



KUANTAN FLOUR MILLS BERHAD
(Company No. 119598-P)

LAPORAN TAHUNAN
2005
ANNUAL REPORT

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CORPORATE INFORMATION

Board of Directors

Dato' Abdul Halim bin Dato' Haji Abdul Rauf (Chairman, Non Independent / Non Executive)

Dato' Krishna Kumar a/l Sivasubramaniam (Executive Director)

(Alternate : Prabir Kumar Mitra)

Michael Camillus Fernandez (Executive Director)

Shanmughanathan a/l Vellanthurai (Independent Non-Executive Director)

Ng Kay Eng (Independent Non-Executive Director)

Audit Committee

Dr. Shanmughanathan a/l Vellanthurai
(Chairman, Independent Non-Executive Director)

Dato' Krishna Kumar a/l Sivasubramaniam
(Member, Executive Director)

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

Company Secretary

Tan Yoke May (LS 04299)

Registered Office

Kawasan Lembaga Pelabuhan Kuantan
KM25, Jalan Kuantan/Kemaman, Tanjung Gelang
P. O. Box 387, 25740 Kuantan, Pahang Darul Makmur
Tel. No.: 09-583 3611
Fax. No.: 09-583 3618

Share Registrars

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

Auditors

Ernst & Young
Chartered Accountants
11th Floor, Kompleks Teruntum
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
Bank Islam Malaysia Berhad
Bank Muamalat Malaysia Berhad

Stock Exchange Listing

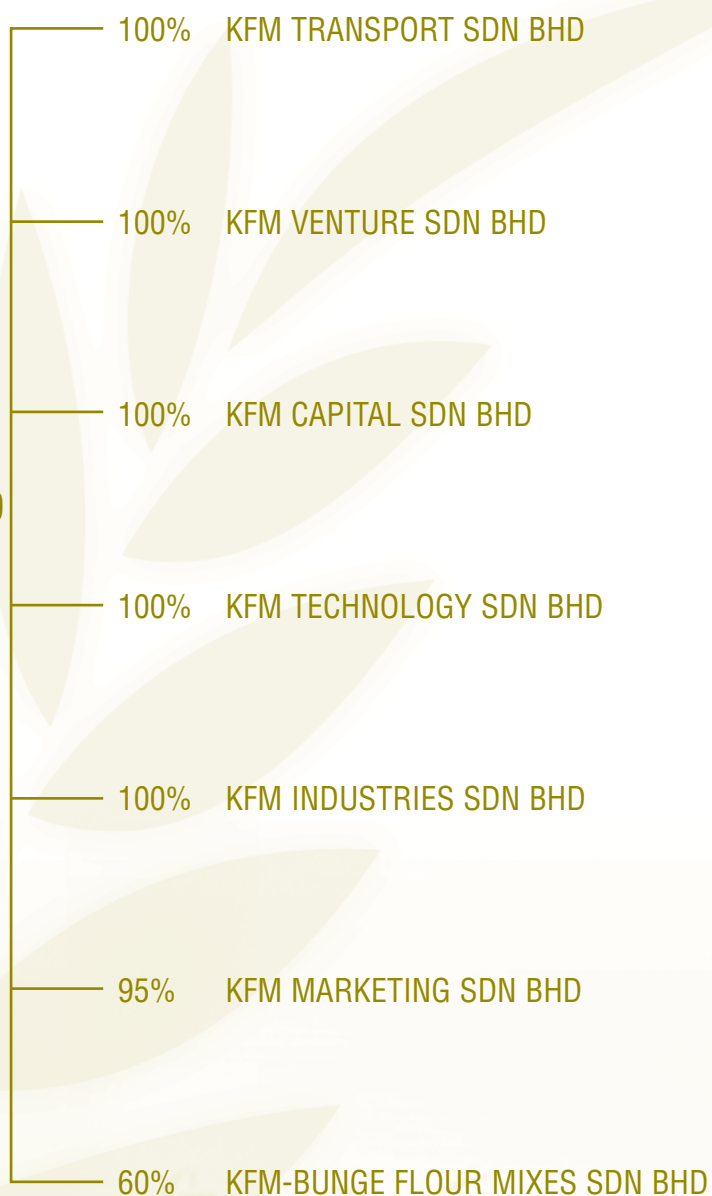
Second Board of the Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE



KUANTAN FLOUR MILLS BERHAD

(Company No. 119598-P)
(Incorporated in Malaysia)



GROUP FINANCIAL HIGHLIGHTS

	2005 ' 000	2004 ' 000	2003 ' 000	2002 ' 000	2001 ' 000
Revenue	78,790	96,749	92,912	98,142	95,001
Operating profit / (loss)	(6,571)	(6,640)	4,128	(1,682)	(2,273)
Profit before tax	(7,464)	(6,640)	4,128	(1,682)	(2,273)
Profit/(loss) After tax After Minority Interests	(7,564)	(6,516)	3,879	(1,696)	(2,500)
Shareholders' funds	34,955	42,439	47,565	37,948	24,641
Net tangible assets	34,955	42,439	47,565	37,948	24,641
Tangible assets	58,728	75,200	76,721	81,699	60,238
Basic earnings per share (sen)	(16.79)	(14.37)	8.97	(5.87)	(9.45)

A large, stylized graphic of a plant branch with several elongated, pointed leaves, rendered in a light olive green color. The leaves are arranged in a fan-like pattern, extending from the bottom left towards the top right. The background is a light, textured beige color.

**NOTICE OF TWENTY FIRST
ANNUAL GENERAL MEETING**

NOTICE OF TWENTY FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty First Annual General Meeting of the Company will be held at the Vistana Hotel Kuantan, Jalan Teluk Sisek, 25000 Kuantan, Pahang on Tuesday, 27 September, 2005 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 2005 together with the Reports of the Directors and Auditors thereon. **(Resolution 1)**
2. To elect as Director, Dato' Abdul Halim bin Dato' Haji Abdul Rauf as Director, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for election. **(Resolution 2)**
3. To elect as Director, Dato' Krishna Kumar a/l Sivasubramaniam, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for election. **(Resolution 3)**
4. To elect as Director, Michael Camillus Fernandez, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for election. **(Resolution 4)**
5. To elect as Director, Shanmughanathan a/l Vellanthurai, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for election **(Resolution 5)**
6. To elect as Director, Ng Kay Eng, who retires in accordance with Article 68 of the Company's Articles of Association and, being eligible, offers himself for election. **(Resolution 6)**
7. To authorise the Board of Directors to fix the Director's fees and remuneration for the financial year ending 31 March 2006 **(Resolution 7)**
8. To re-appoint Messrs. Ernst & Young as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

As Special Business :

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

9. **Authority to allot and issue shares pursuant to the Company's Employees Share Option Scheme**
"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." **(Resolution 9)**
10. **Authority to allot and issue shares pursuant to Section 132D of the Companies Act, 1965**
"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." **(Resolution 10)**

As Special Resolution :

11. Proposed Insertion to the Article of Association of the Company

Article 108A to be read as follows - A copy of every annual report, including every such document required by law to be annexed thereto together with a copy of every report of the Auditors relating thereto and of the Directors' report, in printed form or in CD-ROM form or in such other form of electronic media shall not less than twenty-one (21) days before the date of the meeting, provided always that it shall not be exceeding six (6) months from the close of a financial year of the Company be sent to every Member of and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by Bursa Malaysia Securities Berhad, if any, upon which the Company's shares may be listed, shall at the same time be likewise sent to the Bursa Malaysia Securities Berhad, if any provided that these Articles shall not require a copy of these documents to be sent to any person of whose address the Company is not aware, but any Member to whom a copy of these documents has not been sent shall be entitled to received a copy free of charge on application at the Company's office. In the event that these documents are sent in CD-ROM or in such other form of electronic media and a Member requires a printed form of such documents, the Company shall send such documents to the Member within four (4) Market Days from the date of receipt of the Member's request. **(Resolution 11)**

12. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD,

Tan Yoke May
(LS 0004299)
Secretary

Kuala Lumpur
5 September 2005

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 Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, 25740 Kuantan, Pahang not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

Explanatory Notes on Special Business

6. Ordinary Resolution No. 8, 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. 9, 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.
8. The rationale for the proposed amendments to the Company's Article of Association under Special Resolution No. 10 will facilitate the issuance of financial statements in CD-ROM form or in such other form of electronic media, if deemed appropriate.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

