

**LOTUS KFM BERHAD**

Registration No. 198401007083 (119598-P)

# ANNUAL REPORT 2021



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

*Independent Non-Executive Chairman*

**Mohd Rasli bin Muda**

*Executive Director cum Chief Executive Officer*

**Lee Wai Fun**

*Independent Non-Executive Director*

**Low Koon Min**

*Independent Non-Executive Director*

**Yap Ee Seong**

*Non-Independent Non-Executive Director / Vice Chairman*

**Datuk Wong Sak Kuan**

*Non-Independent Non-Executive Director*

**Yau Ming Teck**

*Executive Vice President*

**Chia Weng Lock**

### AUDIT COMMITTEE

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

### NOMINATION COMMITTEE

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

### REMUNERATION COMMITTEE

Mohd Rasli bin Muda (**Chairman**)  
Datuk 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 21/60  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan  
Tel : +603-7725 1777  
Fax : +603-7722 3668

### CORPORATE OFFICE

Unit T2-L3-1 & 3,  
Level 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  
OCBC Bank (Malaysia) Berhad  
RHB Bank Berhad  
United Overseas Bank (Malaysia)  
Berhad

### SHARE REGISTRAR

Securities Services (Holdings)  
Sdn Bhd  
Level 7, Manara 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

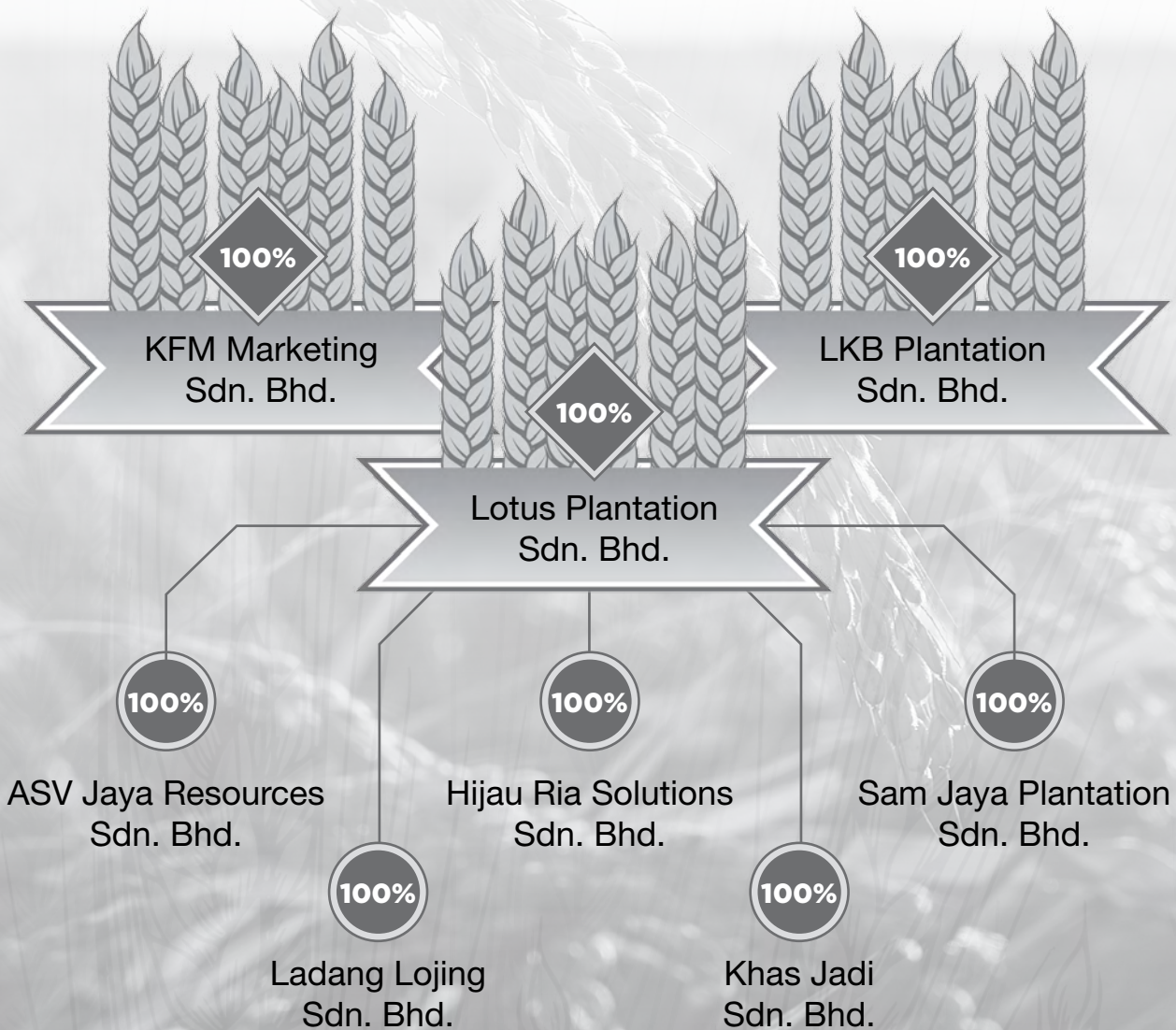
Main Market of the Bursa Malaysia  
Securities Berhad  
Stock Name : LOTUS  
Stock Code : 8303

# CORPORATE STRUCTURE



## LOTUS KFM BERHAD

(Registration No. 198401007083 (119598-P))





# 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 milling 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 (“Bursa Securities”) on 11 January 2019.

Following a successful regularisation plan on 28 November 2019 which was approved by Bursa Securities in 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 the re-activation of its business operations. This can be seen from its uptrend in sales performance since the financial year ended (“FYE”) 2018 (FYE 2018: RM39.007 million, FYE 2019: RM57.893 million, FYE 2020: RM 55.098 million and FYE 2021: RM51.762 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.

On 7 July 2020, 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 Securities.

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 2021 and it should be read in conjunction with the Audited Financial Statement of the Group for FYE 2021 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 Securities.

## Management Discussion and Analysis (cont'd)

### 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:-

	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000	2016 RM'000
Revenue	51,762	55,098	57,893	39,007	7,521	3,924
Operating profit/(loss)	2,475	9,741	(3,962)	(2,905)	(12,259)	(11,795)
Profit/(Loss) before tax	2,831	10,060	(3,962)	(2,905)	(12,260)	(12,093)
Profit/(Loss) after tax and minority Interests	2,661	9,927	(3,962)	(2,903)	(12,260)	(12,093)
Shareholders' funds	73,062	55,765	(29,931)	(25,972)	(23,068)	(10,807)
Net tangible assets	73,062	55,765	(29,931)	(25,972)	(23,068)	(10,807)
Tangible assets	86,922	80,156	36,338	15,608	15,244	8,233
Basic earnings/(loss) per share (sen)	0.34	1.64	(5.81)	(4.25)	(17.97)	(17.72)
Net Assets per Share (sen)	7.17	7.76	(43.87)	(38.06)	(33.81)	(15.84)

We recorded revenue of RM51.762 million (FYE 2020: RM55.098 million). This represented a decrease of 6.05%. This was mainly due to Coronavirus disease 2019 (COVID-19).

LKFM now records a gross profit of RM4.285 million (FYE 2020: RM5.479 million). As compared with the prior year, LKFM has decreased its gross profit by 21.79%. The gross profit margin for the current year is 8.28% (FYE 2020: 9.94%). The main reason for the declining margin is due to the fluctuation of wheat prices. The COVID-19 pandemic had caused the global supply of wheat to decrease which resulted in an increase in the market price of wheat.

Furthermore, the sea-freight rate also had increased due to the imbalance in container box demand issue in the shipping industry. As a result, the cost of importing wheat had increased which led to a lower gross profit margin.

The Group's inventories level for the current FYE 2021 had decreased by 47.97% to RM4.497 million (FYE 2020: RM8.642 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 had decreased by 8.79% to RM5.940 million (FYE 2020: RM6.512 million) which is in line with current financial year sales. In short, the sales team is actively approaching customers for collection.

Other receivables have increased significantly by 189.83% to RM15.302 million (FYE 2020: RM5.280 million). The increase is mainly due to the advances paid to suppliers to purchase wheat and starch products and deposits paid in acquiring companies. The acquisition is part of the Group's plan to venture into the forest plantation industry to meet the increasing demand for wood-based upstream products in the local and international market.

The Group's cash and cash equivalents have increased significantly when compared to the prior financial year. LKFM retained around RM39.467 million cash and cash equivalents (FYE 2020: RM36.276 million) which has increased 8.80%.

## Management Discussion and Analysis (cont'd)

### REVIEW OF GROUP'S FINANCIAL RESULTS AND FINANCIAL CONDITIONS (CONT'D)

The Group has low gearing as at end of the current financial year which the debt-to-equity ratio is 0.12 (FYE 2020: 0.17).

On the payables side, it has decreased significantly to RM3.393 million with a decrease of 71.41% (FYE 2020: RM11.869 million). The reason for such a substantial decrease was because the debts that have been settled by the Group and the Company.

For the FYE 2021, the Group had recorded with deficit net operating cashflow of RM4.825 million (FYE 2020: deficit net operating cashflow RM19.081 million).

### ANTICIPATED BUSINESS RISKS

The business risks faced by the Group include market competitions, volatility of imported raw material prices, movements of currency exchange rates, the 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 a new market strategy to capture a 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.

#### b) Volatility of raw material prices

The volatility of prices on imported raw materials such as wheat and tapioca remain the key challenge. 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, the supply and demand of wheat and tapioca, as well as stock levels.

As the cost of these raw materials constitutes 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.

The stability of imported raw material prices remains 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.

## Management Discussion and Analysis (cont'd)

### ANTICIPATED BUSINESS RISKS (CONT'D)

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

### 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 services, with great prices as our inherent objective. Regardless of the economic weather, the benchmark for the 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.



## BOARD OF DIRECTORS' PROFILE

### Mohd Rasli bin Muda ("En. Rasli")

*Independent Non-Executive Chairman*

Nationality	Malaysian
Gender	Male
Aged	60

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 Economics (Applied Economics) from the University of Malaya.

En. Rasli started his career in 1984 with the 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 the West Coast of the 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 attended all four (4) Board meetings held during the financial year ended 30 September 2021 ("FYE 2021").

### Datuk Wong Sak Kuan ("Datuk Wong")

*Non-Independent Non-Executive Director / Vice Chairman*

Nationality	Malaysian
Gender	Male
Aged	53

Datuk 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 a member of Audit Committee and Remuneration Committee of the Company.

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

Upon graduating, Datuk 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").

Datuk 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. Datuk Wong currently sits on the Board of MESB Berhad, as well as several private limited companies.

He attended all four (4) Board meetings held during the FYE 2021.

## Board of Directors' Profile (cont'd)

### Lee Wai Fun ("Ms. Lee")

*Executive Director cum Chief Executive Officer*

Nationality	Malaysian
Gender	Female
Aged	51

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 the Chartered Institute of Management Accountants ("CIMA") and the 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 establish 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 attended all four (4) Board meetings held during the FYE 2021.

### Low Koon Min ("Ms. Low")

*Independent Non-Executive Director*

Nationality	Malaysian
Gender	Female
Aged	50

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 CIMA and MIA.

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 the Nasdaq Stock Exchange of the 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's socio-economy and capability of women in leadership and entrepreneurship.

Ms. Low attended all four (4) Board meetings held during the FYE 2021.

## Board of Directors' Profile (cont'd)

### Yau Ming Teck ("Mr. Yau")

*Non-Independent Non-Executive Director*

Nationality	Malaysian
Gender	Male
Aged	50

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 Economics Degree in 1993. He is a qualified Certified Practising Accountant ("CPA") of the CPA Australia and a Chartered Accountant of MIA.

He started his career in 1994 with Coopers & Lybrand, Insolvency & Corporate Division and handles a wide portfolio of clients with diverse backgrounds 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 the year 2004. He has expertise in corporate and financial advisory in the areas of corporate finance, mergers & acquisitions and restructuring exercises with the focus of the business in the 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 a director in several private limited companies.

He attended all four (4) Board meetings held during the FYE 2021.

### Chia Weng Lock ("Mr. Chia")

*Executive Vice President*

Nationality	Malaysian
Gender	Male
Aged	58

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 the Information Technology field in May 1985 and has served more than 33 years with The Dow Chemical Company, a Fortune-500 company, headquartered in the US and served for various business

and functional roles. He has played an important role in carrying 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 attended all four (4) Board meetings held during the FYE 2021.

## Board of Directors' Profile (cont'd)

### Yap Ee Seong ("Mr. Yap")

*Independent Non-Executive Director*

Nationality	Malaysian
Gender	Male
Aged	54

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 MIA.

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 attended all four (4) Board meetings held during the FYE 2021.

#### Notes:-

1. None of the Directors have a 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 2021, 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

*Financial Controller*



Nationality	Malaysian
Gender	Male
Aged	50

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 the 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 Lotus KFM Berhad ("LKFM") as Financial Controller and is primarily responsible for the accounting and financial functions of the Group. In November 2020, he was promoted to Acting Deputy General Manager cum Finance Controller which will take care of both the operation and finance department.

### Wong Yu Perng

*Operation Manager*



Nationality	Malaysian
Gender	Male
Aged	28

He obtained his Degree in International Business Management from Asia Pacific University of Technology & Innovation in 2016. After that, he pursued his Master in International Business Management at the 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 to the Head of Purchasing Department. In 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 operation of the Flour Mills.

### Ng Yoke Yeun

*Accounts Manager*



Nationality	Malaysian
Gender	Female
Aged	35

She obtained her Advanced Diploma in Financial Accounting in 2008 from Tunku Abdul Rahman College. She is a member of the ACCA and the Malaysian Institute of Accountants since 2015. She started her career with a small accounting firm since year 2008 followed by an international medium accounting firm, Ecovis AHL PLT, where she was involved in statutory audit of companies in various industries. In September 2016, she joined Lotus Essential Sdn Bhd and transferred to LKFM as Accountant in December 2019. She is primarily responsible for the accounting functions of the Group. In December 2021, she was promoted to Accounts Manager.

