



KUANTAN FLOUR MILLS BERHAD
COMPANY NO: 119688-P

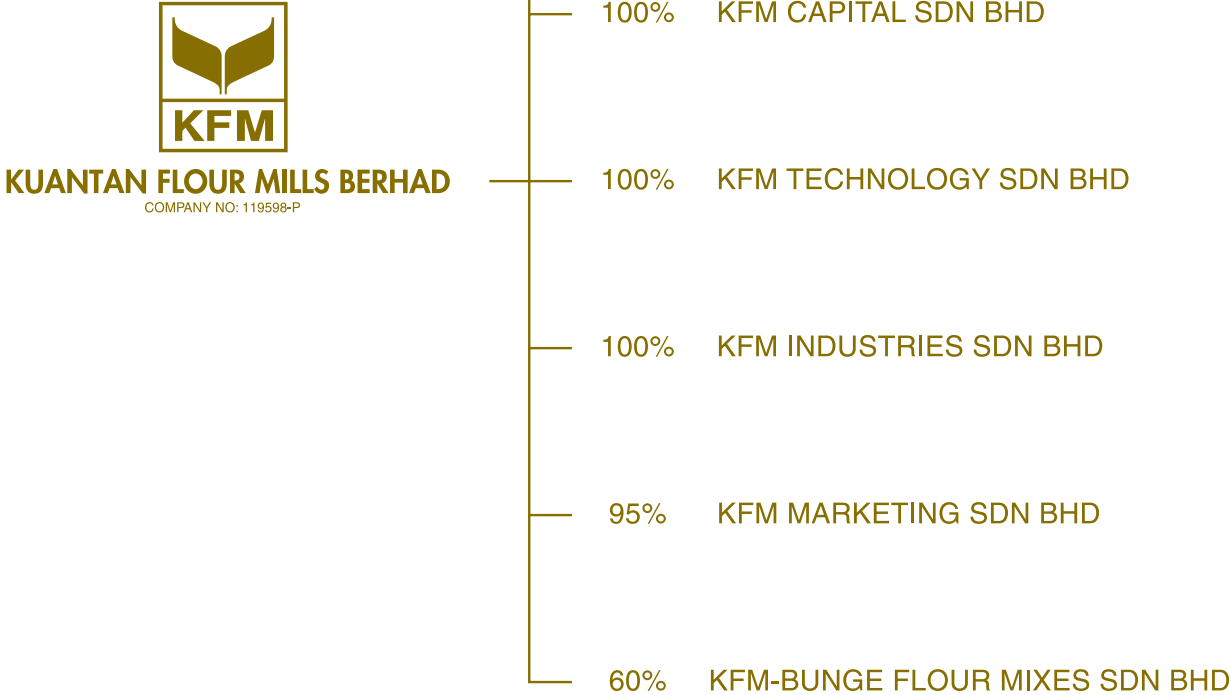
LAPORAN TAHUNAN 2004 ANNUAL REPORT

C o n t e n t s

02	Corporate Structure
03	Group Financial Highlights
04	Corporate Information
05	Chairman's Statement
06 - 09	Corporate Governance Statement
10 - 12	Audit Committee Report
13	Statement on Internal Control
14 - 15	Board of Directors
16 - 52	Financial Review
53 - 55	Statistics on Shareholdings
56	List of Properties Held by the Group
57 - 59	Notice of Twentieth Annual General Meeting Statement Accompanying Notice of Annual General Meeting
	Proxy Form



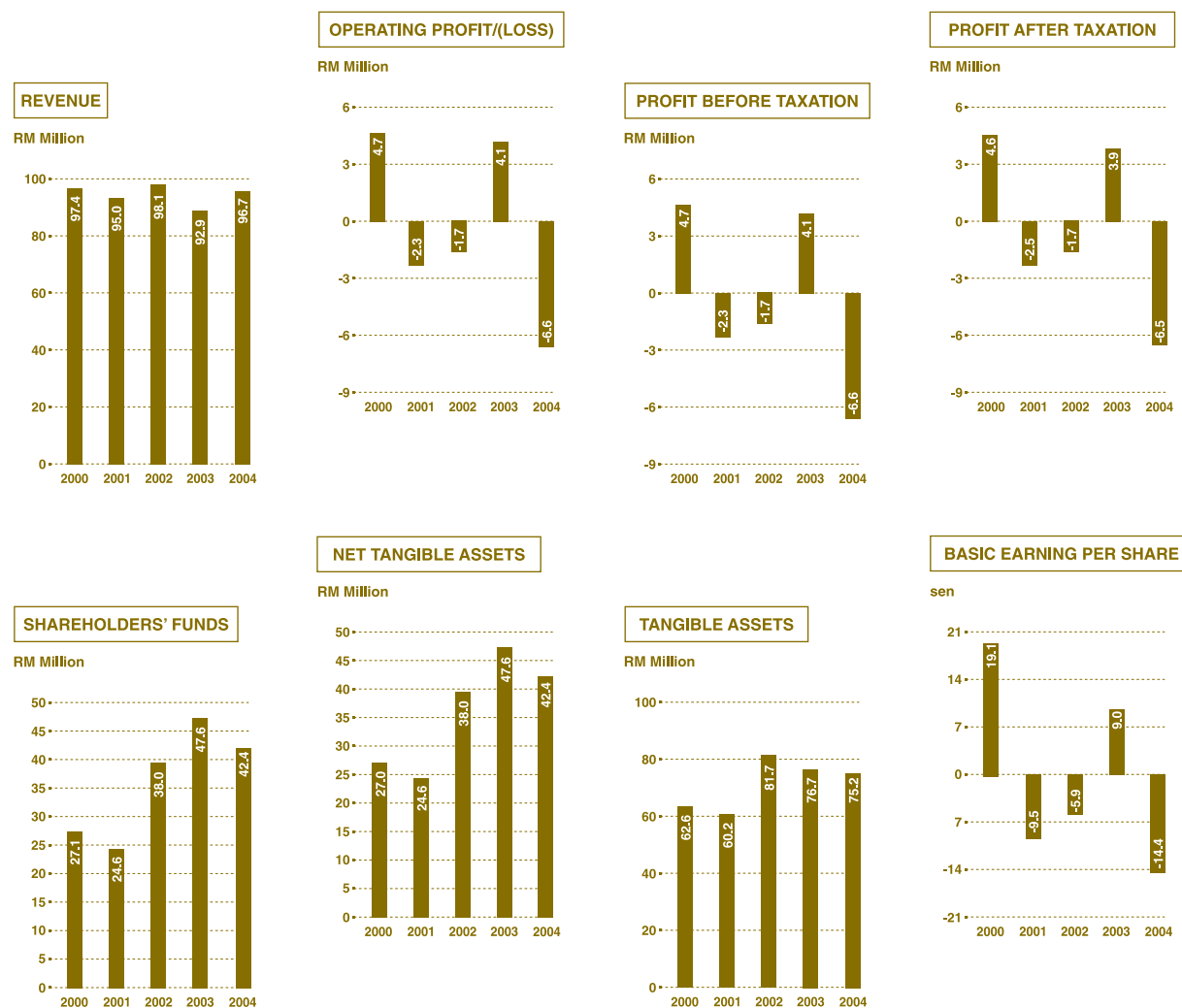
Corporate Structure



Group Financial Highlights

Group	Financial Highlights				
	2004 '000	2003 '000	2002 '000	2001 '000	2000 '000
Revenue	96,749	92,912	98,142	95,001	97,477
Operating profit/(loss)	(6,640)	4,128	(1,682)	(2,273)	4,655
Profit before tax	(6,640)	4,128	(1,682)	(2,273)	4,655
Profit/(loss) after tax and minority interests	(6,516)	3,879	(1,696)	(2,500)	4,568
Shareholders' funds	42,439	47,565	37,948	24,641	27,141
Net tangible assets	42,439	47,565	37,948	24,641	27,041
Tangible assets	75,200	76,721	81,699	60,238	62,583
Basic earnings per share (sen)	(14.37)	8.97	(5.87)	(9.45)	19.08

* The comparative for years 2000, 2001, 2002 have not been adjusted in accordance to the new MASB Standard 25.



Corporate Information

BOARD OF DIRECTORS

Idris bin Abdullah @ Das Murthy (*Chairman*)
Dato' Shaharuddin bin Shamsudin (*Managing Director*)
Choong Show Tong (*Independent Non-Executive Director*)
Wu Tern Yue (*Independent Non-Executive Director*)
Kushairi bin Zaidel (*Independent Non-Executive Director*)

AUDIT COMMITTEE

Wu Tern Yue
(*Chairman, Independent Non-Executive Director*)

Dato' Shaharuddin bin Shamsudin
(*Member, Managing Director*)

Choong Show Tong
(*Member, Independent Non-Executive Director*)

COMPANY SECRETARY

Tan Yoke May (*LS004299*)

REGISTERED OFFICE

177, Floor 1, Jalan Sarjana
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel No : 603-91304794
Fax No : 603-91317590

SHARE REGISTRARS

Bina Management (M) Sdn Bhd
Lot 10 The Highway Centre
Jalan 51/205, 46050 Petaling Jaya
Selangor Darul Ehsan
Tel No : 603-77843922
Fax No : 603-77841988

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
3rd Floor, HSBC Bank Building
No 1 Jalan Mahkota
25000 Kuantan, Pahang Darul Makmur

SOLICITOR

Loke Chew & Zainal
24, 1st Floor, Jalan Telok Sisek
25000 Kuantan, Pahang Darul Makmur

BANKERS

Bumiputra-Commerce Bank Berhad
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad

STOCK EXCHANGE LISTING

Second Board of the Bursa Malaysia Securities Berhad

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Group and Company for financial year ended March 31, 2004.

REVIEW OF THE INDUSTRY

The Malaysian flour milling industry went through a very difficult period during most of 2003 and 2004. This period saw increase in prices of almost all the world's major commodities, including wheat. World wheat price saw a steep increase mainly due to poor harvests in major producing and exporting countries. This period also saw a very steep increase in sea freight rates especially bulk rates, due to exceptional demand for freight space by China, whose economy had been experiencing a very high growth rate. These two factors had thus caused the flour milling industry to operate under very difficult conditions given the price of wheat flour being controlled.

