

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2003

The Directors are pleased to submit their annual report to the members together with the audited financial statements of the Group and Company for the year ended 31 March 2003.

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
Profit after tax	4,107,225	4,067,466
Minority interest	12,214	–
Net profit for the year	4,119,439	4,067,466

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since 31 March 2002. The Directors do not recommend the payment of any dividend for the year ended 31 March 2003.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

On 9 May 2002, the Company allotted and issued 3,830,000 new ordinary shares of RM1 each at an issue price of RM1.05 per ordinary share. These shares rank pari passu with the existing shares in issue.

During the year, 1,111,000 new ordinary shares of RM1 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 an exercise price of RM1.15 per share.

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

SIGNIFICANT 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 to procure the other remaining shareholders of APMI to sell the remaining approximately 42.6% of the enlarged equity interest in APMI to the Company, for a total purchase consideration of RM238,500,000.



DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

SIGNIFICANT EVENTS - *Cont'd*

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

- (a) propose 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) propose transfer of the Company from the Second Board of the Kuala Lumpur Stock Exchange (KLSE) to the Main Board of KLSE.

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

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 Options granted under this Scheme shall not exceed ten per cent (10%) of the issued and paid up share capital 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 Kuala Lumpur Stock Exchange 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 Options granted may be exercised by virtue of the By-Laws 11.2 as follows:

Number of Options Granted and Unexercised As At 31 March 2003	Percentage of Options Exercisable		
	2004 %	2005 %	2006 %
440,000	100		
207,000	33	33	34
<hr/> 647,000 <hr/>			

- 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.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

EMPLOYEES' SHARE OPTION SCHEME - *Cont'd*

The movements during the year in the number of options over the shares of the Company are as follows:

	'000
At 1 April 2002	1,654
Granted during the year	286
Resigned	(182)
Exercised	(1,111)
	<hr/>
As at 31 March 2003	647
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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:

Dato' Shaharuddin bin Shamsudin - Managing Director	
Lew Mee Choon	Appointed on : 25.2.2003
Wu Tern Yue	Appointed on : 26.9.2002
Idris bin Abdullah @ Das Murthy	Appointed on : 26.9.2002
Choong Show Tong	Appointed on : 26.9.2002
Dato' Jaafar bin Dato' Haji Abdul Hamid	Retired : 26.9.2002
Khoo Tiam Hock Vernon	Retired : 26.9.2002
Putri Noor Shariza binti Noordin	Retired : 26.9.2002
Chan Wai Loon	Retired : 26.9.2002
Dato' Syed Md Amin bin Syed Jan Aljefri	Appointed on 12.8.2002; Retired : 26.9.2002
Athi Isvar A/L Athi Nahappan	Appointed on 12.8.2002; Retired : 26.9.2002
Dato' Haji Zulhasnan bin Rafique	Appointed on 12.8.2002; Retired : 26.9.2002
Lee Sow Lin	Resigned on : 24.9.2002
Lim Chiao Hak Clement	Resigned on : 12.8.2002

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 20(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 25 to the financial statements.

DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

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 2002	Bought	Sold	31 March 2003	Changes After 31 March 2003	21 April 2003
Direct						
Idris bin Abdullah @ Das Murthy	–	2,434,000	–	2,434,000	–	2,434,000
Dato' Shahrudin bin Shamsudin	–	2,847,000	(2,642,000)	205,000	–	205,000
Choong Show Tong	–	1,000	–	1,000	–	1,000
Wu Tern Yue	–	1,000	–	1,000	–	1,000
Lew Mee Choon	–	800,000	–	800,000	–	800,000

	Number of Options Over Ordinary Shares of RM1 Each in the Company			
	1 April 2002	Granted	Exercised	31 March 2003
Dato' Shahrudin bin Shamsudin	293,000	51,000	(137,000)	207,000

In a subsidiary, KFM Marketing Sdn Bhd

	Number of Ordinary Shares of RM1 Each					
	1 April 2002	Bought	Sold	31 March 2003	Changes After 31 March 2003	21 April 2003
Deemed Interest						
Dato' Shahrudin bin Shamsudin*	40,000	–	–	40,000	–	40,000

* Held by his spouse, Datin Norisah bte Abdullah

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

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



DIRECTORS' REPORT (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS - *Cont'd*

