

ANNUAL REPORT 2020



LOTUS KFM

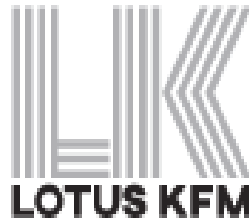
LOTUS KFM BERHAD

Registration No. 198401007083 (119598-P)

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CORPORATE STRUCTURE



LOTUS KFM BERHAD

Registration No. 198401007083 (119598-P)



KFM Marketing Sdn. Bhd.



Lotus Plantation Sdn. Bhd.



LKB Plantation Sdn. Bhd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mohd Rasli bin Muda

Independent Non-Executive Chairman

Wong Sak Kuan

Non-Independent Non-Executive Director / Vice Chairman

Yau Ming Teck

Non-Independent Non-Executive Director

Lee Wai Fun

Executive Director cum Chief Executive Officer

Yap Ee Seong

Independent Non-Executive Director

Chia Weng Lock

Executive Vice President

Low Koon Min

Independent Non-Executive Director

AUDIT COMMITTEE

Low Koon Min (*Chairperson*)
Mohd Rasli bin Muda
Wong Sak Kuan

NOMINATION COMMITTEE

Low Koon Min (*Chairperson*)
Mohd Rasli bin Muda
Yau Ming Teck

REMUNERATION COMMITTEE

Mohd Rasli bin Muda (*Chairman*)
Wong Sak Kuan
Low Koon Min

COMPANY SECRETARY

Tea Sor Hua
(MACS 01324)
(SSM PC No.: 201908001272)

REGISTERED OFFICE

Third Floor, No. 77, 79 & 81
Jalan SS 21/6
Damansara Utama
47400 Petaling Jaya
Selangor Darul Ehsan
Tel: +603-7725 1777
Fax: +603-7722 3668

CORPORATE OFFICE

Unit T2-L3-1 & 3, IOI City Tower Two
Lebuhr IRC, IOI Resort City
62502 Putrajaya
Tel: +603-8959 4883
Fax: +603-8959 8057
Website: <http://www.kfmb.com.my/>

FACTORY

Kawasan Lembaga Pelabuhan
Kuantan
KM25, Jalan Kuantan/Kemaman,
Tanjung Gelang, 26080 Kuantan
Pahang Darul Makmur
Tel: +609-583 3611
Fax: +609-583 3618

PRINCIPAL BANKERS

AmBank Islamic Berhad
CIMB Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia)
Berhad

SHARE REGISTRAR

Securities Services (Holdings) Sdn
Bhd
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel: +603-2084 9000
Fax: +603-2094 9940
+603-2095 0292

AUDITORS

Grant Thornton Malaysia PLT
(201906003682 & LLP0022494 – LCA)
Chartered Accountants
(AF: 0737)

SOLICITOR

H.Y. Lee & Co.
54 (1st Floor),
Jalan Raja Haroun
43000 Kajang
Selangor Darul Ehsan

STOCK EXCHANGE LISTING

Main Market of the Bursa
Malaysia Securities Berhad
Stock Name: LOTUS
Stock Code: 8303



MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF BUSINESS AND OPERATIONS

Lotus KFM Berhad (“LKFM”) is principally engaged in flour milling and trading in its related products. The two main sources of revenue comprise of wheat flour and trading of tapioca flour.

Founded in 1984 and known as Kuantan Flour Mills (KFM) then, the company grew rapidly in the next 25 years before experiencing headwinds that affected its operation in 2015, when the company was classified as an affected listed issuer under PN17. On 28 November 2019, it had successfully completed its regularisation plan which was approved by Bursa Malaysia Securities Berhad on 11 January 2019.

Following a successful regularization plan on 28 November 2019 which was approved by Bursa Malaysia Securities Berhad early 2019, the company then appointed several new Board members to strengthen its Board with diversified talent in skill, expertise and experience. The Company renewed its marketing strategy to continue re-captured its flour market share since re-activation of its business operations. This can be seen from its uptrend in sales performance since financial year ended (“FYE”) 2018 (FYE 2018: RM39.007 million, FYE 2019: RM57.893 million & FYE 2020: RM55.098 million). The Company had also initiated continuing efforts to improve its cost structure, operational efficiency, working capital management and supply chain stability. With all these

elements in place, we are confident that the Company will be able to achieve a sustainable profit in the ensuing year.

With the completion of the regularisation plan, LKFM has regularised its financial condition and no longer triggers any of the criteria under Paragraph 2.1 of Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

On 7 July 2020, the Company announced that Bursa Securities has decided to approve LKFM’s application for an early upliftment from being classified as a PN17 company. LKFM has uplifted from being classified as a PN17 company effective from 9.00 a.m. , Wednesday, 8 July 2020.

This Statement contains the Management Discussion and Analysis (“MDNA”) on the performance of the Group for FYE 2020 and it should be read in conjunction with the Audited Financial Statement of the Group for FYE 2020 as set out in the ensuing sections of this Annual Report.

CORPORATE DEVELOPMENTS

Details of the regularisation plan can be obtained from the Company’s various announcements with Bursa Malaysia Securities Berhad.

REVIEW OF GROUP’S FINANCIAL RESULTS AND FINANCIAL CONDITIONS

The following table is the financial highlights of the Group for the past five (5) financial years:-

	2020	2019	2018	2017	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	55,098	57,893	39,007	7,521	3,924	24,864
Operating profit/(loss)	9,741	(3,962)	(2,905)	(12,259)	(11,795)	(16,459)
Profit/(Loss) before tax	10,060	(3,962)	(2,905)	(12,260)	(12,093)	(16,845)
Profit/(Loss) after tax and minority Interests	9,927	(3,962)	(2,903)	(12,260)	(12,093)	(16,845)
Shareholders' funds	55,765	(29,931)	(25,972)	(23,068)	(10,807)	1,286
Net tangible assets	55,765	(29,931)	(25,972)	(23,068)	(10,807)	1,286
Tangible assets	80,156	36,338	15,608	15,244	8,233	23,504
Basic earnings/(loss) per share (sen)	1.64	(5.81)	(4.25)	(17.97)	(17.72)	(25.07)
Net Assets per Share (sen)	7.76	(43.87)	(38.06)	(33.81)	(15.84)	1.88

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

REVIEW OF GROUP'S FINANCIAL RESULTS AND FINANCIAL CONDITIONS (cont'd)

We recorded a revenue of RM55.098 million (FYE 2019: RM57.893million). This represented an decrease of 4.83%. This was mainly due to Coronavirus disease 2019 (COVID-19).

Wheat Flour (RM'000)			Tapioca and Corn Flour (RM'000)		
2020	2019	% Changes	2020	2019	% Changes
25,205	26,002	(3.07)	29,893	31,891	(6.27)

Because of the COVID-19 pandemic, sales decreased for the financial year as the consumers' demand are lesser than usual. Although the sales have decreased marginally, cost of sales were managed to be lower down and achieved a higher gross profit. This is due to better cost control policy imposed by the management, LKFM now records a gross profit of RM5.479 million. As compared with prior year, LKFM has increased its gross profit by 396%.

This is mainly due to LKFM has acquired a new line of wheat flour milling machine and its performance is better when compare to the previous machine. With the efficiency and effectiveness of the new machine, it can mill flour with a better quality and meet the customers' demand and preferences.

As the new management has taken over the Board, they managed to request for waiver of debts from its payables by getting discount and exchange with shares. This resulted in other income of RM4.99 million of waiver of debts recorded in current financial year. We have also received dividend from our investment which amounted to RM3.54 million during the financial year.

Despite with the lower performance in sales, as compared with prior financial year, there was an operating loss suffered and then LKFM's new management had turned around the loss and generated profit for the current financial year.

The Group's long-term assets had recorded an increase of 61.48% to RM23.446 million (FYE 2019: RM14.519 million). This was mainly due to the adoption of MFRS 16 Leases during the financial year.

The Group's inventories level for current FYE 2020 had decreased by 13.57% to RM8.642 million (FYE 2019: RM9.998 million), where LKFM is trying to maintain a lower inventory level to minimise the holding cost and carrying cost. By doing so, it can also reduce the risk of slow-moving stock.

Trade receivables are maintaining as RM6.512 million (FYE 2019: RM6.317 million) which is in line with current financial year sales. In short, the sales team is actively approaching to customers for collection. Other receivables have increased to RM5.280 million which is 159.33% (FYE 2019: RM2.036 million). The increase is

mainly due to the advances received from the customers to purchase wheat and starch products.

The Group's cash and cash equivalents have increased significantly when compared to prior financial year. LKFM retained around RM36.276 million cash and cash equivalents (FYE 2019: RM3.469 million) which has increased by 945.72%. The funds are mostly from the Corporate Exercise (Rights Issue) for wheat flour business and receipts from conversion of warrants.

The Group has low gearing as at end of current financial year and the debt-to-equity ratio is 0.15%.

On the payables side, it has decreased substantially to RM11.865 million with a decrease of 81.69% (FYE 2019: RM64.817 million). The substantial decrease was because of the waiver of debt (debt settlement) with the supplier via issuance of shares and discount. The second factor is the debts have been settled by the Group and the Company.

The current profit after tax of RM9.927 million and the shareholders' funds have become positive in this current financial year. This is because LKFM has completed the Restructuring (Corporate Exercise) to convert most of the debts into equity.

For FYE 2020, the Group had recorded with deficit net operating cashflow of RM19.081 million (FYE 2019: surplus net operating cashflow RM13.189 million).

ANTICIPATED BUSINESS RISKS

The business risks faced by the Group basically include market competitions, volatility of imported raw material prices, movements of currency exchange rates, performance of user industries and changes in economic, political and regulatory conditions.

a) Market competitions

The flour milling sector remains competitive among the flour milling operators locally as well as imported wheat flour and starch. The Group will continue to develop new market strategy to capture new market, particularly on less well-served segments, improve its distribution channels as well as product mix and quality to meet a wider range of customers' needs and requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

(cont'd)

ANTICIPATED BUSINESS RISKS (cont'd)

b) Volatility of raw material prices

Volatility of prices on imported raw materials such as wheat and tapioca remain the key challenges. Both wheat and tapioca are globally traded commodities, and as a result, their prices may fluctuate from time to time. The price of wheat and tapioca are influenced by global macroeconomic factors including, among others, supply and demand of wheat and tapioca, as well as stock levels.

As the cost of these raw materials constitute a major part of wheat flour and tapioca starch cost, managing these costs remain the key challenge.

Any increase in the prices of these imported raw materials, if unable to pass on to customers on time, may adversely affect the financial performance of the Group.

Stability of imported raw material prices remain a key challenge for all the industry players. This is an inherent risk faced by all the industry players.

The Group has taken proactive measures to mitigate the unexpected interruption of the supply of these imported raw materials as well as their prices by increasing inventory to a reasonable level when prices are relatively low.

c) Volatility of currency exchange rates

As LKFM's main raw materials such as wheat and tapioca are fully imported from overseas markets and are traded in US currency. Fluctuations in US/RM rates will have great impact on its raw material costs and hence its financial performance. However, during the current financial year, the Group has purchased the aforesaid raw materials locally from its business collaboration partner, LOTUS. Hence, the aforesaid currency risk is protected.

d) Dependency on performance of user industries

Flour is mainly used in food manufacturing industries and food services operations. Any adverse performance in user industries would affect the demand for these products and hence, the financial performance of the Group. We will continue to take prudent approach to manage this risk. However, this is an inherent risk in the wheat flour milling industry.

e) Changes in economic, political and regulatory conditions

Any adverse developments in macroeconomies both globally as well as within the nation will

have great negative impact on the financial performance of the Group. Similarly, any changes in political leadership which may bring about unfavorable change in governmental policies such as introduction of new regulations, import restrictions and duties, tariffs, licensing or subsidies. The Group may take prudent approach to manage these risks internally in the event it arises, however these risks are beyond the control of the Group.

DIVIDEND POLICY

Currently, our Company does not have any formal dividend policy. The Board will evaluate the Group's profitability, long term plans and cash flows position annually before recommending any dividend payment.

On 10 June 2020, the Group declared a special dividend of 0.5 sen per ordinary share amounting to RM3.572 million in respect of the financial period ended 30 September 2020. The dividend was paid on 5 August 2020.

OUTLOOK OF INDUSTRY

The operating environment is expected to remain highly competitive and we anticipate intensifying pressures on margins as consumers' living costs rise. Nevertheless, the Group will persevere in elevating operational efficiency and focus on exploring various marketing strategies to improve the Group's revenue and profitability.

We always uphold our mantra of offering excellent customer service, with great prices as our inherent objective. Regardless of the economic weather, the benchmark for best value is set so that our customers can get the best possible deals with no compromise in quality and services.

NOTE OF APPRECIATION

To our shareholders, customers, suppliers and business associates, who have given us valuable support, we wish to express our sincere appreciation and thanks to all of your enduring trust and confidence in our business.

Further, we would like to take this opportunity to welcome our new Board members Mr. Chia Weng Lock and Mr. Yap Ee Seong. Both of them joined the board on 30 April 2020 and 3 August 2020 respectively. With their diverse expertise and experience, we are confident that under their leadership, the Group will achieve a greater performance in years to come.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Corporate Governance Overview Statement is augmented with Corporate Governance Report, based on a prescribed format as enumerated in Paragraph 15.25(2) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) so as to provide a detailed articulation on the application of Lotus KFM Berhad’s (“LKFM” or “the Company”) and its subsidiaries’ (“the Group”) corporate practice vis-à-vis the Malaysian Code on Corporate Governance (“the Code”).

The Board of Directors (“the Board”) of LKFM fully supports the recommendations of the Code in maintaining a high standard of corporate governance and to ensure that the principles and best practices of corporate governance are observed and adopted as a fundamental part of discharging its responsibilities to protect and enhance stakeholders’ value.

This Corporate Governance Statement (“Statement”) should also be read together with the Company’s Corporate Governance Report for the financial year ended 30 September 2020 (“FYE 2020”) which is available on the Company’s website at www.kfmb.com.my as well as via an announcement on the website of Bursa Securities.

This Statement gives the shareholders an overview of the corporate governance practices of the Company for the FYE 2020.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I) Roles and Responsibility of the Board

The Company is led by an experienced and dynamic Board. It has a balanced Board composition with effective Independent Directors. The Board provides stewardship to the Group’s strategic direction and operations, and ultimately enhancing shareholders’ value. To fulfill this role, the Board is responsible for the following:-

- To review the performance of the Group on a quarterly basis;
- To receive updates and oversee the conduct of the Group’s business and operations;
- To deliberate on proposals presented and recommended by the Management;
- To review and approve the annual and quarterly results, acquisition and disposal of major assets;
- To ensure that there are plans in place for orderly succession of senior management;
- To oversee the development and implementation of a communication policy for the Group;
- Responsible for material matters of the Group and reserved for the Board’s decisions;
- To examine its own size and composition and to determine the impact on the Board’s effectiveness; and
- To review the adequacy and integrity of internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

During FYE 2020, the Group adopted an Anti-Corruption and Anti-Bribery Policy in line with the Board’s commitment to promote ethical business conduct. The Anti-Bribery and Corruption Policy is available at the Company’s website www.kfmb.com.my.

In order to assist in the discharge of its stewardship role, the Board has established Board Committees, namely the Audit Committee (“AC”), Nomination Committee (“NC”) and Remuneration Committee (“RC”) to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making however, lies with the Board.

Board Charter

The Board recognises and observes the role, composition and responsibilities of the Board embodying in the principles of the Code and observes as a source of reference for new Board members. The Board Charter sets out guidance and principles of good corporate governance to ensure fairness, transparency, accountability and responsibility. It provides guidance for Directors and Management regarding their roles in discharging their duties towards the Company as well as boardroom activities.

The Board shall review and update the Board Charter from time to time to reflect changes to the Company’s policies, procedures as well as to comply with the latest regulations and legislations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II) Board Composition

The Board presently has seven (7) members comprising two (2) Executive Directors, two (2) Non-Independent Non-Executive Directors and three (3) Independent Non-Executive Directors. This is in compliance with the Paragraph 15.02 of the MMLR of Bursa Securities, which requires that at least two (2) Directors or 1/3 of the Board, whichever is the higher, are Independent Directors.

The composition of the current Board is well balanced, with an effective mix of Executive, Independent/Non-Independent and Non-Executive Directors as set out in the table below:-

	Names	Designation
1.	Mohd Rasli bin Muda	Independent Non-Executive Chairman
2.	Wong Sak Kuan	Non-Independent Non-Executive Director / Vice Chairman
3.	Lee Wai Fun	Executive Director cum Chief Executive Officer ("CEO")
4.	Chia Weng Lock	Executive Vice President
5.	Low Koon Min	Independent Non-Executive Director
6.	Yau Ming Teck	Non-Independent Non-Executive Director
7.	Yap Ee Seong	Independent Non-Executive Director

The Independent Directors, who are professional of credibility and repute, demonstrate independent judgement and objectivity in the Board's deliberations. The diverse professional backgrounds of the Directors provide the Board with an effective mix of members with industry-specific knowledge and broad business experience.

A brief profile of the Directors is presented in the Board of Directors' Profile of this Annual Report.

The Board acknowledges the importance of Board and Management composition diversity as recommended by the Code. In pursuing diversity agenda, the Directors and Senior Management are sourced from a diverse pool and recruited based on objective criteria, merit and with due regard for diversity in skills, knowledge, experience, age, cultural background, gender and contribution.

In line with the recommendation under the Code for gender diversity, the Board has established and adopted a Gender Diversity Policy which provides a framework for the Company to improve its gender diversity at Board level. The policy emphasise on the needs for diversity amongst the Board members, amongst others, include race, ethnicity, age, gender, skills, competencies, experiences and expertise.

The Board had also implemented a process for annual assessment of the effectiveness of the Board as a whole, the Board Committees, and for assessing the contribution of each individual Director. This process shall be carried out by the Nomination Committee.

The Board continually assesses the composition and the tenure of its Independent Directors to ensure they have the appropriate balance of skills, expertise and experience to bring an independent view in the consideration of Board issues and provide the appropriate advice to maintain the highest level of corporate ethics. LKFM measures the independence of its Directors based on the criteria prescribed under MMLR in which a Director should be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Non-Executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. They also ensure that the strategies proposed by the management are fully discussed and examined, and take into account the long-term interest not only of the shareholders, but also of employees, customers and suppliers. Together with the CEO who has an in-depth knowledge of the business, the Board constitutes individuals who are committed to business integrity and professionalism in all its activities.

The Board recognises and embraces the benefits of having a diverse Board, and understand that increasing diversity at Board level is an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skill, regional and industry experience, background, race, gender and other distinction between Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointment are made on merit, taking into account the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

Currently, there are two (2) female Directors on the Board, namely, Ms. Lee Wai Fun and Ms. Low Koon Min.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II) Board Composition (cont'd)

Each Board member is expected to commit sufficient time to carry out his/her role as Director and/or member of the Board Committees in which he/she is a member. In accordance with the requirements of MMLR, none of the Directors of the Company can hold more than five (5) directorships in public companies. This ensures the Independent Directors' commitment, resources and time are focused for an effective input to the Board.

Board and Board Committees' Meetings

Meeting and Procedures

All Board and Board Committees meetings for the ensuing financial year are scheduled in advance so as to enable the Directors to plan and organise their respective schedules for the year.

The Board and Board Committees shall meet at least four (4) times annually, or more frequently as circumstances dictate. As part of the duty to foster open communication, the auditors and a representative(s) of the external auditors (if required) will be invited to attend the meetings. Senior Management personnel also attended the meeting upon invitation by the Committee to provide their professional views, advice and explanation on specific items. The Company Secretary or any other person appointed by the Board or Board Committees for this purpose shall act as Secretary for the Committee and as a reporting procedure, the minutes shall be circulated to all members of the committee.

The number of meetings held and attended by each member of the Board and Board Committees during the FYE 2020 are as follows:-

Name of Directors	Type of Meetings	Board of Directors	AC	NC	RC
	No. of Meetings Attended				
Mohd Rasli bin Muda		5/5	4/4	1/1	1/1
Wong Sak Kuan		4/5	3/4	-	0/1
Lee Wai Fun		5/5	-	-	-
Yau Ming Teck		5/5	-	1/1	-
Low Koon Min		6/6	5/5	1/1	1/1
Chia Weng Lock (Appointed on 30 April 2020)		3/3	-	-	-
Yap Ee Seong (Appointed on 3 August 2020)		1/1	-	-	-

To facilitate an effective way to discharge the responsibilities, the Board Committees have been established and guided by the respective terms of reference. The Board Committees are chaired by Independent Non-Executive Directors who exercise skillful leadership with in-depth knowledge of the industry.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II) Board Composition (cont'd)

Nomination Committee and Remuneration Committee (“NC & RC” or “the Committees”)

Currently, the composition of the NC & RC complies with the MMLR. The Committees comprise with a majority of Independent Directors as follows:-

Nomination Committee Members	Designation
Low Koon Min (Chairperson)	Independent Non-Executive Director
Mohd Rasli bin Muda	Independent Non-Executive Chairman
Yau Ming Teck	Non-Independent Non-Executive Director

Remuneration Committee Members	Designation
Mohd Rasli bin Muda (Chairman)	Independent Non-Executive Chairman
Low Koon Min	Independent Non-Executive Director
Wong Sak Kuan	Non-Independent Non-Executive Director / Vice Chairman

The NC & RC will scrutinise the candidates and recommend the same for the Board's approval. In discharging this duty, the Committees will undertake a thorough review of the candidate's criteria, amongst others, qualifications, skills, knowledge, expertise, experience, personal attributes and the capability to devote the necessary time and commitment to the role.

The Board believes that individuals with diverse backgrounds, independence, competencies and diversity represented on the Board could improve its effectiveness and bring differing perspective in its deliberations and decision-making processes.

The above composition ensures that any decisions made are impartial and in the best interest of the Company without any element of fear or favor.

In furtherance to that, the NC & RC will also recommend to the Board the framework of remuneration package for Executive Directors based on their duties and responsibilities. It is nevertheless the ultimate decision of the entire Board to approve the appointment and remuneration of new directors and the directors do not participate in decision on their own remuneration package. The Directors' fees are approved at the Annual General Meeting (“AGM”) annually by the shareholders, based on the recommendation from the Board.

The NC & RC meet as and when required at least once every financial year.

The activities undertaken by the NC for the FYE 2020 are as follows:-

- (i) Carried out the assessment and rating of the performance of each Non-Executive Directors against the criteria as set out in the annual assessment form, amongst others, attendance at Board or Committee meetings, adequate preparation for Board and/or Committee meetings, regular contribution to Board or Committee meetings, personal input to the role and other contributions to the Board or Committees as a whole.
- (ii) Carried out the assessment and rating of the performance of the Executive Directors against diverse key performance indicators, amongst others, financial, strategic, operations management and business plans, product development, conformance and compliance, shareholders'/investors' relations, employee training and development, succession planning and personal input to the role.
- (iii) Assessed and evaluated the independence of the Independent Directors.
- (iv) Assessed the performance of the AC.
- (v) Considered and recommended to the Board for consideration, the re-election of Directors who were due for retirement at the AGM.
- (vi) Reviewed the changes made to the composition of the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II) Board Composition (cont'd)

Nomination Committee and Remuneration Committee (“NC & RC” or “the Committees”) (cont'd)

In addition, the RC and Board also reviewed on the remuneration packages (including fees and benefits) of the Directors for the FYE 2020 before recommending the same to the shareholders for approval at the AGM of the Company.

