

Lotus KFM Berhad (formerly known as Kuantan Flour Mills Berhad)
(Company No. 198401007083 [119598-P])

Interim report on unaudited consolidated results for the financial period ended 30 September 2019

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Current Quarter			Cumulative Quarter		
	Three Months Ended 30-Sep-19 RM' 000	30-Sep-18 RM' 000	Changes %	Twelve Months ended 30-Sep-19 RM' 000	30-Sep-18 RM' 000	Changes %
Revenue	16,416	11,917	37.8	58,604	39,007	50.2
Cost of sales	<u>(15,933)</u>	<u>(11,238)</u>		<u>(56,980)</u>	<u>(37,967)</u>	
Gross profit	483	679	(28.9)	1,624	1,040	56.2
Other income						
- interest	-	-		-	4	
- others	8	-		128	-	
Administrative expenses	(2,066)	(678)		(3,380)	(1,696)	
Selling and marketing expenses	(459)	(403)		(1,732)	(1,434)	
Depreciation	(193)	(136)		(597)	(819)	
Finance costs	-	-		-	-	
(Loss)/Profit before tax	<u>(2,227)</u>	<u>(538)</u>	(313.9)	<u>(3,957)</u>	<u>(2,905)</u>	(36.2)
Income tax expense	-	-		-	-	
(Loss)/Profit after tax representing total comprehensive (loss)/profit for the period	<u><u>(2,227)</u></u>	<u><u>(538)</u></u>	(313.9)	<u><u>(3,957)</u></u>	<u><u>(2,905)</u></u>	(36.2)
Attributable to:						
Equity holders of the Company	(2,227)	(537)	(314.7)	(3,957)	(2,903)	(36.3)
Non-controlling interests	-	(1)		-	(2)	-
	<u><u>(2,227)</u></u>	<u><u>(538)</u></u>	(314.7)	<u><u>(3,957)</u></u>	<u><u>(2,905)</u></u>	(36.3)
Loss per share (sen)						
- basic	(3.26)	(0.79)		(5.80)	(4.25)	
- 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.

**Lotus KFM Berhad (formerly known as Kuantan Flour Mills Berhad)
(Company No. 198401007083 [119598-P])**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2019**

	As at 30-Sep-19 RM' 000 (Unaudited)	As at 30-Sep-18 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	14,519	4,610
Other investments	-	249
	<u>14,519</u>	<u>4,859</u>
Current assets		
Inventories	9,998	4,075
Trade receivables	6,308	4,902
Other receivables	2,001	396
Cash and bank balances	3,469	1,376
	<u>21,776</u>	<u>10,749</u>
TOTAL ASSETS	<u><u>36,295</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	(33,372)	(29,415)
Shareholders' equity	<u>(29,930)</u>	<u>(25,973)</u>
Non-controlling interests	-	-
Total equity	<u><u>(29,930)</u></u>	<u><u>(25,973)</u></u>
Current liabilities		
Trade payables	54,912	32,368
Other payables	11,299	9,199
Current tax liabilities	14	14
	<u>66,225</u>	<u>41,581</u>
Total liabilities	<u>66,225</u>	<u>41,581</u>
TOTAL EQUITY AND LIABILITIES	<u><u>36,295</u></u>	<u><u>15,608</u></u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>(0.44)</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.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Twelve Months ended	
	30-Sep-19 RM' 000	30-Sep-18 RM' 000
OPERATING ACTIVITIES		
Loss before tax for the period	(3,957)	(2,905)
Adjustments for:		
Depreciation for property, plant and equipment	597	819
Gain on disposal of property, plant and equipment	(1)	-
Impairment on property, plant and equipment	590	228
Impairment loss on trade receivables	55	-
Reversal of impairment loss on trade receivables	(3)	-
Impairment on unquoted investment	249	116
Interest income	-	(4)
Operating cash flows before working capital changes	<u>(2,470)</u>	<u>(1,746)</u>
<u>Changes in working capital</u>		
- trade and other receivables	(3,063)	(1,192)
- inventories	(5,923)	819
- trade and other payables	24,644	3,270
Cash flows from/(used in) operations	<u>13,188</u>	<u>1,151</u>
Tax refund/(paid)	-	(1)
Net cash flows from/(used in) operating activities	<u>13,188</u>	<u>1,150</u>
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1	-
Purchase of property, plant and equipment	(11,096)	(112)
Interest income	-	4
Net cash flows from/(used in) investing activities	<u>(11,095)</u>	<u>(108)</u>
FINANCING ACTIVITIES		
Net cash flows from/(used in) financing activities	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS		
Net increase/(decrease)	2,093	1,042
At beginning of period	1,376	334
At end of period	<u>3,469</u>	<u>1,376</u>

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

	As at 30-Sep-19 RM' 000	As at 30-Sep-18 RM' 000
Cash and bank balances	<u>3,469</u>	<u>1,376</u>
	<u>3,469</u>	<u>1,376</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.

