

KUANTAN FLOUR MILLS BERHAD

(Company No.: 119598-P)

Summary of Key Financial Information for the financial period ended 30 June 2011

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30-Jun-11 RM'000	Preceding Year Corresponding Quarter 30-Jun-10 RM'000	Current Year To Date 30-Jun-11 RM'000	Preceding Year Corresponding Period 30-Jun-10 RM'000
1 Revenue	13,733	18,613	13,733	18,613
2 (Loss)/profit before tax	(1,171)	211	(1,171)	211
3 (Loss)/profit for the period	(1,171)	211	(1,171)	211
4 (Loss)/profit attributable to ordinary equity holders of the parent	(1,171)	211	(1,171)	211
5 (Loss)/earnings per share - basic (sen)	(2.60)	0.47	(2.60)	0.47
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)	0.46	0.48
Remarks:			

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30-Jun-11 RM'000	Preceding Year Corresponding Quarter 30-Jun-10 RM'000	Current Year To Date 30-Jun-11 RM'000	Preceding Year Corresponding Period 30-Jun-10 RM'000
1 (Loss)/profit from operations	(1,018)	359	(1,018)	359
2 Gross interest income	-	-	-	-
3 Gross interest expense	(153)	(148)	(153)	(148)

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

Interim report on unaudited consolidated results for the financial period ended 30 June 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Three Months Ended	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	13,733	18,613	13,733	18,613
Cost of sales	<u>(13,306)</u>	<u>(16,897)</u>	<u>(13,306)</u>	<u>(16,897)</u>
Gross profit	427	1,716	427	1,716
Other income	5	45	5	45
Administrative expenses	(717)	(654)	(717)	(654)
Selling and marketing expenses	(504)	(508)	(504)	(508)
Depreciation	(229)	(240)	(229)	(240)
Finance costs	(153)	(148)	(153)	(148)
(Loss)/profit before tax	<u>(1,171)</u>	<u>211</u>	<u>(1,171)</u>	<u>211</u>
Income tax expense	-	-	-	-
(Loss)/profit after tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
representing total				
comprehensive income for the				
period	<u>(1,171)</u>	<u>211</u>	<u>(1,171)</u>	<u>211</u>
(Loss)/profit net of tax/Total				
comprehensive income				
attributable to:				
Owners of the parent	(1,171)	211	(1,171)	211
Minority interests	-	-	-	-
	<u>(1,171)</u>	<u>211</u>	<u>(1,171)</u>	<u>211</u>
(Loss)/earnings per share attributable				
to owners of the parent (sen)				
- basic	(2.60)	0.47	(2.60)	0.47
- diluted	-	-	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2011 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 30 June 2011

	As at 30-Jun-11 RM' 000	As at 31-Mar-11 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	23,563	23,733
Other investments	1,736	1,736
	<u>25,299</u>	<u>25,469</u>
Current assets		
Inventories	8,696	8,329
Trade receivables	8,706	8,524
Other receivables	733	569
Tax recoverable	24	23
Cash and bank balances	1,750	1,648
	<u>19,909</u>	<u>19,093</u>
TOTAL ASSETS	<u><u>45,208</u></u>	<u><u>44,562</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	22,527	45,053
Share premium	-	6,447
Accumulated losses	(1,917)	(29,719)
	<u>20,610</u>	<u>21,781</u>
Minority interests	-*	-*
Total equity	<u>20,610</u>	<u>21,781</u>
Non-current liabilities		
Term loans	909	1,225
Hire purchase	258	275
	<u>1,167</u>	<u>1,500</u>
Current liabilities		
Term loans	7,136	3,575
Hire purchase	287	354
Trade payables	7,625	8,933
Other payables	8,383	8,419
	<u>23,431</u>	<u>21,281</u>
Total liabilities	24,598	22,781
TOTAL EQUITY AND LIABILITIES	<u><u>45,208</u></u>	<u><u>44,562</u></u>
Net assets per share attributable to ordinary owners of the parent (RM)	<u>0.46</u>	<u>0.48</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 2011 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 30 JUNE 2011

