KFM

Kuantan Flour Mills Berhad

(119598-P)

Annual Report 2013

CONTENTS

CORPORATE
STRUCTURE

KFM

KUANTAN FLOUR MILLS BERHAD
(119598-P)

KFM Transport Sdn Bhd
100%

KFM Ventures Sdn Bhd
100%

KFM Biotechnology Sdn Bhd
100%

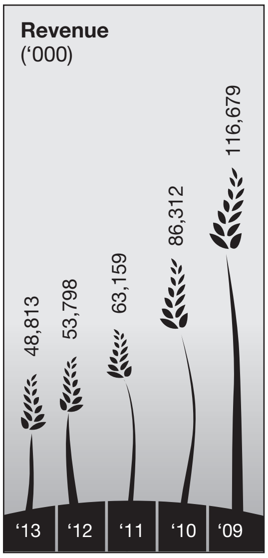
KFM Industries Sdn Bhd
100%

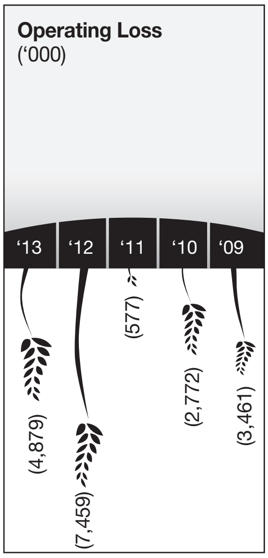
KFM Marketing Sdn Bhd
100%

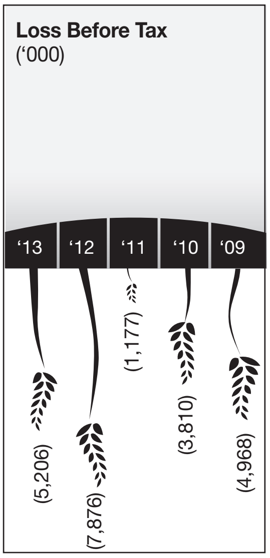
KFM Trading Sdn Bhd
51%

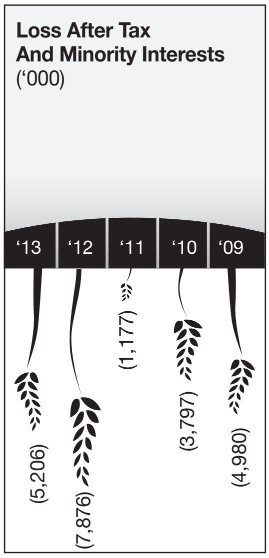
GROUP
FINANCIAL HIGHLIGHTS

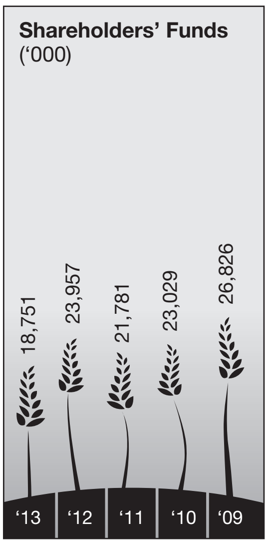
	2013 '000	2012 '000	2011 '000	2010 '000	2009 '000
Revenue	48,813	53,798	63,159	86,312	116,679
Operating loss	(4,879)	(7,459)	(577)	(2,772)	(3,461)
Loss before tax	(5,206)	(7,876)	(1,177)	(3,810)	(4,968)
Loss after tax and minority interests	(5,206)	(7,876)	(1,177)	(3,797)	(4,980)
Shareholders' funds	18,751	23,957	21,781	23,029	26,826
Net tangible assets	18,751	23,957	21,781	23,029	26,826
Tangible assets	35,176	41,810	44,563	48,015	56,081
Basic loss per share (sen)	(7.99)	(14.33)	(2.61)	(8.43)	(11.05)

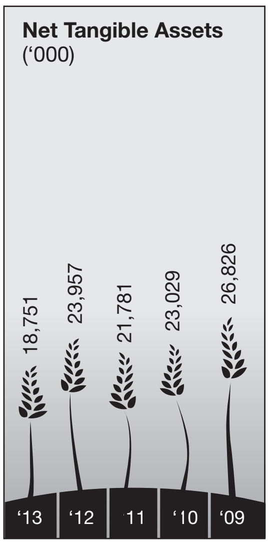


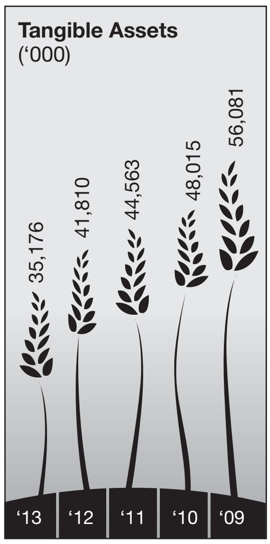


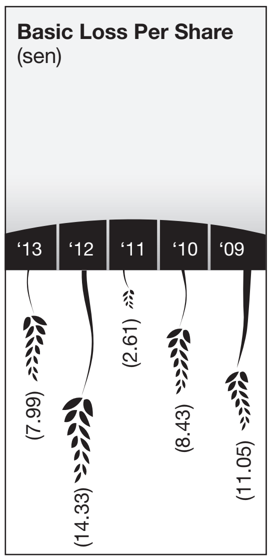












CORPORATE
INFORMATION

Board of Directors

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)

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

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

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

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

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)

Audit Committee

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

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

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

Company Secretary

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

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 Name : KFM
Stock Code : 8303

Warrants

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

Website

www.kfmb.com.my

CHAIRMAN'S
STATEMENT

On behalf of the Board of Directors, I have pleasure in presenting the Annual Report of Kuantan Flour Mills Berhad and the Audited Financial Statements of the Group for the financial year ended 31st March 2013. 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.

FINANCIAL REVIEW

In spite of operating in a tough and robust economic backdrop, the Group achieved a lower loss of RM5.20 million in the year under review as compared to a loss of RM7.88 million in the previous financial year. This was mainly due to the increased depreciation charge of approximately RM1.2 million and the net Rights Issue exercise cost of RM0.699 million incurred that caused the higher pre-tax loss for the previous financial year.

The sales volume for the financial year under review has reduced as a result of intense market competition and this has resulted in the drop in revenue to RM48.8 million as compared to the previous financial year's revenue of RM53.8 million. The increase in the wheat cost starting from the second quarter until the last quarter of the financial year under review had created a great impact on the Group's performance despite there had been improvement in the average selling price of flour.

At the company level, a loss of RM5.16 million was recorded as compared to a loss of RM7.84 million in the previous financial year.

OVERVIEW OF THE INDUSTRY

The business environment of the flour industry continued to remain tough due to the impact of volatility of raw materials cost started from the second quarter of the financial year. The global wheat price increased as the result of adverse weather condition in the wheat growing countries like Russia and USA. This had created a great impact to the Group's performance despite we managed to improve the average selling price of flour.

The Group's strategy of improving the profit margin is still on-going. The management is making efforts to realign our sales mix and at the same time keeping a keen eye on the operational cost in order to survive competition in the market. The Group is expecting similar tough conditions in the coming financial year of 2013/14 but is confident that the management and staff will continue to strive hard in improving the Group performance.

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, 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 year to enhance their skills, knowledge and competency.
4) Annual dinner and festive gatherings for our employees.
5) Sports activities to build up interaction among different levels of employees in the company.

CHAIRMAN'S
STATEMENT (continued)

PROSPECTS FOR THE FINANCIAL YEAR AHEAD

The Group acknowledges that next financial year shall be another tough and challenging year. Having gone through the turbulences over the years, the Board of Directors is still confident of rebuilding the flour business and at the same time is "thinking out of the box" by looking into any viable diversification opportunities in the very near future with the objective of improving the overall performance of the Group.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to convey their sincere gratitude and appreciation to the management and staff for their valued commitment, loyalty and dedication towards the company while working under such tremendous challenging conditions in the flour industry.