The NC & RC Terms of Reference are available at the Company website at www.kfmb.com.my.

Overall Effectiveness of the Board and Individual Director

The Board has, through the NC, conducted an annual evaluation to determine the effectiveness of the Board, its Board Committees and each individual Director for the FYE 2020 based on the agreed evaluation process, criteria to be used and the evaluation method. The process was carried out by sending the following customised assessment forms to Directors:-

- i) Performance of Executive Directors;
- ii) Performance of the Non-Executive Directors;
- iii) Independence of the Independent Directors;
- iv) Performance of the AC; and
- v) Effectiveness of the Board and Board Committees as a whole.

The assessment criteria based on the Key Performance Indicators covers the financial performance and business operations, strategic, operations management and business plans, product development, conformance and compliance, stakeholders' relation, succession planning, attendance, preparation and contribution to the committee meetings.

Minutes of Meeting

The proceedings and resolutions passed at each Board and Board Committees' meeting are minuted and kept in the statutory register at the registered office of the Company. In the event of any potential conflict of interests, the Directors in such a position will make a declaration to that effect as soon as practicable. The Directors concerned will then abstain from any decision-making process in which they are involved.

Supply of Information

The Board has unrestricted access to the timely and accurate information necessary in the furtherance of their duties. The Company Secretary ensures that all Board meetings are furnished with proper agenda. Board papers, which include reports on Group performance and major operational, financial, strategic and regulatory matters are circulated to all the Directors not less than five (5) days prior to the meeting, in order to allow the Directors have sufficient time to review. In most instances, senior management of the Company as well as external advisors are invited to attend the Board meeting to provide fresh insights and to furnish clarification on issues that may be raised by the Board.

Company Secretary

The Board is supported by a qualified and competent Company Secretary. The Company Secretary is a member of the Malaysian Association of Company Secretaries and is holding a professional certificate as qualified Company Secretary under the Malaysian Companies Act 2016. The Company Secretary possesses over 25 years of experience in corporate secretarial practices and is supported by a team of competent company secretarial personnel.

The Company Secretary has:-

- together with Management, managed all Board and Board Committee meeting logistics;
- attended and recorded minutes of all Board and Board Committee meetings and facilitated Board communications;
- advised the Board on its roles and responsibilities;
- advised the Board on corporate disclosures and compliance with Companies Act 2016, MMLR and the Code;
- managed processes pertaining to the AGM of the Company; and
- monitored corporate governance developments and advised the Board on governance practices.

The Company Secretary attended the necessary training programmes, conferences or seminars to keep herself abreast with the current regulatory changes in the laws and regulatory requirements that are relevant to her profession and to provide the necessary advisory role to the Board.

Overall, the Board is satisfied with the performance and support rendered by the Company Secretary to the Board in the discharge of her duties and functions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II) Board Composition (cont'd)

Independent Professional Advice

Apart from having full and unrestricted access to all information of the Group on a timely and accurate manner, the Board is encouraged to seek independent professional advice, where necessary, at the Group's expense from time to time. This is to enable the Board to discharge its duties in relation to the matters being deliberated. The procedure will involve informing the Company Secretary who will propose a list of advisors for consideration. The advice given could also be shared with the other Board members. Similar access is also extended to the Board Committees on the same basis.

Appointment to the Board

The proposed appointment of new Board members is reviewed and assessed by the NC. Thereafter the NC submits its recommendation on the proposed appointment to the Board for approval. The NC's primary role is to review the required mix of skills and experience of the Directors on the Board, and determine the appropriate Board balance and size of non-executive directors. It will establish procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each individual Director including time commitment. The Board is satisfied that the current composition of the Board brings the required mix of skills and experience required for the Board to function effectively.

The Board is responsible to assess, evaluate and recommend a new Board member to the Board after taking into consideration the relevant criteria such as age, gender, ethnicity, skill and experience, industry knowledge, personal qualities and characteristic which include integrity, willingness and ability to discharge duty as Director.

Board Training

The Board acknowledges that its Directors must keep abreast of developments in the Group's operating environment and business and will need to enhance their knowledge and business acumen to meet challenging commercial risks.

During the FYE 2020, the Directors had attended the following training programmes in compliance with Paragraph 15.08 of the MMLR of Bursa Securities:-

Name of Director	Training/seminar attended
Mohd Rasli bin Muda	<ul style="list-style-type: none"> Mandatory Accreditation Programme ("MAP") for Directors of Public Listed Companies Corporate Liability on Corruption Under Malaysian Anti-Corruption Act 2009 ("MACC Act 2009") (Amended 2018) Corporate Liability Provision on Corruption under the MACC Act 2009
Wong Sak Kuan	<ul style="list-style-type: none"> Corporate Liability on Corruption Under MACC Act 2009 (Amended 2018) Corporate Liability Provision on Corruption under the MACC Act 2009
Lee Wai Fun	<ul style="list-style-type: none"> Corporate Liability on Corruption Under MACC Act 2009 (Amended 2018) Corporate Liability Provision on Corruption under the MACC Act 2009 The Best Gift for Your Loved Ones - UOB Covid-19: Impact on MFRS 16 – Leases Transformational Technologies in Finance Technology Investment Strategies & HPE Business Continuity Solution Curating 'In-Demand' Board Profile for Your Board Journey Governance in the New Norm
Chia Weng Lock	<ul style="list-style-type: none"> MAP for Directors of Public Listed Companies Corporate Liability Provision on Corruption under the MACC Act 2009 Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009: The Essential Steps
Low Koon Min	<ul style="list-style-type: none"> Corporate Liability on Corruption Under MACC Act 2009 (Amended 2018) Corporate Liability Provision on Corruption under the MACC Act 2009
Yau Ming Teck	<ul style="list-style-type: none"> Corporate Liability on Corruption Under MACC Act 2009 (Amended 2018) Corporate Liability Provision on Corruption under the MACC Act 2009

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

II) Board Composition (cont'd)

Board Training (cont'd)

Name of Director	Training/seminar attended
Yau Ming Teck	<ul style="list-style-type: none"> Corporate Liability on Corruption Under MACC Act 2009 (Amended 2018) Corporate Liability Provision on Corruption under the MACC Act 2009
Yap Ee Seong	<ul style="list-style-type: none"> MAP for Directors of Public Listed Companies MRMA Malaysian REIT's: Managing the New Normal Budget 2021 Key Highlights & Web Launch of 'Spotlight on Current Malaysian Tax Issues A Legal Analysis of Selected Provisions of The Finance Bill 2020 Tax Highlights of Malaysia's Budget 2021 Fraud Risk Management Workshop All About GST: Closure Audits, Refunds and Court Cases

All Directors have attended the MAP prescribed by Bursa Securities. In addition to that, the Directors are briefed and updated at the quarterly meetings by the External Auditors, Internal Auditors and/or the Company Secretary on relevant amendments to the Listing Requirements, corporate governance practices and principles, risk management and internal control approaches, Malaysian Financial Reporting Standards as well as auditing requirements. The Directors also gained insights to the market development through constructive and active deliberations at the Board meetings.

For the new Directors, a familiarisation programme will be conducted for them as well. This includes a presentation of the Group's operations, meetings with Management and site visits in order to facilitate their understanding of the Group's operations and requirements.

The Directors are encouraged to attend relevant seminars and courses to keep themselves abreast on the various issues faced in the changing business environment, regulatory and corporate governance developments to enhance their professionalism, skill and knowledge to effectively discharging their duties and responsibilities.

The Directors recognise the need to continually develop and refresh their skills and knowledge and to update themselves on the developments in the related industry and business landscape.

Relevant guidelines on statutory and regulatory requirements were circulated to the Board from time to time for the Board reference.

The Board, will continue to identify and attend appropriate briefings, seminars, conferences and courses to keep abreast of relevant changes in legislations and regulations, development in the industry in order to further enhance their skills and knowledge.

Directors are mindful that they must continue to enhance their skills and knowledge to maximise their effectiveness during their tenure. Throughout their years in office, the Directors are continually updated on the Group's business and the regulatory requirements by the Management and the Company Secretary.

Re-election and Re-appointment of Directors

In accordance with the Company's Constitution, one-third (1/3) of the Directors are subject to retirement by rotation at every AGM and provided always that all Directors shall retire from office at least once in every three years but shall be eligible for re-election. Directors who are appointed by the Board are subject to re-election by the shareholders at the next AGM held following their appointments.

The Board makes recommendations concerning the re-election, reappointment and the continuation in office of any Director for shareholders' approval at the AGM.

Encik Mohd Rasli bin Muda and Ms. Low Koon Min who retire by rotation pursuant to the Clause 85 of the Company's Constitution, of whom being eligible for re-election have offered themselves for re-election at the forthcoming AGM.

Mr. Chia Weng Lock and Mr. Yap Ee Seong, who were appointed on 30 April 2020 and 3 August 2020 respectively are subject to retirement pursuant to Clause 91 of the Company's Constitution, of whom being eligible for re-election, have offered themselves for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration

The Directors' fees and benefits of the Company are subject to the shareholders' approval of the Company. The remuneration of the individual Director of the Company for the FYE 2020 is as follows:-

The Company

Name of Directors	Salaries	Fees	Meeting and Other Allowance	Total
	RM	RM	RM	RM
Non-Executive Directors				
Wong Sak Kuan	-	30,000	-	30,000
Low Koon Min	-	36,000	-	36,000
Mohd Rasli bin Muda	-	100,000	-	100,000
Yau Ming Teck	-	30,000	-	30,000
Yap Ee Seong	-	6,000	-	6,000
Iskandar Zurkanain bin Mohamed (Resigned on 28 November 2019)	-	6,000	-	6,000
Total	-	208,000	-	208,000

The Group

Name of Directors	Salaries	Fees	Meeting and Other Allowance	Total
	RM	RM	RM	RM
Non-Executive Directors				
Wong Sak Kuan	-	30,000	-	30,000
Low Koon Min	-	36,000	-	36,000
Mohd Rasli bin Muda	-	100,000	-	100,000
Yau Ming Teck	-	30,000	-	30,000
Yap Ee Seong	-	6,000	-	6,000
Iskandar Zurkanain bin Mohamed (Resigned on 28 November 2019)	-	6,000	-	6,000
Total	-	208,000	-	208,000

The Board is of the opinion that besides confidentiality and personal security concern, the detailed disclosure of remuneration of Executive Directors on a named basis may be detrimental to its business interest, given the industry's competitiveness. Hence, the company opts not to disclose on named basis the remuneration of the Executive Directors.

The remuneration of Directors commensurate with their experience, contribution and commitment in discharging their responsibilities, taken into consideration the Group's performance. Their remuneration packages are reviewed by the RC and endorsed by the Board. Furthermore, all fees, allowances and benefits payable to Non-Executive Directors are subject to shareholders' approval at the AGM.

The Board determines the fees and benefits of all Directors, including the Non-Executive Directors. Directors do not participate in the decisions regarding their own fees, benefits and/or remuneration packages.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

III. Remuneration (cont'd)

Remuneration of Senior Management

The remuneration of the Senior Management of the Company FYE 2020 as follows:-

Range of Remuneration	No. of Senior Management Officer
RM50,001 to RM100,000	6
RM100,001 to RM150,000	1
RM150,001 to RM200,000	-

Due to confidentiality and sensitivity of the remuneration packages of senior management as well as security concerns, the Board opts not to disclose the Senior Management's remuneration components on named basis. The Board views that the disclosure of the remuneration of senior management on named basis would be not in the best interest of the Company given the competitive human resources environment that may give rise to recruitment and talent retention issues.

Legal and Make-Up of Remuneration

The RC is responsible for evaluation and recommending to the Board the level and make-up of the remuneration of the Executive Director(s) ensuring that they commensurate with the scope of responsibilities held in order to attract and retain the persons of necessary caliber, experience and quality needed to successfully lead the Company.

The RC is also responsible for reviewing and making recommendations to the Board on the framework and remuneration packages of the Non-Executive Directors to ensure that the levels of remuneration are sufficient to attract and retain the Directors needed to run the Company successfully. In its review, the RC considers various factors including the Directors' fiduciary duties, time commitments expected of them and the Company's performance. A remuneration policy was established with the objective to guide the Company in attracting, retaining and motivating highly qualified individuals to serve on the Board and key senior management as well.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee (“AC”)

The primary objective of the AC is to assist the Board in discharging its responsibilities relating to financial accounting and reporting matters. In compliance with the MMLR and the Code, the AC comprises three (3) Non-Executive Directors with a majority of whom are Independent Directors:-

Audit Committee Members

Low Koon Min (Chairperson)

Mohd Rasli bin Muda

Wong Sak Kuan

The membership of the AC, summary of the works, function of the of AC in relation to the external auditors and the number of meetings held since the previous financial year end as well as the attendance of each member are shown in the Audit Committee Report of the Annual Report.

Financial Reporting

The financial statements of the Group were prepared in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 2016.

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's performance, position and prospects primarily through the annual financial statement, quarterly financial reports and corporate announcements on significant developments to the shareholders.

The AC assists the Board in overseeing the financial reporting process and ensuring the quality of the financial reporting by the Group. The AC reviews and monitors the accuracy and integrity of the Group's annual and quarterly financial statements for announcement to the public within stipulated time frame.

In reviewing all the published annual and quarterly financial statements during the FYE 2020, the Directors took due care and reasonable steps to ensure compliance accounting standards in all material aspects. For this purpose, the Director are updated and briefed by the External Auditors on current accounting practices, new MFRS, amendments/improvements to MFRSs, new IC Interpretation (IC Int) and amendments to IC Int that have been issued but have yet to be effective.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Risk Management and Internal Control

The Board recognises the importance of having an effective governance embedding risk management and internal control processes, and acknowledges its overall responsibility for maintaining a sound system of internal control covering not only financial controls but also relating to operational, compliances and risk management to safeguard shareholders' investments and the Group's assets.

The Statement on Risk Management and Internal Control is set out in this Annual Report.

The Group has outsourced its internal audit function to external professional services firm, to assist the AC and Board in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system and risk management.

The Internal Auditors shall conduct regular review and appraisal of the effectiveness of the governance, risk management and internal control process within the Group. The outsourced Internal Auditors report directly to the AC. They are given full access to all the documents relating to the Company and Group's governance, financial statements and operational assessments.

The Board acknowledges that the risks management and internal control are an integral part of good governance. Risk is inherent in all business activities. It is however, not the Group's objective to eliminate risk totally but to provide structural means to identify, prioritise and manage the risks involved in all the Group's activities and to balance between cost and benefit of managing and treating risks, and the anticipated returns that will be derived from.

During the financial year under review, the outsourced Internal Auditors had conducted a review on the adequacy and effectiveness of the controls in the area of sourcing and buying process of the Company.

To ensure that the responsibilities of Internal Auditors are fully discharged, the AC evaluates the performance of the Internal Auditors for the FYE 2020 based on the following evaluation criteria as set out in the Internal Auditors' Annual Assessment Form:-

- a. Adequacy of resources and experience of the internal audit firm;
- b. Quality processes of the internal audit firm;
- c. Competency of the engagement team;
- d. Governance and independence;
- e. Internal audit fee, scope and planning; and
- f. Internal audit reports and communications.

The AC concluded its assessment that the Internal Auditors have sufficient experience and resources to satisfy their terms of reference and adequately deliver the quality services to the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

(cont'd)

PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

General Meetings

The AGM remains the principal forum for dialogue with the shareholders where they are encouraged to meet Board to have greater insight into the Group operations. Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf. At the AGM, shareholders are given the opportunity to raise questions on the Group's activities and prospects as well as to communicate their expectations and concerns to the Company. The Board and the Management together with the External Auditors and Company Secretary are available to provide feedback and responses to the questions raised by shareholders during the meeting.

The notice of the Thirty-Fifth AGM of the Company was circulated to the shareholders at least twenty-eight (28) days before the AGM which gives shareholders sufficient time to prepare themselves to attend the AGM or to appoint proxy to attend and vote on their behalf. In line with the recommendation under the Code, the notice for the forthcoming Thirty-Sixth AGM will send to the shareholders at least twenty-eight (28) days before the date of the AGM as well.

Extraordinary General Meeting ("EGM") is held when shareholders' approvals are required on specific matters.

During the proceedings of the Thirty-Fifth AGM and EGM convened on 17 March 2020 and 22 September 2020 respectively, the Chairman ensured that shareholders are given the opportunity to comment or raise issues and questions whether pertaining to issues on the agenda, the annual report, Group's strategy or developments in the Group. All questions raised by the shareholders were answered and addressed accordingly.

The Company has always made the necessary preparation for poll voting for all resolutions tabled at the AGM and EGM. The Company will explore the suitability and feasibility of employing electronic means for poll voting.

Pursuant to the Paragraph 8.29A(1) of MMLR of Bursa Securities, all resolutions deliberated during the general meeting will be put to vote by way of poll and the voting results will be validated by an independent scrutineer and released to Bursa Securities on the same day.

Communication with Stakeholders

The Board recognises the importance of being transparent and accountable to the Company's stakeholders and as such has various channels to maintain communication with them. The annual report, quarterly announcements on financial results, relevant announcements on the Group's business and activities, as well as the Company's website are the primary mode of communication to all its stakeholders.

The Company is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely and even basis.

The Company recognises the importance of communicating with its shareholders and does this through the Annual Report, AGM and announcements via Bursa Securities. During the AGM, sufficient time will be allocated for shareholders to ask questions about the Group and its operations.

The Company's website, www.kfmb.com.my, is established for the shareholders and stakeholders to access information regarding the Group. Information on the website includes amongst others the Group's corporate structure, main business activities and announcements to Bursa Securities.

AUDIT COMMITTEE REPORT

The members of the Audit Committee (“AC” or “the Committee”) of the Company are pleased to present their report for the financial year ended 30 September 2020.

The current members of the AC are as follows: -

Members	Designation
Low Koon Min (Chairperson)	Independent Non-Executive Director
Mohd Rasli bin Muda (Member)	Independent Non-Executive Chairman
Wong Sak Kuan (Member)	Non-Independent Non-Executive Director / Vice Chairman

The Company has complied with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, which requires all members of the Committee to be Non-Executive Directors with a majority of them being Independent Directors. In addition, the AC Chairperson, Ms. Low Koon Min, is a member of the Chartered Institute of Management Accountants and Malaysian Institute of Accountants.

The Terms of Reference of the Committee can be assessed from the corporate website of the Company at www.kfmb.com.my.

Meetings

The Committee shall meet at least four (4) times annually, or more frequently as circumstances dictate. As part of the duty to foster open communication, the internal auditors and a representative(s) of the external auditors (if required) will normally attend the meetings. Other Board members and senior management staff may attend upon invitation by the Committee. The Company Secretary or any other person appointed by the Committee for this purpose shall act as Secretary for the Committee and as a reporting procedure, the minutes shall be circulated to all members of the Committee and the Board.

During the financial year under review, the AC held a total of five (5) meetings. Details of attendance of the Committee members are as set out below:

Committee Members	Attendance
Low Koon Min	5/5
Mohd Rasli bin Muda	4/4
Wong Sak Kuan	3/4

AUDIT COMMITTEE REPORT

(cont'd)

Summary of works for the financial year ended 30 September 2020

The summary of works undertaken by the Committee for the financial year ended 30 September 2020, amongst others, included the following: -

- a) Reviewed the unaudited quarterly financial statements and the annual audited financial statements of the Group and of the Company and recommending the same for approval by the Board upon being satisfied that the financial reporting and disclosure requirements of the relevant authorities have been complied with;
- b) Reviewed with the external auditors on the audit planning memorandum, results of the audit, the audit report and the management letter, including management's response;
- c) Reviewed internal audit reports presented and considered the findings on the Risk Management and Internal Controls of the Group through the review of an internal audit report tabled and management responses thereof;
- d) Reviewed with the external auditors on the Statement on Risk Management and Internal Control for inclusion in the Annual Report;
- e) Reviewed the related party transactions on quarterly basis to ascertain that the disclosure procedures are established to monitor the transaction, if any;
- f) Self-appraised the performance of the Committee and reviewed the performance of the External Auditors and Internal Auditors for the financial year ended 30 September 2020;
- g) Reviewed the Audit Committee Report, Corporate Governance overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control as well as Additional Compliance Information to ensure adherence to legal and regulatory reporting requirements before recommending to the Board for approval for inclusion in the Company's Annual Report; and
- h) Reviewed with the Internal Auditors, the internal audit report for the internal audit function and considered the findings of internal audit investigations and management responses thereon, and ensure that appropriate actions are taken on the recommendations raised by the Internal Auditors.

Internal Audit ("IA") Function

The internal audit functions of the Group, as an integral and essential part of risk management process, have been outsourced to a professional firm, namely Kloo Point Risk Management Services Sdn. Bhd. to maintain independence and attain efficiency in the review and maintenance of the systems of control. The IA monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlight significant findings in respect of any non-compliance. On the other hand, the Audit Committee will have to monitor and review the effectiveness of the internal audit activities performed during the financial year. The annual audit plan will be reviewed and approved by the AC and the findings of the audits will submit to the Committee for review. The summary of work of the internal audit function is disclosed at the Statement of Risk Management and Internal Control.

For the financial year ended 30 September 2020, the Committee noted that the IA function is independent and has performed their audit assignments with impartially, proficiency and due professional care.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Malaysian Code on Corporate Governance requires the Board of Directors (“Board”) to maintain a sound system of risk management and internal control to safeguard Shareholders’ interests and the Group’s assets. The Board of Lotus KFM Berhad (“LKFM”) is committed to maintaining a sound system of internal control and effective risk management and confirms that there is an ongoing process of identifying, evaluating and managing all significant risks faced by the Group that has been in place for the financial year and up to the date of approval of this Statement.

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities (“MMLR”), the Board is pleased to present herewith the Statement on Risk Management and Internal Control which outlines the nature and scope of risk management and internal control for the Group for the financial year ended 30 September 2020.

BOARD’S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility in maintaining a sound, adequate and effective internal control and risk management system within the Group to ensure good corporate governance. The Group’s risk management and system of internal controls are structured to provide reasonable assurance to achieve the followings:

- Effective and efficient operations;
- Accuracy and timeliness of financial reporting;
- Compliance with applicable laws and regulations; and
- An environment to promote integrity, good ethics and conduct.

The process is regularly reviewed and updated by the Board and is in accordance to the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers. The Audit Committee assists the Board in reviewing the adequacy and effectiveness of the system of internal controls and risk management and has received assurance from the Management that the system is operated adequately and effectively in all material aspect during the financial year.

However, due to inherent limitations in any internal control system, such system is designed to manage rather than eliminate risks that may impede the achievement of the Group’s business and corporate objectives. In this regard, the systems and procedures put in place are aimed at minimising and managing risks. All aspects of financial, organizational, operational, compliance controls as well as risk management procedures are contained within this system of risk management and internal control.