- 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 2003

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 7 July 2003

Dato' Shaharuddin bin Shamsudin
Managing Director

Idris bin Abdullah @ Das Murthy
Director

INCOME STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	5	92,911,519	98,142,349	90,576,982	95,870,327
Cost of sales		(80,992,192)	(87,899,222)	(82,559,978)	(89,542,679)
Gross profit		11,919,327	10,243,127	8,017,004	6,327,648
Other operating income		81,637	43,656	81,577	41,628
Provision no longer required	18	3,703,000	–	3,703,000	–
Other operating expenses		(3,322,187)	(3,195,538)	–	–
Selling expenses		(2,302,202)	(2,621,576)	(2,302,202)	(2,621,576)
Administrative expenses		(4,646,178)	(4,472,613)	(4,142,520)	(3,797,305)
Profit/(Loss) from operations	6	5,433,397	(2,944)	5,356,859	(49,605)
Finance costs - interest	8	(1,305,429)	(1,679,268)	(1,268,650)	(1,651,351)
Profit/(Loss) from operating activities before tax		4,127,968	(1,682,212)	4,088,209	(1,700,956)
Tax	9	(20,743)	–	(20,743)	–
Profit/(Loss) from operating activities after tax		4,107,225	(1,682,212)	4,067,466	(1,700,956)
Minority interest		12,214	(13,548)	–	–
Net profit/(loss) for the year		4,119,439	(1,695,760)	4,067,466	(1,700,956)
Earning/(Loss) per share (sen)					
- basic	10(a)	9.53	(5.87)		
- diluted	10(b)	9.46	(5.80)		

The notes on pages 30 to 49 form an integral part of these financial statements.

BALANCE SHEETS

As At 31 MARCH 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Non current assets					
Property, plant and equipment	11	28,458,503	28,054,412	27,765,545	27,443,862
Subsidiaries	12	–	–	479,011	685,011
Joint ventures entities	13	–	–	–	–
Unquoted investment, at cost		1,735,500	–	1,735,500	–
		30,194,003	28,054,412	29,980,056	28,128,873
Current assets					
Inventories	14	18,001,141	16,399,035	17,593,066	16,044,163
Marketable securities (market value RM1,650 ; 2002: RM1,520)		2,000	2,000	2,000	2,000
Receivables, deposits and prepayments	15	24,214,106	24,412,278	25,454,645	25,625,413
Tax recoverable		100,902	85,264	69,938	71,681
Deposits, bank and cash balances	16	4,208,703	12,745,742	3,887,566	12,503,449
		46,526,852	53,644,319	47,007,215	54,246,706
Less: Current liabilities					
Payables	17	26,776,293	32,716,796	26,013,636	32,320,211
Provision for corporate guarantee liability	18	–	7,453,000	–	7,453,000
Borrowings (interest bearing)	19	1,029,814	569,975	923,855	481,015
Bank overdraft	16	130,087	838,859	–	692,043
		27,936,194	41,578,630	26,937,491	40,946,269
Net current assets		18,590,658	12,065,689	20,069,724	13,300,437
Less: Non current liabilities					
Borrowings (interest bearing)	19	1,441,007	2,104,636	1,322,892	1,978,638
		47,343,654	38,015,465	48,726,888	39,450,672
Capital and reserves					
Share capital	20	44,072,000	39,131,000	44,072,000	39,131,000
Share premium	21	5,957,133	5,689,383	5,957,133	5,689,383
Accumulated loss		(2,752,981)	(6,872,420)	(1,302,245)	(5,369,711)
Shareholders' equity		47,276,152	37,947,963	48,726,888	39,450,672
Minority interest		67,502	67,502	–	–
		47,343,654	38,015,465	48,726,888	39,450,672

The notes on pages 30 to 49 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2003

Note	Issued and Fully Paid Ordinary Shares of RM1 Each		Non Distributable	Distributable	Total RM
	Number of Shares	Nominal Value RM	Share Premium RM	Accumulated Loss RM	
Group:					
At 1 April 2001	23,940,000	23,940,000	5,877,366	(5,176,660)	24,640,706
Issues of shares					
- rights issues	14,556,000	14,556,000	727,800	-	15,283,800
- exercise of share options	635,000	635,000	95,250	-	730,250
- share issue cost	21	-	(1,011,033)	-	(1,011,033)
Net loss for the year		-	-	(1,695,760)	(1,695,760)
At 31 March 2002	39,131,000	39,131,000	5,689,383	(6,872,420)	37,947,963
At 1 April 2002	39,131,000	39,131,000	5,689,383	(6,872,420)	37,947,963
Issues of shares					
- special issues	3,830,000	3,830,000	191,500	-	4,021,500
- exercise of share options	1,111,000	1,111,000	166,650	-	1,277,650
- share issue cost	21	-	(90,400)	-	(90,400)
Net profit for the year		-	-	4,119,439	4,119,439
At 31 March 2003	44,072,000	44,072,000	5,957,133	(2,752,981)	47,276,152

The notes on pages 30 to 49 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

	Note	Issued and Fully Paid Ordinary Shares of RM1 Each		Non Distributable	Distributable	Total RM
		Number of Shares	Nominal Value RM	Share Premium RM	Accumulated Loss RM	
Company:						
At 1 April 2001		23,940,000	23,940,000	5,877,366	(3,668,755)	26,148,611
Issues of shares						
- rights issues		14,556,000	14,556,000	727,800	-	15,283,800
- exercise of share options		635,000	635,000	95,250	-	730,250
- share issue cost	21	-	-	(1,011,033)	-	(1,011,033)
Net loss for the year		-	-	-	(1,700,956)	(1,700,956)
At 31 March 2002		39,131,000	39,131,000	5,689,383	(5,369,711)	39,450,672
At 1 April 2002		39,131,000	39,131,000	5,689,383	(5,369,711)	39,450,672
Issues of shares						
- special issues		3,830,000	3,830,000	191,500	-	4,021,500
- exercise of share options		1,111,000	1,111,000	166,650	-	1,277,650
- share issue cost	21	-	-	(90,400)	-	(90,400)
Net profit for the year		-	-	-	4,067,466	4,067,466
At 31 March 2003		44,072,000	44,072,000	5,957,133	(1,302,245)	48,726,888