REVIEW OF PERFORMANCE

The Company went through a very difficult period and recorded a loss of RM6.429 million for financial year ended March 31, 2004. For the Group, the loss recorded is RM6.516 million. This is a sharp reversal from a profit position achieved for the previous financial year. For financial year ended March 31, 2003, the Company recorded a profit of RM3.877 million. Revenue for the Company for this financial year is RM94.307 million and for the Group is RM96.749 million. Revenue increased by about 4.1% compared to the previous financial year. However, the cost of sales increased by a higher percentage, i.e. by almost 14.2%. The increase in cost of sales is mainly attributed to higher cost of raw materials imported and has thus been responsible for the loss situation of the Company.

SUBSIDIARY COMPANIES

Only two subsidiary companies, i.e. KFM Transport Sdn. Bhd. (KFMT) and KFM Marketing Sdn. Bhd. (KFMM) are active. All other subsidiary companies are dormant. For KFMT, turnover for this financial year improved slightly to RM3.613 million from RM3.160 million achieved during the last financial year. However, the loss increased to RM523,139.00, mainly due to increases in cost of spare parts and fuel. For KFMM (which trades in products related to baking industry), the turnover increased to RM13 million and a profit before tax of RM435,368.00 was achieved. The profit achieved improved for this financial year compared to a profit of RM178,576.00 achieved during the last financial year.

PROSPECTS

World wheat prices have stabilized now but at high levels and are expected to remain at these levels for most of the next financial year. Sea freight rates however remain firm and are expected to increase further due to the high oil prices and also consistently strong demand for freight space. With the two major cost factors staying at very high levels, the flour milling industry will continue to operate under very difficult conditions. To mitigate the situation faced by every flour miller in the country, efforts are being undertaken to have the flour price reviewed. Efforts are continuously undertaken by the Company to further control and reduce cost of operation, to increase efficiency and better utilization of resources. Various other business opportunities are being looked at with the view of diversifying the business activities of the Company.

ACKNOWLEDGMENT

This has been a difficult year for the Company and on behalf of the Board, I wish to thank all staff and employees for their dedication and hard work. I also wish to convey the Board's appreciation to all customers, bankers, business associates and shareholders for their support.

Thank you.

Idris bin Abdullah @ Das Murthy
Chairman

Corporate Governance Statement

The Board of Directors (“the Board”) is committed to achieve best practices in corporate governance by ensuring that the recommendation of the Malaysian Code of Corporate Governance (“the Code”) is practised throughout the Group as a means of managing the business and affairs of the Group with honesty, integrity and professionalism in order to protect the interest of shareholders.

Steps are currently being undertaken to evaluate the status of the Group’s corporate governance with a view of implementing the Code’s best practices.

BOARD OF DIRECTORS

An experienced Board comprising members with a wide range of business, financial and technical background, leads the Company. The Board as a whole serves as the Remuneration and Nomination Committees. No sub-committees is recommended as the Board believes that all members must be equally responsible.

BOARD BALANCE

The Board currently has five (5) Directors, comprising one (1) Executive and four (4) Non-Executives. The Executive Director implement the policies and decisions of the Board, oversee the operations and initiate business development efforts for the Group whilst the Non-Executive Directors bring a wide range of business experience and expertise to the Board’s discussions and decision making. A brief profile of each Director is presented on pages 14 to 15 of this Annual Report.

BOARD MEETINGS

During the financial year ended 31 March 2004, the Board met on 7 occasions.

The attendance of the Board of Directors on all 7 Board Meetings can be found in the Statement accompanying Notice of the Twentieth Annual General Meeting.

SUPPLY OF INFORMATION

All Directors review a Board Report prior to the Board meeting. This is issued in sufficient time (at least 5 days prior to the meeting) to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Board Report includes -

- Progress report of the company
- Major operational and financial issues

All Directors have access to the advice and services of the Company Secretary.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The appointment of any additional Director will be made as and when it is deemed necessary 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 Associations, 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 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.

The Managing Director is subject to retirement at the Twenty First Annual General Meeting.

Corporate Governance Statement (Cont'd)

REMUNERATION PROCEDURE

The Board as a whole will serve as the Remuneration Committee for the Company. The directors' fees are approved at the Annual General Meeting by the shareholders, based on the recommendation of the Board. There were no provision for directors' fees except for the Managing Director who is provided with a remuneration package based on his duties and responsibilities.

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

	Basic Salary (RM'000)	Fees (RM'000)	Bonus (RM,000)	Total (RM'000)
Executive Directors	289.8	0.0	9.8	299.6
Non-Executive Directors	0.0	0.0	0.0	0.0
	289.8	0.0	9.8	299.6

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

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

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 10 to 12.

SHAREHOLDERS

The Company recognizes the importance of communicating with its shareholders and does this through the Annual Report, Annual General Meeting and announcements made to Bursa Malaysia Securities Berhad. Additionally, a press conference is held immediately after the Annual General Meeting where the Chairman and the Executive Director are present to answer, clarify and explain on any issues raised. The Company also responds to members of the media upon request to brief them on key events of the Company.

ANNUAL GENERAL MEETING

The Annual General Meeting serves as one of the important means of communication with the shareholders. Notice of the Annual General Meeting and Annual Reports are sent to shareholders at least twenty-one days prior to the meeting. At each Annual General Meeting the Board presents the progress and performance of the business and encourages shareholders to participate in the question and answer session.

Corporate Governance Statement (Cont'd)

RELATIONSHIP WITH EXTERNAL AUDITORS

The role of Audit Committee in relation to the external auditors is described on page 11.

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 position and 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 can be found on page 13.

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

The Directors are required by the Companies Act 1965 to prepare financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs of the Group and Company at the end of the financial year and of the results and cash flow of the Group and Company for the financial year.

In preparing the financial statements, the Directors have:-

- selected suitable accounting policies and applied them consistently;
- made judgements 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 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 the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

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

Corporate Governance Statement (Cont'd)

OTHER INFORMATION

(a) Non- audit fee

The amount of non-audit fees paid to external auditors for the financial year ended 31 March 2004 is RM2,500.

(b) Options, warrants or convertible securities exercised

During the year a total of 2,014,000 ordinary shares were granted at a price of RM1.92 each to eligible employees under the Employees' Share Option Scheme (ESOS) which were approved by the shareholders on 21 November 2000. As at 31 March 2004, 911,000 shares were exercised at exercise prices of RM1.92 per share for 445,000 shares and RM1.15 per share for 466,000.00 shares.

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:-

- share buybacks;
- American Depository Receipt (ADR) or Global Depository Receipt (GDR) programme sponsored by the Company;
- sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies;
- material variance between the results for the financial year and the unaudited results previously announced;
- profit guarantees given by the Company;
- material contracts between the Company and its subsidiaries that involve directors' or major shareholders except as those disclose in RRPT transactions;
- contract of loans between the Company and its subsidiaries that involve directors or major shareholders' interests;
- revaluation policy on landed properties.

Audit Committee Report

The Board of Directors of the Company is pleased to present the report of the Audit Committee for the financial year ended 31 March 2004.

The present members of the Audit Committee comprise:-

Wu Tern Yue

(Chairman, Independent Non Executive Director)

Dato' Shaharuddin bin Shamsudin

(Member, Non Independent, Executive Director)

Choong Show Tong

(Member, Independent Non Executive Director)

** *all appointed on 30 September 2002*

MEETINGS

The quorum shall be 2 members, who must be Independent Directors. The Secretary to the Audit Committee is the Company Secretary. Minutes of each meeting shall be distributed to each member of the Board.

The Committee had 5 meetings during the year, which were attended by all members. Representative of the external auditors, Messrs PricewaterhouseCoopers also attended certain meetings upon invitation.

SUMMARY OF ACTIVITIES

The Audit Committee carried out the following activities during the financial year ended 31 March 2004:-

- a) Reviewed financial statements including quarterly financial announcements to Bursa Malaysia Securities Berhad.
- b) Reviewed the internal controls of the Company.

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 members, majority of whom shall comprise Independent 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 a member of the Audit Committee.

Audit Committee Report (Cont'd)

At least one member of the Audit Committee:-

- must be a member of the Malaysian Institute of Accountants or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years working experience; and
 - he must have passed the examination specified in Part I of the First Schedule of the Accountants Act, 1967; or
 - 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; or
- must have a degree/masters/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
- 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 assumption.
 - compliance with accounting standards and regulatory requirements.
 - any changes in accounting policies and practices.
 - significant issues arising from the audit.
 - major judgmental areas.

Audit Committee Report (Cont'd)

- 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 do the following when the internal audit function is established:-
 - review the adequacy of scope, functions and resources of the internal audit department and that it has the necessary authority to carry out its work review internal audit programme.
 - ensure co-ordination of external audit with internal audit.
 - consider 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.
 - review any appraisal or assessment of the performance of the staff of the internal audit function.
 - approve any appointment or termination of senior staff member of the internal audit function.
 - inform itself of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reason for resignation.
- 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.

Statement on Internal Control

INTRODUCTION

The Malaysian Code of Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and the Group's assets. The Bursa Securities Listing Requirements requires Directors of listed companies to include a statement in their annual report on the state of internal control.

BOARD RESPONSIBILITIES

The Directors acknowledges their responsibility for the Group's system of internal control to safeguard shareholders' investment and the Group's assets.

The Board of Directors recognizes the importance of sound internal controls covering not only financial controls but also operational and compliance controls as well as risk management. The internal control system is design to meet the Group's particular needs and to manage the principal risks to which it is exposed. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objective.

RISK MANAGEMENT FRAMEWORK AND INTERNAL AUDIT

The Board recognizes the importance of managing risks and thus meets regularly to assess various risks involved in the business. The Managing Director reports to the Board on significant changes in the business. The Group's financial status performance and other key business indicators are also reported quarterly to the Board. The Board regularly evaluates findings and recommendations of senior management and considers and approves various measures and policies necessary to address various risks. The Board shall continue to be committed to further develop risk management process in line with various guidelines issued by relevant authorities.

The Board also recognizes the increasing importance of maintaining a sound system of internal control to safeguard the shareholders' investment and the Group's assets. An Internal Audit Department has been established in May 2004 and is independent of the activities or operation of the operating units.

SYSTEM OF INTERNAL CONTROL

The key elements of the Group's internal control system are –

- Clearly documented internal policies and procedures defining organizational responsibility and limits of authority.
- Review and approval of annual business plans and budgets by the Board.
- Regular review of performance of the Group by the Board.
- Management meetings held monthly to identify, discuss, evaluate and resolve operational and financial issues.
- Active participation by Executive Director in day-to-day running of the Group's operations.