RISK MANAGEMENT

Risk management is firmly embedded in the Group’s management system. It clearly defined the authority, responsibility and accountability in implementing the risk management process and internal control system. The Board regards risk management as an integral part of the Group’s business operations. The Group had established a risk management process to identify, evaluate and manage significant risks faced by the Group and formulate appropriate measures to address those risks.

The responsibility for reviewing the adequacy and effectiveness of the internal control system has been delegated by the Board to the Audit Committee. In turn, the Audit Committee assesses the adequacy and effectiveness of the internal control system and the governance system through independent reviews performed by the internal audit function and external auditors. The Management assists the Board in implementing the process by identifying, evaluating and managing significant risks applicable to their respective areas of business and formulating suitable internal controls to mitigate and control those risks.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

INTERNAL CONTROL SYSTEM

The Board is committed to maintain a strong control structure and environment for the proper conduct of the Group's business operations. The key elements are as follows:

- Organization and definition of the management structure of Group including areas of responsibilities and segregation of authorities and limits;
- The Board and Audit Committee meet on a quarterly basis and on an ad-hoc basis where there is a need arise to discuss matters raised by the management, on strategic and operational matters inclusive of potential risks and control issues;
- The Board had delegated the responsibilities to several committees and to the management of the Company to implement and monitor designated tasks;
- Performance reports are provided to the Board to facilitate review and monitoring of financial performance;
- Proper guidelines within the Group for recruitment and selection, compensation and benefits, performance management, training and development, employee communication and human resource administration;
- Structured training and development programs conducted both internally and externally covering all levels of staff to upgrade their knowledge, skill and competency;
- Segregation of duties to reduce the scope for error and to prevent collision;
- Health and safety policies and procedures are in place to assist in maintaining a safe working environment for all employees;
- Sufficient insurance coverage on major asset classes is in place to ensure the Group's assets are adequately covered against risks that can results in material losses;
- Working team are set up from time to time to address business and operational issues to meet the business objectives and operational requirements of the Group;
- Policies and procedures are systematically documented and are in place to guide employees in their daily operations; and
- Senior Management regularly meet and communicate with employees of different levels to obtain first-hand knowledge of significant operational matters and risks.

The overall system of internal control is satisfactory and has not resulted in any material losses, contingencies or uncertainties that would require public disclosure. The Board continues to review and implement measures to strengthen the internal control environment of the Group.

INTERNAL AUDIT FUNCTION

The Group's internal audit function was outsourced to external professional services firm, to assist the Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The internal audit function had been outsourced to Kloo Point Risk Management Services Sdn. Bhd., a third-party professional internal audit service firm which is independent of the operations and activities of the Group.

The internal audit plan entails the audit scope, coverage and frequency based on a risk-based approach and is approved by the Audit Committee.

For the financial year under review, the outsourced internal audit function has carried out the following audits:-

- Floor milling business unit: Sourcing and buying process
- Floor milling business unit: Stock receiving, warehousing and delivery process

The result of their reviews is reported directly to the Audit Committee which includes significant internal audit findings, recommendations for improvements, Management's response and proposed action plans. Follow-up reviews of the implementation of action plans are carried out to ensure that the matters highlighted in the internal audit reports have been adequately addressed.

Based on the internal audit reviews conducted, none of the weaknesses noted has resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this annual report.

The total cost incurred for the financial year ended 30 September 2020 for internal audit function of the Group was RM27,000 (2019: RM33,250).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(cont'd)

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Bursa Malaysia Securities Berhad's Listing Requirements, the external auditors have performed a limited assurance engagement on this Statement for inclusion in the Annual Report of the Group for the financial year ended 30 September 2020. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control of the Group.

The Board is of the view that the Company's risk management and internal control system is operating effectively and adequately, in all material aspects, and have received the same assurance from the Financial Controller of the Company. The Board confirms that the risk management process in identifying, evaluating and managing significant risks faced by the Company had been in place throughout the financial year ended 30 September 2020 and up to the date of approval of this statement. The Board maintains an on-going commitment to continue taking appropriate measures to enhance and strengthen the risk management and internal control system of the Group.

SUSTAINABILITY STATEMENT

Lotus KFM Berhad (“LKFM” or “the Group”) recognises the importance of the business as a vital role to bring impactful sustainable change and its responsibility not only towards its stakeholders, but also to the wider community it operates. Mindful of this, LKFM emphasises on the necessity to assess the impact of its operations and activities have on the economy, environment and society, thereby influencing the approach LKFM operates its business by embracing better practices that are sustainable to realise the Group’s Economic, Environmental and Social (“EES”) development agenda.

We prepared this sustainability statement, not only to satisfy Bursa Malaysia Securities Berhad (“Bursa Securities”) in its Main Market Listing Requirements (“Listing Requirement”), but also as a responsible corporate citizen who practice transparency in corporate governance.

This Statement, which is prepared in compliance with the Listing Requirement of Bursa Securities, express how sustainability matters that are significant to the Group and its stakeholders are identified and managed.

The Board of Directors (“Board”) is aware of its responsibilities towards business sustainability and while putting greater emphasis in balancing economic viability with preservation of environment and social responsibility.

With a view of embedding sustainability elements in its work culture, the Board has been formulating strategies to foster on the sustainable use of scarce resources and the adoption of responsible business practices that include good governance, clear transparency and proper employee development.

SUSTAINABILITY STRATEGY

The Board of Directors who determine the sustainability strategy, provides an oversight of our corporate sustainability polices and performance. Senior Management oversees the implementation of the organisation’s sustainability approach and ensures that key targets are being met.

The Board is committed to play a positive role on its corporate responsibility initiatives to create and add value towards the environment, work place, community and the market place.

For Economic aspect, the Group targets to strengthen the financials and deliver sustainable returns to its shareholders.

For Environment aspect, the Group targets to mitigate any negative environment impact and conserve the surrounding environment.

For Social aspect, the Group targets to foster a robust, diverse and capable workforce, and create a safe workplace.

Through this, LKFM is able to incorporate good sustainability practices and initiatives into its day-to-day business operations and contribute to the betterment of the society and environment.

STAKEHOLDERS ENGAGEMENT

Throughout the year, LKFM actively engaged with different stakeholders through various channels as indicated below so that we can offer timely responses that anticipate and address their concerns. Stakeholders’ engagement is a collaborative process that is critical to the success of the Group. The input and feedback received, helps the Group to formulate improvement plans, innovate our products and services, as well as anticipate future market demands.

Stakeholders	Engagement Approach
Employees	Training & development programmes for the staff, policies & procedures, annual performance evaluation, inter-departmental meetings, social activities, dialogue and engagement.
Shareholders	Regular updates on corporate website, annual general meeting and extraordinary general meeting, announcements released to Bursa Malaysia, quarterly report and annual report.
Regulators	Updates regularly on regulations, meetings, briefing, seminars and/or conferences, to assist government initiatives, licensing, audit and inspection.
Customers	Meetings, corporate website, customer service, customer satisfaction surveys and complaints resolution.
Vendors	Vendor audit, meetings, evaluation to comply to our ISO standards and vendor relationship management.

The Group has identified material sustainability matters on the context and strategy with considerations relevant to stakeholders’ requirements and expectations. Moving forward, to keep abreast with critical issues, we will review periodically our material issues against the changing business environment, stakeholders’ opinion, and emerging global and local trends.

The Group has defined its commitment to Corporate Sustainability across five impact areas and has undertaken the following initiatives as an integral part of the business operations and practices by contributing to the welfare of its employees, stakeholders, the general public and the environment it operates.

SUSTAINABILITY STATEMENT

(cont'd)

THE ENVIRONMENT

As the trend on depletion of earth's natural resources increased and global climate change issues highlighted frequently, the environmental sustainability becomes paramount important. We recognize the potential environmental impacts of our business and are committed to operate in manner that protects the environment and stewards limited resources well. Hence, it is essential to embed environmental sustainability principles into our business operations and practices with the objective of safeguarding shareholders' interest whilst protecting the environment.

LKFM is committed to seek continuous improvement in our operations to minimize any negative impact to the environment. We will ensure that our business activities are conducted in compliance with the applicable environmental rules and regulations.

The initiatives adopted by LKFM to achieve a balance between economics, environmental and social considerations in its production processes and business operations are as below:-

- Flour dust from production process is recycled and re-milled to ensure proper method of disposing production waste from its process;
- To recycle used engine oil by disposing it to a registered waste oil company for recycling;
- The efficient use of energy, water and raw materials in our operations; and
- The emphasis of work culture on "Go Green" policy at workplace.

Responsible waste management and disposal

The Group's operations continue to comply with local environmental laws and regulations. This policy is properly communicated to all employees. They are encouraged to be proactive and forthcoming in managing and reporting environmental related issues and complaints. The Management will continue to review and improve the current environmental management system and practices.

THE WORKPLACE

The Group believes that the well-being of its employees is important as employees are the backbone of any business and are central to the functioning of the business operations. They play a vital role in the success and sustainability of the Group.

LKFM acknowledges the importance of enabling and maintaining a conducive and inclusive work environment for its employees. Hence, employees of different background, gender, age and ethnicity are given fair opportunities for career growth, performance

evaluation and compensation programme which commensurate with their rank, roles and responsibilities.

In fulfilling its responsibility as a caring employer, LKFM places great emphasis on building long lasting relationships with its employees.

The following initiatives have been adopted by the Group:-

1) *Employees' Welfare and Well-being*

- Medical benefits;
- Regularly updating human resources policies and staff benefits;
- Encouraging a healthy and building camaraderie among staff by providing support for social activities;
- Cultivating a transparent and inclusive working environment for all employees, as well as providing an open-door communication policy to encourage employees to report grievances; and
- Equal employment opportunity in terms of gender and ethnicity across all levels of employment.

2) *Safe, Healthy and Conducive Work Environment*

Health and safety at the work place is given utmost priority in the Group while maintaining a comfortable and conducive work environment through the following initiatives:-

- The setting up of Occupational Safety and Health Committee to initiate various health and safety programme to enhance employees' awareness at work place;
- Compliance with applicable safety, health and environmental laws and regulations;
- Necessary tools and protective gears are provided to employees where needed to ensure that they are adequately protected at work place;
- Ensuring a safe workplace with 24 hours' security surveillance;
- Constantly updating and promoting the awareness of safety precautions and health issues;
- Train and hold individual employees to accountable for their area of responsibility;
- Maintaining a workplace that is free from theft, violence, harassment, intimidation and other unsafe and disruptive influences due to internal and external conditions; and
- Periodically review the occupational safety and health practices on effectiveness and suitability;

SUSTAINABILITY STATEMENT

(cont'd)

THE WORKPLACE (cont'd)

3) *Training and development*

The Group recognises the importance of human capital development to meet challenges, and it continues to build and upgrade its human resources to ensure that they can realise their full potential with the following efforts:-

- To engage in external training workshops for staff on both technical related skills and soft management skills;
- Continuous need-based training is critical to ensure that employees have the knowledge and skills to stay relevant amid changing workplace demands;
- Quality sharing sessions across the Group to inculcate quality mindset to achieve high - level of customer satisfaction;
- Participate in the international trade fairs/exhibitions to broaden the knowledge base and exposure of its employees to keep abreast on new developments in their respective field of expertise; and
- New employees will participate in new employees' orientation as well as on-site visit to get clear insights into the Group's operations.

4) *Recreational, Sports and Leisure Activities*

The Group encourages its employees to participate in sports and recreational activities in order to cultivate a good work-life balance culture. This would lead to a more productive workforce team and develop a caring, harmonious, cohesive and vibrant team-spirit based working environment.

5) *Retention, Talent Management and Succession Planning*

The Group recognises the importance of retaining key employees as one of the critical component for the success of its business. In line with this, competitive remuneration packages are in place and regularly reviewed to attract, retain and motivate the right talents within the Group. The Group has always emphasised on fair equal employment practices.

Succession planning are put in place for critical positions to ensure sustainability in terms of continuous effective and efficient operations within the Group and a healthy leadership pipeline. We will continue to groom and retain a diverse and robust talent pool and right grooming to ensure our employees are ready to meet future succession planning and development as well as being adaptable to change.

THE COMMUNITY

The Group has initiated various activities in fulfilling its corporate responsibility on enhancing community sustainability such as by encouraging its employees to participate in voluntary works for charitable organisations and donations from the Group. The Group is committed to provide continuous support to activities carried out by local charities and organisations.

Employee and community engagement, teamwork and camaraderie outside the workplace are essential in building a dynamic and committed workforce. In turn, the employees feel a sense of belonging to the Group, motivating them to take ownership of their roles and responsibilities, respecting the need for work-life integration and overall well-being.

The Group strives to build relationship on trust by way of social initiatives. Other than contributions for the benefits of local community, the Group also creates and offers priority in job opportunity to local community.

We believe the value of volunteerism to our community will provide caring character and emphatic among employees and community.

THE MARKET PLACE

The Group has placed great emphasis to carry out activities with high ethical standards to promote responsible practices among its investors, suppliers and customers in order to achieve a sustainable development in market place.

1) *Investors*

In order to establish trust and confidence of our shareholders, the Group strives to enhance corporate value via various practices such as maximising shareholders' wealth through continuous efforts to achieve operational excellence.

The Group ensures that all material information is disclosed and disseminated in a timely, open, fair and transparent manner.

The Group is committed to maintain a robust system of corporate governance and transparent business practices, and to implement policies that promote ethical behavior and conducting business responsibility through high standards of business ethics.

We constantly review our policy to ensure the Group is managed effectively and ethically with adequate control mechanisms to manage risks and deliver accountability and sustainability.

Further, it also engages with its shareholders and investors through various channel of communication such as general meetings of shareholders, accessibility in the public domain and regular updates on our website.

SUSTAINABILITY STATEMENT

(cont'd)

THE MARKET PLACE (cont'd)

2) Suppliers

Reliable suppliers and vendors are essential for the smooth-running of our business operations. It is important to work closely with these suppliers and vendors to establish a long-term working relationship and to realise mutual growth via mutual trust.

We also conduct site visits on selected suppliers, in-depth suppliers' assessment and practice standard and equitable procedures in vendor evaluation to ensure that products and services supplied are in accordance to our material requirements and standards.

Further, we have places great emphasis in engaging with local suppliers and purchase locally where possible in support of the local economy.

All procurement activities are guided by our documentation procedures as prescribed by ISO 9001:2015 to ensure that our suppliers comply with our purchase raw material specifications and satisfy our production requirements

3) Customers

The Group has continuously sought rooms for improvement in order to create value for its customers via competitive pricing without compromising on quality of its products and services and also the interest of its shareholders.

The above policy enabled the Group to develop a long-term business relationships and partnerships with its customers.

In achieving this, the Group has always initiated the followings:-

- Strict quality control from production to ensure customers receive consistent and good quality products and services, efficient warehousing for prompt delivery of our products and after-sales service to its customers;
- To ensure operational excellence in order to reduce overall costs and share these benefits with our customers;
- Regular customer surveys to obtain feedback from ordering process to delivery, product quality and services; and
- Regardless of the economic condition, the benchmark for best value is set so that our customers get the best possible deals with no compromise in quality and services.

COMMITMENT TO ANTI-CORRUPTION

We are committed to maintain a high standard of integrity and accountability throughout the workplace and have put in place policies such as the Whistle-blowing Policy, Corporate Standards & Code of Conduct to address and manage malpractices and corruption within the Group.

In FYE 2020, the Group has adopted the Anti-Bribery and AntiCorruption Policy which will further safeguard its business operations. The Group has provided Anti-Bribery and Anti-Corruption in house workshop for its staffs in order to raise their awareness about practices of bribery and corruption of all forms are prohibited in the Group's daily operations.

CERTIFICATION

The Group's production operation has been awarded the ISO 22000 certifications for food safety management system, re-assuring our manufacturing best practices meet the food and food ingredient industries' statutory and regulatory requirements.

PERFORMANCE

In FYE2020, The Ministry of Health of Malaysia ("MOH") in its continuing effort to contain the spread of the Covid-19 pandemic had enforced various Standard Operating Procedures ("SOPs"). The Group adopted Covid-19 preventive measures in order to a safeguard employees' and visitors' health.

The Standard Operating Procedures ("SOPs") are as below:

- Register names and mobile number through MySejahtera before entering premises
- Making sure all individual wear a mask all the time before entering
- Body temperature screening
- Hand sanitisers and face masks provided
- Social distancing enforced in office

The SOPs listed above are executed in our workplace to ensure personal hygiene and mitigate the risk of our people from getting infected.

CONCLUSION

Moving forward, the Group is committed to promote good corporate governance and building sustainability. The Group will continue to use its best efforts to build sustainable practices on every aspect of its business where possible for the benefits of future generations and remain steadfast in achieving excellence in its corporate responsibility.

BOARD OF DIRECTORS' PROFILE

Mohd Rasli bin Muda ("En. Rasli")

Malaysian • Male • Aged 59

En. Rasli was appointed to the Board on 28 November 2019 as an Independent Non-Executive Chairman. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company.

He holds a Bachelor's Degree in Economic (Applied Economics) from University of Malaya.

En. Rasli started his career in 1984 with Malaysian Investment Development Authority ("MIDA"), a government agency as an economist and was responsible for the promotion and coordination of industrial development in Malaysia. During his tenure with MIDA, he has served in various industries divisions and offices amongst others such as:

- Director of MIDA Terengganu State Office

- Director of MIDA (Consul Investment, Consulate General of Malaysia), Los Angeles, USA. He was responsible for promoting and facilitating Foreign Direct Investments from West Coast of USA to Malaysia
- Director, Corporate Management Services Division
- Director, Business & Professional Services Division
- Director, Food Technology and Resource Based Industries Division

En. Rasli retired from MIDA in August 2019 after serving for 34 years.

He has attended all five (5) Board meetings held during his tenure in office for the financial year ended 30 September 2020.

Wong Sak Kuan ("Mr. Wong")

Malaysian • Male • Aged 52

Mr. Wong was appointed to the Board on 28 November 2019 as a Non-Independent Non-Executive Director / Deputy Chairman and re-designated as the Non-Independent Non-Executive Director / Vice Chairman on 30 April 2020. He is the major shareholder of the company. He is also the member of Audit Committee and Remuneration Committee of the Company.

Mr. Wong graduated with a Diploma in Civil Engineering from the Federal Institute of Technology (FIT) in 1990.

Upon graduating, Mr. Wong joined his family's construction business erecting factory buildings and warehouses for a public listed paper mill group of companies. In 1995, he steered the construction company into various residential, commercial and industrial development projects in Selangor and Penang. He has more than 30 years of experience in the construction and development industry.

Apart from the construction activities, he also owns businesses in various industries such as trading, recycling and paper roll rewinding services, transportation and workshop, and Food & Beverage ("F&B").

Mr. Wong is currently the Group Managing Director of Sing Foong Niap Group of Companies. He is also the controlling shareholder and Managing Director of Lotus Essential Sdn Bhd, a substantial shareholder of Lotus KFM Berhad. Mr. Wong currently sits on the Board of MESB Berhad, as well as several private limited companies.

He has attended four (4) out of five (5) Board meetings held during his tenure in office for the financial year ended 30 September 2020.

BOARD OF DIRECTORS' PROFILE

(cont'd)

Lee Wai Fun ("Ms. Lee")

Malaysian • Female • Aged 50

Ms. Lee was appointed to the Board on 28 November 2019 as an Executive Director cum Chief Executive Officer of the Company.

Ms. Lee is a member of Chartered Institute of Management Accountants (CIMA) and Malaysian Institute of Accountants (MIA).

She started her career in the management accounting field in 1994 and has since garnered over 25 years of experience in finance, administration and management functions from several industries such as manufacturing, trading, recycling, construction & development, transportation and F&B.

Ms. Lee joined Sing Foong Niap Group as Finance Manager in 2007 and was promoted to Group General

Manager in 2012. She is responsible for overseeing the management and business operations of Sing Fong Niap Group.

In 2009, she co-founded Lotus Essential Sdn Bhd, a trading company that imports and distributes tapioca starch, corn starch and coal to the local food processing and manufacturing based companies. In August 2016, she helped established a Recycling division by acquiring four (4) recycling companies and one (1) paper roll rewinding services' company. Ms. Lee is currently the Executive Director of Lotus Essential Sdn Bhd and sits on the board of several private limited companies.

She has attended all five (5) Board meetings held during her tenure in office for the financial year ended 30 September 2020.

Low Koon Min ("Ms. Low")

Malaysian • Female • Aged 49

Ms. Low was appointed to the Board on 28 January 2019, as an Independent Non-Executive Director. She is also the Chairperson of the Audit Committee and Nomination Committee and a member of the Remuneration Committee of the Company.

Ms. Low is a member of the Chartered Institute of Management Accountants and Malaysian Institute of Accountants.

Ms. Low started her career as a Finance Manager in Mitsumi Electric Sdn Bhd, a subsidiary of Mitsumi Electric Co Ltd (a public listed company in Japan). In 1998, Ms. Low joined Mattel Southeast Asia Pte Ltd and

moved to Mattel Southeast Asia (Regional Office) Sdn Bhd in 2002 as a Financial Specialist. Mattel is a toy company listed in Nasdaq Stock Exchange of United States of America.

In 2011, Ms. Low joined Lee Ong & Partners, a legal firm as an Office Manager. She is also the Company Secretary to IWB Consultancy Sdn Bhd, a Selangor state owned company to raise woman socio-economy and capability of women in leadership and entrepreneurship.

Ms. Low attended all six (6) Board meetings held during the financial year ended 30 September 2020.

BOARD OF DIRECTORS' PROFILE

(cont'd)

Yau Ming Teck ("Mr. Yau")

Malaysian • Male • Aged 49

Mr. Yau was appointed to the Board on 28 November 2019 as a Non-Independent Non-Executive Director. He is also a member of the Nomination Committee of the Company.

Mr. Yau graduated from Monash University, Melbourne with an Economic Degree in 1993. He is a qualified Certified Practising Accountant ("CPA") of the CPA Australia and a Chartered Accountant of Malaysian Institute of Accountants.

He started his career in 1994 with Coopers & Lybrand, Insolvency & Corporate Division and handles a wide portfolio of clients with diverse background and industries during his three years with the firm.

In 1996, he joined a Malaysian Main Board listed company as an Executive, Special Projects and last served as a Financial Controller of another Main Board public listed company in Bursa Securities in 2003. During his tenure with the public listed companies, he

had predominantly taken charge of various corporate exercises and his skill in the area of corporate finance, financial management and strategic planning honed over 15 years has brought him to his private practice in year 2004. He has the expertise in corporate and financial advisory in the areas of corporate finance, mergers & acquisitions and restructuring exercises with the focus of the business in People's Republic of China, Singapore and Australia.

Mr. Yau is a substantial shareholder of the Company. Mr. Yau currently sits on the Board of UMS-Neiken Group Berhad and HLT Global Berhad, both listed in Main Market and ACE Market of Bursa Securities respectively. He also serves as director in several private limited companies.

