

KUANTAN FLOUR MILLS BERHAD

(Company No.: 119598-P)

Summary of Key Financial Information for the financial period ended 31 March 2012

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31-Mar-12 RM'000	Preceding Year Corresponding Quarter 31-Mar-11 RM'000	Current Year To Date 31-Mar-12 RM'000	Preceding Year Corresponding Period 31-Mar-11 RM'000
1 Revenue	12,690	12,938	53,798	63,160
2 Loss before tax	(2,210)	(385)	(7,876)	(1,177)
3 Loss for the period	(2,210)	(385)	(7,876)	(1,177)
4 Loss attributable to ordinary equity holders of the parent	(2,210)	(385)	(7,876)	(1,177)
5 Loss per share - basic (sen)	(4.02)	(0.85)	(14.33)	(2.61)
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)	0.37	0.48
Remarks:		

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31-Mar-12 RM'000	Preceding Year Corresponding Quarter 31-Mar-11 RM'000	Current Year To Date 31-Mar-12 RM'000	Preceding Year Corresponding Period 31-Mar-11 RM'000
1 Loss from operations	(2,186)	(289)	(7,526)	(625)
2 Gross interest income	9	25	67	48
3 Gross interest expense	(33)	(121)	(417)	(600)

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

Interim report on unaudited consolidated results for the financial period ended 31 March 2012

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	Current Quarter Three Months Ended		Cumulative Quarter Twelve Months Ended	
	31-Mar-12 RM' 000	31-Mar-11 RM' 000	31-Mar-12 RM' 000	31-Mar-11 RM' 000
Revenue	12,690	12,938	53,798	63,160
Cost of sales	<u>(12,228)</u>	<u>(12,096)</u>	<u>(53,238)</u>	<u>(58,564)</u>
Gross profit	462	842	560	4,596
Other income				
- interest	9	25	67	48
- others	51	384	71	601
Administrative expenses	(737)	(821)	(3,947)	(2,847)
Selling and marketing expenses	(511)	(459)	(2,089)	(2,023)
Depreciation	(1,451)	(235)	(2,121)	(952)
Finance costs	(33)	(121)	(417)	(600)
Loss before tax	<u>(2,210)</u>	<u>(385)</u>	<u>(7,876)</u>	<u>(1,177)</u>
Income tax expense	-	-	-	-
Loss after tax representing total comprehensive income for the period	<u>(2,210)</u>	<u>(385)</u>	<u>(7,876)</u>	<u>(1,177)</u>
Loss net of tax/Total comprehensive income attributable to:				
Owners of the parent	(2,210)	(385)	(7,876)	(1,177)
Minority interests	1	-	1	-
	<u>(2,209)</u>	<u>(385)</u>	<u>(7,875)</u>	<u>(1,177)</u>
Loss per share attributable to owners of the parent (sen)				
- basic	(4.02)	(0.85)	(14.33)	(2.61)
- 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 March 2012

	As at 31-Mar-12 RM' 000	As at 31-Mar-11 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	21,721	23,733
Other investments	1,736	1,736
	<u>23,457</u>	<u>25,469</u>
Current assets		
Inventories	7,509	8,330
Trade receivables	8,324	8,871
Other receivables	339	222
Tax recoverable	28	23
Cash and bank balances	2,150	1,648
	<u>18,350</u>	<u>19,094</u>
TOTAL ASSETS	<u>41,807</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	(8,621)	(29,718)
	<u>23,952</u>	<u>21,782</u>
Minority interests	5	-
Total equity	<u>23,957</u>	<u>21,782</u>
Non-current liabilities		
Term loans	826	1,225
Hire purchase	124	275
	<u>950</u>	<u>1,500</u>
Current liabilities		
Term loans	399	3,575
Hire purchase	213	354
Trade payables	7,737	8,933
Other payables	8,551	8,419
	<u>16,900</u>	<u>21,281</u>
Total liabilities	<u>17,850</u>	<u>22,781</u>
TOTAL EQUITY AND LIABILITIES	<u>41,807</u>	<u>44,563</u>
Net assets per share attributable to ordinary owners of the parent (RM)	<u>0.37</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 MARCH 2012**

	← Attributable to Owners of the Parent →					
	Share Capital RM' 000	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	-	-	(1,177)	(1,177)	- *	(1,177)
Balance as at 31 March 2011	45,053	6,447	(29,718)	21,782	- *	21,782
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)
Subscription of shares by MI in subsidiary	-	-	-	-	5	5
MI share of retained earnings in subsidiary	-	-	-	-	(1)	(1)
	32,573	-	(745)	31,828	4	31,832
Total comprehensive income	-	-	(7,876)	(7,876)	1	(7,875)
Balance as at 31 March 2012	32,573	-	(8,621)	23,952	5	23,957

