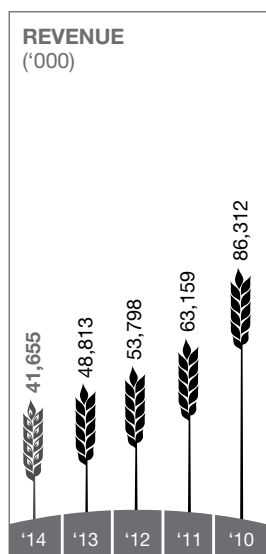
**KUANTAN FLOUR MILLS BERHAD**  
(119598-P)



# GROUP FINANCIAL HIGHLIGHTS



	2014 '000	2013 '000	2012 '000	2011 '000	2010 '000
Revenue	41,655	48,813	53,798	63,159	86,312
Operating loss	(1,715)	(4,879)	(7,459)	(577)	(2,772)
Loss before tax	(2,193)	(5,206)	(7,876)	(1,177)	(3,810)
Loss after tax and minority interests	(2,193)	(5,206)	(7,876)	(1,177)	(3,797)
Shareholders' funds	16,558	18,751	23,957	21,781	23,029
Net tangible assets	16,558	18,751	23,957	21,781	23,029
Tangible assets	30,117	35,176	41,810	44,563	48,015
Basic loss per share (sen)	(3.36)	(7.99)	(14.33)	(2.61)	(8.43)
Net Assets per share (sen)	25.42	28.78	36.77	48.35	51.12







# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### **Kushairi bin Zaidel**

*(Independent, Non-Executive Chairman)*  
(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)

### **Ng Kay Eng**

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

### **Dato' Mohd Hasnulhisham bin Yaakob**

*(Independent, Non-Executive Director)*  
(Appointed on 7 May 2012)

### **Dennis Tow Jun Fye**

*(Non Independent, Non-Executive Director)*  
(Appointed on 7 May 2012)

### **Late Tan Sri Mohamed bin Ngah Said**

*(Independent, Non-Executive Chairman)*  
(Appointed on 23 May 2008 and redesignated as Non-Executive Chairman on 30 November 2012)  
(Deceased 08 December 2013)

## AUDIT COMMITTEE

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

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

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

Dennis Tow Jun Fye  
(Member, Non-Independent, Non-Executive Director)  
(Appointed 20 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 Products  
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](http://www.kfmb.com.my)



# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report of Kuantan Flour Mills Berhad ("KFMB") and the Audited Financial Statements of the Group for the financial year ended 31st March 2014. The financial statements have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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**KFMB**

KUANTAN FLOUR MILLS BERHAD (119698-F)

## FINANCIAL REVIEW

The Group incurred a lower loss position of RM 2.19 million during the financial year ended 31 March 2014 as compared to the previous financial year's loss of RM 5.21 million. The lower loss recorded was mainly due to improved operational efficiency, gain on disposal of assets, written back of liabilities no longer required, forfeiture of deposits and waiver of directors' fees. The Group achieved lower revenue of RM 41.66 million as compared to the previous financial year's revenue of RM 48.81 million.

The sales volume and the average selling price of KFMB flour experienced decline in certain sectors of the flour market due to stiff market competition which significantly affected our gross margin.

## OVERVIEW OF THE INDUSTRY

The Malaysian domestic flour market demand was stable but competitions within the industry remain intense during the financial year. Due to the medium size of our operation, coupled with the intense flour market competition, higher raw material cost and unfavorable foreign exchange rate, the operating condition was extremely challenging for KFMB during the financial year of 2014. The financial year also saw KFMB implementing drastic efficiency measures to effectively manage our cost structure and liquidity position. The way forward is to increase our production level and compete for bigger market shares.


## SUBSIDIARY COMPANIES

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

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group has always treat CSR as an integral part of our business operations. During the financial year under review, various programs and contributions in kind and monetary were implemented during the financial year under review, such as:

- 1) Safety awareness programs.
- 2) Donations to welfare and charitable organizations.
- 3) Continuous training and development programs for employees of all levels throughout the financial year to enhance their skills, knowledge and competency.
- 4) Flour for less fortunate citizens.
- 5) Annual dinner and festive gatherings for our employees.
- 6) Sports activities to build up interaction among different levels of employees in the company.



## CHAIRMAN'S STATEMENT (continued)

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

### **PROSPECTS FOR THE FINANCIAL YEAR AHEAD**

As for the outlook of the industry, we expect the demand for flour to remain good but competitive. In the coming financial year, we shall continue to transform KFMB into a lean business vehicle enabled by an effective and cost efficient measures with the objective to improve both the sales and profit margins. The Group had embarked appropriate corporate exercise to generate some funding for the above said purpose. It will continue to do so to enhance its existence and presence.

In conclusion, we have made minor progress during the financial year ended 2014. Barring any other unforeseen adverse economic circumstances and given better liquid resources, we believe we are in a very strong position to significantly improve our financial performance and position. We will continue looking for new ways to better serve our customers, improve our operational efficiency, manage our cost structure and strengthen our supply chain to build an ever stronger company.

### **ACKNOWLEDGEMENT**

On behalf of the Board of Directors, I would like take this opportunity to thank KFMB's management & staff for their loyalty and hard work last year despite having to face myriad operational challenges; let's keep up the drive to take KFMB further.

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 KFMB quality; we look forward to your continued support and loyalty.

The Board of Directors, the Management and Staff of KFMB would also like to express our heartfelt grief to the family of our late Chairman Tan Sri Mohamed bin Ngah Said who passed away in December last year. He was a great and dignified man and his endless contributions to the company would be remembered and always appreciated.

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 five (5) Directors, comprising one (1) Executive and four (4) 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 year ended 31 March 2014, the Board met on 5 occasions.

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

<b>Directors</b>	<b>Number of Board Meetings held during Tenure in office</b>	<b>Attendance</b>
Late Tan Sri Mohamed bin Ngah Said (Deceased on 8 December 2013)	4	2
Lee Chee Kean	5	5
Leong Chen Nyen	5	5
Kushairi bin Zaidel	5	5
Ng Kay Eng (Resigned on 11 August 2014)	5	5
Dato’ Mohd Hasnulhisham bin Yaakob	5	3
Dennis Tow Jun Fye	5	4

## 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.





## CORPORATE GOVERNANCE STATEMENT (continued)

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KUANTAN FLOUR MILLS BERHAD (195984-F)

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

### **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

Ng Kay Eng (Resigned on 11 August 2014)

Dennis Tow Jun Fye (Appointed 20 August 2014)



## CORPORATE GOVERNANCE STATEMENT (continued)

The aggregate directors' remuneration paid or payable or otherwise made available to all directors of the Company during the financial year ended 31 March 2014 are as follows :-

	Executive	Non-Executive	Total
Salary and other emoluments	240,000	–	240,000
Pension costs - defined Contribution plans	45,600	–	45,600
Fees	–	33,000	33,000
	285,600	33,000	318,600

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

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

### 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 and 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](http://www.kfmb.com.my)

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





## CORPORATE GOVERNANCE STATEMENT (continued)

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### **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.



## CORPORATE GOVERNANCE STATEMENT (continued)



### **OTHER INFORMATION**

#### **Non audit fee**

The amount of non-audit fees paid to external auditors for the financial year ended 31 March 2014 is RM3,000.

### **OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES**

There were no options, warrants or convertible securities exercised during the financial year ended 31 March 2014.

### **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

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

The members of the Audit Committee of the Company are pleased to present their report for the financial year ended 31 March 2014.

The present members of the Audit Committee comprise: -

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

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

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

Dennis Tow Jun Fye  
*(Member, Non-Independent, Non-Executive Director) (Appointed on 20 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 year under view are as set out below:

<b>Members</b>	<b>Number of Audit Committee Meetings held during tenure in office</b>	<b>Attendance</b>
Leong Chen Nyen	5	5
Kushairi bin Zaidel	5	5
Ng Kay Eng (Resigned on 11 August 2014)	5	5
Dennis Tow Jun Fye (Appointed on 20 August 2014)	–	–

## SUMMARY OF ACTIVITIES

The Audit Committee carried out the following activities during the financial year ended 31 March 2014:

- 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;
- Reviewed the Internal Audit Plans for the financial year;
- 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 have 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.



## AUDIT COMMITTEE REPORT (continued)

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### 4) Internal Audit Function

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

The internal audit fee incurred for the financial year ended was RM8, 000.00.

### 5) Access and relationship with External Auditors

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

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

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



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## **INTRODUCTION**

The statement on Risk Management and Internal Control by the Board of Directors (“Board”) of the Group is prepared in accordance with Paragraph 15.26(b) of Bursa Malaysia Securities Berhad 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. The statement outlines the state, nature and scope of the risk management and internal control of the Group during the financial year with the main purpose of safeguarding shareholders’ investment and the Group’s assets.

## **BOARD’S RESPONSIBILITIES**


The Board is committed in maintaining a sound and effective internal control and risk management system in the Group to ensure good corporate governance. The system of internal control, by its nature, can only provide reasonable and not absolute assurance against any material loss or fraud. It is also recognized that risks cannot be completely eliminated. As such, 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 AND INTERNAL AUDIT**

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.