The notes on pages 30 to 49 form an integral part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Operating activities				
Net profit/(loss) for the year	4,119,439	(1,695,760)	4,067,466	(1,700,956)
Adjustments to reconcile net profit/(loss) for the year to cash from operations:				
Property, plant and equipment				
- depreciation	2,569,011	2,609,196	2,409,806	2,400,681
- loss on disposal	–	8,418	–	8,418
Allowance for doubtful debts	97,604	16,567	97,604	19,792
Interest income	(74,082)	(30,853)	(74,082)	(30,853)
Interest expenses	1,305,429	1,679,268	1,268,650	1,651,351
Provision no longer required	(3,703,000)	–	(3,703,000)	–
Allowance for diminution in value in subsidiary	–	–	206,000	–
Tax	20,743	–	20,743	–
	4,335,144	2,586,836	4,293,187	2,348,433
Changes in working capital				
Inventories	(1,602,106)	(4,288,939)	(1,548,903)	(4,022,478)
Receivables, deposits and prepayments	100,568	(5,651,785)	73,164	(5,849,386)
Payables	(4,342,554)	(473,912)	(4,708,626)	(623,543)
	(1,508,948)	(7,827,800)	(1,891,178)	(8,146,974)
Interest paid	(1,399,721)	(1,679,268)	(1,362,942)	(1,651,351)
Interest received	74,082	22,958	74,082	22,958
Tax paid	(36,381)	(43,011)	(19,000)	(19,729)
	(2,870,968)	(9,527,121)	(3,199,038)	(9,795,096)
Investing activities				
Proceed from disposal of property, plant and equipment	–	16,000	–	16,000
Purchase of property, plant and equipment	(2,617,910)	(4,110,712)	(2,489,197)	(4,086,712)
Purchase of investment	(1,735,500)	(85,000)	(1,735,500)	–
	(4,353,410)	(4,179,712)	(4,224,697)	(4,070,712)

CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Financing activities					
Repayments of term loans		-	(247,574)	-	(247,574)
Proceeds from term loan		-	1,773,682	-	1,773,682
Issue of shares:					
- rights issue		4,021,500	15,283,800	4,021,500	15,283,800
- exercise of shares options		1,277,650	730,250	1,277,650	730,250
Repayment of hire purchase creditors		(464,923)	(405,140)	(361,139)	(304,418)
(Repayments)/Proceeds of short term borrowings		(5,438,116)	8,648,437	(5,438,116)	8,648,437
Net cash (used in)/from financing activities		(603,889)	25,783,455	(500,105)	25,884,177
(Decrease)/Increase in cash and cash equivalents		(7,828,267)	12,076,622	(7,923,840)	12,018,369
Cash and cash equivalents					
- at start of the year		11,351,944	(724,678)	11,256,467	(761,902)
- at end of the year	16	3,523,677	11,351,944	3,332,627	11,256,467

The notes on pages 30 to 49 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2003

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 Kuala Lumpur Stock Exchange.

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 Tanjong 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 unless otherwise indicated in the individual policy statements in Note 3 to the financial statements.

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

MASB Standard 23 - Impairment of Assets

This Standard does not allow retrospective application. Application of this Standard does not affect the current year result.

MASB Standard 24 - Financial Instruments: Disclosure and Presentation

The Group has taken advantage of the exemption provided to apply this Standard prospectively. Comparatives are not disclosed upon first application of MASB Standard 24, as permitted by the Standard.

The preparation of financial statements in conformity with the current applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that effect 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 revenues and expenses during the reported year. Actual results could differ from those estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently 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 2003

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Cont'd*

(a) Property, plant and equipment - *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.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

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

(b) 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.

(c) Joint venture entities

The Group's interest in joint venture entities registered under the Partnership Act, 1961 in which the Group has power over more than one half of the voting rights and to govern the financial and operating policy had been consolidated under the acquisition method of accounting.

Under the acquisition method of accounting, the results of the joint venture entities acquired or disposed of during the year was included from the date of the acquisition up to the date of disposal.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

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 such a decline is recognised as an expense in the period in which the decline is identified.

Marketable securities 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 2003

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 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	31.3.2003	31.3.2002
1 US Dollar	3.805	3.802
1 Singapore Dollar	2.178	2.085

(j) Deferred taxation

The tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is recognised for timing differences except when there is reasonable evidence that such timing differences will not reverse in the foreseeable future. The tax effect of timing differences that result in a debit balance or a debit to the deferred tax balance is not carried forward unless there is a reasonable expectation of its realisation.

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

(k) Revenue recognition

Sales 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Cont'd*

(I) 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 Company assumes that the interest rates on borrowings approximate the current market interest rates and accordingly the carrying values approximate the fair values.

