

**LOTUS KFM BERHAD**  
Registration No. 198401007083(119598-P)



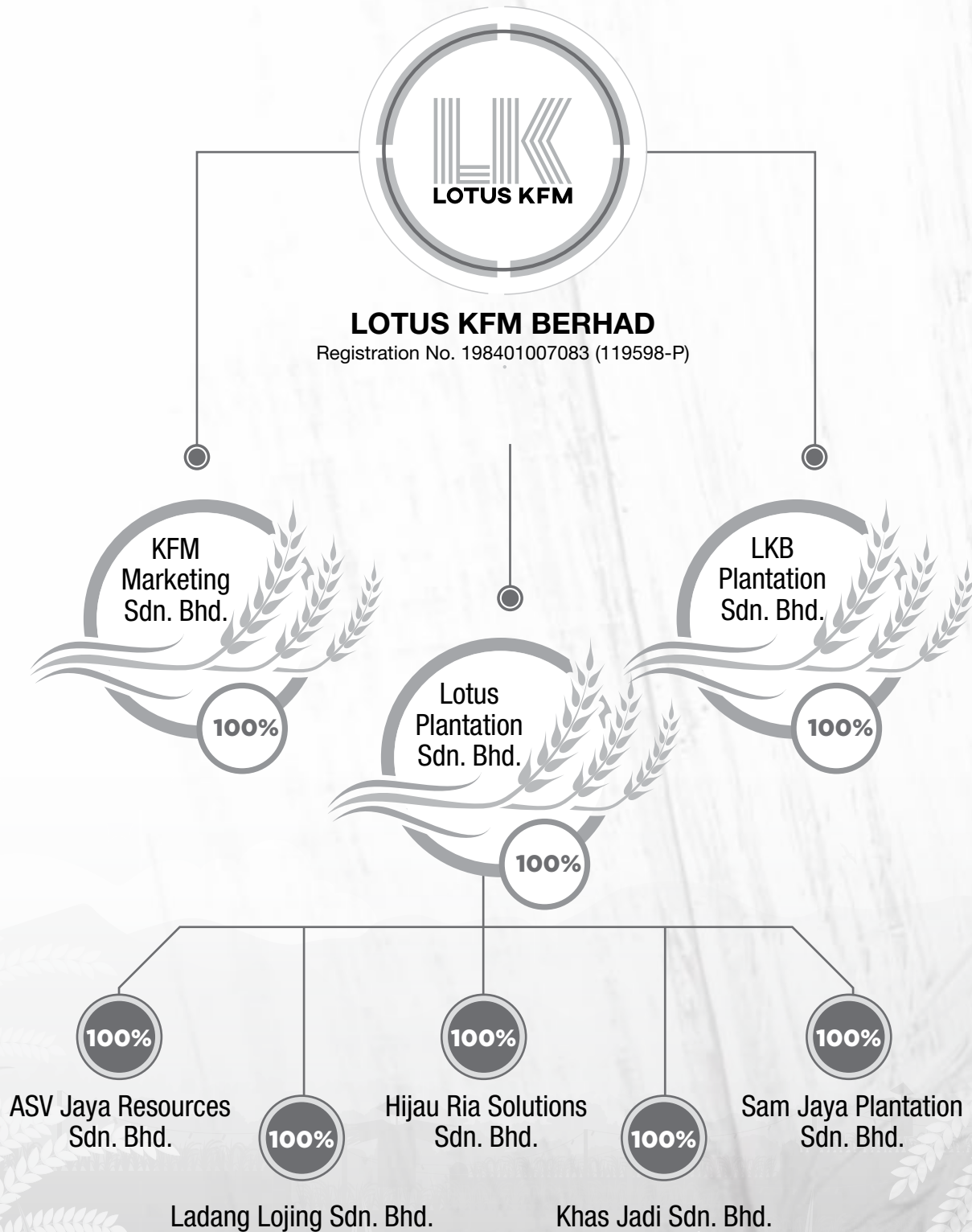
# **ANNUAL REPORT 2022**

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## CORPORATE STRUCTURE





# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**MOHD RASLI BIN MUDA**

Independent Non-Executive Chairman

**LEE WAI FUN**

Executive Director cum Chief Executive Officer

**LOW KOON MIN**

Independent Non-Executive Director

**YAP EE SEONG**

Independent Non-Executive Director

**LIM LIAN CHEE**

Executive Director

**DATUK WONG SAK KUAN**

Non-Independent Non-Executive Director / Vice Chairman

**YAU MING TECK**

Non-Independent Non-Executive Director

**CHIA WENG LOCK**

Non-Independent Non-Executive Director

**WONG YAU MIN**

Non-Independent Non-Executive Director

**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 &amp; 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 &amp; 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

AmBank (Malaysia) Berhad

OCBC Bank (Malaysia) Berhad

RHB Bank Berhad

United Overseas Bank (Malaysia) Berhad

**SHARE  
REGISTRAR**

Securities Services (Holdings) Sdn. Bhd.

Level 7, Menara Milenium

Jalan Damanlela

Pusat Bandar Damansara

Damansara Heights

50490 Kuala Lumpur

Tel : +603-2084 9000

Fax : +603-2094 9940 / +603-2095 0292

**AUDITORS**

Grant Thornton Malaysia PLT

(201906003682 &amp; LLP0022494-LCA)

Chartered Accountants

(AF 0737)

**SOLICITOR**

H.Y. LEE &amp; Co.

54 (1st Floor),

Jalan Raja Haroun

43000 Kajang

Selangor Darul Ehsan

**STOCK  
EXCHANGE  
LISTING**

Main Market of the Bursa Malaysia

Securities Berhad

Stock Name : LOTUS

Stock Code : 8303

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF BUSINESS AND OPERATIONS

Our holding company, Lotus KFM Berhad ("LKFM" or "the Company") 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 paragraph 2.1 of Practice Note 17 ("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.

