

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

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

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

	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
	30-Sep-11 RM' 000	30-Sep-10 RM' 000	30-Sep-11 RM' 000	30-Sep-10 RM' 000
Revenue	12,961	16,845	26,694	35,458
Cost of sales	<u>(13,327)</u>	<u>(15,228)</u>	<u>(26,633)</u>	<u>(32,125)</u>
Gross (loss)/profit	(366)	1,617	61	3,333
Other income	31	125	36	170
Administrative expenses	(836)	(673)	(1,553)	(1,327)
Selling and marketing expenses	(504)	(551)	(1,008)	(1,059)
Depreciation	(222)	(239)	(451)	(479)
Finance costs	(124)	(178)	(277)	(326)
<b>(Loss)/profit before tax</b>	<u>(2,021)</u>	<u>101</u>	<u>(3,192)</u>	<u>312</u>
Income tax expense	-	-	-	-
<b>(Loss)/profit after tax representing total comprehensive income for the period</b>	<u>(2,021)</u>	<u>101</u>	<u>(3,192)</u>	<u>312</u>
<b>(Loss)/profit net of tax/Total comprehensive income attributable to:</b>				
Owners of the parent	(2,021)	101	(3,192)	312
Minority interests	-	-	-	-
	<u>(2,021)</u>	<u>101</u>	<u>(3,192)</u>	<u>312</u>
<b>(Loss)/earnings per share attributable to owners of the parent (sen)</b>				
- basic	(4 08)	0 22	(6 44)	0 69
- 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 September 2011

	As at 30-Sep-11 RM' 000	As at 31-Mar-11 RM' 000 (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	23,366	23,733
Other investments	1,736	1,736
	<u>25,102</u>	<u>25,469</u>
<b>Current assets</b>		
Inventories	6,277	8,329
Trade receivables	8,560	8,524
Other receivables	762	569
Tax recoverable	27	23
Cash and bank balances	1,772	1,648
	<u>17,398</u>	<u>19,093</u>
<b>TOTAL ASSETS</b>	<u>42,500</u>	<u>44,562</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	24,779	45,053
Share premium	45	6,447
Rights Share Application	105	-
Accumulated losses	(3,938)	(29,719)
	<u>20,991</u>	<u>21,781</u>
Minority interests	-*	-*
<b>Total equity</b>	<u>20,991</u>	<u>21,781</u>
<b>Non-current liabilities</b>		
Term loans	882	1,225
Hire purchase	212	275
	<u>1,094</u>	<u>1,500</u>
<b>Current liabilities</b>		
Term loans	6,004	3,575
Hire purchase	256	354
Trade payables	7,422	8,933
Other payables	6,733	8,419
	<u>20,415</u>	<u>21,281</u>
<b>Total liabilities</b>	<u>21,509</u>	<u>22,781</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>42,500</u>	<u>44,562</u>
Net assets per share attributable to ordinary owners of the parent (RM)	<u>0.42</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 SEPTEMBER 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
<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)
	45,053	6,447	(28,541)	22,959	-*	22,959
Total comprehensive income	-	-	312	312	-	312
<b>Balance as at 30 September 2010</b>	<b>45,053</b>	<b>6,447</b>	<b>(28,229)</b>	<b>23,271</b>	<b>-*</b>	<b>23,271</b>
<b>Balance as at 01 April 2011</b>	45,053	6,447	(29,719)	21,781	-*	21,781
Capital reduction	(22,526)	(6,447)	28,973	-	-	-
Private Placement	2,252	45	-	2,297	-	2,297
Rights share application	105	-	-	105	-	105
	24,884	45	(746)	24,183	-*	24,183
Total comprehensive income	-	-	(3,192)	(3,192)	-	(3,192)
<b>Balance as at 30 September 2011</b>	<b>24,884</b>	<b>45</b>	<b>(3,938)</b>	<b>20,991</b>	<b>-*</b>	<b>20,991</b>

\* 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 SEPTEMBER 2011**

	6 Months Ended	
	30-Sep-11	30-Sep-10
	RM' 000	RM' 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax for the period	(3,192)	312
Adjustments for:		
Effects of adopting FRS 139	-	(71)
Depreciation	451	479
Gain on claim of property, plant and equipment written off	(20)	(38)
Loss on disposal of marketable securities	-	7
Interest income	(16)	(15)
Interest expense	277	326
Operating (loss)/profit before working capital changes	(2,500)	1,000
(Increase)/decrease in receivables	(227)	4,389
Decrease/(increase) in inventories	2,052	(2,558)
(Decrease)/increase in payables	(3,198)	548
Cash (used in) / generated from operations	(3,873)	3,379
Interest paid	(277)	(326)
Income tax paid	(4)	-
Net cash (used in)/generated from operating activities	(4,154)	3,053
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(84)	(58)
Proceeds from disposal of marketable securities	-	10
Proceeds from insurance claim	20	38
Interest income	16	15
Net cash used in investing activities	(48)	5
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loans	(2,900)	(2,899)
Drawdown of term loan	4,987	-
Repayment of hire purchase instalments	(163)	(309)
Issuance of private placement	2,297	-
Rights share applications	105	-
Net cash generated/(used in) financing activities	4,326	(3,208)
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase/(decrease)	124	(150)
At beginning of period	1,648	1,672
At end of period	1,772	1,522

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

	As at 30-Sep-11	As at 30-Sep-10
	RM' 000	RM' 000
Cash and bank balances	1,772	1,522
	1,772	1,522

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.