1. DIRECTORS WHO ARE STANDING FOR ELECTION AT THE TWENTY FIRST ANNUAL GENERAL MEETING OF THE COMPANY

- (a) Dato' Abdul Halim bin Dato' Haji Abdul Rauf (Pursuant to Article 68 of the Company's Articles of Association)
- (b) Dato' Krishna Kumar a/l Sivasubramaniam (Pursuant to Article 68 of the Company's Articles of Association)
- (c) Michael Camillus Fernandez (Pursuant to Article 68 of the Company's Articles of Association)
- (d) Ng Kay Eng (Pursuant to Article 68 of the Company's Articles of Association)
- (e) Shanmughanathan a/l Vellanthurai (Pursuant to Article 68 of the Company's Articles of Association)

The brief profiles of the directors are found on pages 13 to 14

2. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

Details of Directors' attendance at Board meeting held during the financial year ended 31 March 2005 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 (Resigned on 5 April 2005)	6	6
Dato' Shaharuddin bin Shamsudin (Resigned on 25 May 2005)	8	8
Choong Show Tong (Resigned on 27 April 2005)	7	7
Wu Tern Yue (Resigned on 25 May 2005)	8	6
Kushairi bin Zaidel (Resigned on 5 April 2005)	6	6
Dato' Abdul Halim bin Dato' Haji Abdul Rauf (Appointed on 5 April 2005)	3	3
Michael Camillus Fernandez (Appointed on 5 April 2005)	3	3
Mr. Ng Kay Eng (Appointed on 5 April 2005)	3	2
Dato' Krishna Kumar a/l Sivasubramaniam (Appointed on 25 May 2005)	2	1
Dr. Shanmughanathan a/l Vellanthurai (Appointed on 25 May 2005)	2	2

Note : For the financial year ended 31 March 2005 there were 6 meetings and upto the date of this report there were a total of 9 meetings

Place, Date and Time of the Twentieth Annual General Meeting

Place : Vistana Hotel Kuantan, Jalan Teluk Sisek, 25000 Kuantan, Pahang

Date and Time : Tuesday, 27 September, 2005 at 10.00 a.m.



CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements of the Company for financial year ended March 31, 2005.

Review Of The Industry

The year 2004 and early 2005 was a very difficult period for the Malaysian flour milling industry. 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.

Financial Review

The Company went through another difficult period and recorded a loss of RM9.216 million for financial year ended March 31, 2005. The cost of raw material imported is still on the high level and thus the huge loss recorded. For the Group, the loss recorded is RM7.564 million. For financial year ended March 31, 2004, the Company recorded a loss of RM6.429 million while the group recorded a loss of 6.517 million. Revenue for the Company for this financial year is RM75.937 million and for the Group is RM78.790 million. This represented a decreased of about 18.5% as compared to the previous financial year.

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, a loss of RM414, 046 was recorded for this financial year and turnover decreased slightly to RM3.414 million from RM3.613 million achieved during the last financial year. This was due to the decreased delivery activity of the holding company. For KFMM (which trades in products related to baking industry), the turnover decreased slightly to RM12.904 million from RM13.019 million and a profit before tax of RM432, 892 was achieved.

Prospect

World wheat prices have stabilised but at a higher level. Ocean freight rates remain at high level and are expected to remain due to the high oil prices. To mitigate the situation efforts are being 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.

Acknowledgement

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.

Dato' Abdul Halim bin Dato' Haji Abdul Rauf

Chairman

29 August 2005



PROFILE OF COMPANY DIRECTORS

BOARD OF DIRECTORS



Dato' Abdul Halim Bin Dato' Haji Abdul Rauf, aged 67, holds a Bachelor of Arts degree from the University of Malaya and Master degree in Public and International Affairs from University of Pittsburgh USA. Before joining the private sector, he held key positions in government authorities and agencies. Amongst key positions he held were Director General, Implementation Coordination Unit in the Prime Minister's Department, State Secretary of State Government of Selangor, Director-General of Immigration Department Malaysia, Deputy Director Bureau of Research and Consultancy, National Institute of Public Administration, Malaysia and Senior Deputy Director-General Rubber Industry Smallholders Development Authority. He has vast experience in the management and strategic business planning. Dato' Abdul Halim is the Executive Deputy Chairman of Hil Industries Berhad and A & M Realty Berhad and the Chairman of MIDF Consultancy and Corporate Services Sdn Bhd and Kontena Nasional Global Logistics Sdn Bhd

Dato' Abdul Halim does not have any interest in the securities of the Company, neither does he have any family relationship with any Director and/or major shareholder of the Company.



Dato' Krishna Kumar a/l Sivasubramaniam, aged 35, is a graduate from the University College of Wales, Aberysthwyth. He started his legal career with Sri Ram & Co and then set up his own practice under the name and style of Krish Maniam & Co in 1996 and is currently the Managing Partner. He is also the President of Atduro Capital Ltd and an Independent Director of MP Technology Resources Berhad. Other directorships held are with Luxury Concepts Watches and Jewellery Sdn Bhd (Korloff Brands) and Anametrics (M) Sdn Bhd.

Dato' Krishna Kumar a/l Sivasubramaniam does not have any family relationship with any director and/or substantial shareholder(s) of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.



MICHAEL CAMILLUS FERNANDEZ, Executive Director, Mr Fernandez, 32 years, began as a young entrepreneur in Event Management with Retro Production Enterprise, now known as Retro Production (M) Sdn Bhd where he is the Managing Director and a substantial shareholder. Has been in Marketing for several years and in 2003 was appointed as Director (Marketing) of TKC Manufacturing Ventures Sdn Bhd, manufacturing furniture for export. As Executive Director of KFMB he oversees and is involved in Sales and Marketing.

Mr Fernandez does not have any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.



Shanmughanathan A/L Vellanthurai CA, ATII, MCSM, aged 39, obtained his Bachelor of Accountancy, University Utara Malaysia in 1993 and Masters in Business Administration, University Putra Malaysia in 1998, Doctorate in Business, Birchan University, USA in 2004. He started his career with Messrs. Ernst & Young International in 1993. In 1997 he started his own Audit Firm known as Shan & Co. He is also a visiting lecturer for MBA program by University of Victoria (City College, Kuala Lumpur). Shanmughanathan does not have any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.



Ng Kay Eng, Independent Director, aged 41, was admitted as an Advocate and Solicitor in the High Court in New Zealand in 1990 and in the High Court of Malaya in 1991.

Currently a partner with Messrs Shamiah K.E. Ng & Siva, began his career in 1991 with various legal firms and in February 1995, set up his own legal practice under the name of Messrs K.E. Ng & Co., which in July 1996 merged into the current partnership.

Was a non-independent/non-executive director between January and July 2005 while Nauticalink Berhad was undergoing a scheme of arrangement, which has since been completed.

Mr. Ng does not have any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.



Prabir Kumar Mitra CA, FCCA – Alternate Director to Dato' Krishna Kumar A/L Sivasubramaniam, aged 49, is the Chief Finance Officer. Prior to joining the Company, was involved as a consultant in IPOs, restructuring of PN4 companies and financial restructuring. To date he was involved in the IPO of Aikbee Resources Berhad and Three-A Resources Berhad and in the restructuring of Kelanamas Industries Berhad (PN4) now relisted as MP Technology Resources Berhad.

Previous engagements were in financial consultancy firms as consultant, four years with Syabinas Holdings Sdn. Bhd., with his final posting as General Manager - Finance and Administration, and was also responsible for the finance and administration of Nilai Inland Port, a subsidiary. Other duties involved the setting up the IT and costing systems for the inland port and the warehouses therein.

In 1986 he joined the Sime Darby Group, with his first appointment as Finance and Administration Executive in Sime Inax Sdn. Bhd., a manufacturer of sanitary wares, being involved in all aspects of financial management and administration. During his 7 years tenure in Sime Darby, he was posted to Sime Darby Marketing, Sime Footwear and the last appointment was in Sime-Swede Distribution where he was involved in the design and the implementation of the warehouse distribution systems. He trained with Cornelius, Barton & Company (Chartered Accountants) in the UK for 3 years from 1982.

Mr Mitra does not have any family relationship with any director and/or substantial shareholder of the Company, nor conflict of interest with the Company. He has not been convicted for any criminal offences within the past ten years.

