

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

Interim report on unaudited consolidated results for the financial period ended 30 June 2016

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 June 2016**

	Current Quarter		Cumulative Period	
	Three Months Ended		Nine Months ended 30-Jun-16 RM' 000 (Unaudited)	Eighteen Months Ended 30-Sep-15 RM' 000 (Audited)
	30-Jun-16 RM' 000	30-Jun-15 RM' 000		
Revenue	796	N/A	3,922	24,864
Cost of sales	<u>(1,217)</u>	<u>N/A</u>	<u>(7,425)</u>	<u>(28,567)</u>
Gross (loss) / profit	(421)	-	(3,503)	(3,703)
Other income				
- interest	-	N/A	6	25
- others	7	N/A	22	12
Administrative expenses	(776)	N/A	(2,230)	(8,023)
Selling and marketing expenses	(132)	N/A	(497)	(2,160)
Depreciation	(353)	N/A	(1,099)	(2,610)
Finance costs	(234)	N/A	(268)	(386)
Loss before tax	<u>(1,909)</u>	<u>-</u>	<u>(7,569)</u>	<u>(16,845)</u>
Income tax expense	-	N/A	-	-
Loss after tax representing total comprehensive loss for the period	<u>(1,909)</u>	<u>-</u>	<u>(7,569)</u>	<u>(16,845)</u>
Loss net of tax/Total comprehensive loss attributable to:				
Equity holders of the Company	(1,909)	N/A	(7,569)	(16,845)
Non-controlling interests	-	N/A	-	-
	<u>(1,909)</u>	<u>-</u>	<u>(7,569)</u>	<u>(16,845)</u>
Loss per share (sen)				
- basic	(2.80)	N/A	(11.09)	(25.07)
- diluted	-	-	-	-

The financial period of the Group had been changed from 31 March to 30 September to cover the 18-month period from 01 April 2014 to 30 September 2015 and thereafter, to end on 30 September each year. Accordingly, there are no comparative figures to be presented in this Condensed Consolidated Statement of Comprehensive Income.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	As at 30-Jun-16 RM' 000 (Unaudited)	As at 30-Sep-15 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	11,726	13,358
Other investments	1,353	1,353
	<u>13,079</u>	<u>14,711</u>
Current assets		
Non-current assets held for disposal	709	1,237
Inventories	526	6,087
Trade receivables	364	404
Other receivables	295	377
Tax recoverable	-	-
Cash and bank balances	316	687
	<u>2,210</u>	<u>8,792</u>
TOTAL ASSETS	<u>15,289</u>	<u>23,503</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	3,411	3,411
Share premium	31	31
Accumulated losses	(9,729)	(2,160)
Shareholders' equity	<u>(6,287)</u>	<u>1,282</u>
Non-controlling interests	3	3
Total equity	<u>(6,284)</u>	<u>1,285</u>
Non-current liabilities		
Term loans	145	380
Hire purchase	12	32
	<u>157</u>	<u>412</u>
Current liabilities		
Term loans	97	137
Hire purchase	35	70
Trade payables	13,651	14,945
Other payables	7,620	6,641
Current tax liabilities	13	13
	<u>21,416</u>	<u>21,806</u>
Total liabilities	<u>21,573</u>	<u>22,218</u>
TOTAL EQUITY AND LIABILITIES	<u>15,289</u>	<u>23,503</u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>(0.09)</u>	<u>0.02</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the period ended 30 September 2015 and the accompanying explanatory notes attached to the interim financial statements.

KUANTAN FLOUR MILLS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 June 2016

	<---- Attributable to Owners of the Company ---->					
	<--Non-Distributable-->		Distributable			
	Share Capital RM' 000	Share Premium RM' 000	Accumulated Losses RM' 000	Total RM' 000	Non- Controlling Interests RM' 000	Total Equity RM' 000
Opening balance as at 01 April 2014	32,573	-	(16,018)	16,555	4	16,559
Issues of shares - warrant exercised	1,541	31	-	1,572		1,572
Capital reduction	(30,703)	-	30,703	-	-	-
Total comprehensive loss	-	-	(16,845)	(16,845)	(1)	(16,846)
Closing balance as at 30 September 2015	3,411	31	(2,160)	1,282	3	1,285
Opening balance as at 01 October 2015	3,411	31	(2,160)	1,282	3	1,285
Total comprehensive loss	-	-	(7,569)	(7,569)	-	(7,569)
Closing balance as at 30 June 2016	3,411	31	(9,729)	(6,287)	3	(6,284)

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the period ended 30 September 2015 and the accompanying explanatory notes attached to the interim financial statements.

KUANTAN FLOUR MILLS BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 June 2016

	Nine Months ended 30-Jun-16 RM' 000 (Unaudited)	Eighteen Months Ended 30-Sep-15 RM' 000 (Audited)
OPERATING ACTIVITIES		
Loss before tax for the period	(7,569)	(16,845)
Adjustments for:		
Depreciation for property, plant and equipment	1,086	2,566
Loss/(Gain) on disposal of property, plant and equipment	55	515
Property, plant and equipment written off	-	10
Depreciation for non-current assets held for disposal	13	44
Unrealised foreign exchange loss	-	2,515
Provision for onerous contract	-	1,350
Reversal of provision for onerous contract	(1,350)	-
Reversal of impairment loss on trade receivables	-	(4)
Impairment loss on trade receivables	-	78
Unwinding of discount on receivables	-	(1)
Impairment loss on other investment	-	383
Interest income	(6)	(25)
Interest expense	268	386
Operating cash flows before working capital changes	(7,503)	(9,028)
<u>Changes in working capital</u>		
- trade and other receivables	122	5,726
- inventories	6,911	(5,233)
- trade and other payables	(315)	6,576
Cash flows used in operations	(785)	(1,959)
Interest paid	(268)	(386)
Tax paid	(1)	(1)
Net cash flows used in operating activities	(1,054)	(2,346)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(28)
Proceeds from disposal of property, plant and equipment	1,007	473
Interest income	6	25
Net cash flows from investing activities	1,013	470
FINANCING ACTIVITIES		
Repayment of term loans	(275)	(190)
Repayment of obligations under financing leases	(55)	(240)
Proceeds from exercise of warrants	-	1,572
Net cash flows (used in) / from financing activities	(330)	1,142
CASH AND CASH EQUIVALENTS		
Net decrease	(371)	(734)
At beginning of period	687	1,421
At end of period	316	687

