

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

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

	Current Quarter			Cumulative Quarter		
	Three Months Ended 30-Sep-20 RM' 000	30-Sep-19 RM' 000	Changes %	Twelve Months Ended 30-Sep-20 RM' 000	30-Sep-19 RM' 000	Changes %
Revenue	14,557	16,012	-9.09%	55,098	57,893	-4.83%
Cost of sales	<u>(12,700)</u>	<u>(15,529)</u>		<u>(48,467)</u>	<u>(56,245)</u>	
Gross profit	1,857	483	284.47%	6,631	1,648	302.37%
<b>Other income</b>						
- interest	172	-		620	-	
- others	181	8		8,862	270	
Administrative expenses	(837)	(1,110)		(2,631)	(2,601)	
Selling and marketing expenses	(155)	(459)		(1,173)	(1,732)	
Depreciation	(230)	(193)		(869)	(597)	
Depreciation of right-of-use assets	(252)	-		(709)	-	
Other operating expenses	(314)	(951)		(370)	(951)	
Finance costs	(93)	-		(300)	-	
<b>Profit/(Loss) before tax</b>	<u>329</u>	<u>(2,222)</u>	114.81%	<u>10,061</u>	<u>(3,963)</u>	353.87%
Income tax expense	<u>(134)</u>	<u>-</u>		<u>(134)</u>	<u>-</u>	
<b>Profit/(Loss) after tax representing total comprehensive income/(loss) for the period</b>	<u>195</u>	<u>(2,222)</u>	108.78%	<u>9,927</u>	<u>(3,963)</u>	350.49%
<b>Attributable to:</b>						
Equity holders of the Company	195	(2,222)	108.78%	9,927	(3,962)	350.56%
Non-controlling interests	-	-		-	(1)	
	<u>195</u>	<u>(2,222)</u>	108.78%	<u>9,927</u>	<u>(3,963)</u>	350.49%
<b>Profit/(Loss) per share (sen)</b>						
- basic	0.03	(3.26)		1.64	(5.81)	
- diluted	0.02	N/A		1.03	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 SEPTEMBER 2020**

	<b>As at 30-Sep-20 RM' 000 (Unaudited)</b>	<b>As at 30-Sep-19 RM' 000 (Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	14,273	14,519
Right-of-use assets	9,173	-
Other investments	-*	-*
	<u>23,446</u>	<u>14,519</u>
<b>Current assets</b>		
Inventories	8,642	9,998
Trade receivables	6,512	6,317
Other receivables	5,280	2,036
Cash and bank balances	36,276	3,468
	<u>56,710</u>	<u>21,819</u>
<b>TOTAL ASSETS</b>	<u><u>80,156</u></u>	<u><u>36,338</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	59,065	3,442
Redeemable convertible preference shares	15,000	-
Warrant reserves	8,719	-
Accumulated losses	(27,019)	(33,373)
Shareholders' equity	55,765	(29,931)
Non-controlling interests	-	-
<b>TOTAL EQUITY</b>	<u>55,765</u>	<u>(29,931)</u>
<b>Non-current liability</b>		
Lease liabilities	8,736	-
<b>Current liabilities</b>		
Trade payables	7,149	48,540
Other payables	4,720	16,278
Contract liabilities	2,894	1,437
Borrowings	84	-
Lease liabilities	660	-
Current tax liabilities	148	14
	<u>15,655</u>	<u>66,269</u>
<b>TOTAL LIABILITIES</b>	<u>24,391</u>	<u>66,269</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>80,156</u></u>	<u><u>36,338</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 SEPTEMBER 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	-	-	(29,411)	(25,969)	1	(25,968)
Total comprehensive loss	-	-	-	(3,962)	(3,962)	(1)	(3,963)
<b>Closing balance as at 30 September 2019</b>	<b>3,442</b>	<b>-</b>	<b>-</b>	<b>(33,373)</b>	<b>(29,931)</b>	<b>-</b>	<b>(29,931)</b>
Opening balance as at 1 October 2019	3,442	-	-	(33,373)	(29,931)	-	(29,931)
Total comprehensive income	-	-	-	9,927	9,927	-	9,927
<b>Transactions with owners:-</b>							
Issuance of placement shares	2,729	-	-	-	2,729	-	2,729
Issuance of settlement shares	9,760	-	1,898	-	11,658	-	11,658
Issuance of right issues	39,985	-	7,775	-	47,760	-	47,760
Conversion of warrant	3,882	-	(954)	-	2,928	-	2,928
Share issuance expense	(733)	-	-	-	(733)	-	(733)
Issuance of preference shares	-	15,000	-	-	15,000	-	15,000
Dividend	-	-	-	(3,573)	(3,573)	-	(3,573)
<b>Closing balance as at 30 September 2020</b>	<b>59,065</b>	<b>15,000</b>	<b>8,719</b>	<b>(27,019)</b>	<b>55,765</b>	<b>-</b>	<b>55,765</b>

