

KUANTAN FLOUR MILLS BERHAD

(Company No.: 119598-P)

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

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31-Dec-12 RM'000	Preceding Year Corresponding Quarter 31-Dec-11 RM'000	Current Year To Date 31-Dec-12 RM'000	Preceding Year Corresponding Period 31-Dec-11 RM'000
1 Revenue	12,502	14,414	37,198	41,108
2 Loss before tax	(1,130)	(2,473)	(3,356)	(5,666)
3 Loss for the period	(1,130)	(2,473)	(3,356)	(5,666)
4 Loss attributable to ordinary equity holders of the parent	(1,129)	(2,473)	(3,355)	(5,666)
5 Loss per share - basic (sen)	(1.73)	(4.76)	(5.15)	(10.91)
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)	0.32	0.37
Remarks:		

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter 31-Dec-12 RM'000	Preceding Year Corresponding Quarter 31-Dec-11 RM'000	Current Year To Date 31-Dec-12 RM'000	Preceding Year Corresponding Period 31-Dec-11 RM'000
1 Loss from operations	(996)	(2,409)	(3,188)	(5,341)
2 Gross interest income	3	43	12	59
3 Gross interest expense	(137)	(107)	(180)	(384)

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

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

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

	Current Quarter Three Months Ended		Cumulative Quarter Nine Months Ended	
	31-Dec-12 RM' 000	31-Dec-11 RM' 000	31-Dec-12 RM' 000	31-Dec-11 RM' 000
Revenue	12,502	14,414	37,198	41,108
Cost of sales	<u>(11,858)</u>	<u>(14,377)</u>	<u>(35,403)</u>	<u>(41,010)</u>
Gross profit	644	37	1,795	98
Other income				
- interest	3	43	12	59
- others	1	-	1	19
Administrative expenses	(805)	(1,657)	(2,395)	(3,210)
Selling and marketing expenses	(436)	(570)	(1,382)	(1,578)
Depreciation	(400)	(219)	(1,207)	(670)
Finance costs	(137)	(107)	(180)	(384)
Loss before tax	<u>(1,130)</u>	<u>(2,473)</u>	<u>(3,356)</u>	<u>(5,666)</u>
Income tax expense	-	-	-	-
Loss after tax representing total comprehensive loss for the period	<u>(1,130)</u>	<u>(2,473)</u>	<u>(3,356)</u>	<u>(5,666)</u>
Loss net of tax/Total comprehensive loss attributable to:				
Owners of the parent	(1,129)	(2,473)	(3,355)	(5,666)
Minority interests	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
	<u>(1,130)</u>	<u>(2,473)</u>	<u>(3,356)</u>	<u>(5,666)</u>
Loss per share attributable to owners of the parent (sen)				
- basic	(1.73)	(4.76)	(5.15)	(10.91)
- 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 31 December 2012

	As at 31-Dec-12 RM' 000	As at 31-Mar-12 RM' 000 (Audited)	As at 01-Apr-11 RM' 000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	20,784	21,721	23,732
Other investments	1,736	1,736	1,736
Trade receivables	87	193	245
	<u>22,607</u>	<u>23,650</u>	<u>25,713</u>
Current assets			
Inventories	3,356	7,509	8,330
Trade receivables	9,070	8,222	8,626
Other receivables	80	251	222
Tax recoverable	-	28	23
Cash and bank balances	1,249	2,150	1,648
	<u>13,755</u>	<u>18,160</u>	<u>18,849</u>
TOTAL ASSETS	<u><u>36,362</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	(11,976)	(8,621)	(29,719)
	<u>20,597</u>	<u>23,952</u>	<u>21,781</u>
Minority interests	(6)	5	-*
Total equity	<u><u>20,591</u></u>	<u><u>23,957</u></u>	<u><u>21,781</u></u>
Non-current liabilities			
Term loans	738	826	1,225
Hire purchase	255	127	275
	<u>993</u>	<u>953</u>	<u>1,500</u>
Current liabilities			
Term loans	116	399	3,575
Hire purchase	203	213	354
Trade payables	7,375	7,737	8,933
Other payables	7,084	8,551	8,419
	<u>14,778</u>	<u>16,900</u>	<u>21,281</u>
Total liabilities	<u>15,771</u>	<u>17,853</u>	<u>22,781</u>
TOTAL EQUITY AND LIABILITIES	<u><u>36,362</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>0.32</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 31 DECEMBER 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
Opening balance as at 01 April 2011	45,053	6,447	(29,719)	21,781	- *	21,781
Total comprehensive loss	-	-	(5,666)	(5,666)	-	(5,666)
	<u>45,053</u>	<u>6,447</u>	<u>(35,385)</u>	<u>16,115</u>	<u>- *</u>	<u>16,115</u>
Capital reduction	(22,526)	(6,447)	28,973	-	-	-
Issues of shares						
- private placement	2,252	45	-	2,297	-	2,297
- rights issue	7,794	156	-	7,950	-	7,950
- shares issuance cost	-	(201)	-	(201)	-	(201)
Closing balance as at 31 December 2011	<u>32,573</u>	<u>-</u>	<u>(6,412)</u>	<u>26,161</u>	<u>- *</u>	<u>26,161</u>
Opening balance as at 01 April 2012	32,573	-	(8,621)	23,952	5	23,957
Total comprehensive loss	-	-	(3,355)	(3,355)	(1)	(3,356)
	<u>32,573</u>	<u>-</u>	<u>(11,976)</u>	<u>20,597</u>	<u>4</u>	<u>20,601</u>
MI share of accumulated loss in subsidiary	-	-	-	-	(10)	(10)
Closing balance as at 31 December 2012	<u>32,573</u>	<u>-</u>	<u>(11,976)</u>	<u>20,597</u>	<u>(6)</u>	<u>20,591</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 31 DECEMBER 2012