Lotus KFM Berhad (formerly known as Kuantan Flour Mills Berhad)
(Company No. 198401007083 [119598-P])

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

<-- Attributable to Owners of the Company -->
<- Non Distributable ->

	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	3,442	(29,415)	(25,973)	-	(25,973)
Opening balance as at 01 October 2018	3,442	(29,415)	(25,973)	-	(25,973)
Total comprehensive loss	-	(3,957)	(3,957)	-	(3,957)
Closing balance as at 30 September 2019	3,442	(33,372)	(29,930)	-	(29,930)

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.

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 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.

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

There were no material events subsequent to the end of current financial quarter.

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 profit/(loss) before tax:

	Current quarter		Cumulative Quarter	
	Three Months Ended		Twelve Months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM' 000	RM' 000	RM' 000	RM' 000
Interest income	-	-	-	(4)
Property, plant and equipment written off	-	1	-	1
(Gain)/Loss on disposal of property, plant and equipment	(1)	-	(1)	-
Depreciation of property, plant and equipment	193	136	597	819
Reversal of impairment loss on trade receivables	-	-	(3)	-
Impairment loss on trade receivables	55	-	55	-
Impairment on property, plant and equipment	590	228	590	228
Impairment on unquoted investment	249	116	249	116
Realised foreign exchange gain	-	-	-	(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-Jul-19 to 30-Sep-19	1-Jul-18 to 30-Sep-18	01-Oct-18 to 30-Sep-19	01-Oct-17 to 30-Sep-18		
	RM' 000	RM' 000	RM' 000	RM' 000		
Revenue	16,416	11,917	37.8	58,604	39,007	50.2
Gross profit/(loss)	483	679	(28.9)	1,624	1,040	56.2
Profit/(Loss) Before Interest and Tax	(2,227)	(538)	(313.9)	(3,957)	(2,905)	(36.2)
Profit/(Loss) Before Tax	(2,227)	(538)	(313.9)	(3,957)	(2,905)	(36.2)
Profit/(Loss) After Tax	(2,227)	(538)	(313.9)	(3,957)	(2,905)	(36.2)

There have been a continuous improvement in revenue of the Group with an increase of 37.8% from RM11.917 million in previous year corresponding quarter to RM16.416 million for the current quarter. This was mainly attributable to better performance of wheat flour sales.

Despite with the significant increase in revenue, the gross profit of the Group during the period have reduced marginally as a result of higher raw material and production overhead cost. Consequently the Group has suffered a pre-tax loss of RM2.227 million as compared to a pre-tax loss RM0.538 million for previous year corresponding quarter. An increase in administrative expenses as a result of impairments on investment, property plant and equipment and professional fees incurred in relation to the regularisation plan have also resulted to the higher 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-Jul-19 to 30-Sep-19	01-Apr-19 to 30-Jun-19	
	RM' 000	RM' 000	
Revenue	16,416	15,125	8.5
Gross profit/(Loss)	483	459	5.2
Profit/(Loss) Before Interest and Tax	(2,227)	(511)	(335.8)
Profit/(Loss) Before Tax	(2,227)	(511)	(335.8)
Profit/(Loss) After Tax	(2,227)	(511)	(335.8)

As compared with the immediate preceding quarter, the Group has achieved a further improvement in sales performance of 8.5% to RM16.416 million for the quarter under review. With an improvement in average selling prices, the Group has achieved a marginally higher gross profit of RM0.483 million. However, the Group has incurred a higher pre-tax loss of RM2.227 million during the current quarter as compared to a pre-tax loss of RM0.511 million in the preceding quarter. This was mainly due to higher administrative cost as a result of impairment on investment, property plant and equipment and professional fees incurred in relation to the regularisation plan.

B3 Prospect

The flour industry remain highly competitive, the Group will persevere in elevating operational efficiency and focus on exploring various marketing strategy to improve the Group's revenue and profitability. This is further reinforced with the completion of commissioning of new flour milling line and the completion of the regularisation plan.

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 Shareholders of Company had on 27 May 2019 approved the Regularisation Plan involving :-

- (i) Private Placement ;
- (ii) Restructuring of debts
- (iii) Rights issue ;
- (iv) Set-off ; and
- (v) Amendments to the Articles of Association of the Company's Constitution.

Details can be obtained from the Company's announcement dated 27 May 2019.

On 19 June 2019 KAF Investment Bank Berhad had on behalf of the Company applied to Bursa Securities for an extension of time of up to 11 January 2020 to complete the implementation of the Regularisation Plan. Bursa Securities had approved the application vide its letter dated 20 June 2019.

The private placement has been allotted to Wong Sak Kuan on 01 October 2019.

On 11 October 2019, KAF IB had on behalf of the Company announced the important relevant dates for the Renounceable Rights.

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 25 November 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 30 September 2019.

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

Basic profit/(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-19	30-Sep-18	Twelve Months Ended 30-Sep-19	30-Sep-18
Net profit/(loss) attributable to equity holders of the Company (RM' 000)	(2,227)	(537)	(3,957)	(2,903)
Weighted average number of ordinary shares in issue ('000)	68,229	68,229	68,229	68,229
Basic profit/(loss) per share (sen)	(3.26)	(0.79)	(5.80)	(4.25)

(b) Diluted

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