

KUANTAN FLOUR MILLS BERHAD

(Company No.: 119598-P)

Summary of Key Financial Information for the financial period ended 30 June 2012

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30-Jun-12 RM'000	Preceding Year Corresponding Quarter 30-Jun-11 RM'000	Current Year To Date 30-Jun-12 RM'000	Preceding Year Corresponding Period 30-Jun-11 RM'000
1 Revenue	12,273	13,733	12,273	13,733
2 Loss before tax	(1,043)	(1,171)	(1,043)	(1,171)
3 Loss for the period	(1,043)	(1,171)	(1,043)	(1,171)
4 Loss attributable to ordinary equity holders of the parent	(1,042)	(1,171)	(1,042)	(1,171)
5 Loss per share - basic (sen)	(1.60)	(2.60)	(1.60)	(2.60)
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)	0.35	0.37
Remarks:			

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 30-Jun-12 RM'000	Preceding Year Corresponding Quarter 30-Jun-11 RM'000	Current Year To Date 30-Jun-12 RM'000	Preceding Year Corresponding Period 30-Jun-11 RM'000
1 Loss from operations	(1,020)	(1,018)	(1,020)	(1,018)
2 Gross interest income	-	-	-	-
3 Gross interest expense	(23)	(153)	(23)	(153)

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

Interim report on unaudited consolidated results for the financial period ended 30 June 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012

	Current Quarter Three Months Ended		Cumulative Quarter Three Months Ended	
	30-Jun-12 RM' 000	30-Jun-11 RM' 000	30-Jun-12 RM' 000	30-Jun-11 RM' 000
Revenue	12,273	13,733	12,273	13,733
Cost of sales	<u>(11,672)</u>	<u>(13,306)</u>	<u>(11,672)</u>	<u>(13,306)</u>
Gross profit	601	427	601	427
Other income				
- interest	-	-	-	-
- others	-	5	-	5
Administrative expenses	(744)	(717)	(744)	(717)
Selling and marketing expenses	(490)	(504)	(490)	(504)
Depreciation	(387)	(229)	(387)	(229)
Finance costs	(23)	(153)	(23)	(153)
Loss before tax	<u>(1,043)</u>	<u>(1,171)</u>	<u>(1,043)</u>	<u>(1,171)</u>
Income tax expense	-	-	-	-
Loss after tax representing total comprehensive loss for the period	<u><u>(1,043)</u></u>	<u><u>(1,171)</u></u>	<u><u>(1,043)</u></u>	<u><u>(1,171)</u></u>
Loss net of tax/Total comprehensive loss attributable to:				
Owners of the parent	(1,042)	(1,171)	(1,042)	(1,171)
Minority interests	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u><u>(1,043)</u></u>	<u><u>(1,171)</u></u>	<u><u>(1,043)</u></u>	<u><u>(1,171)</u></u>
Loss per share attributable to owners of the parent (sen)				
- basic	(1.60)	(2.60)	(1.60)	(2.60)
- diluted	-	-	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2012 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 2012

	As at 30-Jun-12 RM' 000	As at 31-Mar-12 RM' 000 (Audited)	As at 1-Apr-11 RM' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	21,356	21,721	23,732
Other investments	1,736	1,736	1,736
Trade receivables	162	193	245
	<u>23,254</u>	<u>23,650</u>	<u>25,713</u>
Current assets			
Inventories	4,989	7,509	8,330
Trade receivables	8,301	8,222	8,626
Other receivables	358	251	222
Tax recoverable	29	28	23
Cash and bank balances	1,350	2,150	1,648
	<u>15,027</u>	<u>18,160</u>	<u>18,849</u>
TOTAL ASSETS	<u><u>38,281</u></u>	<u><u>41,810</u></u>	<u><u>44,562</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	32,573	32,573	45,053
Share premium	-	-	6,447
Accumulated losses	(9,664)	(8,621)	(29,719)
	<u>22,909</u>	<u>23,952</u>	<u>21,781</u>
Minority interests	(4)	5	-*
Total equity	<u>22,905</u>	<u>23,957</u>	<u>21,781</u>
Non-current liabilities			
Term loans	797	826	1,225
Hire purchase	95	127	275
	<u>892</u>	<u>953</u>	<u>1,500</u>
Current liabilities			
Term loans	112	399	3,575
Hire purchase	189	213	354
Trade payables	7,407	7,737	8,933
Other payables	6,776	8,551	8,419
	<u>14,484</u>	<u>16,900</u>	<u>21,281</u>
Total liabilities	<u>15,376</u>	<u>17,853</u>	<u>22,781</u>
TOTAL EQUITY AND LIABILITIES	<u><u>38,281</u></u>	<u><u>41,810</u></u>	<u><u>44,562</u></u>
Net assets per share attributable to ordinary owners of the parent (RM)	<u>0.35</u>	<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 2012 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 2012**

