

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

Interim report on unaudited consolidated results for the financial period ended 30 September 2018

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Current Quarter			Cumulative Quarter		
	30-Sep-18	30-Sep-17	Changes	30-Sep-18	30-Sep-17	Changes
	RM' 000	RM' 000	%	RM' 000	RM' 000	%
Revenue	11,917	5,488	117.1	39,007	7,521	418.6
Cost of sales	<u>(11,238)</u>	<u>(6,506)</u>		<u>(37,967)</u>	<u>(9,786)</u>	
Gross profit/(loss)	679	(1,018)	166.7	1,040	(2,265)	145.9
Other income						
- interest	-	-		4	3	
- others	0	-		-	1	
Administrative expenses	(678)	(6,536)		(1,696)	(8,286)	
Selling and marketing expenses	(403)	(242)		(1,434)	(588)	
Depreciation	(136)	(281)		(817)	(1,124)	
Finance costs	-	-		-	(1)	
Loss before tax	<u>(538)</u>	<u>(8,077)</u>	93.3	<u>(2,903)</u>	<u>(12,260)</u>	76.3
Income tax expense	-	-		-	-	
Loss after tax representing total comprehensive loss for the period	<u><u>(538)</u></u>	<u><u>(8,077)</u></u>	93.3	<u><u>(2,903)</u></u>	<u><u>(12,260)</u></u>	76.3
Attributable to:						
Equity holders of the Company	(537)	(8,077)	93.3	(2,901)	(12,260)	76.3
Non-controlling interests	<u>(1)</u>	<u>-</u>		<u>(2)</u>	<u>-</u>	
	<u><u>(538)</u></u>	<u><u>(8,077)</u></u>	93.3	<u><u>(2,903)</u></u>	<u><u>(12,260)</u></u>	76.3
Loss per share (sen)						
- basic	(0.79)	(11.84)		(4.25)	(17.97)	
- 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 30 September 2018

	As at 30-Sep-18 RM' 000 (Unaudited)	As at 30-Sep-17 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	4,610	5,545
Other investments	249	365
	<u>4,859</u>	<u>5,910</u>
Current assets		
Inventories	4,076	4,895
Trade receivables	4,902	706
Other receivables	2,117	3,399
Cash and bank balances	1,376	334
	<u>12,471</u>	<u>9,334</u>
TOTAL ASSETS	<u><u>17,330</u></u>	<u><u>15,244</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	3,442	3,442
Accumulated losses	(29,413)	(26,512)
Shareholders' equity	(25,971)	(23,070)
Non-controlling interests	-	2
Total equity	<u>(25,971)</u>	<u>(23,068)</u>
Current liabilities		
Trade payables	32,365	25,409
Other payables	10,922	12,888
Current tax liabilities	14	15
	<u>43,301</u>	<u>38,312</u>
Total liabilities	43,301	38,312
TOTAL EQUITY AND LIABILITIES	<u><u>17,330</u></u>	<u><u>15,244</u></u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>(0.38)</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
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	<---- 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	31	(31)				
Closing balance as at 30 September 2017	<u>3,442</u>	<u>-</u>	<u>(26,512)</u>	<u>(23,070)</u>	<u>2</u>	<u>(23,068)</u>
Opening balance as at 01 October 2017	3,442	-	(26,512)	(23,070)	2	(23,068)
Total comprehensive loss	-	-	(2,901)	(2,901)	(2)	(2,903)
Closing balance as at 30 September 2018	<u>3,442</u>	<u>-</u>	<u>(29,413)</u>	<u>(25,971)</u>	<u>-</u>	<u>(25,971)</u>

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 30 SEPTEMBER 2018

	Twelve Months ended	
	30-Sep-18	30-Sep-17
	RM' 000	RM' 000
OPERATING ACTIVITIES		
Loss before tax for the period	(2,903)	(12,260)
Adjustments for:		
Depreciation for property, plant and equipment	817	1,124
Loss on disposal of property, plant and equipment	-	37
Property, plant and equipment written off	1	1
Impairment on property, plant and equipment	229	-
Realised foreign exchange gain	(44)	-
Unrealised foreign exchange loss	-	124
Impairment loss on trade receivables	-	17
Reversal of impairment loss on trade receivables	-	-
Impairment on unquoted investment	116	112
Interest income	(4)	(3)
Interest expense	-	1
Operating cash flows before working capital changes	(1,788)	(10,847)
<u>Changes in working capital</u>		
- trade and other receivables	(2,914)	(3,861)
- inventories	819	(4,514)
- trade and other payables	5,034	19,181
Cash flows from/(used in) operations	1,151	(41)
Interest paid	-	(1)
Tax refund/(paid)	(1)	1
Net cash flows from/(used in) operating activities	1,150	(41)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	93
Proceeds from disposal of non-current assets held for disposal	-	-
Purchase of property, plant and equipment	(112)	(121)
Interest income	4	3
Net cash flows used in investing activities	(108)	(25)
FINANCING ACTIVITIES		
Repayment of obligations under financing leases	-	(34)
Net cash flows used in financing activities	-	(34)
CASH AND CASH EQUIVALENTS		
Net increase/(decrease)	1,042	(100)
At beginning of period	334	434
At end of period	1,376	334

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

	As at	As at
	30-Sep-18	30-Sep-17
	RM' 000	RM' 000
Cash and bank balances	1,376	334
	<u>1,376</u>	<u>334</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.

