



KUANTAN FLOUR MILLS BERHAD

(Company No. 119598-P)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Kuantan Flour Mills Berhad ("KFM" or the "Company") will be held at Langkawi Room, Main Club House (1st Floor), Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Monday, 27 May 2019 at 10.00 a.m. or any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF 27,290,000 NEW ORDINARY SHARES IN KFM ("KFM SHARES") ("PLACEMENT SHARES"), REPRESENTING APPROXIMATELY 40% OF THE EXISTING TOTAL NUMBER OF KFM SHARES IN ISSUE, TO THE PLACEMENT INVESTOR AT AN ISSUE PRICE OF RM0.10 PER PLACEMENT SHARE ("PROPOSED PRIVATE PLACEMENT")

"THAT subject to and conditional upon passing of Ordinary Resolutions 2, 3 and 4, and Special Resolution 1 and the approvals being obtained from the relevant regulatory authorities and parties (where required), including but not limited to the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the Placement Shares, approval be and hereby given to allot 27,290,000 Placement Shares to Wong Sak Kuan ("Placement Investor") at an issue price of RM0.10 per Placement Share.

THAT the proceeds of the Proposed Private Placement will be utilised for the purposes as set out in Section 2.7 of the Company's circular to shareholders dated 2 May 2019 ("Circular") and the Directors of the Company be and are hereby authorised to revise the manner and purpose of the utilisation of proceeds as they deem fit and expedient in the best interest of the Company subject (where required) to the approval of the relevant authorities.

THAT the Placement Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing KFM Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/or any forms of distribution which may be declared, made or paid prior to the date of allotment of the Placement Shares.

AND THAT the Board of Directors of the Company ("Board") be and are hereby authorised to give effect to the Proposed Private Placement with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be in the best interest of the Company or as may be imposed by the relevant authorities to give effect to the Proposed Private Placement, and to take all such steps as they may deem necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED RESTRUCTURING OF DEBTS OWING BY KFM AND ITS SUBSIDIARIES ("KFM GROUP") TO:-

- **TRADE CREDITORS OF THE KFM GROUP ("SCHEME CREDITORS") PURSUANT TO DEBT SETTLEMENT AGREEMENT ENTERED INTO BETWEEN KFM AND THE SCHEME CREDITORS ("PROPOSED DEBT SETTLEMENT"); AND**
- **LOTUS ESSENTIAL SDN BHD ("LOTUS") PURSUANT TO DEBT CONVERSION AGREEMENT ENTERED INTO BETWEEN KFM AND LOTUS ("PROPOSED DEBT CONVERSION"),**

COLLECTIVELY REFERRED TO AS THE "PROPOSED DEBT RESTRUCTURING"

"THAT subject to and conditional upon passing of Ordinary Resolutions 1, 3 and 4, and Special Resolution 1 and the approvals being obtained from the relevant regulatory authorities and parties (where required), including but not limited to the approval of Bursa Securities for the listing of and quotation for the Settlement Shares, RCPS, Warrants (all as defined hereunder) and new KFM Shares to be issued pursuant to the exercise/conversion of the Warrants/RCPS on the Main Market of Bursa Securities, and for the admission of the Warrants to the Official List of the Main Market of Bursa Securities, approval be and is hereby given to the Directors of the Company to:-

- (i) allot and issue 116,580,700 new KFM Shares ("Settlement Shares") together with 58,290,350 free detachable warrants ("Warrants") at an issue price of RM0.10 per Settlement Share on the basis of one (1) Warrant for every two (2) Settlement Shares issued equivalent to 70% of the outstanding amount owed by the KFM Group to the Scheme Creditors as at 31 August 2017 upon the terms and subject to the conditions as set out in the Debt Settlement Agreement ("DSA") dated 28 September 2017 and supplemental DSA dated 24 July 2018 entered into between KFM and the Scheme Creditors;
- (ii) allot and issue 300,000,000 redeemable convertible preference shares in KFM ("RCPS") at an issue price of RM0.05 per RCPS as partial settlement of debt owing by the KFM Group to Lotus amounting to RM15,000,000 upon the terms and subject to the conditions as set out in the Debt Conversion Agreement ("DCA") dated 28 September 2017, supplemental DCA dated 24 July 2018 and further supplemental DCA dated 18 April 2019 entered into between KFM and Lotus;
- (iii) create and issue the Warrants based on the indicative principal terms as set out in Appendix VI of the Circular and the terms and conditions of a deed poll constituting the Warrants ("Deed Poll") to be executed by the Company;
- (iv) allot and issue such further Warrants as may be required or permitted to be issued as a consequence of any adjustments in accordance with the provisions of the Deed Poll;
- (v) allot and issue new KFM Shares arising from the exercise of the Warrants, including further Warrants arising from any adjustments under the provisions of the Deed Poll;
- (vi) allot and issue such further RCPS as may be required or permitted to be issued as a consequence of any adjustments in accordance with the Articles of Association of the Company's Constitution;
- (vii) allot and issue new KFM Shares arising from the conversion of the RCPS, including further RCPS arising from any adjustments in accordance with the Articles of Association of the Company's Constitution; and
- (viii) enter into and execute the Deed Poll and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll;