A large, stylized graphic of a plant branch with several elongated, pointed leaves. The leaves are rendered in a light, semi-transparent olive green color, creating a layered effect. The branch originates from the bottom left and extends towards the top right. The background is a light, warm yellow with a subtle, textured pattern resembling grass or a field.

STATEMENT OF CORPORATE GOVERNANCE

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 two (2) Executives and three (3) Non-Executives. The Executive Directors 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 13 to 14 of this Annual Report.

Board Meetings

During the financial year ended 31 March 2005, the Board met on 6 occasions.

The attendance of the Board of Directors on all 6 Board Meetings can be found on page 8 of the Annual Report in the Statement accompanying notice of the Twenty first 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 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.

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. All directors are provided with directors' fees except for the Managing Director (and Executive Directors) who is (are) 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 ended 31 March 2005 are as follows :-

	Executive	Non –Executive	Total
Salary and other emoluments	216.0	0.0	216.0
Pension costs – defined Contribution plans	72.2	0.0	72.2
Fees	0.0	50.0	50.0
	288.2	50.0	338.2

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

	Executives	Non Executive
Below RM50, 000	-	4
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 23 and 24.

Shareholders

The Company recognises 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 Directors 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.

Relationship with External Auditors

The role of Audit Committee in relation to the external auditors is described on page 24.

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 21.

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.

Other Information

(a) Non- audit fee

None

(b) Options, warrants or convertible securities exercised

During the year 31 March 2005, 70, 000 shares were exercised at exercise price of RM1.15 per share .

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 significant related party transactions;
- contract of loans between the Company and its subsidiaries that involve directors or major shareholders' interests;
- revaluation policy on landed properties.

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 recognises 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 recognises 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.

Recognising the absence of formal Risk Management Framework, the board is in the process of identifying, evaluating and establishing a formalized Risk Management Framwork.

The Board also recognises the increasing importance of maintaining a sound system of internal control to safeguard the shareholders' investment and the Group's assets. In line with this an, Internal Audit Department has been established in May 2004 and is independent of the activities or operations 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.
- Regularly 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 Directors in day-to-day running of the Group's operations.

The Statement of Internal Control is made in accordance with the resolution adopted by the Board of Directors at the meeting held on 29 August 2005.

A large, stylized graphic of a plant branch with several leaves, rendered in a light olive green color. The leaves are elongated and pointed, arranged in a fan-like pattern that curves upwards and to the right. The background is a light, textured beige color.

AUDIT COMMITTEE REPORT

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 2005.

Choong Show Tong (resigned on 25 May 2005)

Dato' Shahrudin bin Shamsudin (resigned on 25 May 2005)

Wu Tern Yue (resigned on 25 May 2005)

The present members of the Audit Committee comprise: -

Shamughanathan a/l Vellathurai
(Chairman, Independent Non Executive Director)

Dato' Krishna Kumar a/l Sivasubramaniam
(Member, Executive Director)

Ng Kay Eng
(Member, Independent Non Executive Director)
** all appointed on 25 May 2005.

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 financial year ended 31 March 2005, which were attended by all members. Representative of the external auditors, Messrs Ernst & Young also attended certain meetings upon invitation.

Summary of Activities

The Audit Committee carried out the following activities during the financial year ended 31 March 2005
Reviewed financial statements including quarterly financial announcements to Bursa Malaysia Securities Berhad.
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 of 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.

At least one member of the Audit Committee: -

- must be a member of the Malaysian Institute of Accountants or
- if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years working experience and:
 - he must have passed the examination specified in Part 1 of the First Schedule of the Accountants Act, 1967 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 authorised 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 authorised 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.
- 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.

A large, stylized graphic of a plant branch with several elongated, pointed leaves. The leaves are rendered in a light beige or cream color with a subtle gradient and a soft drop shadow, giving them a three-dimensional appearance. The branch originates from the bottom left and extends towards the top right. The background is a light, textured beige color.

**FINANCIAL STATEMENTS
TOGETHER WITH DIRECTORS'
AND AUDITORS' REPORT**

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 March 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company are flour milling and trading in its related products.

The principal activities of the subsidiaries are transportation and sales of premix flour and its related products.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net loss for the year	<u>(7,564,166)</u>	<u>(9,215,789)</u>

There were no material transfers to or from reserves or provisions during the financial year.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDENDS

No dividends has been paid or declared by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current year.

DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are: Michael Camillus Fernandez (appointed on 5 April 2005)

Dato' Abdul Halim bin Dato' Haji Abdul Rauf	(appointed on 5 April 2005)
Ng Kay Eng	(appointed on 5 April 2005)
Dato' Krishna Kumar a/l Sivasubramaniam	(appointed on 25 May 2005)
Dr. Shanmughanathan a/l Vellanthurai	(appointed on 25 May 2005)
Prabir Kumar Mitra (alternate to Dato' Krishna Kumar a/l Sivasubramaniam)	(appointed on 25 May 2005)
Idris bin Abdullah @ Das Murthy	(resigned on 5 April 2005)
Kushairi bin Zaidel	(resigned on 5 April 2005)
Choong Show Tong	(resigned on 27 April 2005)
Dato' Shaharuddin bin Shamsudin	(resigned on 25 May 2005)
Wu Tern Yue	(resigned on 25 May 2005)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as may arise from the share options to be granted pursuant to the Employee Share Options Scheme.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 7 to the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares and options over shares in the Company and its related corporations during the financial year were as follows:

	Number of Ordinary Shares of RM1 Each			31 March 2005
	1 April 2004	Acquired	Sold	
The Company				
Direct Interest:				
Idris bin Abdullah @ Das Murthy	2,434,000	754,300	(2,287,300)	901,000
Dato' Shahrudin bin Shamsudin	205,000	69,000	(69,000)	205,000
Choong Show Tong	1,000	-	-	1,000
Wu Tern Yue	1,000	-	-	1,000

Subsidiary - KFM Marketing Sdn. Bhd.

Indirect Interest:

Dato' Shahrudin bin Shamsudin*	40,000	-	-	40,000
* Held by spouse, Datin Norisah bte Abdullah				

	Number of Options Over Ordinary Shares of RM1 Each			31 March 2005
	1 April 2004	Granted	Exercised	
The Company				
Dato' Shahrudin bin Shamsudin	244,000	-	(69,000)	175,000

Dato' Shahrudin bin Shamsudin by virtue of his interest in shares in the Company is also deemed interested in shares of the Company's subsidiaries to the extent the Company has an interest.

None of the other directors in office at the end of the financial year had any interest in shares and options in the Company or its related corporations during the financial year.

ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up share capital from RM44,983,000 to RM45,053,000 via issuance of 70,000 new ordinary shares of RM1.00 each pursuant to the exercise of Employee Share Options Scheme at exercise price of RM1.15 per ordinary share. The new ordinary shares issued during the financial year rank pari passu in all respects with existing ordinary shares.

EMPLOYEES' SHARE OPTIONS SCHEME

The Company implemented an Employees' Share Option Scheme ("ESOS") which had been approved by the shareholders on 21 November 2000. The terms of the ESOS are disclosed in Note 24 to the financial statements.

The Company has been granted exemption by the Companies Commission of Malaysia from having to disclose the names of employees who have been granted options to subscribe for less than 200,000 ordinary shares of RM1.00 each. The list of employees granted options to subscribe for 200,000 or more ordinary shares of RM1.00 each during the financial year is as follows:

Name	Grant date	Expiry date	Exercise price RM	Number of Share Options		
				Granted	Exercised	31.03.2005
Dato' Shahrudin bin Shamsudin	16.12.2001	15.04.2006	1.15	500,000	(325,000)	175,000

Details of options granted to directors are disclosed in the section on Directors' Interests in this report.

OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events during the year are as disclosed in Note 26 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors.

Signed

DATO' KRISHNA KUMAR A/L
SIVASUBRAMANIAM

Kuantan, Pahang Darul Makmur

26 July 2005

Signed

MICHAEL CAMILLUS FERNANDEZ

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, DATO' KRISHNA KUMAR A/L SIVASUBRAMANIAM and MICHAEL CAMILLUS FERNANDEZ, being two of the directors of KUANTAN FLOUR MILLS BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 42 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors.

Signed

DATO' KRISHNA KUMAR A/L
SIVASUBRAMANIAM

Kuantan, Pahang Darul Makmur

26 July 2005

Signed

MICHAEL CAMILLUS FERNANDEZ

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

I, PRABIR KUMAR MITTRA, being the director primarily responsible for the financial management of KUANTAN FLOUR MILLS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 42 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.