## Key Senior Management's Profile (cont'd)

*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 Datuk Wong Sak Kuan, a Director and major shareholder of the Company.*
3. *None of the key senior management personnel have any conflict of interest 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 2021, other than traffic offence.*

# 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 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 practices transparency in corporate governance.

This Statement, which is prepared in compliance with the Listing Requirement of Bursa Securities, expresses 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 on balancing economic viability with preservation of the environment and social responsibility.

With a view of embedding sustainability elements in its work culture, the Board has been formulating strategies to foster 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 that determines the sustainability strategy provides oversight of our corporate sustainability policies and performance. Senior Management oversees the implementation of the Company’s sustainability approach and ensures that key targets are being met.

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

For the Economic aspect, the Company targets to strengthen the financial and deliver sustainable returns to its shareholders.

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

For the Social aspect, the Company 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.

## Sustainability Statement (cont'd)

### 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 Company. 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 & developments programme for the staff, policies & procedures, annual performance evaluation, inter-departmental meetings, social activities, dialogue and engagement.
Shareholders	Regular updates on the 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, customers service, customer satisfaction surveys and complaints resolution.
Vendors	Vendor audit, meetings, evaluation to comply to our ISO standards and vendor relationship management.

The Company 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' opinions, and emerging global and local trends.

The Company 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.

### THE ENVIRONMENT

As the trend on depletion of earth's natural resources increased and global climate change issues highlighted frequently, environmental sustainability becomes paramount important. We recognise the potential environmental impacts of our business and are committed to operate in a 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 minimise any negative impact on 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 the production process is recycled and re-milled to ensure a 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.



## Sustainability Statement (cont'd)

### THE ENVIRONMENT (CONT'D)

#### 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 backgrounds, 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 of 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 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)

The following initiatives have been adopted by the Group (cont'd):-

#### 3) Training and Development

The Group recognises the importance of human capital development to meet challenges, it continues to build and upgrade its human resources to ensure that it can realise its 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 a quality mindset to achieve a 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 components 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 fair equal employment practices.

Succession planning is 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.

## Sustainability Statement (cont'd)

### THE COMMUNITY (CONT'D)

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

We believe the value of volunteerism to our community will provide caring character and emphatic among employees and the 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 sustainable development in the 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 the various channel of communication such as general meetings of shareholders, accessibility in the public domain and regular updates on our website.

#### 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 placed great emphasis in engaging with local suppliers and purchasing 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.

## Sustainability Statement (cont'd)

### THE MARKET PLACE (CONT'D)

#### 3) Customers

The Group has continuously sought room for improvement in order to create value for its customers via competitive pricing without compromising on the 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 consistently and good quality products and services, efficient warehousing for the 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 the ordering process to delivery, product quality and services; and
- Regardless of the economic condition, the benchmark for the 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.

The Group has adopted the Anti-Bribery and Anti-Corruption Policy which will further safeguard its business operations. The Group has provided Anti-Bribery and Anti-Corruption in-house workshop for its staff 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 for both manufacture of wheat flour and premixed flour and repacking of starch, re-assuring our manufacturing best practices, meets the food and food ingredient industries' statutory and regulatory requirements.



## Sustainability Statement (cont'd)

### PERFORMANCE

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 safeguard employees’ and visitors’ health.

The Standard Operating Procedures (“SOPs”) are as below:

- Register names and mobile numbers through MySejahtera before entering premises
- Making sure all people wear a mask all the time before entering
- Body temperature screening
- Hand sanitizers and face mask 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 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 benefit of future generations and remain steadfast in achieving excellence in its corporate responsibility.

# 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 (“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 ensuring 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 2021 (“FYE 2021”) which is available on the Company’s website at [www.kfmb.com.my](http://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 2021.

## 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 enhances shareholders’ value. To fulfill this role, the Board is responsible for the following:-

- To review and adopt the overall strategic direction, business plans, annual budgets of the Group, including major capital commitments on a quarterly basis;
- To oversee and evaluate the conduct, governance and sustainability of the businesses of the Group;
- To deliberate on proposals presented and recommended by the Management;
- To review and approve the annual and quarterly results, new ventures, major acquisition and disposal of undertakings and properties;
- To establish key performance indicators and ensure that there are plans in place for the orderly succession of the board and senior management;
- To oversee the development and implementation of a shareholder communication policy for the Group;
- To identify principal risks and ensure the implementation of appropriate systems to manage and monitor significant financial and non-financial risks;
- Responsible for material matters of the Group and reserved for the Board’s decisions; and
- To review the adequacy and integrity of the Group’s internal control systems, risk management and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

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 for viewing on the Company’s website at [www.kfmb.com.my](http://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.

## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### I) Roles and Responsibility of the Board (cont'd)

##### 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.

The Board Charter was last reviewed, updated and approved by the Board on 20 August 2021 which incorporated the relevant practices recommended under the Code 2021 and published on the Company's website at [www.kfmb.com.my](http://www.kfmb.com.my).

#### 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 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.	Datuk 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 Director's Profile of this Annual Report.

## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II) Board Composition (cont'd)

The Board acknowledges the importance of Board and Senior Management Team 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 the Board level. The policy emphasises the need for diversity amongst the Board members, amongst others, including race, ethnicity, age, gender, skills, competencies, experiences and expertise. The Gender Diversity Policy was last reviewed, updated and approved by the Board on 20 August 2021 to improve gender diversity not only at the Board level but also to include the senior management level.

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

The Board recognises and embraces the benefits of having a diverse Board, and understands that increasing diversity at the 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 appointments are made on merit, taking into account the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

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.

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.



## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II) Board Composition (cont'd)

##### 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 2021 are as follows:-

Type of Meetings Name of Directors	Board of Directors	AC	NC	RC
	No. of Meetings Attended			
Mohd Rasli bin Muda	4/4	4/4	1/1	1/1
Datuk Wong Sak Kuan	4/4	4/4	-	1/1
Lee Wai Fun	4/4	-	-	-
Yau Ming Teck	4/4	-	1/1	-
Low Koon Min	4/4	4/4	1/1	1/1
Chia Weng Lock	4/4	-	-	-
Yap Ee Seong	4/4	-	-	-

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
Datuk 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 different perspectives 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 the 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 a 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 2021 are as follows:-

- i) Evaluated 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.

## 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)

The activities undertaken by the NC for the FYE 2021 are as follows (cont'd):-

- ii) Evaluated 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) Evaluated the independence of the Independent Directors.
- iv) Evaluated the effectiveness of the Board and the Board Committees as a whole for assessing the contribution to the effectiveness of the decision-making process of the Board.
- v) Evaluated the performance of the AC.
- vi) Considered and recommended to the Board for consideration, the re-election of Directors who were due for retirement at the AGM.

In addition, the RC and Board also reviewed the remuneration packages (including fees and benefits) of the Directors and Key Senior Management for the FYE 2021 before recommending the same to the shareholders for approval at the AGM of the Company.

The Terms of Reference of the NC and RC were reviewed, updated and approved by the Board on 20 August 2021 and they are available on the Company website at [www.kfmb.com.my](http://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 2021 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 Chairman;
- iii) Performance of the Non-Executive Directors;
- iv) Independence of the Independent Directors;
- v) Performance of the AC; and
- vi) Effectiveness of the Board and Board Committees as a whole.

The assessment criteria based on the Key Performance Indicators cover 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.

## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II) Board Composition (cont'd)

##### 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 to 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 28 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 and monitored processes of 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 organised by the Companies Commission of Malaysia, Bursa Securities, Securities Commission Malaysia and/or other relevant professional bodies 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 service and support rendered by the Company Secretary and her team 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 in 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 2021, the Directors have attended the following training programmes in compliance with Paragraph 15.08 of the MMLR of Bursa Securities:-

Name of Directors	Title of Training/Seminars attended
Mohd Rasli bin Muda	<ul style="list-style-type: none"> <li>Updated Malaysian Code on Corporate Governance 2021</li> </ul>
Datuk Wong Sak Kuan	<ul style="list-style-type: none"> <li>Updated Malaysian Code on Corporate Governance 2021</li> <li>Directors Duties, Regulatory Updates and Governance for Directors – PLCs</li> </ul>
Lee Wai Fun	<ul style="list-style-type: none"> <li>Malaysian Budget 2021</li> <li>Updated Malaysian Code on Corporate Governance 2021</li> <li>Directors Duties, Regulatory Updates and Governance for Directors – PLCs</li> <li>Understanding Board Decision – Making Process</li> </ul>

## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II) Board Composition (cont'd)

##### Board Training (cont'd)

During the FYE 2021, the Directors have attended the following training programmes in compliance with Paragraph 15.08 of the MMLR of Bursa Securities (cont'd):-

Name of Directors	Title of Training/Seminars attended
Chia Weng Lock	<ul style="list-style-type: none"> <li>Updated Malaysian Code on Corporate Governance 2021</li> </ul>
Low Koon Min	<ul style="list-style-type: none"> <li>Updated Malaysian Code on Corporate Governance 2021</li> <li>Capital Market Conference 2021</li> </ul>
Yau Ming Teck	<ul style="list-style-type: none"> <li>Updated Malaysian Code on Corporate Governance 2021</li> </ul>
Yap Ee Seong	<ul style="list-style-type: none"> <li>Updated Malaysian Code on Corporate Governance 2021</li> <li>Tax Audit &amp; Investigation - What next after MCO3.0</li> <li>M&amp;A in the New Norm - Legal and Tax Due Diligence</li> <li>Corporate Fraud - Looking Beyond the Boardroom</li> <li>Capital Market Conference 2021</li> <li>Compensation For Termination Of Contract &amp; The Consequential Tax Treatment</li> <li>Tax Treatment of Financing Expenses: Interest, Guarantee Fee &amp; Other Related Expenses</li> <li>Time Bar In Civil and Tax Matters</li> <li>Third Party Risk Management Webinar - A digital path to third-party oversight</li> <li>Property Development: Current Legal &amp; Tax Issues</li> <li>Tax Highlights of Malaysia's Budget 2022</li> <li>Tricor Taxand Budget Webinar 2022</li> <li>Tricor Annual Conference - Driving Sustainability Through Digital Governance</li> <li>2021 Asia Pacific Indirect Tax Summit</li> </ul>

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.

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 discharge their duties and responsibilities.

## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II) Board Composition (cont'd)

##### Board Training (cont'd)

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 legislation 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.

Ms. Lee Wai Fun and Mr. Yau Ming Teck who retire by rotation pursuant to Clause 85 of the Company's Constitution of those being eligible for re-election have offered themselves for re-election at the forthcoming AGM.

#### 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 2021 is as follows:-

##### The Company

Name of Directors	Salaries RM	Fees RM	Meeting and Other Allowance RM	Total RM
<b>Non-Executive Directors</b>				
Datuk Wong Sak Kuan	–	36,000	–	36,000
Low Koon Min	–	36,000	–	36,000
Mohd Rasli bin Muda	–	120,000	–	120,000
Yau Ming Teck	–	36,000	–	36,000
Yap Ee Seong	–	36,000	–	36,000
<b>Total</b>	<b>–</b>	<b>264,000</b>	<b>–</b>	<b>264,000</b>

## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### III) Remuneration (cont'd)

##### The Group

Name of Directors	Salaries RM	Fees RM	Meeting and Other Allowance RM	Total RM
<b>Non-Executive Directors</b>				
Datuk Wong Sak Kuan	–	36,000	–	36,000
Low Koon Min	–	36,000	–	36,000
Mohd Rasli bin Muda	–	120,000	–	120,000
Yau Ming Teck	–	36,000	–	36,000
Yap Ee Seong	–	36,000	–	36,000
<b>Total</b>	–	<b>264,000</b>	–	<b>264,000</b>

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, taking 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.

#### Remuneration of Senior Management

The remuneration of the Senior Management of the Company FYE 2021 as follows:-

Range of Remuneration	No. of Senior Management Officer
Less than RM50,000	1
RM50,001 to RM100,000	3
RM100,001 to RM150,000	1



## Corporate Governance Overview Statement (cont'd)

### PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### III) Remuneration (cont'd)

##### Remuneration of Senior Management (cont'd)

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 a named basis in the bands of RM50,000.

The Board is of the view 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. The Board is of the opinion that the disclosure of Senior Management's aggregated remuneration on an unnamed basis in the bands of RM50,000 is adequate.

##### Legal and Make-Up of Remuneration

The RC is responsible for the evaluation and recommending to the Board the level and make-up of the remuneration of the Executive Director(s) ensuring that they are 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.

### 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:-

<b>Audit Committee Members</b>
Low Koon Min (Chairperson)
Mohd Rasli bin Muda
Datuk Wong Sak Kuan

The membership of the AC, summary of the works, the function of the 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.

## Corporate Governance Overview Statement (cont'd)

### **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

#### **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 an announcement to the public within a stipulated time frame.

In reviewing all the published annual and quarterly financial statements during the FYE 2021, the Directors took due care and reasonable steps to ensure compliance with accounting standards in all material aspects. For this purpose, the Directors 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.

#### **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 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 reviews on the adequacy and effectiveness of the controls on the flour milling business unit and sales orders delivery and billing process of the Company.

## Corporate Governance Overview Statement (cont'd)

### **PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)**

#### **Risk Management and Internal Control (cont'd)**

To ensure that the responsibilities of Internal Auditors are fully discharged, the AC evaluates the performance of the Internal Auditors for the FYE 2021 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 quality services to the Group.

### **PRINCIPLE 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 Senior 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-Sixth 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 a proxy to attend and vote on their behalf. The notice for the forthcoming Thirty-Seventh AGM will send to the shareholders at least twenty-eight (28) days before the date of the AGM as well.

An extraordinary general meeting ("EGM") will be held when shareholders' approvals are required on specific matters.

During the proceedings of the Thirty-Sixth AGM convened on 22 March 2021, 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 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.

## Corporate Governance Overview Statement (cont'd)

### **PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)**

#### **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](http://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 2021.

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
Datuk 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 the Malaysian Institute of Accountants.

