

**KUANTAN FLOUR MILLS BERHAD**

(Company No.: 119598-P)

Summary of Key Financial Information for the financial period ended 31 December 2010

|   | INDIVIDUAL PERIOD                              |   | CUMULATIVE PERIOD                              |  |
|---|--|---|--|--|
|   | Current Year<br>Quarter<br>31-Dec-10<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>31-Dec-09<br>RM'000 | Current Year To<br>Date<br>31-Dec-10<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>31-Dec-09<br>RM'000 |
| 1 Revenue   | 14,764   | 21,854  | 50,222   | 68,943   |
| 2 Profit/(Loss) before tax  | (1,103)  | 40  | (791)  | (4,228)  |
| 3 Profit/(Loss) for the period  | (1,103)  | 40  | (791)  | (4,228)  |
| 4 Profit/(Loss) attributable to ordinary equity holders of the parent | (1,103)  | 40  | (791)  | (4,228)  |
| 5 Earnings/(Loss) per share - basic (sen)                             | (2.45)   | 0.09  | (1.76)   | (9.38)   |
| 6 Dividends per share(sen)  | -  | -   | -  | -  |

|  | As at end of current quarter | As at preceding financial year end |
|--|------------------------------|------------------------------------|
| 7 Net tangible assets per share attributable to ordinary equity holders of the parent (RM) | 0.49                         | 0.51                               |
| Remarks:   |                              |                                    |

|                                 | INDIVIDUAL PERIOD                              |   | CUMULATIVE PERIOD                              |  |
|---------------------------------|--|---|--|--|
|                                 | Current Year<br>Quarter<br>31-Dec-10<br>RM'000 | Preceding Year<br>Corresponding<br>Quarter<br>31-Dec-09<br>RM'000 | Current Year To<br>Date<br>31-Dec-10<br>RM'000 | Preceding Year<br>Corresponding<br>Period<br>31-Dec-09<br>RM'000 |
| 1 Profit/(Loss) from operations | (959)  | 299   | (336)  | (3,362)  |
| 2 Gross interest income         | 8  | -   | 23   | -  |
| 3 Gross interest expense        | 152  | 259   | 478  | 866  |

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

Interim report on unaudited consolidated results for the financial period ended 31 December 2010

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 December 2010**

|   | Current Quarter<br>Three Month Ended |                      | Cumulative Quarter<br>Nine Month Ended |                      |
|---|--------------------------------------|----------------------|--|----------------------|
|   | 31-Dec-10<br>RM' 000                 | 31-Dec-09<br>RM' 000 | 31-Dec-10<br>RM' 000                   | 31-Dec-09<br>RM' 000 |
| Revenue   | 14,764                               | 21,854               | 50,222                                 | 68,943               |
| Cost of sales   | <u>(14,343)</u>                      | <u>(20,168)</u>      | <u>(46,468)</u>                        | <u>(67,947)</u>      |
| Gross profit  | 421                                  | 1,686                | 3,754                                  | 996                  |
| Other income  | 70                                   | 16                   | 240                                    | 54                   |
| Administrative expenses   | (699)                                | (594)                | (2,026)                                | (1,971)              |
| Selling and marketing expenses  | (505)                                | (560)                | (1,564)                                | (1,696)              |
| Depreciation  | (238)                                | (249)                | (717)                                  | (745)                |
| Finance costs   | (152)                                | (259)                | (478)                                  | (866)                |
| <b>Profit/(Loss) before tax</b>   | <u>(1,103)</u>                       | <u>40</u>            | <u>(791)</u>                           | <u>(4,228)</u>       |
| Income tax expense  | -                                    | -                    | -                                      | -                    |
| <b>Profit/(Loss) after tax<br/>representing total<br/>comprehensive income for the<br/>period</b> | <u>(1,103)</u>                       | <u>40</u>            | <u>(791)</u>                           | <u>(4,228)</u>       |
| <b>Profit/(Loss) net of tax/Total<br/>comprehensive income<br/>attributable to:</b>               |                                      |                      |  |                      |
| Owners of the parent  | (1,103)                              | 40                   | (791)                                  | (4,228)              |
| Minority interests  | -                                    | -                    | -                                      | -                    |
|   | <u>(1,103)</u>                       | <u>40</u>            | <u>(791)</u>                           | <u>(4,228)</u>       |
| <b>Earnings/(Loss) per share attributable<br/>to owners of the parent (sen)</b>                   |                                      |                      |  |                      |
| - basic   | (2.45)                               | 0.09                 | (1.76)                                 | (9.38)               |
| - diluted   | -                                    | -                    | -                                      | -                    |