THAT the Settlement Shares and the new KFM Shares arising from the conversion of the RCPS and/or exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing KFM Shares, save and except that the Settlement Shares and such new KFM Shares will not be entitled to any dividends, rights, allotments and/or any forms of distribution which may be declared, made or paid prior to the date of allotment of the Settlement Shares and such new KFM Shares.

AND THAT the Board be and is hereby authorised to do all such acts and things as they may deem necessary and/or expedient in the best interests of the Company with full power to assent to any conditions, modifications, variations and/or amendments and to take all steps to enter into all such arrangements and agreements with any party or parties that the Board may deem fit, necessary and expedient or appropriate in order to implement, finalise and/or give full effect to the Proposed Debt Restructuring."

ORDINARY RESOLUTION 3

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 477,595,420 NEW KFM SHARES ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) KFM SHARE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER TOGETHER WITH 238,797,710 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR ("PROPOSED RIGHTS ISSUE")

"THAT subject to and conditional upon passing of Ordinary Resolutions 1, 2 and 4, and Special Resolution 1 and the approvals of all relevant authorities being obtained, including but not limited to the approval of Bursa Securities for the listing of and quotation for the Rights Shares, Warrants and new KFM Shares to be issued pursuant to the exercise of the Warrants, approval be and is hereby given to the Directors of the Company to:-

- (i) provisionally allot and issue by way of renounceable rights issue of 477,595,420 Rights Shares at an issue price of RM0.10 per Rights Share on the basis of five (5) Rights Shares for every one (1) KFM Shares held on an entitlement date to be determined later together with 238,797,710 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed for;
- (ii) deal with any fractional entitlements under the Proposed Rights Issue arising from any reason whatsoever as the Directors may at its absolute discretion deem fit and expedient and in the best interest of the Company to minimise the incidence of odd lots to the shareholders;
- (iii) deal with the excess Rights Shares not subscribed by the other entitled shareholders in a fair and equitable manner on a basis to be determined by the Board in its absolute discretion;
- (iv) utilise the proceeds to be derived from the Proposed Rights Issue in the manner set out in Section 2.7 of the Circular and the Directors of the Company be and are hereby authorised to revise the manner and purpose of the utilisation of proceeds as they deem fit and expedient in the best interest of the Company subject (where required) to the approval of the relevant authorities;
- (v) create and issue the Warrants based on the indicative principal terms as set out in Appendix VI of the Circular and the terms and conditions of the Deed Poll;
- (vi) allot and issue such further Warrants as may be required or permitted to be issued as a consequence of any adjustments in accordance with the provisions of the Deed Poll;
- (vii) allot and issue new KFM Shares pursuant to the exercise of the Warrants, from time to time, during the tenure of the Warrants, including further Warrants arising from any adjustments under the provisions of the Deed Poll; and
- (viii) enter into and execute the Deed Poll constituting the Warrants and to do all acts, deeds and things as they may deem fit or expedient in order to implement, finalise and give effect to the Deed Poll;

THAT the Rights Shares and the new KFM Shares to be issued upon exercise of the Warrants shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing KFM Shares, save and except that the Rights Shares and the new KFM Shares to be issued upon exercise of the Warrants will not be entitled to any dividends, rights, allotments and/or any forms of distribution which may be declared, made or paid prior to the date of allotment of such Rights Shares and new KFM Shares.