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

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 watched 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 West Malaysia, we are able to distribute our flour in almost every region.

Foreign currency exchange risk

The Group's exposure to foreign exchange risk arises from importation of raw material 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - Cont'd

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.

5 REVENUE

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Sales of flour and related products	91,800,716	97,059,663	90,576,982	95,870,327
Transport income	1,110,803	1,082,686	—	—
	92,911,519	98,142,349	90,576,982	95,870,327

6 PROFIT/(LOSS) FROM OPERATIONS

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Property, plant and equipment				
- depreciation	2,569,011	2,609,196	2,409,806	2,400,681
- loss on disposal	—	8,418	—	8,418
Staff costs (including remuneration of executive directors)	4,612,686	4,692,268	4,391,374	4,464,415
Auditors' remuneration				
- current year	39,500	38,500	30,000	30,000
- under-provision in prior year	1,000	—	—	—
Rental of land and buildings	405,697	416,989	405,697	416,989
Allowance for doubtful debts				
- Trade receivables	97,604	16,567	97,604	16,567
- Subsidiaries	—	—	—	3,225
Realised loss on foreign exchange	30,704	2,081	29,775	—
Bad debts written off	61,869	4,337	61,869	—
Allowances for diminution in value of investment in a subsidiary	—	—	206,000	—
Realised gain on foreign exchange	—	(121,691)	—	(123,772)
Fixed deposit interest	(74,082)	(30,853)	(74,082)	(30,853)
Dividend - gross	(95)	(115)	(95)	(115)
	198	209	188	199

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

7 DIRECTORS' REMUNERATION

	Group and Company	
	2003 RM	2002 RM
Fees	–	205,000
Other emoluments	587,650	603,960
	<u>587,650</u>	<u>808,960</u>

8 FINANCE COST

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Total interest expense	1,399,721	1,679,268	1,362,942	1,651,351
Less : Amount capitalised to property, plant and equipment (Note 11)	(94,292)	–	(94,292)	–
Interest expense charged to income statement	<u>1,305,429</u>	<u>1,679,268</u>	<u>1,268,650</u>	<u>1,651,351</u>

9 TAX

	Group and Company	
	2003 RM	2002 RM
Malaysian income tax - current year	<u>20,743</u>	<u>–</u>

The income tax of the Group and Company for the year was in respect of interest income which was assessed separately.

The effective tax rate was lower than the statutory tax rate for the year because certain income was not taxable.

10 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) 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.

		2003	2002
Net profit/(loss) for the year	RM'000	4,119	(1,696)
Weighted average number of ordinary shares in issue	('000)	43,231	28,890
Basic earnings per share	(sen)	<u>9.53</u>	<u>(5.87)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

10 EARNINGS/(LOSS) PER SHARE - Cont'd

(b) Diluted earnings/(loss) per share

For the diluted earnings/(loss) 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 option. 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.

	2003 '000	2002 '000
Weighted average number of ordinary shares in issue	43,231	28,890
Adjustment for share options	309	365
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<u>43,540</u>	<u>29,255</u>
Diluted earnings/(loss) per share	<u>9.46</u>	<u>(5.80)</u>

11 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 2001	11,700	6,817,815	16,628,953	1,114,795	1,585,029	23,022	26,181,314
Additions	-	-	248,111	100,944	136,713	4,020,944	4,506,712
Disposals	-	-	(24,418)	-	-	-	(24,418)
Reclassification	-	-	375,070	-	-	(375,070)	-
Depreciation charge	-	(243,282)	(1,546,426)	(196,855)	(622,633)	-	(2,609,196)
Net book value at							
31 March 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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

11 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 2002							
Cost	11,700	9,438,187	30,320,533	3,319,304	7,652,808	3,668,896	54,411,428
Accumulated depreciation	-	(2,863,654)	(14,639,243)	(2,300,420)	(6,553,699)	-	(26,357,016)
Net book value	11,700	6,574,533	15,681,290	1,018,884	1,099,109	3,668,896	28,054,412
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
Company							
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 2001	11,700	6,743,893	16,420,114	1,052,619	1,184,901	23,022	25,436,249
Additions	-	-	248,111	100,944	62,713	4,020,944	4,432,712
Disposals	-	-	(24,418)	-	-	-	(24,418)
Reclassification	-	-	375,070	-	-	(375,070)	-
Depreciation charge	-	(237,301)	(1,529,554)	(187,879)	(445,947)	-	(2,400,681)
Net book value at							
31 March 2002	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
At 31 March 2002							
Cost	11,700	9,318,558	29,983,109	3,190,522	5,430,226	3,668,896	51,603,011
Accumulated depreciation	-	(2,811,966)	(14,493,786)	(2,224,838)	(4,628,559)	-	(24,159,149)
Net book value	11,700	6,506,592	15,489,323	965,684	801,667	3,668,896	27,443,862
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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

11 PROPERTY, PLANT AND EQUIPMENT - *Cont'd*

Interest expense of RM94,292 (2002 : NIL) on borrowings directly related to construction of silo for the Group and Company has been capitalised as additions during the year (Note 8).