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2010

|   | As at<br>31-Dec-10<br>RM' 000 | As at<br>31-Mar-10<br>RM' 000<br>(Audited) |
|---|-------------------------------|--|
| <b>ASSETS</b>   |                               |  |
| <b>Non-current assets</b>   |                               |  |
| Property, plant and equipment   | 23,963                        | 24,324                                     |
| Other investments   | 1,736                         | 1,736                                      |
|   | <u>25,699</u>                 | <u>26,060</u>                              |
| <b>Current assets</b>   |                               |  |
| Inventories   | 5,345                         | 6,107                                      |
| Trade receivables   | 8,881                         | 10,399                                     |
| Other receivables   | 456                           | 3,738                                      |
| Tax recoverable   | 23                            | 23   |
| Marketable securities   | -                             | 17   |
| Cash and bank balances  | 2,166                         | 1,672                                      |
|   | <u>16,871</u>                 | <u>21,956</u>                              |
| <b>TOTAL ASSETS</b>   | <u>42,570</u>                 | <u>48,016</u>                              |
| <b>EQUITY AND LIABILITIES</b>   |                               |  |
| <b>Equity attributable to owners of the parent</b>                      |                               |  |
| Share capital   | 45,053                        | 45,053                                     |
| Share premium   | 6,447                         | 6,447                                      |
| Accumulated losses  | (29,332)                      | (28,470)                                   |
|   | <u>22,168</u>                 | <u>23,030</u>                              |
| Minority interests  | -*                            | -*   |
| <b>Total equity</b>   | <u>22,168</u>                 | <u>23,030</u>                              |
| <b>Non-current liabilities</b>  |                               |  |
| Term loans  | 1,676                         | 3,858                                      |
| Hire purchase   | 328                           | 399  |
|   | <u>2,004</u>                  | <u>4,257</u>                               |
| <b>Current liabilities</b>  |                               |  |
| Term loans  | 3,714                         | 5,989                                      |
| Hire purchase   | 475                           | 647  |
| Trade payables  | 8,366                         | 10,624                                     |
| Other payables  | 5,843                         | 3,469                                      |
|   | <u>18,398</u>                 | <u>20,729</u>                              |
| <b>Total liabilities</b>  | <u>20,402</u>                 | <u>24,986</u>                              |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                     | <u>42,570</u>                 | <u>48,016</u>                              |
| Net assets per share attributable to ordinary owners of the parent (RM) | <u>0.49</u>                   | <u>0.51</u>                                |

\* Represents RM2

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 December 2010**

<-- Attributable to Owners of the Parent -->

|                                       | Share<br>Capital<br>RM' 000 | Non-<br>Distributable<br>Share<br>Premium<br>RM' 000 | Accumulated<br>Losses<br>RM' 000 | Total<br>RM' 000 | Minority<br>Interests<br>RM' 000 | Total<br>Equity<br>RM' 000 |
|---------------------------------------|-----------------------------|--|----------------------------------|------------------|----------------------------------|----------------------------|
| <b>Balance as at 01 April 2009</b>    | 45,053                      | 6,447  | (24,674)                         | 26,826           | -*                               | 26,826                     |
| Total comprehensive income            | -                           | -  | (4,228)                          | (4,228)          | -                                | (4,228)                    |
| <b>Balance as at 31 December 2009</b> | <u>45,053</u>               | <u>6,447</u>   | <u>(28,902)</u>                  | <u>22,598</u>    | <u>-*</u>                        | <u>22,598</u>              |
| <b>Balance as at 01 April 2010</b>    | 45,053                      | 6,447  | (28,470)                         | 23,030           | -*                               | 23,030                     |
| Effects of adopting FRS 139           | -                           | -  | (71)                             | (71)             | -                                | (71)                       |
|                                       | <u>45,053</u>               | <u>6,447</u>   | <u>(28,541)</u>                  | <u>22,959</u>    | <u>-*</u>                        | <u>22,959</u>              |
| Total comprehensive income            | -                           | -  | (791)                            | (791)            | -                                | (791)                      |
| <b>Balance as at 31 December 2010</b> | <u>45,053</u>               | <u>6,447</u>   | <u>(29,332)</u>                  | <u>22,168</u>    | <u>-*</u>                        | <u>22,168</u>              |

\* Represents RM2

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE FINANCIAL PERIOD ENDED 31 December 2010**