**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 as disclosed in note B8 of part B below.

**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 note B8 of Part B below

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

**B1 Review of Performance**

With the continuing severe competition among flour millers, turnover of the Group has remained low with RM12 961 million for the current quarter as compared to RM16 845 million for the previous year's corresponding quarter. With raw material cost increased by 20% on a year-to-year basis, the Group has registered a loss before tax of RM2 021 million as compared to a profit before tax of RM0 101 million for the previous year's corresponding quarter.

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

The Group experienced a marginal decline in turnover from RM13 733 million during the previous quarter to the existing RM12 961 million due to the continuing severe competition in the flour market. The enlarged erosion in bottom line from a loss before tax of RM1 171 million for the previous quarter to the current loss before tax of RM2 021 million is largely caused by higher raw material cost incurred.

**B3 Prospects**

Barring drastic change in whether, the global wheat production is reported to be good and hence, the wheat price trend is expected to be bearish. With this, the competition within the industry is expected to be even more severe in the coming months.

**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 Exercise**

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

- (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

The corporate exercise was fully completed on 28 October 2011 with the total acceptance of Rights Shares and Excess Rights Shares applications were as follows :-

	No of Rights Shares	No of Warrants	Percentage of total available for acceptance (%)
Total valid acceptances	10,843,133	16,264,699	43.76
Total valid excess applications	4,745,151	7,117,727	19.15
Total valid acceptances and excess applications	15,588,284	23,382,426	62.91
Total Rights Shares available for subscription	24,779,150	37,168,725	100.00
Under-subscription	(9,190,866)	(13,786,299)	(37.09)

**B8 (ii) Status of Utilisation of Proceeds of Rights Issue**

The status of utilisation of proceeds of RM7,950,025 raised from the issuance of Rights Shares of 15,588,284 new ordinary shares of RM0.50 each at an issued price of RM0.51 which was completed on 28 October 2011 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	2,504	2,504	Within 3 months from completion of the Rights issue	-	-	-
(ii) Repayment of bridging loan	4,646	4,646		-	-	-
(iii) Expenses relating to the Rights Issue with warrants	800	534		266	33.3%	Note 1
	7,950	7,684				

Note 1 - Pending receipt of invoices from the relevant parties

**B9 Group Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2011 are as follows -

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	1,237	882	2,119
- Unsecured	4,767	-	4,767
Hire purchase liabilities	256	212	468
	6,260	1,094	7,354

**B10 Off Balance Sheet Financial Instruments**

The Group does not have any financial instrument with off balance sheet risks as at 25 November 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 mediation on 09 December 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 29 November 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 15 December 2011

**B12 Dividend**

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

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

	Current Quarter Three Months Ended		Cumulative Quarter Six Months Ended	
	30-Sep-11	30-Sep-10	30-Sep-11	30-Sep-10
(Loss)/profit attributable to ordinary owners of the parent (RM' 000)	(2,021)	101	(3,192)	312
Weighted average number of ordinary shares ('000)	49,558	45,053	49,558	45,053
Basic (loss)/earnings per share (sen)	(4.08)	0.22	(6.44)	0.69



**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 30-Sep-11 RM' 000	As at end of Preceding Quarter 30-Jun-11 RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(4,425)	(2,424)
- Unrealised	487	507
	<u>(3,938)</u>	<u>(1,917)</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 29 November 2011

By order of the Board  
**KUANTAN FLOUR MILLS BERHAD**

Tan Yoke May  
Company Secretary  
Dated: 29 November 2011

**KUANTAN FLOUR MILLS BERHAD**

(Company No.: 119598-P)

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30-Sep-11 RM'000	Preceding Year Corresponding Quarter 30-Sep-10 RM'000	Current Year To Date 30-Sep-11 RM'000	Preceding Year Corresponding Period 30-Sep-10 RM'000
1 Revenue	12,961	16,845	26,694	35,458
2 (Loss)/profit before tax	(2,021)	101	(3,192)	312
3 (Loss)/profit for the period	(2,021)	101	(3,192)	312
4 (Loss)/profit attributable to ordinary equity holders of the parent	(2,021)	101	(3,192)	312
5 (Loss)/earnings per share - basic (sen)	(4.08)	0.22	(6.44)	0.69
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)	0.42	0.48
Remarks:			

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30-Sep-11 RM'000	Preceding Year Corresponding Quarter 30-Sep-10 RM'000	Current Year To Date 30-Sep-11 RM'000	Preceding Year Corresponding Period 30-Sep-10 RM'000
1 (Loss)/profit from operations	(1,913)	264	(2,931)	623
2 Gross interest income	16	15	16	15
3 Gross interest expense	(124)	(178)	(277)	(326)