	Nine Months Ended	
	31-Dec-12 RM' 000	31-Dec-11 RM' 000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax for the period	(3,356)	(5,666)
Adjustments for:		
Depreciation	1,207	670
Impairment of goodwill	9	-
Loss/(Gain) on disposal of property, plant and equipment	62	(20)
Bad debts recovered	(1)	-
Interest income	(12)	(59)
Interest expense	180	384
Operating cash flows before working capital changes	(1,911)	(4,691)
Increase in receivables	(571)	(1,649)
Decrease in inventories	4,153	2,257
Decrease in payables	(1,845)	(2,349)
Cash flows from operations	(174)	(6,432)
Interest paid	(180)	(384)
Income tax refund/(paid)	28	(5)
Net cash flows from/(used in) operating activities	(326)	(6,821)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(65)	(88)
Proceeds from disposal of property, plant and equipment	34	-
Proceeds from insurance claim	-	20
Interest income	12	59
Net cash flows from/(used in) investing activities	(19)	(9)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(371)	(8,109)
Drawdown of term loan	-	4,987
Repayment of obligations under financing leases	(185)	(234)
Issuance of private placement	-	2,297
Issuance of rights share	-	7,950
Share issuance cost	-	(201)
Net cash flows (used in)/from financing activities	(556)	6,690
CASH AND CASH EQUIVALENTS		
Net increase/(decrease)	(901)	(140)
At beginning of period	2,150	1,648
At end of period	1,249	1,508

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

	As at 31-Dec-12 RM' 000	As at 31-Dec-11 RM' 000
Cash and bank balances	1,249	1,508
	<u>1,249</u>	<u>1,508</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 31 December 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 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 does 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 amount to RM106,000.

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.

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	
	Three months ended		Nine months ended	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
	RM' 000	RM' 000	RM' 000	RM' 000
Interest income	3	43	12	59
Interest expense	137	107	180	384
Depreciation of property, plant and equipment	400	219	1,207	670
Impairment of goodwill	-	-	9	-
Loss on exchange [realised]	1	-	2	11

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

The Group has recorded a pre-tax loss of RM1.130 million against a revenue of RM12.502 million during the current quarter in comparison to a pre-tax loss of RM2.473 million against a revenue of RM14.414 million for the previous financial year's corresponding period. Although revenue has dropped during the period as a result of market competition, a lower loss before tax was recorded due to more favourable raw material cost procured. Further, the one-off net corporate expenses incurred on the Rights Issue exercise during the previous financial year's corresponding period amounting to RM0.699 million was also a factor to the higher pre-tax loss for that corresponding period.

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

Sales volume has declined marginally during the current quarter. However, revenue has increased from RM12.423 million for the preceding quarter to the current quarter of RM12.502 million as a result of improved flour market selling prices. As such, the Group has incurred a lower pre-tax loss of RM1.130 million for the current quarter as compared to RM1.182 million pre-tax loss during the preceding quarter.

B3 Prospects

The global wheat prices are expected to remain high. Thus, the average selling price of flour is expected to increase in order to cushion the increase in raw material cost. The Group shall do its best endeavours to ensure a better result is achieved for this 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 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

Apart from the disposal of motor vehicles amounting to RM33,500 there were no sales of other properties nor unquoted investments in the 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 31 December 2012.

B9 Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2012 are as follows :-

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	116	738	854
- Unsecured	-	-	-
Hire purchase liabilities	203	255	458
	319	993	1,312

B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 27 February 2013, 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 mediation on 22 March 2013 and case management on 01 April 2013. The trial dates for this matter has been fixed on 17 May 2013 and 20 May 2013.

- (b) The Company has on 22 July 2011, filed a legal suit against Chan Boon Lim, Prabir Kumar Mittra, 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 Mittra 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 mediation on 22 March 2013 and case management on 30 April 2013. The trial dates for this matter has been fixed on 04 June 2013 to 05 June 2013.
- (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 mediation on 22 March 2013 and case management on 07 June 2013. The trial dates for this matter has been fixed on 15 July 2013.

B12 Dividend

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

B13 Earnings/(Loss) Per Share

(a) Basic

Basic earnings per share 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 Nine Months Ended	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
Loss attributable to ordinary owners of the parent (RM' 000)	(1,129)	(2,473)	(3,355)	(5,666)
Weighted average number of ordinary shares in issue ('000)	65,146	51,913	65,146	51,913
Basic loss per share (sen)	(1.73)	(4.76)	(5.15)	(10.91)

(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 of 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
	31-Dec-12 RM' 000	31-Mar-12 RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(9,171)	(5,938)
- Unrealised	455	467
- Consolidated adjustments	(3,260)	(3,150)
	<u>(11,976)</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 28 February 2013.

By order of the Board
KUANTAN FLOUR MILLS BERHAD

Tan Yoke May
 Company Secretary
 Dated: 28 February 2013