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

Thank you.

Tan Sri Mohamed bin Ngah Said
Chairman

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 seven (7) Directors, comprising one (1) Executive and six (6) 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 2013, 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:

Directors	Number of Board Meetings held during Tenure in office	Attendance
Tan Sri Mohamed bin Ngah Said	5	5
Lee Chee Kiean	5	5
Leong Chen Nyen	5	5
Kushairi bin Zaidel	5	5
Ng Kay Eng	5	5
Dato' Mohd Hasnulhisham bin Yaakob	5	3
Dennis Tow Jun Fye	5	5

SUPPLY OF INFORMATION

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIRECTORS' TRAINING

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

The two (2) newly appointed Directors, Dato' Mohd Hasnulhisham bin Yaakob and Mr. Dennis Tow Jun Fye attended the Mandatory Accreditation Programme ("MAP") on 11 & 12 July 2012.

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.

Some of the programmes attended by the Directors during the financial year ended 31 March 2013 include the following:

Topic
* Succession Planning
* Fire Prevention Awareness
* Pioneer Status or Investment Tax Allowance; making a choice
* Limited Liability Partnership
* National Tax Conference 2012
* 2013 Budget Seminar
* Income Tax (Transfer Pricing) Rules 2012

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

The aggregate directors' remuneration paid or payable or otherwise made available to all directors of the Company during the financial year ended 31 March 2013 are as follows:-

	Executive	Non-Executive	Total
Salary and other emuloments	340,000	–	340,000
Pension costs - defined Contribution plans	51,600	–	51,600
Fees		186,000	186,000
	391,600	186,000	577,600

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

	Executive	Non-Executive
Below RM50, 000	–	5
RM50,001 to RM100,000	–	–
RM100,001 to RM150,000	1	–
RM150,001 to RM200,000	–	–
RM200,001 to RM250,000	–	–
RM250,001 to RM300,000	1	–
	2	5

AUDIT COMMITTEE

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

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

ANNUAL GENERAL MEETING

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

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

RELATIONSHIP WITH EXTERNAL AUDITORS

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

FINANCIAL REPORTING

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

INTERNAL CONTROL

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

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

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

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

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

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

OTHER INFORMATION

Non audit fee

There was no non audit fee incurred during the financial year.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

There were no options, warrants or convertible securities exercised during the financial year ended 31 March 2013.

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, Forecasts or Projection;
- Profit Guarantee;
- Material Contracts involving directors and major shareholders' interest;
- Contracts Relating to Loans involving directors and major shareholders' interest;
- Revaluation on Landed Properties;
- Recurrent Related Party Transaction of Revenue or Trading Nature.

AUDIT COMMITTEE
REPORT

The members of the Audit Committee of the Company are pleased to present their report for the financial year ended 31 March 2013.

The present members of the Audit Committee comprise: -

Leong Chen Nyen
(Chairman, Independent, Non-Executive Director)
Kushairi bin Zaidel
(Member, Independent, Non-Executive Director)
Ng Kay Eng
(Member, Independent, Non-Executive Director)

MEETINGS

The Committee shall meet at least 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:

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

SUMMARY OF ACTIVITIES

The Audit Committee carried out the following activities during the financial year ended 31 March 2013:

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

TERMS OF REFERENCE

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

1) Membership

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

At least one member of the Audit Committee: -

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

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

2) Authority

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

3) Duties

The duties of the Committee shall be:

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

4) Internal Audit Function

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

The internal audit fee incurred for the financial year ended was RM56, 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 Board of Directors ("Board") of Kuantan Flour Mills Berhad has prepared this Statement on Risk Management and Internal Control pursuant to paragraph 15.26(b) of the Bursa Malaysia Securities Berhad's Listing Requirements and in accordance with the Statement on Risk Management and Internal Control – Guidance for Directors of Public Listed Companies. The Board acknowledges its role in maintaining and establishing a sound risk management framework and internal control system to safeguard shareholders' investment and the Group's assets.

BOARD RESPONSIBILITIES

The Board is responsible for the adequacy and effectiveness of a sound system of internal control and risk management framework for the Group. An appropriate control mechanism and framework has been established under the system of internal control and its adequacy and integrity is being reviewed regularly. This is a concerted and continuing process installed to identify, evaluate, monitor and manage any significant risks that may affect the achievement of the corporate objectives. Due to its inherent limitations embedded in any such systems, it is designed to manage and not to eliminate the risk of failure. It provides reasonable but not absolute assurance against any material misstatement or losses. 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 is committed to review the Group's Risk Management Framework which is embedded in the Group's activities. The management had established a risk register, risk management policies, strategies and processes to identify, evaluate and manage significant risks faced by the Group and action plans, where necessary to mitigate such risks. The risk management framework provides an interactive process between the Board, top and middle management in order to create a culture of risk awareness, control consciousness and to enhance risk management capabilities throughout the Group. The Board is committed to continuously improve and strengthen such risk management process of the Group.

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 2013, the internal audit function carried out audits 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 at their quarterly meetings.

In addition, follow up visits 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.

SYSTEM OF INTERNAL CONTROL

The Group's Internal Control system comprises the following main elements:

- 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 ;
- Well documented internal policies, objectives and operational procedures formulated in compliance with ISO certification ;
- Quarterly review of financial results by the Audit Committee and the Board ;
- 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 review the mix of skills /experiences / other qualities and to review the terms of office / performance of the Board of Directors and 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 Group's system of internal control and risk management practices are in place and adequately safeguarding the shareholders' investments, employees' interest and the Group's assets. However, the Board is also cognizant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. Therefore, the Board will, when necessary, put in place appropriate action plans to further enhance the system of internal control and risk management.

The Board is of the view that the Group's overall risk management and internal control system is operating adequately and effectively in all material aspects based on the risk management and internal control system of the company and has received the same assurance from the Executive Director cum Chief Executive Officer and the Chief Financial Officer of the Group.

The risk management process for identifying, evaluating and managing significant risks faced by the Group has been in place for the year under review and up to the date of approval of this statement for inclusion in the annual report.

This statement is made in accordance with a resolution of the Board of Directors dated 26 August 2013.

BOARD OF
DIRECTORS

Tan Sri Mohamed bin Ngah Said, is a Malaysian, aged 75, is currently 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.

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

Lee Chee Kiean, is a Malaysian, aged 50, 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 55, 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.

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

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

Kushairi bin Zaidel, is a Malaysian, aged 55, 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.

Dato' Mohd Hasnulhisham bin Yaakob, is a Malaysian, aged 53, 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 27, 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.

Mr Dennis is a substantial shareholder of the Company and as at 15 August 2013, he holds 11.59% 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.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2013

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 2013.

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	(5,204,809)	(5,163,507)

DIVIDENDS

No dividend has been paid or declared by the Company since 31 March 2012. 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.

DIRECTORS

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

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

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 and options over shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM0.50 each			
	1.4.2012/ Date of appointment	**Acquired**	**Sold**	**31.3.2013**
Direct interest - in the Company				
Lee Chee Kiean	16,000	–	–	16,000
Dennis Tow Jun Fye	–	5,657,400	–	5,657,400
Subsidiary – KFM Marketing Sdn Bhd				
Lee Chee Kiean	10,000	–	(10,000)	–

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 and options over ordinary 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			
	1.4.2012	**Issued**	**Exercised**	**31.3.2013**
Number of unissued shares under warrants	23,382,426	–	–	23,382,426

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 25 July 2013.