|  | 9 Month Ended        |                      |
|--|----------------------|----------------------|
|  | 31-Dec-10<br>RM' 000 | 31-Dec-09<br>RM' 000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |                      |                      |
| Loss before tax for the period                             | (791)                | (4,228)              |
| Adjustments for:   |                      |                      |
| Effects of adopting FRS 139                                | (71)                 | -                    |
| Depreciation   | 717                  | 745                  |
| Gain on disposal of property, plant and equipment          | (18)                 | (42)                 |
| Gain on claim of property, plant and equipment written off | (38)                 | -                    |
| Loss on disposal of marketable securities                  | 7                    | -                    |
| Provision for onerous contracts                            | -                    | (2,389)              |
| Interest expense   | 478                  | 866                  |
| Operating profit/(loss) before working capital changes     | <u>284</u>           | <u>(5,048)</u>       |
| Decrease in receivables                                    | 4,800                | 4,495                |
| Decrease in inventories                                    | 762                  | 2,784                |
| (Decrease)/Increase in payables                            | <u>(1,028)</u>       | <u>2,128</u>         |
| Cash generated from operations                             | 4,818                | 4,359                |
| Interest paid  | (478)                | (866)                |
| Income tax refund  | -                    | 23                   |
| Net cash generated from operating activities               | <u>4,340</u>         | <u>3,516</u>         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |                      |                      |
| Purchase of property, plant and equipment                  | (363)                | (703)                |
| Proceeds from disposal of property, plant and equipment    | 25                   | 98                   |
| Proceeds from disposal of marketable securities            | 10                   | -                    |
| Insurance claim  | 38                   | -                    |
| Net cash used in investing activities                      | <u>(290)</u>         | <u>(605)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |                      |                      |
| Repayment of term loans                                    | (3,312)              | (2,203)              |
| Repayment of hire purchase instalments                     | <u>(244)</u>         | <u>(584)</u>         |
| Net cash used in financing activities                      | <u>(3,556)</u>       | <u>(2,787)</u>       |
| <b>CASH AND CASH EQUIVALENTS</b>                           |                      |                      |
| Net increase   | 494                  | 124                  |
| At beginning of period                                     | <u>1,672</u>         | <u>2,138</u>         |
| At end of period   | <u>2,166</u>         | <u>2,262</u>         |

Cash and cash equivalents at the end of the financial period comprise of the following:

|                        | As at<br>31-Dec-10<br>RM' 000 | As at<br>31-Dec-09<br>RM' 000 |
|------------------------|-------------------------------|-------------------------------|
| Cash and bank balances | <u>2,166</u>                  | <u>2,262</u>                  |
|                        | <u>2,166</u>                  | <u>2,262</u>                  |

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 March 2010 and the accompanying explanatory notes attached to the interim financial statements.

**KUANTAN FLOUR MILLS BERHAD**

**(Company No. 119598-P)**

**Notes to the quarterly report on consolidated results for the financial quarter ended 31 December 2010**

**Part A - FRS 134 Requirements**

**A1 Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Group's audited financial statements for the year ended 31 March 2010. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes on the financial position and performance of the Group since the financial year ended 31 March 2010.

**A2 Changes in Accounting Policies**

The significant accounting policies adopted by the Group in this quarterly financial statements are consistent with those adopted in the financial statements for the financial year ended 31 March 2010, except for the following :-

**FRSs , Amendments to FRSs and Interpretations**

|                      |  |
|----------------------|--|
| FRS 7                | Financial Instruments: Disclosures                                       |
| FRS 8                | Operating Segments   |
| FRS 101              | Presentation of Financial Statements (Revised 2009)                      |
| FRS 123              | Borrowing Costs  |
| FRS 139              | Financial Instruments: Recognition and Measurement                       |
| Amendment to FRS 1   | First-time Adoption of Financial Reporting Standards                     |
| Amendment to FRS 7   | Financial Instruments: Disclosures                                       |
| Amendment to FRS 107 | Statement of Cash Flows  |
| Amendment to FRS 117 | Leases   |
| Amendment to FRS 118 | Revenue  |
| Amendment to FRS 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| Amendment to FRS 123 | Borrowing Costs  |
| Amendment to FRS 128 | Investments in Associates  |
| Amendment to FRS 132 | Financial Instruments: Presentation                                      |
| Amendment to FRS 134 | Interim Financial Reporting  |
| Amendment to FRS 139 | Financial Instruments: Recognition and Measurement                       |
| IC Interpretation 10 | Interim Financial Reporting and Impairment                               |

Other than the impact of FRS 139 of RM71,003, the adoption of the above FRSs, Amendments to FRSs and Interpretations do not have any significant impact on the financial statements of the Group.

**A3 Auditors' Report on Preceding Annual Financial Statements**

The audited financial statements of the Company for the preceding financial year ended 31 March 2010 was not subject to any qualification.

**A4 Comments about Seasonal or Cyclical Factors**

The businesses of the Group are generally not affected by the seasonal and cyclical factors.

**A5 Unusual Items due to their Nature, Size or Incidence**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

**A6 Changes in Estimates**

There were no changes in estimates that have any material effect on the current quarterly results.

**A7 Debt and Equity Securities**

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial year to date.

**A8 Dividend Paid**

No dividend has been declared or paid for the financial period under review.

**A9 Segmental Information**

There is no segmental reporting by the Group.