The Terms of Reference of the AC were last reviewed, updated and approved by the Board on 20 August 2021 which incorporated the relevant practices recommended under the Malaysian Code on Corporate Governance 2021 and published on the corporate website of the Company at [www.kfmb.com.my](http://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 team 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 four (4) meetings. Details of attendance of the Committee members are as set out below:-

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

## Audit Committee Report (cont'd)

### SUMMARY OF WORKS FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

The summary of works undertaken by the Committee for the financial year ended 30 September 2021, 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 a 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 2021;
- g) Considered and recommend the re-appointment of Grant Thornton Malaysia PLT as the External Auditors and their audit fee to the Board for consideration based on the competency, efficiency and transparency as demonstrated by the Auditors during their audit;
- h) 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
- i) 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 IA functions of the Group, as an integral and essential part of the 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 highlights significant findings in respect of any non-compliance. On the other hand, the AC will have to monitor and review the effectiveness of the IA 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 IA function is disclosed at the Statement of Risk Management and Internal Control.

For the financial year ended 30 September 2021, 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 2021.

## BOARD’S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform for 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 with the Statement on Risk Management and Internal Control: Guidance for Directors of Listed Issuers. The Audit Committee (“AC”) 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 aspects during the financial year.

However, due to inherent limitations in any internal control system, such a 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, organisational, operational, compliance controls as well as risk management procedures are contained within this system of risk management and internal control.

## Statement on Risk Management and Internal Control (cont'd)

### 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 AC. In turn, the AC 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.

### 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:

- Organisation and definition of the management structure of Group including areas of responsibilities and segregation of authorities and limits;
- The Board and AC 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 result in material losses;
- The 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 meets and communicates 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.



## Statement on Risk Management and Internal Control (cont'd)

### INTERNAL AUDIT FUNCTION

The Group's internal audit function was outsourced to external professional services firm, to assist the AC 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 AC.

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

- Flour milling business unit: Production planning
- Flour milling business unit: Production monitoring-materials usage and output control
- Flour milling business unit: Reject control and scrap management
- Sales orders delivery and billing process: Sales order processing and customer credit evaluation
- Sales orders delivery and billing process: Quotation and pricing process
- Sales orders delivery and billing process: Billing calculation, preparation and authorisation
- Sales orders delivery and billing process: Stock picking and delivery process

The result of their reviews is reported directly to the AC 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 2021 for internal audit function of the Group was RM33,533 (2020: RM27,000).

### 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 2021. Based on their review, the external auditors have reported to the Board that nothing has come to the 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 has 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 2021 and up to the date of approval of this statement. The Board maintains an on-going commitment to continuing taking appropriate measures to enhance and strengthen the risk management and internal control system of the Group.

## ADDITIONAL COMPLIANCE INFORMATION

### 1) AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable to firms or corporations affiliated to the External Auditors by the Company and the Group for the financial year ended 30 September 2021 ("FYE 2021") are as follows: -

Details of fees	Company RM'000	Group RM'000
Audit fees	62.5	70.5
Non-audit fees	9.5	9.5

Note:

The Company engaged the external auditors for the non-audit works for a limited review of the interim consolidated financial statements, review of the statement of risk management, 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 2021 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 includes, 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 raised total gross proceeds of RM34.114 million, after netting off the total subscription money payable by the placement investor pursuant to the regularisation plan.

As at 30 September 2021, 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 RM'000
Wheat flour business	21,414	21,414	-	24 Months
Tapioca starch business	10,000	10,000	-	24 Months
Estimated expenses in relation on Regularisation Plan	2,700	2,700	-	3 Months
	34,114	34,114	-	

## Additional Compliance Information (cont'd)

### 4) RECURRENT RELATED PARTY TRANSACTIONS (“RRPTS”)

The details of the Shareholders’ Mandate for the RRPTs are set out in the Circular to Shareholders dated 27 January 2022 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 2021 are disclosed in Note 26 to the audited financial statements for the FYE 2021.

## 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") is 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 as at 30 September 2021 and of the results and cash flows of the Group and of the Company for the financial year then ended.

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 2021.

# FINANCIAL STATEMENTS

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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 2021.

### 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 5 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	2,661,144	2,709,100
Attributable to:-		
Owners of the Company	2,661,144	2,709,100

### DIVIDENDS

There were no dividend proposed, declared or paid by the Company since the end of the previous financial year.

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

### ISSUE OF SHARES, DEBENTURES AND WARRANTS

During the financial year, the Company fully redeemed the entire 300,000,000 redeemable convertible preference shares ("RCPS") at a conversion price of RM0.05 per RCPS for a total redemption sum of RM15,000,000, together with the issuance of 300,000,000 ordinary shares in cash for RM0.05 per ordinary share in the share capital of the Company.

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

There was no issuance of new warrants and debentures during the financial year.

The salient features of the warrants are disclosed in Note 13 to the financial statements.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in Note 13 to the financial statements.

## Directors' Report (cont'd)

### DIRECTORS

The name of the Directors of the Company in office during the financial year and during the period commencing from the end of the financial year to the date of this report are:-

Chia Weng Lock  
Datuk Wong Sak Kuan\*  
Lee Wai Fun\*  
Low Koon Min  
Mohd Rasli Bin Muda  
Yap Ee Seong  
Yau Ming Teck

\* *Directors of the Company and its 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 remuneration received or due and receivable by Directors as shown in the Note 25 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 in Malaysia, the interests and deemed interest in the ordinary shares 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 30.9.2021
	At 1.10.2020	Bought	Sold	
<b>The Company</b>				
<b>Direct interest:-</b>				
Mohd Rasli Bin Muda	470,000	–	–	470,000
Lee Wai Fun	32,280,000	1,632,000	–	33,912,000
Datuk Wong Sak Kuan	200,740,000	–	–	200,740,000
Yau Ming Teck	58,500,000	–	–	58,500,000
Chia Weng Lock	8,000,000	330,000	–	8,330,000
<b>Indirect interest:-</b>				
Datuk Wong Sak Kuan#	–	300,000,000	–	300,000,000
Chia Weng Lock*	57,636,000	500,000	–	58,136,000

## Directors' Report (cont'd)

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 in Malaysia, the interests and deemed interest in the ordinary shares of the Company and of its related corporations of those who were Directors at the end of the financial year are as follows (cont'd):-

#### Directors of the Company (cont'd)

	At 1.10.2020	Number of redeemable convertible preference shares		At 30.9.2021
		Bought	Redeemed	
<b>The Company</b>				
<b>Indirect interest:-</b>				
Datuk Wong Sak Kuan#	300,000,000	-	(300,000,000)	-
		Number of warrants		
	At 1.10.2020	Bought	Sold	At 30.9.2021
<b>The Company</b>				
<b>Direct interest:-</b>				
Lee Wai Fun	16,140,000	680,000	-	16,820,000
Datuk Wong Sak Kuan	86,725,000	-	-	86,725,000
Yau Ming Teck	21,750,000	-	-	21,750,000
Chia Weng Lock	4,000,000	-	-	4,000,000
<b>Indirect interest:-</b>				
Chia Weng Lock*	24,015,000	-	-	24,015,000

# Deemed interest by virtue of shareholdings in Lotus Essential Sdn. Bhd..

\* Deemed interest by virtue of shareholdings in CWL Ventures Sdn. Bhd..

By virtue of the direct and deemed interest of Datuk Wong Sak Kuan in the Company, he is also deemed to have interest in shares of all the subsidiaries to the extent that the Company has an interest under Section 8 of the Company 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 there were no bad debts to be 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 it necessary to write off any 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.





## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 56 to 119 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 2021 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.

.....  
**DATUK WONG SAK KUAN**

.....  
**LEE WAI FUN**

Kuala Lumpur  
31 December 2021

## 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 56 to 119 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 2021 )

.....  
**LEE WAI FUN**  
(MIA NO.: CA 13328)

Before me:

MUHAMMAD FAIZ DHARMENDRA BIN ABDULLAH  
(W737)  
Commissioner for 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 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 56 to 119.

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 2021, 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. 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 7 to the financial statements. The Group and the Company hold significant amounts of inventories amounting to RM4,496,654 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.

# 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)

##### *Inventories valuation (cont'd)*

###### 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.

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

###### The risk

Refer to Note 8 to the financial statements. We focused on this area because the Group and the Company have material amount of trade receivables that amounted to RM5,939,832. 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 ECLs 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 19 to the financial statements. We focus on this area given the magnitude of revenue transaction that occurred. Under Malaysian Financial Reporting Standards 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.

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)

### Information other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises 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.

Our opinion on the financial statements of the Group and of the Company does 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 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.

### 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 International Standards on Auditing 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.



# 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)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, 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 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.

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.



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)**

**Other Matters**

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.

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

Kuala Lumpur  
31 December 2021

**LIM CHOOI LING**  
(NO: 03537/11/2022(J))  
CHARTERED ACCOUNTANT

# STATEMENTS OF FINANCIAL POSITION

## AS AT 30 SEPTEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	21,715,699	23,446,084	21,715,699	23,446,084
Investment in subsidiaries	5	–	–	1,000,005	7
Other investments	6	2	2	2	2
Total non-current assets		21,715,701	23,446,086	22,715,706	23,446,093
<b>Current assets</b>					
Inventories	7	4,496,654	8,641,600	4,496,654	8,641,600
Trade receivables	8	5,939,832	6,512,319	5,939,832	6,512,319
Other receivables	9	15,302,059	5,279,617	7,485,538	5,279,196
Amount due from subsidiaries	5	–	–	6,928,412	11,472
Cash and cash equivalents	10	39,467,333	36,276,361	39,401,792	36,276,352
Total current assets		65,205,878	56,709,897	64,252,228	56,720,939
<b>TOTAL ASSETS</b>		<b>86,921,579</b>	<b>80,155,983</b>	<b>86,967,934</b>	<b>80,167,032</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company:-</b>					
Share capital	11	88,700,686	59,064,731	88,700,686	59,064,731
Redeemable convertible preference shares	12	–	15,000,000	–	15,000,000
Warrant reserves	13	8,719,341	8,719,341	8,719,341	8,719,341
Accumulated losses		(24,357,783)	(27,018,927)	(24,295,341)	(27,004,441)
Total equity		73,062,244	55,765,145	73,124,686	55,779,631
<b>LIABILITIES</b>					
<b>Non-current liability</b>					
Lease liabilities	14	8,051,174	8,736,400	8,051,174	8,736,400
Total non-current liability		8,051,174	8,736,400	8,051,174	8,736,400

## Statements of Financial Position as at 30 September 2021 (cont'd)

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>EQUITY AND LIABILITIES (CONT'D)</b>					
<b>LIABILITIES (CONT'D)</b>					
<b>Current liabilities</b>					
Trade payables	15	2,094,997	7,148,480	2,094,997	7,148,480
Other payables	16	1,297,657	4,720,062	1,281,570	4,716,625
Contract liabilities	17	1,501,453	2,894,359	1,501,453	2,894,359
Lease liabilities	14	677,366	660,082	677,366	660,082
Borrowings	18	190,580	83,780	190,580	83,780
Tax payable		46,108	147,675	46,108	147,675
Total current liabilities		5,808,161	15,654,438	5,792,074	15,651,001
<b>TOTAL LIABILITIES</b>		13,859,335	24,390,838	13,843,248	24,387,401
<b>TOTAL EQUITY AND LIABILITIES</b>		86,921,579	80,155,983	86,967,934	80,167,032

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 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
Revenue	19	51,762,174	55,097,542	51,762,174	55,097,542
Cost of sales		(47,477,166)	(49,618,520)	(47,477,166)	(49,618,520)
Gross profit		4,285,008	5,479,022	4,285,008	5,479,022
Other income		441,747	8,861,714	441,747	8,861,714
Administrative expenses		(1,935,511)	(2,933,658)	(1,887,555)	(2,923,820)
Selling and distribution expenses		(364,532)	(1,296,666)	(364,532)	(1,296,666)
Other expenses		–	(321,362)	–	(321,362)
Net gain/(loss) on impairment of receivables		48,500	(48,269)	48,500	(48,269)
Operating profit		2,475,212	9,740,781	2,523,168	9,750,619
Finance income		706,287	619,756	706,287	619,756
Finance costs		(350,355)	(300,185)	(350,355)	(300,185)
Profit before tax	20	2,831,144	10,060,352	2,879,100	10,070,190
Tax expense	21	(170,000)	(133,516)	(170,000)	(133,516)
Profit for the financial year		2,661,144	9,926,836	2,709,100	9,936,674
Other comprehensive income for the financial year, net of tax		–	–	–	–
Total comprehensive income for the financial year		2,661,144	9,926,836	2,709,100	9,936,674
<b>Attributable to:-</b>					
Owners of the Company		2,661,144	9,926,836	2,709,100	9,936,674
<b>Earnings per share attributable to owners of the Company</b>					
- Basic (sen)	22	0.34	1.64		
- Diluted (sen)	22	0.28	1.04		

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

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

	Share capital RM	Redemtable convertible preference shares RM	Warrant reserves RM	Accumulated losses RM	Total equity RM
< ----- Attributable to owners of the Company ----- >	< ----- Non-distributable ----- >	< ----- Distributable ----- >			
<b>Group</b>					
Balance at 1 October 2019	3,442,279	-	-	(33,373,007)	(29,930,728)
Total comprehensive income for the financial year	-	-	-	9,926,836	9,926,836
<b>Total transactions with owners of the Company:-</b>					
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
Total comprehensive income for the financial year	-	-	-	2,661,144	2,661,144
<b>Total transactions with owners of the Company:-</b>					
Share issuance expenses	(364,045)	-	-	-	(364,045)
Conversion of settlement preference shares	30,000,000	(15,000,000)	-	-	15,000,000
	29,635,955	(15,000,000)	-	-	14,635,955
Balance at 30 September 2021	88,700,686	-	8,719,341	(24,357,783)	73,062,244