Internal audits were undertaken by an external professional firm of internal auditors to provide an independent and objective assessment of the adequacy, efficiency and effectiveness on the internal control systems of the Group. During the financial year ended 31 March 2014, the internal audit function carried out an audit in accordance with the internal audit plan approved by the Audit Committee. The results of the internal audit reviews and the recommendations for improvement were presented to the Audit Committee.

In addition, a follow up visit will also be conducted to ensure that corrective actions have been implemented in a timely manner. Based on the internal audit reviews conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require separate disclosure in this annual report.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

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**KFM**

KUANTAN FLOUR MILLS BERHAD (1195984-F)

### 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 with clear reporting lines, responsibilities and delegated authority which is updated regularly;
- 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;
- Review annual budgets and approved by the Board for accountability and transparency;
- Regular management meetings to discuss and resolve operational and other major issues affecting the Group;
- 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 enshrine 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;
- Monthly management accounts containing key financial results and budget comparison are also issued to senior management to enable them to have regular and updated information of the Group's performance;
- 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.

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 year 2014 up to the date of approval of this statement.

This statement is made in accordance with a resolution of the Board of Directors dated 18 August 2014.



## BOARD OF DIRECTORS

**Kushairi bin Zaidel**, is a Malaysian, aged 56, 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 51, 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 56, 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.

**Ng Kay Eng**, is a Malaysian, aged 49, was admitted as an Advocate and Solicitor in the High Court in New Zealand in 1990 and in the High Court of Malaya in 1991. Currently a partner with Messrs Shamiah K.E. Ng & Siva, he began his career in 1991 with various firms and in February 1995, set up his own legal practice under the name of Messrs K.E. Ng & Co., which in July 1996 merged into the current partnership.

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

He has resigned as Independent, Non-Executive Director, member of Audit, Remuneration and Nomination Committees on 11th August 2014.





## BOARD OF DIRECTORS (continued)

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

**Dato' Mohd Hasnulhisham bin Yaakob**, is a Malaysian, aged 54, 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.

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.

**Dennis Tow Jun Fye**, is a Malaysian, aged 28, 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 Committee as an ordinary member.

Mr Dennis is a substantial shareholder of the Company and as at 15 August 2014, he holds 13.99% 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.

**Late Tan Sri Mohamed bin Ngah Said**, a Malaysian, aged 75, departed us on 8 December 2013. He was the Non-Executive Chairman of the Group. He graduated from the Royal Military College in Malaysia and the Royal Military Academy in Sandhurst. He joined the Royal Malaysian Air Force in 1958 and retired as the Chief of the Royal Malaysian Air Force after a career spanning more than 30 years with the Air Force.

Late Tan Sri Mohamed did not have any interest in the securities of the Company. He did not have any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. The late Tan Sri did not have any conviction for any criminal offences within the past ten years.



# DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 MARCH 2014

The Directors submit their annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2014.

### PRINCIPAL ACTIVITIES

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.

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

### FINANCIAL RESULTS

	Group RM	Company RM
Loss for the year attributable to equity holders of the Company	(2,192,974)	(2,152,464)

### DIVIDENDS

No dividend has been paid or declared by the Company since 31 March 2013. The Directors do not recommend the payment of any dividend for the current financial year.

### RESERVES AND PROVISIONS

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

### EVENT SUBSEQUENT TO BALANCE SHEET DATE

#### Corporate Exercise

On 19 March 2014, the Company had announced a Private Placement of new ordinary shares of RM0.50 each in the Company representing up to 10% of the issued and paid-up share capital of the Company, to investors to be identified at an issued price to be determined and announced by the Board at a later date.

Affin Investment Bank Berhad has been appointed as advisor to the Company for the proposed scheme. Bursa Malaysia Securities Berhad has, vide its letter dated 9 May 2014, granted its approval.

### 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 Kian  
Leong Chen Nyen  
Kushairi bin Zaidel  
Ng Kay Eng  
Dato' Mohd Hasnulhisham bin Yaakob  
Dennis Tow Jun Fye  
Tan Sri Mohamed bin Ngah Said

Deceased on: 8.12.2013



**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)**

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KUAN TAN FLOUR MILLS BERHAD (1195984-F)

**DIRECTORS' BENEFITS**

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

Since the end of the previous financial 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 year in shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each			31.3.2014
	1.4.2013	Acquired	Sold	
<b>Direct interest - in the Company</b>				
Lee Chee Kiean	16,000	–	–	16,000
Dennis Tow Jun Fye	5,657,400	3,593,600	–	9,251,000

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

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.


**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 year are as follows:

	Number of ordinary shares of RM0.50 each			31.3.2014
	1.4.2013	Issued	Exercised	
Number of unissued shares under warrants	23,382,426	–	–	23,382,426



DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2014  
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KUANTAN FLOUR MILLS BERHAD (119698-F)

**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS**

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

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

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

- any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- any contingent liability of the Group or of the Company, which has arisen since the end of the financial year.

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

In the opinion of the Directors:

- the loss of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the liabilities no longer required of RM4,025,635; and
- there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the loss of the operations of the Group or of the Company for the financial year in which this report is made.



DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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**KFM**

**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 16 July 2014

**Dennis Tow Jun Fye**  
Director

**Lee Chee Kiean**  
Director





# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
Revenue	4	<b>41,655,418</b>	48,812,973	<b>41,655,418</b>	48,812,973
Cost of sales	5	<b>(42,763,680)</b>	(48,517,862)	<b>(42,763,680)</b>	(48,517,862)
<hr/>					
Gross (loss)/profit		<b>(1,108,262)</b>	295,111	<b>(1,108,262)</b>	295,111
Other operating income		<b>4,366,917</b>	307,440	<b>4,365,417</b>	297,268
Administrative expenses		<b>(3,124,716)</b>	(3,531,978)	<b>(3,082,636)</b>	(3,479,578)
Selling expenses		<b>(1,849,194)</b>	(1,949,529)	<b>(1,849,194)</b>	(1,949,529)
Finance costs	6	<b>(477,789)</b>	(326,779)	<b>(477,789)</b>	(326,779)
<hr/>					
Loss before tax	7	<b>(2,193,044)</b>	(5,205,735)	<b>(2,152,464)</b>	(5,163,507)
Taxation	10	-	-	-	-
<hr/>					
Net loss for the year, representing total comprehensive loss for the year		<b>(2,193,044)</b>	(5,205,735)	<b>(2,152,464)</b>	(5,163,507)
<hr/>					
Attributable to:					
Equity holders of the Company		<b>(2,192,974)</b>	(5,204,809)	<b>(2,152,464)</b>	(5,163,507)
Non-controlling interests		<b>(70)</b>	(926)	-	-
<hr/>					
		<b>(2,193,044)</b>	(5,205,735)	<b>(2,152,464)</b>	(5,163,507)
<hr/>					
Loss per share attributable to equity holders of the Company (sen)					
Basic	11(a)	<b>(3.36)</b>	(7.99)		
<hr/>					
Diluted	11(b)	-	-		
<hr/>					

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



# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 MARCH 2014

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KUAN TAN FLOUR MILLS BERHAD (1195984-F)

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Non current assets</b>					
Property, plant and equipment	12	<b>17,427,121</b>	20,191,144	<b>17,356,532</b>	20,084,749
Investments in subsidiaries	13	–	–	<b>5,109</b>	5,109
Other investment	14	<b>1,735,501</b>	1,735,501	<b>1,735,501</b>	1,735,501
Trade receivables	17	<b>1,024</b>	66,818	<b>1,024</b>	66,818
		<b>19,163,646</b>	21,993,463	<b>19,098,166</b>	21,892,177
<b>Current assets</b>					
Non-current assets held for disposal	15	<b>748,343</b>	–	<b>748,343</b>	–
Inventories	16	<b>2,204,616</b>	2,857,058	<b>2,204,616</b>	2,857,058
Receivables, deposits and prepayments	17	<b>6,579,438</b>	8,884,968	<b>6,592,352</b>	8,894,048
Deposits, cash and bank balances	18	<b>1,420,824</b>	1,440,635	<b>1,402,984</b>	1,421,680
		<b>10,953,221</b>	13,182,661	<b>10,948,295</b>	13,172,786
<b>Less: Current liabilities</b>					
Payables	19	<b>12,494,287</b>	15,085,484	<b>12,498,397</b>	15,089,419
Current tax liabilities		<b>13,919</b>	6,164	<b>13,919</b>	6,164
Borrowings	20	<b>301,475</b>	333,798	<b>301,475</b>	333,798
		<b>12,809,681</b>	15,425,446	<b>12,813,791</b>	15,429,381
<b>Net current liabilities</b>		<b>(1,856,460)</b>	(2,242,785)	<b>(1,865,496)</b>	(2,256,595)
<b>Less: Non current liabilities</b>					
Borrowings	20	<b>748,814</b>	999,262	<b>748,814</b>	999,262
<b>Net assets</b>		<b>16,558,372</b>	18,751,416	<b>16,483,856</b>	18,636,320
<b>Equity attributable to owners of the Company</b>					
Share capital	21	<b>32,573,292</b>	32,573,292	<b>32,573,292</b>	32,573,292
Accumulated losses		<b>(16,018,749)</b>	(13,825,775)	<b>(16,089,436)</b>	(13,936,972)
Shareholders' equity		<b>16,554,543</b>	18,747,517	<b>16,483,856</b>	18,636,320
<b>Non-controlling interests</b>		<b>3,829</b>	3,899	–	–
<b>Total equity</b>		<b>16,558,372</b>	18,751,416	<b>16,483,856</b>	18,636,320