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 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. During this financial year 2022 ("FYE 2022"), a proposed diversification allows the Group to enter into forest plantation industry in Malaysia and the Plantation Business is expected to provide a new source of recurring income stream for the Group to mitigate the risk of overdependence on its existing business.

As part of the diversification plan, the Group have acquired three subsidiaries in 100% of the total issued shares, being ASV Jaya Resources Sdn. Bhd., Sam Jaya Plantation Sdn. Bhd. and Hijau Ria Solution Sdn. Bhd. on 11 October 2021. Their business included to plant, grow cultivate, produce and raise forest plantations of all kinds or varieties of forest plants, tree and crops nature product, wholesale of lumber and timber. On 31 December 2022, the Group had again acquired another two subsidiaries, Khas Jadi Sdn. Bhd. and Ladang Lojing Sdn. Bhd. in 100% of total shares.

The Board believes that the future revenue contribution from the existing and new subsidiaries will positively contribute to the Group's earnings.

A full description of the Group's integrated business model, financial outcomes, information on the subsidiaries can be found in our Annual Report 2022.

## CORPORATE DEVELOPMENTS

Details of the regularisation plan can be obtained from the Company's 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:-

	2022 RM'000	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Revenue	66,079	51,762	55,098	57,893	39,007	7,521
Operating profit/(loss)	3,075	2,475	9,741	(3,962)	(2,905)	(12,259)
Profit/(Loss) before tax	3,188	2,831	10,060	(3,962)	(2,905)	(12,260)
Profit/(Loss) after tax and minority Interests	3,055	2,661	9,927	(3,962)	(2,903)	(12,260)
Shareholders' funds	76,118	73,062	55,765	(29,931)	(25,972)	(23,068)
Net tangible assets	76,118	73,062	55,765	(29,931)	(25,972)	(23,068)
Tangible assets	88,397	86,922	80,156	36,338	15,608	15,244
Basic earnings/(loss) per share (sen)	0.30	0.34	1.64	(5.81)	(4.25)	(17.97)
Net assets per share (sen)	7.47	7.17	7.76	(43.87)	(38.06)	(33.81)

The Group recorded consolidated revenue of RM66.079 million, represented increase of 27.66% over the prior financial year amount of RM51.762 million.