	<-- Attributable to Owners of the Parent -->					
	Non-Distributable					
	Share Capital RM' 000	Share Premium RM' 000	Accumulated Losses RM' 000	Total RM' 000	Minority Interests RM' 000	Total Equity RM' 000
Opening balance as at 01 April 2011	45,053	6,447	(29,719)	21,781	- *	21,781
Total comprehensive loss	-	-	(1,171)	(1,171)	- *	(1,171)
	45,053	6,447	(30,890)	20,610	- *	20,610
Capital reduction	(22,526)	(6,447)	28,973	-	- *	-
Closing balance as at 30 June 2011	<u>22,527</u>	<u>-</u>	<u>(1,917)</u>	<u>20,610</u>	<u>- *</u>	<u>20,610</u>
Opening balance as at 01 April 2012	32,573	-	(8,621)	23,952	5	23,957
Total comprehensive loss	-	-	(1,043)	(1,043)	-	(1,043)
	32,573	-	(9,664)	22,909	5	22,914
MI share of accumulated loss in subsidiary	-	-	-	-	(9)	(9)
Closing balance as at 30 June 2012	<u>32,573</u>	<u>-</u>	<u>(9,664)</u>	<u>22,909</u>	<u>(4)</u>	<u>22,905</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 2012 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 2012**

	3 Months Ended	
	30-Jun-12 RM' 000	30-Jun-11 RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax for the period	(1,043)	(1,171)
Adjustments for:		
Depreciation	387	229
Impairment of goodwill	9	-
Gain on disposal of property, plant and equipment	-	(5)
Interest expense	23	153
Operating loss before working capital changes	<u>(624)</u>	<u>(794)</u>
Increase in receivables	(155)	(346)
Decrease/(Increase) in inventories	2,521	(367)
Decrease in payables	<u>(2,124)</u>	<u>(1,344)</u>
Cash used in operations	(382)	(2,851)
Interest paid	(23)	(153)
Income tax paid	(1)	(1)
Net cash used in operating activities	<u>(406)</u>	<u>(3,005)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22)	(59)
Proceeds from insurance claim	-	5
Net cash used in investing activities	<u>(22)</u>	<u>(54)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(316)	(1,768)
Drawdown of term loan	-	5,013
Repayment of hire purchase instalments	<u>(56)</u>	<u>(84)</u>
Net cash (used in)/ generated from financing activities	<u>(372)</u>	<u>3,161</u>
CASH AND CASH EQUIVALENTS		
Net (decrease) / increase	(800)	102
At beginning of period	<u>2,150</u>	<u>1,648</u>
At end of period	<u><u>1,350</u></u>	<u><u>1,750</u></u>

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

	As at 30-Jun-12 RM' 000	As at 30-Jun-11 RM' 000
Cash and bank balances	<u>1,350</u>	<u>1,750</u>
	<u><u>1,350</u></u>	<u><u>1,750</u></u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 March 2012 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 2012

Part A - FRS 134 Requirements

A1 Basis of Preparation

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards for the first time in these condensed interim financial statements. The Group has elected 1 April 2011 being the beginning date of the immediate preceding financial period as the date of transition to MFRS accordingly

The interim financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The interim financial statements are unaudited and have been prepared in accordance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market 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 2012. 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 2012

The interim financial report for the first quarter ended 31 March 2013 is the first set of interim report prepared in accordance with MFRSs, including MFRS 1 "First-time adoption of MFRS"

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 2012. The adoption of the MFRS framework did not have any material 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 2012 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

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 Assets

The value of property, plant and equipment has been brought forward without amendment from the previous financial year ended 31 March 2012.

