

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

Interim report on unaudited consolidated results for the financial period ended 31 December 2017

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	Current Quarter		Cumulative Quarter	
	Three Months Ended 31-Dec-17 RM' 000	31-Dec-16 RM' 000	Three Months ended 31-Dec-17 RM' 000	31-Dec-16 RM' 000
Revenue	6,335	-	6,335	-
Cost of sales	<u>(6,722)</u>	<u>(332)</u>	<u>(6,722)</u>	<u>(332)</u>
Gross (loss) / profit	(387)	(332)	(387)	(332)
<b>Other income</b>				
- interest	4	3	4	3
- others	-	13	-	13
Administrative expenses	(303)	(285)	(303)	(285)
Selling and marketing expenses	(326)	(71)	(326)	(71)
Depreciation	(272)	(316)	(272)	(316)
Finance costs	-	-	-	-
<b>Loss before tax</b>	<u>(1,284)</u>	<u>(988)</u>	<u>(1,284)</u>	<u>(988)</u>
Income tax expense	-	-	-	-
<b>Loss after tax representing total comprehensive loss for the period</b>	<u><u>(1,284)</u></u>	<u><u>(988)</u></u>	<u><u>(1,284)</u></u>	<u><u>(988)</u></u>
<b>Loss net of tax/Total comprehensive loss attributable to:</b>				
Equity holders of the Company	(1,284)	(988)	(1,284)	(988)
Non-controlling interests	-	-	-	-
	<u><u>(1,284)</u></u>	<u><u>(988)</u></u>	<u><u>(1,284)</u></u>	<u><u>(988)</u></u>
<b>Loss per share (sen)</b>				
- basic	(1.88)	(1.45)	(1.88)	(1.45)
- diluted	-	-	-	-

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

	<b>As at 31-Dec-17 RM' 000 (Unaudited)</b>	<b>As at 30-Sep-17 RM' 000 (Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,316	5,545
Other investments	365	365
	<u>5,681</u>	<u>5,910</u>
<b>Current assets</b>		
Inventories	5,514	4,895
Trade receivables	1,832	706
Other receivables	2,189	3,399
Cash and bank balances	193	334
	<u>9,728</u>	<u>9,334</u>
<b>TOTAL ASSETS</b>	<u><u>15,409</u></u>	<u><u>15,244</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	3,442	3,442
Accumulated losses	(27,796)	(26,512)
Shareholders' equity	<u>(24,354)</u>	<u>(23,070)</u>
Non-controlling interests	2	2
<b>Total equity</b>	<u>(24,352)</u>	<u>(23,068)</u>
<b>Current liabilities</b>		
Trade payables	25,821	25,409
Other payables	13,926	12,888
Current tax liabilities	14	15
	<u>39,761</u>	<u>38,312</u>
<b>Total liabilities</b>	<u>39,761</u>	<u>38,312</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>15,409</u></u>	<u><u>15,244</u></u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>(0.36)</u>	<u>(0.34)</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 September 2017 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 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 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)				
<b>Closing balance as at 30 September 2017</b>	<b>3,442</b>	<b>-</b>	<b>(26,512)</b>	<b>(23,070)</b>	<b>2</b>	<b>(23,068)</b>
Opening balance as at 01 October 2017	3,442	-	(26,512)	(23,070)	2	(23,068)
Total comprehensive loss	-	-	(1,284)	(1,284)	-	(1,284)
<b>Closing balance as at 31 December 2017</b>	<b>3,442</b>	<b>-</b>	<b>(27,796)</b>	<b>(24,354)</b>	<b>2</b>	<b>(24,352)</b>

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

	Three Months ended	
	31-Dec-17 RM' 000	31-Dec-16 RM' 000
<b>OPERATING ACTIVITIES</b>		
Loss before tax for the period	(1,284)	(988)
Adjustments for:		
Depreciation for property, plant and equipment	272	316
(Gain)/Loss on disposal of property, plant and equipment	-	(13)
Property, plant and equipment written off	-	2
Inventories written down	-	15
Interest income	(4)	(3)
<b>Operating cash flows before working capital changes</b>	<b>(1,016)</b>	<b>(671)</b>
<b>Changes in working capital</b>		
- trade and other receivables	84	36
- inventories	(619)	-
- trade and other payables	1,450	312
<b>Cash flows used in operations</b>	<b>(101)</b>	<b>(323)</b>
Interest paid	-	-
Tax refund/(paid)	(1)	-
<b>Net cash flows used in operating activities</b>	<b>(102)</b>	<b>(323)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	-	77
Purchase of property, plant and equipment	(43)	-
Interest income	4	3
<b>Net cash flows (used in)/from investing activities</b>	<b>(39)</b>	<b>80</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of obligations under financing leases	-	(34)
<b>Net cash flows used in financing activities</b>	<b>-</b>	<b>(34)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net decrease	(141)	(277)
At beginning of period	334	434
<b>At end of period</b>	<b>193</b>	<b>157</b>