The Group now records a gross profit of RM4.171 million (FYE 2021: RM4.285 million). As compared with the prior year, the Group's gross profit has been decreased by 2.66% and gross profit margin of 6.31% (FYE 2021: 8.28%). The Group's inventories level for the current FYE 2022 had decrease significantly by 67.09% to RM1.480 million (FYE 2021: RM4.497 million). This because LKFM is trying to maintain a lower inventory level to minimize the holding cost and carrying cost. Furthermore, it can also reduce the risk of slow-moving stock.

The trade receivables had increased to RM7.725 million at the FYE 2022 compare to prior financial year (FYE 2021: RM5.940 million). It had increased 30.05% compare to prior financial year. The increase in trade receivables was due to higher sales generated towards the end of FYE2022 resulting in the corresponding increase in trade receivables.

Other receivables have decrease 30.67% to RM10.609 million (FYE 2021: RM15.302 million). This is mainly due to deposits paid in acquiring companies, which are the subsidiaries include the context of the annual report. The acquisition is part of the Group's plans 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 placed with financial institution decreased by 46.93%, to RM 20.945 million when compared to the prior financial year (FYE 2021: RM39.467 million).

The Group maintained gearing as at end of the current financial year, the Debt-to-Equity ratio is 0.11 (FYE 2021: 0.12).

For the payables side, it has decreased significantly to RM2.149 million with a decrease of 36.66% (FYE 2021: RM3.393 million). The reason of such a substantial decrease was because the debts that have been settled by the Group and the Company.

For the FYE 2022, the Group had recorded with surplus net operating cashflow of RM11.853 million (FYE 2021: deficit net operating cashflow RM4.825 million).

## Management Discussion and Analysis (cont'd)

### ANTICIPATED BUSINESS RISKS

The business risks faced by the Group included 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.

#### c. Movements of currency exchange rates

As LKFM's main raw materials such as wheat and tapioca are fully imported from overseas markets and it is traded in United States Dollar ("USD"). However, Malaysia Ringgit (MYR) seem to be on a weakening trend against USD, despite surging raw materials cost. Fluctuations in USD/RM rates will greatly impacted on its raw material costs and hence affected the Group financial performance. However, during the current financial year, the Group has purchased the aforesaid raw materials locally from its business collaboration partner, Lotus Essential Sdn. Bhd. ("LOTUS"). Hence, the aforesaid currency risk is protected.



## Management Discussion and Analysis (cont'd)

### ANTICIPATED BUSINESS RISKS (CONT'D)

#### d. 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 macroeconomies 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 may bring about unfavorable future prospects of the business such as the war between Ukraine and Russia and the wheat export had banned by the Indian Government during second quarter of the current financial year. The Group may take a prudent approach to manage these risks internally in the event it arises, however, these risks are still 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.

Further, we would like to take this opportunity to welcome our new board members, Mr. Wong Yau Min and Mr. Lim Lian Chee. Both of them joined the board on 30 September 2022 and 3 October 2022 respectively. With their expertise and experience, we believed the Group will achieve a better and greater performance in future.



## BOARD OF DIRECTORS' PROFILE

### **Mohd Rasli bin Muda (“En. Rasli”)**

*Independent Non-Executive Chairman*

**Nationality** : Malaysian  
**Gender** : Male  
**Age** : 61

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 2022 (“FYE 2022”).

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

### **Datuk Wong Sak Kuan (“Datuk Wong”)**

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

Nationality	: Malaysian
Gender	: Male
Age	: 54

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 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 2022.

Datuk Wong is the father of Mr. Wong Yau Min, the Non-Independent Non-Executive Director of the Company.



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

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

*Executive Director cum Chief Executive Officer*

**Nationality** : Malaysian  
**Gender** : Female  
**Age** : 52

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 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 2022.