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Notes to the quarterly report on consolidated results for the financial quarter ended 31 September 2018.

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

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 Quarter	
	Three Months Ended		Twelve Months ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM' 000	RM' 000	RM' 000	RM' 000
Interest income	-	-	(4)	(3)
Interest expenses	-	-	-	1
Impairment loss on trade receivables	-	17	-	17
Property, plant and equipment written off	1	-	1	1
(Gain)/Loss on disposal of property, plant and equipment	-	-	-	37
Depreciation of property, plant and equipment	136	281	817	1,124
Impairment on property, plant and equipment	229	-	229	-
Impairment on unquoted investment	116	112	116	112
Realised foreign exchange gain	-	-	(44)	-
Unrealised foreign exchange (loss)/gain	-	(645)	-	124

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

B1 Review of Performance

	Individual Period		Changes	Cumulative Period		Changes
			%			%
	Three Months	Three Months		Current Year To-date	Preceding Year Corresponding Period	
	1-Jul-18 to 30-Sep-18	1-Jul-17 to 30-Sep-17		1-Oct-17 to 30-Sep-18	1-Oct-16 to 30-Sep-17	
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	11,917	5,488	117.1	39,007	7,521	418.6
Gross profit/(loss)	679	(1,018)	166.7	1,040	(2,265)	145.9
Loss Before Interest and Tax	(538)	(8,077)	93.3	(2,903)	(12,259)	76.3
Loss Before Tax	(538)	(8,077)	93.3	(2,903)	(12,260)	76.3
Loss After Tax	(538)	(8,077)	93.3	(2,903)	(12,260)	76.3

The Group had recorded a revenue of RM11.917 million for current quarter as compared to revenue of RM5.488 million for preceding year corresponding quarter. The marked improvement in sales performance was largely due to the introduction of starch trading activities as a result of a collaboration agreement with Lotus Essential Sdn Bhd and the gradual improvement in flour business.

The Group managed to reduce its business loss substantially during the financial year largely due to the improved sales margin and reduction in administrative cost.

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

	Current Quarter	Immediate Preceding Quarter	Changes %
	1-Jul-18 to 30/Sep/18	1-Apr-18 to 30/Jun/18	
	RM' 000	RM' 000	
Revenue	11,917	11,488	3.7
Gross profit	679	864	(21.4)
(Loss)/Profit Before Interest and Tax	(538)	33	(1,730.3)
(Loss)/Profit Before Tax	(538)	33	(1,730.3)
(Loss)/Profit After Tax	(538)	33	(1,730.3)

As compared with previous quarter, there was a slight improvement in sales performance of 3.7%.

However, due to higher raw material cost incurred and compounded by low production line performance efficiency during the quarter, the Group had recorded a business loss of RM0.538 million as compared to previous quarter with a marginal profit.

B3 Prospect

Barring unforeseen factors, the Company is able to achieve a gradual improvement in sales performance. Upon the approval of the proposed regularisation plan, the Board is confident that the Company will be able to further increase its sales and financial performance and uplift 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

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 238,787,710 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Share 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 09 February 2018 to 08 November 2018 for the Company to resubmit a revised proposed regularisation plan.

Bursa securities has, vide its letter dated 14 March 2018 granted the Company to re-submit a revised regularisation plan by 08 August 2018, subject to a Requisite Announcement for the revised regularisation plan to be made by 31 May 2018.

KAF IB had on 07 August 2018 submitted the application in relation to the revised regularisation plan to Bursa Securities for approval on behalf of the Company.

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 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

There were no material litigation during the financial period under review.

B12 Dividend

No interim dividend has been declared for the financial period ended 30 September 2018.

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

Basic 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		Twelve Months Ended	
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
Net loss attributable to equity holders of the Company (RM' 000)	(537)	(8,077)	(2,901)	(12,260)
Weighted average number of ordinary shares in issue ('000)	68,229	68,229	68,229	68,229
Basic loss per share (sen)	(0.79)	(11.84)	(4.25)	(17.97)

(b) Diluted

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

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 November 2018.

By order of the Board,

KUANTAN FLOUR MILLS BERHAD

Laang Jhe How (MIA 25193)
Company Secretary
Dated: 30 November 2018