

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

Interim report on unaudited consolidated results for the financial period ended 30 September 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 September 2017

	Current Quarter		Cumulative Quarter	
	Three Months Ended 30-Sep-17 RM' 000	30-Sep-16 RM' 000	Twelve Months ended 30-Sep-17 RM' 000	30-Sep-16 RM' 000
Revenue	5,488	2	7,521	3,924
Cost of sales	<u>(6,506)</u>	<u>(352)</u>	<u>(9,786)</u>	<u>(7,777)</u>
Gross (loss) / profit	(1,018)	(350)	(2,265)	(3,853)
Other income				
- interest	-	-	3	6
- others	-	2,604	1	2,626
Administrative expenses	(6,536)	(6,319)	(8,286)	(8,549)
Selling and marketing expenses	(242)	(96)	(588)	(593)
Depreciation	(281)	(333)	(1,124)	(1,432)
Finance costs	-	(30)	(1)	(298)
Loss before tax	<u>(8,077)</u>	<u>(4,524)</u>	<u>(12,260)</u>	<u>(12,093)</u>
Income tax expense	-	-	-	-
Loss after tax representing total comprehensive loss for the period	<u><u>(8,077)</u></u>	<u><u>(4,524)</u></u>	<u><u>(12,260)</u></u>	<u><u>(12,093)</u></u>
Loss net of tax/Total comprehensive loss attributable to:				
Equity holders of the Company	(8,077)	(4,524)	(12,260)	(12,092)
Non-controlling interests	-	-	-	(1)
	<u><u>(8,077)</u></u>	<u><u>(4,524)</u></u>	<u><u>(12,260)</u></u>	<u><u>(12,093)</u></u>
Loss per share (sen)				
- basic	(11.84)	(6.63)	(17.97)	(17.72)
- diluted	-	-	-	-

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 September 2016 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 September 2017

	As at 30-Sep-17 RM' 000 (Unaudited)	As at 30-Sep-16 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	5,545	6,680
Other investments	365	477
	<u>5,910</u>	<u>7,157</u>
Current assets		
Inventories	4,895	381
Trade receivables	706	36
Other receivables	3,399	225
Tax recoverable	-	-
Cash and bank balances	334	433
	<u>9,334</u>	<u>1,075</u>
TOTAL ASSETS	<u>15,244</u>	<u>8,232</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	3,442	3,411
Share premium	-	31
Accumulated losses	(26,512)	(14,252)
Shareholders' equity	<u>(23,070)</u>	<u>(10,810)</u>
Non-controlling interests	2	2
Total equity	<u>(23,068)</u>	<u>(10,808)</u>
Non-current liabilities		
Hire purchase	-	4
	<u>-</u>	<u>4</u>
Current liabilities		
Hire purchase	-	30
Trade payables	25,409	13,007
Other payables	12,888	5,985
Current tax liabilities	15	14
	<u>38,312</u>	<u>19,036</u>
Total liabilities	<u>38,312</u>	<u>19,040</u>
TOTAL EQUITY AND LIABILITIES	<u>15,244</u>	<u>8,232</u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>(0.34)</u>	<u>(0.16)</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 September 2016 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 September 2017

	<---- Attributable to Owners of the Company ---->					
	<--Non-Distributable-->		Distributable		Non-Controlling Interests RM' 000	Total Equity RM' 000
	Share Capital RM' 000	Share Premium RM' 000	Accumulated Losses RM' 000	Total RM' 000		
Opening balance as at 01 October 2015	3,411	31	(2,160)	1,282	3	1,285
Total comprehensive loss			(12,092)	(12,092)	(1)	(12,093)
Closing balance as at 30 September 2016	3,411	31	(14,252)	(10,810)	2	(10,808)
Opening balance as at 01 October 2016	3,411	31	(14,252)	(10,810)	2	(10,808)
Total comprehensive loss	-	-	(12,260)	(12,260)	-	(12,260)
Transfer in accordance with Section 618(2) of CA 2016 (Note 1)	31	(31)	-	-	-	-
Closing balance as at 30 September 2017	3,442	-	(26,512)	(23,070)	2	(23,068)

Note 1:

The new Companies Act 2016 ("CA 2016") which came into effect from 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the CA 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of transition.