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

### **Low Koon Min (“Ms. Low”)**

*Independent Non-Executive Director*

<b>Nationality</b>	<b>: Malaysian</b>
<b>Gender</b>	<b>: Female</b>
<b>Age</b>	<b>: 51</b>

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 at Mitsumi Electric Sdn. Bhd., a subsidiary of Mistsumi 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 on 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 2022.



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

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

*Non-Independent Non-Executive Director*

**Nationality** : Malaysian  
**Gender** : Male  
**Age** : 51

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 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 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 a focus on 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 on the Main Market and ACE Market of Bursa Securities respectively. He also serves as a director in several private limited companies.

He attended three (3) out of four (4) Board meetings held during the FYE 2022.

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

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

*Non-Independent Non-Executive Director*

Nationality	: Malaysian
Gender	: Male
Age	: 59

Mr. Chia was appointed to the Board on 30 April 2020 as an Executive Vice President and re-designated as the Non-Independent Non-Executive Director on 1 November 2022.

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 in 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 2022.



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

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

*Independent Non-Executive Director*

**Nationality** : Malaysian  
**Gender** : Male  
**Age** : 55

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.

Mr. Yap currently sits in the Board of Scope Industries Berhad.

He attended all four (4) Board meetings held during the FYE 2022.

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

### **Wong Yau Min (“Mr. Wong”)**

*Non-Independent Non-Executive Director*

Nationality	: Malaysian
Gender	: Male
Age	: 30

Mr. Wong was appointed to the Board on 30 September 2022 as a Non-Independent Non-Executive Director.

Mr. Wong pursued his tertiary studies at Curtin University in Perth, Australia beginning with an Advance Diploma in Civil Engineering and graduating with a Bachelor degree in Applied Science (Construction Management) in 2019.

Mr. Wong developed his interests and knowledge in the buildings and construction field by helping in the family's construction business i.e., Sing Foong Niap Engineering Sdn Bhd (“Sing Foong Niap”). Upon graduation in 2020, he joined Sing Foong Niap as the Project Engineer and later was promoted to Operations Manager in 2022.

He currently oversees a multi-million project for the construction of the largest paper mill factory in Malaysia with a land size area of 300 acres located in Banting. On 23 June 2021, he was appointed as a Director of LE Plantation Sdn Bhd (“LEP”), overseeing plantation projects in Perak and Kelantan and he is also a shareholder of LEP.

Mr. Wong is the son of Datuk Wong Sak Kuan, a Non-Independent Non-Executive Director/ Vice Chairman and major shareholder of the Company.

Mr. Wong was appointed on 30 September 2022, hence he did not attend any Board Meetings held during the FYE 2022.



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

### **Lim Lian Chee ("Mr. Lim")**

*Executive Director*

**Nationality** : Malaysian  
**Gender** : Male  
**Age** : 61

Mr. Lim was appointed to the Board on 3 October 2022 as an Executive Director.

Mr. Lim holds a Master in Business Administration and Graduate Diploma in Management from University of Southern Queensland.

He has more than 39 years of banking experience with OCBC Bank Berhad ("OCBC Bank") and held several senior positions with responsibilities for strategy, execution and performance. He Joined OCBC Bank in 1983, served in various capacities, including as Regional Manager, Head of Business Banking, Head of Consumer Banking, Head of Credit & Senior Manager for many branches. Mr. Lim had retired from OCBC Bank in September 2022 from the position of Managing Director for Commercial Banking in charge of Southern Region2 & East Coast.

Mr. Lim was appointed on 3 October 2022, hence he did not attend any Board Meetings held during the FYE 2022.

#### Notes:-

1. Save as disclosed above, none of the Directors have family relationship with other Directors and/or major shareholders of the Company.
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 2022, other than for traffic offences (if any).
4. Save as disclosed above, none of the Directors have any other directorship in public companies and listed issues.

## KEY MANAGEMENT'S PROFILE

### Wong Yu Perng

*Operation Manager*

Nationality : Malaysian  
Gender : Male  
Age : 29

Wong Yu Perng is the Operation Manager of the Company. 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. Subsequently, he was promoted to Technical Deputy General Manager in January 2022.