Board of Directors

IDRIS BIN ABDULLAH @ DAS MURTHY

Malaysian, aged 47, appointed Chairman on 26 September 2002.

Graduated from University of Malaya with Bachelor of Law (LLB) Hons. in 1981 and admitted to Roll of Advocates High Court of Malaysia in Borneo in 1982. Actively involved in advisory work with local companies based in Sarawak having interests in car importation, educational college, recreational centers, property development and air charter services. He currently holds directorships of companies involved in construction of government projects, manufacturing and distribution of fruit juices.

Encik Idris does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He has had no convictions for any offences within the past 10 years.

DATO' SHAHARUDDIN BIN SHAMSUDIN

Malaysian, aged 54 and had been with the Company since inception. He was appointed Managing Director on 30 September 2002

Graduated from University of Malaya with a Bachelor of Arts in Economics. Started his career in banking with United Malayan Banking Corporation Berhad as a Bank Officer and switched to commodity trading upon joining Felma Marketing Corporation in 1974. Subsequently in 1979 Dato' Shaharuddin joined Inventra Sdn Bhd as a Marketing Manager dealing in commodities including fertilizers. In 1984 he left Inventra, and co-founded KFM.

Dato' Shaharuddin does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He has had no convictions for any offences within the past 10 years.

CHOONG SHOW TONG

Malaysian, aged 48, appointed as an Independent Non-Executive Director on 26 September 2002. He is also a Member of the Audit Committee.

Mr. Choong is an Associate Member of the Institute of Chartered Accountants in England & Wales and was admitted as a Member (Public Accountant) of MIA in May 1983. He started his career as an Article Clerk in April 1978 and later became an Office Manager in a Chartered Accountants firm in London. In September 1983, he worked as an Office Manager in Christopher Chooi & Co, a firm of Chartered Accountants in Kuala Lumpur. Since October 1984, he is the Sole Proprietor of Allan Choong & Co., a Chartered/Public Accountants firm in Kuala Lumpur.

Mr. Choong does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He has had no convictions for any offences within the past 10 years.

Board of Directors (Cont'd)

WU TERN YUE

Malaysian, aged 39, appointed as an Independent Non-Executive Director on 26 September 2002 and was later appointed as Chairman of the Audit Committee on 08 July 2004.

Graduated from University of Malaya with a law degree in 1989. Admitted to Roll of Advocates and Solicitors, High Court of Malaya in 1990. Prior to setting up his own firm, Wu & Co, Johor Bahru in 1992, Mr. Wu has worked as a legal assistant with Lloyd Fernando & Associates, Kuala Lumpur from 1989 to 1990 and as Head of Litigation Department with KC Yap Kamaludin & Partners, Kuala Lumpur. He was a Director of Sriwani Holdings Bhd.

Mr. Wu does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He has had no convictions for any offences within the past 10 years.

KUSHAIRI BIN ZAIDEL

Malaysian, aged 46, appointed as an Independent Non-Executive Director on 01 December 2003.

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

He currently has investment holdings in a variety of business activities namely in the property development industry, the engineering and construction industry, the manufacturing industry and the personal and corporate financial services.

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.

Encik Kushairi does not have any family relationship with any Director and/or major shareholder of the Company and there is no business arrangement with the Company in which he has personal interest. He has had no convictions for any offences within the past 10 years.

Directors' Report

For the year ended 31 March 2004

The Directors submit their annual report to the members together with the audited financial statements of the Group and Company for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are flour milling and trading in its related products. The principal activities of the Group consist of transportation and sales of premix flour and its related products. There was no significant change in the nature of these activities during the year.

FINANCIAL RESULTS

	Group RM	Company RM
Net loss for the year	(6,516,939)	(6,429,344)

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since 31 March 2003.

RESERVES AND PROVISIONS

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

SIGNIFICANT POST BALANCE SHEET EVENTS

On 2 December 2002, the Company has entered into a conditional Share Sale Agreement (SSA) with Abdul Manaf bin Haji Draman (Agent) for the proposed acquisition of approximately 57.40% of the enlarged equity interest in APM Industries Holdings Berhad (APMI) and the Agent shall also procure the other remaining shareholders of APMI to sell the remaining approximately 42.60% of the enlarged equity interest in APMI to the Company, for a total purchase consideration of RM238,500,000.

Concurrently with the above, the Company also proposes to undertake the following:

- (a) proposed increase in the authorised share capital of the Company from the existing RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM200,000,000 comprising 200,000,000 ordinary shares; and
- (b) proposed transfer of the Company from the Second Board of the Bursa Malaysia Securities Berhad to the Main Board of the Bursa Malaysia Securities Berhad.

On 2 June 2003, the Company announced that the application to the Securities Commission in relation to the above Proposals, would be deferred to 2 December 2003, as the due diligence exercise on APMI had yet to be completed.

On 23 April 2004, the Company announced that the parties in the Share Sale Agreement in relation to the proposed acquisition of APM Industries Holdings Berhad had mutually agreed to rescind the said Agreement by a Deed of Mutual Termination and Rescission dated 23 April 2004.

As a consequence of the mutual rescission of the said Share Sale Agreement, the exercise relating to the above Proposals was aborted.

Directors' Report (Cont'd)

For the year ended 31 March 2004

ISSUE OF SHARES

During the year, 911,000 new ordinary shares of RM1.00 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employees' Share Option Scheme at exercise prices of RM1.92 each for 445,000 and RM1.15 each for 466,000, per share.

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

EMPLOYEES' SHARE OPTION SCHEME

The Company implemented an Employees' Share Option Scheme (ESOS) which had been approved by the shareholders on 21 November 2000.

Details of the ESOS are set out in Note 21(b) to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the list of option holders and their holdings except for employee who is granted more than 200,000 share options as disclosed in the Directors' interests in shares.

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Idris bin Abdullah @ Das Murthy
Dato' Shaharuddin bin Shamsudin - Managing Director
Wu Tern Yue
Choong Show Tong
Kushairi bin Zaidel
Lew Mee Choon

appointed on : 1.12.2003
resigned on : 29.9.2003

DIRECTORS' BENEFITS

During and at the end of the 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 other than the Company's Employees' Share Option Scheme (see Note 21(b) to the financial statements).

Since the end of the previous year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration 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 except as disclosed in Note 26 to the financial statements.

Directors' Report (Cont'd)

For the year ended 31 March 2004

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the year in shares in the Company and its related corporations are as follows:-

In the Company

	Number of ordinary shares of RM1 each in the Company					
	1 April 2003	Bought	Sold	31 March 2004	Changes after 31 March 2004	21 April 2004
Direct						
Idris bin Abdullah @ Das Murthy	2,434,000	–	–	2,434,000	–	2,434,000
Dato' Shahrudin bin Shamsudin	205,000	119,000	(119,000)	205,000	–	205,000
Choong Show Tong	1,000	–	–	1,000	–	1,000
Wu Tern Yue	1,000	–	–	1,000	–	1,000

	Number of options over ordinary shares of RM1 each in the Company			
	1 April 2003	Granted	Exercised	31 March 2004
Dato' Shahrudin bin Shamsudin	207,000	156,000	(119,000)	244,000

In a subsidiary, KFM Marketing Sdn Bhd

	Number of ordinary shares of RM1 each					
	1 April 2003	Bought	Sold	31 March 2004	Changes after 31 March 2004	21 April 2004
Deemed Interest						
Dato' Shahrudin bin Shamsudin*	40,000	–	–	40,000	–	40,000

* *Held by spouse, Datin Norisah bte Abdullah*

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

Directors' Report (Cont'd)

For the year ended 31 March 2004

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets 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 Company had been written down to an amount which they might be expected so to realise.

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

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and Company inadequate to any substantial extent ; or
- which would render the values attributed to current assets in the financial statements of the Group and Company misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and 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 year which, in the opinion of the Directors, will or may affect the ability of the Group or 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 Company which has arisen since the end of the year which secures the liability of any other person ; or
- any contingent liability of the Group or Company which has arisen since the end of the 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 results of the Group's and Company's operations during the 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 year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or Company for the year in which this report is made.

Directors' Report (Cont'd)

For the year ended 31 March 2004

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 23 July 2004

Dato' Shaharuddin bin Shamsudin
Managing Director

Kushairi bin Zaidel
Director

Income Statements

For the year ended 31 March 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Revenue	5	96,749,439	92,911,519	94,307,769	90,576,982
Cost of sales		(92,509,879)	(80,992,192)	(94,353,503)	(82,559,978)
Gross profit/(loss)		4,239,560	11,919,327	(45,734)	8,017,004
Other operating income		233,177	7,555	212,978	7,495
Provision no longer required	6	–	3,703,000	–	3,703,000
Other operating expenses		(3,503,905)	(3,322,187)	–	–
Selling expenses		(2,709,780)	(2,302,202)	(2,284,017)	(2,302,202)
Administrative expenses		(3,455,037)	(4,646,178)	(3,139,847)	(4,142,520)
(Loss)/Profit from operations	7	(5,195,985)	5,359,315	(5,256,620)	5,282,777
Finance costs	9	(1,444,112)	(1,231,347)	(1,419,724)	(1,194,568)
(Loss)/Profit from ordinary activities before tax		(6,640,097)	4,127,968	(6,676,344)	4,088,209
Tax	10	123,158	(261,490)	247,000	(210,743)
(Loss)/Profit from ordinary activities after tax		(6,516,939)	3,866,478	(6,429,344)	3,877,466
Minority interest		–	12,214	–	–
Net (loss)/profit for the year		(6,516,939)	3,878,692	(6,429,344)	3,877,466
(Loss)/Earning per share (sen)					
- basic	11(a)	(14.37)	8.97		
- diluted	11(b)	(14.11)	8.90		

The notes on pages 27 to 50 form an integral part of these financial statements.