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 MARCH 2014



Group	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital (Note 21) RM	Accumulated losses RM	Total RM	RM	RM
<b>At 31 March 2012</b>	32,573,292	(8,620,964)	23,952,328	4,827	23,957,155
Total comprehensive loss	–	(5,204,809)	(5,204,809)	(926)	(5,205,735)
Transactions with owners :					
Loss on acquiring non-controlling interest	–	(2)	(2)	(1)	(3)
Non-controlling interest written off	–	–	–	(1)	(1)
<b>At 31 March 2013</b>	32,573,292	(13,825,775)	18,747,517	3,899	18,751,416
<b>At 31 March 2013</b>	<b>32,573,292</b>	<b>(13,825,775)</b>	<b>18,747,517</b>	<b>3,899</b>	<b>18,751,416</b>
Total comprehensive loss	–	(2,192,974)	(2,192,974)	(70)	(2,193,044)
<b>At 31 March 2014</b>	<b>32,573,292</b>	<b>(16,018,749)</b>	<b>16,554,543</b>	<b>3,829</b>	<b>16,558,372</b>

Company	Share capital (Note 21) RM	Accumulated losses RM	Total RM
<b>At 31 March 2012</b>	32,573,292	(8,773,465)	23,799,827
Total comprehensive loss	–	(5,163,507)	(5,163,507)
<b>At 31 March 2013</b>	32,573,292	(13,936,972)	18,636,320
<b>At 31 March 2013</b>	<b>32,573,292</b>	<b>(13,936,972)</b>	<b>18,636,320</b>
Total comprehensive loss	–	(2,152,464)	(2,152,464)
<b>At 31 March 2014</b>	<b>32,573,292</b>	<b>(16,089,436)</b>	<b>16,483,856</b>

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



# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 MARCH 2014

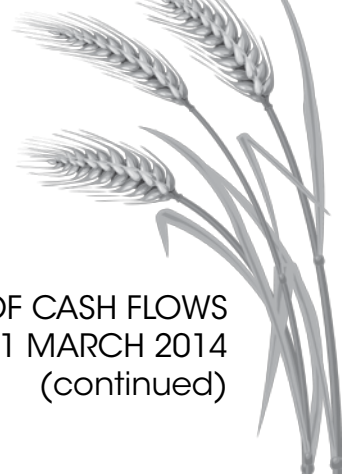
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KUANTAN FLOUR MILLS BERHAD (1195984-F)

	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Operating activities</b>					
Loss before tax		<b>(2,193,044)</b>	(5,205,735)	<b>(2,152,464)</b>	(5,163,507)
Adjustments for:					
Depreciation for property, plant and equipment		<b>1,825,966</b>	1,972,779	<b>1,790,160</b>	1,936,973
(Gain)/Loss on disposal of property, plant and equipment		<b>(303,076)</b>	58,319	<b>(303,076)</b>	58,319
Property, plant and equipment written off		-	10,600	-	10,600
Property, plant and equipment - other adjustment		-	2,496	-	2,496
Unrealised foreign exchange loss		<b>207,283</b>	32,145	<b>207,283</b>	32,145
Inventories written down		-	40,576	-	40,576
Impairment loss on trade receivables		<b>17,393</b>	52,623	<b>17,393</b>	52,623
Reversal of impairment loss on trade receivables		<b>(8,254)</b>	(31,602)	<b>(7,354)</b>	(25,237)
Interest income		<b>(22,137)</b>	(24,989)	<b>(22,137)</b>	(24,989)
Unwinding of discount on receivables		<b>(7,214)</b>	(14,900)	<b>(7,214)</b>	(14,900)
Liabilities no longer required		<b>(4,025,635)</b>	(101,541)	<b>(4,025,635)</b>	(101,541)
Non-controlling interest written off		-	(1)	-	-
Interest expense		<b>477,789</b>	326,779	<b>477,789</b>	326,779
Operating cash flows before changes in working capital		<b>(4,030,929)</b>	(2,882,451)	<b>(4,025,255)</b>	(2,869,663)
Changes in working capital					
- inventories		<b>652,442</b>	4,611,851	<b>652,442</b>	4,611,851
- receivables, deposits and prepayments		<b>2,369,399</b>	(291,325)	<b>2,364,665</b>	125,442
- payables		<b>1,227,155</b>	(1,133,007)	<b>1,227,330</b>	(1,562,175)
Cash flows from operations		<b>218,067</b>	305,068	<b>219,182</b>	305,455
Interest paid		<b>(477,789)</b>	(326,779)	<b>(477,789)</b>	(326,779)
Tax paid		<b>(1,140)</b>	(3,216)	<b>(1,140)</b>	(3,216)
Tax refunded		<b>8,895</b>	37,804	<b>8,895</b>	37,804
Net cash flows (used in)/from operating activities		<b>(251,967)</b>	12,877	<b>(250,852)</b>	13,264

STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)



	Note	Group		Company	
		2014 RM	2013 RM	2014 RM	2013 RM
<b>Investing activities</b>					
Purchase of property, plant and equipment		<b>(32,810)</b>	(153,722)	<b>(32,810)</b>	(153,722)
Proceeds from disposal of property, plant and equipment		<b>580,000</b>	36,580	<b>580,000</b>	36,580
Acquisition of minority interest in KFM Marketing Sdn Bhd		-	(3)	-	(3)
Purchase of investment		-	(1)	-	(1)
Interest received		<b>22,137</b>	24,989	<b>22,137</b>	24,989
Net cash flows from/(used in) investing activities		<b>569,327</b>	(92,157)	<b>569,327</b>	(92,157)
<b>Financing activities</b>					
Repayment of obligations under financing leases		<b>(219,859)</b>	(230,679)	<b>(219,859)</b>	(230,679)
Repayment of term loans		<b>(117,312)</b>	(399,176)	<b>(117,312)</b>	(399,176)
Net cash flows used in financing activities		<b>(337,171)</b>	(629,855)	<b>(337,171)</b>	(629,855)
Net decrease in cash and cash equivalents		<b>(19,811)</b>	(709,135)	<b>(18,696)</b>	(708,748)
<b>Cash and cash equivalents</b>					
- at start of the financial year		<b>1,440,635</b>	2,149,770	<b>1,421,680</b>	2,130,428
- at end of the financial year	18	<b>1,420,824</b>	1,440,635	<b>1,402,984</b>	1,421,680

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





# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 MARCH 2014

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

### 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

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.

### 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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (119698-F)

**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.

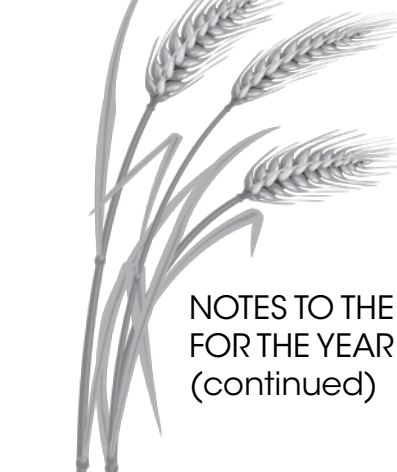
The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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")).



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

**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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (119698-F)

**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 year ended 31 March 2014.

**(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.

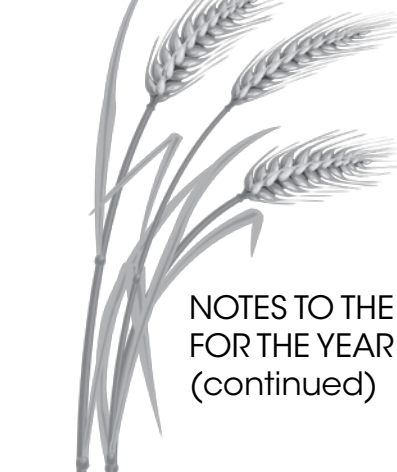
Held-to-maturity investments are classified as non-current assets, except for those having maturity within 12 months after the reporting date which are classified as current.

The Group and the Company did not have any held-to-maturity investments during the financial year ended 31 March 2014.

**(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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (119598-F)

**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 entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

**(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:

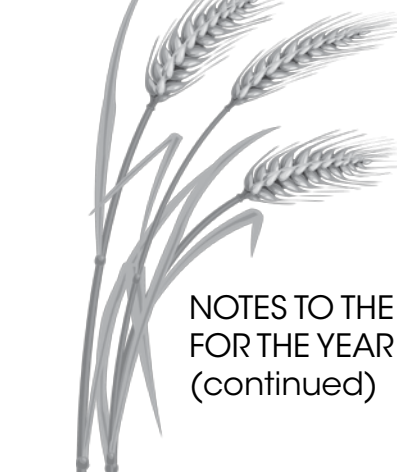
- raw material: purchase costs on weighted average basis
- finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

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

**(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 at fair value through profit or loss.

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

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

**(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.





NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (119698-F)

**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 risks 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**

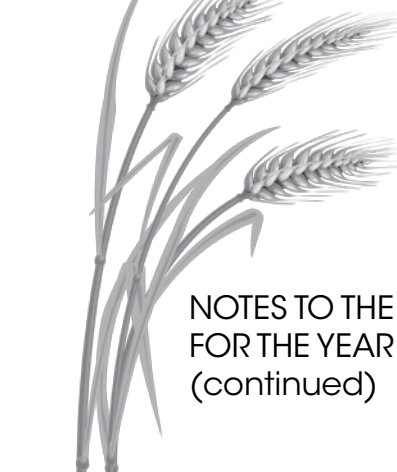
Revenue from services rendered is recognised net of service taxes and discounts as and when the services are performed.