## Statements of Changes in Equity for the Financial Year Ended 30 September 2021 (cont'd)

Company	Note	Attributable to owners of the Company				Total equity RM
		Share capital RM	Redemtable convertible preference shares RM	Warrant reserves RM	Accumulated losses RM	
						Distributable
Balance at 1 October 2019		3,442,279	-	-	(33,368,359)	(29,926,080)
Total comprehensive income for the financial year		-	-	-	9,936,674	9,936,674
<b>Total transactions with owners of the Company:-</b>						
Issuance of placement shares	11	2,729,000	-	-	-	2,729,000
Issuance of settlement shares	11	9,760,245	-	1,897,825	-	11,658,070
Issuance of rights shares	11	39,984,733	-	7,774,809	-	47,759,542
Issue of shares upon exercise of warrants	11, 13	3,881,263	-	(953,293)	-	2,927,970
Share issuance expenses	11	(732,789)	-	-	-	(732,789)
Issuance of settlement preference shares	12	-	15,000,000	-	-	15,000,000
Dividend	23	-	-	-	(3,572,756)	(3,572,756)
Balance at 30 September 2020		55,622,452	15,000,000	8,719,341	(3,572,756)	75,769,037
Total comprehensive income for the financial year		-	-	-	2,709,100	2,709,100
<b>Total transactions with owners of the Company:-</b>						
Share issuance expenses	11	(364,045)	-	-	-	(364,045)
Conversion of settlement preference shares	12	30,000,000	(15,000,000)	-	-	15,000,000
Balance at 30 September 2021		29,635,955	(15,000,000)	-	-	14,635,955
Balance at 30 September 2021		88,700,686	-	8,719,341	(24,295,341)	73,124,686

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

## STATEMENTS OF CASH FLOWS

### FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2021

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>OPERATING ACTIVITIES</b>					
Profit before tax		2,831,144	10,060,352	2,879,100	10,070,190
<b>Adjustments for:-</b>					
Bad debt written off		-	2	-	-
Depreciation of property, plant and equipment		1,783,727	1,578,341	1,783,727	1,578,341
Dividend income		-	(3,540,000)	-	(3,540,000)
Gain on disposal of property, plant and equipment		(185)	-	(185)	-
Gain on termination of lease		(467)	-	(467)	-
Impairment loss on property, plant and equipment		-	56,872	-	56,872
Interest expenses		350,355	300,185	350,355	300,185
Interest income		(706,287)	(619,756)	(706,287)	(619,756)
Inventories written down		-	264,490	-	264,490
Net (gain)/loss on impairment of receivables		(48,500)	48,269	(48,500)	48,269
Property, plant and equipment written off		4,722	-	4,722	-
Reversal of inventories written down		-	(24,137)	-	(24,137)
Waiver of debts		-	(4,996,313)	-	(4,996,313)
Operating profit before working capital changes		4,214,509	3,128,305	4,262,465	3,138,141
Changes in working capital:-					
Contract liabilities		(1,392,906)	1,457,082	(1,392,906)	1,457,082
Inventories		4,144,946	1,116,091	4,144,946	1,116,091
Receivables		(3,044,166)	(3,487,672)	(1,585,355)	(3,487,251)
Payables		(8,475,888)	(21,294,600)	(8,488,538)	(21,296,537)
Cash used in operations		(4,553,505)	(19,080,794)	(3,059,388)	(19,072,474)
Tax paid		(271,567)	(650)	(271,567)	(650)
Tax refund		-	600	-	600
Net cash used in operating activities		(4,825,072)	(19,080,844)	(3,330,955)	(19,072,524)

## Statements of Cash Flows for the Financial Year Ended 30 September 2021 (cont'd)

	Note	Group		Company	
		2021 RM	2020 RM	2021 RM	2020 RM
<b>INVESTING ACTIVITIES</b>					
Dividend received		–	3,540,000	–	3,540,000
Interest received		496,533	584,896	496,533	584,896
Investment in subsidiaries		–	–	(999,998)	(4)
Deposits paid for proposed acquisition of subsidiaries		(6,357,289)	–	–	–
Purchase of property, plant and equipment	<b>A</b>	(89,630)	(679,776)	(89,630)	(679,776)
Proceeds from disposal of property, plant and equipment		3,145	–	3,145	–
Advances to subsidiaries		–	–	(6,916,940)	(8,296)
Net cash (used in)/from investing activities		(5,947,241)	3,445,120	(7,506,890)	3,436,820
<b>FINANCING ACTIVITIES</b>					
Dividend paid		–	(3,572,756)	–	(3,572,756)
Drawdown of bankers' acceptance		190,580	83,780	190,580	83,780
Interest paid		(350,355)	(300,185)	(350,355)	(300,185)
Interest received		209,754	34,860	209,754	34,860
Placement of fixed deposits pledged to licensed banks	<b>B</b>	(5,209,754)	(9,692,914)	(5,209,754)	(9,692,914)
Proceeds from issuance of shares upon conversion of RCPS, net of share issuance expenses		14,635,955	49,755,753	14,635,955	49,755,753
Proceeds from issuance of shares upon exercise of warrants		–	2,927,970	–	2,927,970
Repayment of bankers' acceptance		(83,780)	–	(83,780)	–
Repayment of lease liabilities		(638,869)	(485,964)	(638,869)	(485,964)
Net cash from financing activities		8,753,531	38,750,544	8,753,531	38,750,544
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		(2,018,782)	23,114,820	(2,084,314)	23,114,840
Brought forward		26,449,352	3,334,532	26,449,343	3,334,503
Carried forward	<b>B</b>	24,430,570	26,449,352	24,365,029	26,449,343

## Statements of Cash Flows for the Financial Year Ended 30 September 2021 (cont'd)

### NOTES TO THE STATEMENTS OF CASH FLOWS

#### A. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	<b>Group and Company 2021 RM</b>	<b>2020 RM</b>
Total purchase of property, plant and equipment	89,630	4,582,502
Less: Acquisition by means of lease liabilities	–	(3,902,726)
	89,630	679,776

#### B. CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Company</b>	
	<b>2021 RM</b>	<b>2020 RM</b>	<b>2021 RM</b>	<b>2020 RM</b>
Fixed deposits with licensed banks	15,037,791	9,827,009	15,037,791	9,827,009
Cash in hand	12,180	13,100	12,180	13,100
Cash at bank	24,417,362	26,436,252	24,351,821	26,436,243
	39,467,333	36,276,361	39,401,792	36,276,352
Less: Fixed deposits pledged with licensed banks	(15,036,763)	(9,827,009)	(15,036,763)	(9,827,009)
	24,430,570	26,449,352	24,365,029	26,449,343

## Statements of Cash Flows for the Financial Year Ended 30 September 2021 (cont'd)

### RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group and Company	At	Effect on	Additions/	Termination	Repayments	At
	1.10.2020	adoption of	Drawdown	RM	RM	30.9.2021
	RM	MFRS 16	RM			RM
Bankers' acceptance	83,780	-	190,580	-	(83,780)	190,580
Lease liabilities	9,396,482	-	-	(29,073)	(638,869)	8,728,540
	9,480,262	-	190,580	(29,073)	(722,649)	8,919,120
Group and Company	At	Effect on	Additions/	Termination	Repayments	At
	1.10.2019	adoption of	Drawdown	RM	RM	30.9.2020
	RM	MFRS 16	RM			RM
Bankers' acceptance	-	-	83,780	-	-	83,780
Lease liabilities	-	5,979,720	3,902,726	-	(485,964)	9,396,482
	-	5,979,720	3,986,506	-	(485,964)	9,480,262

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



# NOTES TO THE FINANCIAL STATEMENTS

## - 30 SEPTEMBER 2021

### 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 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 and 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.

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

The principal activities of its subsidiaries are disclosed in Note 5 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 2021.

### 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 Group and the Company have consistently applied the accounting policies set out in Note 3 to the financial statements to all periods presented in these financial statements.

At the beginning of the current financial year, the Group and the Company adopted new standards/amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 October 2020.

Initial application of the new standards/amendments/improvements to MFRSs did not have material impact to the financial statements of the Group and of the Company.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (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

The new and amended standards that are issued, but not yet effective, up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these new and amended standards, if applicable, when they become effective in the respective financial period.

##### Effective for financial period beginning on or after 1 January 2021:-

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4* and MFRS 16	Interest Rate Benchmark Reform - Phase 2
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##### Effective for financial period beginning on or after 1 April 2021:-

Amendments to MFRS 16	Lease - Covid-19 Related Rent Concessions beyond 30 June 2021
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##### Effective for financial period beginning on or after 1 January 2022:-

Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 – 2020 (MFRS 1*, 9, and 141*)	

##### Effective for financial period beginning on or after 1 January 2023:-

MFRS 17* and Amendments to MFRS 17*	Insurance Contracts
Amendments to MFRS 4*	Insurance Contracts - Extension of Temporary Exemption from Applying MFRS 9
Amendments to MFRS 17*	Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current
Amendment to MFRS 101	Presentation of Financial Statements - Disclosure of Accounting Policies
Amendment to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendment to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

##### Effective Date Deferred Indefinitely

Amendments to MFRS 10* and and MFRS 128*	Consolidated Financial Statements and Investments in Associate Joint Ventures - Sale or Contribution of Assets between an investor and its Associate or Joint Venture
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\* Not applicable to the Group and the Company.

The initial application of the above new and amended standards are not expected to have material financial impact to the financial statements.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

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

### 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 and right-of-use assets 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 and right-of-use assets 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 and right-of-use assets at the reporting date is disclosed in Note 4 to the financial statements.

##### 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.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (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)

##### 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 7 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.

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 5, 8 and 9 to the financial statements.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (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)

##### 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.

##### Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

##### 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 2021

### (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 2021

### (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.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.1 Consolidation (cont'd)

##### 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.

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

Property, plant and equipment are initially stated at cost. 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 cost of the item can be measured reliably.

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. 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. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. 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	8.83 years
Plant and machinery	10 to 30 years
Shop office	3.25 years
Wheat silos	8.25 years

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021 (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.2 Property, plant and equipment (cont'd)

Capital work-in-progress consists of property, 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.

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

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 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.

##### 3.3.1.1 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	8.83 years
Shop office	3.25 years
Wheat silos	8.25 years



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.3 Leases (cont'd)

##### 3.3.1 As a lessee (cont'd)

###### 3.3.1.1 Right-of-use assets (cont'd)

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. The accounting policies for impairment of non-financial assets is set out in Note 3.5 to the financial statements.

###### 3.3.1.2 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.

###### 3.3.1.3 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.

##### 3.3.2 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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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

Further disclosures relating to impairment of non-financial assets are also provided in the following notes to the financial statements:-

Note 2.5 - Significant accounting estimates and judgements

Note 3.2 - Property, plant and equipment

Note 3.3 - Right-of-use assets

The Group and the Company assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group and the Company estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group and the Company base their impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's and of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses including impairment on inventories, are recognised in the profit or loss in those expense categories consistent with the function of the impaired asset.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group and the Company estimate the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually as at the end of each reporting period, either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

#### 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

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the Group and the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's and the Company's business model for managing financial assets refers to how it manages its 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.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.6 Financial instruments (cont'd)

##### 3.6.1 Financial assets (cont'd)

###### 3.6.1.1 Initial recognition and categorisation (cont'd)

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cashflows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Company commit to purchase or sell the asset.

###### 3.6.1.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:-

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

At the reporting date, the Group and the Company carry financial assets at amortised cost.

###### *Financial Assets at Amortised Cost*

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") 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 and the Company's financial assets at amortised cost include trade receivables, most of other receivables, amount due from subsidiaries and cash and cash equivalents.

###### 3.6.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:-

- The rights to receive cash flows from the asset have expired; or
- The Group and the Company have transferred their rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company has transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Notes to the Financial Statements

## - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.6 Financial instruments (cont'd)

##### 3.6.1 Financial assets (cont'd)

###### 3.6.1.3 Derecognition (cont'd)

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of its continuing involvement.

In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

###### 3.6.1.4 Impairment

The Group and the Company recognise an allowance for expected credit losses ("ECLs") on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets, and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company is exposed to credit risk.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.6 Financial instruments (cont'd)

##### 3.6.1 Financial assets (cont'd)

##### 3.6.1.4 Impairment (cont'd)

###### *Impairment for trade receivables*

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 the economic environment.

###### *Impairment for financial assets other than trade receivables*

The Group and the Company consider the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The assessment considers available, reasonable and supportable forward-looking information.

###### *Credit impaired*

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The Group and the Company consider a receivable as credit impaired when one or more events that have a detrimental impact on the estimated cash flows have occurred. These instances include adverse changes in the financial capability of the debtor and default or significant delay in payments. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery amounts due.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.6 Financial instruments (cont'd)

##### 3.6.2 Financial liabilities

###### Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

###### Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; or
- Financial liabilities at amortised cost.

The Group and the Company have not designated any financial liabilities as at fair value through profit or loss.

###### *Financial Liabilities at Amortised cost*

Trade payables and most of other payables and borrowings are recognised initially at fair value plus transaction costs and thereafter, at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the profit or loss.

Financial liabilities are classified as current liabilities for those having maturity dates of not more than 12 months after the reporting date, and the balance is classified as non-current.

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit or loss.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.6 Financial instruments (cont'd)

##### 3.6.3 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.

#### 3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and fixed deposits with licensed banks 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.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.10 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, 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. When the Group and the Company expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

If the effect of the time 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

Revenue from contracts with customers is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the "control" of the services underlying the particular performance obligation is transferred to the customer.

A performance obligation is a promise in a contract with a customer to transfer to the customer either:-

- (a) good or service (or a bundle of goods or services) that is distinct; or
- (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

Revenue from contracts with customers is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised services to the customers, excluding amounts collected on behalf of third parties such as sales taxes or services taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which it will be entitled based on the expected value or the most likely outcome.

If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative standalone selling prices of the goods or services promised in the contract.

The amount of variable consideration is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainly associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:-

- (a) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 3.11 Revenue recognition (cont'd)

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.

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 gives rise to a contract liability.

##### 3.11.1 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 19 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 2021

### (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 financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Current tax is recognised in the statements of financial position as a liability (or an asset) to the extent that it is unpaid (or refundable).



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (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.

#### 3.17 Contingencies

##### 3.17.1 Contingent Liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of 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 liabilities unless the probability of outflow of economic benefits is remote.