Balance Sheets

As at 31 March 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Non current assets					
Property, plant and equipment	12	27,145,514	28,458,503	26,574,897	27,765,545
Subsidiaries	13	–	–	262,012	479,011
Deferred tax assets	15	412,371	536,213	–	–
Unquoted investment, at cost		1,735,500	1,735,500	1,735,500	1,735,500
		29,293,385	30,730,216	28,572,409	29,980,056
Current assets					
Inventories	16	14,395,224	18,001,141	13,813,651	17,593,066
Marketable securities (market value RM4,100; 2003: RM1,650)		2,000	2,000	2,000	2,000
Receivables, deposits and prepayments	17	23,879,680	24,214,106	26,485,845	25,454,645
Tax recoverable		114,652	100,902	80,938	69,938
Deposits, bank and cash balances	18	7,927,878	4,208,703	6,905,793	3,887,566
		46,319,434	46,526,852	47,288,227	47,007,215
Less: Current liabilities					
Payables	19	4,412,839	3,931,406	3,856,228	3,168,749
Bankers acceptance	20	26,809,270	22,844,887	26,809,270	22,844,887
Borrowings (interest bearing)	20	1,227,067	579,814	1,165,643	923,855
Bank overdraft	18	85,976	130,087	–	–
		32,535,152	27,486,194	31,831,141	26,937,491
Net current assets		13,784,282	19,040,658	15,457,086	20,069,724
Less: Non current liabilities					
Borrowings (interest bearing)	20	638,939	1,891,007	588,651	1,322,892
Deferred tax liabilities	15	–	247,000	–	247,000
		638,939	2,138,007	588,651	1,569,892
		42,438,728	47,632,867	43,440,844	48,479,888
Capital and reserves					
Share capital	21	44,983,000	44,072,000	44,983,000	44,072,000
Share premium	22	6,436,433	5,957,133	6,436,433	5,957,133
Accumulated loss		(8,980,707)	(2,463,768)	(7,978,589)	(1,549,245)
Shareholders' equity		42,438,726	47,565,365	43,440,844	48,479,888
Minority interest		2	67,502	–	–
		42,438,728	47,632,867	43,440,844	48,479,888

The notes on pages 27 to 50 form an integral part of these financial statements.

Statements of Changes in Equity

For the year ended 31 March 2004

	Note	Share capital (Note 21) RM	<u>Non distributable</u> Share premium (Note 22) RM	<u>Distributable</u> Accumulated loss RM	Total RM
Group:					
At 31 March 2002					
- as stated		39,131,000	5,689,383	(6,872,420)	37,947,963
- change in accounting policy	24	–	–	529,960	529,960
- as restated		39,131,000	5,689,383	(6,342,460)	38,477,923
Issues of shares					
- special issues		3,830,000	191,500	–	4,021,500
- exercise of share options		1,111,000	166,650	–	1,277,650
- share issue cost		–	(90,400)	–	(90,400)
Net profit for the year		–	–	3,878,692	3,878,692
At 31 March 2003		44,072,000	5,957,133	(2,463,768)	47,565,365
At 31 March 2003					
- as stated		44,072,000	5,957,133	(2,752,981)	47,276,152
- change in accounting policy	24	–	–	289,213	289,213
- as restated		44,072,000	5,957,133	(2,463,768)	47,565,365
Issues of shares					
- exercise of share options		911,000	479,300	–	1,390,300
Net loss for the year		–	–	(6,516,939)	(6,516,939)
At 31 March 2004		44,983,000	6,436,433	(8,980,707)	42,438,726

The notes on pages 27 to 50 form an integral part of these financial statements.

Statements of Changes in Equity (Cont'd)

For the year ended 31 March 2004

	Note	Share capital (Note 21) RM	Share premium (Note 22) RM	Accumulated loss RM	Total RM
Company:					
At 31 March 2002					
- as stated		39,131,000	5,689,383	(5,369,711)	39,450,672
- change in accounting policy	24	–	–	(57,000)	(57,000)
- as restated		39,131,000	5,689,383	(5,426,711)	39,393,672
Issues of shares					
- special issues		3,830,000	191,500	–	4,021,500
- exercise of share options		1,111,000	166,650	–	1,277,650
- share issue cost		–	(90,400)	–	(90,400)
Net profit for the year		–	–	3,877,466	3,877,466
At 31 March 2003		44,072,000	5,957,133	(1,549,245)	48,479,888
At 31 March 2003					
- as stated		44,072,000	5,957,133	(1,302,245)	48,726,888
- change in accounting policy	24	–	–	(247,000)	(247,000)
- as restated		44,072,000	5,957,133	(1,549,245)	48,479,888
Issues of shares					
- exercise of share options		911,000	479,300	–	1,390,300
Net loss for the year		–	–	(6,429,344)	(6,429,344)
At 31 March 2004		44,983,000	6,436,433	(7,978,589)	43,440,844

The notes on pages 27 to 50 form an integral part of these financial statements.

Cash Flow Statements

For the year ended 31 March 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Operating activities					
Net (loss)/profit for the year		(6,516,939)	4,119,439	(6,429,344)	3,877,466
Adjustments to reconcile net (loss)/profit for the year to cash from operations:					
Property, plant and equipment					
- depreciation		2,822,215	2,569,011	2,641,677	2,409,806
- gain on disposal		(183,323)	–	(163,224)	–
- written off		13,959	–	13,959	–
Allowance for doubtful debts		213,068	97,604	213,068	97,604
Allowance for diminution in value of subsidiary		–	–	216,999	206,000
Interest income		(108,998)	(74,082)	(108,998)	(74,082)
Interest expense		1,553,110	1,305,429	1,528,722	1,268,650
Provision no longer required		–	(3,703,000)	–	(3,703,000)
Tax		(123,158)	20,743	(247,000)	210,743
		(2,330,066)	4,335,144	(2,334,141)	4,293,187
Changes in working capital					
Inventories		3,605,917	(1,602,106)	3,779,415	(1,548,903)
Receivables		121,358	100,568	(1,244,268)	73,164
Payables		481,433	(4,342,554)	687,479	(4,708,626)
		1,878,642	(1,508,948)	888,485	(1,891,178)
Interest paid		(1,553,110)	(1,399,721)	(1,528,722)	(1,362,942)
Interest received		28,150	74,082	28,150	74,082
Tax paid		(13,750)	(36,381)	(11,000)	(19,000)
Net cash flow from/(used in) operating activities		339,932	(2,870,968)	(623,087)	(3,199,038)
Investing activities					
Property, plant and equipment					
- purchase		(923,983)	(2,617,910)	(865,785)	(2,489,197)
- proceeds from disposal		20,100	–	–	–
Purchase of investment		–	(1,735,500)	–	(1,735,500)
Joint ventures dissolved	14	(67,500)	–	–	–
Fixed deposit uplifted		53,730	–	53,730	–
Net cash flow used in investing activities		(917,653)	(4,353,410)	(812,055)	(4,224,697)

Cash Flow Statements (Cont'd)

For the year ended 31 March 2004

	Note	Group		Company	
		2004 RM	2003 RM	2004 RM	2003 RM
Financing activities					
Repayments of term loans		(675,233)	–	(675,233)	–
Issue of shares:					
- rights issue		–	4,021,500	–	4,021,500
- exercise of shares options		1,390,300	1,277,650	1,390,300	1,277,650
Repayment of hire purchase creditors		(365,561)	(464,923)	(253,199)	(361,139)
Proceeds/(Repayments) of short term borrowings		3,964,383	(5,438,116)	3,964,383	(5,438,116)
Net cash from/(used in) financing activities		4,313,889	(603,889)	4,426,251	(500,105)
Increase/(Decrease) in cash and cash equivalents		3,736,168	(7,828,267)	2,991,109	(7,923,840)
Cash and cash equivalents					
- at start of the year		3,523,677	11,351,944	3,332,627	11,256,467
- at end of the year	18	7,259,845	3,523,677	6,323,736	3,332,627

The notes on pages 27 to 50 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2004

1 GENERAL INFORMATION

The principal activities of the Company are flour milling and trading in its related products. The principal activities of the Group consist of transportation and sales of premix flour and its related products.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Second Board of the Bursa Malaysia Securities Berhad.

The address of the registered office of the Company is 177, Floor 1, Jalan Sarjana, Taman Connaught Cheras, 56000 Kuala Lumpur.

The address of the principal place of business of the Company is Kawasan Lembaga Pelabuhan Kuantan, KM25 Jalan Kuantan/Kemaman Tanjung Gelang 25740 Kuantan, Pahang Darul Makmur.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Group and Company have been prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The new accounting standards adopted in these financial statements are as follows:

- MASB 25 “Income Taxes”
- MASB 29 “Employee Benefits”

There are no changes in accounting policy that affect net profit or shareholders’ equity with the exception of MASB 25 (Note 24).

The preparation of financial statements in conformity with provisions of the Companies Act, 1965 and the applicable approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. Although these estimates are based on Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently, other than that disclosed in Note 24 to the financial statements, in dealing with items which are considered material in relation to the financial statements:

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment comprises their purchase cost and any incidental cost of acquisition.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Freehold land is not depreciated as it has an infinite life. Other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets to their residual values over their estimated useful lives at the following annual rates:

	%
Buildings, factory and civil works	2 ½ - 5
Plant and machinery	5 - 10
Equipment and fixtures	10 - 20
Motor vehicles	20

Depreciation on assets under construction commences when the assets are ready for their intended use.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the asset for its intended use. All other borrowings costs are expensed.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and included in profit/(loss) from operations.

(b) Impairment of assets

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flow. The impairment loss is charged to the income statement.

(c) Subsidiaries

Subsidiaries are those enterprises in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of are included from the date of acquisition up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the cost of acquisition over the fair value of the Group's share of the subsidiaries' identifiable net assets at the date of acquisition is reflected as goodwill on consolidation. Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree. Separate disclosure is made of minority interests.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

(d) Investments

Investments in subsidiaries and jointly controlled entities are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Investments in other non-current investments are shown at cost and an allowance for diminution in value is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the year in which the decline is identified.

Marketable securities (within current assets) are carried of the lower of cost and market value. Market value is calculated by reference to stock exchange quoted selling price at the close at business on the balance sheet date. Increase/decrease in the carrying amount of marketable securities are credited/charged to the income statements.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

(e) Inventories

Inventories comprising raw materials, work in progress and finished goods are stated at the lower of cost and net realisable values.

(i) Raw materials

The cost of raw materials is determined on the first-in first-out basis which represents all costs incurred in bringing the raw materials to their present location.

(ii) Finished goods

Cost is determined on the weighted average basis and comprises costs of direct materials, packing materials, direct labour, other direct charges and factory overheads after deducting the proportion of the production cost relating to the by-products.

By-products are valued at cost, which is calculated as a proportion of the production cost on the basis of the weighted average selling price for the year.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

(iii) Stores

Stores are valued at cost, which is determined on the weighted average basis. Cost represents invoiced price. Where necessary, an allowance is made for obsolete, slow moving and deteriorated stores.