**(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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (119598-F)

**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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (119698-F)

**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 year.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KFM

KUANTAN FLOUR MILLS BERHAD (119598-F)

**4 REVENUE**

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Sales of flour and related products	<b>37,529,134</b>	43,900,620
Transportation income	<b>1,814,709</b>	2,174,200
Government grant	<b>2,311,575</b>	2,738,153
	<b>41,655,418</b>	48,812,973

**5 COST OF SALES**

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Cost of inventories sold	<b>40,683,004</b>	46,314,002
Cost of services rendered	<b>2,080,676</b>	2,203,860
	<b>42,763,680</b>	48,517,862

**6 FINANCE COSTS**

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Hire purchase	<b>31,658</b>	27,649
Term loan	<b>74,290</b>	121,517
Short term borrowing	<b>371,841</b>	177,613
	<b>477,789</b>	326,779

**7 LOSS BEFORE TAX**

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

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration				
- current year	<b>55,000</b>	57,000	<b>48,000</b>	48,000
- over accrued previous year	<b>(2,000)</b>	-	-	-
- other services	<b>3,000</b>	3,000	<b>3,000</b>	3,000
Non-executive directors' remuneration (Note 9)	<b>33,000</b>	186,000	<b>33,000</b>	186,000
Depreciation of property, plant and equipment	<b>1,825,966</b>	1,972,779	<b>1,790,160</b>	1,936,973

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
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KUANTAN FLOUR MILLS BERHAD (119698-F)

**7 LOSS BEFORE TAX (continued)**

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
(Gain)/Loss on disposal of property, plant and equipment	<b>(303,076)</b>	58,319	<b>(303,076)</b>	58,319
Employee benefits expense (Note 8)	<b>5,076,830</b>	4,930,967	<b>5,076,830</b>	4,930,967
Rental of land and building	<b>407,345</b>	389,669	<b>407,345</b>	389,669
Rental of software	<b>72,000</b>	72,000	<b>72,000</b>	72,000
Net realised foreign exchange loss	<b>2,283</b>	3,577	<b>2,283</b>	3,577
Inventories written down	–	40,576	–	40,576
Net unrealised foreign exchange loss	<b>207,283</b>	32,145	<b>207,283</b>	32,145
Impairment loss on trade receivables	<b>17,393</b>	52,623	<b>17,393</b>	52,623
Unwinding of discount on receivables	<b>(7,214)</b>	(14,900)	<b>(7,214)</b>	(14,900)
Interest - fixed deposits	<b>(22,137)</b>	(24,989)	<b>(22,137)</b>	(24,989)
Reversal of impairment loss on trade receivables	<b>(8,254)</b>	(31,602)	<b>(7,354)</b>	(25,237)
Bad debts recovered	<b>(600)</b>	–	–	–

**8 EMPLOYEE BENEFITS EXPENSE**

	Group and Company	
	2014 RM	2013 RM
Wages and salaries	<b>4,243,843</b>	4,077,964
Social security contributions	<b>59,739</b>	59,946
Pension costs – defined contribution plan	<b>559,914</b>	560,901
Other staff related expenses	<b>213,334</b>	232,156
	<b>5,076,830</b>	4,930,967

**9 DIRECTORS' REMUNERATION**

	Group and Company	
	2014 RM	2013 RM
Executive directors' remuneration		
- salaries and other emoluments	<b>240,000</b>	340,000
- pension costs – defined contribution plan	<b>45,600</b>	51,600
	<b>285,600</b>	391,600
Non - executive Directors (Note 7)		
- Fees	<b>33,000</b>	186,000
Total directors' remuneration (Note 22)	<b>318,600</b>	577,600

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

**9 DIRECTORS' REMUNERATION (continued)**

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

	<b>Number of Directors</b>	
	<b>2014</b>	<b>2013</b>
Executive directors:		
RM50,001 – RM100,000	–	–
RM100,001 - RM150,000	–	1
RM150,001 - RM200,000	–	–
RM200,001 - RM250,000	–	–
RM250,001 - RM300,000	<b>1</b>	<b>1</b>
<hr/>		
Non-executive directors:		
Below RM1 – RM50,000	<b>2</b>	<b>5</b>
<hr/>		

**10 TAXATION**

**(a) Tax charge for the 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:

	<b>Group</b>		<b>Company</b>	
	<b>2014 RM</b>	<b>2013 RM</b>	<b>2014 RM</b>	<b>2013 RM</b>
Loss before tax	<b>(2,193,044)</b>	(5,205,735)	<b>(2,152,464)</b>	(5,163,507)
<hr/>				
Tax calculated at the Malaysian tax rate of 25% (2013: 25%)	<b>(548,261)</b>	(1,301,434)	<b>(538,116)</b>	(1,290,877)
Tax effect of:				
- expenses not deductible for tax purposes	<b>100,913</b>	161,526	<b>90,393</b>	148,940
- income not taxable	<b>(241,777)</b>	(689,215)	<b>(241,777)</b>	(688,263)
- utilisation of previously unrecognised tax losses and unabsorbed capital allowances	<b>(375)</b>	(1,077)	–	–
- deferred tax assets not recognised in respect of current year tax losses and deductible temporary differences	<b>689,500</b>	1,830,200	<b>689,500</b>	1,830,200
<hr/>				
	–	–	–	–
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
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**10 TAXATION (continued)**

**(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.

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unused tax losses	<b>38,553,447</b>	35,049,947	<b>33,325,000</b>	29,820,000
Unutilised reinvestment allowances	<b>9,972,944</b>	9,972,944	<b>9,972,944</b>	9,972,944

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

**11 LOSS PER SHARE**

**(a) Basic**

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

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
Loss net of tax attributable to owners of the Company used in the computation of basic and diluted loss per share (RM)	<b>(2,192,974)</b>	(5,204,809)
Weighted average number of ordinary shares for basic loss per share computation	<b>65,146,584</b>	65,146,584
Basic loss per share (sen)	<b>(3.36)</b>	(7.99)

**(b) Diluted**

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



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KUANTAN FLOUR MILLS BERHAD (1195984-F)

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
<b>Cost</b>						
At 1 April 2012	11,700	11,429,063	37,265,169	5,371,862	8,809,847	62,887,641
Additions	-	-	108,445	212,548	240,728	561,721
Written off	-	-	-	(202,403)	-	(202,403)
Other movements	-	-	-	(992)	(11,867)	(12,859)
Disposal	-	-	-	-	(210,705)	(210,705)
At 31 March 2013	11,700	11,429,063	37,373,614	5,381,015	8,828,003	63,023,395
Additions	-	-	-	<b>87,210</b>	-	<b>87,210</b>
Reclassified to non-current assets held for disposal	-	<b>(866,000)</b>	-	-	-	<b>(866,000)</b>
Disposal	<b>(11,700)</b>	<b>(115,145)</b>	-	-	<b>(528,553)</b>	<b>(655,398)</b>
<b>At 31 March 2014</b>	<b>-</b>	<b>10,447,918</b>	<b>37,373,614</b>	<b>5,468,225</b>	<b>8,299,450</b>	<b>61,589,207</b>
<b>Accumulated depreciation</b>						
At 1 April 2012	-	5,482,283	25,787,710	4,519,479	5,377,609	41,167,081
Additions	-	282,357	1,094,604	249,642	346,176	1,972,779
Written off	-	-	-	(191,803)	-	(191,803)
Disposal	-	-	-	-	(115,806)	(115,806)
At 31 March 2013	-	5,764,640	26,882,314	4,577,318	5,607,979	42,832,251
Additions	-	<b>283,330</b>	<b>1,001,903</b>	<b>216,320</b>	<b>324,413</b>	<b>1,825,966</b>
Reclassified to non-current assets held for disposal	-	<b>(117,657)</b>	-	-	-	<b>(117,657)</b>
Disposal	-	<b>(47,714)</b>	-	-	<b>(330,760)</b>	<b>(378,474)</b>
<b>At 31 March 2014</b>	<b>-</b>	<b>5,882,599</b>	<b>27,884,217</b>	<b>4,793,638</b>	<b>5,601,632</b>	<b>44,162,086</b>
<b>Net carrying amount</b>						
At 31 March 2013	11,700	5,664,423	10,491,300	803,697	3,220,024	20,191,144
At 31 March 2014	-	<b>4,565,319</b>	<b>9,489,397</b>	<b>674,587</b>	<b>2,697,818</b>	<b>17,427,121</b>