**A10 Carrying Amount of Revalued Assets**

The value of property, plant and equipment has been brought forward without amendment from the previous financial year ended 31 March 2010.

**A11 Subsequent Events**

There were no material events subsequent to the end of the current quarter.

**A12 Changes in the Composition of the Group**

There were no changes in the composition of the Group during the financial period under review.

**A13 Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets during the financial period under review.

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

**Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad**

**B1 Review of Performance**

The continuing tough competition amongst the flour millers had resulted in the Group's revenue to decline further and the imbalance increase on flour selling prices compared with raw material costs had resulted in a pre-tax loss of RM1.103 million incurred in this current quarter as compared to a marginal pre-tax profit of RM0.040 million in the previous year corresponding quarter.

**B2 Material Changes in the Quarterly Results as Compared to Results of the Preceding Quarter**

Although flour selling prices had improved marginally during this quarter, however, due to tough competition and increased in raw material costs, the Group's performance continue to decline further. As a result, the Group has recorded a pre-tax loss of RM1.103 million during this third quarter of this financial year as compared to a pre-tax profit of RM0.101 million for the preceding quarter with a turnover of RM14.764 million and RM16.845 million respectively.

**B3 Current Year Prospects**

The recent surge in global wheat prices is foreseen to remain at high level in the near future and the local flour prices will continue to be competitive. This mismatch situation had painted a bleak picture on the financial performance of the Group for the remaining period of this current financial year.

**B4 Profit Forecast**

There were no profit forecast nor profit guarantee made during the financial period under review.

**B5 Taxation**

There is no provision for taxation for this quarter as there are unused tax losses, unabsorbed capital allowances and unutilised reinvestment tax allowances available to be offset against taxable income.

**B6 Profit/(Loss) on Sales of Unquoted Investments and/or Properties**

There were no sales of properties nor unquoted investments in the current quarter under review.

**B7 Quoted Securities**

For the period under review, the Group does not hold any quoted securities.

**B8 Status of Corporate Proposals**

There were no corporate proposals for the current quarter and financial period ended 31 December 2010.

**B9 Group Borrowings and Debt Securities**

Total Group borrowings as at 31 December 2010 are as follows :-

|                           | Short Term<br>RM' 000 | Long Term<br>RM' 000 | Total<br>RM' 000 |
|---------------------------|-----------------------|----------------------|------------------|
| Bank borrowings           |                       |                      |                  |
| - Secured                 | 1,708                 | 1,676                | 3,384            |
| - Unsecured               | 2,006                 | -                    | 2,006            |
| Hire purchase liabilities | 475                   | 328                  | 803              |
|                           | 4,189                 | 2,004                | 6,193            |



**B10 Off Balance Sheet Financial Instruments**

The Group does not have any financial instruments with off balance sheet risks as at 21 February 2011, the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report.

**B11 Changes in Material Litigation**

Sidney Marketing Sdn Bhd [SM] has initiated a claim of RM1,000,000 against KFM Marketing Sdn Bhd [KFMM], (a subsidiary of Kuantan Flour Mills Berhad) for an alleged breach of purported agreement to set up a joint venture business as announced on 11 January 2008. The matter is now fixed for further Case Management on 01 March 2011.

**B12 Dividend**

No interim dividend has been declared for the financial period ended 31 December 2010.

**B13 Earnings/(Loss) Per Share**

|   | Current Quarter<br>Three Month Ended |           | Cumulative Quarter<br>Nine Month Ended |           |
|---|--------------------------------------|-----------|--|-----------|
|   | 31-Dec-10                            | 31-Dec-09 | 31-Dec-10                              | 31-Dec-09 |
| Profit/(Loss) attributable to ordinary owners of the parent (RM' 000) | (1,103)                              | 40        | (791)                                  | (4,228)   |
| Weighted average number of ordinary shares ('000)                     | 45,053                               | 45,053    | 45,053                                 | 45,053    |
| Basic earnings/(loss) per share (sen)                                 | (2.45)                               | 0.09      | (1.76)                                 | (9.38)    |

**B14 Capital Commitments**

There were no capital commitments as at end of the reporting period.

**B15 Related Party Transactions**

There were no related party transactions during the period under review.

**B16 Realised and unrealised profits/(losses) disclosure**

|  | As at end of<br>current<br>Quarter<br>31-Dec-10<br>RM'000 | As at end of<br>Preceding<br>Quarter<br>30-Sep-10<br>RM'000 |
|--|---|---|
| Total accumulated losses of the Company and subsidiaries |   |   |
| - Realised   | (29,609)  | (28,506)  |
| - Unrealised   | 277   | 277   |
|  | <u>(29,332)</u>   | <u>(28,229)</u>   |

**Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 February 2011.

By order of the Board

**KUANTAN FLOUR MILLS BERHAD**

Tan Yoke May

Company Secretary

Dated: 25 February 2011