(f) Trade receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the year end. Bad debts are written off when identified.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

(g) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Assets held under hire purchase agreements

Assets acquired under hire purchase agreements are included in property, plant and equipment and the capital element of the hire purchase commitments are included in borrowings. The capital element of the hire purchase instalment is applied to reduce the outstanding obligations. The interest element is charged to the income statement so as to give a constant periodic rate of interest on the outstanding liability. Property, plant and equipment acquired under hire purchase agreements are depreciated over the useful lives of equivalent owned assets.

(i) Foreign currencies

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transactions date. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the balance sheet date. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	31.3.2004 RM	31.3.2003 RM
1 US Dollar	3.805	3.805
1 Singapore Dollar	2.297	2.178

(j) Income taxes

Current tax expense is determined according to the tax law in which the Group operates and includes all taxes based on the taxable profits.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

(k) Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and bonuses are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) Post-employment benefits

The Group has defined contribution plan in accordance with local conditions in Malaysia.

The Group's contributions to defined contribution plan are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Company has no further payment obligations.

(iii) Equity compensation benefits

Details of the Group's Employees' Share Option Scheme are set out in Note 21(b) to the financial statements. The Group does not make a charge to the income statement in connection with share options granted. When the share options are exercised, the proceeds received, net of any transactions costs, are credited to share capital and share premium.

(l) Revenue recognition

Revenue are recognised upon delivery of products and customer acceptance, if any, or performance of services net of discounts and after eliminating sales within the Group.

Interest and rental income are recognised on accrual basis.

(m) Financial instruments

(i) Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(ii) Fair value estimation for disclosure purposes

The carrying amounts of cash approximate fair values because of the short maturity period of those instruments.

In assessing the value of borrowings, the Group assumes that borrowings with a maturity of less than one year and subject to floating interest rates, their fair values approximate their carrying values.

The fair values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their carrying values.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group activities in the normal course of business expose it to variety of financial risks, including foreign currency exchange, interest rate risk, credit risk, liquidity and cash flow risk. The Group's overall financial risk management objective is to minimise potential adverse effects of these risks on the financial performance of the Group. Financial risk management is carried out through risk reviews, internal control systems and adherence to prudent risk management policies.

Market risk

As a commodity, wheat prices fluctuate according to world supply and demand situation. Therefore grain market is monitored everyday with reports obtained daily from various sources. Various wheat purchasing strategies were adopted depending on market conditions and trends. In the flour market, there is competition among various flour millers and KFM had placed itself as a niche supplier of quality flour with strong after-sales service, especially for the bigger users of wheat flour. With sales offices in almost every region in Peninsula Malaysia, we are able to distribute our flour to almost every region.

Foreign currency exchange risk

The Group's exposure to foreign exchange risk arises from the importation of raw materials that are denominated in USD. Since the USD is pegged by the Malaysian authority to Ringgit Malaysia at RM3.80 per USD, the foreign currency risk is minimised.

Interest rate risk

The Group's interest rate exposure arises from the Group's borrowings and deposits. The Group closely monitors the interest rate trend and decisions in respect of fixed or floating rate debt structure and tenor of borrowings and deposits are made based on the expected interest rate trend and after consultations with its bankers.

Credit risk

Credit risk arises when sales are made on deferred credit terms. The Group monitors its exposure to credit risks by setting appropriate credit terms and limits for customers and ensuring that sales of products are made to customers with good credit assessment.

Liquidity and cash flow risk

Liquidity and cash flow risk is managed by maintaining an adequate level of cash reserves and committed credit facilities and close monitoring of working capital requirements. The Group seeks to maintain flexibility in funding by keeping committed credit lines available.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

5 REVENUE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Sales of flour and related products	95,643,359	91,800,716	94,307,769	90,576,982
Transport income	1,106,080	1,110,803	–	–
	96,749,439	92,911,519	94,307,769	90,576,982

6 PROVISION NO LONGER REQUIRED

The Company had paid RM3,750,000 to Alliance Bank Malaysia Berhad as a full and final settlement of the corporate guarantee and the balance of RM3,703,000 had been written back as provision no longer required in the year ended 31 March 2003.

7 (LOSS)/PROFIT FROM OPERATIONS

The following items have been charged/(credited) in arriving at the (loss)/profit from operations:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Property, plant and equipment				
- depreciation	2,822,215	2,569,011	2,641,677	2,409,806
- gain on disposal	(183,323)	–	(163,224)	–
Auditors' remuneration				
- current year	40,600	39,500	30,000	30,000
- under accrual in previous year	1,000	1,000	–	–
Allowance for doubtful debts	213,068	97,604	213,068	97,604
Allowance for diminution in value of investment in subsidiary	–	–	216,099	206,000
Staff costs (including remuneration of executive directors)	4,097,938	4,612,686	3,851,983	4,391,374
Rental of land and buildings	413,684	405,697	413,684	405,697
Bad debts written off	–	61,869	–	61,869
Amounts due from joint ventures written off	36,211	–	–	–
Loss on joint ventures dissolved	150,000	–	–	–
Realised (gain)/loss on foreign exchange	(67,822)	30,704	(49,654)	29,775
	200	198	188	188

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

8 DIRECTORS' REMUNERATION

	Group and Company	
	2004	2003
	RM	RM
Other emoluments	299,576	587,650

9 FINANCE COSTS

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Total interest expenses	1,553,110	1,399,721	1,528,722	1,362,942
Amount capitalised to property, plant and equipment (Note 12)	–	(94,292)	–	(94,292)
Interest income	(108,998)	(74,082)	(108,998)	(74,082)
Interest expense charged to income statement	1,444,112	1,231,347	1,419,724	1,194,568

10 TAX

(a) Tax charge for the year

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Malaysian income tax - current year	–	20,743	–	20,743
Deferred tax (Note 15)	(123,158)	240,747	(247,000)	190,000
	(123,158)	261,490	(247,000)	210,743

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

10 TAX - CONT'D

(b) Numerical reconciliation of income tax expense

The tax on the Group's and Company's profit before tax differs from the theoretical amount that would arise using the statutory income tax rate of Malaysia as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
(Loss)/Profit before tax	(6,640,097)	4,127,968	(6,676,344)	4,088,209
Tax calculated as follow:				
- at a tax rate of 20%	(20,251)	(13,271)	–	–
- at a tax rate of 28% (2002: 28%)	(1,830,874)	1,175,041	(1,869,376)	1,144,699
Tax effect of:				
- expenses not deductible for tax purposes	176,469	83,814	181,952	139,671
- double deduction	–	(36,787)	–	(36,787)
- temporary differences arising during the year not recognised	1,559,598	89,983	1,440,424	–
- different income tax rate	(8,100)	–	–	–
- income not taxable	–	(1,036,840)	–	(1,036,840)
Tax expense	(123,158)	261,490	(247,000)	210,743

11 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share of the Group are calculated by dividing the net profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year.

		2004	2003
Net (loss)/profit for the year	RM'000	(6,517)	3,879
Weighted average number of ordinary shares in issue	('000)	45,362	43,231
Basic earnings per share	(sen)	(14.37)	8.97

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

11 (LOSS)/EARNINGS PER SHARE - CONT'D

(b) Diluted (loss)/earnings per share

For the diluted (loss)/earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares which is the share options granted to employees.

In respect of share options granted to employees, a calculation is done to determine the number of shares that could have been acquired at market price (determined as the average annual share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. This calculation serves to determine the "bonus" element to the ordinary shares outstanding for the purpose of computing the dilution. No adjustment is made to the net loss for the year for the share option calculation.

	2004 '000	2003 '000
Weighted average number of ordinary shares in issue	45,362	43,231
Adjustment for share options	832	309
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<u>46,194</u>	<u>43,540</u>
Diluted earnings/(loss) per share	<u>(14.11)</u>	<u>8.90</u>

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	Building under construction RM	Total RM
Net book value at							
1 April 2002	11,700	6,574,533	15,681,290	1,018,884	1,099,109	3,668,896	28,054,412
Additions	–	168,301	210,263	216,899	439,145	1,938,494	2,973,102
Reclassification	–	–	4,857,258	–	–	(4,857,258)	–
Depreciation charge	–	(251,112)	(1,679,288)	(198,813)	(439,798)	–	(2,569,011)
Net book value at							
31 March 2003	11,700	6,491,722	19,069,523	1,036,970	1,098,456	750,132	28,458,503
Additions	–	85,120	493,116	138,409	714,433	125,890	1,556,968
Disposal	–	–	–	(2)	(47,740)	–	(47,742)
Reclassification	–	–	875,952	–	–	(875,952)	–
Depreciation charge	–	(253,078)	(1,900,435)	(188,992)	(479,710)	–	(2,822,215)
Net book value at							
31 March 2004	11,700	6,323,764	18,538,156	986,385	1,285,439	70	27,145,514

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

12 PROPERTY, PLANT AND EQUIPMENT - CONT'D

Group	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
At 31 March 2003							
Cost	11,700	9,606,488	35,388,054	3,536,203	8,091,953	750,132	57,384,530
Accumulated depreciation	–	(3,114,766)	(16,318,531)	(2,499,233)	(6,993,497)	–	(28,926,027)
Net book value	11,700	6,491,722	19,069,523	1,036,970	1,098,456	750,132	28,458,503
At 31 March 2004							
Cost	11,700	9,691,608	36,757,122	3,671,912	8,190,313	70	58,322,725
Accumulated depreciation	–	(3,367,844)	(18,218,966)	(2,685,527)	(6,904,874)	–	(31,177,211)
Net book value	11,700	6,323,764	18,538,156	986,385	1,285,439	70	27,145,514
Company	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
Net book value at 1 April 2002							
Cost	11,700	6,506,592	15,489,323	965,684	801,667	3,668,896	27,443,862
Additions	–	168,301	210,263	214,911	199,520	1,938,494	2,731,489
Reclassification	–	–	4,857,258	–	–	(4,857,258)	–
Depreciation charge	–	(245,131)	(1,662,416)	(189,862)	(312,397)	–	(2,409,806)
Net book value at 31 March 2003	11,700	6,429,762	18,894,428	990,733	688,790	750,132	27,765,545
Additions	–	85,120	493,116	138,409	656,233	125,890	1,498,768
Disposal	–	–	–	–	(47,739)	–	(47,739)
Reclassification	–	–	875,952	–	–	(875,952)	–
Depreciation charge	–	(247,097)	(1,883,565)	(180,925)	(330,090)	–	(2,641,677)
Net book value at 31 March 2004	11,700	6,267,785	18,379,931	948,217	967,194	70	26,574,897