He has attended all five (5) Board meetings held during his tenure in office for the financial year ended 30 September 2020.

Chia Weng Lock ("Mr. Chia")

Malaysian • Male • Aged 57

Mr. Chia was appointed to the Board on 30 April 2020 as an Executive Vice President. He is also the Vice President of Sales & Marketing and Manufacturing of the Company.

Mr. Chia earned a Diploma in Computing and graduated from Tunku Abdul Rahman College in 1983.

Mr. Chia started his career in I/T field in May 1985 and has served more than 33 years with The Dow Chemical Company, a Fortune-500 company, headquartered in US and served for various business and functional roles. He

has played an important role in carry out Dow's strategy to grow its market-driven portfolio businesses in partnership with its customers.

Mr. Chia is the controlling shareholder and Director of CWL Ventures Sdn. Bhd., a substantial shareholder of the Company.

He has attended all three (3) Board meetings held during his tenure in office for the financial year ended 30 September 2020 since his appointment as Director on 30 April 2020.

BOARD OF DIRECTORS' PROFILE

(cont'd)

Yap Ee Seong ("Mr. Yap")

Malaysian • Male • Aged 53

Mr. Yap was appointed to the Board on 3 August 2020 as an Independent Non-Executive Director.

Mr. Yap is a Chartered Accountant registered with the Malaysian Institute of Accountants.

He has more than 26 years of experience in audit, tax, financial, operational and administration experience in trading, manufacturing, engineering, credit and charge

cards, property development, commercial and retail property investment and hospitality industries. Mr. Yap currently works as an Executive Vice President, Infrastructure and Energy at Daya Materials Berhad.

He has attended one (1) Board meeting held during his tenure in office for the financial year ended 30 September 2020 since his appointment as Director on 3 August 2020.

Notes:-

1. *None of the Directors have family relationship with any Directors and/or major shareholders of Lotus KFM Berhad.*
2. *None of the Directors have any conflict of interests with the Company.*
3. *None of the Directors have been convicted of any offences in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 September 2020, other than for traffic offences.*
4. *Save as disclosed above, none of the Directors have any other directorship in public companies and listed issues.*

KEY SENIOR MANAGEMENT'S PROFILE

Tan Kok Kiat

Malaysian • Male • Aged 49

He is the Financial Controller of Lotus KFM Berhad ("LKFM"). He is a member of the Association of Chartered Certified Accountants ("ACCA"). He has more than 23 years of experience as a professional accountant. In year 2017, he joined TC Management Services Corporation Sdn Bhd, a subsidiary of Tan Chong Motor Holdings Berhad ("TCMH") as a senior Finance Manager and is responsible for the financial functions of TCMH group. He left and joined Lotus Essential Sdn Bhd in February 2019 as a Finance Manager. In October 2019, he was promoted to Financial Controller. In December 2019, he was transferred to LKFM as Financial Controller and is primarily responsible for accounting and financial functions of the Group. In November 2020, he was promoted to Acting General Manager cum Finance Controller which will take care of both the operation and finance department.

Mohd Ruzi Bin Mohd Salleh

Malaysian • Male • Aged 53

He is the Production Manager of LKFM. He obtained his Diploma in Agriculture from Universiti Pertanian Malaysia in 1989. His career started in 1990 when he joined his family retail business for five (5) years. In 1995, he joined LKFM as Miller and was later promoted to Senior Miller in 2007. Subsequently, he was promoted to Assistant Mill Manager in 2013 and then to Production Manager in July 2017. He is currently responsible for overseeing the production operations in LKFM.

Kevin Nathan A/L Arokiaraj

Malaysian • Male • Aged 38

He is the Quality Assurance/Quality Control Manager of LKFM. He obtained his Bachelor of Science (Biology) Degree in 2009 from St Cloud State University, United States of America. He started his career in 2008 when he joined Schroeder Milk Co., a dairy manufacturing company in the United States of America as Microbiologist Lab Technician. He left in 2009 and joined 3M Co., as Quality Assurance Microbiologist. He returned to Malaysia in 2013 and joined Siri Tulin Sdn Bhd, a manufacturer and supplier of agricultural spraying equipment as Total Quality Manager for two (2) years. In 2015, he joined PT Siri Tulin Indojoya in Jakarta, Indonesia as Operations Manager. On 5 November 2018, he returned to Malaysia to join LKFM as Quality Assurance/Quality Control Manager and is primarily responsible for the overall quality assurance and control operations of the Group.

KEY SENIOR MANAGEMENT'S PROFILE

(cont'd)

Wong Yu Perng

Malaysian • Male • Aged 27

He is the Operation Manager of LKFM. He obtained his Degree in International Business Management in Asia Pacific University of Technology & Innovation in 2016. After that, he pursued his Master in International Business Management in University of Tasmania in Australia and graduated in 2018. He started his first job in LKFM as a sales executive. After that, he has promoted as the Head of Purchasing Department. During 2020, he enrolled the Occupational Safety and Health Coordinator to implement a safer workplace around the Flour Mills. Due to his outstanding leadership skills and performance, he was further promoted as Operation Manager in December 2020 and will manage and take care of the daily operations of the Flour Mills.

Notes:-

1. *None of the key senior management personnel have any directorship in public companies and listed issuers.*
2. *None of the key senior management personnel have any family relationship with any Directors and/or major shareholders of LKFM except for the following:-*
 - *Mr. Wong Yu Perng is the son of Mr. Wong Sak Kuan, a Director and major shareholder of the Company.*
3. *None of the key senior management personnel have any conflict of interests with the Company.*
4. *None of the key senior management personnel have been convicted of any offence in the past five (5) years or been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 30 September 2020, other than traffic offence.*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Pursuant to the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("Board") are required to prepare the financial statements for each financial year which have been made out in accordance with the applicable Financial Reporting Standards in Malaysia and to give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Board has undertaken the following measures: -

- Adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared the financial statements on going concern basis as the Directors have a reasonable expectation, having made enquiries that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy on the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

The Directors confirmed that they have complied with the above requirements for the annual financial statements for the financial year ended 30 September 2020.

ADDITIONAL COMPLIANCE INFORMATION

1) Audit Fees and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to firms or corporation affiliated to the External Auditors by the Company and the Group for the financial year ended 30 September 2020 ("FYE 2020") are as follows:-

Details of fee	Group RM'000	Company RM'000
Statutory audit fees	62	60
Non-audit fee	47	47

Note:

The Company engaged the external auditors for the non-audit works for limited review of the interim consolidated financial statements, review of statement of risk management and internal control and tests of IT general controls.

2) Material contracts

No material contracts (not being contracts entered in the ordinary course of business) have been entered into by the Company and/or its subsidiaries which involved Directors' and/or major shareholders' interest, either still subsisting at the end of the financial year ended 30 September 2020 or, if not then subsisting, entered into since the end of the previous financial year.

3) Utilisation of Proceeds

At the Extraordinary General Meeting held on 27 May 2019, shareholders of the Company had approved the regularisation plan, which include, amongst others, the private placement, debt restructuring and rights issue. Based on the issue price of RM0.10 per share, the private placement and rights issue's exercise, on a collective basis, has raise total gross proceeds of RM34.114 million, after netting-off the total subscription moneys payable by the placement investor pursuant to the regularisation plan.

As at 30 September 2020, the proceeds arising from the regularisation plan amounting to RM34.114 million and the status of the utilisation of the proceeds were as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000	Estimated Timeframe
Wheat flour business	21,414	7,133	14,281	24 Months
Tapioca starch business	10,000	7,000	3,000	24 Months
Estimated expenses in relation on Regularisation Plan	2,700	2,700	-	3 Months
	<u>34,114</u>	<u>16,833</u>	<u>17,281</u>	

4) Recurrent Related Party Transactions ("RRPTs")

The details of the Shareholders' Mandate for the RRPTs are set out in the Circular to Shareholders dated 29 January 2021 which is available on Bursa Malaysia Securities Berhad's website and the Company's website.

Details of transactions with related parties undertaken by the Group during the FYE 2020 are disclosed in Note 27 to the audited financial statements for the FYE 2020.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 September 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in flour milling and trading of its related products. The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	9,926,836	9,936,674
Attributable to:- Owners of the Company	9,926,836	9,936,674

DIVIDENDS

Dividends paid since the end of the previous financial year are as follows:-

	RM
<u>In respect of the financial year ended 30 September 2020:-</u> Single tier interim dividend of 0.5 sen per ordinary share declared on 10 June 2020 and paid on 5 August 2020	3,572,756

The Directors do not recommend any final dividend for the financial year.

ISSUE OF SHARES, DEBENTURES AND WARRANTS

On 1 October 2019, the Company issued 27,290,000 placement shares of RM0.10 each which were fully subscribed for working capital purpose.

On 26 November 2019, the Company issued 477,595,420 rights shares at an issue price of RM0.10 per rights share on the basis of five (5) rights shares for every one (1) existing ordinary share held, together with 238,797,710 free detachable warrants on the basis of one (1) warrant for every two (2) rights shares subscribed, and 116,580,700 settlement shares of RM0.10 each as part of settlement with identified payables, together with 58,290,350 free detachable warrants on the basis of one (1) warrant for every two (2) ordinary shares subscribed. The Company also issued 300,000,000 Redeemable Convertible Preference Shares ("RCPS") at an issue price of RM0.05 per RCPS as part of settlement with identified payables.

Subsequently, the Company issued 29,279,700 new ordinary shares by virtue of the exercise of 29,279,700 warrants to subscribe for 29,279,700 ordinary shares in the share capital of the Company at an exercise price of RM0.10 per ordinary share.

The new ordinary shares issued rank pari passu with the existing ordinary shares of the Company.

There was no issuance of debentures during the financial year.

The salient features of the warrants are disclosed in Note 15 to the Financial Statements.

DIRECTORS' REPORT

(cont'd)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in Note 15 to the Financial Statements.

DIRECTORS

The Directors who held office during the financial year and up to the date of this report are as follows:-

Mohd Rasli Bin Muda
 Lee Wai Fun*
 Low Koon Min
 Wong Sak Kuan*
 Yau Ming Teck
 Chia Weng Lock (*Appointed on 30 April 2020*)
 Yap Ee Seong (*Appointed on 3 August 2020*)
 Iskandar Zurkanain Bin Mohamed (*Resigned on 28 November 2019*)

* *Directors of subsidiaries*

DIRECTORS' FEES AND BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the Note 26 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016, the interests in the share of the Company and of its related corporations of those who were Directors at the end of the financial year are as follows:-

Directors of the Company

	← Number of ordinary shares →			At 30.9.2020
	At 1.10.2019	Bought	Sold	
The Company				
Direct interest:-				
Mohd Rasli Bin Muda	-	470,000	-	470,000
Lee Wai Fun	-	32,280,000	-	32,280,000
Wong Sak Kuan	-	200,740,000	-	200,740,000
Yau Ming Teck	-	58,500,000	-	58,500,000
Chia Weng Lock	-	8,000,000	-	8,000,000
Indirect interest:-				
Chia Weng Lock*	-	57,636,000	-	57,636,000

* *By virtue of Chia Weng Lock's interest in the shares of CWL Ventures Sdn. Bhd., the said company is also deemed interested in the shares of the Company to the extent that the said company has an interest under Section 8 of the Companies Act, 2016.*

Other than the above, no other Directors in office at the end of the financial year had any interest in shares of the Company or of its related corporations during the financial year.

DIRECTORS' REPORT

(cont'd)

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that adequate provision had been made for doubtful debts and all known bad debts had been written off; and
- (b) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors were not aware of any circumstances:-

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due;
- (b) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Group and of the Company for the current financial year in which this report is made.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There were no indemnity coverage and insurance premium paid for the Directors and Officers of the Company during the financial year.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

The significant event during the financial year and subsequent to the reporting period is disclosed in Note 34 to the Financial Statements.

DIRECTORS' REPORT

(cont'd)

AUDITORS

The total amount of fees paid to or receivable by the Auditors, Grant Thornton Malaysia PLT, as remuneration for their services as Auditors of the Company and of its subsidiary for the financial year ended 30 September 2020 amounted to RM60,000 and RM1,500 respectively.

The Company has agreed to indemnify the Auditors, Grant Thornton Malaysia PLT, as permitted under Section 289 of the Companies Act, 2016 in Malaysia.

The Auditors, Grant Thornton Malaysia PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

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WONG SAK KUAN)	
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.....)	
LEE WAI FUN)	

DIRECTORS

Kuala Lumpur
31 December 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 46 to 104 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

.....
WONG SAK KUAN

.....
LEE WAI FUN

Kuala Lumpur
31 December 2020

STATUTORY DECLARATION

I, Lee Wai Fun, being the Director primarily responsible for the financial management of Lotus KFM Berhad, do solemnly sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 46 to 104 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
31 December 2020)

.....
LEE WAI FUN

Before me:

RAMATHILAGAM A/P T RAMASAMY
W. 671
Commissioner of Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LOTUS KFM BERHAD (Incorporated in Malaysia)

Registration No: 198401007083 (119598-P)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lotus KFM Berhad ("the Company"), which comprise the statements of financial position as at 30 September 2020, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 46 to 104.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 September 2020, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventories valuation

The risk

Refer to Note 8 to the Financial Statements. The Group and the Company holds significant amounts of inventories amounting to RM8,641,600 which is subject to a risk that the inventories become slow-moving or obsolete and rendering them not sellable or can only be sold for selling prices below their carrying amounts. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence provision and in making an assessment of their adequacy due to risk of inventories not stated at the lower of costs or market values.

Our response

For inventories, we tested the methodology for calculating the provisions, challenged the appropriateness and consistency of judgements and assumptions made. In doing so, we obtained the ageing profile of inventories, performed ageing test and obtained understanding on the process for identifying specific problem inventories and historic loss rates.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LOTUS KFM BERHAD (Incorporated in Malaysia)
Registration No: 198401007083 (119598-P)
(cont'd)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Provision for expected credit losses ("ECLs") for trade receivables

The risk

Refer to Note 9 to the Financial Statements. We focused on this area because the Group and the Company have material amount of trade receivables that amounted to RM6,512,319. The adequacy of assessment on recoverability of trade receivables require the use of estimates and judgements of the management. The Group and the Company apply a simplified approach in calculating provision for expected credit losses ("ECLs"). Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss provision based on lifetime ECLs at each reporting date. The Group and the Company consider amongst others, their historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment.

Our response

We have challenged the management's estimate in the provision rate used to provide ECL allowance on trade receivables. This includes reviewing the ageing of receivables and testing the integrity of ageing. We also checked the recoverability of outstanding receivables through examination of subsequent cash receipts and tested the operating effectiveness of the relevant control procedures that management has put in place.

Revenue recognition

The risk

Refer to Note 21 to the Financial Statements. We focus on this area given the magnitude of revenue transaction that occurred. Under MFRS 15 Revenue from Contracts with Customers, revenue is recognised through a five-step model by identifying the contracts, identifying performance obligation, determine transaction price, allocate transaction price to performance obligation and recognise revenue.

Our response

We evaluated and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the financial statements. We also tested journal entries posted to revenue accounts to identify unusual or irregular items.

We understood and reviewed the appropriateness of revenue recognition policies.

Information other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprise the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon, which we obtained prior to the date of this auditors' report, and the remaining other information expected to be included in the annual report, which is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements of the Group and of the Company do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LOTUS KFM BERHAD (Incorporated in Malaysia)

Registration No: 198401007083 (119598-P)

(cont'd)

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LOTUS KFM BERHAD (Incorporated in Malaysia)
Registration No: 198401007083 (119598-P)
(cont'd)

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

We communicated with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

- (i) This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.
- (ii) The financial statements of the Group and of the Company as at 30 September 2019 were audited by another firm of Chartered Accountants whose audited report dated 24 December 2019 expressed an unqualified opinion on these financial statements.

GRANT THORNTON MALAYSIA PLT
(201906003682 & LLP0022494-LCA)
CHARTERED ACCOUNTANTS (AF 0737)

OOI POH LIM
(NO: 03087/10/2021 J)
CHARTERED ACCOUNTANT

Kuala Lumpur
31 December 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

(cont'd)

		Group	
	Note	2020	Restated
		RM	2019
			RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	23,446,084	14,519,075
Other investments	7	<u>2</u>	<u>2</u>
Total non-current assets		<u>23,446,086</u>	<u>14,519,077</u>
Current assets			
Inventories	8	8,641,600	9,998,044
Trade receivables	9	6,512,319	6,316,703
Other receivables	10	5,279,617	2,035,832
Cash and cash equivalents	12	<u>36,276,361</u>	<u>3,468,627</u>
Total current assets		<u>56,709,897</u>	<u>21,819,206</u>
TOTAL ASSETS		<u><u>80,155,983</u></u>	<u><u>36,338,283</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company:-			
Share capital	13	59,064,731	3,442,279
Redeemable convertible preference shares	14	15,000,000	-
Warrant reserves	15	8,719,341	-
Accumulated losses		<u>(27,018,927)</u>	<u>(33,373,007)</u>
Total equity		<u>55,765,145</u>	<u>(29,930,728)</u>
LIABILITIES			
Non-current liability			
Lease liabilities	16	<u>8,736,400</u>	<u>-</u>
Total non-current liability		<u>8,736,400</u>	<u>-</u>
Current liabilities			
Trade payables	17	7,148,480	48,539,319
Other payables	18	4,720,062	16,278,206
Contract liabilities	19	2,894,359	1,437,277
Lease liabilities	16	660,082	-
Borrowings	20	83,780	-
Tax payable		<u>147,675</u>	<u>14,209</u>
Total current liabilities		<u>15,654,438</u>	<u>66,269,011</u>
TOTAL LIABILITIES		<u>24,390,838</u>	<u>66,269,011</u>
TOTAL EQUITY AND LIABILITIES		<u><u>80,155,983</u></u>	<u><u>36,338,283</u></u>

STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020
(cont'd)

	Note	Company 2020 RM	Restated 2019 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	23,446,084	14,519,075
Investment in subsidiaries	6	7	3
Other investments	7	2	2
Total non-current assets		<u>23,446,093</u>	<u>14,519,080</u>
Current assets			
Inventories	8	8,641,600	9,998,044
Trade receivables	9	6,512,319	6,316,701
Other receivables	10	5,279,196	2,035,832
Amount due from subsidiaries	11	11,472	3,176
Cash and cash equivalents	12	36,276,352	3,468,598
Total current assets		<u>56,720,939</u>	<u>21,822,351</u>
TOTAL ASSETS		<u><u>80,167,032</u></u>	<u><u>36,341,431</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company:-			
Share capital	13	59,064,731	3,442,279
Redeemable convertible preference shares	14	15,000,000	-
Warrant reserves	15	8,719,341	-
Accumulated losses		<u>(27,004,441)</u>	<u>(33,368,359)</u>
Total equity		<u>55,779,631</u>	<u>(29,926,080)</u>
LIABILITIES			
Non-current liability			
Lease liabilities	16	8,736,400	-
Total non-current liability		<u>8,736,400</u>	<u>-</u>
Current liabilities			
Trade payables	17	7,148,480	48,539,319
Other payables	18	4,716,625	16,276,706
Contract liabilities	19	2,894,359	1,437,277
Lease liabilities	16	660,082	-
Borrowings	20	83,780	-
Tax payable		147,675	14,209
Total current liabilities		<u>15,651,001</u>	<u>66,267,511</u>
TOTAL LIABILITIES		<u><u>24,387,401</u></u>	<u><u>66,267,511</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>80,167,032</u></u>	<u><u>36,341,431</u></u>

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	Group		Company	
		2020 RM	Restated 2019 RM	2020 RM	Restated 2019 RM
Revenue	21	55,097,542	57,892,608	55,097,542	57,892,608
Cost of sales		<u>(49,618,520)</u>	<u>(56,788,680)</u>	<u>(49,618,520)</u>	<u>(56,788,680)</u>
Gross profit		5,479,022	1,103,928	5,479,022	1,103,928
Other income		8,861,714	269,865	8,861,714	219,870
Administrative expenses		(2,933,658)	(2,653,776)	(2,923,820)	(2,650,382)
Selling and distribution expenses		(1,296,666)	(1,731,569)	(1,296,666)	(1,731,569)
Other expenses		<u>(369,631)</u>	<u>(951,091)</u>	<u>(369,631)</u>	<u>(956,197)</u>
Operating profit/(loss)		9,740,781	(3,962,643)	9,750,619	(4,014,350)
Finance income		619,756	-	619,756	-
Finance costs		<u>(300,185)</u>	<u>-</u>	<u>(300,185)</u>	<u>-</u>
Profit/(Loss) before tax	22	10,060,352	(3,962,643)	10,070,190	(4,014,350)
Tax expense	23	<u>(133,516)</u>	<u>-</u>	<u>(133,516)</u>	<u>-</u>
Profit/(Loss) for the financial year		9,926,836	(3,962,643)	9,936,674	(4,014,350)
Other comprehensive income for the financial year, net of tax		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the financial year		<u>9,926,836</u>	<u>(3,962,643)</u>	<u>9,936,674</u>	<u>(4,014,350)</u>
Attributable to:-					
Owners of the Company		9,926,836	(3,962,385)		
Non-controlling interest ("NCI")		<u>-</u>	<u>(258)</u>		
		<u>9,926,836</u>	<u>(3,962,643)</u>		
Earnings per share attributable to owners of the Company					
-Basic (sen)	24	<u>1.64</u>	<u>(5.81)</u>		
-Diluted (sen)	24	<u>1.03</u>	<u>(5.81)</u>		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Non-distributable		Attributable to owners of the Company			Total equity RM
	Share capital RM	Redemtable convertible preference shares RM	Warrant reserves RM	Accumulated losses RM	NCI RM	
Group						
Balance at 1 October 2018	3,442,279	-	-	(29,410,622)	258	(25,968,085)
Total comprehensive loss for the financial year	-	-	-	(3,962,385)	(258)	(3,962,643)
Balance at 30 September 2019	3,442,279	-	-	(33,373,007)	-	(29,930,728)
Total comprehensive income for the financial year	-	-	-	9,926,836	-	9,926,836
Total transactions with owners of the Company:-						
Issuance of placement shares	2,729,000	-	-	-	-	2,729,000
Issuance of settlement shares	9,760,245	-	1,897,825	-	-	11,658,070
Issuance of rights shares	39,984,733	-	7,774,809	-	-	47,759,542
Issuance of shares upon exercise of warrants	3,881,263	-	(953,293)	-	-	2,927,970
Share issuance expenses	(732,789)	-	-	-	-	(732,789)
Issuance of settlement preference shares	-	15,000,000	-	-	-	15,000,000
Dividend	-	-	-	(3,572,756)	-	(3,572,756)
	55,622,452	15,000,000	8,719,341	(3,572,756)	-	75,769,037
Balance at 30 September 2020	59,064,731	15,000,000	8,719,341	(27,018,927)	-	55,765,145

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020
(cont'd)