##### 3.17.2 Contingent Assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

#### 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 2021

### (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;
  - (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; or
  - (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 2021

### (cont'd)

#### 4. PROPERTY, PLANT AND EQUIPMENT

Group and Company Cost	Buildings, Equipment and factory and fixtures		Factory		Forklift		Hostel		Motor vehicles		Office machinery		Plant and machinery		Shop office		Wheat silos		Capital work-in-progress		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1.10.2019	9,796,345	4,214,746	5,261,139	66,071	29,732	-	18,449*	-	124,093	-	40,829,808	182,988	439,790	170,380	61,115,092	-	-	-	55,810	4,582,502	-	-
Additions	80,645	294,215	-	-	-	-	-	-	-	3,884,277*	249,106	-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Additions	-	14,730	-	-	-	-	-	-	-	-	74,900	-	-	-	89,630	-	-	-	-	-	-	-
Disposal	-	(3,700)	-	-	-	-	-	-	-	-	-	-	-	-	(3,700)	-	-	-	-	-	-	-
Written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,722)	-	-	-	-	-	-	-
Reclassification	-	173,180	-	(66,071)	(29,732)	(18,449)	-	-	-	-	48,288	-	-	-	(221,468)	-	-	-	-	-	-	-
Termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(114,252)
At 30.9.2021	9,876,990	4,693,171	5,261,139	-	-	-	-	-	124,093	3,884,277	41,202,102	182,988	439,790	-	65,664,550	-	-	-	-	-	-	-
<b>Accumulated depreciation</b>																						
At 1.10.2019	7,060,413	3,994,749	-	-	-	-	-	-	112,519	-	24,562,068	-	-	-	35,729,749	-	-	-	-	-	-	-
Charge for the financial year	204,349	103,326	309,479	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	309,479	46,638	20,987	2,306	-	-	118,715	219,865	25,117,651	56,304	53,308	-	37,308,090	-	-	-	-	-	-	-
Charge for the financial year	206,375	128,563	309,479	11,660	1,749	2,306	-	-	5,368	439,729	568,886	56,304	53,308	-	1,783,727	-	-	-	-	-	-	-
Disposal	-	(740)	-	(58,298)	(22,736)	(4,612)	-	-	-	-	-	-	-	-	(740)	-	-	-	-	-	-	-
Termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(85,646)	-	-	-	-	-	-	-
At 30.9.2021	7,471,137	4,225,898	618,958	-	-	-	-	-	124,083	659,594	25,686,537	112,608	106,616	-	39,005,431	-	-	-	-	-	-	-

Notes to the Financial Statements  
- 30 SEPTEMBER 2021  
(cont'd)

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

Group and Company	Buildings, Equipment and factory and civil works		Factory		Forklift	Hostel	Motor vehicles	Office		Plant and machinery	Shop office	Wheat silos	Capital work-in-progress	Total
	RM	RM	RM	RM				RM	RM					
Accumulated impairment losses														
At 1.10.2019	1,729,204	-	-	-	-	-	-	-	3,157,344	-	-	-	-	4,886,548
Impairment loss for the financial year	-	-	-	-	-	-	-	-	56,872	-	-	-	-	56,872
At 30.9.2020 / At 30.9.2021	1,729,204	-	-	-	-	-	-	-	3,214,216	-	-	-	-	4,943,420
Net carrying amount														
At 30.9.2021	676,649	467,273	4,642,181	-	-	-	10	3,224,683	12,301,349	70,380	333,174	-	-	21,715,699
At 30.9.2020	883,024	410,886	4,951,660	19,433	8,745	16,143	5,378	3,664,412	12,747,047	126,684	386,482	226,190	-	23,446,084

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

## Notes to the Financial Statements - 30 SEPTEMBER 2021 (cont'd)

### 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	<b>Group and Company 2021 RM</b>	<b>2020 RM</b>
Factory	4,642,181	4,951,660
Factory store	-	19,433
Forklift	-	8,745
Hostel	-	16,143
Office	3,224,683	3,664,412
Shop office	70,380	126,684
Wheat silos	333,174	386,482
	<hr/>	<hr/>
	8,270,418	9,173,559

(b) Additions to right-of-use assets of the Group and of the Company in prior financial year amounted RM3,902,726.

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

	<b>Group and Company 2021 RM</b>	<b>2020 RM</b>
Factory	309,479	309,479
Factory store	11,660	46,638
Forklift	1,749	20,987
Hostel	2,306	2,306
Office	439,729	219,865
Shop office	56,304	56,304
Wheat silos	53,308	53,308
	<hr/>	<hr/>
	874,535	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 RM366,000 (2020: RM183,000).

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

	<b>2021 RM</b>	<b>2020 RM</b>
Within 1 year	366,000	183,000
	<hr/>	<hr/>



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 5. SUBSIDIARIES

##### (a) Investment in subsidiaries

	Company	
	2021 RM	2020 RM
Unquoted shares, at cost	1,324,005	324,007
Less: Accumulated impairment losses	(324,000)	(324,000)
	1,000,005	7

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

	Company	
	2021 RM	2020 RM
Brought forward	324,000	1,346,104
Written off during the financial year	-	(1,022,104)
Carried forward	324,000	324,000

Details of the subsidiaries are as follows:-

Name of subsidiaries	Effective interest		Principal activities	Principal place of business
	2021 %	2020 %		
KFM Marketing Sdn. Bhd.	100	100	Dormant	Malaysia
Lotus Plantation Sdn. Bhd.	100	100	Dormant	Malaysia
LKB Plantation Sdn. Bhd.	100	100	Dormant	Malaysia

##### (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.

There was no incorporation or acquisition of subsidiary during the financial year.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 5. SUBSIDIARIES (CONT'D)

(c) Strike-off of subsidiaries

In previous financial year ended, 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.

(d) Amount due from subsidiaries

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

#### 6. OTHER INVESTMENTS

The other investments represent the following:-

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares in Malaysia, 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:-

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Brought forward/Carried forward	1,735,499	1,735,499

#### 7. INVENTORIES

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Raw materials	3,926,009	7,967,052
Finished goods	310,431	417,140
Consumables	260,214	257,408
	4,496,654	8,641,600

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 7. INVENTORIES (CONT'D)

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Recognised in profit or loss:-</b>		
Inventories recognised in cost of sales	43,303,952	43,937,506
Inventories written down	-	264,490
Reversal of inventories written down	-	(24,137)

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.

#### 8. TRADE RECEIVABLES

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Trade receivables, gross	5,990,226	6,611,213
Less: Allowance for expected credit losses		
- Individual impairment	(22,960)	(71,460)
- Collective impairment	(27,434)	(27,434)
	(50,394)	(98,894)
	<b>5,939,832</b>	<b>6,512,319</b>

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

	<b>Individual impairment RM</b>	<b>Collective impairment RM</b>	<b>Total RM</b>
<b>Group</b>			
At 1.10.2019	387,973	-	387,973
Additions	20,835	27,434	48,269
Written off	(337,348)	-	(337,348)
At 30.9.2020	71,460	27,434	98,894
Reversal	(48,500)	-	(48,500)
At 30.9.2021	<b>22,960</b>	<b>27,434</b>	<b>50,394</b>

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 8. TRADE RECEIVABLES (CONT'D)

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

	Individual impairment RM	Collective impairment RM	Total RM
<b>Company</b>			
At 1.10.2019	244,777	-	244,777
Additions	20,835	27,434	48,269
Written off	(194,152)	-	(194,152)
At 30.9.2020	71,460	27,434	98,894
Reversal	(48,500)	-	(48,500)
At 30.9.2021	22,960	27,434	50,394

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 cash term to 90 days (2020: 14 to 90 days). Other credit terms are assessed and approved by the management on case-by-case basis.

#### 9. OTHER RECEIVABLES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Non-trade receivables	374,891	279,131	374,891	279,131
Less: Allowance for expected credit losses	-	-	-	-
Advances	24,483	14,052	24,483	14,052
Advances to suppliers	4,125,000	4,152,988	4,125,000	4,152,988
Deposits	8,039,050	552,901	263,136	552,901
Prepayments	2,738,635	280,545	2,698,028	280,124
	15,302,059	5,279,617	7,485,538	5,279,196

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (cont'd)

#### 9. OTHER RECEIVABLES (CONT'D)

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

	Group and Company 2021 RM	2020 RM
Brought forward	-	500,000
Written off	-	(500,000)
	<hr/>	<hr/>
Carried forward	-	-
	<hr/>	<hr/>

Included in non-trade receivables of the Group and of the Company is an amount of RM343,400 (2020: RM18,799) due from a company in which a Director have interest which is unsecured, non-interest bearing and repayable on demand.

Included in advances to suppliers of the Group and of the Company is an amount of RM4,125,000 (2020: RM2,381,788) due from a company in which Directors have interest.

Included in deposits of the Group and of the Company is an amount of RM13,000 (2020: RM13,000) due from a company in which Directors have interest.

Included in deposits of the Group is an amount of RM6,357,289 (2020: Nil) paid for acquisition of subsidiaries.

Included in prepayments of the Group and of the Company is an amount of RM2,472,664 (2020: Nil) paid for acquisition of plant and machinery, where the plant and machinery have yet delivered to the Company as at the end of reporting period.

#### 10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash in hand	12,180	13,100	12,180	13,100
Cash at bank	24,417,362	26,436,252	24,351,821	26,436,243
Fixed deposits with licensed banks	15,037,791	9,827,009	15,037,791	9,827,009
	<hr/>	<hr/>	<hr/>	<hr/>
Presented in statements of financial position	39,467,333	36,276,361	39,401,792	36,276,352
Less: Fixed deposits pledged with licensed banks	(15,036,763)	(9,827,009)	(15,036,763)	(9,827,009)
	<hr/>	<hr/>	<hr/>	<hr/>
Presented in statements of cash flows	24,430,570	26,449,352	24,365,029	26,449,343
	<hr/>	<hr/>	<hr/>	<hr/>



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 10. CASH AND CASH EQUIVALENTS (CONT'D)

The fixed deposits with licensed banks of RM15,036,763 (2020: RM9,827,009) are pledged as securities for banking facilities granted to the Group and the Company.

The interest rates of fixed deposits with licensed banks of the Group and of the Company ranged from 1.60% to 1.88% (2020: 1.60% to 3.15%) per annum and matured within 1 to 3 (2020: 1 to 3) months.

#### 11. SHARE CAPITAL

	Group and Company			
	Number of ordinary shares		Amount	
	2021 Units	2020 Units	2021 RM	2020 RM
<b>Issued and fully paid with no par value:-</b>				
Brought forward	718,974,904	68,229,084	59,064,731	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
Issuance pursuant to conversion of RCPS	300,000,000	-	30,000,000	-
Share issuance expenses	-	-	(364,045)	(732,789)
Carried forward	1,018,974,904	718,974,904	88,700,686	59,064,731

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.

In previous 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	0.10	29,279,700

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (cont'd)

#### 11. SHARE CAPITAL (CONT'D)

During the financial year, the issued and paid-up ordinary share capital was increased from RM59,064,731 to RM88,700,686 pursuant to the following:-

- (i) 300,000,000 new ordinary shares arising from the conversion of redeemable convertible preference shares as follows:-

	Conversion price RM	Number of shares issued
Redeemable convertible preference shares	0.05	300,000,000

- (ii) Cash of RM15,000,000; and

- (iii) Share issuance expenses amounted to RM364,045.

#### 12. REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS")

	Group and Company Number of shares Units	Amount RM
<u>Equity component recognised under equity:-</u>		
At 1.10.2019	-	-
Issued during the financial year	300,000,000	15,000,000
At 30.9.2020	300,000,000	15,000,000
Redemption during the financial year	(300,000,000)	(15,000,000)
At 30.9.2021	-	-

During the financial year, the Company fully redeemed the entire 300,000,000 redeemable convertible preference shares ("RCPS") at a conversion price of RM0.05 per RCPS for a total redemption sum of RM15,000,000, together with the issuance of 300,000,000 ordinary shares in cash for RM0.05 per ordinary share in the share capital of the Company.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021 (cont'd)

#### 12. 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 RCPS as part of settlement with identified payables.

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 through surrendering for cancellation of two (2) RCPS for one (1) ordinary share, or one (1) RCPS together with RM0.05 in cash for one (1) ordinary share in the Company.
- (b) The tenure of the RCPS is for five (5) years from the date of issuance of the RCPS.
- (c) The RCPS are redeemable for cash at the option of the Company at any time during the tenure of the RCPS on the basis of RM0.05 for every one (1) RCPS.
- (d) The RCPS holders are not entitled to any dividends declared or paid by the Company for its ordinary shares.
- (e) 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.
- (f) The RCPS holders do not carry any rights to participate in the profits or surplus assets of the Company.

#### 13. WARRANT RESERVES

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Warrant reserves	8,719,341	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 11 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	5	28.11.2019	25.11.2024	0.10

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (cont'd)

#### 13. WARRANT RESERVES (CONT'D)

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.

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

	At 1.10.2020	Number of units		At 30.9.2021
		Issued	Exercised	
Warrant B 2019/2024	267,808,360	-	-	267,808,360

#### 14. LEASE LIABILITIES

Set out below are the carrying amounts of lease liabilities and the movements during the financial year:-

	Group and Company	
	2021	2020
	RM	RM
As at 1 October	9,396,482	5,979,720
Additions	-	3,902,726
Termination	(29,073)	-
Accretion of interest	350,355	299,236
Payments	(989,224)	(785,200)
As at 30 September	8,728,540	9,396,482
Represented by:-		
Current	677,366	660,082
Non-current	8,051,174	8,736,400
	8,728,540	9,396,482

The maturity analysis of lease liabilities is disclosed in Note 28 to the financial statements.

The interest rate of lease liabilities is 3.86% (2020: 3.86%) per annum.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 14. LEASE LIABILITIES (CONT'D)

The Group and the Company have total cash outflows for leases of RM1,078,743 (2020: RM955,808).

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:-

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Low-value assets	16,516	78,513
Short-term leases	73,003	90,400
Variable lease payments	-	1,695
	89,519	170,608

#### 15. TRADE PAYABLES

Trade payables are non-interest bearing and are generally on credit terms ranged from cash term to 60 days (2020: cash term to 60 days).

Included in trade payables of the Group and of the Company is an amount of RM1,989,183 (2020: RM7,113,200) due from a company in which a Director has interest.