### Ng Yoke Yeun

*Accounts Manager*

Nationality : Malaysian  
Gender : Female  
Age : 36

Ng Yoke Yeun is the Accounts Manager of the Company. She obtained her Advanced Diploma in Financial Accounting in 2008 from Tunku Abdul Rahman College. She is a member of the Association of Chartered Certified Accountants ("ACCA") and Malaysia 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.

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#### 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 the Company except for the following: -
  - Mr. Wong Yu Perng is the son of Datuk Wong Sak Kuan, a Non-Independent Non-Executive Director / Vice Chairman 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 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 2022, other than traffic offence (if any).



# 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 emphasizes 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 the 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, help 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 with 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 increases and global climate change issues are 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.



## Sustainability Statement (cont'd)

### THE ENVIRONMENT (CONT'D)

The initiatives adopted by LKFM to achieve a balance among 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 of production waste from its process;
- To recycle used engine oil by disposing of 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 the workplace.

#### Responsible waste management and disposal

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

### THE WORKPLACE

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

LKFM acknowledges the importance of enabling and maintaining a conducive and inclusive work environment for its employees. Hence, employees of different 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 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.



## Sustainability Statement (cont'd)

### THE WORKPLACE (CONT'D)

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

#### 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 the 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 gear 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.

#### 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 international trade fairs/exhibitions to broaden the knowledge base and exposure of its employees to keep abreast of new developments in their respective fields of expertise; and
- New employees will participate in new employees' orientation as well as on-site visits 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 emphasized 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.

## Sustainability Statement (cont'd)

### THE COMMUNITY

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

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

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

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

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

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

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

#### 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' assessments 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 on 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 consistent 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 workshops for its staff in order to raise their awareness about practices of bribery and corruption in 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, meet the food and food ingredient industries' statutory and regulatory requirements.

### 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 in 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 practices 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 2022 (“FYE 2022”) 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 2022.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### PART I – BOARD RESPONSIBILITIES

#### 1.1 Board and Board Committee

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, and 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 acquisitions 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.

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 (“TOR”) as approved by the Board and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

#### 1.2 The Chairman

The Chairman of the Board, Tuan Mohd Rasli bin Muda, holds an Independent Non-Executive position and he is responsible for leading the Board to ensure its effectiveness and integrity and the entrenchment of good corporate governance practices within the Group.

## Corporate Governance Overview Statement (cont'd)

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

#### PART I – BOARD RESPONSIBILITIES (CONT'D)

##### 1.3 The Chairman and Chief Executive Officer (“CEO”)

The positions of the Chairman and CEO are held by two different individuals, and each has a clear accepted division of responsibilities to ensure there is a balance of power and authority to promote accountability.

The Chairman is responsible for instilling good corporate governance practices and leadership, and for ensuring Board effectiveness, while the CEO has overall responsibilities over the day-to-day management of the Group's business and implementation of the Board's policies and decisions. The Executive Director is also accountable to the Board for the overall organisation, management and staffing of the Company and/or the Group as well as the procedures in financial and other matters, including conduct and discipline.

##### 1.4 Qualified and Competent Company Secretary

The Board is supported by a qualified and competent Company Secretary who is a member of the Malaysian Association of Company Secretaries and she is holding a professional certificate as a qualified Company Secretary under the Malaysian Companies Act 2016. She possesses over 29 years of experience in corporate secretarial practices.

The Company Secretary attended the necessary training programmes, conferences or seminars organised by the relevant authorities and/or 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.

The Board acknowledges that the Company Secretary plays an important role and will ensure that the Company Secretary fulfils the functions for which she has been appointed.

During the FYE 2022, all Board and Board Committees meetings were properly convened, and accurate and proper records of the proceedings and resolutions passed were taken and maintained in the statutory records of the Company.

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

##### 1.5 Meeting of Board and Board Committees

To facilitate the Directors' time planning, the meetings calendar is prepared in advance of each new year by the Company Secretary. The meetings calendar provides the Directors with scheduled dates for meetings of the Board and Board Committees as well as the Annual General Meeting (“AGM”). The closed periods for dealings in securities by Directors and principal officers based on the scheduled dates of meetings for making announcements of the Company's quarterly results were also provided therein.