* 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. 119595-P)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	12 Months Ended	
	31-Mar-12 RM' 000	31-Mar-11 RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax for the period	(7,876)	(1,177)
Adjustments for:		
Depreciation	2,121	952
Impairment loss on trade receivables	-	1
Gain on disposal of property, plant and equipment	-	(23)
Gain on claim of property, plant and equipment written off	(19)	-
Loss on disposal of marketable securities	-	7
Reversal of impairment loss on trade receivables	(52)	(77)
Bad debts recovered	-	(19)
Write down of inventories	-	4
Unrealised foreign exchange loss/(gain)	10	(245)
Short term accumulating compensated absences	16	-
Interest income	(48)	(19)
Interest income from receivables	(20)	(29)
Interest expense	417	600
Operating loss before working capital changes	(5,451)	(25)
Decrease in receivables	482	5,066
Decrease/(Increase) in inventories	821	(2,226)
(Decrease)/Increase in payables	(1,090)	3,504
Cash (used in) / generated from operations	(5,238)	6,319
Interest paid	(417)	(600)
Income tax paid	(5)	-
Net cash (used in)/generated from operating activities	(5,660)	5,719
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(109)	(149)
Proceeds from disposal of property, plant and equipment	-	38
Proceeds from disposal of marketable securities	-	10
Proceeds from insurance claim	19	-
Interest income	68	48
Net cash used in investing activities	(22)	(53)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(8,561)	(5,046)
Drawdown of term loan	4,987	-
Repayment of hire purchase instalments	(293)	(644)
Subscription of shares by MI in subsidiary	5	-
Issuance of private placement	2,297	-
Issuance of rights share	7,950	-
Share issuance cost	(201)	-
Net cash generated/(used in) financing activities	6,184	(5,690)
CASH AND CASH EQUIVALENTS		
Net increase/(decrease)	502	(24)
At beginning of period	1,648	1,672
At end of period	2,150	1,648

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

	As at 31-Mar-12 RM' 000	As at 31-Mar-11 RM' 000
Cash and bank balances	2,150	1,648
	<u>2,150</u>	<u>1,648</u>

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 31 March 2012

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 IC 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 have no significant impact upon their initial application.

Malaysian Financial Reporting Standards

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer.

The Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 March 2013. In presenting its first MFRS financial statements, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained profits.

The Group has established a project team to plan and manage the adoption of the MFRS Framework.

At the date of these financial statements, the Group has not completed its assessment of the financial effects of the differences between Financial Reporting Standards and accounting standards under the MFRS Framework.

The Group considers that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 March 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

Although sales volume for the quarter has improved, the revenue has dropped to RM12.690 million as compared to RM12.938 million in the previous year's corresponding quarter as a result of a lower net selling price. This has resulted in the Group incurring a higher loss of RM2.21 million, compared to a loss of RM0.385 million in the previous year's corresponding quarter. On a year to date basis, there was a huge decline in revenue from RM63.160 million to RM53.798 million as a result of the stiff competition. On the overall, the Group incurred a loss before tax of RM7.876 million for the current financial year as compared to RM1.177 million in the previous year. This was mainly due to a higher average raw material cost, an increase in depreciation of approximately RM1.2 million and also the cost incurred for the right issue exercise.

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

The Group has registered a lower revenue of RM12.690 million as compared to RM14.414 million of the preceding quarter as a result of the stiff competition and slightly lower average selling price. Despite recording lower revenue coupled with an increase in the depreciation of RM1.2 million, the Group incurred a lower loss before tax of RM2.21 million as compared to RM2.473 million in the preceding quarter as a result of a lower raw material cost in the current quarter.

B3 Prospects

The raw material wheat, ocean freight, and the currency exchange rates are still volatile. The Group foresee another challenging and tough year ahead.

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 :-

- (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)

B5 (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 March 2012 are as follows :-

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	399	826	1,225
- Unsecured	-	-	-
Hire purchase liabilities	213	124	337
	612	950	1,562

B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 28 May 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 Mediation on 14 June 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 Mediation on 14 June 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 Mediation on 14 June 2012.

B12 Dividend

No interim dividend has been declared for the financial period ended 31 March 2012.

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 Three Months Ended		Cumulative Quarter Twelve Months Ended	
	31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11
Loss attributable to ordinary owners of the parent (RM' 000)	(2,210)	(385)	(7,876)	(1,177)
Weighted average number of ordinary shares in issue ('000)	54,950	45,053	54,950	45,053
Basic loss per share (sen)	(4.02)	(0.85)	(14.33)	(2.61)

(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 current Quarter 31-Mar-12	As at end of financial year ended 31-Mar-11
	RM' 000	RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(9,088)	(30,240)
- Unrealised	467	522
	<u>(8,621)</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 30 May 2012.

By order of the Board

KUANTAN FLOUR MILLS BERHAD

Tan Yoke May

Company Secretary

Dated: 30 May 2012