#### 16. OTHER PAYABLES

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Non-trade payables	581,999	2,988,007	577,912	2,988,007
Accruals of expenses	624,158	1,640,555	612,158	1,637,118
Deposit received	91,500	91,500	91,500	91,500
	1,297,657	4,720,062	1,281,570	4,716,625

Included in non-trade payables of the Group and of the Company is an amount of RM365 (2020: RM2,256,530) due to companies in which certain Directors have interest which is unsecured, non-interest bearing and repayable on demand.

Included in deposit of the Group and of the Company is an amount of RM91,500 (2020: RM91,500) due to a company in which a Director have interest.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 17. CONTRACT LIABILITIES

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Contract liabilities	1,501,453	2,894,359

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.

As at the reporting date, revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) of the Group and of the Company is RM1,501,453 (2020: RM2,894,359). The Group and the Company expected to recognise this revenue over the next 12 months.

#### 18. BORROWINGS

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<u>Secured:-</u>		
Bankers' acceptance	190,580	83,780

The bankers' acceptance is secured by fixed deposits with licensed banks of the Group and of the Company as disclosed in Note 10 to the financial statements.

Bankers' acceptance facilities are repayable within 120 (2020: 116) days and bear interest rate at 3.50% (2020: 3.56%) per annum.

#### 19. 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:-

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Timing of revenue recognition</b>		
<u>At point in time:-</u>		
Sale of flour and related products	51,762,174	55,097,542
<b>Geographical market</b>		
Malaysia	51,762,174	55,097,542

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 20. PROFIT BEFORE TAX

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Auditor's remuneration				
- Statutory audit	70,500	66,500	62,500	65,000
- Others services	9,500	11,500	9,500	11,500
Bad debt written off	-	2	-	-
Depreciation of property, plant and equipment	1,783,727	1,578,341	1,783,727	1,578,341
Dividend income from other investments	-	(3,540,000)	-	(3,540,000)
Property, plant and equipment written off	4,722	-	4,722	-
Gain on disposal of property, plant and equipment	(185)	-	(185)	-
Gain on termination of lease	(467)	-	(467)	-
Government grant received	(531,101)	(1,333,309)	(531,101)	(1,333,309)
Impairment loss on property, plant and equipment	-	56,872	-	56,872
Interest expenses:				
- Bankers' acceptance	-	949	-	949
- Lease liabilities	350,355	299,236	350,355	299,236
Interest income:				
- Other interest income	(495,505)	(584,896)	(495,505)	(584,896)
- Fixed deposits interest received	(210,782)	(34,860)	(210,782)	(34,860)
Realised (gain)/loss on foreign exchange	(7,794)	38	(7,794)	38
Rental income	(366,000)	(183,000)	(366,000)	(183,000)
Waiver of liabilities:				
- Trade payables	-	(3,084,434)	-	(3,084,434)
- Other payables	-	(1,911,879)	-	(1,911,879)

#### 21. TAX EXPENSE

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
<u>Current tax:-</u>				
Provision for current financial year	170,000	148,741	170,000	148,741
Over provision for prior financial year	-	(15,225)	-	(15,225)
	170,000	133,516	170,000	133,516

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 21. TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to profit 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit before tax	2,831,144	10,060,352	2,879,100	10,070,190
At Malaysian statutory tax rate of 24% (2020: 24%)	679,475	2,414,485	690,984	2,416,846
<b>Tax effects in respect of:-</b>				
Expenses not deductible for tax purposes	51,681	176,736	40,172	174,375
Income not subject to tax	(156)	(893,520)	(156)	(893,520)
Over provision of current tax in prior years	-	(15,225)	-	(15,225)
Movement of deferred tax assets not recognised	(561,000)	(1,548,960)	(561,000)	(1,548,960)
Total tax expense	170,000	133,516	170,000	133,516

The components and movement of deferred tax liabilities and assets prior to offsetting are as follows:-

<b>Group and Company</b>	<b>Property, plant and equipment RM</b>	<b>Unutilised capital allowance RM</b>	<b>Total RM</b>
At 1 October 2019	(1,298,000)	1,298,000	-
Recognised in profit or loss	(210,000)	210,000	-
At 30 September 2020	(1,508,000)	1,508,000	-
Recognised in profit or loss	(223,000)	223,000	-
At 30 September 2021	(1,731,000)	1,731,000	-

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021 (cont'd)

#### 21. TAX EXPENSE (CONT'D)

##### Unrecognised deferred tax assets

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Unabsorbed business losses	71,867,000	71,867,000	66,639,000	66,639,000
Unutilised capital allowances	3,166,000	5,502,000	3,166,000	5,502,000
Unutilised reinvestment allowances	9,973,000	9,973,000	9,973,000	9,973,000
	85,006,000	87,342,000	79,778,000	82,114,000

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.

Effective Year of Assessment 2019 as announced in the Annual Budget 2022, the unabsorbed business losses of the Group and the Company as of 30 September 2019 and thereafter will only be available for carry forward for a period of 10 consecutive years. Upon expiry of the 10 years, the unabsorbed business losses will be disregarded.

The unutilised capital allowances do not expire under current tax legislation of Malaysia. Unabsorbed business losses for which no deferred tax assets was recognised will expire at the following year of assessment ("YA"):-

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
YA 2028	70,459,000	70,459,000	65,231,000	65,231,000
YA 2029	1,408,000	1,408,000	1,408,000	1,408,000
	71,867,000	71,867,000	66,639,000	66,639,000

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 22. EARNINGS PER SHARE

##### Group

##### Basic earnings per ordinary share

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

	2021	Group 2020
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	2,661,144	9,926,836
Weighted average number of ordinary shares at 30 September	794,249,473	605,153,583
Basic earnings per share (sen)	0.34	1.64

##### Diluted earnings per ordinary share

The calculation of diluted earnings per share is based on the profit 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:-

	2021	Group 2020
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	2,661,144	9,926,836
Weighted average number of ordinary shares at 30 September	954,396,181	957,696,136
Diluted earnings per share (sen)	0.28	1.04

#### 23. DIVIDEND

The following dividend has been paid by the Company to the owners of the Company:-

	Group and Company 2021 RM	2020 RM
In respect of financial year ended 30 September 2020:- 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

### - 30 SEPTEMBER 2021

### (cont'd)

#### 24. EMPLOYEE BENEFIT EXPENSES

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Salaries, wages and other emoluments	2,148,483	3,763,334
Directors' fees	264,000	208,000
Social security contributions	40,264	58,024
Defined contribution plan	327,412	433,078
	2,780,159	4,462,436

#### 25. DIRECTORS' REMUNERATION

The details of remuneration received and receivable by Directors of the Group and of the Company during the financial year are as follows:-

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Salaries and other emoluments	455,833	350,000
Directors' fees	264,000	208,000
Defined contribution plans	54,708	42,000
Social security contributions	1,462	1,154
	776,003	601,154

#### 26. RELATED PARTY DISCLOSURES

(a) Related party transactions

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
Purchase from companies in which a Director has interest	38,757,117	43,226,123
Sales to a company in which a Director has interest	2,649	-
Purchase of property, plant and equipment from a company in which a Director has interest	-	66,310
Disposal of property, plant and equipment to a company in which a Director has interest	3,145	-
Rental charged from a company in which a Director has interest	-	60,000
Rental charged to a company in which a Director has interest	366,000	183,000

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (cont'd)

#### 26. RELATED PARTY DISCLOSURES (CONT'D)

- (b) The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 5, 9, 15 and 16 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.

Key management includes certain members of senior management of the Group.

The remunerations of the Directors are disclosed in Note 25 to the financial statements.

The emoluments of other key management personnel are as follow:-

	<b>Group and Company</b>	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Salaries and other emoluments	287,401	312,250	
Defined contribution plan	33,806	36,921	
Social security contributions	2,770	3,519	
	<hr/>		
	323,977	352,690	
	<hr/>		

#### 27. COMMITMENTS

##### Operating lease commitments

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

	<b>Group and Company</b>	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
<u>Future minimum lease payments payable:-</u>			
- Within 1 year	3,870	4,488	
- Between 2 to 5 years	7,560	11,430	
	<hr/>		
	11,430	15,918	
	<hr/>		

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 28. FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as financial assets and financial liabilities measured at amortised cost:-

	2021 RM	2020 RM
<b>Group</b>		
<u>Financial assets</u>		
Trade receivables	5,939,832	6,512,319
Other receivables	8,438,424	846,084
Cash and cash equivalents	39,467,333	36,276,361
	53,845,589	43,634,764
 <u>Financial liabilities</u>		
Trade payables	2,094,997	7,148,480
Other payables	1,297,657	4,720,062
Borrowings	190,580	83,780
	3,583,234	11,952,322
 <b>Company</b>		
<u>Financial assets</u>		
Trade receivables	5,939,832	6,512,319
Other receivables	662,510	846,084
Amount due from subsidiaries	6,928,412	11,472
Cash and cash equivalents	39,401,792	36,276,352
	52,932,546	43,646,227
 <u>Financial liabilities</u>		
Trade payables	2,094,997	7,148,480
Other payables	1,281,570	4,716,625
Borrowings	190,580	83,780
	3,567,147	11,948,885

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 28. FINANCIAL INSTRUMENTS (CONT'D)

##### Financial risk management

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 refers to the risk that a counterparty will default in its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company adopt the policy of dealing with customers of appropriate standing to mitigate credit risk and customers who wish to trade on credit terms are subject to credit evaluation.

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

##### Exposure to credit risk

Maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised at reporting date as summarised below:-

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Classes of financial assets:-</b>		
Trade receivables	5,939,832	6,512,319
Other receivables	8,438,424	846,084
Cash and cash equivalents	39,467,333	36,276,361
	53,845,589	43,634,764
	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Classes of financial assets:-</b>		
Trade receivables	5,939,832	6,512,319
Other receivables	662,510	846,084
Amount due from subsidiaries	6,928,412	11,472
Cash and cash equivalents	39,401,792	36,276,352
	52,932,546	43,646,227

## Notes to the Financial Statements - 30 SEPTEMBER 2021 (cont'd)

### 28. FINANCIAL INSTRUMENTS (CONT'D)

#### Financial risk management (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:-

##### Receivables

#### Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group and the Company manage their debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. The Group's and the Company's debt recovery are as follows:-

- (i) Above 30 days past due after credit term, the Group and the Company will start to initiate together with treasury team a structured debt recovery process which is monitored by the sales management team; and
- (ii) The Group and Company will commence a legal proceeding against the customers who does not adhere to the restructure of the repayment scheme.

The Group and the Company use provision matrix to measure ECLs for all the past due debts. Credit term which are past due more than 365 days will be considered as credit impaired.

The Group and the Company assessed the risk of loss based on the following factors:-

- (i) Overall past payment trend of customers;
- (ii) Financial performances of each individual customers; and
- (iii) gross domestic product rate.

None of the Group's and the Company's financial assets are secured by collateral or other credit enhancements.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (cont'd)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (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)

#### Recognition and measurement of impairment loss (cont'd)

Set out below is the information about the credit risk exposure and ECLs on the Group's and the Company's trade receivables:-

	Gross carrying amount RM	Loss allowance		Net balances RM
		Collective RM	Individual RM	
<b>Group and Company</b>				
<b>2021</b>				
Current (Not past due)	4,500,591	–	–	4,500,591
1-30 days past due	1,181,451	(8,625)	–	1,172,826
31-60 days past due	195,303	(2,851)	–	192,452
61-90 days past due	57,110	(1,251)	–	55,859
More than 90 days past due	55,771	(14,707)	(22,960)	18,104
	5,990,226	(27,434)	(22,960)	5,939,832
<b>2020</b>				
Current (Not past due)	5,214,047	(19,292)	–	5,194,755
1-30 days past due	1,075,148	(5,161)	–	1,069,987
31-60 days past due	96,880	(678)	–	96,202
61-90 days past due	70,696	(643)	–	70,053
More than 90 days past due	154,442	(1,660)	(71,460)	81,322
	6,611,213	(27,434)	(71,460)	6,512,319

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 28. FINANCIAL INSTRUMENTS (CONT'D)

##### Financial risk management (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)

##### Recognition and measurement of impairment loss (cont'd)

The Group and the Company use three categories to reflect its credit risk and how the loss allowance is determined for each of those categories for financial assets other than trade receivables. A summary of the assumptions underpinning the Group's and the Company's expected credit loss model is as follows:-

Category	Definition of categories	Basis of recognising expected credit loss
Performing	Receivables have a low risk of default and a strong capacity to meet contractual cash flows.	12 months expected credit loss
Underperforming	Receivables for which there is a significant increase in credit risk due to actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.	Lifetime expected credit loss
Non-performing	Receivables which are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows have occurred.	Lifetime expected credit loss

Based on the above, loss allowance is derived as follows:-

- (i) the likelihood that the debtor would not be able to repay during the contractual period;
- (ii) the percentage of contractual cash flows that will not be collected if default happens; and
- (iii) the outstanding amount that is exposed to default risk.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

#### 28. FINANCIAL INSTRUMENTS (CONT'D)

##### Financial risk management (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):-

##### Credit risk concentration

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 25% (2020: 21%) of total Group's and Company's trade receivables were due from 1 (2020: 2) major customer.

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.

##### Intercompany balances

The Company 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 is considered negligible, since the counterparties are reputable financial institutions with high quality external credit ratings and have no history of default. Consequently, the Group and the Company are of the view that the allowance is not material and hence, it is not provided for.

##### (b) Liquidity risk

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

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021 (cont'd)

#### 28. FINANCIAL INSTRUMENTS (CONT'D)

##### Financial risk management (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)

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.

