

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

Interim report on unaudited consolidated results for the financial period ended 31 December 2014

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 December 2014**

	Current Quarter		Cumulative Quarter	
	Three Months Ended		Nine Months Ended	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
	RM' 000	RM' 000	RM' 000	RM' 000
Revenue	5,214	10,882	23,178	31,703
Cost of sales	<u>(5,471)</u>	<u>(10,612)</u>	<u>(23,391)</u>	<u>(31,353)</u>
Gross (loss) / profit	(257)	270	(213)	350
<b>Other income</b>				
- interest	-	1	20	20
- others	-	4	2,028	68
Administrative expenses	(652)	(758)	(2,056)	(2,220)
Selling and marketing expenses	(400)	(437)	(1,261)	(1,313)
Depreciation	(437)	(453)	(1,327)	(1,378)
Finance costs	(154)	(121)	(350)	(397)
<b>Loss before tax</b>	<u>(1,900)</u>	<u>(1,494)</u>	<u>(3,159)</u>	<u>(4,870)</u>
Income tax expense	-	-	-	-
<b>Loss after tax representing total comprehensive loss for the period</b>	<u>(1,900)</u>	<u>(1,494)</u>	<u>(3,159)</u>	<u>(4,870)</u>
<b>Loss net of tax/Total comprehensive loss attributable to:</b>				
Equity holders of the Company	(1,900)	(1,494)	(3,159)	(4,870)
Non-controlling interests	-	-	-	-
	<u>(1,900)</u>	<u>(1,494)</u>	<u>(3,159)</u>	<u>(4,870)</u>
<b>Loss per share (sen)</b>				
- basic	(2.87)	(2.29)	(4.77)	(7.48)
- diluted	-	-	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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 2014

	As at 31-Dec-14 RM' 000 (Unaudited)	As at 31-Mar-14 RM' 000 (Audited)
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	16,135	17,427
Other investments	1,736	1,736
Trade receivables	-	1
	<u>17,871</u>	<u>19,164</u>
<b>Current assets</b>		
Non-current assets held for disposal	735	748
Inventories	1,627	2,205
Trade receivables	3,862	5,806
Other receivables	365	773
Tax recoverable	-	-
Cash and bank balances	799	1,421
	<u>7,388</u>	<u>10,953</u>
<b>TOTAL ASSETS</b>	<u>25,259</u>	<u>30,117</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	33,864	32,573
Share premium	26	-
Accumulated losses	(19,178)	(16,019)
Shareholders' equity	<u>14,712</u>	<u>16,554</u>
Non-controlling interests	4	4
<b>Total equity</b>	<u>14,716</u>	<u>16,558</u>
<b>Non-current liabilities</b>		
Term loans	484	591
Hire purchase	68	158
	<u>552</u>	<u>749</u>
<b>Current liabilities</b>		
Term loans	131	117
Hire purchase	132	184
Trade payables	5,052	8,905
Other payables	4,662	3,590
Current tax liabilities	14	14
	<u>9,991</u>	<u>12,810</u>
<b>Total liabilities</b>	<u>10,543</u>	<u>13,559</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>25,259</u>	<u>30,117</u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>0.22</u>	<u>0.25</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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 2014**

	<---- Attributable to Owners of the Company ---->					Total Equity RM' 000
	Non-Distributable			Total RM' 000	Non- Controlling Interests RM' 000	
	Share Capital RM' 000	Share Premium RM' 000	Accumulated Losses RM' 000			
Opening balance as at 01 April 2013	32,573	-	(13,826)	18,747	4	18,751
Total comprehensive loss	-	-	(4,870)	(4,870)	-	(4,870)
<b>Closing balance as at 31 December 2013</b>	<b>32,573</b>	<b>-</b>	<b>(18,696)</b>	<b>13,877</b>	<b>4</b>	<b>13,881</b>
Opening balance as at 01 April 2014	32,573	-	(16,019)	16,554	4	16,558
Total comprehensive loss	-	-	(3,159)	(3,159)	-	(3,159)
Exercise of Warrant shares	1,291	26	-	1,317	-	1,317
<b>Closing balance as at 31 December 2014</b>	<b>33,864</b>	<b>26</b>	<b>(19,178)</b>	<b>14,712</b>	<b>4</b>	<b>14,716</b>