Tan Sri Mohamed bin Ngah Said
Director

Lee Chee Kiean
Director

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Revenue	4	**48,812,973**	53,798,248	**48,812,973**	53,798,248
Cost of sales	5	**(48,517,862)**	(55,027,051)	**(48,517,862)**	(55,027,051)
Gross profit/(loss)		**295,111**	(1,228,803)	**295,111**	(1,228,803)
Other operating income		**307,440**	138,955	**297,268**	136,459
Administrative expenses		**(3,531,978)**	(4,190,641)	**(3,479,578)**	(4,149,285)
Selling expenses		**(1,949,529)**	(2,178,673)	**(1,949,529)**	(2,178,673)
Finance costs	6	**(326,779)**	(416,633)	**(326,779)**	(416,633)
Loss before tax	7	**(5,205,735)**	(7,875,795)	**(5,163,507)**	(7,836,935)
Taxation	10	**–**	–	**–**	–
Net loss for the year, representing total comprehensive loss for the year		**(5,205,735)**	(7,875,795)	**(5,163,507)**	(7,836,935)
Attributable to:					
Equity holders of the Company		**(5,204,809)**	(7,875,069)	**(5,163,507)**	(7,836,935)
Non-controlling interests		**(926)**	(726)	**–**	–
		(5,205,735)	(7,875,795)	**(5,163,507)**	(7,836,935)
Loss per share attributable to equity holders of the Company (sen)					
Basic	11(a)	**(7.99)**	(14.33)		
Diluted	11(b)	**–**	–		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2013

		Group			Company		
		2013	31.3.2012	1.4.2011	2013	31.3.2012	1.4.2011
	Note	RM	RM	RM	RM	RM	RM
Non current assets							
Property, plant and equipment	12	**20,191,144**	21,720,560	23,733,190	**20,084,749**	21,578,359	23,553,289
Investments in subsidiaries	13	**–**	–	–	**5,109**	5,106	8
Other investment	14	**1,735,501**	1,735,500	1,735,500	**1,735,501**	1,735,500	1,735,500
Trade receivables	16	**66,818**	193,270	245,480	**66,818**	193,270	245,480
		21,993,463	23,649,330	25,714,170	**21,892,177**	23,512,235	25,534,277
Current assets							
Inventories	15	**2,857,058**	7,509,485	8,329,789	**2,857,058**	7,509,485	8,329,789
Receivables, deposits and prepayments	16	**8,884,968**	8,473,312	8,848,443	**8,894,048**	8,465,510	8,836,330
Tax recoverable		**–**	28,424	22,528	**–**	28,424	22,528
Deposits, cash and bank balances	17	**1,440,635**	2,149,770	1,647,587	**1,421,680**	2,130,428	1,635,876
		13,182,661	18,160,991	18,848,347	**13,172,786**	18,133,847	18,824,523
Less: Current liabilities							
Payables	18	**15,085,484**	16,287,887	17,352,159	**15,089,419**	16,280,976	17,339,730
Current tax liabilities		**6,164**	–	–	**6,164**	–	–
Borrowings	19	**333,798**	612,366	3,929,119	**333,798**	612,366	3,929,119
		15,425,446	16,900,253	21,281,278	**15,429,381**	16,893,342	21,268,849
Net current (liabilities)/assets		**(2,242,785)**	1,260,738	(2,432,931)	**(2,256,595)**	1,240,505	(2,444,326)
Less: Non current liabilities							
Borrowings	19	**999,262**	952,913	1,499,981	**999,262**	952,913	1,499,981
Net assets		**18,751,416**	23,957,155	21,781,258	**18,636,320**	23,799,827	21,589,970
Equity attributable to owners of the Company							
Share capital	20	**32,573,292**	32,573,292	45,053,000	**32,573,292**	32,573,292	45,053,000
Share premium		**–**	–	6,446,933	**–**	–	6,446,933
Accumulated losses		**(13,825,775)**	(8,620,964)	(29,718,677)	**(13,936,972)**	(8,773,465)	(29,909,963)
Shareholders' equity		**18,747,517**	23,952,328	21,781,256	**18,636,320**	23,799,827	21,589,970
Non-controlling interests		**3,899**	4,827	2	**–**	–	–
Total equity		**18,751,416**	23,957,155	21,781,258	**18,636,320**	23,799,827	21,589,970

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

Group	Attributable to owners of the Company				Non-controlling interests	Total equity
	Share capital (Note 20)	Share premium	Accumulated losses	Total		
	RM	RM	RM	RM	RM	RM
At 31 March 2011	45,053,000	6,446,933	(29,718,677)	21,781,256	2	21,781,258
Total comprehensive loss	–	–	(7,875,069)	(7,875,069)	(726)	(7,875,795)
	45,053,000	6,446,933	(37,593,746)	13,906,187	(724)	13,905,463
Transactions with owners						
Capital reduction	(22,526,500)	(6,446,933)	28,973,433	–	–	–
Issuance of shares	10,046,792	200,936	–	10,247,728	–	10,247,728
Shares issuance expenses	–	(200,936)	–	(200,936)	–	(200,936)
Issuance of ordinary shares in subsidiary	–	–	–	–	4,900	4,900
Loss on deemed disposal in investment in a subsidiary	–	–	(651)	(651)	651	–
At 31 March 2012	32,573,292	–	(8,620,964)	23,952,328	4,827	23,957,155

Group	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital (Note 20)	Accumulated losses	Total		
	RM	RM	RM	RM	RM
At 31 March 2012	**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)**
Minority interest written off	**–**	**–**	**–**	**(1)**	**(1)**
At 31 March 2013	**32,573,292**	**(13,825,775)**	**18,747,517**	**3,899**	**18,751,416**

Company	Share capital (Note 20) RM	Share premium RM	Accumulated losses RM	Total RM
At 31 March 2011	45,053,000	6,446,933	(29,909,963)	21,589,970
Total comprehensive loss	–	–	(7,836,935)	(7,836,935)
Transactions with owners				
Capital reduction	(22,526,500)	(6,446,933)	28,973,433	–
Issuance of shares	10,046,792	200,936	–	10,247,728
Shares issuance expenses	–	(200,936)	–	(200,936)
At 31 March 2012	32,573,292	–	(8,773,465)	23,799,827
At 31 March 2012	**32,573,292**	**–**	**(8,773,465)**	**23,799,827**
Total comprehensive loss	**–**	**–**	**(5,163,507)**	**(5,163,507)**
At 31 March 2013	**32,573,292**	**–**	**(13,936,972)**	**18,636,320**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013

	Note	Group		Company	
		2013 RM	2012 RM	2013 RM	2012 RM
Operating activities					
Loss before tax		**(5,205,735)**	(7,875,795)	**(5,163,507)**	(7,836,935)
Adjustments for:					
Depreciation for property, plant and equipment		**1,972,779**	2,122,100	**1,936,973**	2,084,400
Loss on disposal of property, plant and equipment		**58,319**	–	**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		**32,145**	9,833	**32,145**	9,833
Inventories written down		**40,576**	–	**40,576**	–
Impairment loss on trade receivables		**52,623**	–	**52,623**	–
Reversal of impairment loss on trade receivables		**(31,602)**	(51,646)	**(25,237)**	(49,150)
Short term accumulating compensated absences		**–**	15,809	**–**	15,809
Interest income		**(24,989)**	(47,359)	**(24,989)**	(47,359)
Unwinding of discount on receivables		**(14,900)**	(19,723)	**(14,900)**	(19,723)
Liabilities no longer required		**(101,541)**	–	**(101,541)**	–
Minority interest written off		**(1)**	–	**–**	–
Interest expense		**326,779**	416,633	**326,779**	416,633
Operating cash flows before changes in working capital		**(2,882,451)**	(5,430,148)	**(2,869,663)**	(5,426,492)
Changes in working capital					
- inventories		**4,611,851**	820,304	**4,611,851**	820,304
- receivables, deposits and prepayments		**(291,325)**	492,814	**125,442**	486,007
- payables		**(1,133,007)**	(1,089,914)	**(1,562,175)**	(1,084,396)
Cash flows from/(used in) operations		**305,068**	(5,206,944)	**305,455**	(5,204,577)
Interest paid		**(326,779)**	(416,633)	**(326,779)**	(416,633)
Tax paid		**(3,216)**	–	**(3,216)**	–
Tax refunded		**37,804**	–	**37,804**	–
Net cash flows from/(used in) operating activities		**12,877**	(5,623,577)	**13,264**	(5,621,210)