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 30 September 2016 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 September 2017

	Twelve Months ended	
	30-Sep-17	30-Sep-16
	RM' 000	RM' 000
OPERATING ACTIVITIES		
Loss before tax for the period	(12,260)	(12,093)
Adjustments for:		
Depreciation for property, plant and equipment	1,124	1,413
Loss on disposal of property, plant and equipment	37	584
Property, plant and equipment written off	1	16
Impairment loss for property, plant and equipment	-	4,283
Gain on disposal from non-current assets held for disposal	-	(1,642)
Depreciation for non-current assets held for disposal	-	19
Unrealised foreign exchange gain	124	(646)
Inventories written down	-	318
Impairment loss on trade receivables	17	28
Reversal of impairment loss on trade receivables	-	(1)
Impairment on unquoted investment	112	876
Interest income	(3)	(6)
Interest expense	1	298
Operating cash flows before working capital changes	<u>(10,847)</u>	<u>(6,553)</u>
Changes in working capital		
- trade and other receivables	(3,861)	493
- inventories	(4,514)	5,388
- trade and other payables	19,181	(1,948)
Cash flows used in operations	<u>(41)</u>	<u>(2,620)</u>
Interest paid	(1)	(298)
Tax refund/(paid)	1	1
Net cash flows used in operating activities	<u>(41)</u>	<u>(2,917)</u>
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	93	384
Proceeds from disposal of non-current assets held for disposal	-	2,861
Purchase of property, plant and equipment	(121)	(2)
Interest income	3	6
Net cash flows (used in)/from investing activities	<u>(25)</u>	<u>3,249</u>
FINANCING ACTIVITIES		
Repayment of term loans	-	(518)
Repayment of obligations under financing leases	(34)	(67)
Net cash flows used in financing activities	<u>(34)</u>	<u>(585)</u>
CASH AND CASH EQUIVALENTS		
Net decrease	(100)	(253)
At beginning of period	434	687
At end of period	<u>334</u>	<u>434</u>

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

	As at	As at
	30-Sep-17	30-Sep-16
	RM' 000	RM' 000
Cash and bank balances	334	434
	<u>334</u>	<u>434</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 30 September 2016 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 September 2017.

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 2016. 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 2016.

A2 Accounting Policies

The Group has adopted all applicable accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") except for those which are not yet effective. The initial adoption of the accounting standards, amendments and interpretations that are effective in the current financial period does not have any significant impact on the Group's financial statements.

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 2016 on the basis of the Company 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 year ended 30 September 2016.

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 are 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 Quarter	
	Three Months Ended		Twelve Months ended	
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM' 000	RM' 000	RM' 000	RM' 000
Interest income	-	-	(3)	(6)
Interest expense	-	30	1	298
Impairment loss on trade receivable	17	28	17	28
Impairment loss on inventories	-	318	-	318
Property, plant and equipment written off	-	16	1	16
Impairment loss on property, plant and equipment	-	4,283	-	4,283
Loss on disposal of property, plant and equipment	-	201	37	584
Gain on disposal from non-current assets held for disposal	-	(1,642)	-	(1,642)
Depreciation of property, plant and equipment	281	330	1,124	1,413
Depreciation on non-current assets held for disposal	-	3	-	19
Impairment on unquoted investment	112	876	112	876
Realised foreign exchange gain	-	-	-	(140)
Unrealised foreign exchange (gain)/loss	(645)	(646)	124	(646)

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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 current quarter under review, the Group has recorded a revenue of RM5.488 million and a pre-tax loss of RM8.077 million as compared to a revenue of RM0.002 million and a pre-tax loss of RM4.524 million for previous financial year's corresponding quarter. For the current financial year ended 2017, the Group has achieved a revenue of RM7.521 million and a pre-tax loss of RM12,260 million as compared to previous financial year with revenue of RM3.924 million and pre-tax loss of RM12.093 million.

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

The Group has recorded a pre-tax loss of RM8.077 million against a revenue of RM5.488 million as compared to preceding quarter pre-tax loss of RM1.265 million and a revenue of RM2.033 million. The current quarter's higher pre-tax loss was mainly due to professional fees incurred in relation to the preparation and submission of the regularisation plan, interest cost, repair and maintenance cost of the factory.