	<-- Attributable to Owners of the Parent -->					
	Non-Distributable Share Capital RM' 000	Share Premium RM' 000	Distributable Profit/ (Accumulated Losses) RM' 000	Total RM' 000	Minority Interests RM' 000	Total Equity RM' 000
Balance as at 01 April 2010	45,053	6,447	(28,470)	23,030	-*	23,030
Effects of adopting FRS 139	-	-	(71)	(71)	-	(71)
	45,053	6,447	(28,541)	22,959	-*	22,959
Total comprehensive income	-	-	211	211	-	211
Balance as at 30 June 2010	45,053	6,447	(28,330)	23,170	-*	23,170
Balance as at 01 April 2011	45,053	6,447	(29,719)	21,781	-*	21,781
Capital reduction	(22,526)	(6,447)	28,973	-	-	-
	22,527	-	(746)	21,781	-*	21,781
Total comprehensive income	-	-	(1,171)	(1,171)	-	(1,171)
Balance as at 30 June 2011	22,527	-	(1,917)	20,610	-*	20,610

* 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 2011 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 30 JUNE 2011

	3 Months Ended	
	30-Jun-11	30-Jun-10
	RM' 000	RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax for the period	(1,171)	211
Adjustments for:		
Effects of adopting FRS 139	-	(71)
Depreciation	229	240
Gain on claim of property, plant and equipment written off	(5)	(38)
Loss on disposal of marketable securities	-	7
Interest expense	153	148
Operating (loss)/profit before working capital changes	(794)	497
(Increase)/decrease in receivables	(346)	3,717
Increase in inventories	(367)	(131)
Decrease in payables	(1,344)	(1,951)
Cash (used in) / generated from operations	(2,851)	2,132
Interest paid	(153)	(148)
Income tax paid	(1)	-
Net cash (used in)/generated from operating activities	(3,005)	1,984
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(59)	(39)
Proceeds from disposal of marketable securities	-	10
Proceeds from insurance claim	5	38
Net cash (used in)/generated from investing activities	(54)	9
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(1,768)	(1,999)
Drawdown of term loan	5,013	-
Repayment of hire purchase instalments	(84)	(217)
Net cash generated/(used in) financing activities	3,161	(2,216)
CASH AND CASH EQUIVALENTS		
Net increase/(decrease)	102	(223)
At beginning of period	1,648	1,672
At end of period	1,750	1,449

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

	As at	As at
	30-Jun-11	30-Jun-10
	RM' 000	RM' 000
Cash and bank balances	1,750	1,449
	1,750	1,449

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 March 2011 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 30 June 2011

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 2011. 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 2011.

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 2011, except for the following FRSs, Amendments to FRSs and Interpretations that are effective for annual periods beginning on or after 1 July 2010 :

FRSs , Amendments to FRSs and Interpretations

FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (Revised)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
Amendments to FRS 132	Classification of Rights Issues
Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 Disclosures for First-time Adopters
Amendments to FRS 7	Improving Disclosures about Financial Instruments

The new FRSs, Amendments to FRSs and Interpretations above are expected to have no significant impact upon their initial application.

Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations, Amendments to FRS 138 Intangible Assets, IC Interpretation 12 Service Concession Arrangements, IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation and IC Interpretation 17 Distributions of Non-cash Assets to Owners are also effective for annual periods beginning on or after 1 July 2010. These FRSs and IC Interpretations are, however, not applicable to 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 2011 were 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 except for capital reduction which was completed on 30 June 2011 and as disclosed in note B8(a).

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 2011.

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.

A14 Significant Events

On 23 March 2011, the Company has decided to undertake a corporate exercise to raise funds for working capital purposes, details of which are included in paragraph B8 of Part B of the Notes below.

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

B1 Review of Performance

On a year-to-year basis, the Group registered a marked decline in turnover of 26% from RM18.61million in preceding year corresponding quarter to RM13.73 million for the current quarter. This was largely due to tight cash flow situation which has restricted the Group from maintaining its normal sales level. However, upon completion of the impending corporate exercise as disclosed in note B8 below, the situation should improve. The above situation also led to a poorer bottom line result with a loss before tax of RM1.17 million for the current quarter in comparison to a profit before tax of RM0.21 million for previous year corresponding period.

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

On a quarter-to-quarter basis, turnover has improved slightly with RM12.94 million from preceding quarter to RM13.73 million during the quarter under review. However, the Group has recorded a higher loss before tax of RM1.17 million as compared to a loss before tax of RM0.39 million for the previous quarter. These were mainly due to, on average, higher material cost incurred for the current quarter.