		Group		Company	
		2013	2012	2013	2012
	Note	RM	RM	RM	RM
Investing activities					
Purchase of property, plant and equipment		**(153,722)**	(56,745)	**(153,722)**	(56,745)
Proceeds from disposal of property, plant and equipment		**36,580**	–	**36,580**	–
Increase of shares in a subsidiary		**–**	–	**–**	(5,098)
Proceeds from issuance of shares in a subsidiary		**–**	4,900	**–**	–
Acquisition of minority interest in KFM Marketing Sdn Bhd		**(3)**	–	**(3)**	–
Purchase of investment		**(1)**	–	**(1)**	–
Interest received		**24,989**	47,359	**24,989**	47,359
Net cash flows used in investing activities		**(92,157)**	(4,486)	**(92,157)**	(14,484)
Financing activities					
Repayment of obligations under financing leases		**(230,679)**	(342,334)	**(230,679)**	(342,334)
Repayment of term loans		**(399,176)**	(3,574,212)	**(399,176)**	(3,574,212)
Proceeds from issuance of shares		**–**	10,247,728	**–**	10,247,728
Share issuance expenses		**–**	(200,936)	**–**	(200,936)
Net cash flows (used in)/from financing activities		**(629,855)**	6,130,246	**(629,855)**	6,130,246
Net (decrease)/increase in cash and cash equivalents		**(709,135)**	502,183	**(708,748)**	494,552
Cash and cash equivalents					
- at start of the financial year		**2,149,770**	1,647,587	**2,130,428**	1,635,876
- at end of the financial year	17	**1,440,635**	2,149,770	**1,421,680**	2,130,428

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

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 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.

In previous financial year, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards in Malaysia. There was no financial impact on transition to MFRS and there was no adjustments arising from transition to MFRS. Details are disclosed in Note 29.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statement of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in profit or loss on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Non-controlling interests

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

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

(c) Property, plant and equipment

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

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

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

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

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

(d) Impairment of non-financial assets

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

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

(e) Subsidiaries

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

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

(f) Financial assets

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

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

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets (continued)

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

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

The Group and the Company did not have any financial assets at fair value through profit or loss during the financial year ended 31 March 2013.

(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 2013.

(iv) Available for sale financial assets

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial assets (continued)

(iv) Available for sale financial assets (continued)

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

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

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Government grant

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

(l) Financial liabilities

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

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

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as 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 or when an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Borrowing costs

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

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

(n) Leases

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

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

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

(o) Revenue

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

(i) Sale of goods

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

(ii) Revenue from services

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

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised using the effective interest method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits

(i) Short term benefits

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

(ii) Defined contribution plans

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

(iii) Employee leave entitlement

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

(q) Income taxes

(i) Current tax

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

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for all temporary differences.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income taxes (continued)

(ii) Deferred tax (continued)

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

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

(r) Share capital

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

(s) Contingencies

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

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

(t) Foreign currency

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

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

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

4 REVENUE

	Group and Company 2013 RM	2012 RM
Sales of flour and related products	**43,900,620**	50,560,996
Transportation income	**2,174,200**	2,162,423
Government grant	**2,738,153**	1,074,829
	48,812,973	53,798,248

5 COST OF SALES

	Group and Company 2013 RM	2012 RM
Cost of inventories sold	**46,314,002**	53,015,241
Cost of services rendered	**2,203,860**	2,011,810
	48,517,862	55,027,051

6 FINANCE COSTS

	Group and Company 2013 RM	2012 RM
Hire purchase	**27,649**	32,092
Term loan	**121,517**	384,541
Short term borrowing	**177,613**	–
	326,779	416,633

7 LOSS BEFORE TAX

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

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Auditors' remuneration	**57,000**	54,500	**48,000**	48,000
Non-executive directors' remuneration (Note 9)	**186,000**	110,600	**186,000**	110,600
Depreciation of property, plant and equipment	**1,972,779**	2,122,100	**1,936,973**	2,084,400
Employee benefits expense (Note 8)	**4,930,967**	5,007,940	**4,930,967**	5,007,940
Rental of land and building	**389,669**	391,723	**389,669**	391,723
Rental of software	**72,000**	72,000	**72,000**	72,000
Net realised foreign exchange loss	**3,577**	12,127	**3,577**	12,127
Inventories written down	**40,576**	–	**40,576**	–
Net unrealised foreign exchange loss	**32,145**	9,833	**32,145**	9,833
Unwinding of discount on receivables	**(14,900)**	(19,723)	**(14,900)**	(19,723)
Interest - fixed deposits	**(24,989)**	(47,359)	**(24,989)**	(47,359)
Reversal of impairment loss on trade receivables	**(31,602)**	(51,646)	**(25,237)**	(49,150)

8 EMPLOYEE BENEFITS EXPENSE

	Group and Company	
	2013	**2012**
	RM	**RM**
Wages and salaries	**4,077,964**	4,142,908
Social security contributions	**59,946**	60,095
Short-term accumulating compensated absences	**–**	15,809
Pension costs – defined contribution plan	**560,901**	535,534
Other staff related expenses	**232,156**	253,594
	4,930,967	5,007,940

9 DIRECTORS' REMUNERATION

	Group and Company	
	2013	**2012**
	RM	**RM**
Executive directors' remuneration		
- salaries and other emoluments	**340,000**	390,000
- pension costs – defined contribution plan	**51,600**	54,600
	391,600	444,600
Non - executive Directors (Note 7)		
- Fees	**186,000**	108,000
- Other emoluments	**–**	2,600
	186,000	110,600
Total directors' remuneration (Note 21)	**577,600**	555,200

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

	Number of Directors	
	2013	**2012**
Executive directors:		
RM50,001 - RM100,000	**–**	–
RM100,001 - RM150,000	**1**	–
RM150,001 - RM200,000	**–**	1
RM200,001 - RM250,000	**–**	–
RM250,001 - RM300,000	**1**	1
Non-executive directors:		
RM1 - RM50,000	**5**	3

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:

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Loss before tax	**(5,205,735)**	(7,875,795)	**(5,163,507)**	(7,836,935)
Tax calculated at the Malaysian tax rate of 25% (2012: 25%)	**(1,301,434)**	(1,968,949)	**(1,290,877)**	(1,959,234)
Tax effect of:				
- expenses not deductible for tax purposes	**161,526**	289,882	**148,940**	280,886
- income not taxable	**(689,215)**	(268,707)	**(688,263)**	(268,707)
- utilisation of previously unrecognised tax losses and unabsorbed capital allowances	**(1,077)**	719	**–**	–
- deferred tax assets not recognised in respect of current year tax losses and unabsorbed capital allowances	**1,830,200**	1,947,055	**1,830,200**	1,947,055
	–	–	**–**	–

(c) Deferred tax

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

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Unused tax losses	**35,049,947**	29,670,783	**29,820,000**	24,436,528
Unutilised reinvestment allowances	**9,972,944**	9,972,944	**9,972,944**	9,972,944

The unused tax losses, unabsorbed capital allowances 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

	Group	
	2013	**2012**
Loss net of tax attributable to owners of the Company used in the computation of basic and diluted loss per share (RM)	**(5,204,809)**	(7,875,069)
Weighted average number of ordinary shares for basic loss per share computation	**65,146,584**	54,949,514
Basic loss per share (sen)	**(7.99)**	(14.33)

(b) Diluted

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

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Total RM
Cost						
At 1 April 2011	11,700	11,429,063	37,212,444	5,315,117	8,809,847	62,778,171
Additions	–	–	52,725	56,745	–	109,470
At 31 March 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**
Accumulated depreciation						
At 1 April 2011	–	5,199,925	24,422,232	4,286,520	5,136,304	39,044,981
Additions	–	282,358	1,365,478	232,959	241,305	2,122,100
At 31 March 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**
Net carrying amount						
At 31 March 2012	11,700	5,946,780	11,477,459	852,383	3,432,238	21,720,560
At 31 March 2013	**11,700**	**5,664,423**	**10,491,300**	**803,697**	**3,220,024**	**20,191,144**