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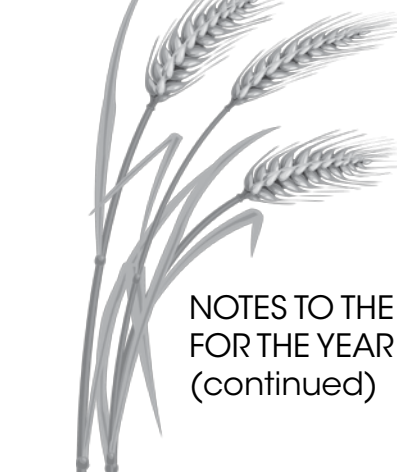
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KUANTAN FLOUR MILLS BERHAD (119698-F)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
<b>Cost</b>						
At 1 April 2012	11,700	11,359,259	36,990,020	4,900,385	6,608,213	59,869,577
Additions	-	-	108,445	212,548	240,728	561,721
Written off	-	-	-	(202,403)	-	(202,403)
Other movements	-	-	-	(992)	(11,867)	(12,859)
Disposal	-	-	-	-	(210,705)	(210,705)
At 31 March 2013	11,700	11,359,259	37,098,465	4,909,538	6,626,369	60,005,331
Additions	-	-	-	<b>87,210</b>	-	<b>87,210</b>
Reclassified to non-current assets held for disposal	-	<b>(866,000)</b>	-	-	-	<b>(866,000)</b>
Disposal	<b>(11,700)</b>	<b>(115,145)</b>	-	-	<b>(528,553)</b>	<b>(655,398)</b>
At 31 March 2014	-	<b>10,378,114</b>	<b>37,098,465</b>	<b>4,996,748</b>	<b>6,097,816</b>	<b>58,571,143</b>
<b>Accumulated depreciation</b>						
At 1 April 2012	-	5,412,479	25,524,154	4,216,310	3,138,275	38,291,218
Additions	-	282,357	1,094,604	213,836	346,176	1,936,973
Written off	-	-	-	(191,803)	-	(191,803)
Disposal	-	-	-	-	(115,806)	(115,806)
At 31 March 2013	-	5,694,836	26,618,758	4,238,343	3,368,645	39,920,582
Additions	-	<b>283,330</b>	<b>1,001,903</b>	<b>180,514</b>	<b>324,413</b>	<b>1,790,160</b>
Reclassified to non-current assets held for disposal	-	<b>(117,657)</b>	-	-	-	<b>(117,657)</b>
Disposal	-	<b>(47,714)</b>	-	-	<b>(330,760)</b>	<b>(378,474)</b>
<b>At 31 March 2014</b>	-	<b>5,812,795</b>	<b>27,620,661</b>	<b>4,418,857</b>	<b>3,362,298</b>	<b>41,214,611</b>
<b>Net carrying amount</b>						
At 31 March 2013	11,700	5,664,423	10,479,707	671,195	3,257,724	20,084,749
At 31 March 2014	-	<b>4,565,319</b>	<b>9,477,804</b>	<b>577,891</b>	<b>2,735,518</b>	<b>17,356,532</b>



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KUANTAN FLOUR MILLS BERHAD (1195984-F)

**12 PROPERTY, PLANT AND EQUIPMENT (continued)**

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

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Not later than 1 year	<b>322,498</b>	322,498
Later than 1 year and not later than 5 years	<b>1,403,747</b>	1,362,590
Later than 5 years	<b>3,779,685</b>	4,143,340
	<b>5,505,930</b>	5,828,428

Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate cost of RM54,400 (2013: RM407,999) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM32,810 (2013: RM153,722). The carrying amounts of property, plant and equipment held under finance leases at the reporting date were as follows:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Motor vehicles	<b>439,486</b>	758,247
Plant and machinery	<b>144,833</b>	150,162
Equipment and fixtures	<b>138,943</b>	105,117
	<b>723,262</b>	1,013,526

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:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Buildings	<b>1,280,662</b>	1,309,617

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**13 INVESTMENTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	<b>1,346,107</b>	1,916,107
Less: Accumulated impairment losses	<b>(1,340,998)</b>	(1,910,998)
	<b>5,109</b>	5,109

Details of the subsidiaries are as follows:

<b>Name of Company</b>	<b>Country of incorporation</b>	<b>Proportion (%) of ownership interest</b>		<b>Principal activities</b>
		<b>2014</b>	<b>2013</b>	
		<b>%</b>	<b>%</b>	
KFM Transport Sdn Bhd	Malaysia	<b>100</b>	100	Dormant
KFM Marketing Sdn Bhd	Malaysia	<b>100</b>	100	Dormant
KFM Ventures Sdn Bhd	Malaysia	<b>100</b>	100	Dormant
KFM Trading Sdn Bhd	Malaysia	<b>51</b>	51	Dormant
KFM Biotechnology Sdn Bhd	Malaysia	<b>100</b>	100	Dormant
KFM Industries Sdn Bhd	Malaysia	<b>100</b>	100	Dormant

All subsidiaries are audited by McMillan Woods Thomas.

**14 OTHER INVESTMENT**

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Available-for-sale financial asset		
Unquoted shares, at cost	<b>1,735,501</b>	1,735,501

**15 NON – CURRENT ASSETS HELD FOR DISPOSAL**

On 23 December 2013 the Company has entered into sale and purchase agreement on disposal of its 2 units of office building for total consideration of RM1,400,000. The disposal is not taken up in the current financial year due to certain conditions have yet to be complied with. Details of the assets are as follows:

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
Office building held for disposal:		
Cost	<b>866,000</b>	–
Accumulated depreciation	<b>(117,657)</b>	–
Carrying amount	<b>748,343</b>	–

NOTES TO THE FINANCIAL STATEMENTS  
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KUANTAN FLOUR MILLS BERHAD (119598-F)

16 INVENTORIES

	Group and Company	
	2014	2013
	RM	RM
<b>Cost</b>		
Raw materials	283,395	685,798
Finished goods	772,579	798,872
Work - in - progress	66,099	325,301
Consumables	1,082,543	1,047,087
	<b>2,204,616</b>	<b>2,857,058</b>

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
<b>Non current</b>				
Trade receivables - third parties	-	58,580	-	58,580
Add: Unwinding of discount	1,024	8,238	1,024	8,238
	<b>1,024</b>	<b>66,818</b>	<b>1,024</b>	<b>66,818</b>
<b>Current</b>				
Trade receivables – third parties	6,054,395	9,433,599	5,892,342	8,054,644
Less: Impairment loss	(248,048)	(1,454,911)	(85,997)	(75,958)
	<b>5,806,347</b>	<b>7,978,688</b>	<b>5,806,345</b>	<b>7,978,686</b>
Other receivables	1,049,896	1,185,713	1,049,896	1,185,713
Less: Impairment loss	(500,000)	(500,000)	(500,000)	(500,000)
	<b>549,896</b>	<b>685,713</b>	<b>549,896</b>	<b>685,713</b>
Amounts due from subsidiaries	-	-	20,716	16,882
Deposits	51,371	51,371	43,571	43,571
Prepayments	171,824	169,196	171,824	169,196
	<b>6,579,438</b>	<b>8,884,968</b>	<b>6,592,352</b>	<b>8,894,048</b>

Trade receivables are non-interest bearing and are generally on 7 to 90 days (2013: 7 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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**17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)**

Ageing analysis of trade receivables

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Neither past due nor impaired	<b>5,368,296</b>	7,207,114	<b>5,368,296</b>	7,207,114
1 to 30 days past due not impaired	<b>96,164</b>	192,940	<b>96,164</b>	192,940
31 to 60 days past due not impaired	<b>96,455</b>	182,779	<b>96,455</b>	182,779
61 to 90 days past due not impaired	<b>1,645</b>	106,187	<b>1,645</b>	106,187
More than 90 days past due not impaired	<b>244,811</b>	356,486	<b>244,809</b>	356,484
	<b>439,075</b>	838,392	<b>439,073</b>	838,390
Impaired	<b>248,048</b>	1,454,911	<b>85,997</b>	75,958
	<b>6,055,419</b>	9,500,417	<b>5,893,366</b>	8,121,462

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 RM439,075 (2013: RM838,392) and RM439,073 (2013: RM838,390) 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 31 March 2014, the Directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

**17 RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)**

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	
	2014 RM	Individually impaired 2013 RM	2014 RM	2013 RM
Trade receivables				
- nominal amount	<b>248,048</b>	1,454,911	<b>85,997</b>	75,958
Less: Allowance for impairment	<b>(248,048)</b>	(1,454,911)	<b>(85,997)</b>	(75,958)
	-	-	-	-

Movement in allowance accounts:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 April	<b>1,454,911</b>	1,433,890	<b>75,958</b>	48,572
Charge for the year	<b>17,393</b>	52,623	<b>17,393</b>	52,623
Written off	<b>(1,216,002)</b>	-	-	-
Reversal of impairment losses	<b>(8,254)</b>	(31,602)	<b>(7,354)</b>	(25,237)
At 31 March	<b>248,048</b>	1,454,911	<b>85,997</b>	75,958

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

Other receivable that is impaired

At the reporting date, the Company has provided an allowance of RM500,000 (2013: RM500,000) for impairment of the amount due from a third party with a nominal amount of RM500,000 (2013: RM500,000).

There has been no movement in this allowance account for the financial year ended 31 March 2014 (2013: RM500,000).