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

12 PROPERTY, PLANT AND EQUIPMENT - CONT'D

Company	Freehold land RM	Buildings, factory and civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
At 31 March 2003							
Cost	11,700	9,486,859	35,050,630	3,405,433	5,629,746	750,132	54,334,500
Accumulated depreciation	–	(3,057,097)	(16,156,202)	(2,414,700)	(4,940,956)	–	(26,568,955)
Net book value	11,700	6,429,762	18,894,428	990,733	688,790	750,132	27,765,545
At 31 March 2004							
Cost	11,700	9,571,979	36,419,698	3,543,842	5,715,025	70	55,262,314
Accumulated depreciation	–	(3,304,194)	(18,039,767)	(2,595,625)	(4,747,831)	–	(28,687,417)
Net book value	11,700	6,267,785	18,379,931	948,217	967,194	70	26,574,897

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 payables under the lease as at year-end are as follows:

	Group and Company	
	2004 RM	2003 RM
- not later than 1 year	292,016	283,884
- later than 1 year but not later than 5 years	958,418	841,065
- later than 5 years	297,723	707,092
	1,548,157	1,832,041

Details of assets under hire purchase agreements:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Motor vehicles				
- additions during the year	435,979	260,900	435,979	148,000
- net book value at year end	892,102	794,697	692,027	656,356

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

13 SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted investments, at cost	1,611,011	1,611,011
Allowance for diminution in value	(1,348,999)	(1,132,000)
	262,012	479,011

The Company holds the shares of all subsidiaries directly. Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Principal activities	Percentage of equity held	
			2004	2003
			%	%
KFM Transport Sdn Bhd	Malaysia	Transportation	100	100
KFM Marketing Sdn Bhd	Malaysia	Sales of premix flour and its related products	95	95
KFM Ventures Sdn Bhd	Malaysia	Dormant	100	100
KFM Trading Sdn Bhd (formerly known as KFM Capital Sdn Bhd)	Malaysia	Dormant	100	100
KFM Technology Sdn Bhd	Malaysia	Dormant	100	100
KFM Industries Sdn Bhd	Malaysia	Dormant	100	100
KFM-Bunge Flour Mixes Sdn Bhd	Malaysia	Dormant	60	60

14 JOINT VENTURES

All the joint ventures were dissolved on 1 April 2003. The net cash flow on dissolution is determined as follows:

	At date of disposal RM
Total proceeds from dissolution	–
Payment made to other partners of the joint ventures	(67,500)
	67,500

The effect of the dissolution on the financial position of the Group was as follows:

Property, plant and equipment	2
Receivables	208,935
Payables	(58,937)
	150,000

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

15 DEFERRED TAX ASSETS

Deferred tax are offset when there is a legal enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deferred tax assets	412,371	536,213	–	–
Deferred tax liabilities	–	(247,000)	–	(247,000)
	412,371	289,213	–	(247,000)
At start of year	289,213	529,960	(247,000)	(57,000)
Charged to income statement (Note 10)				
- tax losses	(451,000)	–	(451,000)	–
- property, plant and equipment	574,158	(240,747)	698,000	(190,000)
	123,158	(240,747)	247,000	(190,000)
At end of year	412,371	289,213	–	(247,000)
Deferred tax assets (before offsetting)				
Unabsorbed tax losses	1,850,371	2,425,213	1,438,000	1,889,000
Offsetting	(1,438,000)	(1,889,000)	(1,438,000)	(1,889,000)
Deferred tax assets after offsetting	412,371	536,213	–	–
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	(1,438,000)	(2,136,000)	(1,438,000)	(2,136,000)
Offsetting	1,438,000	1,889,000	1,438,000	1,889,000
Deferred tax liabilities after offsetting	–	(247,000)	–	(247,000)

The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax asset is recognised in the balance sheet are as follows:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deductible temporary difference	10,742,000	9,740,000	9,351,000	8,479,000
Tax losses	6,074,000	773,000	5,102,000	–

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

16 INVENTORIES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
At cost:				
Raw materials	11,145,807	13,862,947	11,145,807	13,862,947
Finished goods	1,810,587	2,122,680	1,229,014	1,841,426
By-products	32,958	91,046	32,958	91,046
Work in progress	162,657	391,858	162,657	391,858
Goods in transit	–	126,821	–	–
	13,152,009	16,595,352	12,570,436	16,187,277
Consumables	1,243,215	1,229,049	1,243,215	1,229,049
	14,395,224	17,824,401	13,813,651	17,416,326
At net realisable value:				
Finished goods	–	176,740	–	176,740
	14,395,224	18,001,141	13,813,651	17,593,066

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables	23,877,202	23,705,299	20,770,442	22,662,836
Allowance for doubtful debts	(1,146,894)	(933,826)	(1,146,894)	(933,826)
	22,730,308	22,771,473	19,623,548	21,729,010
Other receivables	560,717	641,519	466,851	501,765
Deposits	157,446	242,313	157,446	150,288
Prepayments	431,209	558,801	345,490	487,416
Amounts due from subsidiaries	–	–	7,789,878	4,483,534
Allowance for doubtful debts	–	–	(1,897,368)	(1,897,368)
	–	–	5,892,510	2,586,166
	23,879,680	24,214,106	26,485,845	25,454,645
The currency profile of receivables are as follows:				
- Ringgit Malaysia	23,137,809	22,621,823	25,922,526	24,122,135
- Singapore Dollar	153,216	791,169	60,383	694,806
	23,291,025	23,412,992	25,982,909	24,816,941

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

17 RECEIVABLES, DEPOSITS AND PREPAYMENTS - CONT'D

Credit terms of trade receivables to the Group and Company is 14 to 90 days (2003 : 14 to 90 days). As at 31 March 2004, 44% and 51% trade receivables of the Group and Company respectively are owed by 5 customers.

The amounts due from subsidiaries are advances, which are unsecured, interest free and with no fixed terms of repayment.

18 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Deposits with licensed banks	4,132,057	554,939	4,132,057	554,939
Bank and cash balances	3,795,821	3,653,764	2,773,736	3,332,627
Deposits, bank and cash balances	7,927,878	4,208,703	6,905,793	3,887,566
Bank overdrafts (unsecured)	(85,976)	(130,087)	–	–
Deposits pledged as security	7,841,902 (582,057)	4,078,616 (554,939)	6,905,793 (582,057)	3,887,566 (554,939)
Cash and cash equivalents	7,259,845	3,523,677	6,323,736	3,332,627
The currency profile of deposits, bank and cash balances are as follows:				
- Ringgit Malaysia	7,688,834	4,072,088	6,752,725	3,881,038
- Singapore Dollar	153,068	6,528	153,068	6,528
	7,841,902	4,078,616	6,905,793	3,887,566

The weighted average effective interest rates for deposits at the year end for the Group and Company was 2.54% (2003: 3.75%) per annum.

As at 31 March 2004, deposits of the Group and Company have maturity periods of 30 to 90 days (2003: 30 to 90 days). Bank balances are deposits held at call with banks.

Deposits are pledged as security for bank guarantee purposes.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

19 PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	836,711	1,301,987	511,659	833,295
Other payables	368,905	197,456	168,512	26,508
Accruals	3,115,958	2,340,698	3,084,792	2,217,681
Deposits	91,265	91,265	91,265	91,265
	4,412,839	3,931,406	3,856,228	3,168,749

The currency profile of payables are as follows:

- Ringgit Malaysia	3,530,154	2,669,272	2,973,543	1,906,615
- Singapore Dollar	–	11,204	–	11,204
	3,530,154	2,680,476	2,973,543	1,917,819

Credit terms of trade payables by the Group and Company range from 30 to 90 days (2003 : 30 to 90 days).

20 BORROWINGS (INTEREST BEARING)

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current				
Bank borrowings (unsecured)	900,000	675,000	900,000	675,000
Hire purchase liabilities (secured)	327,067	354,814	265,643	248,855
	1,227,067	1,029,814	1,165,643	923,855
Non current				
Bank borrowings (unsecured)	198,682	1,098,915	198,682	1,098,915
Hire purchase liabilities (secured)	440,257	342,092	389,969	223,977
	638,939	1,441,007	588,651	1,322,892

Currency profile for borrowings is all in Ringgit Malaysia.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

20 BORROWINGS (INTEREST BEARING) - CONT'D

The weighted average effective interest rates on the borrowings are as follows:

	Group and Company	
	2004	2003
	%	%
Bank borrowings	8.4	8.4
Bankers acceptance	3.1	3.1
Hire purchase liabilities	12.0	12.0

Hire purchase liabilities are effectively secured as the rights to the hired assets revert to the hirer in the event of default.

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Hire purchase liabilities:				
Minimum hire purchase payments:				
- not later than 1 year	382,916	350,627	311,361	215,642
- later than 1 year but not later than 5 years	499,208	469,040	421,501	319,639
	882,124	819,667	732,862	535,281
Future finance charges on hire purchase	(114,800)	(122,761)	(77,250)	(62,449)
Present value of hire purchase liabilities	767,324	696,906	655,612	472,832
Representing hire purchase liabilities:				
- current	327,067	354,814	265,643	248,855
- non-current	440,257	342,092	389,969	223,977
	767,324	696,906	655,612	472,832
Present value of hire purchase liabilities:				
- not later than 1 year	327,067	354,814	265,643	248,855
- later than 1 year but not later than 5 years	440,257	342,092	389,969	223,977
	767,324	696,906	655,612	472,832

	Group and Company	
	2004	2003
	RM	RM
Maturity of borrowings (excluding hire purchase)		
- not later than one year	900,000	675,000
- later than one year and not later than 5 years	198,682	1,098,915
	1,098,682	1,773,915

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

21 SHARE CAPITAL

	Group and Company	
	2004	2003
	RM	RM
(a) Authorised ordinary shares of RM1 each		
At start and end of year	50,000,000	50,000,000
Issued and fully paid ordinary shares of RM1 each		
At start of year	44,072,000	39,131,000
Issued during the year:		
- special issue	–	3,830,000
- exercise of share options	911,000	1,111,000
At end of year	44,983,000	44,072,000

(b) Employees' Share Option Scheme

The Company implemented an Employees' Share Option Scheme (ESOS) which had been approved by the shareholders on 21 November 2000.