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	
	2003	2002
	RM	RM
- not later than 1 year	283,884	283,884
- later than 1 year but not later than 5 years	841,065	1,124,949
- later than 5 years	707,092	707,092
	1,832,041	2,115,925

Details of assets under hire purchase agreements:

	Group		Company	
	2003	2002	2003	2002
	RM	RM	RM	RM
Motor vehicles				
- additions during the year	260,900	106,000	148,000	56,000
- net book value at year end	794,697	963,318	656,356	678,047
Plant and machinery				
- additions during the year	-	290,000	-	290,000
- net book value at year end	-	362,567	-	362,567

12 SUBSIDIARIES

	Company	
	2003	2002
	RM	RM
Unquoted investments, at cost	1,611,011	1,611,011
Allowance for diminution in value	(1,132,000)	(926,000)
	479,011	685,011

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

12 SUBSIDIARIES - *Cont'd*

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	
			2003 %	2002 %
KFM Transport Sdn Bhd	Malaysia	Transportation	100	100
KFM Ventures Sdn Bhd	Malaysia	Dormant	100	100
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 Marketing Sdn Bhd	Malaysia	Sales of premix flour and its related products	95	95
KFM-Bunge Flour Mixes Sdn Bhd	Malaysia	Dormant	60	60

13 JOINT VENTURES ENTITIES

Joint venture entities are partnership which are registered under the Partnership Act, 1961 and are held through KFM Transport Sdn Bhd and are as follows:

Name of entity	Country of Registration	Principal Activities	Percentage of Capital Held	
			2003 %	2002 %
Bintang Timur Enterprise	Malaysia	Transportation	60	60
Usaha Timur Enterprise	Malaysia	Transportation	55	55
Bulan Timur Enterprise	Malaysia	Transportation	50	50

14 INVENTORIES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
At cost:				
Raw materials	13,862,947	12,657,491	13,862,947	12,657,491
Finished goods	2,122,680	2,341,117	1,841,426	1,986,245
By-products	91,046	48,182	91,046	48,182
Work in progress	391,858	158,106	391,858	158,106
Goods in transit	126,821	—	—	—
	16,595,352	15,204,896	16,187,277	14,850,024
Consumables	1,229,049	1,194,139	1,229,049	1,194,139
	17,824,401	16,399,035	17,416,326	16,044,163
At net realisable value				
Finished goods	176,740	—	176,740	—
	18,001,141	16,399,035	17,593,066	16,044,163



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

15 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade receivables	23,705,299	24,395,336	22,662,836	23,552,967
Allowance for doubtful debts	(933,826)	(836,222)	(933,826)	(836,222)
	22,771,473	23,559,114	21,729,010	22,716,745
Other receivables	641,519	265,841	501,765	240,179
Deposits	242,313	217,343	150,288	110,853
Prepayments	558,801	369,980	487,416	296,120
Amounts due from subsidiaries	–	–	4,483,534	4,158,884
Allowance for doubtful debts	–	–	(1,897,368)	(1,897,368)
	–	–	2,586,166	2,261,516
	24,214,106	24,412,278	25,454,645	25,625,413

	Group RM 2003	Company RM 2003
The currency exposure profile of receivables are as follows:		
- Ringgit Malaysia	22,621,823	24,122,135
- Singapore Dollar	791,169	694,806
	23,412,992	24,816,941

Credit term of trade receivables to the Group and Company is 14 to 90 days. As at 31 March 2003, 51% and 49% of trade receivables of the Group and Company respectively are owed by 10 customers.

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

16 DEPOSITS, BANK AND CASH BALANCES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Deposits with licensed banks	554,939	4,554,939	554,939	4,554,939
Bank and cash balances	3,653,764	8,190,803	3,332,627	7,948,510
Deposits, bank and cash balances	4,208,703	12,745,742	3,887,566	12,503,449
Bank overdrafts (unsecured)	(130,087)	(838,859)	–	(692,043)
Deposits pledged as security	4,078,616	11,906,883	3,887,566	11,811,406
	(554,939)	(554,939)	(554,939)	(554,939)
Cash and cash equivalents	3,523,677	11,351,944	3,332,627	11,256,467

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

16 DEPOSITS, BANK AND CASH BALANCES - Cont'd

	Group 2003 RM	Company 2003 RM
The currency exposure profile of bank and cash balances are as follows:		
- Ringgit Malaysia	4,072,088	3,881,038
- Singapore Dollar	6,528	6,528
	4,078,616	3,887,566

The effective interest rates for deposits at the year end for the Group and Company were 2.5% to 3.75% per annum.

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

Deposits are pledged as security for bank guarantee purposes.

17 PAYABLES

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Trade payables	1,301,987	1,258,806	833,295	1,167,119
Bankers acceptance	22,844,887	28,283,003	22,844,887	28,283,003
Other payables	197,456	196,751	26,508	17,940
Accruals	2,340,698	2,886,971	2,217,681	2,760,884
Deposits	91,265	91,265	91,265	91,265
	26,776,293	32,716,796	26,013,636	32,320,211

	Group 2003 RM	Company 2003 RM
The currency exposure profile of payables are as follows:		
- Ringgit Malaysia	25,514,159	24,751,502
- Singapore Dollar	11,204	11,204
	25,525,363	24,762,706

Credit terms of trade payables to the Group and Company ranges from 30 to 90 days.