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 SEPTEMBER 2020**

	<b>Twelve Months Ended</b>	
	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM' 000</b>	<b>RM' 000</b>
<b>OPERATING ACTIVITIES</b>		
Profit/(Loss) before tax for the period	10,061	(3,963)
Adjustments for:		
Allowance for expected credit loss on trade receivables	48	55
Depreciation of property, plant and equipment	869	596
Impairment on property, plant and equipment	57	591
Gain on disposal of property, plant and equipment	-	(1)
Impairment loss on other investment	-	249
Inventories written down	265	16
Reversal of inventories written down	(24)	-
Depreciation of right-of-use assets	709	-
Waiver of liabilities	(4,996)	-
Interest income	(620)	-
Interest expense	300	-
Dividend income	(3,540)	-
<b>Operating cash flows before working capital changes</b>	<b>3,129</b>	<b>(2,457)</b>
<u>Changes in working capital</u>		
- contract liabilities	1,457	(361)
- trade and other receivables	(3,487)	(3,105)
- inventories	1,116	(5,938)
- trade and other payables	(21,295)	25,049
Tax paid	(1)	(1)
Tax refund	1	1
<b>Net cash flows (used in)/from operating activities</b>	<b>(19,081)</b>	<b>13,187</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	-	1
Purchase of property, plant and equipment	(680)	(11,096)
Interest received	620	-
Dividend received	3,540	-
<b>Net cash flows from/(used in) investing activities</b>	<b>3,480</b>	<b>(11,095)</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	(3,573)	-
Drawdown of banker's acceptance	84	-
Interest paid	(300)	-
Placement of fixed deposits pledged to a licensed bank	(9,693)	-
Proceeds from issuance of shares	52,684	-
Payment of lease liabilities	(486)	-
<b>Net cash flows from financing activities</b>	<b>38,716</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase	23,115	2,092
At beginning of period	3,334	1,242
<b>At end of period</b>	<b>26,449</b>	<b>3,334</b>

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

	<b>As at 30-Sep-20 RM' 000</b>	<b>As at 30-Sep-19 RM' 000</b>
<u>Cash and cash equivalents included in consolidated statement of cash flows comprise the following:-</u>		
Fixed deposits with a licensed bank	9,827	134
Cash and bank balances	26,449	3,334
Less: Fixed deposits pledged as security	(9,827)	(134)
	<b>26,449</b>	<b>3,334</b>

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. After that, the Group and the Company has recognised lease liability of RM29,732 with a corresponding right-of-use assets of RM48,181 at 1 July 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 ended 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**

During the 12-month period ended 30 September 2020, the Group has issued new ordinary shares as follows:-

	Issue Price	No. of Shares
Conversion of Warrants	RM0.10	29,279,700

As at 30 September 2020, the total number of outstanding warrants was 267,808,360.

Other than as disclosed above, there was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the current financial quarter under review.

**A8 Dividend Paid**

The Group has paid a dividend of 0.5 sen per share, totalling RM3.573 million in respect of the financial year ended 30 September 2020 on 5 August 2020 to depositors registered in the Record of Depositors at close of business on 16 July 2020.

**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 September 2020 are as follows:

	<b>3 Months Ended 30-Sep-20 RM'000</b>	<b>Year-to-date ended 30-Sep-20 RM'000</b>
Transactions with a company in which a major shareholder and Director has interests:		
Rental Income	(91)	(182)
Purchases	10,375	42,039
Purchase of Property, Plant and Equipment	-	66
Transactions with a company in which a major shareholder and Director has deemed interests:		
Purchases	-	1,187
	<u>10,284</u>	<u>43,110</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:

