

KUANTAN FLOUR MILLS BERHAD

(Company No.: 119598-P)

Summary of Key Financial Information for the financial period ended 31 December 2011

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31-Dec-11 RM'000	Preceding Year Corresponding Quarter 31-Dec-10 RM'000	Current Year To Date 31-Dec-11 RM'000	Preceding Year Corresponding Period 31-Dec-10 RM'000
1 Revenue	14,414	14,764	41,108	50,222
2 Loss before tax	(2,473)	(1,103)	(5,666)	(791)
3 Loss for the period	(2,473)	(1,103)	(5,666)	(791)
4 Loss attributable to ordinary equity holders of the parent	(2,473)	(1,103)	(5,666)	(791)
5 Loss per share - basic (sen)	(4.76)	(2.45)	(10.91)	(1.76)
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)	0.40	0.48
Remarks:			

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31-Dec-11 RM'000	Preceding Year Corresponding Quarter 31-Dec-10 RM'000	Current Year To Date 31-Dec-11 RM'000	Preceding Year Corresponding Period 31-Dec-10 RM'000
1 Loss from operations	(2,409)	(959)	(5,341)	(336)
2 Gross interest income	43	8	59	23
3 Gross interest expense	(107)	(152)	(384)	(478)

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

Interim report on unaudited consolidated results for the financial period ended 31 December 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	Current Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
	31-Dec-11 RM' 000	31-Dec-10 RM' 000	31-Dec-11 RM' 000	31-Dec-10 RM' 000
Revenue	14,414	14,764	41,108	50,222
Cost of sales	<u>(14,377)</u>	<u>(14,343)</u>	<u>(41,010)</u>	<u>(46,468)</u>
Gross profit	37	421	98	3,754
Other income				
- interest	43	8	59	23
- others	-	62	19	217
Administrative expenses	(1,657)	(699)	(3,210)	(2,026)
Selling and marketing expenses	(570)	(505)	(1,578)	(1,564)
Depreciation	(219)	(238)	(670)	(717)
Finance costs	(107)	(152)	(384)	(478)
Loss before tax	<u>(2,473)</u>	<u>(1,103)</u>	<u>(5,666)</u>	<u>(791)</u>
Income tax expense	-	-	-	-
Loss after tax representing total comprehensive income for the period	<u>(2,473)</u>	<u>(1,103)</u>	<u>(5,666)</u>	<u>(791)</u>
Loss net of tax/Total comprehensive income attributable to:				
Owners of the parent	(2,473)	(1,103)	(5,666)	(791)
Minority interests	-	-	-	-
	<u>(2,473)</u>	<u>(1,103)</u>	<u>(5,666)</u>	<u>(791)</u>
Loss per share attributable to owners of the parent (sen)				
- basic	(4.76)	(2.45)	(10.91)	(1.76)
- 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 31 December 2011

	As at 31-Dec-11 RM' 000	As at 31-Mar-11 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	23,151	23,733
Other investments	1,736	1,736
	<u>24,887</u>	<u>25,469</u>
Current assets		
Inventories	6,073	8,330
Trade receivables	10,544	8,524
Other receivables	198	569
Tax recoverable	28	23
Cash and bank balances	1,508	1,648
	<u>18,351</u>	<u>19,094</u>
TOTAL ASSETS	<u>43,238</u>	<u>44,563</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	32,573	45,053
Share premium	-	6,447
Accumulated losses	(6,411)	(29,718)
	<u>26,162</u>	<u>21,782</u>
Minority interests	-*	-*
Total equity	<u>26,162</u>	<u>21,782</u>
Non-current liabilities		
Term loans	854	1,225
Hire purchase	167	275
	<u>1,021</u>	<u>1,500</u>
Current liabilities		
Term loans	823	3,575
Hire purchase	229	354
Trade payables	7,824	8,933
Other payables	7,179	8,419
	<u>16,055</u>	<u>21,281</u>
Total liabilities	<u>17,076</u>	<u>22,781</u>
TOTAL EQUITY AND LIABILITIES	<u>43,238</u>	<u>44,563</u>
Net assets per share attributable to ordinary owners of the parent (RM)	<u>0.40</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 31 DECEMBER 2011