Banker acceptance is unsecured short-term borrowings with interest rates ranging from 2.9% to 3.5% (2002: 2.75% to 3.7%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

18 PROVISION FOR CORPORATE GUARANTEE LIABILITY

	Group and Company	
	2003 RM	2002 RM
1 April	7,453,000	7,953,000
Paid during the year	(3,750,000)	(500,000)
Liability no longer required	(3,703,000)	–
31 March	–	7,453,000

During the year, the Company has 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 has been written back as provision no longer required.

19 BORROWINGS (INTEREST BEARING)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Current				
Bank borrowings (unsecured)	675,000	225,000	675,000	225,000
Hire purchase liabilities (secured)	354,814	344,975	248,855	256,015
	1,029,814	569,975	923,855	481,015
Non current				
Bank borrowings (unsecured)	1,098,915	1,548,682	1,098,915	1,548,682
Hire purchase liabilities (secured)	342,092	555,954	223,977	429,956
	1,441,007	2,104,636	1,322,892	1,978,638

Currency exposure profile for borrowings is all in Ringgit Malaysia.

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

	Group and Company 2002 %
Bank borrowings	8.4
Hire purchase liabilities	12.0

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

19 BORROWINGS (INTEREST BEARING) - *Cont'd*

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Hire purchase liabilities:				
Minimum hire purchase payments:				
- not later than 1 year	350,627	422,568	215,642	309,168
- later than 1 year but not later than 5 years	469,040	694,528	319,639	534,112
	819,667	1,117,096	535,281	843,280
Future finance charges on hire purchase	(122,761)	(216,167)	(62,449)	(157,309)
Present value of hire purchase liabilities	696,906	900,929	472,832	685,971
Representing hire purchase liabilities:				
- current	354,814	344,975	248,855	256,015
- non-current	342,092	555,954	223,977	429,956
	696,906	900,929	472,832	685,971
Present value of hire purchase liabilities:				
- not later than 1 year	354,814	344,975	248,855	256,015
- later than 1 year but not later than 5 years	342,092	555,954	223,977	429,956
	696,906	900,929	472,832	685,971
				Group and Company 2003 RM
Maturity of borrowings (excluding hire purchase)				
- not later than one year				675,000
- later than one year and not later than 5 years				1,098,915
				1,773,915

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

20 SHARE CAPITAL

	Group and Company	
	2003	2002
	RM	RM
Authorised ordinary shares of RM1 each		
At start and end of year	<u>50,000,000</u>	<u>50,000,000</u>
Issued and fully paid ordinary shares of RM1 each		
At start of year	39,131,000	23,940,000
Issued during the year:		
- right issue	-	14,556,000
- special issue	3,830,000	-
- exercise of share options	1,111,000	635,000
At end of year	<u>44,072,000</u>	<u>39,131,000</u>

(a) Special issue

On 9 May 2002, the Company allotted and issued 3,830,000 new ordinary shares of RM1 each at an issue price of RM1.05 per ordinary share. These shares rank pari passu with the existing shares in issue.

(b) Employee Share Option Scheme

The Company implemented an Employee 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 share 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 Kuala Lumpur Stock Exchange 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 Options granted may be exercised by virtue of the By-Laws 11.2 as follows:

Number of Options Granted and Unexercised As At 31 March 2003	Percentage of Options Exercisable		
	2004	2005	2006
	%	%	%
440,000	100	-	-
207,000	33	33	34
<u>647,000</u>			

- 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 2003

20 SHARE CAPITAL - *Cont'd*

The movements during the year in the number of options over the shares of the Company are as follows:

	'000
At 1 April 2002	1,654
Granted during the year	286
Resigned	(182)
Exercised	(1,111)
As at 31 March 2003	<u>647</u>

21 SHARE PREMIUM

	Group and Company	
	2003 RM	2002 RM
1 April	5,689,383	5,877,366
Exercise of share option	166,650	95,250
Rights issue	-	727,800
Special issue	191,500	-
Share issue cost	(90,400)	(1,011,033)
31 March	<u>5,957,133</u>	<u>5,689,383</u>

Share issue cost during the year is in respect of expenses incurred in the previous year.