	Attributable to owners of the Company						Total equity RM
	Share capital RM	Non-distributable Redemtable convertible preference shares RM	Warrant reserves RM	Accumulated losses RM	Distributable		
Company							
Balance at 1 October 2018	3,442,279	-	-	(29,354,009)		(25,911,730)	
Total comprehensive loss for the financial year	-	-	-	(4,014,350)		(4,014,350)	
Balance at 30 September 2019	3,442,279	-	-	(33,368,359)		(29,926,080)	
Total comprehensive income for the financial year	-	-	-	9,936,674		9,936,674	
Total transactions with owners of the Company:-							
Issuance of placement shares	2,729,000	-	-	-	-	2,729,000	
Issuance of settlement shares	9,760,245	-	1,897,825	-	-	11,658,070	
Issuance of rights shares	39,984,733	-	7,774,809	-	-	47,759,542	
Issue of shares upon exercise of warrants	3,881,263	-	(953,293)	-	-	2,927,970	
Share issuance expenses	(732,789)	-	-	-	-	(732,789)	
Issuance of settlement preference shares	-	15,000,000	-	-	-	15,000,000	
Dividend	-	-	-	(3,572,756)	-	(3,572,756)	
	55,622,452	15,000,000	8,719,341	(3,572,756)		75,769,037	
Balance at 30 September 2020	59,064,731	15,000,000	8,719,341	(27,004,441)		55,779,631	

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
OPERATING ACTIVITIES					
Profit/(Loss) before tax		10,060,352	(3,962,643)	10,070,190	(4,014,350)
Adjustments for:-					
Allowance for expected credit losses on trade receivables (individual)		20,835	54,583	20,835	54,583
Allowance for expected credit losses on trade receivables (collective)		27,434	-	27,434	-
Amount due from subsidiaries written off		-	-	-	40,395
Bad debt written off		2	-	-	-
Depreciation of property, plant and equipment		1,578,341	596,471	1,578,341	596,471
Dividend income		(3,540,000)	-	(3,540,000)	-
Gain on disposal of property, plant and equipment		-	(698)	-	(698)
Impairment loss on investment in subsidiaries		-	-	-	5,106
Impairment loss on other investments		-	249,137	-	249,137
Impairment loss on property, plant and equipment		56,872	590,981	56,872	590,981
Interest expenses		300,185	-	300,185	-
Interest income		(619,756)	-	(619,756)	-
Inventories written down		264,490	15,995	264,490	15,995
Property, plant and equipment written off		-	1	-	1
Reversal of inventories written down		(24,137)	-	(24,137)	-
Waiver of debts		(4,996,313)	-	(4,996,313)	-
Operating profit/(loss) before working capital changes		3,128,305	(2,456,173)	3,138,141	(2,462,379)
Changes in working capital:-					
Contract liabilities		1,457,082	(360,532)	1,457,082	(360,532)
Inventories		1,116,091	(5,938,435)	1,116,091	(5,938,435)
Receivables		(3,487,672)	(3,104,997)	(3,487,251)	(3,107,992)
Payables		(21,294,600)	25,048,892	(21,296,537)	25,065,996
Cash (used in)/generated from operations		(19,080,794)	13,188,755	(19,072,474)	13,196,658
Tax paid		(650)	(600)	(650)	(600)
Tax refund		600	600	600	600
Net cash (used in)/from operating activities		(19,080,844)	13,188,755	(19,072,524)	13,196,658

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020
(cont'd)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
INVESTING ACTIVITIES					
Dividend received		3,540,000	-	3,540,000	-
Interest received		619,756	-	619,756	-
Investment in subsidiaries		-	-	(4)	-
Purchase of property, plant and equipment	A	(679,776)	(11,096,485)	(679,776)	(11,096,485)
Proceeds from disposal of property, plant and equipment		-	700	-	700
Net cash from/(used in) investing activities		<u>3,479,980</u>	<u>(11,095,785)</u>	<u>3,479,976</u>	<u>(11,095,785)</u>
FINANCING ACTIVITIES					
Advances to subsidiaries		-	-	(8,296)	(5,886)
Dividend paid		(3,572,756)	-	(3,572,756)	-
Drawdown of bankers' acceptance		83,780	-	83,780	-
Interest paid		(300,185)	-	(300,185)	-
Placement of fixed deposit pledged to a licensed bank	B	(9,692,914)	-	(9,692,914)	-
Proceeds from issuance of shares, net of share issuance expenses		49,755,753	-	49,755,753	-
Proceeds from issuance of shares upon exercise of warrants		2,927,970	-	2,927,970	-
Repayment of lease liabilities		(485,964)	-	(485,964)	-
Net cash from/(used in) financing activities		<u>38,715,684</u>	<u>-</u>	<u>38,707,388</u>	<u>(5,886)</u>
CASH AND CASH EQUIVALENTS					
Net changes		23,114,820	2,092,970	23,114,840	2,094,987
Brought forward		<u>3,334,532</u>	<u>1,241,562</u>	<u>3,334,503</u>	<u>1,239,516</u>
Carried forward	B	<u>26,449,352</u>	<u>3,334,532</u>	<u>26,449,343</u>	<u>3,334,503</u>

NOTES TO THE STATEMENTS OF CASH FLOWS

A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group and Company	
	2020 RM	2019 RM
Total purchase of property, plant and equipment	4,582,502	11,096,485
Less: Acquisition by means of lease liabilities	<u>(3,902,726)</u>	<u>-</u>
Total cash used in purchase of property, plant and equipment	<u>679,776</u>	<u>11,096,485</u>

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2020
(cont'd)

NOTES TO STATEMENT OF CASH FLOWS (CONT'D)

B. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Fixed deposits with a licensed bank	9,827,009	134,095	9,827,009	134,095
Cash in hand	13,100	14,491	13,100	14,491
Cash at bank	<u>26,436,252</u>	<u>3,320,041</u>	<u>26,436,243</u>	<u>3,320,012</u>
	36,276,361	3,468,627	36,276,352	3,468,598
Less: Fixed deposits pledged with a licensed bank	<u>(9,827,009)</u>	<u>(134,095)</u>	<u>(9,827,009)</u>	<u>(134,095)</u>
	<u><u>26,449,352</u></u>	<u><u>3,334,532</u></u>	<u><u>26,449,343</u></u>	<u><u>3,334,503</u></u>

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	At 1.10.2019 RM	Effect on adoption of MFRS 16 RM	Additions/ Drawdown RM	Repayments RM	At 30.9.2020 RM
Group and Company					
Bankers' acceptance	-	-	83,780	-	83,780
Lease liabilities	-	5,979,720	3,902,726	(485,964)	<u>9,396,482</u>
	-	<u>5,979,720</u>	<u>3,986,506</u>	<u>(485,964)</u>	<u>9,480,262</u>

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad. The registered office of the Company is located at Third Floor, No. 77, 79 & 81, Jalan SS 21/60, Damansara Utama, 47400 Petaling Jaya, Selangor Darul Ehsan and the principal place of business of the Company is located at Kawasan Lembaga Pelabuhan Kuantan, KM25, Jalan Kuantan/Kemaman, Tanjung Gelang, 26080 Kuantan, Pahang Darul Makmur.

The Company is principally engaged in flour milling and trading of its related products.

The principal activities of its subsidiaries are disclosed in Note 6 to the Financial Statements.

There have been no significant changes in the nature of these activities of the Company and of its subsidiaries during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 31 December 2020.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Group and of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 MFRSs

2.4.1 Adoption of new standards/amendments/improvements to MFRSs

The accounting policies adopted by the Group and the Company are consistent with those of the prior financial year except for the new and revised MFRSs and IC Interpretations approved by Malaysian Accounting Standards Board ("MASB") and applicable for current financial year.

Application of the new and revised MFRSs and interpretations has no material impact on the financial statements of the Group and of the Company except for those explanations as disclosed in Note 4 to the Financial Statements.

Several other amendments are effective for the first time in the financial year ended 30 September 2020. However, they do not impact the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 MFRSs (cont'd)

2.4.2 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by MASB but are not yet effective and have not been early adopted by the Group and the Company.

Management anticipates that all relevant pronouncements will be adopted in the Group's and the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

The initial application of the new standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and of the Company.

2.5 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's and of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

2.5.1 Estimation uncertainty

Information about significant estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

The management estimates the useful lives of the property, plant and equipment to be within 1.42 to 50 years and reviews the useful lives of depreciable assets at each reporting period. The management assesses that the useful lives represent the expected utility of the assets to the Group and the Company. Actual results, however, may vary due to change in the expected level of usage and developments, which may result in an adjustment to the Group's and the Company's assets.

The management expects that the expected useful lives of the property, plant and equipment would not have material difference from the management's estimation hence it would not result in Group's and the Company's profit for the financial year.

The carrying amount of the Group's and of the Company's property, plant and equipment at the reporting date is disclosed in Note 5 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainty (cont'd)

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's and the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the time the estimates are made. The realisation of these inventories may be affected by market-driven changes that may occur in the future.

The management reviews inventories to identify damaged, obsolete and slow-moving inventories which require judgement and changes in such estimates could result in revision to the valuation of inventories.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation. Hence it would not result in material variance in the Group's and the Company's profit for the financial year.

The carrying amount of the Group's and the Company's inventories at the reporting date is disclosed in Note 8 to the Financial Statements.

Provision for expected credit losses ("ECLs") of receivables

Credit losses are the differences between all contractual cash flows of the Group and of the Company are due and the cash flows that it actually expects to receive. An ECLs is the probability-weighted estimate of credit losses which requires the Group's and the Company's judgement. The ECLs are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group and the Company use a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for grouping of various customer/debtor segments that have similar loss patterns such as geography, customer/debtor type and rating, and coverage by letters of credit and other forms of credit insurance.

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant accounting estimates and judgements (cont'd)

2.5.1 Estimation uncertainty (cont'd)

Provision for expected credit losses ("ECLs") of receivables (cont'd)

The assessment of the correlation between historical observed rates, forecast economic conditions and ECLs are significant estimate. The amount of ECLs are sensitive to changes in circumstances and forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default rate in the future.

The carrying amounts of the Group's and of the Company's receivables at the reporting date are disclosed in Notes 9, 10 and 11 to the Financial Statements.

Income taxes

Significant estimation is involved in determining the Group's and the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Leases

As a lessee, the Group and the Company are subject to increase in rental throughout the lease period, as imposed by the landlord. The management uses all currently available information to develop an estimate of the expected increase in rental, and reflects such estimates within the right-of-use asset and lease liability calculations. If a reliable estimate is not available, the management analyses historical increases in rental, and prudently assumes that the rental will continue to increase at such a rate.

2.5.2 Significant management judgement

The following is significant management judgement in applying the accounting policies of the Group and of the Company that have the most significant effect on the financial statements.

Leases

In applying MFRS 16, management uses judgement in determining the rate to discount the lease payments and assess whether a right-of-use asset is impaired. Furthermore, the Group and the Company estimate the lease term and reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances.

In most cases, determining the appropriate discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. In assessing the lease term and any the likelihood of any extensions or early terminations, the management monitors the cash inflows from each right-of-use asset and evaluates whether such extensions or early terminations would lead to economic benefits for the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES

The Group and the Company apply the significant accounting policies, as summarised below, consistently throughout all periods presented in the financial statements, unless otherwise stated.

3.1 Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. Besides, the Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affects the investee's returns.

Investment in subsidiaries is stated at cost less any impairment losses in the Company's financial position, unless the investment is held for sale or distribution. The cost of investments includes transaction costs. Where an indication of impairment exists, the carrying amount of the subsidiaries is assessed and written down immediately to their recoverable amount.

Upon the disposal of investment in a subsidiary, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

3.1.2 Basis of consolidation

The Group's financial statements consolidate the audited financial statements of the Company and all of its subsidiaries, which have been prepared in accordance with the Group's accounting policies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The financial statements of the Company and its subsidiaries are all drawn up to the same reporting year.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in asset, such as inventory and property, plant and equipment) are eliminated in full in preparing the consolidated financial statements. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Temporary differences arising from the elimination of profits and losses resulting from intragroup transactions will be treated in accordance to Note 3.16 of the Financial Statements.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.3 Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the fair value at acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, if any, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with MFRS 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of MFRS 9, it is measured in accordance with the appropriate MFRSs.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of the equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Consolidation (cont'd)

3.1.4 Loss of control (cont'd)

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the financial year between non-controlling interests and the owner of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

3.2 Property, plant and equipment

All property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably.

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bring the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on a straight-line method in order to write off the cost of each asset over its estimated useful life. Depreciation of assets in property, plant and equipment is computed over estimated lives shown below:-

Buildings, factory and civil works	20 to 50 years
Equipment and fixtures	5 years
Factory	17 years
Factory store	1.42 years
Forklift	1.42 years
Hostel	2 years
Motor vehicles	4 to 10 years
Office	9 years
Plant and machinery	10 to 30 years
Shop office	3.25 years
Wheat silos	8.25 years

Capital work-in-progress consists of plant and machinery under construction/installation for intended use as production facilities. The amount is stated at cost and includes capitalisation of interest incurred on borrowings related to property, plant and equipment under installation until the property, plant and equipment are ready for their intended use. Assets under construction are not depreciated until they are completed and ready for their intended use.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Property, plant and equipment (cont'd)

The residual values, useful lives and depreciation method are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amounts of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

3.3 Leases

3.3.1 Leases classified under MFRS 16

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

3.3.1.1 Group and Company as a lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3.3.1.2 Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:-

• Factory	17 years
• Factory store	1.42 years
• Forklift	1.42 years
• Hostel	2 years
• Office	9 years
• Shop office	3.25 years
• Wheat silos	8.25 years

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Section 3.5 Impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

3.3.1 Leases classified under MFRS 16 (cont'd)

3.3.1.3 Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Company use their incremental borrowing rates at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.3.1.4 Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases of office and equipment. They also apply the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.3.1.5 Group and Company as a lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statements of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as other income in the period in which they are earned.

3.3.2 Leases classified under MFRS 117

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or asset) or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Leases (cont'd)

3.3.2 Leases classified under MFRS 117 (cont'd)

3.3.2.1 Finance leases

Leases in terms of which the Group and the Company assume substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

3.3.2.2 Operating leases

Leases, where the Group and the Company do not assume substantially all the risks and rewards of ownership are classified as operating lease, except for property interest held under operating lease, the leased assets are not recognised in the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

Payments made under operating leases are recognised in profit or loss on straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

3.4 Inventories

Inventories, comprising raw materials, finished goods and consumables are stated at the lower of cost and net realisable value ("NRV") after adequate specific write down has been made by the Directors for deteriorated, obsolete and slow-moving inventories.

Cost of raw materials is determined on a weighted average basis and includes value of goods purchased and expenditure incurred in acquiring the inventories and bringing the inventories to their present condition and location.

NRV represents the estimated selling price in the ordinary course of business, less the estimated selling and distribution costs necessary to make the sale.

3.5 Impairment of non-financial assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment of non-financial assets (cont'd)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss.

3.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity.

3.6.1 Financial assets

3.6.1.1 Initial recognition and categorisation

At initial recognition, financial assets are either classified and measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At the reporting date, the Group and the Company have not designated any financial assets at FVTOCI and FVTPL. The Group and the Company carry only financial assets measured at amortised cost on their statements of financial position.

Financial assets at amortised cost

Financial assets are measured at amortised cost if both of the conditions are met:-

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow; and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.1 Financial assets (cont'd)

3.6.1.2 Subsequent measurement

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include cash and cash equivalents, trade and most of other receivables.

The Company's financial assets at amortised cost include cash and cash equivalents, amount due from subsidiaries, trade and most of other receivables.

3.6.2 Impairment of financial assets

The Group and the Company assess on a forward-looking basis the expected credit losses ("ECLs") for all debt instrument not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs are the maximum contractual period (including extension options) over which the Group and the Company are exposed to credit risk.

ECLs are measured on either of the following bases:-

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting year; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the terms to which ECL model applies.

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Group and the Company recognise a loss allowance equal to 12-months ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Group and the Company recognised an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (cont'd)

3.6.2 Impairment of financial assets (cont'd)

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

3.6.3 Financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group and the Company designated a financial liability at FVTPL.

At the reporting date, the Group and the Company have not designated any financial liabilities at FVTPL. The Group and the Company carry only other financial liabilities measured at amortised cost on their statements of financial position.

Other financial liabilities measured at amortised cost

The Group's and the Company's other financial liabilities include trade and most of the other payables and borrowings.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

3.6.4 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset has expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise their retained interest in the asset and associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of transferred assets, the Group and the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Group and the Company derecognise a financial liability when their contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6.5 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and fixed deposits with a licensed bank which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.8 Equity, reserves and distribution to owners

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Accumulated losses include all current year's profit and prior periods' losses.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

Interim dividends are simultaneously proposed and declared, because the articles of association of the Company grant the Directors the authority to declare special dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Final dividends proposed by the Directors are not accounted for in shareholder's equity as an appropriation of retained profits, until they have been approved by the shareholder in a general meeting. When these dividends have been approved by the shareholder and declared, they are recognised as a liability.

All transactions with owners of the Company are recorded separately within equity.

3.9 Warrants

Warrants are classified as equity instruments and its fair value is allocated based on the Trinomial option pricing model upon issuance. The issuance of the ordinary shares upon exercise of warrants is treated as new subscription of ordinary shares for the consideration equivalent to the exercise price of the warrants.

Upon exercise of warrants, the proceeds are credited to share capital. The warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be reversed.

3.10 Provisions

Provisions are recognised when there is a present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Group and the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Provisions (cont'd)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3.11 Revenue recognition

3.11.1 Revenue from contracts with customers

The Group and the Company recognise revenue from contracts with customers for goods or services based on the five-step model as set out in this standard:-

- i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- iii. Determine the transaction price. The transaction price is the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group and the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.
- v. Recognise revenue when (or as) the Group and the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:-

- i. Do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- ii. Create or enhance an asset that the customer controls as the asset is created or enhanced; or
- iii. Provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform the obligation.

For performance obligations where any one of the above conditions not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Revenue recognition (cont'd)

3.11.1 Revenue from contracts with customers (cont'd)

When the Group and the Company satisfy a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:-

3.11.1.1 Sales of goods

All revenue is recognised at a point in time, which is typically on delivery of the goods. Goods are sold when the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and taxes. The Group and the Company disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 21 to the Financial Statements.

3.11.2 Revenue from other sources

3.11.2.1 Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

3.11.2.2 Interest income

Interest income is recognised in the profit or loss on time proportion basis taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

3.11.2.3 Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which is in the case of quoted securities is the ex-dividend date.

3.12 Government grants

Government grants are not recognised until there is reasonable assurance that the Group and the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group and the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Contract balances

3.13.1 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group and the Company have received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group and the Company transfer goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group and the Company perform under the contract.

3.14 Employee benefits

3.14.1 Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year, in which associated services are rendered by employees of the Group and of the Company. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees which increase their entitlement to future compensated absences, and short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

3.14.2 Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group and the Company pay fixed contributions into separate entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as expenses in profit or loss as incurred. As required by law, the Group and the Company make such contributions to the Employees Provident Fund ("EPF").

3.15 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

3.16 Tax expense

Tax expense comprises current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

3.16.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Tax expense (cont'd)

3.16.2 Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting year and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.16.3 Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:-

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.17 Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statements of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

3.18 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares during the year.

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Financial Controller to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Majority of the operations of the Group are engaged as flour milling and trading of its related products, and all are in Malaysia. Hence, the Group is not required to present its segment reporting under MFRS 8.

3.21 Related parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the Group if that person:-

- (i) has control or joint control over the Group; or
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the corporate shareholders of the Group, or the Group.

(b) An entity is related to the Group if any of the following conditions applies:-

- (i) The entity and the Group are members of the same group.
- (ii) One entity is an associate or joint venture of the other entity.
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
- (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the corporate shareholders of the Group or the entity.
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

4. CHANGES IN ACCOUNTING POLICIES

4.1 MFRS 16 Leases

The Group and the Company have applied MFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under MFRS 117 and IC Interpretation 4.

MFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low-value assets.

The change in definition of a lease mainly relates to the concept of control. MFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact on lessee accounting

MFRS 16 changes how the Group and the Company account for leases previously classified as operating leases under MFRS 117, which were off-balance-sheet.

Applying MFRS 16, for all leases (except as noted below), the Group and the Company:-

- recognise right-of-use assets as part of property, plant and equipment and lease liabilities in the statements of financial position, initially measured at the present value of future lease payments;
- recognise depreciation of right-of-use assets and interest on lease liabilities in the profit or loss; and
- separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statements of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under MFRS 117 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under MFRS 16, right-of-use assets are tested for impairment in accordance with MFRS 136 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by MFRS 16. This expense is presented within administrative expenses in the statements of profit or loss and other comprehensive income.