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
Cost						
At 1 April 2011	11,700	11,359,259	36,937,295	4,843,640	6,608,213	59,760,107
Additions	–	–	52,725	56,745	–	109,470
At 31 March 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**
Accumulated depreciation						
At 1 April 2011	–	5,130,121	24,158,676	3,983,351	2,934,670	36,206,818
Additions	–	282,358	1,365,478	232,959	203,605	2,084,400
At 31 March 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**
Net carrying amount						
At 31 March 2012	11,700	5,946,780	11,465,866	684,075	3,469,938	21,578,359
At 31 March 2013	**11,700**	**5,664,423**	**10,479,707**	**671,195**	**3,257,724**	**20,084,749**

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

	Group and Company 2013 RM	2012 RM
Not later than 1 year	**322,498**	300,404
Later than 1 year and not later than 5 years	**1,362,590**	1,330,045
Later than 5 years	**4,143,340**	4,494,507
	5,828,428	6,124,956

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Assets held under finance leases

During the financial year, the Group and the Company acquired property, plant and equipment at aggregate cost of RM407,999 (2012: RM52,725) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM153,722 (2012: RM56,745). The carrying amounts of property, plant and equipment held under finance leases at the reporting date were as follows:

	Group and Company	
	2013	**2012**
	RM	**RM**
Motor vehicles	**758,247**	1,506,838
Plant and machinery	**150,162**	47,453
Equipment and fixtures	**105,117**	–
	1,013,526	1,554,291

Assets pledged as security

The net carrying amounts of property, plant and equipment pledged as securities for loans and borrowings (Note 19) are as follows:

	Group and Company	
	2013	**2012**
	RM	**RM**
Buildings	**1,309,617**	1,338,573

13 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013	**2012**
	RM	**RM**
Unquoted shares, at cost	**1,916,107**	1,916,104
Less: Accumulated impairment losses	**(1,910,998)**	(1,910,998)
	5,109	5,106

Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Proportion (%) of ownership interest 2013 %	2012 %	Principal activities
KFM Transport Sdn Bhd	Malaysia	**100**	100	Ceased operations
KFM Marketing Sdn Bhd	Malaysia	**100**	95	Ceased operations
KFM Ventures Sdn Bhd	Malaysia	**100**	100	Dormant
KFM Trading Sdn Bhd	Malaysia	**51**	51	Dormant
KFM Biotechnology Sdn Bhd	Malaysia	**100**	100	Dormant
KFM Industries Sdn Bhd	Malaysia	**100**	100	Dormant
KFM- Bunge Flour Mixes Sdn Bhd*	Malaysia	**–**	60	Dormant

* The company had been strike off from the Companies Commission of Malaysia under Section 308(1) of the Companies Act, 1965 during the year.

All subsidiaries are audited by McMillan Woods Thomas.

14 OTHER INVESTMENT

	Group and Company 2013 RM	2012 RM
Available-for-sale financial asset		
Unquoted shares, at cost	**1,735,501**	1,735,500

15 INVENTORIES

	Group and Company 2013 RM	2012 RM
Cost		
Raw materials	**685,798**	4,437,284
Finished goods	**798,872**	1,378,391
Work - in - progress	**325,301**	404,246
Consumables	**1,047,087**	1,289,564
	2,857,058	7,509,485

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Non current				
Trade receivables - third parties	**58,580**	171,266	**58,580**	171,266
Add: Unwinding of discount	**8,238**	22,004	**8,238**	22,004
	66,818	193,270	**66,818**	193,270
Current				
Trade receivables – third parties	**9,433,599**	9,564,560	**8,054,644**	8,179,240
Less: Impairment loss	**(1,454,911)**	(1,433,890)	**(75,958)**	(48,572)
	7,978,688	8,130,670	**7,978,686**	8,130,668
Other receivables	**1,185,713**	537,155	**1,185,713**	537,155
Less: Impairment loss	**(500,000)**	(500,000)	**(500,000)**	(500,000)
	685,713	37,155	**685,713**	37,155
Amounts due from subsidiaries	**–**	–	**16,882**	–
Deposits	**51,371**	54,338	**43,571**	46,538
Prepayments	**169,196**	251,149	**169,196**	251,149
	8,884,968	8,473,312	**8,894,048**	8,465,510

Trade receivables are non-interest bearing and are generally on 7 to 90 days (2012: 7 to 90 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Ageing analysis of trade receivables

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Neither past due nor impaired	**7,207,114**	7,499,942	**7,207,114**	7,499,942
1 to 30 days past due not impaired	**192,940**	178,141	**192,940**	178,141
31 to 60 days past due not impaired	**182,779**	50,432	**182,779**	50,432
61 to 90 days past due not impaired	**106,187**	96,904	**106,187**	96,904
More than 90 days past due not impaired	**356,486**	498,521	**356,484**	498,519
	838,392	823,998	**838,390**	823,996
Impaired	**1,454,911**	1,433,890	**75,958**	48,572
	9,500,417	9,757,830	**8,121,462**	8,372,510

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 RM838,392 (2012: RM823,998) and RM838,390 (2012: RM822,996) 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 2013, the Directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in the credit quality and the balances are still considered fully recoverable.

Receivables that are impaired

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

	Group		Company	
	Individually impaired			
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables				
- nominal amount	**1,454,911**	1,433,890	**75,958**	48,572
Less: Allowance for impairment	**(1,454,911)**	(1,433,890)	**(75,958)**	(48,572)
	–	–	**–**	–

16 RECEIVABLES, DEPOSITS AND PREPAYMENTS (continued)

Receivables that are impaired (continued)

Movement in allowance accounts:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
At 1 April	**1,433,890**	1,610,265	**48,572**	222,451
Charge for the year	**52,623**	–	**52,623**	–
Written off	**–**	(124,729)	**–**	(124,729)
Reversal of impairment losses	**(31,602)**	(51,646)	**(25,237)**	(49,150)
At 31 March	**1,454,911**	1,433,890	**75,958**	48,572

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 (2012: RM500,000) for impairment of the amount due from a third party with a nominal amount of RM500,000 (2012: RM500,000).

There has been no movement in this allowance account for the financial year ended 31 March 2013 (2012: RM500,000).

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Deposits with licensed banks	**792,649**	767,660	**792,649**	767,660
Cash and bank balances	**647,986**	1,382,110	**629,031**	1,362,768
	1,440,635	2,149,770	**1,421,680**	2,130,428
Deposits pledged as security	**(792,649)**	(767,660)	**(792,649)**	(767,660)
	647,986	1,382,110	**629,031**	1,362,768

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

	Group and Company	
	2013	**2012**
	%	**%**
Deposits with licensed banks	**3.12**	3.23

18 PAYABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Trade payables	**7,969,187**	7,737,351	**7,950,668**	7,718,832
Other payables	**5,540,771**	6,180,534	**5,539,972**	6,179,486
Accruals	**1,575,526**	2,370,002	**1,566,526**	2,364,502
Amounts due to subsidiaries	**–**	–	**32,253**	18,156
	15,085,484	16,287,887	**15,089,419**	16,280,976

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2012: 30 to 90 days).

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

19 BORROWINGS

	Group and Company	
	2013	**2012**
	RM	**RM**
Current		
Finance leases	**223,596**	213,190
Term loans	**110,202**	399,176
	333,798	612,366
Non-current		
Finance leases	**283,892**	127,341
Term loans	**715,370**	825,572
	999,262	952,913
Total borrowings	**1,333,060**	1,565,279

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

	Group and Company	
	2013	**2012**
	RM	**RM**
On demand within one year	**331,798**	612,366
More than 1 year and less than 2 years	**262,582**	244,651
More than 2 years and less than 5 years	**454,118**	399,875
More than 5 years	**284,562**	308,387
	1,333,060	1,565,279

The weighted average effective interest rate per annum at the reporting date for term loans has 6.33% (2012: 6.99%).

19 BORROWINGS (continued)

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 7.39% (2012: 3.95%) 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.