B3 Prospect

The Company has submitted its regularisation plan to Bursa Malaysia Securities Berhad on 29 September 2017 and is pending for approval with the objective of uplifting the Company from PN17 status upon implementation.

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

The Company (KFM) had made an announcement on 29 March 2017 for a proposed regularisation plan comprising:-

- i) Proposed private placement of 20,467,000 new ordinary shares in KFM, representing approximately 30% of the existing total number of KFM shares in issue, to a private investor;
- ii) Proposed renounceable rights issue of up to 221,740,210 new KFM shares on the basis of five (5) rights shares for every two (2) KFM shares held on the entitlement date to be determined later; and
- iii) Proposed restructuring of debts owing by KFM to its creditors.

Bursa Securities has vide a letter dated 10 July 2017, approved KFM's application for an extension of time up to 30 September 2017 to submit a regularisation plan pursuant to PN17 of the Listing Requirements of Bursa Securities.

Subsequently on 28 September 2017, KAF Investment Bank Berhad ("KAF IB"), on behalf of the Board, announced that the Company had on even date:-

- i) entered into the debt settlement agreements ("DSA") with the respective Scheme Creditors to vary the terms of the previous proposed restructuring of debts under the Initial Proposals: and

- ii) entered into a debt conversion agreement ("DCA") with Lotus Essential Sdn Bhd ("Lotus") pertaining to the settlement of RM15.0 million of the advances and supplier's credit extended by Lotus via the issuance of 150,000,000 redeemable convertible preference shares ("RCPS")

In relation to the above, the Initial Proposals have been revised in the following manner:-

- (a) proposed private placement of 27,290,000 new KFM 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");
- (b) proposed restructuring of debts owing by KFM to:-
 - the Scheme Creditors pursuant to the DSA : and
 - Lotus pursuant to the DCA.

collectively referred to as the "Proposed Debt Restructuring": and

- (c) proposed renounceable rights issue of up to 477,595,420 Rights Shares at an issue price of RM0.10 per Rights Share and on the basis of five (5) Rights Shares for every one (1) KFM Share held following the Proposed Private Placement on the Entitlement Date, together with up to 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") ;
- (d) proposed amendments to the Articles of Association of the Company's Constitution to facilitate the issuance of RCPS pursuant to the Proposed Debt Conversion ("Proposed Amendments").

collectively referred to as the "Proposed Regularisation Plan".

The application in relation to the Proposed Regularisation Plan has been submitted to Bursa Securities by KAF IB for approval on 29 September 2017.

B9 Group Borrowings and Debt Securities

During the quarter under review, the Group has no borrowings.

B10 Off Balance Sheet Financial Instruments

The Group does not have any financial instrument with off balance sheet risks as at 27 November 2017 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) 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 it's 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 it's 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.

- (b) On 20 June 2017, Alex Stewart (Malaysia) Sdn Bhd has filed a Writ of Summons and Statement of Claim against the company for a sum of RM186, 222.86 being amount owing by the Company. The matter has been fixed for full trial on 06 December 2017 and 07 December 2017.
- (c) On 04 July 2017, an ex-employee of the Company had filed to Pejabat Tenaga Kerja Kuantan to seek for a 'Faedah Penamatan Kerja' of RM32, 310.00. The case has been fixed for hearing on 08 December 2017.

B12 Dividend

No interim dividend has been declared for the financial period ended 30 September 2017.

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		Cumulative Quarter	
	Three Months Ended 30-Sep-17	30-Sep-16	Twelve Months ended 30-Sep-17	30-Sep-16
Net profit/(loss) attributable to equity holders of the Company (RM' 000)	(8,077)	(4,524)	(12,260)	(12,092)
Weighted average number of ordinary shares in issue ('000)	68,229	68,229	68,229	68,229
Basic earnings/(loss) per share (sen)	(11.84)	(6.63)	(17.97)	(17.72)

(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 30-Sep-17 RM' 000	As at end of financial year ended 30-Sep-16 RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(24,816)	(13,276)
- Unrealised	502	1,222
- Consolidated adjustments	(2,198)	(2,198)
	<u>(26,512)</u>	<u>(14,252)</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 November 29 2017

By order of the Board,
KUANTAN FLOUR MILLS BERHAD

Tan Yoke May
Company Secretary
Dated: 29 November 2017