The impact on adoption of MFRS 16 is disclosed in Notes 5 and 16 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

4. CHANGES IN ACCOUNTING POLICIES (CONT'D)

4.1 MFRS 16 Leases (cont'd)

Impact on lessee accounting (cont'd)

	RM
Operating lease commitments as at 30 September 2019	3,768,752
Lease payments relating to renewal periods not included in operating lease commitments as at 30 September 2019	<u>4,463,715</u>
	8,232,467
Weighted average incremental discounting rate as at 1 October 2019	<u>3.86%</u>
Discounted operating lease commitments as at 1 October 2019	6,009,508
Less: Commitments relating to short-term leases	(28,209)
Commitments relating to leases of low-value assets	<u>(1,579)</u>
Lease liabilities as at 1 October 2019	<u><u>5,979,720</u></u>

4.1.1 Reconciliation of Statements of Financial Position

	As previously reported RM	MFRS 16 adjustments RM	As restated RM
Group and Company			
1.10.2019			
Non-current asset			
Property, plant and equipment	14,519,075	5,979,720	20,498,795
Non-current liability			
Lease liabilities	-	(5,682,335)	(5,682,335)
Current liability			
Lease liabilities	-	(297,385)	<u>(297,385)</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

5. **PROPERTY, PLANT AND EQUIPMENT**

Group and Company	Buildings, factory and civil works	Equipment and fixtures	Factory RM	Factory store RM	Forklift RM	Hostel RM	Motor vehicles RM	Office RM	Plant and machinery RM	Shop office RM	Wheat silos RM	Capital work-in-progress RM	Total RM
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1.10.2018	9,796,345	4,120,065	-	-	-	-	168,336	-	37,204,466	-	-	-	51,289,212
Additions	-	94,681	-	-	-	-	-	-	10,831,424	-	-	170,380	11,096,485
Disposals	-	-	-	-	-	-	(44,243)	-	-	-	-	-	(44,243)
Written off	-	-	-	-	-	-	-	-	(7,206,082)	-	-	-	(7,206,082)
At 30.9.2019	9,796,345	4,214,746	-	-	-	-	124,093	-	40,829,808	-	-	170,380	55,135,372
Effect on adoption of MFRS 16	-	-	5,261,139	66,071	29,732	-	-	-	-	182,988	439,790	-	5,979,720
At 1.10.2019	9,796,345	4,214,746	5,261,139	66,071	29,732	-	124,093	-	40,829,808	182,988	439,790	170,380	61,115,092
Additions	80,645	294,215	-	-	-	18,449*	-	3,884,277*	249,106	-	-	55,810	4,582,502
At 30.9.2020	9,876,990	4,508,961	5,261,139	66,071	29,732	18,449	124,093	3,884,277	41,078,914	182,988	439,790	226,190	65,697,594

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group and Company (cont'd)

	Buildings, factory and civil works RM	Equipment and fixtures RM	Factory store RM	Forklift RM	Hostel RM	Motor vehicles RM	Office RM	Plant and machinery RM	Shop office RM	Wheat silos RM	Capital work-in- progress RM	Total RM
Accumulated depreciation												
At 1.10.2018	6,811,707	3,926,557	-	-	-	150,565	-	31,350,192	-	-	-	42,239,021
Charge for the financial year	248,706	68,192	-	-	-	6,195	-	273,378	-	-	-	596,471
Disposals	-	-	-	-	-	(44,241)	-	-	-	-	-	(44,241)
Written off	-	-	-	-	-	-	-	(7,061,502)	-	-	-	(7,061,502)
At 30.9.2019	7,060,413	3,994,749	-	-	-	112,519	-	24,562,068	-	-	-	35,729,749
Charge for the financial year	204,349	103,326	46,638	20,987	2,306	6,196	219,865	555,583	56,304	53,308	-	1,578,341
At 30.9.2020	7,264,762	4,098,075	46,638	20,987	2,306	118,715	219,865	25,117,651	56,304	53,308	-	37,308,090
Accumulated impairment losses												
At 1.10.2018	1,729,204	-	-	-	-	-	-	2,710,942	-	-	-	4,440,146
Written off	-	-	-	-	-	-	-	(144,579)	-	-	-	(144,579)
Impairment loss for the financial year	-	-	-	-	-	-	-	590,981	-	-	-	590,981
At 30.9.2019	1,729,204	-	-	-	-	-	-	3,157,344	-	-	-	4,886,548
Impairment loss for the financial year	-	-	-	-	-	-	-	56,872	-	-	-	56,872
At 30.9.2020	1,729,204	-	-	-	-	-	-	3,214,216	-	-	-	4,943,420
Net carrying amount												
At 30.9.2020	883,024	4,108,866	4,951,660	19,433	16,143	5,378	3,664,412	12,747,047	126,684	386,482	226,190	23,446,084
At 30.9.2019	1,006,728	219,997	-	-	-	11,574	-	13,110,396	-	-	170,380	14,519,075

* Additions of hostel and office are inclusive of renewal options ranged from 1 to 6 years.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

5. **PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

(a) Including in net carrying amount of property, plant and equipment are right-of-use assets as follows:-

	Group and Company	
	2020 RM	2019 RM
Factory	4,951,660	-
Factory store	19,433	-
Forklift	8,745	-
Hostel	16,143	-
Office	3,664,412	-
Shop office	126,684	-
Wheat silos	386,482	-
	9,173,559	-

(b) Additions to right-of-use assets of the Group and of the Company during the financial year amounted to RM3,902,726 (2019: RMNil).

(c) Depreciation charge of right-of-use assets are as follows:-

	Group and Company	
	2020 RM	2019 RM
Factory	309,479	-
Factory store	46,638	-
Forklift	20,987	-
Hostel	2,306	-
Office	219,865	-
Shop office	56,304	-
Wheat silos	53,308	-
	708,887	-

Group and Company as a lessor

The Group and the Company have entered into operating leases on its right-of-use assets consisting of office. This lease is on short-term basis. This lease includes a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Rental income recognised by the Group and the Company during the financial year is RM183,000 (2019: RMNil).

Future minimum rentals receivable under non-cancellable operating leases as at the reporting date are as follows:-

	2020 RM	2019 RM
Within 1 year	183,000	-

NOTES TO THE FINANCIAL STATEMENTS

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6. SUBSIDIARIES

(a) Investment in subsidiaries

	2020 RM	Company 2019 RM
Unquoted shares, at cost	324,007	1,346,107
Less: Accumulated impairment losses	<u>(324,000)</u>	<u>(1,346,104)</u>
	<u>7</u>	<u>3</u>

The movement of accumulated impairment losses during the financial year is as follows:-

	2020 RM	Company 2019 RM
Brought forward	1,346,104	1,340,998
Impairment loss during the financial year	-	5,106
Written off during the financial year	<u>(1,022,104)</u>	<u>-</u>
Carried forward	<u>324,000</u>	<u>1,346,104</u>

Details of the subsidiaries are as follows:-

Name of subsidiaries	Effective interest		Principal activities	Principal place of business/ Country of incorporation
	2020 %	2019 %		
1. KFM Marketing Sdn. Bhd. ⁽ⁱ⁾	100	100	Dormant	Malaysia
2. KFM Trading Sdn. Bhd. ⁽ⁱⁱ⁾	-	51	Dormant	Malaysia
3. KFM Transport Sdn. Bhd. ⁽ⁱⁱⁱ⁾	-	100	Dormant	Malaysia
4. KFM Industries Sdn. Bhd. ^(iv)	-	100	Dormant	Malaysia
5. KFM Ventures Sdn. Bhd. ^(iv)	-	100	Dormant	Malaysia
6. KFM Biotechnology Sdn. Bhd. ^(v)	-	100	Dormant	Malaysia
7. Lotus Plantation Sdn. Bhd.	100	-	Dormant	Malaysia
8. LKB Plantation Sdn. Bhd.	100	-	Dormant	Malaysia

(i) Audited by Grant Thornton Malaysia PLT.

(ii) Striked off from the Companies Commission of Malaysia on 5 August 2019.

(iii) Striked off from the Companies Commission of Malaysia on 6 September 2019.

(iv) Striked off from the Companies Commission of Malaysia on 7 October 2019.

(v) Striked off from the Companies Commission of Malaysia on 11 October 2019.

NOTES TO THE FINANCIAL STATEMENTS

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6. SUBSIDIARIES (CONT'D)

(b) Incorporation of subsidiaries

On 12 August 2020, the Company incorporated a wholly-owned subsidiary, Lotus Plantation Sdn. Bhd., with cash subscription of RM2.

On 1 September 2020, the Company incorporated a wholly-owned subsidiary, LKB Plantation Sdn. Bhd., with cash subscription of RM2.

(c) Strike-off of subsidiaries

No gain or loss arose from the strike-off of subsidiaries as the net assets of the subsidiaries were zeroised on the date the strike-off took place.

7. OTHER INVESTMENTS

The other investments represent the following:-

	Group and Company	
	2020	2019
	RM	RM
Unquoted shares, at cost	1,735,501	1,735,501
Less: Accumulated impairment losses	(1,735,499)	(1,735,499)
	2	2

The movement of impairment losses of other investments during the financial year is as follows:-

	Group and Company	
	2020	2019
	RM	RM
Brought forward	1,735,499	1,486,362
Impairment loss during the financial year	-	249,137
Carried forward	1,735,499	1,735,499

8. INVENTORIES

	Group and Company	
	2020	2019
	RM	RM
Raw materials	7,967,052	8,997,329
Finished goods	417,140	354,291
Consumables	257,408	646,424
	8,641,600	9,998,044
Recognised in profit or loss:-		
Inventories recognised in cost of sales	43,937,506	51,662,959
Inventories written down	264,490	15,995
Reversal of inventories written down	(24,137)	-
	(24,137)	-

NOTES TO THE FINANCIAL STATEMENTS

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8. INVENTORIES (CONT'D)

The inventories written down was made when the related inventories are obsolete.

The reversal of inventories written down was made when the related inventories were sold above their carrying amounts.

9. TRADE RECEIVABLES

	2020 RM	Group 2019 RM
Trade receivables, gross	6,611,213	6,704,676
Less: Allowance for expected credit losses		
- Individual assessment	(71,460)	(387,973)
- Collective assessment	(27,434)	-
	<u>6,512,319</u>	<u>6,316,703</u>
	2020 RM	Company 2019 RM
Trade receivables, gross	6,611,213	6,561,478
Less: Allowance for expected credit losses		
- Individual assessment	(71,460)	(244,777)
- Collective assessment	(27,434)	-
	<u>6,512,319</u>	<u>6,316,701</u>

(a) The movement of expected credit losses for trade receivables is as follows:-

	2020 RM	2019 RM
Group		
Brought forward	387,973	335,971
Additions	48,269	54,583
Written off	(337,348)	(2,581)
Carried forward	<u>98,894</u>	<u>387,973</u>
Company		
Brought forward	244,777	192,775
Additions	48,269	54,583
Written off	(194,152)	(2,581)
Carried forward	<u>98,894</u>	<u>244,777</u>

(b) The trade receivables are non-interest bearing and are recognised at their original invoice amounts which represent their fair values on initial recognition. The normal credit terms granted to the customers ranged from 14 to 90 days (2019: 30 to 90 days). Other credit terms are assessed and approved by the management on case-by-case basis.

NOTES TO THE FINANCIAL STATEMENTS

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10. OTHER RECEIVABLES

	Group	
	2020	Restated
	RM	2019
		RM
Non-trade receivables	279,131	851,287
Less: Allowance for expected credit losses	-	(500,000)
	<u>279,131</u>	<u>351,287</u>
Advances	14,052	10,514
Advances to suppliers	4,152,988	1,362,053
Deposits	552,901	63,581
GST receivable	-	32,740
Prepayments	280,545	215,657
	<u>5,279,617</u>	<u>2,035,832</u>
	Company	
	2020	Restated
	RM	2019
		RM
Non-trade receivables	279,131	851,287
Less: Allowance for expected credit losses	-	(500,000)
	<u>279,131</u>	<u>351,287</u>
Advances	14,052	10,514
Advances to suppliers	4,152,988	1,362,053
Deposits	552,901	63,581
GST receivable	-	32,740
Prepayments	280,124	215,657
	<u>5,279,196</u>	<u>2,035,832</u>

The movement of expected credit losses of other receivables is as follows:-

	Group and Company	
	2020	2019
	RM	RM
Brought forward	500,000	500,000
Written off	(500,000)	-
Carried forward	<u>-</u>	<u>500,000</u>

NOTES TO THE FINANCIAL STATEMENTS

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10. OTHER RECEIVABLES (CONT'D)

The foreign currency exposure profile of other receivables is as follows:-

	Group and Company	
	2020 RM	2019 RM
Swiss Franc ("CHF")	823	12,224
Singapore Dollar ("SGD")	-	3,829
United States Dollar ("USD")	<u>1,466,700</u>	<u>-</u>

Included in advances to suppliers of the Group and of the Company is an amount of RM2,413,587 (2019: RMNil) advanced to companies in which Directors have interest.

Non-trade receivables are unsecured, non-interest bearing and repayable on demand.

11. AMOUNT DUE FROM SUBSIDIARIES

Amounts due from subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

12. CASH AND CASH EQUIVALENTS

	Group	
	2020 RM	2019 RM
Cash in hand	13,100	14,491
Cash at bank	26,436,252	3,320,041
Fixed deposits with a licensed bank	<u>9,827,009</u>	<u>134,095</u>
	<u>36,276,361</u>	<u>3,468,627</u>

	Company	
	2020 RM	2019 RM
Cash in hand	13,100	14,491
Cash at bank	26,436,243	3,320,012
Fixed deposits with a licensed bank	<u>9,827,009</u>	<u>134,095</u>
	<u>36,276,352</u>	<u>3,468,598</u>

Fixed deposits with licensed bank of RM9,827,009 (2019: RM134,095) are pledged as securities for banking facilities granted to the Group and the Company.

The fixed deposits placed with licensed banks of the Group and of the Company bear interest at effective interest rates ranged from 1.60% to 3.15% (2019: at 3.15%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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13. **SHARE CAPITAL**

	Group and Company		2020 RM	Amount 2019 RM
	Number of ordinary shares 2020	2019		
Issued and fully paid with no par value:-				
Brought forward	68,229,084	68,229,084	3,442,279	3,442,279
Issuance of placement shares	27,290,000	-	2,729,000	-
Issuance of settlement shares	116,580,700	-	9,760,245	-
Issuance of rights shares	477,595,420	-	39,984,733	-
Issuance pursuant to exercise of warrants	29,279,700	-	3,881,263	-
Share issuance expenses	-	-	(732,789)	-
Carried forward	<u>718,974,904</u>	<u>68,229,084</u>	<u>59,064,731</u>	<u>3,442,279</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

During the financial year, the issued and paid-up ordinary share capital was increased from RM3,442,279 to RM59,064,731 by issuance of 621,466,120 new ordinary shares and issuance via exercise of warrants of 29,279,700 new ordinary shares pursuant to the following:-

- (i) 27,290,000 new ordinary shares arising from the private placement at RM0.10 per share amounted to RM2,729,000.
- (ii) 116,580,700 settlement shares at RM0.0837 per share amounted to RM9,760,245.
- (iii) 477,595,420 rights shares at RM0.0837 per share amounted to RM39,984,733.
- (iv) 29,279,700 new ordinary shares arising from the exercise of warrants as follows:-

	Exercise price RM	Number of shares issued
Warrant B 2019/2024	<u>0.10</u>	<u>29,279,700</u>

14. **REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")**

	Group and Company	
	Number of shares	Amount RM
2020		
<u>Equity component recognised under equity:-</u>		
Brought forward	-	-
Issuance of shares	300,000,000	15,000,000
Carried forward	<u>300,000,000</u>	<u>15,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

14. REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") (CONT'D)

On 26 November 2019, the Company issued 300,000,000 RCPS at an issue price of RM0.05 per share as part of settlement with identified payables, and any RCPS not converted will be redeemed upon the last day of the period of 5 years from the date of first issuance of the RCPS at a price of RM0.05 per share.

The salient features of the RCPS are as follows:-

- (a) The RCPS holders shall have the right to convert all (and not part) of the RCPS into fully paid ordinary shares in the Company at the rate of one (1) RCPS for one (1) ordinary share in the capital of the Company at such time and in such manner upon the surrender of the RCPS within the 5-year tenure period, from the date of issue up to and including the maturity date.
- (b) The RCPS holders are not entitled to any dividends declared or paid by the Company for its ordinary shares.
- (c) The RCPS holders do not carry any right to vote at any general meeting of the Company except on any proposal to wind up the Company, during the winding up of the Company and on any proposal that affects the rights and privileges of the RCPS holder.
- (d) The RCPS holders do not carry any rights to participate in the profits or surplus assets of the Company.

15. WARRANT RESERVES

	Group and Company	
	2020 RM	2019 RM
Warrant reserves	8,719,341	-

On 26 November 2019, the Company issued 238,797,710 free detachable warrants on the basis of one (1) warrant for every two (2) rights shares subscribed, and 58,290,350 free detachable warrants on the basis of one (1) warrant for every two (2) ordinary shares subscribed upon issuance of settlement shares. The details on the rights shares and settlement shares are disclosed in Note 13 to the Financial Statements.

The main features of the warrants are as follows:-

	Tenure (years)	Issue date	Expiry date	Exercise price RM
Warrant B 2019/2024	4.25	28.11.2019	25.11.2024	0.10

The warrants may be exercised at any time during the tenure of the warrants of five (5) years including and commencing from the issue date of the warrants and ending on the expiry date. Each warrant carries the entitlement to subscribe for one (1) new ordinary share in the Company at the exercise price of RM0.10 each stated above and shall be satisfied fully in cash and shall be subject to adjustments in accordance with the respective Deed Polls.

Subject to the provision in the respective Deed Polls, the exercise price and the number of warrants held by each warrant holder shall be adjusted by the Board of Directors of the Company in consultation with the adviser and certification of the external auditors, in the event of alteration to the share capital of the Company.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
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15. WARRANT RESERVES (CONT'D)

The fair value allocated to the warrants reserve is derived by adjusting the proceeds of the above issuance to the fair value of the shares and warrants on a proportionate basis. The discount on shares is a reserve account that is created to preserve the par value of the ordinary shares.

The movement of the warrants during the financial year is as follows:-

	At	Number of units		At
	1.10.2019	Issued	Exercised	30.9.2020
Warrant B 2019/2024	-	297,088,060	(29,279,700)	267,808,360

16. LEASE LIABILITIES

Group and Company

	Within 1 year RM	Between 2 to 5 years RM	More than 5 years RM	Total RM
2020				
Future minimum lease payments	1,010,824	3,915,069	7,098,843	12,024,736
Less: Interest	(350,742)	(1,143,074)	(1,134,438)	(2,628,254)
Present value of minimum lease payments	660,082	2,771,995	5,964,405	9,396,482

In financial year 2020, the discount rate of lease liabilities is 3.86% per annum.

The Group and the Company have elected not to recognise lease liabilities for short-term leases (leases with an expected term of 12 months or less) or for leases of low-value assets. Payments made under such leases are expensed on straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expenses relating to payments not included in the measurement of the lease liabilities are as follows:-

	2020 RM
Low-value assets	78,513
Short-term leases	90,400
Variable lease payments	1,695
	<u>170,608</u>

17. TRADE PAYABLES

Trade payables are non-interest bearing and are generally on credit terms ranged from 0 to 60 days (2019: 0 to 90 days).

Included in trade payables of the Group and of the Company is an amount of RM7,113,200 (2019: RMNil) due from a company in which a Director has interest.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

18. OTHER PAYABLES

	Group	
	2020 RM	Restated 2019 RM
Non-trade payables	2,988,007	14,141,200
Accrual of expenses	1,640,555	2,137,006
Deposit received	91,500	-
	4,720,062	16,278,206
	Company	
	2020 RM	Restated 2019 RM
Non-trade payables	2,988,007	14,141,200
Accruals of expenses	1,637,118	2,135,506
Deposit received	91,500	-
	4,716,625	16,276,706

Included in non-trade payables of the Group and of the Company is an amount of RM2,348,030 (2019: RMNil) due to companies which Directors have interest.

Non-trade payables are unsecured, non-interest bearing and repayable on demand.

19. CONTRACT LIABILITIES

	Group and Company	
	2020 RM	Restated 2019 RM
Contract liabilities	2,894,359	1,437,277

The contract liabilities refer to advances received from a customer which will be set off against future revenue made with the Group and the Company.

The Group and the Company expect revenue from unsatisfied performance obligations to be recognised in the following financial years as follows:-

	2020 RM	2019 RM
<u>Financial years ending 30 September:-</u>		
- 2020	-	1,437,277
- 2021	2,894,359	-

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

20. **BORROWINGS**

	Group and Company	
	2020	2019
	RM	RM
<u>Secured:-</u>		
Bankers' acceptance	83,780	-

The bankers' acceptance is secured by fixed deposit with a licensed bank of the Group and of the Company as disclosed in Note 12 to the Financial Statements.

Bankers' acceptance facilities are repayable within 116 days and bear interest at effective interest rate of 3.56% (2019: Nil%) per annum.

21. **REVENUE**

Revenue represents the invoiced value of goods less indirect tax, discounts and returns.

The Group's and the Company's revenue disaggregated by pattern of revenue recognition is as follows:-

	Group and Company	
	2020	2019
	RM	RM
Timing of revenue recognition		
<u>At point in time:-</u>		
Sale of flour and related products	55,097,542	57,892,608
Geographical market		
Malaysia	55,097,542	57,892,608

22. **PROFIT/(LOSS) BEFORE TAX**

Profit/(Loss) before tax has been determined after charging/(crediting) amongst other, the following items:-

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Allowance of expected credit losses on trade receivables:-				
- individual	20,835	54,583	20,835	54,583
- collective	27,434	-	27,434	-
Amount due from subsidiaries written off	-	-	-	40,395

NOTES TO THE FINANCIAL STATEMENTS

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22. PROFIT/(LOSS) BEFORE TAX (CONT'D)

Profit/(Loss) before tax has been determined after charging/(crediting) amongst other, the following items (cont'd):-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Bad debt recovered	-	(2,581)	-	(2,581)
Bad debt written off	2	-	-	-
Depreciation of property, plant and equipment	1,578,341	596,471	1,578,341	596,471
Dividend income from other investments	(3,540,000)	-	(3,540,000)	-
Gain on disposal of property, plant and equipment	-	(698)	-	(698)
Government grant received	(1,333,309)	(711,259)	(1,333,309)	(711,259)
Impairment loss on investment in subsidiaries	-	-	-	5,106
Impairment loss on other investments	-	249,137	-	249,137
Impairment loss of property, plant and equipment	56,872	590,981	56,872	590,981
Interest expenses:-				
- Bankers' acceptance	948	-	948	-
- Lease liabilities	299,237	-	299,237	-
Interest income	(619,756)	-	(619,756)	-
Inventories written down	264,490	15,995	264,490	15,995
Property, plant and equipment written off	-	1	-	1
Realised loss/(gain) on foreign exchange	38	(287)	38	(287)
Rental expenses	170,608	752,762	170,608	752,762
Rental income	(183,000)	-	(183,000)	-
Reversal of inventories written down	(24,137)	-	(24,137)	-
Waiver of liabilities:-				
- Trade payables	(3,084,434)	-	(3,084,434)	-
- Other payables	(1,911,879)	-	(1,911,879)	-

23. TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax:-				
Provision for current financial year	148,741	-	148,741	-
Over provision for prior financial year	(15,225)	-	(15,225)	-
	<u>133,516</u>	<u>-</u>	<u>133,516</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

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23. TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory tax rate to tax expense at the effective tax rate of the Group and of the Company is as follows:-

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit/(Loss) before tax	<u>10,060,352</u>	<u>(3,962,643)</u>	<u>10,070,190</u>	<u>(4,014,350)</u>
At Malaysian statutory tax rate of 24% (2019: 24%)	2,414,485	(951,034)	2,416,846	(963,444)
<u>Tax effects in respect of:-</u>				
Expenses not deductible for tax purposes	176,736	501,880	174,375	502,312
Income not subject to tax	(893,520)	(12,146)	(893,520)	(168)
Over provision of current tax in prior years	(15,225)	-	(15,225)	-
Movement of deferred tax assets not recognised	<u>(1,548,960)</u>	<u>461,300</u>	<u>(1,548,960)</u>	<u>461,300</u>
Total tax expense	<u>133,516</u>	<u>-</u>	<u>133,516</u>	<u>-</u>

Unrecognised deferred tax assets

Deferred tax assets are not recognised in respect of the following items due to uncertainty of their recoverability:-

	Group and Company	
	2020 RM	2019 RM
Property, plant and equipment	(7,766,000)	(5,408,000)
Others	2,894,000	1,437,000
Unabsorbed business losses	66,605,000	66,639,000
Unutilised capital allowances	11,859,000	17,378,000
Unutilised reinvestment allowances	<u>9,973,000</u>	<u>9,973,000</u>
	<u>83,565,000</u>	<u>90,019,000</u>

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset.

The Malaysia Finance Act gazetted on 27 December 2018 has imposed a time limitation to restrict the carry forward of unabsorbed business losses. The unabsorbed business losses accumulated up to the year of assessment 2019 are allowed to be carried forward for 7 consecutive years of assessment (ie years of assessment 2020 to 2026) and any balance of the unabsorbed business losses thereafter shall be disregarded.