	<-- Attributable to Owners of the Parent -->					
	Share Capital RM' 000	Non-Distributable Share Premium RM' 000	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	-	-	(791)	(791)	-	(791)
Balance as at 31 December 2010	45,053	6,447	(29,332)	22,168	-*	22,168
Balance as at 01 April 2011	45,053	6,447	(29,718)	21,782	-*	21,782
Capital reduction	(22,526)	(6,447)	28,973	-	-	-
Issues of shares						
- private placement	2,252	45	-	2,297	-	2,297
- rights issues	7,794	156	-	7,950	-	7,950
- share issuance cost	-	(201)	-	(201)	-	(201)
	32,573	-	(745)	31,828	-*	31,828
Total comprehensive income	-	-	(5,666)	(5,666)	-	(5,666)
Balance as at 31 December 2011	32,573	-	(6,411)	26,162	-*	26,162

* 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 FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2011

	9 Months Ended	
	31-Dec-11	31-Dec-10
	RM' 000	RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax for the period	(5,666)	(791)
Adjustments for:		
Effects of adopting FRS 139	-	(71)
Depreciation	670	717
Gain on disposal of property, plant and equipment	-	(18)
Gain on claim of property, plant and equipment written off	(19)	(38)
Loss on disposal of marketable securities	-	7
Interest income	(59)	(23)
Interest expense	384	478
Operating (loss)/profit before working capital changes	(4,690)	261
(Increase)/decrease in receivables	(1,649)	4,800
Decrease in inventories	2,257	762
Decrease in payables	(2,349)	(1,028)
Cash (used in) / generated from operations	(6,431)	4,795
Interest paid	(384)	(478)
Income tax paid	(5)	-
Net cash (used in)/generated from operating activities	(6,820)	4,317
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(88)	(363)
Proceeds from disposal of property, plant and equipment	-	25
Proceeds from disposal of marketable securities	-	10
Proceeds from insurance claim	19	38
Interest income	59	23
Net cash used in investing activities	(10)	(267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(8,109)	(3,312)
Drawdown of term loan	4,987	-
Repayment of hire purchase instalments	(234)	(244)
Issuance of private placement	2,297	-
Issuance of rights share	7,950	-
Share issuance cost	(201)	-
Net cash generated/(used in) financing activities	6,690	(3,556)
CASH AND CASH EQUIVALENTS		
Net (decrease)/increase	(140)	494
At beginning of period	1,648	1,672
At end of period	1,508	2,166

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

	As at	As at
	31-Dec-11	31-Dec-10
	RM' 000	RM' 000
Cash and bank balances	1,508	2,166
	1,508	2,166

The condensed consolidated statement of cash flows 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 31 December 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 IC Interpretations that are effective for annual periods beginning on or after 1 July 2010 :

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

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, Amendments to FRSs and IC Interpretations are, however, not applicable to the Group.

Amendments to FRSs and Interpretations that are effective for annual periods beginning on or after 1 January 2011 :

IC Interpretation 18: Transfers of Assets from Customers
Amendments to FRS 7: Improving Disclosures about Financial Instruments
Amendments to FRS 1: Limited Exemptions for First-time Adopter
Amendments to FRS 1: Additional exemptions for First-time Adopter
IC Interpretation 4: Determining Whether an Arrangement contains a Lease
Improvements to FRS issued in 2010.