20 SHARE CAPITAL

	Company	
	2013	**2012**
	RM	**RM**
Authorised ordinary shares of RM0.50 each		
At start of the financial year	**75,000,000**	50,000,000
Capital reduction	**–**	(25,000,000)
Created during the financial year	**–**	50,000,000
At end of the financial year	**75,000,000**	75,000,000
Issued and fully paid ordinary shares of RM0.50 each		
At start of the financial year	**32,573,292**	45,053,000
Capital reduction	**–**	(22,526,500)
Issuance of shares		
Private placement	**–**	2,252,650
Rights issue	**–**	7,794,142
At end of the financial year	**32,573,292**	32,573,292

21 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	
	2013	**2012**
	RM	**RM**
Short term employee benefits	**1,287,231**	1,249,640
Post-employment benefits: Defined contribution plan	**167,089**	180,968
	1,454,320	1,430,608
Included in the total key management personnel are:		
Directors' remuneration (Note 9)	**577,600**	555,200

22 COMMITMENTS

(a) Operating lease commitment – as lessee

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

(b) Finance lease commitments

The Group has finance leases for certain items of property, plant and equipment (Note 12). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

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

	Group and Company	
	2013	**2012**
	RM	**RM**
Minimum lease payments		
Not later than 1 year	**239,718**	224,796
Later than 1 year and not later than 2 years	**176,674**	138,735
Later than 2 years and not later than 5 years	**140,552**	–
Total minimum lease payments	**556,944**	363,531
	(49,456)	(23,000)
	507,488	340,531
Present value of payments		
Not later than 1 year	**223,596**	213,190
Later than 1 year and not later than 2 years	**154,380**	127,341
Later than 2 years and not later than 5 years	**129,512**	–
Present value of minimum lease payments	**507,488**	340,531
Less amount due within 12 months	**(223,596)**	(213,190)
Amounts due after 12 months	**283,892**	127,341

23 SUBSEQUENT EVENT

Sidney Marketing Sdn Bhd (SM) has initiated a claim of RM1,000,000 against KFM Marketing Sdn Bhd (KFMM), a subsidiary of the Company for an alleged breach of purported agreement to set up a joint venture business as announced on 11 January 2008. The matter has been withdrawn by Sidney Marketing Sdn Bhd on 2 May 2013.

The Company has on 22 July 2011, filed a legal suit against Chan Boon Lim, Prabir Kumar Mittra, Micheal Camillus Fernandez and Sidney Marketing Sdn Bhd for a sum of RM500,000, being amount of a cheque of the Company issued on 3 August 2005 without the knowledge and authorisation of the Company by Prabir Kumar Mittra and Micheal Camillus Fernandez to Sidney Marketing Sdn Bhd, in which Chan Boon Lim at the material time was also a director. Sidney Marketing Sdn Bhd has on 2 May 2013 agreed to a Consent Judgment to be recorded for a sum of RM250,000 to be paid to the Company by 36 installments as full and final settlement.

The Company has also on 22 July 2011, via its subsidiary company, KFM Marketing Sdn Bhd, filed a legal suit against Sidney Marketing Sdn Bhd for a sum of RM1,216,002.70 being outstanding payment for goods sold and delivered. The matter has been withdrawn by KFM Marketing Sdn Bhd on 2 May 2013.

The above three (3) cases were disposed off together on 2 May 2013 in the manner as stated above on the basis of an overall settlement.

24 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			
	2013		2012	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets:				
Unquoted shares	**1,735,501**	*****	1,735,500	*
Financial liabilities				
Non-current				
Term loans	**715,370**	**479,592**	825,572	576,434
Finance leases	**283,892**	**279,866**	127,341	118,394

*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	16
Trade and other payables	18
Borrowings	19

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.

25 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 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.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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			
	2013		2012	
	RM	% of total	RM	% of total
By country:				
Malaysia	**8,026,643**	**99.8%**	8,304,024	99.8%
Singapore	**18,863**	**0.2%**	19,916	0.2%
	8,045,506	**100.0%**	8,323,940	100.0%

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 16. 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 16.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

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

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

Analysis of financial instruments by remaining contractual maturities

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

	On demand or within one year RM	1 to 5 years RM	Over 5 years RM	Total RM
Group - 2013				
Financial liabilities				
Trade and other payables	13,509,958	–	–	**13,509,958**
Accruals	1,575,526	–	–	**1,575,526**
Loans and borrowings	331,798	716,700	284,562	**1,333,060**
Total undiscounted financial liabilities	15,417,282	716,700	284,562	**16,418,544**
Company - 2013	**RM**	**RM**	**RM**	**RM**
Trade and other payables	13,490,640	–	–	**13,490,640**
Accruals	1,566,526	–	–	**1,566,526**
Loans and borrowings	331,798	716,700	284,562	**1,333,060**
Total undiscounted financial liabilities	15,388,964	716,700	284,562	**16,390,226**

(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 RM8,256 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.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Foreign currency risk

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

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

Approximately 0.35% (2012: 0.7%) and 68.6% (2012: 62.8%) of the Group's sales and costs are denominated in foreign currencies. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

Sensitivity analysis for foreign currency risk

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

	Group and Company Impact on loss net of tax Decrease/(Increase) RM
USD/RM – strengthened 5%	**1,663,684**
USD/RM – weakened 5%	**(1,663,684)**
SGD/RM – strengthened 5%	**8,525**
SGD/RM – weakened 5%	**(8,525)**

26 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Borrowings	**1,333,060**	1,565,279	**1,333,060**	1,565,279
Trade and other payables	**15,085,484**	16,287,887	**15,089,419**	16,280,976
Less: Deposits, cash and bank balances	**(1,440,635)**	(2,149,770)	**(1,421,680)**	(2,130,428)
Net debt	**14,977,909**	15,703,396	**15,000,799**	15,715,827
Equity attributable to owners of the Company	**18,747,517**	23,952,328	**18,636,320**	23,799,827
Capital and net debt	**33,725,426**	39,655,724	**33,637,119**	39,515,654
Gearing ratio	**44%**	40%	**44%**	40%

27 SEGMENTAL INFORMATION

Geographical information

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

	Revenue 2013 RM	Revenue 2012 RM
Malaysia	**48,642,471**	53,401,846
Singapore	**170,502**	151,451
Philippines	**–**	244,951
	48,812,973	53,798,248

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.

28 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements made in applying accounting policies

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

Key sources of estimation uncertainty

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

Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful live. Management estimates the useful lives of these plant and machinery to be 10 to 30 years. These are common life expectancies applied for the assets owned by the Group. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

29 ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATION

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ('MFRS 141') and IC Interpretation 15 Agreements for Construction of Real Estate ('IC 15'), including its parent, significant investor and venture (herein called 'Transitioning Entities'). Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group and the Company do not fall within the scope of the Transitioning Entities and thus, during the financial year, the Group and the Company have adopted the following new and revised Malaysian Financial Reporting Standards and Interpretations (collectively referred to as 'MFRSs'), issued by the Malaysian Accounting Standards Board ('MASB') and effective for the financial periods beginning on or after 1 January 2012:

MFRSs that do not have significant impacts on these financial statements

The following new and revised MFRSs issued by the MASB, effective for financial periods beginning on or after 1 January 2012, have been adopted, but the adoptions do not have a significant impact on the financial statements:

MFRS 2 Share-based Payment
MFRS 3 Business Combinations
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
MFRS 7 Financial Instruments: Disclosures
MFRS 8 Operating Segments
MFRS 101 Presentation of Financial Statements
MFRS 102 Inventories
MFRS 107 Statement of Cash Flows
MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110 Events after the Reporting Period
MFRS 111 Construction Contracts
MFRS 112 Income Taxes
MFRS 116 Property, Plant and Equipment
MFRS 117 Leases
MFRS 118 Revenue
MFRS 119 Employee Benefits
MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121 The Effects of Changes in Foreign Exchange Rates
MFRS 123 Borrowing Costs
MFRS 124 Related Party Disclosures
MFRS 127 Consolidated and Separate Financial Statements
MFRS 128 Investments in Associates
MFRS 131 Interests in Joint Ventures
MFRS 132 Financial Instruments: Presentation
MFRS 133 Earnings per Share
MFRS 136 Impairment of Assets
MFRS 137 Provisions, Contingent Liabilities and Contingent Assets
MFRS 138 Intangible Assets
MFRS 139 Financial Instruments: Recognition and Measurement
MFRS 140 Investment Property

29 ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATION (continued)

MFRSs that affect the reported results and/or financial position

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The financial statements of the Group for the year ended 31 March 2013 are the first financial statements prepared in accordance with the MFRS Framework. Previously, the Group prepared its financial statements in accordance with the Financial Reporting Standards in Malaysia.