The main features of the ESOS are as follows:

- In aggregate, the maximum number of new shares which may be allotted pursuant to the exercise option granted under this Scheme shall not exceed ten per cent (10%) of the issued and paid up shares of the Company at any point of time during the existence of this Scheme.
- The Option price under the ESOS shall be higher of the five (5) days weighted average market price of the shares as shown in the Daily Official List issued by the Bursa Malaysia Securities Berhad preceding the date of offer set at a discount of not more than 10% or the par value of the shares.
- The Options granted may be exercised at any time before the expiry of the ESOS on 15 April 2006.
- The persons to whom the Options have been granted have no right to participate by virtue of the Options in any share issue of any other company.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

21 SHARE CAPITAL - CONT'D

(b) Employees' Share Option Scheme - cont'd

Set out below are details of options over the ordinary shares of the company granted under the ESOS:

Grant date Year ended	Expiry date	Exercise price RM/share	At start of year RM'000	Granted RM'000	Exercised RM'000	Lapsed RM'000	At end of year RM'000
31.3.2004							
16.4.2001	15.04.2006	1.15	460	–	(313)	–	147
19.12.2002	15.04.2006	1.15	187	–	(153)	(3)	31
16.07.2003	15.04.2006	1.92	–	2,014	(445)	(30)	1,539
			647	2,014	(911)	(33)	1,717
31.03.2003							
16.04.2001	15.04.2006	1.15	1,654	–	(1,012)	(182)	460
19.12.2002	15.04.2006	1.15	–	286	(99)	–	187
			1,654	286	(1,111)	(182)	647

	31.3.2004 Units'000	31.3.2003 Units'000
Number of share options vested at the balance sheet date	60	1,379

Details relating to options exercised during the year are as follows:

Exercise date	Fair value of shares at share issue date RM/share	Exercise price RM/share	Number of shares issued	
			2004 Unit'000	2003 Unit'000
April - June 2002	1.83 – 1.98	1.15	–	401
July - September 2002	2.80 – 2.85	1.15	–	471
October 2002 - January 2003	2.13 – 2.43	1.15	–	178
February - May 2003	1.81 – 1.95	1.15	105	61
June - July 2003	2.09 – 2.12	1.15	203	–
August - October 2003	1.86 – 1.91	1.15 – 1.92	107	–
November - December 2003	2.41 – 2.60	1.15 – 1.92	287	–
January 2004	1.89	1.15 – 1.92	209	–
			911	1,111
Ordinary capital			911	1,111
Share premium			479	167
Proceeds received on exercise of share options			1,390	1,278
Fair value as at exercise date of share options			1,958	2,592

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

22 SHARE PREMIUM

	Group and Company	
	2004	2003
	RM	RM
1 April	5,957,133	5,689,383
Exercise of share option	479,300	166,650
Special issue	–	191,500
Share issue cost	–	(90,400)
31 March	6,436,433	5,957,133

23 NON CASH TRANSACTIONS

The principal non cash transactions during the year is the acquisition of property, plant and equipment by means of instalment purchase plans (Note 12).

24 CHANGE IN ACCOUNTING POLICY

During the year, the Group changed its accounting policy in deferred tax to comply with MASB 25 - Income Taxes.

In previous years, deferred tax was recognised for timing differences except when there was reasonable evidence that such timing differences would not reverse in the foreseeable future. The tax effect of timing differences that resulted in a debit balance or a debit to the deferred tax balance was not carried forward unless there was a reasonable expectation of its realisation.

The potential tax saving relating to tax loss carried forward was only recognised if there was assurance beyond any reasonable doubt that future taxable income would be sufficient for the benefit of the loss to be realised.

The Group has now changed its accounting policy to recognise deferred tax on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying values in financial statements. Deferred tax assets are recognised to the extent that is probable that taxable profit will be available against which deductible temporary differences or unused tax losses can be utilised.

This change in accounting policy has been accounted for retrospectively. The new accounting policy has the effect of decreasing the Group and Company's net loss for the year ended 31 March 2004 by RM123,158 and RM247,000 respectively.

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

24 CHANGE IN ACCOUNTING POLICY - CONT'D

The other effects of the change on the Group's and Company's financial statements are as follows:

	As previously reported DR/(CR) RM	Effect of change in policy DR/(CR) RM	As restated DR/(CR) RM
Group			
At 31 March 2002			
Deferred tax liabilities	–	(57,000)	(57,000)
Deferred tax assets	–	586,960	586,960
Accumulated loss	6,872,420	(529,960)	(6,342,460)
Year ended 31 March 2003			
Tax expense	20,743	240,747	261,490
At 31 March 2003			
Deferred tax liabilities	–	(247,000)	(247,000)
Deferred tax assets	–	536,213	536,213
Accumulated loss	2,752,981	(289,213)	2,463,768
Company			
At 31 March 2002			
Deferred tax liabilities	–	(57,000)	(57,000)
Accumulated loss	5,369,711	57,000	5,426,711
Year ended 31 March 2003			
Tax expense	20,743	190,000	210,743
At 31 March 2003			
Deferred tax liabilities	–	(247,000)	(247,000)
Accumulated loss	1,302,245	247,000	1,549,245

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

25 SEGMENTAL REPORTING

No segmental analysis by geographical location or by industrial segment had been prepared as the operations are principally flour milling and carried out in Malaysia. The other activities are insignificant to the Group.

26 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions obtainable in transactions with unrelated parties.

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Subsidiaries				
- Sales of premix to KFM Marketing Sdn Bhd	–	–	11,526,456	1,923,260
- Purchase of premix flour from KFM Marketing Sdn Bhd	–	–	157,050	83,676
- Distribution expenses from KFM Transport Sdn Bhd	–	–	2,507,034	2,066,340

The outstanding balances for related party transactions carried out during the year are as follows:

	Group		Company	
	2004	2003	2004	2003
	RM	RM	RM	RM
Subsidiaries				
- Sales of premix to KFM Marketing Sdn Bhd	–	–	5,033,005	910,747
- Purchase of premix from KFM Marketing Sdn Bhd	–	–	81,632	3,278
- Distribution expenses from KFM Transport Sdn Bhd	–	–	244,964	2,218,153

Notes to the Financial Statements (Cont'd)

For the year ended 31 March 2004

27 SIGNIFICANT POST BALANCE SHEET EVENTS

On 2 December 2002, the Company has entered into a conditional Share Sale Agreement (SSA) with Abdul Manaf bin Haji Draman (Agent) for the proposed acquisition of approximately 57.40% of the enlarged equity interest in APM Industries Holdings Berhad (APMI) and the Agent shall also procure the other remaining shareholders of APMI to sell the remaining approximately 42.60% of the enlarged equity interest in APMI to the Company, for a total purchase consideration of RM238,500,000.

Concurrently with the above, the Company also proposes to undertake the following:

- (a) proposed increase in the authorised share capital of the Company from the existing RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM200,000,000 comprising 200,000,000 ordinary shares; and
- (b) proposed transfer of the Company from the Second Board of the Bursa Malaysia Securities Berhad to the Main Board of the Bursa Malaysia Securities Berhad.

On 2 June 2003, the Company announced that the application to the Securities Commission in relation to the above Proposals, would be deferred to 2 December 2003, as the due diligence exercise on APMI had yet to be completed.

On 23 April 2004, the Company announced that the parties in the Share Sale Agreement in relation to the proposed acquisition of APM Industries Holdings Berhad had mutually agreed to rescind the said Agreement by a Deed of Mutual Termination and Rescission dated 23 April 2004.

As a consequence of the mutual rescission of the said Share Sale Agreement, the exercise relating to the above Proposals was aborted.

28 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 July 2004.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Shaharuddin bin Shamsudin and Kushairi bin Zaidel being two of the Directors of Kuantan Flour Mills Berhad state that, in the opinion of the Directors, the financial statements set out on pages 21 to 50 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 31 March 2004 and of the results of the Group and Company and the cash flow of the Group and Company for the year ended on that date in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 23 July 2004

Dato' Shaharuddin bin Shamsudin
Managing Director

Kushairi bin Zaidel
Director

Statutory Declaration

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

I, Kushairi bin Zaidel, being the Director primarily responsible for the financial management of Kuantan Flour Mills Berhad, do solemnly and sincerely declare that the financial statements set out on pages 21 to 50 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.

Kushairi bin Zaidel

Subscribed and solemnly declared by the abovenamed Kushairi bin Zaidel
At: Kuala Lumpur
On: 23 July 2004

Before me: **Lim Heng Lin**
Commissioner for Oaths
W287

Report of the Auditors

to the Members of Kuantan Flour Mills Berhad

1. We have audited the financial statements set out on pages 21 to 50. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion:
 - (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and Company as at 31 March 2004 and of the results and cash flow of the Group and Company for the year ended on that date;and
 - (b) the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary of which one have acted as auditors have been properly kept in accordance with the provisions of the Act.
4. We are satisfied that the financial statements 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 consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.
5. Our audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any adverse comment made under subsection (3) of section 174 of the Act.

PricewaterhouseCoopers

[AF: 1146]

Chartered Accountants

Shirley Goh

[1778/08/04 (J)]

Partner of the firm

Kuantan

23 July 2004

Statistics on Shareholdings

As at 16 August 2004

Class of Shares : Ordinary shares of RM1.00 each

Voting Rights

- On show of hands : 1 vote
- On a poll : 1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	79	1.70	1,434	0.00
100 - 1,000	1,803	38.83	1,755,500	3.90
1,001 - 10,000	2,444	52.64	8,912,206	19.78
10,001 - 100,000	260	5.60	6,554,360	14.55
100,001 - less than 5% of issued shares	56	1.21	20,554,100	45.62
5% and above of issued shares	1	0.02	7,275,400	16.15
Total	4,643	100.00	45,053,000	100.00

THIRTY LARGEST SHAREHOLDERS

Name of Shareholder	No. of Shares	%
1. Cartaban Nominees (Asing) Sdn Bhd (Credit Suisse Singapore for Cook Overseas Investments Ltd)	7,275,400	16.15
2. DB (Malaysia) Nominee (Asing) Sdn Bhd (Deutsche Bank AG Singapore PBD for Hawklee Holdings Ltd)	1,912,000	4.24
3. Ke-Zan Nominees (Asing) Sdn Bhd (Kim Eng Securities Pte Ltd for Friendship Bridge Holding Company Private Limited)	1,203,000	2.67
4. A.A Assets Nominees (Tempatan) Sdn Bhd (EON Finance Berhad for Idris bin Abdullah @ Das Murthy)	859,000	1.91
5. A.A. Assets Nominees (Tempatan) Sdn Bhd (Eon Finance Berhad for Lim Swee Yean)	850,000	1.89
6. Lee Yow Yeen	804,700	1.79
7. Mayban Securities Nominees (Asing) Sdn Bhd (UOB Kay Hian Pte Ltd for Nueviz Investment Private Limited)	769,500	1.71
8. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Idris bin Abdullah @ Das Murthy)	674,000	1.50
9. Citicorp Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Boon Kiat)	600,000	1.33
10. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Goh Bian Soon)	565,000	1.30