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24. EARNINGS PER SHARE

Group

Basic earnings per ordinary share

The calculation of basic earnings per share is based on the profit/(loss) attributable to ordinary equity holders of the Company and a weighted average number of ordinary shares issued as follows:-

	2020	Group 2019
Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM)	9,926,836	(3,962,385)
Weighted average number of ordinary shares at 30 September	605,153,583	68,229,084
Basic earnings per share (sen)	1.64	(5.81)

Diluted earnings per ordinary share

The calculation of diluted earnings per share is based on the profit/(loss) attributable to ordinary equity holders of the Company and a weighted average number of ordinary shares issued have been adjusted for the dilutive effects of all potential ordinary shares as follows:-

	2020	Group 2019
Profit/(Loss) for the financial year attributable to ordinary equity holders of the Company (RM)	9,926,836	(3,962,385)
Weighted average number of ordinary shares at 30 September	968,459,118	68,229,084
Diluted earnings per share (sen)	1.03	(5.81)

25. DIVIDEND

During the financial year, the following dividend has been paid by the Company to the owners of the Company:-

	2020 RM
<u>In respect of financial year ended 30 September 2020:-</u>	
Single tier interim dividend of 0.5 sen per ordinary share declared on 10 June 2020 and paid on 5 August 2020	3,572,756

NOTES TO THE FINANCIAL STATEMENTS

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26. EMPLOYEE BENEFIT EXPENSES

	Group and Company	
	2020 RM	Restated 2019 RM
Salaries, wages and other emoluments	3,971,334	3,585,614
Social security contributions	58,024	58,044
Defined contribution plan	433,078	404,784
	<u>4,462,436</u>	<u>4,048,442</u>

Included in the employee benefit expenses is the Directors' remuneration as follows:-

	Group and Company	
	2020 RM	2019 RM
Salaries and other emoluments	350,000	-
Fees	208,000	87,000
Defined contribution plans	42,000	-
Social security contributions	1,154	-
	<u>601,154</u>	<u>87,000</u>

27. RELATED PARTY DISCLOSURES

(a) Related party transactions

	Group and Company	
	2020 RM	2019 RM
Purchase from companies in which a Director has interest	<u>43,226,123</u>	<u>-</u>
Purchase of property, plant and equipment from a company in which a Director has interest	<u>66,310</u>	<u>-</u>
Rental charged from a company in which a Director has interest	<u>60,000</u>	<u>-</u>
Rental charged to a company in which a Director has interest	<u>183,000</u>	<u>-</u>

(b) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 10, 11, 17 and 18 to the Financial Statements.

(c) Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly, and entity that provides key management personnel services to the Group.

The Group and the Company have no other members of key management personnel other than the Board of Directors. Remuneration of key management personnel is disclosed as Directors' remuneration in Note 26 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

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28. COMMITMENTS

Operating lease commitments

The future minimum lease payments payable under non-cancellable operating lease commitments are:-

	Group and Company	
	2020 RM	2019 RM
<u>Future minimum lease payments payable:-</u>		
- Within 1 year	4,488	525,053
- Between 2 to 5 years	11,430	1,707,563
- More than 5 years	-	1,536,136
	<u>15,918</u>	<u>3,768,752</u>

Capital commitments

	Group and Company	
	2020 RM	2019 RM
Authorised and contracted for:-		
- Property, plant and equipment	<u>-</u>	<u>13,000</u>

NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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29. FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:-

- (a) Financial assets measured at amortised cost ("FA");
- (b) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	OFL RM
2020			
Group			
<u>Financial assets</u>			
Trade receivables	6,512,319	6,512,319	-
Other receivables	846,084	846,084	-
Cash and cash equivalents	36,276,361	36,276,361	-
	43,634,764	43,634,764	-
<u>Financial liabilities</u>			
Trade payables	7,148,480	-	7,148,480
Other payables	4,720,062	-	4,720,062
Borrowings	83,780	-	83,780
	11,952,322	-	11,952,322
Company			
<u>Financial assets</u>			
Trade receivables	6,512,319	6,512,319	-
Other receivables	846,084	846,084	-
Amount due from subsidiaries	11,472	11,472	-
Cash and cash equivalents	36,276,352	36,276,352	-
	43,646,227	43,646,227	-
<u>Financial liabilities</u>			
Trade payables	7,148,480	-	7,148,480
Other payables	4,716,625	-	4,716,625
Borrowings	83,780	-	83,780
	11,948,885	-	11,948,885

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

The table below provides an analysis of financial instruments categorised as follows (cont'd):-

- (a) Financial assets measured at amortised cost ("FA");
 (b) Other financial liabilities measured at amortised cost ("OFL").

	Carrying amount RM	FA RM	OFL RM
2019			
Group			
<u>Financial assets</u>			
Trade receivables	6,316,703	6,316,703	-
Other receivables	425,382	425,382	-
Cash and cash equivalents	3,468,627	3,468,627	-
	<u>10,210,712</u>	<u>10,210,712</u>	<u>-</u>
<u>Financial liabilities</u>			
Trade payables	48,539,319	-	48,539,319
Other payables	16,278,206	-	16,278,206
	<u>64,817,525</u>	<u>-</u>	<u>64,817,525</u>
Company			
<u>Financial assets</u>			
Trade receivables	6,316,701	6,316,701	-
Other receivables	425,382	425,382	-
Amount due from subsidiaries	3,176	3,176	-
Cash and cash equivalents	3,468,598	3,468,598	-
	<u>10,213,857</u>	<u>10,213,857</u>	<u>-</u>
<u>Financial liabilities</u>			
Trade payables	48,539,319	-	48,539,319
Other payables	16,276,706	-	16,276,706
	<u>64,816,025</u>	<u>-</u>	<u>64,816,025</u>

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies

Financial risk

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. Financial risk management policy is established to ensure that adequate resources are available for the development of the Group's and of the Company's business whilst managing their credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group and the Company operate within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows:-

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Group's and the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Group and the Company do not expect to incur material credit losses of their financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry, and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Group's and the Company's total credit exposure. The Group's and the Company's portfolio of financial instrument is broadly diversified along industry, geographical lines and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group and the Company do not offer credit terms without the approval of the head of credit control.

The areas where the Group and the Company are exposed to credit risks are as follows:-

Receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables and contract assets are limited to the carrying amounts in the statements of financial position.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., customer type and rating and coverage by collateral). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if the Directors deem them uncollectable. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risk (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

The areas where the Group and the Company are exposed to credit risks are as follows (cont'd):-

Receivables (cont'd)

The information about the credit risk exposure on the Group's and Company's trade receivables using a provision matrix:-

	Trade receivables					
	Days past due					
	Current	1 to 30	31 to 60	61 to 90	More than	Total
	RM	days	days	days	90 days	RM
	RM	RM	RM	RM	RM	RM
Group						
2020						
ECL rate	0.37%	0.48%	0.70%	0.91%	2.00%	
Gross carrying amount	5,214,047	1,075,148	96,880	70,696	154,442	6,611,213
ECL (individual) (i)	-	-	-	-	(71,460)	(71,460)
ECL (collective)	(19,292)	(5,161)	(678)	(643)	(1,660)	(27,434)
Net carrying amount	<u>5,194,755</u>	<u>1,069,987</u>	<u>96,202</u>	<u>70,053</u>	<u>81,322</u>	<u>6,512,319</u>
2019						
ECL rate	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	4,923,256	1,057,931	325,139	11,660	386,690	6,704,676
ECL (individual) (i)	-	-	-	(1,283)	(386,690)	(387,973)
ECL (collective)	-	-	-	-	-	-
Net carrying amount	<u>4,923,256</u>	<u>1,057,931</u>	<u>325,139</u>	<u>10,377</u>	<u>-</u>	<u>6,316,703</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

29. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risk (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows (cont'd):-

(a) **Credit risk (cont'd)**

The areas where the Group and the Company are exposed to credit risks are as follows (cont'd):-

Receivables (cont'd)

The information about the credit risk exposure on the Group's and Company's trade receivables using a provision matrix (cont'd):-

	Trade receivables					
	Days past due					
	Current	1 to 30	31 to 60	61 to 90	More than	Total
	RM	days	days	days	90 days	RM
	RM	RM	RM	RM	RM	RM
Company						
2020						
ECL rate	0.37%	0.48%	0.70%	0.91%	2.00%	
Gross carrying amount	5,214,047	1,075,148	96,880	70,696	154,442	6,611,213
ECL (individual) (i)	-	-	-	-	(71,460)	(71,460)
ECL (collective)	(19,292)	(5,161)	(678)	(643)	(1,660)	(27,434)
Net carrying amount	5,194,755	1,069,987	96,202	70,053	81,322	6,512,319
2019						
ECL rate	0.00%	0.00%	0.00%	0.00%	0.00%	
Gross carrying amount	4,923,256	1,057,931	325,139	11,660	243,492	6,561,478
ECL (individual) (i)	-	-	-	(1,285)	(243,492)	(244,777)
ECL (collective)	-	-	-	-	-	-
Net carrying amount	4,923,256	1,057,931	325,139	10,375	-	6,316,701

(i) Trade receivables that are individually determined to be credit impaired at the reporting date relate to receivables that are not traceable and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

In respect of trade receivables, the Group and the Company are exposed to significant credit risk exposure to a group of counterparties having similar characteristics of which for 21% (2019: 28%) of total Group's and Company's trade receivables were due from 2 (2019: 2) major customers.

In respect of other receivables, the Group and the Company are not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risk (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows (cont'd):-

(a) Credit risk (cont'd)

The areas where the Group and the Company are exposed to credit risks are as follows (cont'd):-

Intercompany balances

The Company trades with and provides unsecured advances to subsidiaries and monitors their results regularly.

The maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The Company has not recognised any loss allowance as the subsidiaries have good payment records with the Company with no history of default.

As at the end of the reporting period, there was no indication that the advances to subsidiaries are not recoverable and the risk of default is expected to be zero.

Cash and cash equivalents

The credit risk for cash and cash equivalents are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due to shortage of funds.

In managing its exposures to liquidity risk arises principally from its various payables, borrowings, and finance lease liabilities, the Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Group and the Company aim at maintaining a balance of sufficient cash and deposits and flexibility in funding by keeping sources of committed and uncommitted credit facilities from various banks.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

29. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risk (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows (cont'd):-

(b) **Liquidity risk (cont'd)**

The summary of the maturity profile based on contractual undiscounted repayment obligations is as follows:-

	Carrying amount RM	Contractual cash flows RM	← Within 1 year RM	Maturity Between 2 to 5 years RM	→ More than 5 years RM
Group					
2020					
<u>Financial liabilities</u>					
Borrowings	83,780	83,780	83,780	-	-
Lease liabilities	9,396,482	12,024,736	1,010,824	3,915,069	7,098,843
Trade payables	7,148,480	7,148,480	7,148,480	-	-
Other payables	4,720,062	4,720,062	4,720,062	-	-
Total undiscounted financial liabilities	<u>21,348,804</u>	<u>23,977,058</u>	<u>12,963,146</u>	<u>3,915,069</u>	<u>7,098,843</u>
2019					
<u>Financial liabilities</u>					
Trade payables	48,539,319	48,539,319	48,539,319	-	-
Other payables	16,278,206	16,278,206	16,278,206	-	-
Total undiscounted financial liabilities	<u>64,817,525</u>	<u>64,817,525</u>	<u>64,817,525</u>	<u>-</u>	<u>-</u>
Company					
2020					
<u>Financial liabilities</u>					
Borrowings	83,780	83,780	83,780	-	-
Lease liabilities	9,396,482	12,024,736	1,010,824	3,915,069	7,098,843
Trade payables	7,148,480	7,148,480	7,148,480	-	-
Other payables	4,716,625	4,716,625	4,716,625	-	-
Total undiscounted financial liabilities	<u>21,345,367</u>	<u>23,973,621</u>	<u>12,959,709</u>	<u>3,915,069</u>	<u>7,098,843</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risk (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows (cont'd):-

(b) Liquidity risk (cont'd)

The summary of the maturity profile based on contractual undiscounted repayment obligations is as follows (cont'd):-

	Carrying amount RM	Contractual cash flows RM	Maturity		
			← Within 1 year RM	Between 2 to 5 years RM	→ More than 5 years RM
Company (cont'd)					
2019					
<u>Financial liabilities</u>					
Trade payables	48,539,319	48,539,319	48,539,319	-	-
Other payables	16,276,706	16,276,706	16,276,706	-	-
Total undiscounted financial liabilities	<u>64,816,025</u>	<u>64,816,025</u>	<u>64,816,025</u>	<u>-</u>	<u>-</u>

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group and the Company are exposed to foreign currency risk on investments that are denominated in currencies other than the functional currency of the Group and of the Company. The currencies giving rise to this risk are primarily Swiss Franc ("CHF"), Singapore Dollar ("SGD") and United States Dollar ("USD").

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:-

	2020		
	CHF RM	Denominated in SGD RM	USD RM
Other receivables	<u>823</u>	<u>-</u>	<u>1,466,700</u>

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

29. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial risk management objectives and policies (cont'd)

Financial risk (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows (cont'd):-

(c) **Foreign currency risk (cont'd)**

The Group's and the Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was (cont'd):-

	CHF RM	2019 <u>Denominated in</u> SGD RM	USD RM
Other receivables	12,224	3,829	-

The following table demonstrates the sensitivity of the Group's and of the Company's profit/(loss) for the financial year to a reasonably possible change in the CHF, SGD and USD exchange rates against the functional currency of the Group and of the Company, with all other variables held constant.

	Profit/(Loss) for the financial year	
	2020 RM	2019 RM
<u>CHF/RM:-</u>		
Strengthened 1% (2019: 1%)	8	122
Weakened 1% (2019: 1%)	(8)	(122)
<u>SGD/RM:-</u>		
Strengthened 1% (2019: 1%)	-	38
Weakened 1% (2019: 1%)	-	(38)
<u>USD/RM:-</u>		
Strengthened 1% (2019: 1%)	14,667	-
Weakened 1% (2019: 1%)	(14,667)	-

Exposures to foreign exchange rates vary during the financial year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's and of the Company's exposures to foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS

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(cont'd)

29. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies (cont'd)

Financial risk (cont'd)

The main areas of financial risks faced by the Group and the Company and the policy of the major areas of treasury activity are set out as follows (cont'd):-

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's fixed rate borrowing are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group's and the Company's interest rate management objective is to manage the interest expenses consistent with maintaining an acceptable level of exposure to interest rate fluctuation. In order to achieve this objective, the Group and the Company target a fixed debt based on assessment of its existing exposure and desired interest rate profile.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period were:-

	Group and Company	
	2020	2019
	RM	RM
Fixed rate instruments		
<u>Financial asset</u>		
Fixed deposits with licensed bank	9,827,009	134,095
<u>Financial liability</u>		
Bankers' acceptance	83,780	-
Net financial asset	<u>9,743,229</u>	<u>134,095</u>

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020
(cont'd)

30. OPERATING SEGMENTS

The Group is principally involved in flour milling and trading of its related products.

No products and services segment information and geographical information are presented as the Financial Controller views the Group as a single reportable segment and all are operated in Malaysia.

The following are major customers with revenue equal or more than 10% of the Group's total revenue:-

		2020	2019
		RM	RM
- Customer A	Segment Flour milling and trading	19,833,740	18,516,914

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value information has not been disclosed for the Group's and the Company's investment in equity instruments that is carried at cost because fair value cannot be measured reliably. This equity instrument represents ordinary shares that is not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant.

32. FAIR VALUE HIERARCHY

As at the reporting date, the Group and the Company have no financial instruments that are measured subsequent to initial recognition at fair value and hence fair value hierarchy is not presented.

33. CAPITAL MANAGEMENT

The primary objective of the Group's and of the Company's capital management is to ensure that they maintain a strong credit and financially prudent capital rations in order to support their current business as well as future expansion so as to maximise the shareholders' value.

The Group and the Company manage their capital structure and make adjustment to it, in light of changes in economic condition including the interest rate movements. To maintain and adjust capital structure, the Group and the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

There were no changes in the Group's and the Company's approach to capital management during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2020

(cont'd)

34. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

- (i) On 12 August 2020, the Company incorporated a wholly-owned subsidiary, Lotus Plantation Sdn. Bhd., with cash subscription of RM2.
- (ii) On 1 September 2020, the Company incorporated a wholly-owned subsidiary, LKB Plantation Sdn. Bhd., with cash subscription of RM2.
- (iii) On 2 December 2020, the Company issued 60,000,000 units of ordinary shares pursuant to the conversion of Redeemable Convertible Preference Shares ("RCPS") at RM0.10 per share amounted to RM6,000,000.
- (iv) The recent outbreak of Coronavirus Disease 2019 ("COVID-19") since the end of 2019 has seen significant cases increased worldwide, which prompted the World Health Organisation to declare it as a pandemic on 11 March 2020. A series of precautionary and control measures have been and will continue to be implemented across the world. The Malaysian Government imposed the Movement Control Order ("MCO") from 18 March 2020 to 3 May 2020, Conditional Movement Control Order ("CMCO") from 4 May 2020 to 9 June 2020 and Recovery Movement Control Order ("RMCO") from 10 June 2020 to 31 December 2020. Consequently, these restrictions are expected to have material adverse effects on Malaysia's economy for 2020. The deterioration of the global economy has also prompted additional uncertainties to the business of the Group and of the Company in 2020.

As at the date of this report, the management of the Group and of the Company have assessed the overall impact of the situation on the Group's and the Company's operations and financial position, and it is concluded that there are no material effects on the financial statements for the financial year ended 30 September 2020. The management is unable to reliably estimate the financial impact of COVID-19 on the Group's and the Company's financial results for the financial year ending 30 September 2021 as the pandemic has yet to run its full course, hence the current situation is still fluid. The Directors shall continuously assess the impact of COVID-19 on its operations as well as the financial position for the financial year ending 30 September 2021.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 DECEMBER 2020

Total number of Issued Shares	:	778,974,904 Ordinary Shares
Class of Equity Securities	:	Ordinary Shares ("shares")
Voting Right	:	One vote for every share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS

Size of Shareholdings	No. of Holders	%	No of Shares	%
Less than 100	86	1.99	1,927	0.00
100 – 1,000	905	20.96	826,615	0.11
1,001 – 10,000	1,793	41.53	9,060,625	1.17
10,001 – 100,000	1,226	28.40	47,028,916	6.03
100,001 and above	302	7.00	420,434,821	53.97
Directors' Holdings	5	0.12	301,622,000	38.72
Total	4,317	100.00	778,974,904	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 31 DECEMBER 2020

(As per the Register of Substantial Shareholders)

Name of Substantial Shareholders	No. of Ordinary Shares			
	Direct Interest	%	Indirect Interest	%
Wong Sak Kuan	200,740,000	25.77	60,000,000 ^(a)	7.70
Lotus Essential Sdn Bhd	60,000,000	7.70	-	-
Yau Ming Teck	58,500,000	7.51	-	-
CWL Ventures Sdn. Bhd.	57,636,000	7.40	-	-
Datuk Lim Chiun Cheong	44,610,520	5.73	-	-
Chia Weng Lock	8,000,000	1.03	57,636,000 ^(b)	7.40

Note: -

(a) Deemed interested by virtue of his interest in Lotus Essential Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

(b) Deemed interested by virtue of his interest in CWL Ventures Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

DIRECTOR'S INTEREST AS AT 31 DECEMBER 2020

(As per the Register of Directors' Shareholdings)

Name of Director	No. of Ordinary Shares			
	Direct Interest	%	Indirect Interest	%
Wong Sak Kuan	200,740,000	25.77	60,000,000 ^(a)	7.70
Yau Ming Teck	58,500,000	7.51	-	-
Lee Wai Fun	32,280,000	4.14	-	-
Chia Weng Lock	8,000,000	1.03	57,636,000 ^(b)	7.40
Mohd Rasli Bin Muda	470,000	0.06	-	-
Low Koon Min	-	-	-	-
Yap Ee Seong	-	-	-	-

Note: -

(a) Deemed interested by virtue of his interest in Lotus Essential Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

(b) Deemed interested by virtue of his interest in CWL Ventures Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 DECEMBER 2020

(cont'd)

30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 DECEMBER 2020

(without aggregating securities from different securities accounts belonging to the same person)

No.	Name	No. of Shares Held	%*
1.	WONG SAK KUAN	200,740,000	25.77
2.	MERCSEC NOMINEES (TEMPATAN) SDN BHD - YAU MING TECK	58,500,000	7.51
3.	CWL VENTURES SDN BHD	57,636,000	7.40
4.	LIM CHIUN CHEONG	44,610,520	5.73
5.	KAF TRUSTEE BERHAD - LOTUS ESSENTIAL SDN BHD	40,000,000	5.13
6.	LEE WAI FUN	33,912,000	4.35
7.	LOTUS ESSENTIAL SDN BHD	20,000,000	2.57
8.	WONG PENG KHOON	17,395,120	2.23
9.	WONG ONN ONN	12,323,900	1.58
10.	WONG MING MING	10,763,900	1.38
11.	CHAN PECK YIN	8,805,580	1.13
12.	CHONG FONG TAI	8,700,000	1.12
13.	CHIA WENG LOCK	8,000,000	1.03
14.	TEO SOON KEE	8,000,000	1.03
15.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN KUAN TECK	7,613,500	0.98
16.	YAU CHI HANG	7,582,030	0.97
17.	LEE CHENG CHENG	7,500,000	0.96
18.	AUGUSTINE KOK HWAI NAM	7,000,000	0.90
19.	WONG HUEY PING	6,300,000	0.81
20.	ONG LAY CHEONG	5,336,000	0.69
21.	EBS TECH.SDN.BHD.	5,000,000	0.64
22.	WONG KOON WAI	4,644,170	0.60
23.	NEO KIM HOCK	4,471,700	0.57
24.	HOO YEEK FOO	4,437,200	0.57
25.	SIM SOH POW	4,320,000	0.55
26.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	3,584,200	0.46
27.	LEE WAI FONG	3,098,000	0.40
28.	KOH KIM HEOK	2,940,000	0.38
29.	TOH YAN TAI	2,932,300	0.38
30.	LIEW KAH LEONG	2,790,000	0.36

ANALYSIS OF WARRANT HOLDINGS

AS AT 31 DECEMBER 2020

Type of Securities	:	Warrants B ("Warrants")
No. of Warrants Issued	:	267,808,360
Exercise Price	:	RM0.10
Exercise Period	:	26 November 2019 to 25 November 2024

DISTRIBUTION OF WARRANTS HOLDINGS

Size of Holdings	No. of Warrant Holders	No. of Warrants	%
Less than 100	12	495	0.00
100 - 1,000	16	10,900	0.00
1,001 - 10,000	167	960,040	0.36
10,001 - 100,000	276	11,822,400	4.41
100,001 and above	120	125,719,525	46.95
Directors' Holdings	4	129,295,000	48.28
Total	595	267,808,360	100.00

DIRECTORS' WARRANT HOLDINGS AS AT 31 DECEMBER 2020

(As per the Register of Directors' Warrant Holdings)

Name of Directors	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Wong Sak Kuan	86,725,000	32.38	-	-
Yau Ming Teck	21,750,000	8.12	-	-
Lee Wai Fun	16,140,000	6.03	-	-
Chia Weng Lock	4,000,000	1.49	24,015,000 ^(a)	8.97
Mohd Rasli Bin Muda	-	-	-	-
Low Koon Min	-	-	-	-
Yap Ee Seong	-	-	-	-

Note:-

(a) Deemed interested by virtue of his interest in CWL Ventures Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.