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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 2014**

	Nine Months Ended	
	31-Dec-14 RM' 000	31-Dec-13 RM' 000
<b>OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax for the period	(3,159)	(4,870)
Adjustments for:		
Depreciation	1,327	1,378
Loss/(Gain) on disposal of property, plant and equipment	-	17
Bad debts recovered	-	(1)
Unwinding of discount on receivables	(1)	(8)
Liabilities no longer required	(2,027)	-
Interest income	(20)	(20)
Interest expense	350	397
<b>Operating cash flows before working capital changes</b>	<b>(3,530)</b>	<b>(3,107)</b>
<b>Changes in working capital</b>		
- trade and other receivables	2,353	1,297
- inventories	578	631
- trade and other payables	(754)	1,454
<b>Cash flows from / (used in) operations</b>	<b>(1,353)</b>	<b>275</b>
Interest paid	(350)	(397)
Tax paid	-	(1)
Tax refunded	-	6
<b>Net cash flows from / (used in) operating activities</b>	<b>(1,703)</b>	<b>(117)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(21)	(16)
Proceeds from disposal of property, plant and equipment	-	180
Interest income	20	20
<b>Net cash flows (used in) / from investing activities</b>	<b>(1)</b>	<b>184</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of term loans	(93)	(87)
Repayment of obligations under financing leases	(142)	(164)
Proceeds from exercise of warrants	1,317	-
<b>Net cash flows from / (used in) financing activities</b>	<b>1,082</b>	<b>(251)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net decrease	(622)	(184)
At beginning of period	1,421	1,441
<b>At end of period</b>	<b>799</b>	<b>1,257</b>

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

	As at 31-Dec-14 RM' 000	As at 31-Dec-13 RM' 000
Cash and bank balances	799	1,257
	799	1,257

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 March 2014 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 2014.

### **Part A - FRS 134 Requirements**

#### **A1 Basis of Preparation**

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 2014. 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 2014.

#### **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 2014 except for the adoption of new FRSs', amendments and IC Interpretations that are mandatory for the Group for the financial year beginning 1 April 2014. 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 and its subsidiaries for the preceding financial year ended 31 March 2014 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**

The Company had issued 700,000 new ordinary shares via Warrant Conversion during the current quarter.

Except for the above, 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 2014.

#### **A11 Capital Commitments**

There were no capital commitment as at the end of the reporting period.

**A12 Related Party Transactions**

There were no related party transactions during the period under review.

**A13 Material Subsequent Events**

On 21 January 2015, the Company has announced a proposed reverse take-over of KFM by NEP Holdings (Malaysia) Berhad. Details of which are included in Note B8.

**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 Profit/(Loss) before tax**

Included in profit/(loss) before tax are the following items :

	<b>Current quarter</b>		<b>Cumulative quarter</b>	
	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>31-Dec-14</b>	<b>31-Dec-13</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>
Interest income	-	1	20	20
Interest expense	154	121	350	397
Depreciation of property, plant and equipment	437	453	1,327	1,378
Net realised foreign exchange (gain)/loss	4	2	(25)	1

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

**B1 Review of Performance**

Stiff market competition in the flour industry and higher raw material cost due to weak currency exchange rate faced by the Group had resulted in a significant drop in revenue from RM10.822 million for previous financial year's corresponding quarter to current quarter of RM5.214 million. The Group had also incurred a higher pre-tax loss of RM1.900 million for the current quarter as compared to a pre-tax loss of RM1.494 million for previous financial year's corresponding quarter.

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

The Group has incurred a higher pre-tax loss of RM1.900 million for current quarter as compared to a pre-tax loss of RM1.747 million for preceding quarter. The revenue for current quarter has shrunk to RM5.214 million as compared to preceding quarter of RM8.271 million as a result of stiff market competition and higher raw material cost due to weak currency exchange rate faced by the Group.

**B3 Prospect**

The Group anticipate that the prospect for the rest of the financial year to remain unfavourable due to the weak currency exchange rate.

**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 sales of unquoted investments and properties during the quarter under review.