##### Analysis of financial instruments by remaining contractual maturities

The following financial liabilities of the Group and of the Company are subjected to liquidity risk:-

	Carrying amount RM	Contractual cash flows RM	< ----- Maturity ----- >		
			Current Within 1 year RM	< ----- Non-current ----- > Between 2 to 5 years RM	More than 5 years RM
<b>Group</b>					
<b>2021</b>					
<u>Financial liabilities</u>					
Borrowings	190,580	190,580	190,580	-	-
Lease liabilities	8,728,540	11,005,912	1,002,528	3,900,174	6,103,210
Trade payables	2,094,997	2,094,997	2,094,997	-	-
Other payables	1,297,657	1,297,657	1,297,657	-	-
	12,311,774	14,589,146	4,585,762	3,900,174	6,103,210
<b>2020</b>					
<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	-	-
	21,348,804	23,977,058	12,963,146	3,915,069	7,098,843

## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

#### (cont'd)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (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)

Analysis of financial instruments by remaining contractual maturities (cont'd)

The following financial liabilities of the Group and of the Company are subjected to liquidity risk (cont'd):-

	Carrying amount RM	Contractual cash flows RM	Maturity		
			Current Within 1 year RM	Non-current Between 2 to 5 years RM	More than 5 years RM
<b>Company</b>					
<b>2021</b>					
<u>Financial liabilities</u>					
Borrowings	190,580	190,580	190,580	-	-
Lease liabilities	8,728,540	11,005,912	1,002,528	3,900,174	6,103,210
Trade payables	2,094,997	2,094,997	2,094,997	-	-
Other payables	1,281,570	1,281,570	1,281,570	-	-
	<b>12,295,687</b>	<b>14,573,059</b>	<b>4,569,675</b>	<b>3,900,174</b>	<b>6,103,210</b>
<b>2020</b>					
<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	-	-
	<b>21,345,367</b>	<b>23,973,621</b>	<b>12,959,709</b>	<b>3,915,069</b>	<b>7,098,843</b>

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of the financial liabilities at the reporting date.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2021

### (cont'd)

## 28. FINANCIAL INSTRUMENTS (CONT'D)

### Financial risk management (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

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 currency giving rise to this risk is primarily 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:-

<b>Group and Company</b>	<b>Denominated in USD RM</b>
Other receivables	
- 2021	1,548,830
- 2020	1,466,700
	<hr/>
Other payables	
- 2021	68,267
- 2020	-
	<hr/>

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

<b>Group and Company</b>	<b>Increase/(Decrease) of equity/profit for the financial year</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<u>USD/RM:-</u>		
Strengthened 1% (2020: 1%)	14,806	14,667
Weakened 1% (2020: 1%)	(14,806)	(14,667)
	<hr/>	<hr/>

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

### - 30 SEPTEMBER 2021

### (cont'd)

#### 28. FINANCIAL INSTRUMENTS (CONT'D)

##### Financial risk management (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:-

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM</b>	<b>RM</b>
<b>Fixed rate instruments</b>		
<u>Financial asset</u>		
Fixed deposits with licensed banks	15,037,791	9,827,009
<u>Financial liabilities</u>		
Bankers' acceptance	(190,580)	(83,780)
Lease liabilities	(8,728,540)	(9,396,482)
Net financial asset	<u>6,118,671</u>	<u>346,747</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 2021

### (cont'd)

#### 29. 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:-

		2021 RM	2020 RM
Customer A	<b>Segment</b> Flour milling and trading	22,545,756	19,833,740

#### 30. 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.

#### 31. 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.

#### 32. 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 ratios 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 2021

### (cont'd)

#### 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD

##### Acquisition of subsidiaries

On 21 February 2021, a wholly-owned subsidiary of the Company, Lotus Plantation Sdn. Bhd. ("Lotus") had entered into Share Sale Agreements with shareholders of ASV Jaya Resources Sdn. Bhd. ("AJR"), Hijau Ria Solution Sdn. Bhd. ("HRS") and Sam Jaya Plantation Sdn. Bhd. ("SJP"), to acquire 2 ordinary shares, representing 100% of the total shares in AJR, HRS and SJP respectively for a total purchase consideration of RM3,743,565.

On 31 December 2021, Lotus had again entered into Share Sale Agreements with shareholders of Ladang Lojing Sdn. Bhd. ("LLSB") and Khas Jadi Sdn. Bhd. ("KJSB"), to acquire 1,000,000 and 200,000 ordinary shares each, representing 100% of the total shares in LLSB and KJSB respectively for a total purchase consideration of RM21,646,200.

The above acquisitions were completed on 11 October 2021 and 31 December 2021 respectively.

##### Proposed acquisitions of subsidiaries

During the financial year, Lotus had entered into Conditional Share Sale Agreements ("CSSA") with shareholders of several companies, in respect of proposed acquisitions of 100% of the total shares for a total purchase consideration of RM4,491,043. As at 30 September 2021, Lotus has paid RM449,104 as deposits for those proposed acquisitions.

As at the date of authorisation of the financial statements of the Group and of the Company, the acquisitions have yet to be completed.

##### Coronavirus Disease

Following from the development of the Coronavirus ("COVID-19") outbreak which was declared by the World Health Organisation as a global pandemic in March 2020, the Malaysian Government imposed various levels of Movement Control Order ("MCO") as precautionary measures to curb the spread of COVID-19 outbreak in Malaysia. Due to the increase in cases in the country, the Government again imposed MCO with effect from 1 June 2021 followed by a four-phase National Recovery Plan with specific threshold indications to decide the classification of different states into different phases.

The unprecedented COVID-19 measures undertaken by the authorities resulted in stringent travel restrictions, nationwide lockdown, and drastic in business activities which has brought significant economic uncertainties in Malaysia.

The Group and the Company are significantly impacted by the COVID-19. As such, the Group and the Company have implemented several measures to weather through this current challenging time. The following measure had been taken, with further additional efforts to be taken:

##### *Operations*

The Group and the Company are mainly dealing in flour milling and trading of its related products, which was allowed to operate throughout the MCO/Conditional MCO ("CMCO")/Full MCO ("FMCO"), with proper Standard Operating Procedures put in place. The relevant financial impact due to MCO/CMCO/FMCO has been taken into account in the financial results of the Group and of the Company.

## Notes to the Financial Statements - 30 SEPTEMBER 2021 (cont'd)

### 33. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE REPORTING PERIOD (CONT'D)

#### Coronavirus Disease (cont'd)

The restrictions imposed have not, however, negatively impacted the Group's and the Company's financial performance as the Group and the Company were allowed to operate throughout the MCO/CMCO/FMCO, under guidelines set by the National Security Council, Ministry of Health and Ministry of International Trade and Industry respectively.

As at the date of authorisation of the financial statements, the scale and duration of the economic uncertainties arising from the COVID-19 pandemic, could not be reasonably estimated. The Group and the Company are closely monitoring the evolving situation of the COVID-19 pandemic and its related financial effects, if any, on the financial statements of the Group and of the Company will be reflected in the financial statements for the financial year ending 30 September 2022.



# ANALYSIS OF SHAREHOLDINGS

AS AT 31 December 2021

Total number of Issued Shares : 1,018,974,904 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	87	2.14	1,860	0
100 – 1,000	927	22.83	830,183	0.08
1,001 – 10,000	1,665	40.99	8,297,224	0.81
10,001 – 100,000	1,070	26.35	42,134,216	4.14
100,001 and above	306	7.54	665,759,421	65.34
Directors' Holdings	6	0.15	301,952,000	29.63
<b>Total</b>	<b>4,061</b>	<b>100.00</b>	<b>1,018,974,904</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 31 DECEMBER 2021

(As per the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	No. of Ordinary Shares		%
		%	Indirect Interest	
Lotus Essential Sdn Bhd	300,000,000	29.44	–	–
Datuk Wong Sak Kuan	200,740,000	19.70	300,000,000 <sup>(a)</sup>	29.44
Yau Ming Teck	58,500,000	5.74	–	–
CWL Ventures Sdn. Bhd.	58,136,000	5.71	–	–
Chia Weng Lock	8,330,000	0.82	58,136,000 <sup>(b)</sup>	5.71

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 2021 (cont'd)

### DIRECTOR'S INTEREST AS AT 31 DECEMBER 2021

(As per the Register of Directors' Shareholdings)

Name of Directors	Direct Interest	No. of Ordinary Shares		%
		%	Indirect Interest	
Datuk Wong Sak Kuan	200,740,000	19.70	300,000,000 <sup>(a)</sup>	29.44
Yau Ming Teck	58,500,000	5.74	–	–
Lee Wai Fun	33,912,000	3.33	–	–
Chia Weng Lock	8,330,000	0.82	58,136,000 <sup>(b)</sup>	5.71
Mohd Rasli Bin Muda	470,000	0.05	–	–
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.

### 30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 DECEMBER 2021

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

No.	Name	No. of Shares Held	%
1.	LOTUS ESSENTIAL SDN BHD	260,000,000	25.52
2.	DATUK WONG SAK KUAN	190,740,000	18.72
3.	YAU MING TECK	58,500,000	5.74
4.	CWL VENTURES SDN. BHD.	58,136,000	5.71
5.	LIM CHIUN CHEONG	44,610,520	4.38
6.	KAF TRUSTEE BERHAD - LOTUS ESSENTIAL SDN BHD	40,000,000	3.93
7.	LEE WAI FUN	33,912,000	3.33
8.	WONG PENG KHOON	17,395,120	1.71
9.	WONG ONN ONN	12,323,900	1.21
10.	WONG MING MING	10,763,900	1.06
11.	RHB NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WONG SAK KUAN	10,000,000	0.98
12.	CHAN PECK YIN	8,805,580	0.86
13.	CHIA WENG LOCK	8,330,000	0.82
14.	CHONG FONG TAI	8,100,000	0.79
15.	TEO SOON KEE	8,000,000	0.79
16.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR TAN KUAN TECK	7,613,500	0.75
17.	YAU CHI HANG	7,582,030	0.74
18.	LEE CHENG CHENG	7,500,000	0.74
19.	TOH YAN TAI	7,140,400	0.70
20.	AUGUSTINE KOK HWAI NAM	7,000,000	0.69

## Analysis of Shareholdings as at 31 December 2021 (cont'd)

### 30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 31 DECEMBER 2021 (CONT'D)

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

No.	Name	No. of Shares Held	%
21.	TOH WAH CHONG	5,461,500	0.54
22.	WONG HUEY PING	5,400,000	0.53
23.	EBS TECH.SDN.BHD.	5,000,000	0.49
24.	WONG KOON WAI	4,644,170	0.46
25.	NEO KIM HOCK	4,471,700	0.44
26.	HOO YEEK FOO	4,437,200	0.44
27.	SIM SOH POW	4,320,000	0.42
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR SHORAKA CAPGROUP SDN BHD	4,000,000	0.39
29.	TEOH HOOI LEE	3,800,000	0.37
30.	LEE WAI FONG	3,338,000	0.33

# ANALYSIS OF WARRANT HOLDINGS

## AS AT 31 December 2021

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	446	0
100 - 1,000	15	8,200	0
1,001 - 10,000	144	830,740	0.31
10,001 - 100,000	232	10,283,650	3.84
100,001 and above	116	127,390,324	47.57
Directors’ Holdings	5	129,295,000	48.28
<b>Total</b>	<b>524</b>	<b>267,808,360</b>	<b>100.00</b>

### DIRECTORS’ WARRANT HOLDINGS AS AT 31 DECEMBER 2021

(As per the Register of Directors’ Warrant Holdings)

Name of Director	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
Datuk Wong Sak Kuan	86,725,000	32.38	–	–
Yau Ming Teck	21,750,000	8.12	–	–
Lee Wai Fun	16,820,000	6.28	–	–
Chia Weng Lock	4,000,000	1.49	24,015,000 <sup>(a)</sup>	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 2021 (cont'd)

### THIRTY LARGEST WARRANT HOLDERS AS AT 31 DECEMBER 2021

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

No.	Name	No. of Warrants Held	%
1.	DATUK WONG SAK KUAN	66,725,000	24.92
2.	CWL VENTURES SDN. BHD.	24,015,000	8.97
3.	YAU MING TECK	21,750,000	8.12
4.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR WONG SAK KUAN (7000571)	20,000,000	7.47
5.	LIM CHIUN CHEONG	17,861,960	6.67
6.	LEE WAI FUN	16,820,000	6.28
7.	WONG PENG KHOON	7,482,160	2.79
8.	TOH WAH CHONG	6,029,400	2.25
9.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD - LIM WILLIE	4,745,100	1.77
10.	CHONG FONG TAI	4,308,000	1.61
11.	WONG HUEY PING	4,200,001	1.57
12.	CHIA WENG LOCK	4,000,000	1.49
13.	YAU CHI HANG	3,845,210	1.44
14.	TOH YAN TAI	3,512,400	1.31
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR LIM HUNG THIAM (7000997)	3,282,000	1.23
16.	TEO SOON KEE	3,000,000	1.12
17.	LEE CHENG CHENG	1,981,500	0.74
18.	WONG SWEE YIN	1,915,100	0.72
19.	YEONG KOW CHAI @ YONG KOK SHIANG	1,463,000	0.55
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD - PLEDGED SECURITIES ACCOUNT FOR HOO YEEK FOO	1,450,000	0.54
21.	WONG KOON WAI	1,322,090	0.49
22.	CIMSEC NOMINEES (TEMPATAN) SDN BHD - CIMB FOR BEH CHERN WEI (MA CHENGWEI) (PB)	1,300,000	0.49
23.	KOH KIM HEOK	1,225,000	0.46
24.	WONG TIN WOOL	1,180,001	0.44
25.	LING YOKE HOOI	1,088,700	0.41
26.	WOO WAI ONN @ FOO WAI ONN	1,084,000	0.40
27.	LAI CHEAN WEI	1,010,500	0.38
28.	KWONG SIEW TOON	920,000	0.34
29.	WONG KWEE FONG	906,800	0.34
30.	TEOH LAI CHOY	794,500	0.30



## LIST OF PROPERTIES HELD BY THE GROUP AS AT 30 SEPTEMBER 2021

A summary of LKFM-owned properties is set out as below:

Location	Tenure	Date of Acquisition/Date of Revaluation	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	36 years and 29 years	4,642
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	19 years	333

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty-Seventh Annual General Meeting (“37th AGM” or “Meeting”) 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 Tuesday, 22 March 2022 at 3:00 p.m. or at 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 2021 together with the Reports of the Directors and Auditors thereon.   | <b>PLEASE REFER TO<br/>EXPLANATORY NOTE 1</b> |
| 2. To approve the payment of Directors’ fees and benefits of up to RM330,000 for the period commencing from the date immediately after this 37th AGM until the next Annual General Meeting of the Company. | <b>ORDINARY RESOLUTION 1</b>                  |
| 3. To re-elect the following Directors who retire by rotation pursuant to Clause 85 of the Company’s Constitution:   |   |
| i. Ms. Lee Wai Fun   | <b>ORDINARY RESOLUTION 2</b>                  |
| ii. Mr. Yau Ming Teck  | <b>ORDINARY RESOLUTION 3</b>                  |
| 4. 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.                  | <b>ORDINARY RESOLUTION 4</b>                  |

### As Special Business:

To consider and if thought fit, pass with or without any modifications, the following resolutions:

- |  |                              |
|--|------------------------------|
| 5. <b>GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016</b> | <b>ORDINARY RESOLUTION 5</b> |
|--|------------------------------|

“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)

### 6. **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 6**

"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 27 January 2022 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."

