

Interim report on unaudited consolidated results for the financial period ended 30 June 2020

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Current Quarter			Cumulative Quarter		
	Three Months Ended		Changes	Nine Months Ended		Changes
	30-Jun-20	30-Jun-19	%	30-Jun-20	30-Jun-19	%
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	11,760	15,125	-22.25%	41,617	42,188	-1.35%
Cost of sales	<u>(10,243)</u>	<u>(14,666)</u>		<u>(36,843)</u>	<u>(41,047)</u>	
Gross profit	1,517	459	230.50%	4,774	1,141	318.40%
Other income						
- interest	218	-		448	-	
- others	3,631	31		8,681	120	
Administrative expenses	(638)	(478)		(1,850)	(1,314)	
Selling and marketing expenses	(273)	(387)		(1,018)	(1,273)	
Depreciation	(184)	(136)		(639)	(404)	
Depreciation of right-of-use assets	(224)	-		(457)	-	
Finance costs	(93)	-		(207)	-	
Profit/(Loss) before tax	<u>3,954</u>	<u>(511)</u>	873.78%	<u>9,732</u>	<u>(1,730)</u>	662.54%
Income tax expense	-	-		-	-	
Profit/(Loss) after tax representing total comprehensive income/(loss) for the period	<u><u>3,954</u></u>	<u><u>(511)</u></u>	873.78%	<u><u>9,732</u></u>	<u><u>(1,730)</u></u>	662.54%
Attributable to:						
Equity holders of the Company	3,954	(511)	873.78%	9,732	(1,730)	662.54%
Non-controlling interests	-	-		-	-	
	<u><u>3,954</u></u>	<u><u>(511)</u></u>	873.78%	<u><u>9,732</u></u>	<u><u>(1,730)</u></u>	662.54%
Profit/(Loss) per share (sen)						
- basic	0.57	(0.75)		1.74	(2.54)	
- diluted	0.43	N/A		1.41	N/A	

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 30 September 2019 and the accompanying explanatory notes attached to the interim financial statements.

Lotus KFM Berhad
(Registration No. 198401007083 [119598-P])

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	As at 30-Jun-20 RM' 000 (Unaudited)	As at 30-Sep-19 RM' 000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	14,497	14,519
Right-of-use assets	9,377	-
Other investments	-*	-*
	<u>23,874</u>	<u>14,519</u>
Current assets		
Inventories	10,305	9,998
Trade receivables	5,228	6,307
Other receivables	4,559	2,002
Cash and bank balances	34,650	3,469
	<u>54,742</u>	<u>21,776</u>
TOTAL ASSETS	<u><u>78,616</u></u>	<u><u>36,295</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	56,044	3,442
Redeemable convertible preference shares	15,000	-
Warrant reserves	9,461	-
Accumulated losses	(23,641)	(33,373)
Shareholders' equity	<u>56,864</u>	<u>(29,931)</u>
Non-controlling interests	-	-
TOTAL EQUITY	<u>56,864</u>	<u>(29,931)</u>
Non-current liability		
Lease liabilities	<u>8,886</u>	<u>-</u>
Current liabilities		
Trade payables	3,583	54,912
Other payables	8,620	11,300
Lease liabilities	649	-
Current tax liabilities	14	14
	<u>12,866</u>	<u>66,226</u>
TOTAL LIABILITIES	<u>21,752</u>	<u>66,226</u>
TOTAL EQUITY AND LIABILITIES	<u><u>78,616</u></u>	<u><u>36,295</u></u>
Net assets per share attributable to ordinary owners of the Company (RM)	<u>0.08</u>	<u>(0.44)</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 September 2019 and the accompanying explanatory notes attached to the interim financial statements.

* Represents RM2

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	← Attributable to Owners of the Company →						
	← Non-Distributable →						
	Share Capital RM' 000	Redeemable Convertible Preference Shares RM' 000	Warrant Reserves RM' 000	Accumulated Losses RM' 000	Total RM' 000	Non- controlling Interests RM' 000	Total Equity RM' 000
Opening balance as at 1 October 2018	3,442	-	-	(29,415)	(25,973)	1	(25,972)
Total comprehensive loss	-	-	-	(3,958)	(3,958)	(1)	(3,959)
Closing balance as at 30 September 2019	3,442	-	-	(33,373)	(29,931)	-	(29,931)
Opening balance as at 1 October 2019	3,442	-	-	(33,373)	(29,931)	-	(29,931)
Total comprehensive income	-	-	-	9,732	9,732	-	9,732
Transactions with owners:-							
Issuance of shares	52,602	-	9,461	-	62,063	-	62,063
Issuance of preference shares	-	15,000	-	-	15,000	-	15,000
Closing balance as at 30 June 2020	56,044	15,000	9,461	(23,641)	56,864	-	56,864