22 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

23 DEFERRED TAX LIABILITIES

The following debit timing differences have not been accounted for as the Directors are of the opinion that there is no reasonable expectation of its realisation:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Excess of depreciation over capital allowances	15,298,000	13,663,000	15,193,000	13,620,000
Unabsorbed tax losses carried forward	(8,694,000)	(8,534,000)	(6,746,000)	(6,746,000)
Unabsorbed capital allowance carried forward	(9,626,000)	(8,535,000)	(7,569,000)	(6,499,000)
	(3,022,000)	(3,406,000)	878,000	375,000
Movement:				
At start of year	(3,406,000)	(2,708,000)	375,000	1,215,000
Movement during the year	384,000	(698,000)	503,000	(840,000)
At end of year	(3,022,000)	(3,406,000)	878,000	375,000

The tax effects of these timing differences are as follows:

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Movement:				
Net timing differences				
At start of year	(953,680)	(758,240)	105,000	340,200
Movement during the year	107,520	(195,440)	140,840	(235,200)
At end of year	(846,160)	(953,680)	245,840	105,000

The Group and Company also have unabsorbed reinvestment allowances carried forward under the Income Tax Act, 1967 which is available to set off against the future taxable income as follows:

	Group and Company	
	2003 RM	2002 RM
Unabsorbed reinvestment allowances	(8,640,000)	(5,117,000)

The unabsorbed tax losses, capital allowances and reinvestment allowances carried forward are subject to agreement by the Inland Revenue Board. The benefits of these tax losses, capital allowances and reinvestment allowances carried forward will only be obtained if and when the Group and Company derive future assessable income of a nature and of an amount sufficient for these allowances to be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

24 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 11).

25 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	
	2003 RM	2002 RM	2003 RM	2002 RM
Subsidiaries				
- Sales of premix to KFM Marketing Sdn Bhd	–	–	1,923,260	1,693,295
- Purchase of premix flour from KFM Marketing Sdn Bhd	–	–	83,676	124,512
- Distribution expenses from KFM Transport Sdn Bhd	–	–	2,066,340	2,021,157
Related parties				
- Purchase commission from Sinamex Asia Pacific Pte Ltd	–	38,050	–	38,050
- Purchase commission from Flagship Corporation Far East Pte Ltd	114,060	190,250	114,060	190,250
- Consultancy fees to Lim Chor Ping	–	5,000	–	5,000

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Subsidiaries				
- Sales of premix to KFM Marketing Sdn Bhd	–	–	910,747	1,104,586
- Purchase of premix from KFM Marketing Sdn Bhd	–	–	3,278	25,006
- Distribution expenses from KFM Transport Sdn Bhd	–	–	2,218,153	1,987,184

Lim Chor Ping is the spouse of Lim Chiao Hak Clement.

Sinamex Asia Pacific Pte Ltd and Flagship Corporation Far East Pte Ltd are companies in which Khoo Tiam Hock Vernon has an interest.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31 MARCH 2003

26 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements is as follows:

	Group and Company	
	2003	2002
	RM	RM
Property, plant and equipment		
Approved and contracted	—	1,416,000

27 SIGNIFICANT 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 to procure the other remaining shareholders of APMI to sell the remaining approximately 42.6% 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) propose 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) propose transfer of the Company from the Second Board of the Kuala Lumpur Stock Exchange (KLSE) to the Main Board of KLSE.

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

STATEMENT BY DIRECTORS

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

We, Dato' Shaharuddin bin Shamsudin and Idris bin Abdullah @ Das Murthy 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 24 to 49 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 2003 and of the results of the Group and Company and the cash flows 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 7 July 2003

Dato' Shaharuddin bin Shamsudin
Managing Director

Idris bin Abdullah @ Das Murthy
Director

STATUTORY DECLARATION

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

I, Choong Show Tong, 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 24 to 49 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.

Choong Show Tong

Subscribed and solemnly declared by the abovenamed Choong Show Tong
At : Kuala Lumpur
On : 7 July 2003

Before me: Marzuki bin Haron
Commissioner for Oaths
W357



REPORT OF THE AUDITORS

TO THE MEMBERS OF KUANTAN FLOUR MILLS BERHAD

1. We have audited the financial statements set out on pages 24 to 49. 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 2003 and of the results and cash flows 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 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

Dato' Cheong Keap Tai

[1129/12/03(J/PH)]

Partner of firm

Kuantan 7 July 2003



STATISTICS ON SHAREHOLDINGS

As At 8 August 2003

- 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	78	1.80	1,386	0.00
100 - 1,000	1,777	41.06	1,732,048	3.91
1,001 - 10,000	2,212	51.11	7,777,090	17.52
10,001 - 100,000	211	4.88	5,345,376	12.04
100,001 - less than 5% of issued shares	49	1.13	21,436,100	48.31
5% and above of issued shares	1	0.02	8,088,000	18.22
Total	4,328	100.00	44,380,000	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)	8,088,000	18.22
2. DB (Malaysia) Nominee (Asing) Sdn Bhd (Deutsche Bank AG Singapore PBD for Hawklee Holdings Ltd)	1,912,000	4.31
3. Ke-Zan Nominees (Asing) Sdn Bhd (Kim Eng Ong Asia Securities Pte Ltd for Friendship Bridge Holding Company Private Limited)	1,203,000	2.71
4. Amsec Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tey Rose)	875,000	1.97
5. A.A. Assets Nominees (Tempatan) Sdn Bhd (Eon Finance Berhad for Idris Bin Abdullah @ Das Murthy)	859,000	1.94
6. A.A. Assets Nominees (Tempatan) Sdn Bhd (Eon Finance Berhad for Lim Swee Yean)	850,000	1.92
7. Eng Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Lew Mee Choon)	790,000	1.78
8. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Low Han Teong)	768,100	1.73
9. Citicorp Nominees (Asing) Sdn Bhd (American International Assurance Company Limited (P Trading))	755,000	1.70
10. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chan Tien Ghee)	722,000	1.63
11. Kenanga Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Chan Tien Ghee)	653,000	1.47
12. Citicorp Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Boon Kiat)	634,500	1.43