**B7 Quoted Securities**

For the period under review, the Group does not hold any quoted securities.

**B8 Corporate Exercise**

On 21 January 2015, the Company has announced that it has entered into a heads of agreement ('HOA') with Lim Chang Huat in relation to the proposed reverse take-over of Kuantan Flour Mills Berhad ("KFM") by NEP Holdings (Malaysia) Berhad ("NEP").

Pursuant to the HOA, the Company is expected to undertake, amongst others, the following proposals:

- i) proposed reduction in the par value of KFM ('Proposed Par Value Reduction'). The credit arising from the Proposed Par Value Reduction will be used to set-off the accumulated losses of the Company;
- ii) proposed incorporation of a new entity ("NewCo") ("Proposed NewCo Incorporation");
- iii) proposed scheme of arrangement pursuant to Section 176 of the Companies Act, 1965 ("Act") involving the issuance by NewCo of 1 new share in NewCo ("NewCo Share") for each existing ordinary share of KFM ("KFM Share") held by the shareholders of KFM and 1 new warrant in NewCo ("NewCo Warrant") for every 2 existing KFM Shares held by the shareholders of KFM at an entitlement date to be determined later;
- iv) proposed scheme of arrangement with the holders of the Existing Warrants (as defined below) involving the issuance of 1 NewCo Warrant for each existing warrant in KFM (which are constituted by a deed poll dated 6 September 2011 and due to expire on 19 October 2016) ("Existing Warrants") held by the warrant holders of KFM at an entitlement date to be determined later:  
  
(Items (iii) and (iv) shall collectively be referred to as the 'Proposed Securities Exchange')
- v) proposed acquisition of the entire equity interest in NEP comprising 1,004,804 ordinary shares of RM1.00 each and 1,000 "A" ordinary shares of RM1.00 each in NEP (collectively referred to as the "NEP shares") from the Vendor and the other shareholders of NEP by NewCo for a purchase consideration to be determined later which will be satisfied by way of issuance of new NewCo Shares at an issue price of RM0.45 per NewCo Share ("Consideration Shares") to the Vendor together with the NewCo Warrants (on the basis of 1 NewCo Warrant for every 3 NewCo Shares issued to the Vendor) ("Proposed Acquisition");
- vi) proposed offer for sale by the Vendor of NewCo Shares to parties to be identified ("Proposed Offering");
- vii) proposed amendments to the Memorandum of Association of KFM ("Proposed Amendments"); and

viii) proposed transfer of listing status from KFM to NewCo and the admission of NewCo Shares and NewCo Warrants to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Transfer Listing Status").

(The above shall be collectively be referred to as the 'Proposal').

AFFIN Hwang Investment Bank Berhad had been appointed as principal advisor to the Company for the proposed scheme.

#### B9 Group Borrowings and Debt Securities

Total Group borrowings as at 31 December 2014 are as follows :-

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	131	484	615
- Unsecured	-	-	-
Hire purchase liabilities	132	68	200
	<b>263</b>	<b>552</b>	<b>815</b>

#### B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 23 February 2015, 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

The Group does not have any material litigation as at the date of this announcement.

#### B12 Dividend

No interim dividend has been declared for the financial period ended 31 December 2014.

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

##### (a) Basic

Basic earnings / (loss) per share are calculated by dividing the net earnings / (loss) for the period attributable to ordinary equity holders of the Company 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-14	31-Dec-13	31-Dec-14	31-Dec-13
Net profit/(loss) attributable to equity holders of the Company (RM' 000)	(1,900)	(1,494)	(3,159)	(4,870)
Weighted average number of ordinary shares in issue ('000)	66,209	65,146	66,209	65,146
Basic earnings/(loss) per share (sen)	(2.87)	(2.29)	(4.77)	(7.48)

##### (b) Diluted

Diluted loss per share is not presented as the effect is anti-dilutive.

#### 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-14 RM' 000	31-Mar-14 RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(17,245)	(14,026)
- Unrealised	264	204
- Consolidated adjustments	(2,197)	(2,197)
	<b>(19,178)</b>	<b>(16,019)</b>

#### 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 26 February 2015.

By order of the Board  
KUANTAN FLOUR MILLS BERHAD