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 September 2019 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Nine Months Ended	
	30-Jun-20	30-Jun-19
	RM' 000	RM' 000
OPERATING ACTIVITIES		
Profit/(Loss) before tax for the period	9,732	(1,730)
Adjustments for:		
Depreciation of property, plant and equipment	639	404
Reversal of impairment loss on trade receivables	-	(3)
Depreciation of right-of-use assets	457	-
Waiver of liabilities	(4,996)	-
Interest income	(448)	-
Interest expense	207	-
Dividend income	(3,540)	-
Operating cash flows before working capital changes	<u>2,051</u>	<u>(1,329)</u>
<u>Changes in working capital</u>		
- trade and other receivables	(1,478)	(2,702)
- inventories	(307)	(5,279)
- trade and other payables	<u>(20,457)</u>	<u>19,609</u>
Net cash flows (used in)/from operating activities	<u>(20,191)</u>	<u>10,299</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(617)	(10,758)
Interest received	448	-
Dividend received	3,540	-
Net cash flows from/(used in) investing activities	<u>3,371</u>	<u>(10,758)</u>
FINANCING ACTIVITIES		
Payment of lease liabilities	(299)	-
Interest paid	(207)	-
Placement of fixed deposits pledged to a licensed bank	(9)	-
Proceeds from issuance of shares	47,858	-
Proceeds from conversion of warrants	649	-
Net cash flows from financing activities	<u>47,992</u>	<u>-</u>
CASH AND CASH EQUIVALENTS		
Net increase	31,172	(459)
At beginning of period	3,335	1,376
At end of period	<u>34,507</u>	<u>917</u>

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

	As at 30-Jun-20 RM' 000	As at 30-Jun-19 RM' 000
<u>Cash and cash equivalents included in consolidated statement of cash flows comprise the following:-</u>		
Fixed deposits with a licensed bank	143	134
Cash and bank balances	<u>34,507</u>	<u>917</u>
	34,650	1,051
Less: Fixed deposits pledged as security	<u>(143)</u>	<u>(134)</u>
	<u>34,507</u>	<u>917</u>

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

A2 Accounting Policies

The accounting policies and presentation applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 30 September 2019, except for the adoption of the new and amended MFRSs, and Issues Committee (IC) Interpretations mandatory for annual financial periods beginning on or after 1 October 2019.

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on balance-sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remain similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company had adopted the modified retrospective approach and elected to measure the right-of-use asset at an amount equal to the lease liability at the date of initial application.

At 1 October 2019, the Group and the Company recognised lease liability of RM5,949,988 with a corresponding right-of-use assets of RM5,949,988. Subsequently, the Group and the Company has recognised lease liability of RM3,884,277 with a corresponding right-of-use assets of RM3,884,277 at 1 April 2020.

The estimated impact on initial recognition is based on assessment to date and the actual impacts of adopting the standard may change until the Group and the Company presents its audited financial statements for the financial year ending 30 September 2020.

A3 Auditors' Report on Preceding Annual Financial Statements

The audited financial statements of the Group for the preceding financial year ended 30 September 2019 were not subject to any qualification.

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 during this current quarter.

A8 Dividend Paid

No dividend has been 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 2019.

A11 Capital Commitments

There were no capital commitments as at the end of the reporting period.

A12 Related Party Transactions

The Group's recurrent related party transactions during the quarter and cumulative period-to-date ended 30 June 2020 are as follows:

	3 Months Ended 30-Jun-20 RM'000	Year-to-date ended 30-Jun-20 RM'000
Transactions with a company in which a major shareholder and Director has interests:		
Rental Income	(91)	(91)
Purchases	8,694	32,365
Transactions with a company in which a major shareholder and Director has deemed interests:		
Purchases	-	1,187
	<u>8,603</u>	<u>33,461</u>

A13 Changes in the Composition of the Group

There were no changes in the composition of the Group during this current quarter.

A14 Changes in Contingent Liabilities or Contingent Assets

There were no changes in contingent liabilities or contingent assets during the financial period under review.