Accordingly, the Group has prepared financial statements which comply with the MFRS for periods beginning on or after 31 March 2012, together with the comparatives period data as at and for the financial year ended 31 March 2012, as described in the accounting policies. The Group's transition date is 1 April 2011. The Group prepared its opening MFRS statement of financial position at that date.

In presenting its first MFRS financial statements, the Group is required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The Group has applied all the mandatory exceptions and some of the exemptions from full retrospective application of the MFRSs.

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Effective for financial periods beginning on or after 1 July 2012

Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income

Effective for financial periods beginning on or after 1 January 2013

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	(as revised in 2011) Employee Benefits
MFRS 127	(as revised in 2011) Separate Financial Statements
MFRS 128	(as revised in 2011) Investment in Associates and Joint Ventures
Amendments to MFRS 1	First-time Adoption of MFRS – Government Loans
Amendments to MFRS 1	First-time Adoption of MFRS – Annual improvements 2009 – 2011 Cycle
Amendments to MFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosures of Interest in Other Entities: Transition Guidance
Amendments to MFRS 101	Annual Improvements 2009 – 2011 Cycle
Amendments to MFRS 116	Annual Improvements 2009 – 2011 Cycle
Amendments to MFRS 132	Annual Improvements 2009 – 2011 Cycle
Amendments to MFRS 134	Annual Improvements 2009 – 2011 Cycle
IC Interpretation 2	Annual Improvements 2009 – 2011 Cycle
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

30 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Effective for financial periods beginning on or after 1 January 2014

MFRS 10	Investment Entities
MFRS 12	Investment Entities
Amendments to MFRS 127	Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

Effective for financial periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments
Amendments to MFRS 9	Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any effect to the financial statements of the Group upon their initial application.

31 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 2013, into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by Malaysian Institute of Accountants.

	Group 2013 RM	**Company 2013 RM**
Total accumulated losses of the Company and its subsidiaries		
Realised	**(11,094,460)**	(14,356,655)
Unrealised	**419,683**	419,683
Less: Consolidation adjustments	**(3,150,998)**	–
Accumulated losses as per financial statements	**(13,825,775)**	(13,936,972)

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 July 2013.

STATEMENT BY DIRECTORS

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

We, Tan Sri Mohamed bin Ngah Said and Lee Chee Kiean, being two of the Directors of Kuantan Flour Mills Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 22 to 58 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 2013 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 25 July 2013.

Tan Sri Mohamed bin Ngah Said
Director

Lee Chee Kiean
Director

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Chan Sen San, being the Officer primarily responsible for the financial management of Kuantan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 58 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: 25 July 2013

Before me:

Pesuruhanjaya Sumpah Malaysia
No: C105
Ramanaidoo A/L Karanam Apralasamy, 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)

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 2013 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 22 to 58.

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 2013 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.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 31 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
[2589/08/14(J)]
Partner of the firm

Kuantan 25 July 2013

STATISTIC ON SHAREHOLDINGS

AS AT 15 AUGUST 2013

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Authorised Share Capital	:	RM75,000,000 of 150,000,000 ordinary shares of RM0.50 each
Issued and fully paid	:	RM32,573,292 comprising 65,146,584 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

	No. of Shares			
Name of Substantial Shareholder	**Direct Interest**	**%**	**Deemed Interest**	**%**
Neo Kim Hock	13,576,100	20.839	–	–
Dennis Tow Jun Fye	7,547,600	11.59	–	–
Tan Boon Kiat	4,178,300	6.413	32,000	0.049

	No. of Holders		No. of Shares		%	
SIZE OF HOLDINGS	**MALAYSIAN**	**FOREIGN**	**MALAYSIAN**	**FOREIGN**	**MALAYSIAN**	**FOREIGN**
Less Than 100	81	1	1,721	9	0.00	0.00
100 - 1000	1,092	11	1,045,394	9,770	1.60	0.02
1001 - 10000	1,745	26	7,100,264	120,900	10.91	0.19
10001 - 100000	391	16	11,180,226	445,100	17.17	0.68
100001 and below 5%	48	2	27,325,500	984,750	41.94	1.51
5% and above	1	1	6,063,800	3,305,550	9.30	5.07
Directors	2	0	7,563,600	–	11.61	0.00
	3,360	**57**	**60,280,505**	**4,866,079**	**92.53**	**7.47**

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company – Kuantan Flour Mills Berhad

Name of Directors	**Direct Interest**	**%**	**Deemed Interest**	**%**
Tan Sri Mohamed bin Ngah Said	–	–	–	–
Lee Chee Kiean	16,000	0.02	5,000	–
Leong Chen Nyen	–	–	–	–
Kushairi bin Zaidel	–	–	–	–
Ng Kay Eng	–	–	–	–
Dato' Mohd Hasnulhisham bin Yaakob	–	–	–	–
Dennis Tow Jun Fye	7,547,600	11.59	–	–

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 (continued)

AS AT 15 AUGUST 2013

THIRTY LARGEST SHAREHOLDERS

NO.	NAMES	NO.OF SHARES	%
1	DENNIS TOW JUN FYE	7,547,600	11.59
2	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [MG0237-199])	6,063,800	9.31
3	HLIB NOMINEES (ASING) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NUEVIZ INVESTMENT PRIVATE LIMITED [MG0031-199])	3,305,550	5.07
4	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT)	3,027,600	4.65
5	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LEE CHAI HUAT [MG0019-199])	2,886,200	4.43
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [8093571])	2,083,800	3.20
7	KENANGA NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR SOH KEY CHAI)	1,896,300	2.91
8	CHIEW KIM LEE	1,501,750	2.31
9	TANG YEOW WAH	1,336,200	2.05
10	KWONG AH NGAW @ KWONG YING SIEW	1,247,850	1.92
11	SOH HAN CHUEN	914,000	1.40
12	LEE FONG KUAN	900,000	1.38
13	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH [A/C CLIENTS-FGN])	874,750	1.34
14	MAYBANK SECURIITES NOMINEES (TEMPATAN) SDN BHD (MAYBANK KIM ENG SECURITIES PTE LTD FOR TAN BOON KIAT)	858,200	1.32
15	WONG SIEW FAI	789,000	1.21
16	ROZANA BINTI REDZUAN	752,700	1.16
17	TAN CHEN YAN	695,000	1.07
18	KWONG YOU LAM	682,800	1.05
19	TAN SWEE KUANG	539,000	0.83
20	GAN LAM SEONG	500,000	0.77

STATISTIC ON SHAREHOLDINGS (continued)

AS AT 15 AUGUST 2013

THIRTY LARGEST SHAREHOLDERS (CONT'D.)