Subscribed and solemnly declared by the
abovenamed PRABIR KUMAR MITTRA at
Kuantan in the state of Pahang Darul Makmur
on 26 July 2005

Signed

PRABIR KUMAR MITTRA

Before me,

Krishnan A/L Madavanair AMP, PPN
Commissioner for Oaths
C036

**REPORT OF THE AUDITORS TO THE MEMBERS OF
KUANTAN FLOUR MILLS BERHAD (119598 P)
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 9 to 42. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing 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 the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 March 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiaries have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the financial statements of the Company 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.

The auditors' reports on the financial statements of the subsidiaries were not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

Signed

ERNST & YOUNG
AF: 0039
Chartered Accountants

26 July 2005

Signed

DUAR TUAN KIAT
No. 1894/03/06 (J/PH)
Partner

**INCOME STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
Revenue	3	78,790,247	96,749,439	75,936,802	94,307,769
Cost of sales	4	(78,144,306)	(96,013,784)	(76,242,433)	(94,353,503)
Gross profit/(loss)		645,941	735,655	(305,631)	(45,734)
Other operating income		282,044	233,177	125,890	212,978
Administrative expenses		(5,422,467)	(3,455,037)	(6,088,105)	(3,139,847)
Selling expenses		(2,076,383)	(2,709,780)	(2,076,383)	(2,284,017)
Loss from operations	5	(6,570,865)	(5,195,985)	(8,344,229)	(5,256,620)
Finance costs, net	8	(893,590)	(1,444,112)	(871,560)	(1,419,724)
Loss before taxation		(7,464,455)	(6,640,097)	(9,215,789)	(6,676,344)
Taxation	9	(99,711)	123,158	-	247,000
Loss after taxation		(7,564,166)	(6,516,939)	(9,215,789)	(6,429,344)
Minority interests		-	-	-	-
Net loss for the year		(7,564,166)	(6,516,939)	(9,215,789)	(6,429,344)
Loss per share (sen):					
Basic	10(a)	(16.79)	(14.37)		
Diluted	10(b)	-	-		

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

**BALANCE SHEETS
AS AT 31 MARCH 2005**

	Note	Group		Company	
		2005 RM	2004 RM	2005 RM	2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	11	24,728,547	27,145,514	24,310,792	26,574,897
Investments in subsidiaries	12	-	-	162,008	262,012
Other investments	13	1,735,500	1,735,500	1,735,500	1,735,500
Deferred tax assets	14	312,660	412,371	-	-
		26,776,707	29,293,385	26,208,300	28,572,409
CURRENT ASSETS					
Inventories	15	11,724,230	14,395,224	11,137,259	13,813,651
Trade receivables	16	16,343,420	22,730,308	13,132,943	19,623,548
Other receivables	17	1,179,612	1,264,024	4,332,915	6,943,235
Marketable securities	18	16,677	2,000	16,677	2,000
Cash and bank balances	19	3,000,629	7,927,878	2,619,974	6,905,793
		32,264,568	46,319,434	31,239,768	47,288,227
CURRENT LIABILITIES					
Borrowings	20	16,844,430	28,122,313	16,707,936	27,974,913
Trade payables	22	5,206,863	2,425,559	4,509,641	2,100,507
Other payables	23	1,759,219	1,987,280	1,673,714	1,755,721
		23,810,512	32,535,152	22,891,291	31,831,141
NET CURRENT ASSETS					
		8,454,056	13,784,282	8,348,477	15,457,086
		35,230,763	43,077,667	34,556,777	44,029,495
FINANCED BY:					
Share capital	24	45,053,000	44,983,000	45,053,000	44,983,000
Share premium		6,446,933	6,436,433	6,446,933	6,436,433
Accumulated losses		(16,544,873)	(8,980,707)	(17,194,378)	(7,978,589)
Shareholders' equity		34,955,060	42,438,726	34,305,555	43,440,844
Minority interests		2	2	-	-
		34,955,062	42,438,728	34,305,555	43,440,844
Borrowings	20	275,701	638,939	251,222	588,651
		35,230,763	43,077,667	34,556,777	44,029,495

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 200**

	Note	Share capital RM	Distributable Share premium RM	Accumulated losses RM	Total RM
GROUP					
At 1 April 2003		44,072,000	5,957,133	(2,463,768)	47,565,365
Issuance of ordinary shares pursuant to ESOS	24	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
At 1 April 2004		44,983,000	6,436,433	(8,980,707)	42,438,726
Issuance of ordinary shares pursuant to ESOS	24	70,000	10,500	-	80,500
Net loss for the year		-	-	(7,564,166)	(7,564,166)
At 31 March 2005		45,053,000	6,446,933	(16,544,873)	34,955,060
COMPANY					
At 1 April 2003		44,072,000	5,957,133	(1,549,245)	48,479,888
Issuance of ordinary shares pursuant to ESOS	24	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
At 1 April 2004		44,983,000	6,436,433	(7,978,589)	43,440,844
Issuance of ordinary shares pursuant to ESOS	24	70,000	10,500	-	80,500
Net loss for the year		-	-	(9,215,789)	(9,215,789)
At 31 March 2005		45,053,000	6,446,933	(17,194,378)	34,305,555

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

**CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2005**

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(7,464,455)	(6,640,097)	(9,215,789)	(6,676,344)
Adjustment for:				
Depreciation	2,876,401	2,822,215	2,710,939	2,641,677
Gain on disposal of property, plant and equipment	(40,823)	(183,323)	(40,823)	(163,224)
Gain on disposal of marketable securities	(143)	-	(143)	-
Property, plant and equipment written off	1	13,959	1	13,959
Provision for doubtful debts	1,689,126	213,068	3,167,423	213,068
Inventories written off	16,016	-	-	-
Provision for diminution in value of investments	-	-	99,999	216,999
Short term accumulating compensated absences	73,010	-	63,785	-
Interest income	(62,970)	(108,998)	(62,970)	(108,998)
Interest expense	956,560	1,553,110	934,530	1,528,722
Operating loss before working capital changes	(1,957,277)	(2,330,066)	(2,343,048)	(2,334,141)
Decrease in inventories	2,654,978	3,605,917	2,676,392	3,779,415
Decrease/(increase) in receivables	4,789,454	121,358	5,940,787	(1,244,268)
Increase in payables	2,480,233	481,433	2,263,342	687,479
Cash generated from operations	7,967,388	1,878,642	8,537,473	888,485
Interest paid	(956,560)	(1,553,110)	(934,530)	(1,528,722)
Taxes paid	(7,280)	(13,750)	(7,280)	(11,000)
Net cash generated from/(used in) operating activities	7,003,548	311,782	7,595,663	(651,237)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(268,112)	(923,983)	(255,512)	(865,785)
Proceeds from disposal of property, plant and equipment	40,826	20,100	40,826	-
Proceeds from disposal of marketable securities	2,143	-	2,143	-
Purchase of marketable securities	(16,677)	-	(16,677)	-
Joint ventures dissolved	-	(67,500)	-	-
Interest received	62,970	108,998	62,970	108,998
Net cash used in investing activities	(178,850)	(862,385)	(166,250)	(756,787)

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of term loans	(1,098,682)	(675,233)	(1,098,682)	(675,233)
Proceeds from exercised of ESOS	80,500	1,390,300	80,500	1,390,300
Payment of hire purchase instalments	(344,902)	(365,561)	(294,136)	(253,199)
(Repayment)/proceeds from short term borrowings	(10,402,914)	3,964,383	(10,402,914)	3,964,383
Net cash (used in)/generated from financing activities	(11,765,998)	4,313,889	(11,715,232)	4,426,251
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,941,300)	3,763,286	(4,285,819)	3,018,227
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,841,902	4,078,616	6,905,793	3,887,566
CASH AND CASH EQUIVALENTS END OF YEAR (NOTE 19)	2,900,602	7,841,902	2,619,974	6,905,793

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

NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2005

1. CORPORATE INFORMATION

The principal activities of the Company are flour milling and trading in its related products. The principal activities of the subsidiaries are transportation and sales of premix flour and its related products. There have been no significant changes in the nature of the principal activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Second Board of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, P.O.Box 387, 25740 Kuantan, Pahang Darul Makmur.

