

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

Interim report on unaudited consolidated results for the financial period ended 31 March 2019

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Current Quarter			Cumulative Quarter		
	Three Months Ended 31-Mar-19 RM' 000	31-Mar-18 RM' 000	Changes %	Six Months ended 31-Mar-19 RM' 000	31-Mar-18 RM' 000	Changes %
Revenue	14,355	9,267	54.9	27,063	15,602	73.5
Cost of sales	<u>(14,151)</u>	<u>(9,439)</u>		<u>(26,381)</u>	<u>(16,161)</u>	
Gross profit/(loss)	204	(172)	218.6	682	(559)	222.0
Other income						
- interest	-	-		-	4	
- others	89	-		89	-	
Administrative expenses	(507)	(339)		(836)	(642)	
Selling and marketing expenses	(438)	(334)		(886)	(660)	
Depreciation	(129)	(269)		(268)	(541)	
Finance costs	-	-		-	-	
Loss before tax	<u>(781)</u>	<u>(1,114)</u>	29.9	<u>(1,219)</u>	<u>(2,398)</u>	49.2
Income tax expense	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>	
Loss after tax representing total comprehensive loss for the period	<u><u>(781)</u></u>	<u><u>(1,114)</u></u>	29.9	<u><u>(1,219)</u></u>	<u><u>(2,398)</u></u>	49.2
Attributable to:						
Equity holders of the Company	(781)	(1,113)	29.9	(1,219)	(2,397)	49.2
Non-controlling interests	<u>-</u>	<u>(1)</u>		<u>-</u>	<u>(1)</u>	-
	<u><u>(781)</u></u>	<u><u>(1,114)</u></u>	29.9	<u><u>(1,219)</u></u>	<u><u>(2,398)</u></u>	49.2
Loss per share (sen)						
- basic	(1.14)	(1.63)		(1.79)	(3.51)	
- diluted	-	-		-	-	

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 30 September 2018 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 March 2019

	As at 31-Mar-19 RM' 000 (Unaudited)	As at 30-Sep-18 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	15,060	4,610
Other investments	249	249
	<u>15,309</u>	<u>4,859</u>
Current assets		
Inventories	4,011	4,075
Trade receivables	6,598	4,902
Other receivables	870	396
Cash and bank balances	1,700	1,376
	<u>13,179</u>	<u>10,749</u>
TOTAL ASSETS	<u><u>28,488</u></u>	<u><u>15,608</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	3,442	3,442
Accumulated losses	(30,634)	(29,415)
Shareholders' equity	<u>(27,192)</u>	<u>(25,973)</u>
Non-controlling interests	-	-
Total equity	<u>(27,192)</u>	<u>(25,973)</u>
Current liabilities		
Trade payables	35,999	32,368
Other payables	19,667	9,199
Current tax liabilities	14	14
	<u>55,680</u>	<u>41,581</u>
Total liabilities	55,680	41,581
TOTAL EQUITY AND LIABILITIES	<u><u>28,488</u></u>	<u><u>15,608</u></u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>(0.40)</u>	<u>(0.38)</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 30 September 2018 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 MARCH 2019

	<---- Attributable to Owners of the Company ---->				
	Share Capital RM' 000	Accumulated Losses RM' 000	Total RM' 000	Non- Controlling Interests RM' 000	Total Equity RM' 000
Opening balance as at 01 October 2017	3,442	(26,512)	(23,070)	2	(23,068)
Total comprehensive loss	-	(2,903)	(2,903)	(2)	(2,905)
Closing balance as at 30 September 2018	<u>3,442</u>	<u>(29,415)</u>	<u>(25,973)</u>	-	<u>(25,973)</u>
Opening balance as at 01 October 2018	3,442	(29,415)	(25,973)	-	(25,973)
Total comprehensive loss	-	(1,219)	(1,219)	-	(1,219)
Closing balance as at 31 March 2019	<u>3,442</u>	<u>(30,634)</u>	<u>(27,192)</u>	-	<u>(27,192)</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 2018 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 MARCH 2019

	Six Months ended	
	31-Mar-19 RM' 000	31-Mar-18 RM' 000
OPERATING ACTIVITIES		
Loss before tax for the period	(1,219)	(2,398)
Adjustments for:		
Depreciation for property, plant and equipment	268	541
Realised foreign exchange gain	-	(44)
Reveral of impairment loss on trade receivables	(3)	-
Interest income	-	(4)
Operating cash flows before working capital changes	<u>(954)</u>	<u>(1,905)</u>
<u>Changes in working capital</u>		
- trade and other receivables	(2,167)	(700)
- inventories	64	2,787
- trade and other payables	14,099	(101)
Cash flows from/(used in) operations	<u>11,042</u>	<u>81</u>
Tax refund/(paid)	-	(1)
Net cash flows from/(used in) operating activities	<u>11,042</u>	<u>80</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(10,718)	(55)
Interest income	-	4
Net cash flows used in investing activities	<u>(10,718)</u>	<u>(51)</u>
FINANCING ACTIVITIES		
	-	-
Net cash flows used in financing activities	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS		
Net increase/(decrease)	324	29
At beginning of period	1,376	334
At end of period	<u>1,700</u>	<u>363</u>

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

	As at 31-Mar-19 RM' 000	As at 31-Mar-18 RM' 000
Cash and bank balances	<u>1,700</u>	<u>363</u>
	<u>1,700</u>	<u>363</u>

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 30 September 2018 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 March 2019

Part A - MFRS 134 Requirements

A1 Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") No. 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 2018. 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 2018.