Improvements to FRS issued in 2010

The Improvements to FRS issued in 2010 comprise amendments to the following FRS that are effective for annual periods beginning on or after 1 January 2011:

FRS 1: First-time Adoption of Financial Reporting Standards
FRS 3: Business Combinations
FRS 7: Financial Instruments: Disclosures
FRS 101: Presentation of Financial Statements
FRS 121: The Effect of Changes in Foreign Exchange Rates
FRS 128: Investment in Associates
FRS 131: Interests in Joint Ventures
FRS 132: Financial Instruments: Presentation
FRS 134: Interim Financial Reporting
FRS 139: Financial Instruments: Recognition and Measurement
IC Interpretation 13: Customer Loyalty Programmes

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

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

FRSs , Amendments to FRSs and Interpretations		Effective for annual periods beginning on or after
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed	1 January 2012
Amendments to FRS 7	Transfers of Financial Assets	1 January 2012
Amendments to FRS 112	Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income	1 January 2012
FRS 9	Financial Instruments	1 January 2013
FRS 10	Consolidated Financial Statements	1 January 2013
FRS 11	Joint Arrangements	1 January 2013
FRS 12	Disclosure of interests in Other Entities	1 January 2013
FRS 13	Fair Value Measurement	1 January 2013
FRS 119	Employee Benefits	1 January 2013
FRS 127	Separate Financial Statements	1 January 2013
FRS 128	Investment in Associate and Joint Ventures	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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 carried out 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
(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

Turnover was consistent with a slight drop from RM14.764 million for the previous year's corresponding quarter to current quarter of RM14.414 million. Due to a slight increase in raw material cost and the net expenses incurred on the recent Rights Issue exercise for RM0.699 million, the Group had incurred a pre-tax loss of RM2.473 million for the current quarter against a loss before tax of RM1.103 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 had registered a higher revenue of RM14.414 million for the quarter as compared to the preceding quarter of RM12.961 million. The Group had suffered a higher pre-tax loss of RM2.473 million as compared to a pre-tax loss of RM2.021 million for the preceding quarter due to the net expenses incurred on the recent Rights Issue exercise amounting to RM0.699 million. However, an improved margin on flour sales on a quarter-to-quarter basis had mitigated the loss for the period.

B3 Prospects

The global wheat prices have softened slightly. Barring any unforeseen circumstances, the Group is confident of improving in the next quarter results.

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 the Company is in an adjusted business loss position and 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) Corporate Exercise

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

- 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;
- 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;
- 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;
- 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
- 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	%	
(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	800		-	0.0%	-
	7,950	7,950				

B9 Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2011 are as follows :-

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	823	854	1,677
- Unsecured	-	-	-
Hire purchase liabilities	229	167	396
	1,052	1,021	2,073

B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 28 February 2012, 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 case management on 25 April 2012.
- 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 25 April 2012.
- 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 25 April 2012.

B12 Dividend

No interim dividend has been declared for the financial period ended 31 December 2011.

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

Basic earnings per share amounts are calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issued during the period.

	Current Quarter		Cumulative Quarter	
	Three Months Ended	Three Months Ended	Nine Months Ended	Nine Months Ended
	31-Dec-11	31-Dec-10	31-Dec-11	31-Dec-10
Loss attributable to ordinary owners of the parent (RM' 000)	(2,473)	(1,103)	(5,666)	(791)
Weighted average number of ordinary shares in issue ('000)	51,913	45,053	51,913	45,053
Basic loss per share (sen)	(4.76)	(2.45)	(10.91)	(1.76)

(b) Diluted

The diluted earnings per share have not been presented as the average fair value of the shares of the Company is lower than the exercise price for the warrants attached to the Rights Issue. The effect would be anti-dilutive to the earnings per share.

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	As at end of
	current	financial year
	Quarter	ended
	31-Dec-11	31-Mar-11
	RM' 000	RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(6,748)	(30,240)
- Unrealised	337	522
	<u>(6,411)</u>	<u>(29,718)</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 28 February 2012.

By order of the Board

KUANTAN FLOUR MILLS BERHAD

Tan Yoke May

Company Secretary

Dated: 28 February 2012.