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**18 CASH AND CASH EQUIVALENTS**

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Deposits with licensed banks	<b>626,382</b>	792,649	<b>626,382</b>	792,649
Cash and bank balances	<b>794,442</b>	647,986	<b>776,602</b>	629,031
	<b>1,420,824</b>	1,440,635	<b>1,402,984</b>	1,421,680
Deposits pledged as security	<b>(626,382)</b>	(792,649)	<b>(626,382)</b>	(792,649)
	<b>794,442</b>	647,986	<b>776,602</b>	629,031

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

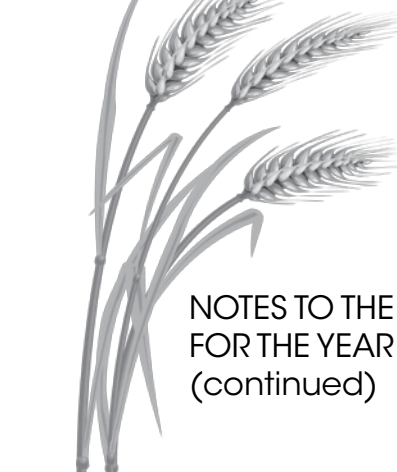
	Group and Company	
	2014 %	2013 %
Deposits with licensed banks	<b>3.12</b>	3.12

**19 PAYABLES**

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Trade payables	<b>8,904,925</b>	7,969,187	<b>8,886,406</b>	7,950,668
Other payables	<b>1,213,847</b>	5,540,771	<b>1,213,048</b>	5,539,972
Accruals	<b>1,375,515</b>	1,575,526	<b>1,367,515</b>	1,566,526
Deposits	<b>1,000,000</b>	–	<b>1,000,000</b>	–
Amounts due to subsidiaries	–	–	<b>31,428</b>	32,253
	<b>12,494,287</b>	15,085,484	<b>12,498,397</b>	15,089,419

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2013: 30 to 90 days).

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (1195984-9)

**20 BORROWINGS**

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Current</b>		
Finance leases	<b>184,163</b>	223,596
Term loans	<b>117,312</b>	110,202
	<b>301,475</b>	333,798
<b>Non-current</b>		
Finance leases	<b>157,866</b>	283,892
Term loans	<b>590,948</b>	715,370
	<b>748,814</b>	999,262
Total borrowings	<b>1,050,289</b>	1,333,060

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

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
On demand within one year	<b>301,475</b>	331,798
More than 1 year and less than 2 years	<b>220,618</b>	262,582
More than 2 years and less than 5 years	<b>406,496</b>	454,118
More than 5 years	<b>121,700</b>	284,562
	<b>1,050,289</b>	1,333,060

The weighted average effective interest rate per annum at the reporting date for term loans has 6.33% (2013: 6.99%).

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 7.90% (2013: 7.39%) 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)



**21 SHARE CAPITAL**

	Ordinary shares of RM0.50 each			
	2014 Unit	2013 Unit	2014 RM	2013 RM
<b>Authorised</b>				
At start and end of the financial year	<b>150,000,000</b>	150,000,000	<b>75,000,000</b>	75,000,000
<b>Issued and fully paid</b>				
At start and end of the financial year	<b>65,146,584</b>	65,146,584	<b>32,573,292</b>	32,573,292

**22 SIGNIFICANT RELATED PARTY DISCLOSURES**

Compensation of key management personnel

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

	Group and Company	
	2014 RM	2013 RM
Short term employee benefits	<b>1,020,360</b>	1,287,231
Post-employment benefits: Defined contribution plan	<b>170,184</b>	167,089
	<b>1,190,544</b>	1,454,320
Included in the total key management personnel are:		
Directors' remuneration (Note 9)	<b>318,600</b>	577,600

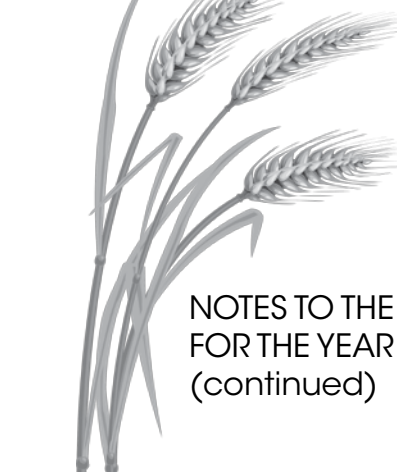
**23 COMMITMENTS**

**(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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (119598-F)

**23 COMMITMENTS (continued)**

**(b) Finance lease commitments (continued)**

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

	<b>Group and Company</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM</b>	<b>RM</b>
<b>Minimum lease payments</b>		
Not later than 1 year	<b>197,179</b>	239,718
Later than 1 year and not later than 2 years	<b>115,739</b>	176,674
Later than 2 years and not later than 5 years	<b>53,853</b>	140,552
	<hr/>	<hr/>
Total minimum lease payments	<b>366,771</b>	556,944
	<b>(24,742)</b>	(49,456)
	<hr/>	<hr/>
	<b>342,029</b>	507,488
	<hr/>	<hr/>
<b>Present value of payments</b>		
Not later than 1 year	<b>184,163</b>	223,596
Later than 1 year and not later than 2 years	<b>103,306</b>	154,380
Later than 2 years and not later than 5 years	<b>54,560</b>	129,512
	<hr/>	<hr/>
Present value of minimum lease payments	<b>342,029</b>	507,488
Less amount due within 12 months	<b>(184,163)</b>	(223,596)
	<hr/>	<hr/>
Amounts due after 12 months	<b>157,866</b>	283,892
	<hr/>	<hr/>

**24 EVENT SUBSEQUENT TO BALANCE SHEET DATE**

**Corporate Exercise**

On 19 March 2014, the Company had announced a Private Placement of new ordinary shares of RM0.50 each in the Company representing up to 10% of the issued and paid-up share capital of the Company, to investors to be identified at an issued price to be determined and announced by the Board at a later date.

Affin Investment Bank Berhad has been appointed as advisor to the Company for the proposed scheme. Bursa Malaysia Securities Berhad has, vide its letter dated 9 May 2014, granted its approval.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)



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			
	2014		2013	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Financial assets:</b>				
Unquoted shares	1,735,501	*	1,735,501	*
<b>Financial liabilities</b>				
Non-current				
Term loans	590,948	382,848	715,370	479,592
Finance leases	157,866	153,350	283,892	279,866

\* 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

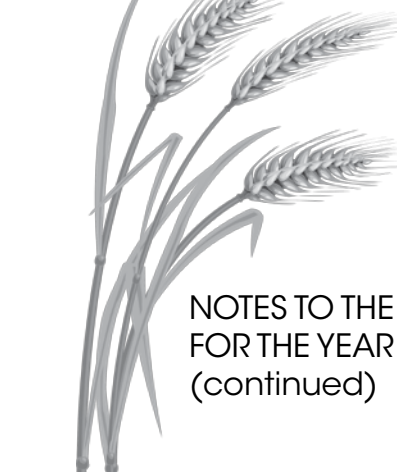
Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

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

	Note
Trade and other receivables	17
Trade and other payables	19
Borrowings	20

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

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
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KUAN TAN FLOUR MILLS BERHAD (1195984-F)

## 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 year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

### (a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is 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			
	2014	2013	2014	2013
	RM	RM	% of total	% of total
<b>By country:</b>				
Malaysia	5,766,326	8,026,643	99.3	99.8%
Singapore	41,045	18,863	0.7	0.2%
	<b>5,807,371</b>	<b>8,045,506</b>	<b>100.0</b>	<b>100.0%</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)



**26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(a) Credit risk (continued)**

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with licensed banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

**(b) Liquidity risk**

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

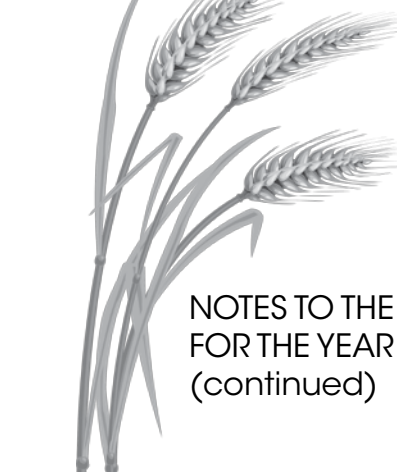
The Group's overall liquidity risk management is to maintain sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises funding from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

**Analysis of financial instruments by remaining contractual maturities**

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

	<b>On demand or within one year RM</b>	<b>1 to 5 years RM</b>	<b>Over 5 years RM</b>	<b>Total RM</b>
<b>Group - 2014</b>				
<b>Financial liabilities</b>				
Trade and other payables	10,118,772	–	–	<b>10,118,772</b>
Accruals	1,375,515	–	–	<b>1,375,515</b>
Loans and borrowings	301,475	627,114	121,700	<b>1,050,289</b>
<b>Total undiscounted financial liabilities</b>	<b>11,795,762</b>	<b>627,114</b>	<b>121,700</b>	<b>12,544,576</b>
<b>Company - 2014</b>				
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Trade and other payables	10,099,454	–	–	<b>10,099,454</b>
Accruals	1,367,515	–	–	<b>1,367,515</b>
Loans and borrowings	301,475	627,114	121,700	<b>1,050,289</b>
<b>Total undiscounted financial liabilities</b>	<b>11,768,444</b>	<b>627,114</b>	<b>121,700</b>	<b>12,517,258</b>





NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
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KUAN TIAN FLOUR MILLS BERHAD (119598-F)

**26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(c) Interest rate risk**

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

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

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

Sensitivity analysis for interest rate risk

At the reporting date, if interest rates had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM7,154 higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

**(d) Foreign currency risk**

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

The Group has transactional currency exposure arising from sales or 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 0.47% (2013: 0.35%) and 60.24% (2013: 68.6%) 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.