STATISTICS ON SHAREHOLDINGS (CONT'D)

As At 8 August 2003

Name of Shareholder	No. of Shares	%
13. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sim Chee Kuan)	630,500	1.42
14. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Goh Bian Soon)	585,000	1.32
15. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tey Rose)	570,000	1.28
16. A.A. Assets Nominees (Tempatan) Sdn Bhd (Eon Finance Berhad for Lim Meng Kam)	533,000	1.20
17. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Ong King Kok)	521,700	1.18
18. A.A. Assets Nominees (Tempatan) Sdn Bhd (Eon Finance Berhad for Tan Boon Kiat)	500,000	1.13
19. A.A. Assets Nominees (Tempatan) Sendirian Berhad (Eon Finance Berhad for Ong King Kok)	436,000	0.98
20. EB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Boon Kiat)	430,000	0.97
21. Amsec Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Kelvin Lim Teck Kwang)	401,500	0.90
22. Mayban Securities Nominees (Asing) Sdn Bhd (UOB Kay Hian Pte Ltd for Aetna Pte Ltd)	400,000	0.90
23. Affin-ACF Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Sim Chee Kuan)	384,000	0.87
24. JB Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Leu Kan @ Liew Swee Choon)	380,000	0.86
25. Employees Provident Fund Board	372,800	0.84
26. Public Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Neo Kim Hock)	367,000	0.83
27. HDM Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Idris Bin Abdullah @ Das Murthy)	360,000	0.81
28. UOBM Nominees (Tempatan) Sdn Bhd (United Overseas Bank Nominees (Pte) Ltd for Quah Su-Ling)	360,000	0.81
29. A.A. Assets Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Junaidah Binti Atan)	314,000	0.71
30. Amsec Nominees (Tempatan) Sdn Bhd (Pledged Securities Account for Tan Boon Kiat)	307,000	0.69
	25,962,100	58.51

STATISTICS ON SHAREHOLDINGS (CONT'D)

As At 8 August 2003

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	8,088,000	18.22	—	—
Dato' Jaafar Bin Dato' Haji Abdul Hamid	—	—	8,088,000 *	18.22
Idris Bin Abdullah @ Das Murthy	2,434,000	5.48	—	—

* 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	5.48	—	—
Dato' Shahrudin bin Shamsudin	274,000	0.62	—	—
Choong Show Tong	1,000	—	—	—
Wu Tern Yue	1,000	—	—	—
Lew Mee Choon	800,000	1.80	—	—

Share Options

Dato' Shahrudin bin Shamsudin	138,000
-------------------------------	---------

SUBSIDIARY COMPANY - KFM MARKETING SDN. BHD.

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

* Deemed interested by virtue of the shares being held by his 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, 2002

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	17 years and 10 years	2,288 3,169
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	11 years	90

NOTICE OF NINETEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual General Meeting of the Company will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 29 September, 2003 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 2003 together with the Reports of the Directors and Auditors thereon. (Resolution 1)
2. To re-elect as Director, Mr. Choong Show Tong, 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, Mr. Lew Mee Choon, 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 re-appoint Messrs. PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. (Resolution 4)

As Special Business:

To consider and, if thought fit, to pass the following Ordinary 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.



NOTICE OF NINETEENTH ANNUAL GENERAL MEETING (CONT'D)

BY ORDER OF THE BOARD,

TAN YOKE MAY
Secretary (LS004299)

Kuala Lumpur
5 September 2003

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 NINETEENTH ANNUAL GENERAL MEETING OF THE COMPANY

- (a) Choong Show Tong (Pursuant to Article 63 of the Company's Articles of Association)
- (b) Lew Mee Choon (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 2003 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 (Appointed on 26 September 2002)	10	10
Dato' Shahrudin bin Shamsudin	14	13
Choong Show Tong (Appointed on 26 September 2002)	10	10
Wu Tern Yue (Appointed on 26 September 2002)	10	10
Lew Mee Choon (Appointed on 25 February 2003)	1	0

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

Place : Dewan Berjaya
Bukit Kiara Equestrian & Country Resort
Jalan Bukit Kiara, Off Jalan Damansara
60000 Kuala Lumpur

Date and Time : Monday, 29 September 2003 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 Nineteenth 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 Nineteenth Annual General Meeting of the Company to be held on Monday, 29 September 2003 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. Choong Show Tong		
3.	Re-election of Mr. Lew Mee Choon		
4.	Re-appointment of Auditors		
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	%
<hr/>	
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, 2003

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

Signature of Shareholder

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.



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	07-3538843	kfmbjb@po.jaring.my
Pulau Pinang Office:	Tel:	Fax:	E-mail:
No. 75, MK 2, 13501 Permatang Pauh, Pulau Pinang.	04-3984919	04-3984918	kfmbpg@po.jaring.my