The number of employees in the Group and in the Company at the end of the financial year were 187 (2004: 200) and 160 (2004: 188) respectively.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 July 2005.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention.

The financial statements comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries. Subsidiaries are those entities 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 using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of the subsidiaries are measured at their fair values at the date of acquisition. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or negative goodwill arising on consolidation.

Intra-group transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary company is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences.

Minority interests in the consolidated balance sheet consist of the minorities' share of the fair value of the identifiable assets and liabilities of the acquiree as at acquisition date and the minorities' share of movements in the acquiree's equity since then.

(c) Investments in Subsidiaries

The Company's investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is recognised in the income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

Freehold land and building under construction are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Buildings, factory and civil works	21/2% - 5%
Plant and machinery	5% - 10%
Equipment and fixtures	10% - 20%
Motor vehicles	20%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value.

(i) Raw Materials

The cost of raw materials comprises costs of purchase and is determined using the first in, first out method.

(ii) Work-In-Progress and Finished Goods

The costs of finished goods and work-in-progress comprise raw materials, direct labour, other direct costs and appropriate proportions of production overheads, which are determined on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank and deposits at call, net of outstanding bank overdrafts.

(g) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised as an expense in the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2(d).

(h) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

(j) Employee Benefits

(i) Short term benefits

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

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

(iii) Equity compensation benefits

The Kuantan Flour Mills Berhad Employees' Share Options Scheme ("ESOS") allows the Group's employees to acquire ordinary shares of the Company. No compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

(k) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

(i) Sale of goods

Revenue relating to sale of goods is recognised net of sales taxes and discounts upon the transfer of risks and rewards.

(ii) Revenue from services

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

(l) Foreign Currencies

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Non-monetary items are initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These exchange differences are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at the balance sheet date are as follows:

	2005 RM	2004 RM
United States Dollars	3.805	3.805
Singapore Dollars	2.300	2.297

(m) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately.

(n) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(i) Other Non-Current Investments

Non-current investments other than investments in subsidiaries are stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(m).

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

(ii) Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in the income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statement.

(iii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

(iv) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

(v) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

All borrowing costs are recognised as an expense in the income statement in the period in which they are incurred.

(vi) Equity Instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. REVENUE

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Sales of flour and related products	77,203,937	95,643,359	75,936,802	94,307,769
Transport income	1,586,310	1,106,080	-	-
	78,790,247	96,749,439	75,936,802	94,307,769

4. COST OF SALES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cost of inventories sold	76,617,145	95,016,913	76,242,433	94,353,503
Cost of services rendered	1,527,161	996,871	-	-
	78,144,306	96,013,784	6,242,433	94,353,503

5. LOSS FROM OPERATIONS

Loss from operations is stated after charging/(crediting):

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Depreciation	2,876,401	2,822,215	2,710,939	2,641,677
Auditors' remuneration				
- current year	39,000	40,600	30,000	30,000
- under provision in prior year	-	1,000	-	-
Provision for doubtful debts	1,689,126	213,068	3,167,423	213,068

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Provision for diminution in value of investment	-	-	99,999	216,099
Staff costs (Note 6)	4,298,059	4,380,725	3,821,047	3,947,222
Directors' fee (Note 7)	50,000	-	50,000	-
Property, plant and equipment written off	1	13,959	1	13,959
Inventories written off	16,016	-	-	-
Rental of land and buildings	420,177	413,684	420,117	413,684
Amounts due from joint ventures written off	-	36,211	-	-
Loss on joint ventures dissolved	-	150,000	-	-
Insurance compensation	(13,000)	-	(13,000)	-
Bad debts recovered	(16,677)	-	(16,677)	-
Gross dividend received from quoted investments	(72)	-	(72)	-
Payables written off	(156,154)	-	-	-
Gain on disposal of investment	(143)	-	(143)	-
Realised gain on foreign exchange	(73,314)	(67,822)	(55,176)	(49,654)
Gain on disposal of property, plant and equipment	(40,823)	(183,323)	(40,823)	(163,224)

6. STAFF COSTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Salaries and wages	3,532,194	3,511,618	3,136,143	3,156,352
Social security costs	46,928	51,005	40,958	45,596
Short term accumulating compensated absences	73,010	-	63,785	-
Pension costs - defined contribution plans	466,646	430,778	417,272	388,422
Other staff related expenses	179,281	387,324	162,889	356,852
	4,298,059	4,380,725	3,821,047	3,947,222

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM288,240 (2004: RM299,576) as further disclosed in Note 7.

7. DIRECTORS' REMUNERATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Directors of the Company				
Executive:				
Salaries and other emoluments	216,000	225,75	216,000	225,750
Pension costs - defined contribution plans	72,240	73,826	72,240	73,826
	288,240	299,576	288,240	299,576
Non-Executive:				
Fees	50,000	-	50,000	-
	338,240	299,576	338,240	299,576

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

	Number of Directors	
	2005	2004
Executive directors:		
RM250,001 - RM300,000	1	1
Non-Executive directors:		
Below RM50,000	4	-

Executive directors of the Company have been granted the following number of options under the Employee's Share Options Scheme ("ESOS"):

	Group and Company	
	2005	2004
At 1 April	244,000	207,000
Granted	-	156,000
Exercised	(69,000)	(119,000)
At 31 March	175,000	244,000

The share options were granted on the same terms and conditions as those offered to other employees of the Group (Note 24).

8. FINANCE COSTS, NET

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Interest expense	956,560	1,553,110	934,530	1,528,722
Interest income	(62,970)	(108,998)	(62,970)	(108,998)
	893,590	1,444,112	871,560	1,419,724

9. TAXATION

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deferred tax (Note 14): Relating to origination and reversal of temporary differences	129,611	(123,158)	-	(247,000)
Underprovided in prior years	(29,900)	-	-	-
	99,711	(123,158)	-	(247,000)

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

With effect from year of assessment 2004, the corporate tax rates for companies with paid up capital of RM2.5 million and below at the beginning of the basis period for the year of assessment are as follows:

	Rate
Chargeable income	
First RM500,000	20%
Amount exceeded RM500,000	28%

A reconciliation of income tax expense applicable to loss before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	2005 RM	2004 RM
Group		
Loss before taxation	(7,464,455)	(6,640,097)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	(2,090,047)	(1,859,227)
Effect of income not subject to tax	(43,723)	-
Effect of expenses not deductible for tax purposes	662,071	203,531
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	1,601,310	1,532,538
Over provision of deferred tax in prior years	(29,900)	-
Tax expense for the year	99,711	(123,158)
Company		
Loss before taxation	(9,215,789)	(6,676,344)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	(2,580,421)	(1,869,376)
Effect of expenses no deductible for tax purposes	1,089,600	181,952
Deferred tax assets not recognised in respect of current year's tax losses and unabsorbed capital allowances	1,490,821	1,440,424
	-	(247,000)

Tax savings during the financial year arising from:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Utilisation of tax losses brought forward from previous years	18,742	-	-	-

10. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of ordinary shares in issue during the financial year.

	2005	2004
Net loss for the year (RM)	(7,564,166)	(6,516,939)
Weighted average number of ordinary shares in issue (unit)	45,043,548	45,362,000
Basic loss per share (sen)	(16.79)	(14.37)

(b) Diluted

Fully diluted earning per share has not been presented as the effect is anti-dilutive.