A15 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		Nine Months Ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM' 000	RM' 000	RM' 000	RM' 000
Interest income	(218)	-	(448)	-
Dividend income	(3,540)	-	(3,540)	-
Rental income	(91)	-	(91)	-
Interest on lease liabilities	93	-	207	-
Depreciation of property, plant and equipment	184	136	639	404
Depreciation of right-of-use assets	224	-	457	-
Reversal of impairment loss on trade receivables	-	-	-	(3)
Waiver of liabilities	-	-	(4,996)	-
Insurance claims received	-	-	(54)	-

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-Apr-20 to 30-Jun-20	1-Apr-19 to 30-Jun-19		1-Oct-19 to 30-Jun-20	1-Oct-18 to 30-Jun-19	
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	11,760	15,125	(22.25)	41,617	42,188	(1.35)
Gross profit	1,517	459	230.50	4,774	1,141	318.40
Profit/(Loss) Before Interest and Tax	4,047	(511)	(891.98)	9,939	(1,730)	674.51
Profit/(Loss) Before Tax	3,954	(511)	(873.78)	9,732	(1,730)	662.54
Profit/(Loss) After Tax	3,954	(511)	(873.78)	9,732	(1,730)	662.54

The revenue for the Group had decreased 22.25% from RM15.125 million in the previous year's corresponding quarter to RM11.760 million in the current quarter.

However, there was a significant improvement in gross margin level from RM0.459 million to RM1.517 million. Similarly, the net profit after tax had also shown a marked improvement from an after tax loss of RM0.511 million for the preceding year's corresponding quarter to current quarter with a profit of RM3.954 million. This was mainly due to better cost control policy implemented.

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

	Current Quarter	Immediate Preceding Quarter	Changes %
	1-Apr-20 to 30-Jun-20	1-Jan-20 to 31-Mar-20	
	RM' 000	RM' 000	
Revenue	11,760	14,695	-20%
Gross profit	1,517	1,618	-6%
Profit Before Interest and Tax	4,047	719	463%
Profit Before Tax	3,954	662	497%
Profit After Tax	3,954	662	497%

The Group's revenue had decreased by 20% from RM14.695 million in the preceding quarter to current quarter of RM11.760 million. This was mainly due to the impact of Covid-19 and lesser demand from our customers.

The Group has a lower gross profit of RM1.517 million for current quarter as compared to RM1.618 million in the preceding quarter. This was mainly due to the downturn of the economy caused by the Movement Control Order ("MCO"). During the initial stage of MCO, the sales are lower than expected. However, sales are recovered in June and reach a normal level.

However, the profit after tax had increased from RM0.662 million to RM3.954 million. This was mainly due to one-time dividend income received from other investment which amounted to RM3.54 million during the current quarter,

B3 Prospect

On 8th July 2020, the Group has uplifted successfully from PN17, this will result in a better impression and higher confidence for the stakeholder. Other than that, Lotus Essential Sdn Bhd (LE) intends to convert its holding of 300,000,000 redeemable convertible preference shares (RCPS) through surrendering a combination of one (1) RCPS and RM0.05 in cash for one (1) new share in Lotus KFM Berhad. The fund received of RM15 million will be utilised to acquire suitable assets.

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 status of utilisation of proceeds of RM34.114 million raised from the regularisation plan which was completed on 28 November 2019 are as follows:

Purpose	Proposed Utilisation	Actual Utilisation	Balance	Estimated timeframe
	RM'000	RM'000	RM'000	
Wheat flour business	21,414	6,237	15,177	Within 24 months
Tapioca starch business	10,000	7,000	3,000	Within 24 months
Expenses relating to the regularisation plan	2,700	2,700	-	Within 3 months
	34,114	15,937	18,177	

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 24 August 2020 the latest practicable date which is not earlier than 7 days from the date of issuance of this quarterly report.

B11 Changes in Material Litigation

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

B12 Dividend Declared

The Board of Directors declared the payment of a special dividend of 0.5 sen per share, totalling RM3.572 million in respect of the financial year ending 30 September 2020, payable on 5 August 2020 to depositors registered in the Record of Depositors at close of business on 16 July 2020.

B13 Profit/(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-Jun-20	30-Jun-19	Nine Months Ended 30-Jun-20	30-Jun-19
Net profit/(loss) attributable to equity holders of the Company (RM' 000)	3,954	(511)	9,732	(1,730)
Weighted average number of ordinary shares in issue ('000)	689,813	68,229	558,183	68,229
Basic profit/(loss) per share (sen)	0.57	(0.75)	1.74	(2.54)

(b) Diluted

Net profit attributable to equity holders of the Company (RM' 000)	3,954	N/A	9,732	N/A
Weighted average number of ordinary shares in issue ('000)	929,387	N/A	688,864	N/A
Diluted profit per share (sen)	0.43	N/A	1.41	N/A