The Notice of meetings of the Board and Board Committees are sent to the Directors via email at least five (5) business days prior to the meetings. Meeting materials are also circulated to Directors at least five (5) working days in advance of the Board and Board Committee meetings to ensure they have been given sufficient time to prepare for the meetings. Management and other advisers are invited to attend the meetings to report and brief on their respective areas of responsibility, if required.



## Corporate Governance Overview Statement (cont'd)

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

#### PART I – BOARD RESPONSIBILITIES (CONT'D)

##### 1.5 Meeting of Board and Board Committees (cont'd)

The deliberations and decisions of matters discussed in the Board and Board Committees meetings are duly recorded in the minutes of meetings, including whether any Director abstains from voting or deliberating on a particular matter. The minutes of meetings are circulated to the respective Chairman of the Board and Board Committees in a timely manner for review before they are confirmed and adopted by members of the Board and Board Committee at their respective meetings. The Company Secretary also ensures that deliberations at Board and Board Committee meetings are well documented.

All the records of proceedings and resolutions passed are kept at the registered office of the Company.

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.

##### 1.6 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, and 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 and published on the Company's website at [www.kfmb.com.my](http://www.kfmb.com.my).

##### 1.7 Code of Conduct and Ethics

The Board has in place clear guidelines on business conduct and ethical behaviour for the Directors and employees in carrying out their duties. The Code of Conduct is published on the Company's website at [www.kfmb.com.my](http://www.kfmb.com.my) and has clearly stated the values and inspiring principles behind the achievement of its business objectives are of fundamental importance for the correct operation of its businesses.

##### 1.8 Whistleblowing Policy

The Board has adopted a whistleblowing policy setting out the appropriate communication and feedback channels to facilitate whistleblowing. The implementation of the whistleblowing policy is in line with the Companies Act 2016 and Section 17A of the MACC Act ("the Acts"), where provisions have been made to protect the officers who make disclosures on breach or non-observance of any requirement or provision of the Acts or on any serious offence involving fraud and dishonesty.



## Corporate Governance Overview Statement (cont'd)

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

#### PART I – BOARD RESPONSIBILITIES (CONT'D)

##### 1.9 Anti-Bribery and Corruption Policy

In line with the Malaysian Anti-Corruption Commission (Amendment) Act 2018 (“MACC Act 2018”), the Company has put in place an Anti-Bribery and Corruption Policy (“ABC Policy”) to encourage a culture of integrity and transparency in all of the Group’s activities. This policy which adheres to the MMLR of Bursa Securities and the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act 2018, generally set out the responsibilities of the Company, and all individuals who work for the Group, in observing and upholding the Group’s position on bribery and corruption and provides key anti-bribery and corruption principles that apply to all interactions with the Group’s customers, business partners, and other third parties, as well as guidelines for the prevention, management, and remediation of bribery and corruption related risks.

The ABC Policy will be reviewed at least once in every three (3) years and in accordance with the needs of the Company. The ABC Policy is available for viewing on the Company’s website at [www.kfmb.com.my](http://www.kfmb.com.my).

##### 1.10 Directors’ Fit and Proper Policy

In line with the new Paragraph 15.01A of the MMLR, the Board had on 27 May 2022 adopted the Directors’ Fit and Proper Policy which serves as a guide to the NC, RC and the Board in their review and assessment of the potential candidates for appointment to the Board of the Group as well as the retiring Directors who are seeking re-election at the annual general meeting.

The Directors’ Fit and Proper Policy shall be reviewed periodically by the Board and be revised at any time as it may deem necessary to ensure that they remain consistent with the Board’s objectives, current law and practices. The Directors’ Fit and Proper Policy is published on the Company’s website at [www.kfmb.com.my](http://www.kfmb.com.my).