B3 Prospects

The wheat prices are expected to be more stable with the announcements from both the Russian and Indian governments allowing the export of wheat from their countries. However, cautious approaches in wheat procurement still need to be adopted as there are still some uncertainties in wheat planting conditions in countries like USA and Canada. Barring any other unforeseen circumstances, the Company is still confident of achieving better results for the 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 sale 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 (i) Status of Corporate Proposals

On 23 March 2011, the Company, Kuantan Flour Mills Berhad (KFM), had announced the following Proposal :-

- (a) Share capital reduction of KFM existing issued and paid-up share capital of RM45,053,000 comprising 45,053,000 shares of RM1.00 each in KFM via the cancellation of RM0.50 of the par value of KFM shares pursuant to Section 64 of the Companies Act, 1965 and proposed reduction of the share premium account of KFM pursuant to Section 60 and Section 64 of the Act;
 - (b) Private Placement of up to 4,505,300 new ordinary shares of RM0.50 each in KFM representing up to 10% of issued and paid-up share capital of the Company, to investors to be identified at an issue price to be determined ;
 - (c) Renounceable rights issue of new ordinary shares on the basis of one (1) Rights Share for every two (2) existing shares held together with new free detachable warrants on the basis of three (3) Warrants for every two (2) Rights Shares subscribed ;
 - (d) Increase in authorised share capital of KFM from RM50,000,000 comprising 50,000,000 of RM1.00 each to RM75,000,000 comprising 150,000,000 ordinary shares of RM0.50 each ; and
 - (e) Amendments to the Memorandum and Articles of Association of KFM to facilitate the implementation of the Capital Reduction as well as the increase in Authorised Share Capital.
- Save for item (c), all other proposals as announced have been completed.

B8 (ii) Status of Utilisation of Proceeds of Private Placement

The status of utilisation of proceeds of RM2,297,703 raised from the issuance of private placement of 4,505,300 new ordinary shares of RM0.50 each at an issued price of RM0.51 which was completed on 21 July 2011 each are as follows -

Purpose	Proposed Utilisation	Actual Utilisation	Intended Time Frame for Utilisation	Deviation		Explanations
	RM' 000	RM' 000	RM' 000	RM	%	
(i) Working capital	2,298	1,846	Within 3 months from completion of the Private Placement	-	-	-
(ii) Repayment of bridging loan		341		-	-	-
(iii) Expenses relating to the Private Placement		111		-	-	-
	2,298	2,298				

B9 Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2011 are as follows :-

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	1,641	909	2,550
- Unsecured	5,495	-	5,495
Hire purchase liabilities	287	258	545
	7,423	1,167	8,590

B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 22 August 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

- (a) 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 Case Management on 12 September 2011.
- (b) The Company has on 22 July 2011, filed a legal suit against Chan Boon Lim, Prabir Kumar Mitra, Michael Camillus Fernandez and Sidney Marketing Sdn Bhd for a sum of RM500, 000 being amount of a cheque of the Company issued on 03 August 2005 without the knowledge and authorisation of the Company by Prabir Kumar Mitra and Michael Camillus Fernandez to Sidney Marketing Sdn Bhd, in which Chan Boon Lim at the material time was also a director. The matter is now fixed for Case Management on 12 September 2011.
- (c) The Company has also on 22 July 2011, via its subsidiary company, KFM Marketing Sdn Bhd (KFMM) filed a legal suit against Sidney Marketing Sdn Bhd for a sum of RM1, 216, 002.70 being outstanding payment for goods sold and delivered. The matter is now fixed for Case Management on 12 September 2011.

B12 Dividend

No interim dividend has been declared for the financial period ended 30 June 2011.

B13 Earnings/(Loss) Per Share

	Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
(Loss)/profit attributable to ordinary owners of the parent (RM' 000)	(1,171)	211	(1,171)	211
Weighted average number of ordinary shares ('000)	45,053	45,053	45,053	45,053
Basic (loss)/earnings per share (sen)	(2.60)	0.47	(2.60)	0.47

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 current Quarter	As at end of Preceding Quarter
	30-Jun-11 RM' 000	31-Mar-11 RM' 000
Total accumulated losses of the Company and subsid		
- Realised	(2,424)	(30,241)
- Unrealised	507	522
	<u>(1,917)</u>	<u>(29,719)</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 August 2011

By order of the Board
KUANTAN FLOUR MILLS BERHAD

Tan Yoke May
Company Secretary
Dated: 26 August 2011