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM	Buildings, factory civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
GROUP							
Cost							
At 1 April 2004	11,700	9,691,608	36,757,122	3,671,912	8,190,313	70	58,322,725
Additions	-	24,550	168,053	71,235	195,600	-	459,438
Disposals	-	-	-	-	(200,600)	-	(200,600)
Write off	-	-	-	-	(30,793)	-	(30,793)
At 31 March 2005	11,700	9,716,158	36,925,175	3,743,147	8,154,520	70	58,550,770
Accumulated Depreciation							
At 1 April 2004	-	3,367,844	18,218,966	2,685,527	6,904,874	-	31,177,211
Depreciation charge for the year	-	255,468	1,936,394	184,879	499,660	-	2,876,401
Disposals	-	-	-	-	(200,597)	-	(200,597)
Write off	-	-	-	-	(30,792)	-	(30,792)
At 31 March 2005	-	3,623,312	20,155,360	2,870,406	7,173,145	-	33,822,223
Net Book Value							
At 31 March 2005	11,700	6,092,846	16,769,815	872,741	981,375	70	24,728,547
At 31 March 2004	11,700	6,323,764	18,538,156	986,385	1,285,439	70	27,145,514
Details at 1 April 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
Depreciation charge for 2004							
	-	253,078	1,900,435	188,992	479,710	-	2,822,215

	Freehold land RM	Buildings, factory, civil works RM	Plant and machinery RM	Equipment and fixtures RM	Motor vehicles RM	Building under construction RM	Total RM
COMPANY							
Cost							
At 1 April 2004	11,700	9,571,979	36,419,698	3,543,842	5,715,025	70	55,262,314
Additions	-	24,550	168,053	71,235	183,000	-	446,838
Disposals	-	-	-	-	(200,600)	-	(200,600)
Write off	-	-	-	-	(30,793)	-	(30,793)
At 31 March 2005	11,700	9,596,529	36,587,751	3,615,077	5,666,632	70	55,477,759
Accumulated Depreciation							
At 1 April 2004	-	3,304,194	18,039,767	2,595,625	4,747,831	-	28,687,417
Depreciation charge for the year	-	249,487	1,919,522	180,591	361,339	-	2,710,939
Disposals	-	-	-	-	(200,597)	-	(200,597)
Write off	-	-	-	-	(30,792)	-	(30,792)
At 31 March 2005	-	3,553,681	19,959,289	2,776,216	4,877,781	-	31,166,967
Net Book Value							
At 31 March 2005	11,700	6,042,848	16,628,462	838,861	788,851	70	24,310,792
At 31 March 2004	11,700	6,267,785	18,379,931	948,217	967,194	70	26,574,897
Details at 1 April 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
Depreciation charge for 2004							
	-	247,097	1,883,565	180,925	330,090	-	2,641,677

- (a) 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	
	2005 RM	2004 RM
Not later than 1 year	316,412	292,016
Later than 1 year and not later than 5 years	679,221	958,418
Later than 5 years	260,508	297,723
	1,256,141	1,548,157

- (b) During the financial year, the Group and the Company acquired property, plant and equipment at aggregate costs of RM459,438 (2004: RM1,556,968) and RM446,838 (2004: RM1,498,768) respectively of which RM191,326 (2004: RM435,979) and RM191,326 (2004: RM435,979) respectively were acquired by means of hire purchase arrangements. Net book value of property, plant and equipment held under hire purchase arrangements is as follows:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Motor vehicles	868,311	892,102	771,650	692,027

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2005 RM	2004 RM
Unquoted shares, at cost	1,611,006	1,611,006
Less: Accumulated impairment losses	(1,448,998)	(1,348,994)
	162,008	262,012

Details of the subsidiaries are as follows:

Name of Subsidiaries	Country of Incorporation	Equity Interest Held (%)		Principal Activities
		2005	2004	
KFM Transport Sdn. Bhd.	Malaysia	100	100	Transportation
KFM Marketing Sdn. Bhd.	Malaysia	95	95	Sales of premix flour and its related products
KFM Ventures Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Trading Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Technology Sdn. Bhd.	Malaysia	100	100	Dormant
KFM Industries Sdn. Bhd.	Malaysia	100	100	Dormant
KFM-Bunge Flour Mixes Sdn. Bhd.	Malaysia	60	60	Dormant

The Company has given written assurance that it will continue to provide financial support to its subsidiaries.

13. OTHER INVESTMENTS

	Group and Company	
	2005 RM	2004 RM
Unquoted shares, at cost	1,735,500	1,735,500

14. DEFERRED TAX

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
At 1 April	412,371	289,213	-	(247,000)
Recognised in income statement (Note 9)	(99,711)	123,158	-	247,000
At 31 March	312,660	412,371	-	-

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Presented after appropriate offsetting as follows:				
Deferred tax assets	312,660	412,371	-	-
Deferred tax liabilities	-	-	-	-
	312,660	412,371	-	-

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities of the Group:

	Property, Plant and Equipment RM
At 1 April 2004	-
Recognised in income statement	-
At 31 March 2005	-
At 1 April 2003	(698,000)
Recognised in income statement	698,000
At 31 March 2004	-

Deferred Tax Assets of the Group:

	Other Payables RM	Tax Losses and Unabsorbed Capital Allowances RM	Total RM
At 1 April 2004	-	412,371	412,371
Recognised in income statement	1,730	(101,441)	(99,711)
At 31 March 2005	1,730	310,930	312,660
At 1 April 2003	-	987,213	987,213
Recognised in income statement	-	(574,842)	(574,842)
At 31 March 2004	-	412,371	412,371

Deferred Tax Liabilities of the Company:

	Property, Plant and Equipment RM
At 1 April 2004	-
Recognised in income statement	-
At 31 March 2005	-
At 1 January 2003	(698,000)
Recognised in income statement	698,000
At 31 March 2004	-

Deferred Tax Assets of the Company:

	Tax Losses and Unabsorbed Capital Allowances RM
At 1 April 2004	-
Recognised in income statement	-
At 31 March 2005	-
At 1 January 2003	451,000
Recognised in income statement	(451,000)
At 31 March 2004	-

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Unused tax losses	11,749,000	6,165,000	10,442,000	5,118,000
Unabsorbed capital allowances	1,685,000	1,580,000	-	-
	13,434,000	7,745,000	10,442,000	5,118,000

The unused tax losses and unabsorbed capital allowances are available indefinitely for offset against future taxable profits of the Company and its subsidiaries in which those items arose. Deferred tax assets have not been recognised in respect of these items as they may not be used to offset taxable profits of other subsidiaries in the Group and the Company and its subsidiaries have incurred loss in the current financial year and have a recent history of losses.

15. INVENTORIES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cost				
Raw materials	8,120,576	11,145,807	8,120,576	11,145,807
Finished goods	1,823,501	1,810,587	1,236,530	1,229,014
By-products	117,781	32,958	117,781	32,958
Work-in-progress	261,748	162,657	261,748	162,657
Consumables	1,400,624	1,243,215	1,400,624	1,243,215
	11,724,230	14,395,224	11,137,259	13,813,651

16. TRADE RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade receivables	19,132,763	23,877,202	15,901,248	20,770,442
Less: Provision for doubtful debts	(2,789,343)	(1,146,894)	(2,768,305)	(1,146,894)
	16,343,420	22,730,308	13,132,943	19,623,548

The Group's normal trade credit term ranges from 14 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

As at 31 March 2005, 42% and 52% trade receivables of the Group and of the Company respectively are owed by 6 customers.

17. OTHER RECEIVABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Due from subsidiaries	-	-	6,808,470	7,789,878
Deposits	104,736	157,446	104,736	157,446
Prepayments	361,055	431,209	294,671	345,490
Tax recoverable	121,932	114,652	88,218	80,938
Other receivables	621,889	560,717	463,523	466,851
	1,209,612	1,264,024	7,759,618	8,840,603
Less: Provision for doubtful debts	(30,000)	-	(3,426,703)	(1,897,368)
	1,179,612	1,264,024	4,332,915	6,943,235

The amounts due from subsidiaries are unsecured advances, which are interest free and with no fixed terms of repayment. The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

18. MARKETABLE SECURITIES

	Group Company	
	2005 RM	2004 RM
Shares quoted in Malaysia, at cost	16,677	2,000
Market value of quoted shares	15,584	4,100

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Cash on hand and at banks	2,374,162	3,795,821	1,993,507	2,773,736
Deposits with licensed banks	626,467	4,132,057	626,467	4,132,057
Cash and bank balances	3,000,629	7,927,878	2,619,974	6,905,793
Bank overdrafts (Note 20)	(100,027)	(85,976)	-	-
Cash and cash equivalents	2,900,602	7,841,902	2,619,974	6,905,793

Deposits with licensed banks of the Group and of the Company amounting to RM626,467 (2004: RM582,057) are pledged to bank as security for bank guarantee purposes.