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

	As at 30-Jun-16 RM' 000	As at 30-Sep-15 RM' 000
Cash and bank balances	316	687
	316	687

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the period ended 30 September 2015 and the accompanying explanatory notes attached to the interim financial statements.

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Notes to the quarterly report on consolidated results for the financial quarter ended 30 June 2016.

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 MFRS 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 period ended 30 September 2015. 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 period ended 30 September 2015.

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 period ended 30 September 2015 except for the adoption of new FRSs', amendments and IC Interpretations that are mandatory for the Group for the financial year beginning 1 October 2015. 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 auditor, Mcmillan Woods Thomas had qualified the audited accounts for the financial period ended 30 September 2015 on the basis of the Company's ability to continue as a going concern.

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 period ended 30 September 2015.

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

There were no material events subsequent to the end of the current financial 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 Profit/(Loss) before tax

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

	Current quarter		Cumulative period	
	Three Months Ended		Nine	Eighteen
	30-Jun-16	30-Jun-15	Months ended	Months Ended
	RM' 000	RM' 000	30-Jun-16	30-Sep-15
			RM' 000	RM' 000
Interest income	-	N/A	(6)	(25)
Interest expense	234	N/A	268	386
Impairment loss on trade receivable	-	N/A	-	78
Provision for onerous contract	-	N/A	-	1,350
Reversal of provision for onerous contract	(57)	N/A	(1,350)	-
Property, plant and equipment written off	-	N/A	-	10
Impairment loss on other investment	-	N/A	-	383
Loss/(Gain) on disposal of property, plant and equipment	-	N/A	55	515
Depreciation of property, plant and equipment	(353)	N/A	(1,099)	2,566
Realised foreign exchange loss/(gain)	(72)	N/A	(140)	(2)
Unrealised foreign exchange loss	-	N/A	-	2,517

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

B1 Review of Performance

For the current quarter under review, the Group had recorded a revenue of RM0.796 million and a pre-tax loss of RM1.909 million. The financial year end of the Company had been changed from 31 March to 30 September covering a 18-month period from 01 April 2014 to 30 September 2015 and thereafter to end on 30 September each year. Accordingly, there is no corresponding quarter for the preceding year.

The low revenue level was mainly due to the weak financial position of the company.

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

The Group had recorded a pre-tax loss of RM1.909 million as compared to the preceding quarter's pre-tax loss of RM2.920 million. Revenue had dropped from RM1.459 million for preceding quarter to current quarter of RM0.796 million.

B3 Prospect

The Group is still actively working on the regularization plan with the objective of uplifting the Company from PN17 status.

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

There were no corporate proposals for current quarter and financial period ended 30 June 2016.

B9 Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2016 are as follows :-

	Short Term RM' 000	Long Term RM' 000	Total RM' 000
Bank borrowings			
- Secured	97	145	242
- Unsecured	-	-	-
Hire purchase liabilities	35	12	47
	132	157	289

B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 25 August 2016, 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

On 03 March 2015, the Company had received a Writ of Summons and Statement of Claim filed by LH Asian Trade Finance Fund Ltd claiming a sum of USD1,615,074.95 together with interest thereon with reference to the various trade finance facilities granted to the Company. The Company, via its solicitors had entered into a Consent Order with LH Asian Trade Finance Fund Ltd on 25 June 2015.

On 19 April 2016, LH Asian Trade Finance Fund Ltd, through its solicitors served a S218 notice to the Company.

On 09 May 2016, the High Court of Malaya in Kuala Lumpur granted the Company with a Restraining Order. The Restraining Order has expired on 08 August 2016.

B12 Dividend

No interim dividend has been declared for the financial period ended 30 June 2016.

B13 Loss Per Share**(a) Basic**

Basic loss per share are calculated by dividing the net 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 30-Jun-16	Cumulative Period Nine Months ended 30-Jun-16
Net loss attributable to equity holders of the Company (RM' 000)	(1,909)	(7,569)
Weighted average number of ordinary shares in issue ('000)	68,229	68,229
Basic loss per share (sen)	(2.80)	(11.09)

(b) Diluted

The diluted loss per share is not presented as the unexercised warrants have no dilutive effect due to the exercise price is above the average market value of the Company's shares.

B14 Supplementary Information of the Breakdown of Realised and Unrealised Profits or Losses

	As at end of current Quarter 30-Jun-16 RM' 000	As at end of financial year ended 30-Sep-15 RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(9,399)	(2,480)
- Unrealised	1,868	2,518
- Consolidated adjustments	(2,198)	(2,198)
	<u>(9,729)</u>	<u>(2,160)</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 August 2016.

By order of the Board,
KUANTAN FLOUR MILLS BERHAD

Tan Yoke May
Company Secretary
Dated: 30 August 2016