The Board has also adopted the Nomination and Appointment of New Directors Process and Procedures to formalise the process for the nomination and appointment of a new Director to be undertaken by the NC and the Board in discharging their responsibilities in terms of the nomination and appointment of new Directors of the Group.

##### 1.11 Sustainability Governance

The Board believes that sustainable business practices are essential to the creation of long-term value and that running the business in a responsible manner is intrinsically tied to achieving operational excellence.

In terms of structural oversight over sustainability including strategies, priorities and targets, it is reposed at the Board level with Management being responsible for operational execution with respect to Environmental, Social and Governance factors as part of the Group’s corporate strategy.

As fiduciary to the Company’s shareholders, the Board is focused on maintaining exemplary corporate governance practices, which include a commitment to ethics, integrity and corporate responsibility. The Board also ensures the Company’s internal and external stakeholders are well informed on the sustainability strategies, priorities, targets as well as overall performance which the Sustainability Statement has provided a detailed articulation in this Annual Report.

The Board on 20 August 2021 reviewed, revised, and approved the relevant amendments by incorporating the assessment of the Board’s understanding of sustainability issues in the annual performance evaluation that are critical to the Company’s performance.

## Corporate Governance Overview Statement (cont'd)

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

#### PART II – BOARD COMPOSITION

##### 2.1 Composition and Board Balance

The Board presently has nine (9) members comprising two (2) Executive Directors, four (4) 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 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
4.	Lim Lian Chee	Executive Director
5.	Low Koon Min	Independent Non-Executive Director
6.	Yap Ee Seong	Independent Non-Executive Director
7.	Yau Ming Teck	Non-Independent Non-Executive Director
8.	Chia Weng Lock	Non-Independent Non-Executive Director
9.	Wong Yau Min	Non-Independent Non-Executive Director

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

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

The Board 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 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.



## Corporate Governance Overview Statement (cont'd)

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

#### PART II – BOARD COMPOSITION (CONT'D)

##### 2.1 Composition and Board Balance (cont'd)

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.

##### 2.2 Tenure of Independent Directors

The Board is fully aware that the tenure of an Independent Director shall not exceed a cumulative term of nine (9) years as recommended by the Code. However, if the Board intends to retain a Director who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, the Board must justify its decision and seek the shareholders' approval through a two-tier voting process at a general meeting.

The Board has not adopted a policy that limits the tenure of its Independent Directors to nine (9) years, being a step up practice. Notwithstanding that, the assessment of the independence of Independent Directors will be conducted annually via the Annual Evaluation of Independence of Directors to ensure that they are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement or the ability to act in the best interests of the Company.

During the FYE 2022, none of the Directors has served the Board as an Independent Director of the Company for a cumulative term of more than nine (9) years. Further, based on the independence assessment carried out during the financial year under review, the Board is satisfied with the level of independence demonstrated by all the Independent Non-Executive Directors and their abilities to act in the best interest of the Company.

##### 2.3 Board Diversity and Senior Management Team

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 and senior management level. The policy emphasizes 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.



## Corporate Governance Overview Statement (cont'd)

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

#### PART II – BOARD COMPOSITION (CONT'D)

##### 2.4 Board Committees

The Board Committees are set up to manage specific tasks for which the Board is responsible within a clearly defined TOR. This ensures that the Board members can spend their time more efficiently while the Board Committees are entrusted with the authority to examine particular issues.

The Board has established three (3) Board Committees and the membership of each committee is set out in the table below:-

Composition	AC	NC	RC
Mohd Rasli bin Muda (Independent Non-Executive Chairman)	Member	Member	Chairman
Low Koon Min (Independent Non-Executive Director)	Chairperson	Chairperson	Member
Datuk Wong Sak Kuan (Non-Independent Non-Executive Director / Vice Chairman)	Member	–	Member
Yau Ming Teck (Non-Independent Non-Executive Director)	–	Member	–

##### 2.5 NC & RC

Currently, the composition of the NC & RC complies with the MMLR and comprise with a majority of Independent Directors.

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 to 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.