Statistics on Shareholdings (Cont'd)

As at 16 August 2004

Name of Shareholder	No. of Shares	%
11. Mayban Securities Nominees (Asing) Sdn Bhd (UOB Kay Hian Private Limited for GI Investment Pte Ltd)	525,000	1.17
12. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Chai Huat - Memo)	491,000	1.09
13. A.A. Assets Nominees (Tempatan) Sdn Bhd (EON Finance Berhad for Lim Meng Kam)	488,500	1.08
14. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Low Han Teong - Memo)	484,800	1.08
15. A.A. Assets Nominees (Tempatan) Sdn Bhd (Eon Finance Berhad for Tan Boon Kiat)	455,500	1.01
16. A.A. Assets Nominees (Tempatan) Sdn Bhd (Eon Finance Berhad for Ong King Kok)	401,000	0.89
17. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tey Rose)	385,000	0.85
18. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sim Chee Kuan)	384,000	0.85
19. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ong King Kok)	377,700	0.84
20. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yap See Ching)	376,500	0.84
21. Citicorp Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yap See Ching)	376,100	0.83
22. Employees Provident Fund Board	372,800	0.83
23. Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Neo Kim Hock)	367,000	0.81
24. EB Nominees (Tempatan) Sendirian Berhad (Pledged Securities Account for Tan Boon Kiat)	360,000	0.80
25. UOBM Nominees (Tempatan) Sdn Bhd (United Overseas Bank Nominees (Pte) Ltd for Quah Su-Ling)	360,000	0.80
26. Peter Chen Hing Woon	345,000	0.77
27. Tan Chen Yan	326,000	0.72
28. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lee Chai Huat)	306,500	0.68
29. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Boon Kiat)	292,000	0.65
30. Citicorp Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Yap Tai Moi)	290,000	0.64
	23,277,000	51.72

Statistics on Shareholdings (Cont'd)

As at 16 August 2004

SUBSTANTIAL SHAREHOLDERS (As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholder	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Cook Overseas Investments Ltd	7,275,400	16.15	–	–
Dato' Jaafar Bin Dato' Haji Abdul Hamid	–	–	7,275,400 *	16.15
Idris Bin Abdullah @ Das Murthy	2,434,000	5.40	–	–

* Deemed interested by virtue of his interest in Cook Overseas Investments Ltd.

DIRECTORS' INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company – Kuantan Flour Mills Berhad

	Direct Interest	No. of Shares		%
		%	Deemed Interest	
Idris bin Abdullah @ Das Murthy	2,434,000	5.40	–	–
Dato' Shahrudin bin Shamsudin	205,000	0.46	–	–
Choong Show Tong	1,000	–	–	–
Wu Tern Yue	1,000	–	–	–

Share Options

Dato' Shahrudin bin Shamsudin	244,000
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Subsidiary Company – KFM Marketing Sdn. Bhd.

	No. of Shares		
Dato' Shahrudin bin Shamsudin *	–	40,000	3.33

* Held by spouse, Datin Norisah bte. Abdullah.

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.

List of Properties Held by the Group

As at 31 March 2004

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 Book Value RM'000
Pajakan Negeri 550 Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	21 year lease expiring on 14 September 2006 with option to renew for a further 21 years	15-Sep-85	25,425 sq. metres	Office and Factory	18 years and 11 years	2,189 3,064
Pajakan Negeri 550 Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	21 year lease expiring on 31 December 2011 with option to renew for a further 21 years	27-Feb-91	22,589 sq. metres	Vacant land held for future development	n/a	n/a
HS(M) 13839 Lot. No. 23617 Mukim Kuala Kuantan, Kuantan, Pahang.	Freehold	14-Dec-90	446 sq. metres	Double storey Detached House	12 years	87

Notice of Twentieth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at Alamanda Room, Dorsett Regency, 172, Jalan Imbi, 55100 Kuala Lumpur on Tuesday, 28 September, 2004 at 10.00 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 March 2004 together with the Reports of the Directors and Auditors thereon. *Resolution 1*
2. To re-elect as Director, Mr. Wu Tern Yue 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*
3. To re-elect as Director, En. Kushairi bin Zaidel, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for re-election. *Resolution 3*
4. To appoint Messrs. Ernst & Young as the Company's Auditors in place of Messrs. PricewaterhouseCoopers and to authorise the Directors to fix their remuneration. *Resolution 4*

As Special Business:

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

5. **Authority to allot and issue shares pursuant to the Company's Employees Share Option Scheme** *Resolution 5*
"That pursuant to the Company's Employees' Share Option Scheme ("the Scheme") as approved at the Extraordinary General Meeting of the Company held on 21 November 2000, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965, to allot and issue from time to time such number of ordinary shares of RM1.00 each in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."
6. **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."
7. To transact any other business of which due notice shall have been given.

By order of the Board,

Tan Yoke May
(LS 004299)
Secretary

Kuala Lumpur
2 September 2004

Notice of Twentieth Annual General Meeting (Cont'd)

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 shall not be entitled to appoint more than two (2) proxies to attend and vote instead of the member. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
3. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or by his attorney duly authorised and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised. In the case of joint holders, all holders must sign the Proxy Form.
5. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 177, Floor 1, Jalan Sarjana, Taman Connaught, Cheras, 56000 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

Explanatory Notes on Special Business

6. Ordinary Resolution No. 5, if passed, will enable the Directors of the Company, from the date of the Annual General Meeting, to allot and issue ordinary shares of the Company to those employees who have exercised their options under the Employees' Share Option Scheme. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting.
7. 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 Notice of Annual General Meeting

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE TWENTIETH ANNUAL GENERAL MEETING OF THE COMPANY

- (a) Wu Tern Yue (Pursuant to Article 63 of the Company's Articles of Association)
- (b) Kushairi bin Zaidel (Pursuant to Article 68 of the Company's Articles of Association)

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Details of Directors' attendance at Board meetings held during the financial year ended 31 March 2004 are as follows:-

Directors	Number of Board Meetings held during Directors' tenure in office	Number of meetings attended by Directors
Idris bin Abdullah @ Das Murthy	7	7
Dato' Shaharuddin bin Shamsudin	7	7
Choong Show Tong	7	7
Wu Tern Yue	7	7
Kushairi bin Zaidel (Appointed on 1 December 2003)	2	2

3. PLACE, DATE AND TIME OF THE TWENTIETH ANNUAL GENERAL MEETING

Place : Alamanda Room, Dorsett Regency, 172, Jalan Imbi, 55100 Kuala Lumpur
Date and Time : Tuesday, 28 September, 2004 at 10.00 a.m.

4. FURTHER DETAILS OF INDIVIDUALS WHO ARE STANDING FOR ELECTION AS DIRECTORS

No individual is seeking election as a Director at the Twentieth Annual General Meeting of the Company.



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 Twentieth Annual General Meeting of the Company to be held on Tuesday, 28 September 2004 and at any adjournment thereof. My/Our proxy is to vote as indicated below:-

RESOLUTIONS	FOR	AGAINST
1. Adoption of the Audited Financial Statements and the Directors' and Auditors' Reports.		
2. Re-election of Mr. Wu Tern Yue		
3. Re-election of Encik Kushairi bin Zaidel		
4. To appoint Messrs. Ernst & Young as the Company's Auditors in place of Messrs. PricewaterhouseCoopers.		
5. Authorise the Directors to issue shares pursuant to the Company's Employees' Share Option Scheme		
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 September, 2004

.....
Signature of Shareholder

No. of shares held :	
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Notes:

- 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.
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote instead of the member. Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
- 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.
- The instrument appointing a proxy in the case of an individual shall be signed by the appointer or by his attorney duly authorised and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised. In the case of joint holders, all holders must sign the Proxy Form.
- The instrument appointing a proxy must be deposited at the registered office of the Company at No. 177, Floor 1, Jalan Sarjana, Taman Connaught, Cheras, 56000 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.



KUANTAN FLOUR MILLS BERHAD

Company No. 119598-P
(Incorporated in Malaysia)

KFM OFFICE ADDRESSES

Mill/Office:	Tel:	Fax:	E-mail:
Kawasan Lembaga Pelabuhan Kuantan, P.O.Box 387, 25 KM Jln Kuantan/Kemaman Tg Gelang, 25740 Kuantan, Pahang Darul Makmur, Malaysia.	09-5833611 09-5833616	09-5833618 09-5833404	sales@kfmb.com.my
Kota Bharu Office:	Tel:	Fax:	E-mail
478A, Jalan Masjid. Off Jalan Pengkalan Chepa, 15400 Kota Bharu, Kelantan Darul Naim.	09-7448971 09-7446257	09-7441038	kfmbkb@po.jaring.my
Malacca Office:	Tel:	Fax:	E-mail:
No. 5, Jalan IMJ 4, Taman Industry Malim Jaya, 75250 Malim Jaya, Melaka.	06-3365523 06-3369969	06-3365693	kfmbmk@tm.net.my
Perak Office:	Tel:	Fax:	E-mail:
20, Persiaran Kilang, Jelapang Light Industrial Estate, 30100 Ipoh, Perak Darul Ridzuan.	05-5263064 05-5268309	05-5266325	kfmbip@po.jaring.my
Kuala Lumpur Office:	Tel:	Fax:	E-mail:
No. 3, Jalan TSB 1, Taman Industri Sungai Buloh, 47000 Sungai Buloh, Selangor Darul Ehsan.	03-61560181 03-61560159	03-61560205	kfmbkl@po.jaring.my
Johor Bahru Office:	Tel:	Fax:	E-mail:
19 & 19A, Jalan Molek 2/38, Taman Molek, 81100 Johor Bahru, Johor Darul Takzim.	07-3538667 07-3538642 07-3538621	07-3535824	kfmbjb@po.jaring.my
Pulau Pinang Office:	Tel:	Fax:	E-mail:
No. 75, MK 2, Taman Cermat Satu, Jalan Semegagah 13500 Permatang Pauh, Pulau Pinang.	04-3984919	04-3984918	kfmbpg@po.jaring.my