A2 Accounting Policies

The accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 September 2018. The Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 30 September 2018 was an unqualified opinion.

The audited financial statements for the financial year ended 30 September 2018 indicated that the Group and the Company incurred net losses during the financial year with RM2,904,588 and RM2,886,285 respectively and, as at that date, the Group and the Company had net current liabilities of RM30,831,352 and RM30,776,023 respectively and negative shareholders' funds of RM25,972,426 and RM25,911,730 respectively.

The Company had submitted a revised Proposed Regularisation Plan ("PRP") to Bursa Securities for approval on 07 August 2018.

The going concern assumption is highly dependent upon successful approval and implementation of the Regularisation Plan and the ability of the Group and the Company to generate sufficient cash flows to fulfil their obligation as and when fall due.

These events or conditions indicated that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. The auditor's opinion is not modified in respect of this matter.

Bursa Securities has approved the revised PRP on 11 January 2019. The Shareholders have approved the PRP at the EGM of the Company held on 27 May 2019.

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 2018.

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

Apart from the proposed change of Company name to Lotus KFM Berhad as announced on 19 April 2019, there were no material events subsequent to the end of current financial quarter. The proposed change was approved by the Shareholders of the Company at the EGM held on 27 May 2019.

A14 Changes in the Composition of the Group

Five(5) of the subsidiaries are in process of dissolution.

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

The following items have been charged/(credited) in arriving at loss before tax:

	Current quarter		Cumulative Quarter	
	Three Months Ended		Six Months ended	
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
	RM' 000	RM' 000	RM' 000	RM' 000
Interest income	-	-	-	(4)
Depreciation of property, plant and equipment	129	269	268	541
Reveral of impairment loss on trade receivables	(3)	-	(3)	-
Realised foreign exchange gain	-	(44)	-	(44)

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

B1 Review of Performance

	Individual Period		Changes	Cumulative Period		Changes
			%			%
	Three Months	Three Months		Current Year To-date	Preceding Year Corresponding Period	
	1-Jan-19 to 31-Mar-19	1-Jan-18 to 31-Mar-18		01-Oct-18 to 31-Mar-19	01-Oct-17 to 31-Mar-18	
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	14,355	9,267	54.9	27,063	15,602	73.5
Gross profit/(loss)	204	(172)	218.6	682	(559)	222.0
Loss Before Interest and Tax	(781)	(1,114)	29.9	(1,219)	(2,398)	49.2
Loss Before Tax	(781)	(1,114)	29.9	(1,219)	(2,398)	49.2
Loss After Tax	(781)	(1,114)	29.9	(1,219)	(2,398)	49.2

The revenue of the Group during the quarter shows a marked improvement of 54.9% to RM14.355 millions as compared with RM9.267million in previous year's corresponding quarter. This was largely due to the significant improvements on wheat flour sales.

However, due to higher production cost as a result of higher material cost incurred during the quarter, the Group managed to secure a marginal gross profit of RM0.204 million despite with the large improvements in sales. Due to higher overhead cost, the Group has suffered a pre-tax loss of RM0.781 million albeit lower than the previous year's corresponding quarter of RM1.114 million pre-tax loss.

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

	Current Quarter	Immediate Preceding Quarter	Changes %
	01-Jan-19 to 31-Mar-19	01-Oct-18 to 31-Dec-18	
	RM' 000	RM' 000	
Revenue	14,355	12,708	13.0
Gross profit	204	478	(57.3)
Loss Before Interest and Tax	(781)	(438)	(78.3)
Loss Before Tax	(781)	(438)	(78.3)
Loss After Tax	(781)	(438)	(78.3)

As compared with the immediate preceding quarter, the Group has achieved a further improvement in sales performance of 13.0% increase for the quarter under review.

However, due to higher average raw material and production cost incurred during the quarter, the Group has registered a lower gross profit margin and higher pre-tax loss of RM0.204 million and RM0.781 million respectively as compared with RM0.478 million gross profit and RM0.438 million pre-tax loss for the immediate preceding quarter.

B3 Prospect

The Regularisation Plan has been approved by the Shareholders of the Company held on 27 May 2019. The Board of Directors is confident that the Group will be able to further enhance its sales performance, operational efficiency and its financial performance.