A11 Capital Commitments

The Group has an approved and contracted agreement to purchase property, plant and equipment amounting to RM101, 099.

A12 Related Party Transactions

There were no related party transactions during the period under review

A13 Material Subsequent Events

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

A14 Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial period under review except with the acquisition of a newly owned 51% subsidiary, Dal Mar Trading & Services Sdn Bhd as announced on 16 April 2012

A15 Changes in Contingent Liabilities or Contingent Assets

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

A16 Loss before tax

Included in loss before tax are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	
	30-Jun-12	30-Jun-11	30-Jun-12	30-Jun-11
	RM' 000	RM' 000	RM' 000	RM' 000
Interest expense	23	153	23	153
Depreciation of property, plant and equipment	387	229	387	229
Impairment of goodwill	9	-	9	-
Loss on exchange [realised]	1	11	1	11

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(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 revenue has declined from RM13.733 million for previous financial year's corresponding quarter to current quarter of RM12.273 million. This is mainly due to the continuing general reduction in the nett selling price of flour products. Despite the above factor, the Group has incurred a lower loss before tax of RM1.043 million during the quarter as compared to a loss before tax of RM1.171 million for previous financial year's corresponding quarter. This is attributed to the lower average raw material costs incurred for the quarter.

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

Eventhough sales volume has improved to some extent, the lower average nett selling price of flour has dented the revenue figure from RM12.690 million for preceding quarter to current quarter of RM12.273 million. However, the Group managed to narrow down its loss before tax for the current quarter to RM1.043 million against a loss before tax of RM2.210 million for preceding quarter due to lower average raw material cost procured. The results for the preceding quarter were also to a great extent attributed to the increase in depreciation amount charged from the yearly impairment test on plant & machinery for RM1.200 million.

B3 Prospects

The global wheat prices are on the upward trend as a result of the drought situation in USA coupled with the anticipated lower wheat production in Russia. Thus, the prospect is rather uncertain at this point in time unless there is an increase in the domestic selling price of flour other than the General Purpose flour which is a controlled price item.

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 Corporate Exercise

There were no corporate proposals for the current quarter and financial period ended 30 June 2012.

B9 Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2012 are as follow:-

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	112	797	909
- Unsecured	-	-	-
Hire purchase liabilities	189	95	284
	301	892	1,193

B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 27 August 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

- (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 Court has fixed the matter for Case Management on 18 September 2012. The trial dates for this matter has been fixed on 5 to 7 November 2012.

- (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 Court has fixed the matter for Case Management on 3 September 2012 for parties to inform the Court if the matter can be settled. The trial dates for this matter has also been fixed on 27 and 28 September 2012.
- (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 Court has fixed the matter for Case Management on 3 September 2012 for parties to inform the Court if the matter can be settled. The trial dates for this matter has also been fixed on 2 and 3 October 2012.

B12 Dividend

No interim dividend has been declared for the financial period ended 30 June 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		Cumulative Quarter	
	Three Months Ended 30-Jun-12	30-Jun-11	Three Months Ended 30-Jun-12	30-Jun-11
Loss attributable to ordinary owners of the parent (RM' 000)	(1,042)	(1,171)	(1,042)	(1,171)
Weighted average number of ordinary shares in issue ('000)	65,146	45,053	65,146	45,053
Basic loss per share (sen)	(1.60)	(2.60)	(1.60)	(2.60)

(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 Supplementary Information of the Breakdown of Realised and Unrealised Profits or Losses

	As at end of current Quarter	As at end of financial year ended
	30-Jun-12 RM' 000	31-Mar-12 RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(6,866)	(5,938)
- Unrealised	461	467
- Consolidated adjustment	(3,259)	(3,150)
	<u>(9,664)</u>	<u>(8,621)</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 27 August 2012

By order of the Board
KUANTAN FLOUR MILLS BERHAD

Tan Yoke May
Company Secretary
Dated: 29-Aug-12