The weighted average effective interest rates of deposits at the balance sheet date were as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Licensed banks	3.70	2.54	3.70	2.54

The average maturity periods of deposits as at the end of the financial year were as follows:

	Group		Company	
	2005 Days	2004 Days	2005 Days	2004 Days
Licensed banks	365	30 - 90	365	30 - 90

20. BORROWINGS

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Short Term Borrowings				
Secured:				
Bank overdrafts	100,027	85,976	-	-
Bankers' acceptances	16,406,356	26,809,270	16,406,356	26,809,270
Hire purchase payables (Note 21)	338,047	327,067	301,580	265,643
	16,844,430	27,222,313	16,707,936	27,074,913
Unsecured:				
Term loans	-	900,000	-	900,000
	16,844,430	28,122,313	16,707,936	27,974,913
Long Term Borrowings				
Secured:				
Hire purchase payables (Note 21)	275,701	440,257	251,222	389,969
Unsecured:				
Term loans	-	198,682	-	198,682
	275,701	638,939	251,222	588,651
Total Borrowings				
Bank overdrafts (Note 19)	100,027	85,976	-	-
Bankers' acceptance	16,406,356	26,809,270	16,406,356	26,809,270
Term loans	-	1,098,682	-	1,098,682
Hire purchase payables (Note 21)	613,748	767,324	552,802	655,612
	17,120,131	28,761,252	16,959,158	28,563,564
Maturity of borrowings (excluding hire purchase payables):				
Within one year	16,506,383	27,795,246	16,406,356	27,709,270
More than 1 year and less than 2 years	-	198,682	-	198,682
	16,506,383	27,993,928	16,406,356	27,907,952

The weighted average effective interest rates at the balance sheet date for borrowings, excluding hire purchase payables, were as follows:

	Group		Company	
	2005 %	2004 %	2005 %	2004 %
Bank overdrafts	8.0	8.0	-	-
Bankers' acceptance	3.2	3.1	3.2	3.1
Term loans	-	8.4	-	8.4

The secured bank overdrafts and bankers' acceptances of the Group and of the Company are secured by corporate guarantee by the Company and a negative pledge on the assets of the Company.

21. HIRE PURCHASE PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Minimum payments:				
Not later than 1 year	340,645	384,236	302,070	312,681
Later than 1 year and not later than 2 years	243,285	280,933	214,485	242,358
Later than 2 years and not later than 5 years	100,716	216,955	90,524	177,823
	684,646	882,124	607,079	732,862
Less: Future finance charges	(70,898)	(114,800)	(54,277)	(77,250)
Present value of hire purchase liabilities	613,748	767,324	552,802	655,612
Present value of hire purchase liabilities:				
Not later than 1 year	338,047	327,067	301,580	265,643
Later than 1 year and not later than 2 years	225,188	258,210	202,608	221,743
Later than 2 years and not later than 5 years	50,513	182,047	48,614	168,226
	613,748	767,324	552,802	655,612
Analysed as:				
Due within 12 months (Note 20)	338,047	327,067	301,580	265,643
Due after 12 months (Note 20)	275,701	440,257	251,222	389,969
	613,748	767,324	552,802	655,612

The hire purchase liabilities bore interest at the balance sheet date at rates between 4.56% to 11.01% (2004: 12.00%) per annum.

22. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 90 days.

23. OTHER PAYABLES

	Group		Company	
	2005 RM	2004 RM	2005 RM	2004 RM
Deposits	91,265	91,265	91,265	91,265
Accruals	889,603	1,527,110	835,191	1,495,944
Other payables	778,351	368,905	747,258	168,512
	1,759,219	1,987,280	1,673,714	1,755,721

24. SHARE CAPITAL

	Number of Ordinary Shares of RM1 Each Amount		Company	
	2005	2004	2005 RM	2004 RM
Authorised	50,000,000	50,000,000	50,000,000	50,000,000
Issued and fully paid				
At 1 April	44,983,000	44,072,000	44,983,000	44,072,000
Issued during the year pursuant to ESOS	70,000	911,000	70,000	911,000
At 31 March	45,053,000	44,983,000	45,053,000	44,983,000

Employees' Share Option Scheme ("ESOS")

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

The salient features of the ESOS are as follows:

- (i) In aggregate, the maximum number of new shares which may be allotted pursuant to the exercise option granted under this scheme shall not exceed 10% of the issued and paid up shares of the Company at any point of time during the existence of this scheme.
- (ii) The option price under the ESOS shall be higher of the five 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.
- (iii) The Options granted may be exercised at any time before the expiry of the ESOS on 15 April 2006.
- (iv) 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.

The terms of share options outstanding as at the end of the financial year are as follows:

Grant Date	Expiry Date	Exercise Price RM	Number of Share Options				At 31 March '000
			At 1 April '000	Granted '000	Exercised '000	Lapsed '000	
2005							
16 April 2001	15 April 2006	1.15	147	-	(60)	(1)	86
19 Dec 2002	15 April 2006	1.15	31	-	(10)	-	21
16 July 2003	15 April 2006	1.92	1,539	-	-	(199)	1,340
			1,717	-	(70)	(200)	1,447
2004							
16 April 2001	15 April 2006	1.15	460	-	(313)	-	147
19 Dec 2002	15 April 2006	1.15	187	-	(153)	(3)	31
16 July 2003	15 April 2006	1.92	-	2,014	(445)	(30)	1,539
			647	2,014	(911)	(33)	1,717

Number of share options vested:

	2005 '000	2004 '000
At 1 April	1,717	647
At 31 March	1,447	1,717

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

Exercise Date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options '000	Considerations Received RM'000
2005				
April 2004	1.15	1.73	70	81
Less: Par value of ordinary shares				(70)
Share premium				11

Exercise Date	Exercise Price RM	Fair Value of Ordinary Shares RM	Number of Share Options '000	Considerations Received RM'000
2004				
February - May 2003	1.15	1.81 - 1.95	105	121
June - July 2003	1.15	2.09 - 2.12	203	233
August - October 2003	1.15 - 1.92	1.86 - 1.91	107	124
November - December 2003	1.15 - 1.92	2.41 - 2.60	287	515
January 2004	1.15 - 1.92	1.89	209	397
			911	1,390
Less: Par value of ordinary shares				(911)
Share premium				479

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Company	
	2005 RM	2004 RM
Sales of premix to a subsidiary, KFM Marketing Sdn. Bhd.	10,900,067	11,526,456
Purchase of premix flour from a subsidiary, KFM Marketing Sdn. Bhd.	(124,539)	(157,050)
Distribution expenses from a subsidiary, KFM Transport Sdn. Bhd.	(1,827,938)	(2,507,034)

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

26. SIGNIFICANT EVENTS

- (a) On 2 December 2002, the Company has entered into a conditional Share Sale Agreement 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:
- (i) 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
 - (ii) 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 APMI 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.

- (b) On 18 June 2004, KFM Capital Sdn. Bhd. has changed its name to KFM Trading Sdn. Bhd..

27. COMPARATIVES

The comparative figures have been audited by a firm of chartered accountants other than Ernst & Young.

28. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing debts and assets. The investments in financial assets are mainly short term in nature and have been mostly placed in fixed deposits or marketable securities.

(c) Foreign Exchange Risk

The Group operates internationally and is exposed to United States Dollars and Singapore Dollars. Foreign currency denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

(d) Liquidity Risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position.

(e) Credit Risk

Credit risks, or the risk of counterparties defaulting, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via Group management reporting procedures.

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximated their fair values except for the followings:

	Group		Company		
	Note	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial Assets					
At 31 March 2005:					
Non-current unquoted shares	13	1,735,500	*	1,735,500	*
Amount due from subsidiaries	17	-	**	6,808,470	**
Marketable securities	18	16,677	15,584	16,677	15,584
At 31 March 2004:					
Non-current unquoted shares	13	1,735,500	*	1,735,500	*
Amount due from subsidiaries	17	-	**	7,789,878	**
Marketable securities	18	2,000	4,100	2,000	4,100
Financial Liabilities					
At 31 March 2005:					
Hire purchase payables	21	613,748	609,560	552,802	542,639
At 31 March 2004:					
Term loans	20	1,098,682	1,036,492	1,098,682	1,036,492
Hire purchase payables	21	767,324	760,261	655,612	650,856

* It is not practical to estimate the fair value of the Company's and Group's noncurrent unquoted shares because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

** It is also not practical to estimate the fair values of amounts due from subsidiaries due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs.

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

- (i) Cash and Cash Equivalents, Trade and Other Receivables/Payables and Short Term Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

- (ii) Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

- (iii) Borrowings

The fair value of borrowings is estimated by discounting the expected future cash flows using the current interest rates for liabilities with similar risk profiles.

29.SEGMENTAL INFORMATION

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.