	<b>Group and Company Impact on loss net of tax Decrease/(Increase) RM</b>
USD/RM – strengthened 5%	<b>1,288,080</b>
USD/RM – weakened 5%	<b>(1,288,080)</b>
SGD/RM – strengthened 5%	<b>9,796</b>
SGD/RM – weakened 5%	<b>(9,796)</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)



**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.

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Borrowings	<b>1,050,289</b>	1,333,060	<b>1,050,289</b>	1,333,060
Trade and other payables	<b>11,494,287</b>	15,085,484	<b>11,498,397</b>	15,089,419
Less: Deposits, cash and bank balances	<b>(1,420,824)</b>	(1,440,635)	<b>(1,402,984)</b>	(1,421,680)
Net debt	<b>11,123,752</b>	14,977,909	<b>11,145,702</b>	15,000,799
Equity attributable to owners of the Company	<b>16,554,543</b>	18,747,517	<b>16,483,856</b>	18,636,320
<b>Capital and net debt</b>	<b>27,678,295</b>	33,725,426	<b>27,629,558</b>	33,637,119
Gearing ratio	<b>40%</b>	44%	<b>40%</b>	45%

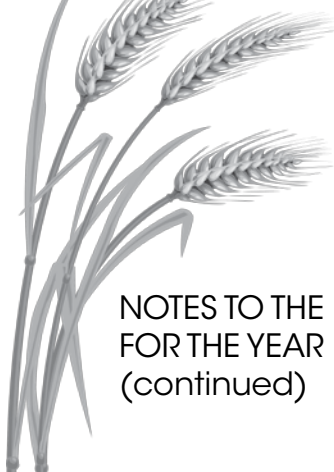
**28 SEGMENTAL INFORMATION**

Geographical information

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

	Revenue	
	2014 RM	2013 RM
Malaysia	<b>41,459,497</b>	48,642,471
Singapore	<b>195,921</b>	170,502
	<b>41,655,418</b>	48,812,973

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.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
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KUANTAN FLOUR MILLS BERHAD (1195984-F)

## 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 life. 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 FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

During the financial year, the Group has adopted the following new and revised Financial Reporting Standards and Interpretations (collectively referred to as 'FRSs'), issued by the Malaysian Accounting Standards Board ('MASB') and effective for the financial periods beginning on or after 1 January 2013:

### FRSs that do not have significant impacts on these financial statements

The following new and revised FRSs issued by the MASB, effective for financial periods beginning on or after 1 January 2013, have been adopted, but the adoptions do not have a significant impact on the financial statements:

MFRS 3	Business Combinations
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (revised)
MFRS 127	Consolidated and Separate Financial Statements (revised)
MFRS 128	Investment in Associates and Joint Ventures (revised)
Amendments to MFRS 1	First-time Adoption of MFRS – Government Loans
Amendments to MFRS 7	Financial Instruments Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
Annual Improvements to IC Interpretations and MFRSs 2009-2011 Cycle	

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
(continued)



**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.

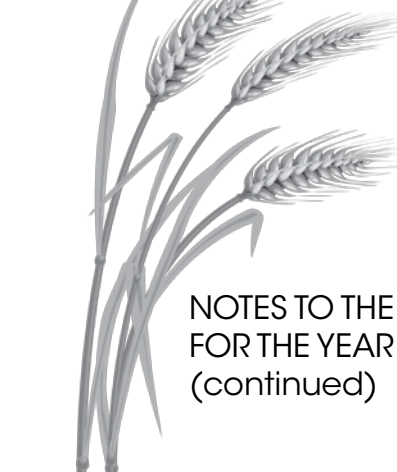
**FRSs that have been issued but are not yet effective**

Effective for financial period beginning on or after 1 January 2014

MFRS 10, MFRS 12 and MFRS 127 Amendment to MFRS 132	Investment Entities (Amendments to MFRS 10, MFRS 12 and MFRS 127) 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

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



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2014  
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KUANTAN FLOUR MILLS BERHAD (1195984-F)

**32 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 31 March 2014, 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.

	<b>Group 2014 RM</b>	<b>Company 2014 RM</b>
Total accumulated losses of the Company and its subsidiaries		
Realised	<b>(14,025,521)</b>	<b>(16,293,121)</b>
Unrealised	<b>203,685</b>	<b>203,685</b>
Less: Consolidation adjustments	<b>(2,196,913)</b>	<b>-</b>
	<hr/>	<hr/>
Accumulated losses as per financial statements	<b>(16,018,749)</b>	<b>(16,089,436)</b>

**33 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 16 July 2014.



## 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 60 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 31 March 2014 and of the results and cash flows of the Group and of the Company for the year 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 16 July 2014

**Dennis Tow Jun Fye**  
Director

**Lee Chee Kiean**  
Director

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KUANTAN FLOUR MILLS BERHAD (119698-F)

## 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 60 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: 16 July 2014

Before me:

Pesuruhanjaya Sumpah Malaysia  
No: C105

**Ramanaidoo A/L Karanam Apralasy, PKT**  
40, 1st Floor, Jalan Mahkota  
25000 Kuantan, Pahang Darul Makmur



# INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF KUANTAN FLOUR MILLS BERHAD

Company no: 119598-P (Incorporated in Malaysia)

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KUANTAN FLOUR MILLS BERHAD (119598-P)

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Kuantan Flour Mills Berhad, which comprise the statements of financial position as at 31 March 2014 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 23 to 60.

#### *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.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 March 2014 and of their performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (a) In our opinion, the accounting and other records and the registers required by the Act, to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF KUANTAN FLOUR MILLS BERHAD  
Company no: 119598-P (Incorporated in Malaysia)  
(continued)

**OTHER REPORTING RESPONSIBILITIES**

The supplementary information set out in Note 32 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 16 July 2014



# STATISTIC ON SHAREHOLDINGS

## AS AT 15 AUGUST 2014

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KUANTAN FLOUR MILLS BERHAD (119598-F)

### DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Authorised Share Capital	:	RM75,000,000 of 150,000,000 ordinary shares of RM0.50 each
Issued and fully paid	:	RM33,064,542 comprising 66,129,084 ordinary shares of RM0.50 each
Class of share	:	Ordinary shares of RM0.50 each
Voting rights	:	
- On show of hands	:	1 vote
- On a poll	:	1 vote for each share held

Name of Substantial Shareholder	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Neo Kim Hock	9,361,750	14.157	–	–
Dennis Tow Jun Fye	9,251,000	13.990	–	–

SIZE OF HOLDINGS	No. of Holders		No. of Shares		%	
	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
Less Than 100	82	1	1,666	9	0.00	0.00
100 - 1000	1,039	11	994,595	9,770	1.50	0.01
1001 - 10000	1,624	24	6,550,178	115,900	9.91	0.18
10001 - 100000	354	15	10,163,616	378,100	15.37	0.57
100001 and below 5%	52	5	20,423,200	8,863,300	30.89	13.40
5% and above	1	0	9,361,750	–	14.16	0.00
Directors	2	0	9,267,000	–	14.01	0.00
	3,154	56	56,762,005	9,367,079	85.84	14.16

### DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

#### The Company – Kuantan Flour Mills Berhad

Name of Directors	Direct Interest	%	Deemed Interest	%
Lee Chee Kian	16,000	0.02	5,000	–
Leong Chen Nyen	–	–	–	–
Kushairi bin Zaidel	–	–	–	–
Dato' Mohd Hasnulhisham bin Yaakob	–	–	–	–
Dennis Tow Jun Fye	9,251,000	13.99	–	–


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



STATISTIC ON SHAREHOLDINGS  
AS AT 15 AUGUST 2014  
(continued)

**THIRTY LARGEST SHAREHOLDERS**

NO.	NAMES	NO.OF SHARES	%
1	DENNIS TOW JUN FYE	9,251,000	13.99
2	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [MG0237-199])	4,426,700	6.69
3	HLIB NOMINEES (ASING) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NUEVIZ INVESTMENT PRIVATE LIMITED [MG0031-199])	3,305,550	5.00
4	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH [A/C CLIENTS-FGN])	3,083,850	4.66
5	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LEE CHAI HUAT [MG0019-199])	2,180,000	3.30
6	UOB KAY HIAN NOMINEES (ASING) SDN BHD (EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS))	1,978,600	2.99
7	LIM SOON GUAN	1,680,000	2.54
8	KENANGA NOMINEES (TEMPATAN) SDN BHD (PLEDGE SECURITIES ACCOUNT FOR SOH KEY CHAI)	1,464,000	2.21
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK)	1,443,800	2.18
10	KWONG YOU LAM	1,300,000	1.97
11	KWONG AH NGAW @ KWONG YING SIEW	1,247,850	1.89
12	YONG KIT FAI	1,104,800	1.67
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (UBS AG SINGAPORE FOR NORMAH BINTI MOHAMAD ARIP)	878,000	1.33
14	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (MAYBANK KIM ENG SECURITIES PTE LTD FOR TAN BOON KIAT)	858,200	1.30
15	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT)	833,000	1.26
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD (CIMB BANK FOR TEH SWEE HENG [MM1118])	796,200	1.20



STATISTIC ON SHAREHOLDINGS  
AS AT 15 AUGUST 2014  
(continued)

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KUANTAN FLOUR MILLS BERHAD (1195984-F)