NO.	NAMES	NO.OF SHARES	%
21	PUBLIC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW [E-KLG/BTG])	488,200	0.75
22	TAN SIOW HWEE	485,000	0.74
23	NG WOOI YING	457,200	0.70
24	CHIK KIN YEUN	433,700	0.67
25	EAGLE OPTION SDN BHD	340,000	0.52
26	KWONG YEW NAM	322,200	0.49
27	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT [MG0073-199])	292,500	0.45
28	CHEANG KEW PENG	233,400	0.36
29	TA NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TEE KIM HEW)	225,400	0.35
30	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN CHEN YAN [MG0036-199])	224,000	0.34
		41,903,700	64.34

ANALYSIS OF WARRANT HOLDINGS (WARRANTS 2011/2016)

AS PER RECORD OF DEPOSITORS AS AT 15 AUGUST 2013

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

DISTRIBUTION OF WARRANT HOLDINGS

	No. of Warrants Holders	**% of Warrant Holders**	**No. of Warrants Outstanding**	**%**
RANGE OF WARRANT HOLDINGS				
Less Than 100	3	1.34	150	0.00
100 - 1000	22	9.82	15,600	0.06
1001 - 10000	116	51.79	459,251	1.96
10001 - 100000	55	24.55	1,822,050	7.79
100001 and below 5%	22	9.82	9,739,775	41.66
5% and above	4	1.79	11,230,100	48.03
Directors	2	0.89	115,500	0.50
	224	100.00	23,382,426	100.00

SUBSTANTIAL WARRANT HOLDERS

	No. of Shares			
Name of Substantial Shareholder	**Direct Interest**	**%**	**Deemed Interest**	**%**
Neo Kim Hock	10,864,850	46.466	–	–
Tan Boon Kiat	895,500	3.830	62,200*	0.266
Dennis Tow Jun Fye	106,500	0.46	–	–

* Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his warrant holding in Citral (M) Sdn Bhd

ANALYSIS OF WARRANT HOLDINGS (WARRANTS 2011/2016) (continued)

AS PER RECORD OF DEPOSITORS AS AT 15 AUGUST 2013

DIRECTOR'S INTEREST IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company – Kuantan Flour Mills Berhad

	No. of Shares			
Name of Director	**Direct Interest**	**%**	**Deemed Interest**	**%**
Tan Sri Mohamed bin Ngah Said	–			
Lee Chee Kiean	9,000	0.04	3,000 *	0.013
Leong Chen Nyen	–	–	–	–
Kushairi bin Zaidel	–	–	–	–
Ng Kay Eng	–	–	–	–
Dato' Mohd Hasnulhisham bin Yaakob	–	–	–	–
Dennis Tow Jun Fye	106,500	0.46	–	–

* Deemed interest via his spouse warrant in the Company

THIRTY LARGEST WARRANTHOLDERS
as at 15 August 2013

NO.	NAMES	NO.OF SHARES	%
1	NEO KIM HOCK	6,758,700	28.91
2	HLIB NOMINEES (ASING) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NUEVIZ INVESTMENT PRIVATE LIMITED [MG0031-199])	1,652,775	7.07
3	HLIB NOMINEES (ASING) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR GI INVESTMENTS PTE. LTD. [MG0129-199])	1,500,000	6.42
4	HSBC NOMINEES (ASING) SDN BHD (EXEMPT AN FOR BNP PARIBAS WEALTH MANAGEMENT SINGAPORE BRANCH [A/C CLIENTS-FGN])	1,318,625	5.64
5	CHIEW KEE LEE	1,133,775	4.85
6	ROZANA BINTI REDZUAN	1,126,350	4.82
7	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [8093571])	1,041,900	4.46
8	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT LEE CHAI HUAT [MG0019-199])	946,600	4.05
9	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT	749,300	3.20
10	TANG YEOW WAH	668,100	2.86
11	KWONG AH NGAW @ KWONG YING SIEW	623,925	2.67
12	LEE FONG KUAN	450,000	1.92

THIRTY LARGEST WARRANTHOLDERS (CONT'D.)
as at 15 August 2013

NO.	NAMES	NO.OF SHARES	%
13	RHB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR LOH KUWEI LAM)	419,375	1.79
14	WONG SIEW FAI	394,500	1.69
15	NG WOOI YING	345,000	1.48
16	KWONG YOU LAM	341,400	1.46
17	TAN SWEE KUANG	300,000	1.28
18	TAN THONG HOW	204,000	0.87
19	KWONG YEW NAM	161,100	0.69
20	HLIB NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR TAN BOON KIAT [MG0073-199])	146,250	0.63
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD (BENEFICIARY: ONG GIM HOON)	130,000	0.56
22	CHEANG KEW PENG	117,700	0.50
23	ECML NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NG KIAM SONG [008])	115,000	0.49
24	YONG KI LIN	110,500	0.47
25	AMSEC NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR KELVIN LIM TECK KWANG)	110,000	0.47
26	DENNIS TOW JUN FYE	106,500	0.46
27	YEO TIOW SENG	105,000	0.45
28	CITIGROUP NOMINEES (TEMPATAN) SDN BHD (PLEDGED SECURITIES ACCOUNT FOR NEO KIM HOCK [470797])	92,850	0.40
29	CHAI HIONG	90,000	0.38
30	ONG BENG TIONG	80,500	0.34
		21,339,725	91.28

LIST OF PROPERTIES HELD BY THE GROUP

AS AT 31 MARCH 2013

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	27 years and 20 years	1,306 2,119
HS(M) 13839 Lot. No. 23617 Mukim Kuala Kuantan,Kuantan, Pahang	Freehold	14-Dec-90	446 sq. metres	Double storey Detached House	22 years	67
HS(D) 116996 - 116997, Lot No. PT No. 24900 - 24901, Mukim of Petaling, District of Petaling, Selangor Darul Ehsan.	99 years leasehold expiring 21 February 2093	23-Apr-07	2,625 sq. feet	1 unit 1 1/2 storey terraced factory	8 years	386
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	8 years	379
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	21 years	544

NOTICE OF TWENTY NINTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Ninth Annual General Meeting of the Company will be held at the The Zenith Hotel, Zenith 9 & 10, Level 3, Jalan Putra Square 6, Putra Square, 25200 Kuantan, Pahang Darul Makmur, Malaysia on Thursday, 26 September, 2013 at 2.30 p.m. for the purpose of transacting the following businesses: -

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 31 March 2013 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 2013. (Resolution 1)

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

4. To re-elect as Director, Mr. Ng Kay Eng, 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 pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965: - (Resolution 4)

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

6. 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 5)

AS SPECIAL BUSINESS

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

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

   "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)

8. 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
2nd September 2013

Notes:

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

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

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

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

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

Audited Financial Statements for the financial year ended 31 March 2013 together with 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 6 will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and / or acquisitions.

   Ordinary Resolution No. 6, if passed, will give the Directors of the Company, from the date of the Annual General Meeting, authority to allot and issue ordinary shares from the un-issued share capital of the Company up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being as and when business opportunities arise which the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.

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

Name of Directors who is standing for Re-election pursuant to Article 63:
- Mr. Leong Chen Nyen
- Mr. Ng Kay Eng

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

The details of the Directors who are standing for re-election /re-appointment are set out in the Directors' Profile on Pages 17 to 18 and their securities holdings in the Company are set out in the Statistics on Shareholdings and Analysis of Warrant Holdings (Warrants 2011/2016) on Pages 62 to 67 of this Annual Report.

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

PROXY FORM

I/We, ...

of..

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

....

of..

or failing him/her ....

of..
or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Twenty Ninth Annual General Meeting of the Company to be held on Thursday, 26 September 2013 and at any adjournment thereof. My/Our proxy is to vote as indicated below: -

ORDINARY BUSINESS		**FOR**	**AGAINST**
1.	Approval of Directors' fees for the year ended 31st March 2013		
2.	Re-election of Director, Mr. Leong Chen Nyen		
3.	Re-election of Director, Mr. Ng Kay Eng		
4.	Re-appointment of Director, Tan Sri Mohamed bin Ngah Said		
5.	Re-appointment of Messrs. McMillan Woods Thomas (Audit Firm No.AF001879) as Auditors and to authorize the Directors to fix their remuneration		
SPECIAL BUSINESS			
6.	Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		

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

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

First Named Proxy	%
Second Named Proxy	%
	100 %

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

Signed this .... Day of ...., 2013.

....
Signature of Shareholder or Common Seal

No. of shares held:	

Notes:

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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

Please fold here

www.kfmb.com.my

Kuantan Flour Mills Berhad
(119598-P)