ANALYSIS OF WARRANT HOLDINGS

AS AT 31 DECEMBER 2020

(cont'd)

THIRTY LARGEST WARRANT HOLDERS AS AT 31 DECEMBER 2020

(without aggregating the securities from different securities accounts belonging to the same registered holder)

No.	Name	No. of Warrants Held	%
1.	WONG SAK KUAN	86,725,000	32.38
2.	CWL VENTURES SDN. BHD.	24,015,000	8.97
3.	MERCSEC NOMINEES (TEMPATAN) SDN BHD - YAU MING TECK	21,750,000	8.12
4.	LIM CHIUN CHEONG	17,861,960	6.67
5.	LEE WAI FUN	16,820,000	6.28
6.	WONG PENG KHOON	7,482,160	2.79
7.	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD - EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	5,213,000	1.95
8.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - LIM WILLIE	4,745,100	1.77
9.	WONG HUEY PING	4,000,101	1.49
10.	CHIA WENG LOCK	4,000,000	1.49
11.	CHONG FONG TAI	3,910,000	1.46
12.	YAU CHI HANG	3,845,210	1.44
13.	TEO SOON KEE	3,000,000	1.12
14.	WONG SWEE YIN	2,070,100	0.77
15.	YEONG KOW CHAI @ YONG KOK SHIANG	2,000,000	0.75
16.	LEE CHENG CHENG	1,981,500	0.74
17.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LEE CHENG LOCK	1,767,500	0.66
18.	UOB KAY HIAN NOMINEES (ASING) SDN BHD - EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	1,628,200	0.61
19.	MV TECHNOLOGY SDN. BHD.	1,500,000	0.56
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR HOO YEEK FOO	1,450,000	0.54
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM HUNG THIAM (7000997)	1,438,000	0.54
22.	TOH WAH CHONG	1,433,600	0.54
23.	TEOH LAI CHOY	1,329,600	0.50
24.	WONG KOON WAI	1,322,090	0.49
25.	TOH YAN TAI	1,230,000	0.46
26.	KOH KIM HEOK	1,225,000	0.46
27.	CHUA KIAN LAM	1,100,000	0.41
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB FOR BEH CHERN WEI (MA CHENGWEI) (PB)	1,100,000	0.41
29.	ENG CHOO YIAN	1,037,000	0.39
30.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR KRISHNA KUMAR A/L MANIKAM (KR011 STS)	1,000,000	0.37

LIST OF PROPERTIES HELD BY THE GROUP

AS AT 30 SEPTEMBER 2020

A summary of LKFM-owned properties is set out as below:

Location	Tenure	Date of Revaluation/ Date of Acquisition	Area	Description	Age of Building	Net Carrying Amount RM'000
Pajakan Negeri 550, Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	21 years and 3.5 months lease expiring on 30 December 2027	15 September 1985	25,425 sq. metres	Office and Factory	35 years and 28 years	107 487
Pajakan Negeri 550, Lot 1863 Mukim Sungai Karang, Kuantan, Pahang.	17 years and 7 months lease expiring on 30 December 2027	1 June 2010	4,253 sq. metres	Wheat silos	18 years	826

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-Sixth Annual General Meeting ("Meeting" or "AGM") of LOTUS KFM BERHAD ("LOTUS" or "the Company") will be held at Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya on Monday, 22 March 2021 at 11:00 a.m. or any adjournment thereof, to transact the following businesses:-

AGENDA

As Ordinary Business:

- | | | |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 30 September 2020 together with the Reports of the Directors and Auditors thereon. | PLEASE REFER TO EXPLANATORY NOTE 1 |
| 2. | To approve the payment of additional Directors' fees and benefits of RM24,000 for the period from 1 October 2019 to 22 March 2021. | ORDINARY RESOLUTION 1 |
| 3. | To approve the payment of Directors' fees and benefits of up to RM330,000 for the period from 23 March 2021 until the next Annual General Meeting of the Company. | ORDINARY RESOLUTION 2 |
| 4. | To re-elect the following Directors who retire by rotation in accordance with Clause 85 of the Company's Constitution: | |
| | i. Encik Mohd Rasli Bin Muda | |
| | ii. Ms. Low Koon Min | ORDINARY RESOLUTION 3
ORDINARY RESOLUTION 4 |
| 5. | To re-elect the following Directors who retire in accordance with Clause 91 of the Company's Constitution: | |
| | i. Mr. Chia Weng Lock | |
| | ii. Mr. Yap Ee Seong | ORDINARY RESOLUTION 5
ORDINARY RESOLUTION 6 |
| 6. | To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | ORDINARY RESOLUTION 7 |

As Special Business:

To consider and if thought fit, pass with or without any modifications, the following resolutions:

- | | | |
|----|---|------------------------------|
| 7. | GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 | ORDINARY RESOLUTION 8 |
|----|---|------------------------------|

"THAT subject always to the Constitution of the Company, the Companies Act 2016 ("Act"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental/ regulatory authorities, where required, the Directors of the Company, be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act, to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point of time AND THAT the Directors be and also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities AND THAT such authority shall continue in force until the conclusion of the Annual General Meeting ("AGM") of the Company held next after the approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier."

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

8. PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND/OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE") **ORDINARY RESOLUTION 9**

"THAT, authority be and is hereby given in line with Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, for the Company and/or its subsidiaries to enter into any of the recurrent related party transactions with the related party as set out in Section 2.8 of the Circular to Shareholders in relation to the Proposed Renewal of Shareholders' Mandate dated 29 January 2021 which are necessary for the day-to-day operations of the Company and/or its subsidiaries within the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms which are those generally available to the public and are not detrimental to the minority shareholders of the Company;

AND THAT such authority shall commence immediately upon the passing of this resolution until:

- (i) the conclusion of the next annual general meeting ("AGM") of the Company following the general meeting at which the ordinary resolution for the Proposed Renewal of Shareholders' Mandate was passed, at which time it shall lapse, unless the authority is renewed by a resolution passed at the next AGM; or
- (ii) the expiration of the period within which the next AGM after that date it is required by law to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever is earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts, deeds and things as they may be deemed fit, necessary, expedient and/or appropriate in order to implement the Proposed Renewal of Shareholders' Mandate with full power to assent to all or any conditions, variations, modifications and/or amendments in any manner as may be required by any relevant authorities or otherwise and to deal with all matters relating thereto and to take all such steps and to execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements and/or undertakings, with any party or parties and to carry out any other matters as may be required to implement, finalise and complete, and give full effect to the Proposed Renewal of Shareholders' Mandate in the best interest of the Company."

9. PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY **SPECIAL RESOLUTION**

"THAT the proposed amendments to the Constitution of the Company as set out in "Appendix A", be approved and adopted with immediate effect AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said proposed amendments for and on behalf of the Company."

10. To transact any other business of which due notice shall have been given.

By order of the Board

TEA SOR HUA (MACS 01324) (SSM PC NO.: 201908001272)
Company Secretary

Petaling Jaya, Selangor Darul Ehsan
29 January 2021

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

Notes:

- i. A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.
- ii. A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.
- iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- iv. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- v. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- vi. To be valid, the instrument appointing a proxy must be deposited at the Share Registrar of the Company situated at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.
- vii. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 63 of the Company's Constitution to issue a General Meeting Record of Depositors as at 11 March 2021. Only members whose name appears in the Record of Depositors as at 11 March 2021 shall be entitled to attend the Meeting and to speak and vote thereat.
- viii. All the resolutions set out in this Notice will be put to vote by poll.
- ix. The members are advised to refer to the Administrative Guide for the AGM on the registration process for the Meeting. The Administrative Notes has taken into account the latest measures to-date to deal with the COVID-19 situation announced and/ or implemented in Malaysia which affects the holding or conduct of general meetings. The Company will closely monitor the situation and reserve the right to take further measures or short-notice arrangements as and when appropriate in order to minimise any risk to the Meeting. Kindly check Bursa Securities' and the Company's website at <http://www.kfmb.com.my/> for the latest updates on the status of the Meeting.

EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS

1. Item 1 of the Agenda

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of members for the Audited Financial Statements. Hence, Agenda No. 1 will not put forward for voting.

2. Item 2 of the Agenda

The shareholders had at the Thirty-Fifth AGM ("35th AGM") held on 17 March 2020 approved the Directors' fees and benefits of up to RM316,000 for the period from 1 October 2019 until the Thirty-Sixth AGM of the Company. However, the proposed amount was insufficient due to enlarged Board size during the financial period. This resolution is to facilitate the shortfall payment of Directors' fees and benefit of RM24,000 for the period from 1 October 2019 until 22 March 2021.

3. Item 3 of the Agenda

The estimated Directors' fees and benefits are calculated based on the current Board size and number of scheduled Board and Committee meetings to be held. This resolution is to facilitate payment of Directors' fees and benefits for the period from 23 March 2021 until the next AGM of the Company in year 2022. In the event the proposed amount is insufficient due to more meetings or enlarged Board size, approval will be sought at the next AGM for the shortfall.

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

4. Item 7 of the Agenda

The Company had at its 35th AGM held on 17 March 2020, obtained a general mandate pursuant to Sections 75 and 76 of the Act from its shareholders, to empower the Directors to issue and allot shares in the Company to such persons, at any time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("10% General Mandate"). This 10% General Mandate will expire at the conclusion of this AGM.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 35th AGM held on 17 March 2020 which will lapse at the conclusion of this AGM.

The Ordinary Resolution 8 proposed under item 7 of the Agenda, is to seek a general mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act, to issue and allot ordinary shares at any time to such persons in their absolute discretion without convening a general meeting provided that the aggregate number of the shares issued does not exceed 20% of the total number of issued shares of the Company (excluding treasury shares) at any point of time ("20% General Mandate"). This 20% General Mandate may be utilised by the Company to issue and allot new ordinary shares **until 31 December 2021** and thereafter, the 10% General Mandate will be reinstated. This authority, unless revoked or varied at general meeting, will expire at the next AGM.

In view of the challenging time due to the COVID-19 pandemic, Bursa Securities had on 16 April 2020 introduced this 20% General Mandate as an interim relief measure to allow a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Listing Requirements of Bursa Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities until 31 December 2021 and thereafter, the 10% General Mandate will be reinstated.

The Board of Directors' Statement

The Board of Directors of LOTUS ("Board"), after due consideration, is of the opinion that in the face of unprecedented challenges brought by COVID-19, this 20% General Mandate is the most appropriate avenue of fund raising at this juncture. This 20% General Mandate will enable the Company to raise funds expeditiously without having to incur interest costs as compared to bank borrowings, thereby allowing the Company to preserve its cash flow. The funds raised will be used to finance the day-to-day operational expenses, working capital for the on-going projects or future projects/investments to ensure the long-term sustainability of the Company.

The Board, having considered the current and prospective financial position, needs and capacity of the Company, is of the opinion that the 20% General Mandate is in the best interest of the Company and its shareholders.

5. Item 8 of the Agenda

The Ordinary Resolution 9 proposed under Item 8 of the Agenda, if passed, will renew the authority given to the Company and/or its subsidiaries a mandate to enter into recurrent related party transactions of a revenue and/or trading nature pursuant to the Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities. The mandate, unless revoked or varied by the Company at a general meeting, will expire at the next AGM of the Company.

Please refer to the Circular to Shareholders dated 29 January 2021 for further information.

6. Item 9 of the Agenda

The Special Resolution proposed under item 9 of the Agenda in relation to the proposed amendments to the Constitution of the Company, if approved, will provide more flexibility for the Company and its shareholders on the manner of holding general meetings, power to alter share capital and to provide clarity on the objects of the Company, as well as the provisions of the Third Schedule of the Act.

The proposed amendments to the Constitution of the Company shall take effect once the special resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to vote and do vote in person or by proxy at the Meeting.

APPENDIX A

PROPOSED AMENDMENTS TO THE CONSTITUTION OF LOTUS KFM BERHAD (“THE COMPANY”)

This is the Appendix A referred to in Agenda 9 of the Notice of Thirty-Sixth Annual General Meeting (“36th AGM”) of the Company dated 29 January 2021.

Day, Date and time of the 36th AGM : Monday, 22 March 2021 at 11:00 a.m.
Venue of the 36th AGM : Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya

Clause No.	Existing Clause	Clause No.	Proposed Clause
4.	<p>Subject to the provisions of the Act, this Constitution and any other written law, the Company has: -</p> <p>(a) Full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and</p> <p>(b) For the purposes of Clause 4(a) above, full rights, powers and privileges.</p>	4.	<p>Subject to the provisions of the Act, this Constitution and any other written law, the objects for which the Company is established are: -</p> <p>(a) To carry on the business of an investment holding company and for that purpose to promote or form or assist in promotion of any company or the subsidiary of the Company or otherwise and to acquire and hold for investment shares, stocks, debentures, debenture stocks, bonds, obligations and securities issued or guaranteed by any company or private undertaking; and</p> <p>(b) To carry on or undertake any business activity, to do any act or enter into any transaction or to do all such other things as are incidental or conducive to the attainment of the above objects.</p> <p>Section 21 of the Act shall apply to the Company and the Company shall be capable of exercising all the functions of a body corporate and have the full capacity to carry on or undertake any business or any activity the Directors consider advantageous to the Company and that are not prohibited under any law for the time being enforced in Malaysia.</p>
56.	<p>Subject to the provisions of this Constitution and the Act, the Company may by special resolution:</p> <p>(i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;</p> <p>(ii) subdivide its share capital or any part thereof into shares or smaller amounts by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act;</p> <p>(iii) convert and/or re-classify any class of shares into any other class of shares; or</p>	56.	<p>Subject to the provisions of this Constitution and the Act, the Company may by ordinary resolution:</p> <p>(i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;</p> <p>(ii) subdivide its share capital or any part thereof into shares or smaller amounts by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act;</p> <p>(iii) convert and/or re-classify any class of shares into any other class of shares; or</p>

APPENDIX A (cont'd)

Clause No.	Existing Clause	Clause No.	Proposed Clause
	(iv) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.		(iv) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.
61.	The meeting of its Members may be held at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue of the meeting.	61.	The meeting of its Members may be held by fully virtual or hybrid at more than one venue using any technology or method that allows the Members of the Company to participate and to exercise their rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and subject to Clause 69 , the Chairman shall be present at the main venue of the meeting. For fully virtual general meeting, the broadcast venue shall be the main venue of the meeting and all the provisions of this Constitution as to meetings of Members shall also apply to such fully virtual general meeting.
62.(a)	Every notice convening meetings shall be in writing and shall be given to the Members either in hard copy, or in electronic form, or partly in hard copy and partly in electronic form specify the venue, the date and the time of the meeting and the general nature of the business of the meeting and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business; PROVIDED that a meeting of the Company shall, notwithstanding that it is called by a shorter notice than that specified in this Constitution, be deemed to have been duly called if it is so agreed:- (i) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote thereat, together holding not less than ninety-five per cent (95%) of the issued shares giving that right.	62.(a)	Every notice convening meetings shall be in writing and shall be given to the Members either in hard copy, publication on the Company's website or in electronic form, or partly in hard copy and partly in electronic form specify the venue, the date and the time of the meeting and the general nature of the business of the meeting and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business; PROVIDED that a meeting of the Company shall, notwithstanding that it is called by a shorter notice than that specified in this Constitution, be deemed to have been duly called if it is so agreed:- (i) in the case of an annual general meeting, by all the members entitled to attend and vote thereat; and (ii) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote thereat, together holding not less than ninety-five per cent (95%) of the issued shares giving that right.

APPENDIX A

(cont'd)

Clause No.	Existing Clause	Clause No.	Proposed Clause
	NOTWITHSTANDING the foregoing at least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is an annual general meeting, of every such general meeting shall also be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each Stock Exchange on which the Company is listed.		NOTWITHSTANDING the foregoing at least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is an annual general meeting, of every such general meeting shall also be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper.
-	New provision	106A	The provisions of the Third Schedule of the Act shall not apply to the Company except where the same is repeated or contained in this Constitution.

ADMINISTRATIVE GUIDE

ADMINISTRATIVE GUIDE FOR THE THIRTY-SIXTH ANNUAL GENERAL MEETING OF LOTUS KFM BERHAD (“LOTUS” OR “COMPANY”) (“AGM” OR “MEETING”)

Date	Time	Venue
22 March 2021	11.00 a.m.	Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya

In the interest of the public health including the well-being of our members, members must cooperate with the following precautionary measures put in place by the Company should members or proxies wish to attend the Meeting in person. Your safety and health are the Company’s top priority.

- (a) A member is required to register ahead of the Meeting to allow the Company to make the necessary arrangements in relation to the Meeting, i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants by providing the below details by email to info@lotuskfm.com.my:-
- Full name;
 - Identity Card or Passport Number;
 - Contact number (optional – for better co-ordination); and
 - CDS account number

The date of Record of Depositors for the AGM is 11 March 2021. As such, only members whose name appears in the Record of Depositors of LOTUS as at 11 March 2021 shall be entitled to attend the AGM and participate, speak and vote thereat.

- (b) A health screening counter will be set up for the purpose of health screening and body temperature will be taken for all persons before entering the venue. A member or proxy who has temperature of 37.5°C or higher or exhibits flu-like symptoms will not be permitted to attend the Meeting.
- (c) Members are encouraged to appoint the Chairman of the Meeting (or any other person) to act as proxy to attend and vote at the Meeting on their behalf by submitting the proxy form with predetermined voting instruction.
- (d) Members or proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the Meeting in person. Please note that no face mask will be provided at the Meeting venue.
- (e) Members or proxies are advised to observe/maintain social distancing of at least 1 meter from each other throughout the Meeting.
- (f) Members or proxies are advised to arrive early at the Meeting venue given that the above-mentioned precautionary measures may cause delay in the registration process.
- (g) **NO door gift** will be provided to the members/proxies and **NO refreshment** will be served at the Meeting venue.
- (h) The Company will closely monitor the situation and reserve the right to take further measures or short-notice arrangements as and when appropriate in order to minimise any risk to the Meeting.

(i) **Recording/Photography**

By participating in this AGM, you agree that no part of this AGM proceedings may be recorded, photographed, stored in any retrieval systems, reproduced, transmitted or uploaded in any form, platform or social media or by any means whether it is mechanical, electronical, photocopying, recording or otherwise without the prior written consent of the Company. The Company reserves the rights to take appropriate legal actions against anyone who violates this rule.

In view of the constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our AGM at short notice. Kindly check Bursa Malaysia Securities Berhad’s and Company’s website at <http://http://www.kfmb.com.my/> for the latest updates on the status of the Meeting.

ENQUIRY

If you have any questions regarding the AGM, please contact the following persons during office hours on Monday to Friday from 9.00 a.m. to 5.30 p.m. (except public holidays) prior to the Meeting: -

For Registration matters:	For Proxy Form matters:
Name: Ms. Connie Telephone No.: +603-8959 4883 Email: info@lotuskfm.com.my	Name: Ms. Lily Telephone No.: +603 2084 9000 Email: Lily@sshsb.com.my

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LOTUS KFM BERHAD

198401007083 (119598-P)
(Incorporated in Malaysia)

PROXY FORM

I/We* _____ NRIC/Company.* _____
(full name in capital letters)

of _____
(full address, email and contact number)

being (a) member(s) of LOTUS KFM BERHAD hereby appoint _____

_____ NRIC No. _____
(full name in capital letters)

of _____
(full address, email and contact number)

and/or* _____ NRIC No. _____
(full name in capital letter)

of _____
(full address, email and contact number)

or failing him/her*, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf at the Thirty-Sixth Annual General Meeting of the Company to be held at Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya on Monday, 22 March 2021 at 11:00 a.m. or at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her* discretion.

No.	Ordinary Resolution	For	Against
1.	To approve the payment of additional Directors' fees and benefits of RM24,000 for the period from 1 October 2019 to 22 March 2021.		
2.	To approve the payment of Directors' fees and benefits of up to RM330,000 for the period from 23 March 2021 until the next Annual General Meeting of the Company.		
3.	To re-elect Encik Mohd Rasli Bin Muda as Director.		
4.	To re-elect Ms. Low Koon Min as Director.		
5.	To re-elect as Mr. Chia Weng Lock as Director.		
6.	To re-elect as Mr. Yap Ee Seong as Director.		
7.	To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company.		
8.	To approve the authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
9.	To approve the Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue and/or Trading Nature.		

No.	Special Resolution	For	Against
1.	To approve the Proposed Amendments to the Constitution of the Company.		

* delete whichever not applicable

Dated this _____ day of _____ 2021.

CDS Account No.	
No. of Shares Held	

For appointment of more than one (1) proxy, percentage of shareholdings to be represented by each proxy:		
	No. of Shares	%
Proxy []		
Proxy []		
TOTAL		100

Signature/ Common Seal of Member(s)

NOTES:

- i. A member who is entitled to attend and vote at the Meeting shall be entitled to appoint more than one (1) proxy to attend and vote at the Meeting. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his shareholdings to be represented by each proxy.
- ii. A proxy may, but need not, be a member of the Company. A member may appoint any person to be his proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak and vote at the Meeting.
- iii. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the seal or under the hand of an officer or attorney duly authorised.
- iv. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- v. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
- vi. To be valid, the instrument appointing a proxy must be deposited at the Share Registrar of the Company situated at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time for holding the Meeting or adjourned meeting.
- vii. For the purpose of determining a member who shall be entitled to attend the Meeting, the Company will be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 63 of the Company's Constitution to issue a General Meeting Record of Depositors as at 11 March 2021. Only members whose name appears in the Record of Depositors as at 11 March 2021 shall be entitled to attend the Meeting and to speak and vote thereat.

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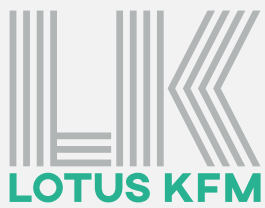
AFFIX
STAMP

The Share Registrar
LOTUS KFM BERHAD
198401007083 (119598-P)
c/o Securities Services (Holdings) Sdn. Bhd.
Level 7, Menara Milenium,
Jalan Damanlela,
Pusat Bandar Damansara,
Damansara Heights,
50490 Kuala Lumpur, Malaysia

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- viii. All the resolutions set out in this Notice will be put to vote by poll.
- ix. The members are advised to refer to the Administrative Guide for the AGM on the registration process for the Meeting. The Administrative Notes has taken into account the latest measures to-date to deal with the COVID-19 situation announced and/ or implemented in Malaysia which affects the holding or conduct of general meetings. The Company will closely monitor the situation and reserve the right to take further measures or short-notice arrangements as and when appropriate in order to minimise any risk to the Meeting. Kindly check Bursa Securities' and the Company's website at <http://www.kfmb.com.my/> for the latest updates on the status of the Meeting

www.kfmb.com.my



LOTUS KFM BERHAD

Registration No. 198401007083 (119598-P)

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