**THIRTY LARGEST SHAREHOLDERS (continued)**

<b>NO.</b>	<b>NAMES</b>	<b>NO.OF SHARES</b>	<b>%</b>
17	FARHASH WAFA SALVADOR	790,000	1.19
18	TANG YEOW WAH	768,200	1.16
19	ROZANA BINTI REDZUAN	752,700	1.14
20	LEE FONG KUAN	600,000	0.91
21	TAN SWEE KUANG	539,000	0.82
22	CHIEW KIM LEE	500,000	0.76
23	GAN LAM SEONG	500,000	0.76
24	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (MAYBANK KIM ENG SECURITIES PTE LTD FOR HO YEE YAN)	500,000	0.76
25	TAN SIOW HWEE	485,000	0.73
26	CHIK KIN YEUN	390,000	0.59
27	CITIGROUP NOMINEES (ASING ) SDN BHD (EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED [CLIENT A/C-NR])	363,700	0.55
28	EAGLE OPTION SDN BHD	340,000	0.51
29	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD (PLEGGED SECURITIES ACCOUNT FOR LEE CHOONG CHOY [STF])	307,900	0.47
30	CHEE HOR WOUI	298,300	0.45
		<b>42,966,350</b>	<b>64.98</b>

# ANALYSIS OF WARRANT HOLDINGS (WARRANTS 2011/2016)

AS PER RECORD OF DEPOSITORS AS AT 15 AUGUST 2014



Total Number of Warrants 2011/2016 ("Warrants") issued	:	23,382,426
Total number of Warrants outstanding	:	22,399,926
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	%
<b>RANGE OF WARRANT HOLDINGS</b>				
Less Than 100	5	2.10	185	0.00
100 - 1000	25	10.51	16,865	0.08
1001 - 10000	106	44.54	430,451	1.92
10001 - 100000	72	30.25	2,443,700	10.91
100001 and below 5%	25	10.50	9,508,175	42.44
5% and above	3	1.26	9,885,050	44.13
Directors	2	0.84	115,500	0.52
	238	100.00	22,399,926	100.00

## SUBSTANTIAL WARRANT HOLDERS

Name of Substantial Shareholder	Direct Interest	No. of Shares	
		%	Deemed Interest
Neo Kim Hock	7,893,525	35.239	-
Dennis Tow Jun Fye	106,500	0.475	-

ANALYSIS OF WARRANT HOLDINGS  
(WARRANTS 2011/2016)  
AS PER RECORD OF DEPOSITORS AS AT 15 AUGUST 2014  
(continued)

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Kuantan Flour Mills Berhad (1195984-F)


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

Name of Director	Direct Interest	%	No. of Shares	
			Deemed Interest	%
Lee Chee Kiean	9,000	0.040	3,000 *	0.013
Leong Chen Nyen	–	–	–	–
Kushairi bin Zaidel	–	–	–	–
Dato' Mohd Hasnulhisham bin Yaakob	–	–	–	–
Dennis Tow Jun Fye	106,500	0.475	–	–

\* Deemed interest via his spouse warrant in the Company

**THIRTY LARGEST WARRANT HOLDERS**  
**as at 15 August 2014**

NO.	NAMES	NO.OF SHARES	%
1	NEO KIM HOCK	6,758,700	30.17
2	WONG TOON CHICK	2,000,000	8.93
3	ROZANA BINTI REDZUAN	1,126,350	5.03
4	KENANGA NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES FOR SOH KEY CHAI)	1,070,500	4.78
5	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [8093571])	1,041,900	4.65
6	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES FOR LEE CHAI HUAT [MG0019-199])	946,600	4.23
7	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT)	749,300	3.35
8	KWONG YOU LAM	735,900	3.29
9	TANG YEOW WAH	668,100	2.98
10	KWONG AH NGAW @ KWONG YING SIEW	623,925	2.79
11	CIMSEC NOMINEES (TEMPATAN) SDN BHD (CIMB BANK FOR TEH SWEE HENG [MM1118])	500,000	2.23
12	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH [A/C CLIENTS-FGN])	395,025	1.76


  
**ANALYSIS OF WARRANT HOLDINGS**  
**(WARRANTS 2011/2016)**  
**AS PER RECORD OF DEPOSITORS AS AT 15 AUGUST 2014**  
**(continued)**

**THIRTY LARGEST WARRANT HOLDERS (continued)**  
**as at 15 August 2014**

<b>NO.</b>	<b>NAMES</b>	<b>NO.OF SHARES</b>	<b>%</b>
13	RHB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LOH KUWEI LAM)	375,675	1.68
14	TAN SWEE KUANG	300,000	1.34
15	NG WOUI YING	243,000	1.08
16	RAMLEE BIN MOHD SHARIFF	240,000	1.07
17	TAN THONG HOW	177,000	0.79
18	KWONG YEW NAM	161,100	0.72
19	LEE FONG KUAN	149,100	0.67
20	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT [MG0073-199])	146,250	0.65
21	WONG KON CHING	142,800	0.64
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR RAMLEE BIN MOHD SHARIFF [473646])	141,500	0.63
23	KOR SENG CHAI	130,000	0.58
24	MAYBANK NOMINEES (TEMPATAN) SDN BHD (ONG GIM HOON)	130,000	0.58
25	KENAGA NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES FOR NG KIAM SONG [008])	115,000	0.51
26	YONG KI LIN	110,500	0.49
27	SIM HON KIM	110,000	0.49
28	DENNIS TOW JUN FYE	106,500	0.48
29	YEO TIOW SENG	105,000	0.47
30	TAN SWEE BOON	100,000	0.45
		19,599,725	87.51

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KUAN TAN FLOUR MILLS BERHAD (119698-F)



## LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 MARCH 2014

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KUAN TAN FLOUR MILLS BERHAD (1195984F)

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	28 years and 21 years	1,208 2,013
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	9 years	377
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	9 years	371
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	22 years	532

\* - Non - current assets held for disposal



## NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of the Company will be held at the The Zenith Hotel, Zenith 2 & 3, Level 3, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang Darul Makmur, Malaysia on Monday, 29 September, 2014 at 11.00.a.m. for the purpose of transacting the following businesses: -

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KUANTAN FLOUR MILLS BERHAD (119698-F)

### **AS ORDINARY BUSINESS**

1. To receive the Audited Financial Statements for the year ended 31 March 2014 together with the Reports of the Directors and Auditors thereon.  
(Refer to Note 6)
2. To approve the payment of Directors' fees for the financial year ended 31 March 2014. (Resolution 1)
3. To re-elect as Director, Mr. Lee Chee Klean, who retires by rotation in accordance with Article 63 of the Company's Articles of Association and, being eligible, offers himself for re-election. (Resolution 2)
4. To re-elect as Director, Encik Kushairi bin Zaidel, 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 3)
5. To re-appoint Messrs. McMillan Woods Thomas ( Audit Firm No.AF001879) as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 4)

### **AS SPECIAL BUSINESS**

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

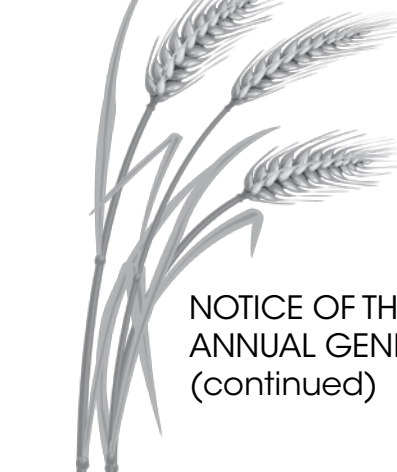
6. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965** (Resolution 5)  
  
"That pursuant to Section 132D of the Companies Act, 1965 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."  
(Refer to Note 7)
7. To transact any other business of which due notice shall have been given in accordance with the Company's Articles of Association.

BY ORDER OF THE BOARD,

**Tan Yoke May**  
(MACS 01531)  
Company Secretary

Kuala Lumpur  
4th September 2014





## NOTICE OF THIRTIETH ANNUAL GENERAL MEETING (continued)

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KUANTAN FLOUR MILLS BERHAD (119598-F)

### Notes:

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

### **Audited Financial Statements for the financial year ended 31 March 2014 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 5 will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions.

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 26 September 2013 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

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



NOTICE OF THIRTIETH  
ANNUAL GENERAL MEETING  
(continued)

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 Directors who is standing for Re-election pursuant to Article 63:

- Mr. Lee Chee Kiean
- Encik Kushairi bin Zaidel

The details of the Directors who are standing for re-election /re-appointment are set out in the Directors' Profile on Page 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 Page 64 to 69 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 Thirtieth Annual General Meeting of the Company to be held on Monday, 29 September 2014 and at any adjournment thereof. My/Our proxy is to vote as indicated below: -

<b>ORDINARY BUSINESS</b>		<b>FOR</b>	<b>AGAINST</b>
1.	Approval of Directors' fees for the year ended 31st March 2014		
2.	Re-election of Director, Mr. Lee Chee Klean		
3.	Re-election of Director, Encik Kushairi bin Zaidel		
4.	Re-appointment of Messrs. McMillan Woods Thomas (Audit Firm No. AF001879) as Auditors and to authorise the Directors to fix their remuneration		
<b>SPECIAL BUSINESS</b>			
5.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		

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

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

First Named Proxy	%
Second Named Proxy	%
	<hr/> 100 % <hr/>

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

Signed this ..... Day of....., 2014.

.....  
Signature of Shareholder or Common Seal

No. of shares held:	
---------------------	--

**Notes:**

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



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Stamp

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

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