	<b>Current quarter</b>		<b>Cumulative Quarter</b>	
	<b>Three Months Ended</b>	<b>Three Months Ended</b>	<b>Twelve Months Ended</b>	<b>Twelve Months Ended</b>
	<b>30-Sep-20</b>	<b>30-Sep-19</b>	<b>30-Sep-20</b>	<b>30-Sep-19</b>
	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>	<b>RM' 000</b>
Interest income	(172)	-	(620)	-
Dividend income	-	-	(3,540)	-
Rental income	(91)	-	(182)	-
Gain on disposal of property, plant and equipment	-	(1)	-	(1)
Interest on lease liabilities	93	-	300	-
Depreciation of property, plant and equipment	230	193	869	597
Reversal of impairment loss on trade receivables	-	-	-	(3)
Impairment loss on trade receivables	48	55	48	55
Impairment on property, plant and equipment	57	591	57	591
Impairment on other investment	-	249	-	249
Depreciation of right-of-use assets	252	-	709	-
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-Jul-20 to 30-Sep-20	1-Apr-19 to 30-Sep-19		1-Oct-19 to 30-Sep-20	1-Oct-18 to 30-Sep-19	
	RM' 000	RM' 000		RM' 000	RM' 000	
Revenue	14,557	16,012	(9.09)	55,098	57,893	(4.83)
Gross profit	1,857	483	284.47	6,631	1,648	302.37
Profit/(Loss) Before Interest and Tax	422	(2,222)	118.99	10,361	(3,963)	361.44
Profit/(Loss) Before Tax	329	(2,222)	114.81	10,061	(3,963)	353.87
Profit/(Loss) After Tax	195	(2,222)	108.78	9,927	(3,963)	350.49

The revenue for the Group decreased by 9.09% from RM16.012 million in the previous year's corresponding quarter to RM14.557 million in the current quarter. The decline in revenue was mainly due to the Covid-19 outbreak which has affected our local market.

However, there was an improvement in gross margin level from RM0.483 million to RM1.857 million. Similarly, the net profit after tax had also shown a significant improvement from an after tax loss of RM2.222 million for the preceding year's corresponding quarter to current quarter with a profit of RM0.195 million.

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

	Current Quarter	Immediate Preceding Quarter	Changes %
	1-Jul-20 to 30-Sep-20	1-Apr-20 to 30-Jun-20	
	RM' 000	RM' 000	
Revenue	14,557	11,760	24%
Gross profit	1,857	1,517	22%
Profit Before Interest and Tax	422	4,047	-90%
Profit Before Tax	329	3,954	-92%
Profit After Tax	195	3,954	-95%

The Group's revenue had increase by 24% from RM11.760 million in the preceding quarter to current quarter of RM14.557 million.

The Group has an increase in gross profit of RM1.857 million for current quarter as compared to RM1.517 million in the preceding quarter. This was mainly due to the lower down the product cost.

However, the profit after tax had decreased from RM3.954 million to RM0.195 million. This was mainly due to the dividend received in preceding quarter and provision of tax payable, provision of slow-moving stock and allowance for expected credit losses incurred during the current quarter.

**B3 Prospect**

The operating business environment remains challenging brought forth by the unprecedented Covid19 pandemic. However, the Group continues to strengthen its business operations to remain competitive in its business and focus on optimising its costs whilst improving products quality and delivery in order to improve margins under this challenging and volatile business environment.

**B4 Profit Forecast**

There were no profit forecast nor profit guarantee made during the financial period under review.

**B5 Taxation**

There is provision for taxation during this financial period under review.

**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	7,133	14,281	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	16,833	17,281	

**B9 Group Borrowings and Debt Securities**

During the quarter under review, the Group has borrowings which amounted to RM0.084 million to finance its operations.

**B10 Off Balance Sheet Financial Instruments**

The Group does not have any financial instrument with off balance sheet risks as at 25 November 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 RM3.573 million in respect of the financial year ending 30 September 2020, paid 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 Three Months Ended		Cumulative Quarter Twelve Months Ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Net profit/(loss) attributable to equity holders of the Company (RM' 000)	195	(2,222)	9,927	(3,963)
Weighted average number of ordinary shares in issue ('000)	715,804	68,229	605,153	68,229
Basic profit/(loss) per share (sen)	0.03	(3.26)	1.64	(5.81)

**(b) Diluted**

Net profit attributable to equity holders of the Company (RM' 000)	195	N/A	9,927	N/A
Weighted average number of ordinary shares in issue ('000)	1,081,093	N/A	968,459	N/A
Diluted profit per share (sen)	0.02	N/A	1.03	N/A