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

	As at 31-Dec-17 RM' 000	As at 31-Dec-16 RM' 000
Cash and bank balances	193	157
	<u>193</u>	<u>157</u>

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

**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 2017 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 2017.

**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**

The Company has entered into a Memorandum of Understanding on 9 February 2018 with Shou Guang Chang Tai Economic And Trade Co. Ltd ('SGCT') pertaining to a collaboration through either a business collaboration arrangement between both parties or a direct acquisition of a majority interest in SGCT to facilitate the Company to expand its trading of starch business and premix business in China.

On 21 February 2018 the Company has entered into another Memorandum of Understanding with MCM Petcare Sdn Bhd ('MCM') pertaining to a collaboration through either a business collaboration arrangement between both parties or a direct acquisition of a majority interest in MCM to facilitate the Company's expansion of its trading and retailing of pet food products with the eventual plan of manufacturing pet foods products ("Business"), subject to the terms and conditions of a definite agreement to be entered into between the same parties (Definite Agreement").

**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	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
	RM' 000	RM' 000	RM' 000	RM' 000
Interest income	(4)	(3)	(4)	(3)
Property, plant and equipment written off	-	2	-	2
(Gain)/Loss on disposal of property, plant and equipment	-	(13)	-	(13)
Depreciation of property, plant and equipment	272	316	272	316

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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**

The Group has recorded a revenue of RM6.335 million and a pre-tax loss of RM1.284 million during the quarter as compared to zero revenue and a pre-tax loss of RM0.988 million for preceeding financial year corresponding quarter as the Group had ceased operations temporary since September 2016.

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

The Group has recorded a pre-tax loss of RM1.284 million against a revenue of RM6.335 million as compared to preceding quarter's pre-tax loss of RM8.077 million with a revenue of RM5.488 million. The preceding 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 and repair and maintenance cost of the factory.

**B3 Prospect**

The Company's application to Bursa Securities to seek for an extension of nine (9) months to resubmit a revised / enhanced Proposed Regularization Plan would enable the Company to finalise, conclude and implement plans / proposals to turn around the Company in future and return to profitability.

**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. KAF IB has on 09 February 2018, submitted an application to Bursa Securities on behalf of the Company to withdraw the Proposed Regularisation Plan and concurrently seeking for an extension of time of another nine(9) months from 08 February 2018 to 07 November 2018 for the Company to resubmit a revised proposed regularisation plan.

#### **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 21 February 2018 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 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.

- (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 Plaintiff have withdrawn the case with liberty to file afresh and the Company reserve its rights to object.
- (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 dismissed on 26 February 2018.



**B12 Dividend**

No interim dividend has been declared for the financial period ended 31 December 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		Three Months ended	
	31-Dec-17	31-Dec-16	31-Dec-17	31-Dec-16
Net profit/(loss) attributable to equity holders of the Company (RM' 000)	(1,284)	(988)	(1,284)	(988)
Weighted average number of ordinary shares in issue ('000)	68,229	68,229	68,229	68,229
Basic earnings/(loss) per share (sen)	(1.88)	(1.45)	(1.88)	(1.45)

**(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-17	30-Sep-17
	RM' 000	RM' 000
Total accumulated losses of the Company and subsidiaries		
- Realised	(26,100)	(24,815)
- Unrealised	502	502
- Consolidated adjustments	(2,198)	(2,199)
	<u>(27,796)</u>	<u>(26,512)</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 27 February 2018.

By order of the Board,  
**KUANTAN FLOUR MILLS BERHAD**

Laang Jhe How (MIA 25193)  
Tan Kah Koon (MAICSA 7066666)  
Company Secretaries  
Dated: 27 February 2018.