**LIST OF
PROPERTIES**

LIST OF PROPERTIES HELD BY THE GROUP AS AT 31 MARCH 2005

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	19 years and 12 years	2,091 2,959
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	13 years	84



ANALYSIS OF SHAREHOLDINGS

STATISTICS ON SHAREHOLDINGS

As at 3rd August 2004

Class of Share : Ordinary shares of RM1.00 each

Voting Right

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

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

SIZE OF HOLDINGS	***NO. OF HOLDERS***		***NO. OF SHARE***		*** % ***	
	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN	MALAYSIAN	FOREIGN
Less Than 1000	82	0	1,544	0	0.00	0.00
100 - 1000	1,753	18	1,703,300	17,800	3.78	0.04
1001 - 10000	2,686	62	10,346,196	290,800	22.96	0.65
10001- 100000	340	16	8,447,260	347,700	18.75	0.77
100001 - and below 5 %	33	6	10,824,800	5,107,000	24.03	11.34
5 % and above	0	2	0	7,966,600	0.00	0.00
Directors	0	0	0	0	0.00	0.00
*** TOTAL ***	4,894	104	31,323,100	13,729,900	69.53	30.48

THIRTY LARGEST SHAREHOLDERS

NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
1 HSBC NOMINEES (ASING) SDN BHD (COOK OVERSEAS INVESTMENTS LTD)	5,418,800	12.03
2 DB (MALAYSIA) NOMINEE (ASING) SDN BHD (DEUTSCHE BANK AG LONDON)	2,547,800	5.66
3 DB (MALAYSIA) NOMINEE (ASING) SDN BHD (DEUTSCHE BANK AG SINGAPORE PBD FOR HAWKLEE HOLDING LIMITED)	1,912,000	4.24
4 CITICORP NOMINEES (ASING) SDN BHD (CITIGROUP GM INC FOR HERITAGE INVESTMENT CORPORATION)	1,700,000	3.77
5 HDM NOMINESS (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR ONG KING KOK (M09))	1,079,800	2.40
6 MAYBAN SECURITIES NOMINESS (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR IZHAR BIN SULAIMAN (DLR 088-MARGIN))	970,000	2.15
7 CITICORP NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR IZHAR BIN SULAIMAN (473871))	880,000	1.95
8 HDM NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR MICHAEL CAMILLUS FERNANDEZ (M09))	846,600	1.88

STATISTICS ON SHAREHOLDINGS

As at 3rd August 2004

	NAME OF SHAREHOLDERS	SHAREHOLDINGS	%
9	HSBC NOMINEES (ASING) SDN BHD (BNP PARIBAS ARBITRAGE (HONG KONG) LIMITED)	687,000	1.52
10	A.A. ASSET NOMINEES (TEMPATAN) SDN BHD (EON FINANCE BERHAD FOR TAN BOON KIAT)	644,400	1.43
11	CITICORP NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR CHIAN SOON JUEE (473985))	513,200	1.14
12	HDM NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR LEE CHAI HUAT (M02))	506,000	1.12
13	A.A. ASSETS NOMINEES (ASING) SDN BHD (EON FINANCE BERHAD FOR ONG KING KOK)	464,000	1.03
14	KE-ZAN NOMINEES (ASING) SDN BHD (KIM ENG SECURITIES PTE. LTD. FOR FRIENDSHIP BRIDGE HOLDING COMPANY PRIVATE LIMITED)	403,000	0.89
15	EMPLOYEES PROVIDENT FUND BOARD	372,800	0.83
16	UOBM NOMINEES (TEMPATAN) SDN BHD (UNITED OVERSEAS BANK NOMINEES (PTE) LTD FOR QUAH SU-LING)	360,000	0.8
17	A.A. ASSET NOMINEES (TEMPATAN) SDN BHD (EON FINANCE BERHAD FOR LIM SWEE YEAN)	345,000	0.77
18	KHOO SO KIM	345,000	0.77
19	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR MICHAEL CAMILLUS FERNANDEZ (100626))	328,300	0.73
20	KENANGA NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR IDRIS BIN ABDULLAH @ DAS MURTHY)	280,000	0.62
21	MAYBAN SECURITIES NOMINEES (ASING) SDN BHD (UOB KAY HIAN PTE LTD FOR AETNA PTE LTD)	255,000	0.57
22	PANG FOOK SENG	251,600	0.56
23	RHB NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR MANIVANNAN A/L SOLAI @ SOLE)	250,000	0.55
24	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD (PLEGDE SECURITIES ACCOUNT FOR YOW PENG SENG (REM 679-MARGIN))	240,000	0.53
25	MAYBAN SECURITIES NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR WONG YOKE FOONG (REM 167-MARGIN))	229,100	0.51
26	CHIAN SOON JUEE	175,000	0.39
27	EB NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR TAN BOON KIAT (SFC))	170,100	0.38
28	TCL NOMINEES (ASING) SDN BHD (OCBC SECURITIES PRIVATE LIMITED FOR KEMI INVESTMENT INC)	150,000	0.33
29	KENANGA NOMINEES (TEMPATAN) SDN BHD (PLEGDED SECURITIES ACCOUNT FOR LIM KAI HWA)	148,000	0.33
30	YONG SOW LAN	134,800	0.3

STATISTICS ON SHAREHOLDINGS

As at 3rd August 2004

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

Name of Substantial Shareholder	No. of Shares			
	Direct Interest	%	Deemed Interest	%
HSBC NOMINEES (ASING) SDN BHD BENEFICIARY : COOK OVERSEAS INVESTMENTS LTD	5,418,800	12.03%	-	-
DB (MALAYSIA) NOMINEE (ASING) SDN BHD BENEFICIARY : DEUTSCHE BANK AG LONDON	2,547,800	5.66%	-	-

DIRECTORS' INTERESTS IN THE COMPANY AND ITS RELATED CORPORATIONS

The Company - Kuantan Flour Mills Berhad

	No. of Shares			
	Direct Interest	%	Deemed Interest	%
Idris bin Abdullah @ Das Murthy (Resigned on 5 April 2005)	901,000	1.99	-	-
Dato' Shahrudin bin Shamsudin (Resigned on 25 May 2005)	99,000	0.22	-	-
Choong Show Tong (Resigned on 27 April 2005)	1,000	-	-	-
Wu Tern Yue (Resigned on 25 May 2005)	1,000	-	-	-
Kushairi bin Zaidel (Resigned on 5 April 2005)	-	-	-	-
Dato' Abdul Halim bin Dato' Haji Abdul Rauf (Appointed on 5 April 2005)	-	-	-	-
Michael Camillus Fernandez (Appointed on 5 April 2005)	1,274,900	2.83	-	-
Mr. Ng Kay Eng (Appointed on 5 April 2005)	-	-	-	-
Dato' Krishna Kumar a/l Sivasubramaniam (Appointed on 25 May 2005)	-	-	-	-
Dr. Shanmughanathan a/l Vellanthurai (Appointed on 25 May 2005)	-	-	-	-

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.



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 Meeting to be held on Tuesday , 27 September 2005 and at any adjournment thereof . My/Our proxy is to vote as indicated below : -

RESOLUTION	FOR	AGAINST
1. Adoption of the Audited Financial Statements and the Directors' and Auditors' Reports.		
2. Election of Dato' Abdul Halim bin Haji Rauf		
3 Election of Dato' Krishna Kumar a/l Sivasubramaniam		
4. Election of Michael Camillus Fernandez		
5. Election of Ng Kay Eng		
6. Election of Shanmughanathan a/l Vellanthurai		
7. Authorise the Board of Directors to fix the Director's fees and remuneration for the financial year ending 31 March 2006		
8. Re-appointment of Messrs. Ernst & Young as the Company's Auditors		
9. Authorise the Directors to issue shares pursuant to the Company's Employees' Share Option Scheme		
10. Authorise the Directors to issue shares pursuant to Section 132D of the Companies Act, 1965		
11. Authorise the Proposed Insertion to the Article of Association of the Company		

(Please indicate with an "X" in the appropriate by againts 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 follow : -

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 , 2005

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 Company and the provision 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 appoints 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 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 , instrument appointing a proxy must be under seal or under the hand of an officer an 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 hour before time appointed for holding the meeting or at any adjournment thereof .

Affix
Stamp
Here

KUANTAN FLOUR MILLS BERHAD
Kawasan Lembaga Pelabuhan Kuantan
KM25, Jalan Kuantan/Kemaman,
Tanjung Gelang, P. O. Box 387,
25740 Kuantan,
Pahang Darul Makmur