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

Bursa Malaysia Securities Berhad ("Bursa Securities") has on 11 January 2019 approved the Proposed Regularisation Plan of the Company, which consists of the following:

- (i) 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 Wong Sak Kuan ("Placement Investor") at an issue price of RM0.10 per Placement Share ("Proposed Private Placement");
- (ii) Proposed restructuring of debts owing to:
 - The scheme creditors of KFM pursuant to the Debt Settlement Agreement via the issuance of 116,580,700 KFM Shares ("Settlement Shares") at an issue price of RM0.10 per Settlement Share together with 58,290,350 5-year free detachable warrants in KFM ("Warrants") on the basis of one(1) Warrant for every two(2) Settlement Shares ("Proposed Debt Settlement"); and
 - Lotus Essential Sdn Bhd ("Lotus") via the proposed conversion of RM15,000,000 of advances and supplier's credit extended by Lotus to KFM, which shall be converted into 300,000,000 5-year redeemable convertible preference shares in KFM ("RCPS") pursuant to the Debt Conversion Agreement entered into between KFM and Lotus ("Proposed Debt Conversion"),

(collectively, the "Proposed Debt Restructuring");

- (iii) Proposed renounceable rights issue of 477,595,420 new KFM Shares ("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 by the entitled shareholders on an entitlement date to be determined later following the Proposed Private Placement together with 238,797,710 Warrants on the basis of one(1) Warrant for every two(2) Rights Shares subscribed for ("Proposed Rights Issue");
- (iv) Proposed set-off of part of the net amount due to Lotus (to be novated by Lotus to the Placement Investor arising from the supplier's credit and advances extended by Lotus) against the subscription monies payable by the Placement Investor pursuant to the Proposed Private Placement and the Proposed Rights Issue totaling RM16.37 million ("Proposed Set-Off"); and
- (v) Proposed amendments to the Articles of Association of the Company's Constitution (A&A) ("Proposed Amendments"),

(collectively, the "Proposed Regularisation Plan").

Bursa Securities has also resolved to approve the following:

- (i) the admission of 297,088,060 Warrants to the Official List of Bursa Securities: and
- (ii) the listing and quotation for:
 - (a) up to 1,218,554,180 new KFM Shares to be issued as follows:
 - 27,290,000 Placement Shares to be issued pursuant to the Proposed Private Placement;
 - 116,580,700 Settlement Shares to be issued pursuant to the Proposed Debt Settlement;
 - 477,595,420 Rights Shares to be issued pursuant to the Proposed Rights Issue;
 - up to 297,088,060 KFM Shares to be issued pursuant to the exercise of Warrants; and
 - up to 300,000,000 KFM Shares to be issued pursuant to the conversion of the RCPS; and

- (b) 297,088,060 Warrants to be issued pursuant to the Proposed Debt Settlement and Proposed Rights Issue,

on the Main Market of Bursa Securities.

The approval granted by Bursa Securities for the Proposed Regularisation Plan is subject to the following conditions:

- (i) KFM and KAF Investment Bank Berhad ("KAF IB") to ensure that the installation, testing and commissioning of the new wheat flour milling line is completed prior to the issuance of the securities pursuant to the Proposed Regularisation Plan;
- (ii) KFM and KAF IB to ensure the the profit guarantee agreement between Lotus and KFM is entered into prior to despatching of the circular to the shareholders of KFM in relation to the Proposed Regularisation Plan ("Circular"), whereby the details of the profit guarantee agreement are to be disclosed in the Circular;
- (iii) KFM and KAF IB to ensure compliance with Paragraph 8.02 of the Main LR prior to the quotation for all the new KFM shares to be issued pursuant to the Proposed Private Placement, Proposed Debt Settlement and Proposed Rights Issue;

- (iv) KFM and KAF IB to ensure that all proposed directors who have not attended the Mandatory Accreditation Programme pursuant to Paragraph 15.08 and Practice Note 5 of the Main LR to do so prior to the quotation for the securities pursuant to the Proposed Regularisation Plan;
- (v) KFM and KAF IB must fully comply with the relevant provisions under the Main LR pertaining to the implementation of the Proposed Regularisation Plan;
- (vi) KFM and KAF IB to inform Bursa Securities upon the completion of the Proposed Regularisation Plan; and
- (vii) KFM and KAF IB to furnish Bursa Securities with the written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Regularisation Plan is completed.

KFM is required to ensure full compliance of all requirements as provided under the Main LR at all times.

On 29 March 2019 KAF IB has applied to Bursa Securities for an extension of time of up to 31 May 2019 to issue the circular in relation to the Proposed Regularisation Plan ("PRP"). Bursa Securities has on the same date approved the application. The Shareholders have approved the PRP at the EGM held on 27 May 2019.

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 May 2019 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 31 March 2019.

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	Three Months Ended	Six Months Ended	Six Months Ended
	31-Mar-19	31-Mar-18	31-Mar-19	31-Mar-18
Net loss attributable to equity holders of the Company (RM' 000)	(781)	(1,113)	(1,219)	(2,397)
Weighted average number of ordinary shares in issue ('000)	68,229	68,229	68,229	68,229
Basic loss per share (sen)	(1.14)	(1.63)	(1.79)	(3.51)

(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 May 2019.

By order of the Board,
KUANTAN FLOUR MILLS BERHAD

Laang Jhe How (MIA 25193)
Company Secretary
Dated: 29 May 2019