AND THAT the Board be and is hereby authorised to do all such acts and things as they may deem necessary and/or expedient in the best interests of the Company with full power to assent to any conditions, modifications, variations and/or amendments and to take all steps to enter into all such arrangements, agreements and/or undertakings including but not limited to an underwriting agreement for the underwriting of the Proposed Rights Issue with any party or parties that the Board may deem fit, necessary and expedient or appropriate in order to implement, finalise and/or give full effect to the Proposed Rights Issue."

ORDINARY RESOLUTION 4

PROPOSED SET-OFF OF PART OF THE NET AMOUNT DUE TO LOTUS AGAINST THE SUBSCRIPTION MONEYS PAYABLE BY THE PLACEMENT INVESTOR PURSUANT TO THE PROPOSED PRIVATE PLACEMENT AND THE PROPOSED RIGHTS ISSUE ("PROPOSED SET-OFF")

"THAT subject to and conditional upon passing of Ordinary Resolutions 1, 2 and 3, and Special Resolution 1, approval be and is hereby given to the Directors of the Company to set-off RM16,374,000 from the outstanding advances and supplier's credit extended by Lotus to KFM against the subscription moneys payable by the Placement Investor towards the Proposed Private Placement and the Proposed Rights Issue pursuant to letter of set-off dated 18 April 2019 entered into between KFM, Lotus and the Placement Investor;

AND THAT the Board be and is hereby authorised to do all such acts and things as they may deem necessary and/or expedient in the best interests of the Company with full power to assent to any conditions, modifications, variations and/or amendments and to take all steps to enter into all such arrangements and agreements with any party or parties that the Board may deem fit, necessary and expedient or appropriate in order to implement, finalise and/or give full effect to the Proposed Set-Off."

SPECIAL RESOLUTION 1

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY'S CONSTITUTION ("PROPOSED AMENDMENTS")

"THAT subject to the passing of the Ordinary Resolutions 1, 2, 3 and 4, the Proposed Amendments as set out in Section 2.4 of the Circular be and are hereby approved.

AND THAT the Board be and is hereby authorised to do all acts, deeds and things and execute all necessary documents with full power to make any modifications, variations and/or amendments in any manner as may be in the best interests of the Company or as may be required by the relevant authorities and to take all steps as they may deem necessary and expedient in order to implement, finalise and give full effect to the Proposed Amendments."

SPECIAL RESOLUTION 2

PROPOSED CHANGE OF NAME OF THE COMPANY FROM "KUANTAN FLOUR MILLS BERHAD" TO "LOTUS KFM BERHAD" ("PROPOSED CHANGE OF NAME")

"THAT the name of the Company be hereby changed from "Kuantan Flour Mills Berhad" to "Lotus KFM Berhad" with effective from the date of the Notice of Registration of New Name to be issued by the Companies Commission of Malaysia to the Company and that the Constitution of the Company be hereby amended accordingly, wherever the name of the Company appears.

AND THAT the Board be and is hereby authorised to give effect to the Proposed Change of Name with full power to assent to do all acts, deeds and things and execute all necessary documents with full power to make any modifications, variations and/or amendments in any manner as may be in the best interests of the Company or as may be required by the relevant authorities and to take all steps as they may deem necessary and expedient in order to implement, finalise and give full effect to the Proposed Change of Name."

**BY ORDER OF THE BOARD
KUANTAN FLOUR MILLS BERHAD**

LAANG JHE HOW (MIA 25193)

Company Secretary
Kuala Lumpur
2 May 2019

Notes:-

- (1) Only a member whose name appears on the Record of Depositors as at 21 May 2019 shall be entitled to attend the meeting and to speak and vote thereat. A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
- (2) A member may appoint one (1) or more than one proxy to attend and vote instead of the member. Where a member appoints two (2) or more proxies, the appointments shall be invalid unless the member specifies the proportion of his holdings to be represented by each proxy.
- (3) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (4) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or by his attorney duly authorised in writing and in the case of a corporation, the instrument appointing a proxy must be under seal or under the hand of an officer or attorney duly authorised. In the case of joint holders, all holders must sign the Form of Proxy.
- (5) The instrument appointing a proxy must be deposited at the registered office of the Company at Kawasan Lembaga Pelembuhan Kuantan, KM25, Jalan Kuantani/Kemaman, Tanjung Gelang, 25740 Kuantan, Pahang not less than forty-eight (48) hours before the time appointed for holding the meeting or at any adjournment thereof.
- (6) Pursuant to Paragraph 8.29A of the Listing Requirements, all the resolutions set out in the Notice shall be put to vote by poll.