## Notice of Annual General Meeting (cont'd)

### 7. 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.”

8. 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

27 January 2022

#### 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 office 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.

## Notice of Annual General Meeting (cont'd)

### Notes: (cont'd)

- 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 14 March 2022. Only members whose name appears in the Record of Depositors as at 14 March 2022 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 Notes on the registration process for the Meeting.
- x. Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 37th AGM at short notice. Kindly check Bursa Securities' website and the Company's website at <https://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 – Audited Financial Statements for the financial year ended 30 September 2021

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require the formal approval of members for the Audited Financial Statements. Hence, Agenda No. 1 will not be put forward for voting.

#### 2. Item 2 of the Agenda - Directors' Fees and Benefits

The estimated Directors' fees and benefits are calculated based on the current Board size and the number of scheduled Board and Committee meetings to be held. This resolution is to facilitate payment of Directors' fees and benefits for the period commencing from the date immediately after this 37th AGM until the date of the next AGM to be held in the year 2023. 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.

#### 3. Item 5 of the Agenda - General Authority for the Directors to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016

The Company had at its Thirty-Sixth AGM held on 22 March 2021 ("36th AGM"), 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 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 will expire at the conclusion of this 37th AGM.

As at the date of this Notice, no new shares in the Company were issued and allotted pursuant to the 20% General Mandate granted to the Directors at the 36th AGM which will lapse at the conclusion of this 37th AGM.

This Ordinary Resolution 5 proposed under item 5 of the Agenda, is to seek the 20% General Mandate to empower the Directors of the Company pursuant to Sections 75 and 76 of the Act. This 20% General Mandate may be utilised by the Company to issue and allot new ordinary shares **until 31 December 2022** and thereafter, unless extended by Bursa Securities, the 10% limit under Paragraph 6.03(1) of the Listing Requirements of Bursa Securities will be reinstated. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.



## Notice of Annual General Meeting (cont'd)

### EXPLANATORY NOTES TO ORDINARY AND SPECIAL BUSINESS (CONT'D)

#### 3. **Item 5 of the Agenda - General Authority for the Directors to Allot and Issue Shares pursuant to Sections 75 and 76 of the Companies Act 2016 (cont'd)**

In view of the challenging time due to the COVID-19 pandemic, Bursa Securities had on 16 April 2020 introduced this 20% General Mandate and on 23 December 2021, further extended the implementation and utilisation of this 20% General Mandate to 31 December 2022 to allow a listed issuer to seek a higher general mandate under Rule 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 the issue of new securities.

#### **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 the COVID-19 pandemic, 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.

#### 4. **Item 6 of the Agenda – Proposed Renewal of Shareholders' Mandate**

The Ordinary Resolution 6 proposed under Item 6 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 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 27 January 2022 for further information.

#### 5. **Item 7 of the Agenda - Proposed Amendments to the Constitution of the Company**

The Special Resolution proposed under item 7 of the Agenda in relation to the proposed amendments to the existing Constitution of the Company are mainly to enhance administrative efficiency.

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 7 of the Notice of Thirty-Seventh Annual General Meeting of the Company dated 27 January 2022.

Clause No.	Existing Clause	Proposed Clause
<p>61.</p> <p>Meetings of members at two or more venues</p>	<p>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.</p>	<p>(a) 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.</p> <p>(b) <b>For a hybrid general meeting</b>, 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.</p> <p>(c) For a fully virtual general meeting, the broadcast venue <b>or the online meeting platform which located in Malaysia</b> shall be <b>recognised as</b> 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.</p> <p>(d) <b>For a fully virtual general meeting, the main venue of the meeting shall be the broadcast venue which shall be located in Malaysia and the Chairman shall be present at the broadcast venue of the meeting; or the Uniform Resource Locator (“URL”) address of the online meeting platform or the physical address of the Registrant shall be in Malaysia and the chairman who is present virtually at the meeting shall be deemed to be present at the main venue of the meeting.</b></p>

## Appendix A (cont'd)

Clause No.	Existing Clause	Proposed Clause
107 (b) Meeting of Directors	A member of the Board may participate in a meeting of the Board by means of a telephone conference or any other audio, or audio visual, communication means which allows all persons participating in the meeting to hear and speak with each other and such Director shall be regarded for all purposes as personally attending such a meeting and shall be counted in a quorum and be entitled to vote on the resolution tabled at a meeting of the Board.	<b>The meeting of the Directors may be held by fully virtual or hybrid at more than one venue using any technology or method. A member of the Board or any invitees may participate in the meeting by means of a telephone conference, or any other audio, or audio visual, or communication means which allows all persons participating in the meeting to hear and speak with each other and such Director or person shall be regarded for all purposes as personally attended such a meeting and such Director shall be counted in a quorum and be entitled to vote on the resolutions tabled at the meeting.</b>
107 (c) Meeting of Directors	Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Directors attending the meeting PROVIDED that at least one (1) of the Directors present at the meeting was at such place for the duration of that meeting.	<b>-Deleted-</b>
123(a) Participation at Committee Meeting by way of telephone and video conference	Notwithstanding any provisions to the contrary contained in this Constitution, any member of a committee may participate at a committee meeting by means of a telephone conference or any other audio, or audio visual, communication means which allows all persons participating in the meeting to hear and speak with each other and such committee member shall be regarded for all purposes as personally attending such a meeting and shall be counted in a quorum and be entitled to vote on the resolution tabled at a meeting of the committee.	<b>Notwithstanding any provisions to the contrary contained in this Constitution, the committee meetings may be held by fully virtual or hybrid at more than one venue using any technology or method. A committee member or any invitees may participate in the meeting by means of a telephone conference or any other audio, or audio visual, or communication means which allows all persons participating in the meeting to hear and speak with each other and such committee member or person shall be regarded for all purposes as personally attended such a meeting and such committee member shall be counted in a quorum and be entitled to vote on the resolutions tabled at the committee meeting.</b>

## Appendix A (cont'd)

Clause No.	Existing Clause	Proposed Clause
<p>123(b)</p> <p>Participation at Committee Meeting by way of telephone and video conference</p>	<p>Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the committee members attending the meeting PROVIDED that at least one (1) of the members present at the meeting was at such place for the duration of that meeting.</p>	<p>- Deleted -</p>
<p>135(a)</p> <p>Preparation, circulation <b>and publication</b> of audited financial statements and reports of directors and auditors thereon</p>	<p>The Directors shall cause to be prepared, sent to every Member and laid before the Company in its annual general meeting, the audited financial statements and the reports of directors and auditors thereon in accordance to the Act. The interval between the close of a financial year of the Company and the issue of such reports shall not exceed four (4) months or such other period as may be allowed by the Act and/or the provisions in the Listing Requirements.</p>	<p>The Directors shall cause to be prepared <b>and circulated</b>, to every Member and laid before the Company in its annual general meeting, the audited financial statements and the reports of directors and auditors thereon in accordance to the Act. The interval between the close of a financial year of the Company and the issue of such reports shall not exceed four (4) months or such other period as may be allowed by the Act and/or the provisions in the Listing Requirements.</p>
<p>135(b)</p> <p>Preparation, circulation <b>and publication</b> of audited financial statements and reports of directors and auditors thereon</p>	<p>A copy of each the audited financial statements and reports of directors and auditors thereon in printed form or in CD-ROM form or in such other form of electronic media or means or any combination thereof as permitted under the Act and the Listing Requirements, shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed by all Members entitled to attend and vote at the meeting), be sent to every Member of, and to every holder of debentures of the Company, the auditors of the Company and every person who is entitled to receive notices of general meeting under the provision of the Act or of this Constitution, provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware (or to the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise) and which does not appear on the Record of Depositors or the Register as the case may be, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.</p>	<p>A copy of each the audited financial statements and reports of directors and auditors thereon in printed form or in CD-ROM form or in such other form of electronic media or means or any combination thereof as permitted under the Act and the Listing Requirements, shall not less than twenty-one (21) days before the date of the meeting (or such shorter period as may be agreed by all Members entitled to attend and vote at the meeting), be sent <b>or circulated</b> to every Member of <b>the Company</b>, and to every holder of debentures of the Company, the auditors of the Company and every person who is entitled to receive notices of general meeting under the provision of the Act or of this Constitution, provided that this Clause shall not require a copy of these documents to be sent to any person of whose address the Company is not aware (or to the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise) and which does not appear on the Record of Depositors or the Register as the case may be, but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy, free of charge on application at the Office.</p>

# ADMINISTRATIVE NOTES

## ADMINISTRATIVE NOTES FOR THE THIRTY-SEVENTH ANNUAL GENERAL MEETING OF LOTUS KFM BERHAD (“LOTUS” OR “COMPANY”) (“37TH AGM” OR “MEETING”)

Date	Time	Venue
22 March 2022	3:00 p.m.	Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya

In the interest of public health including the well-being of our members, members must cooperate with the following precautionary measures put in place by our Company should our members or proxies wish to attend the Meeting in person. Your safety and health are our 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 [connie.ng@lotuskfm.com.my](mailto:connie.ng@lotuskfm.com.my):-
- i) Full name;
  - ii) Identity Card or Passport Number;
  - iii) Contact number (optional – for better co-ordination); and
  - iv) CDS account number

The date of Record of Depositors for the 37th AGM is 14 March 2022. As such, only members whose names appear in the Company’s Record of Depositors as at 14 March 2022 shall be entitled to attend the 37th 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 Meeting venue. A member or proxy who has a 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 instructions.
- (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.
- (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 a delay in the registration process.
- (g) **NO door gift** will be provided to the members/proxies at the Meeting venue 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.



## Administrative Notes (cont'd)

### ADMINISTRATIVE NOTES FOR THE THIRTY-SEVENTH ANNUAL GENERAL MEETING OF LOTUS KFM BERHAD (“LOTUS” OR “COMPANY”) (“37TH AGM” OR “MEETING”) (CONT'D)

(i) **Recording/Photography**

By participating in this 37th AGM, you agree that no part of the Meeting 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, electronic, photocopying, recording or otherwise without the prior written consent of the Company. The Company reserves the right to take appropriate legal actions against anyone who violates this rule.

Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the 37th AGM at short notice. Kindly check Bursa Malaysia Securities Berhad’s website and Company’s website at <http://www.kfmb.com.my/> for the latest updates on the status of the Meeting.

#### ENQUIRY

If you have any enquiry regarding the 37th AGM, please contact the following persons during office hours from 9.00 a.m. to 5.30 p.m. on Monday to Friday (except public holidays) prior to the Meeting: -

For Registration matters:	For Proxy Form matters:
Name: Ms. Connie Telephone No.: +603-8959 4883 Email: <a href="mailto:connie.ng@lotuskfm.com.my">connie.ng@lotuskfm.com.my</a>	Name: Ms. Lily Telephone No.: +603 2084 9000 Email: <a href="mailto:Lily@sshbsb.com.my">Lily@sshbsb.com.my</a>

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# LOTUS KFM BERHAD

198401007083 (119598-P)  
(Incorporated in Malaysia)

## PROXY FORM

CDS Account No.	No. of Shares Held

I/We \* \_\_\_\_\_ NRIC/Passport/Registration No.\* \_\_\_\_\_  
(full name in capital letters)

of \_\_\_\_\_  
(full address)

with email address \_\_\_\_\_ mobile phone no. \_\_\_\_\_

being a member/members\* of **LOTUS KFM BERHAD** ("the Company") hereby appoint(s):-

Full Name (in capital letters)	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Full Address (in capital letters)			
Contact No.:			
Email Address:			

and\*

Full Name (in capital letters)	NRIC/Passport No.:	Proportion of Shareholdings	
		No. of Shares	%
Full Address (in capital letters)			
Contact No.:			
Email Address:			

or failing him/her\*, the Chairman of the Meeting as my/our\* proxy/proxies\* to vote for me/us\* on my/our\* behalf at the Thirty-Seventh Annual General Meeting ("37th AGM" or "Meeting") of the Company to be held at Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya on Tuesday, 22 March 2022 at 3:00 p.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 Resolutions	For	Against
1.	To approve the payment of Directors' fees and benefits of up to RM330,000 for the period commencing from the date immediately after this 37th AGM until the next Annual General Meeting of the Company.		
2.	To re-elect Ms. Lee Wai Fun as Director.		
3.	To re-elect Mr. Yau Ming Teck as Director.		
4.	To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company.		
5.	To approve the general authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
6.	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 \_\_\_\_\_ 2022

\_\_\_\_\_  
Signature/ Common Seal of Member(s)



*Fold this flap for sealing*

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**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 office 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 14 March 2022. Only members whose name appears in the Record of Depositors as at 14 March 2022 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 Notes on the registration process for the Meeting.
- x. Given the constantly evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of our 37th AGM at short notice. Kindly check Bursa Securities' website and the Company's website at <https://www.kfmb.com.my/> for the latest updates on the status of the Meeting.

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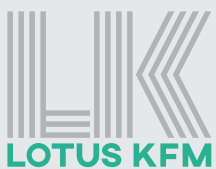
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AFFIX  
POSTAGE  
STAMP

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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**LOTUS KFM BERHAD**

Registration No. 198401007083 (119598-P)

ANNUAL REPORT 2021