## Corporate Governance Overview Statement (cont'd)

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

#### PART II – BOARD COMPOSITION (CONT'D)

##### 2.5 NC & RC (cont'd)

The activities undertaken by the NC for the FYE 2022 are as follows:-

- i) Evaluated the performance of each Non-Executive Director against the criteria as set out in the annual assessment form, amongst others, attendance at Board or Committee meetings, key responsibilities of the Chairman, adequate preparation for Board and/or Committee meetings, regular contribution to Board or Committee meetings, personal input to the role and other contributions to the Board or Committees as a whole.
- ii) Evaluated the performance of the Executive Directors against diverse key performance indicators, amongst others, financial, strategic and sustainability, 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 for the FYE 2022 before recommending the same to the shareholders for approval at the AGM of the Company.

##### 2.6 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, and 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.



## Corporate Governance Overview Statement (cont'd)

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

#### PART II – BOARD COMPOSITION (CONT'D)

##### 2.7 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 continuation in office of any Director for shareholders' approval at the AGM.

The NC has considered the assessment of Datuk Wong Sak Kuan, Mr. Chia Weng Lock, Mr. Lim Lian Chee and Mr. Wong Yau Min, the Directors standing for re-election and collectively agreed that they meet the criteria of character, experience, integrity, competence and time to effectively discharge their roles as Directors.

##### 2.8 Annual Assessment of Effectiveness of the Board and Board Committee as a whole

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 2022 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, amongst others, based on the Key Performance Indicators cover the financial performance and business operations, strategic and sustainability, operations management and business plans, product development, conformance and compliance, stakeholders' relation, succession planning, attendance, preparation and contribution to the committee meetings.

Based on the evaluations conducted for the FYE 2022, the NC and the Board were satisfied with the performance of the individual Directors, the Board as a whole, Board Committees as well as the independence and objective judgements that the Independent Directors have brought to the Board.



## Corporate Governance Overview Statement (cont'd)

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

#### PART II – BOARD COMPOSITION (CONT'D)

##### 2.9 Attendance of Board and Board Committees' Meetings

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 2022 are as follows:-

Type of Meetings	Board of Directors	AC	NC	RC
Name of Directors	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	3/4	–	1/1	–
Low Koon Min	4/4	4/4	1/1	1/1
Chia Weng Lock	4/4	–	–	–
Yap Ee Seong	4/4	–	–	–
Wong Yau Min (Appointed on 30 September 2022)	–	–	–	–
Lim Lian Chee (Appointed on 3 October 2022)	–	–	–	–

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)

#### PART II – BOARD COMPOSITION (CONT'D)

##### 2.10 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 2022, 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>Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments</li> <li>Corporate Governance &amp; Remuneration Practices for the ESG World</li> </ul>
Datuk Wong Sak Kuan	<ul style="list-style-type: none"> <li>Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments</li> </ul>
Lee Wai Fun	<ul style="list-style-type: none"> <li>Malaysian Budget 2022</li> <li>Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments</li> </ul>
Chia Weng Lock	<ul style="list-style-type: none"> <li>Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments</li> </ul>
Low Koon Min	<ul style="list-style-type: none"> <li>Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments</li> </ul>
Yau Ming Teck	<ul style="list-style-type: none"> <li>Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments</li> </ul>
Yap Ee Seong	<ul style="list-style-type: none"> <li>Amendments to the MMLR of Bursa Securities relating to Director appointment, independence and other amendments</li> <li>TCFD Climate Disclosure Training Programme</li> <li>Webinar BEPs Pillar 2 – The Impact on Southeast Asia</li> <li>Tax Season 2022 – Tax Briefing</li> <li>Advocacy Sessions for Directors and Senior Management of Main Market Listed Issuers</li> <li>Latest on RMCD's Special Voluntary Disclosure and Amnesty (VA) Program</li> <li>Corporate Governance &amp; Remuneration Practices for the ESG World</li> </ul>

In addition, the Directors were 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.



## Corporate Governance Overview Statement (cont'd)

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

#### PART II – BOARD COMPOSITION (CONT'D)

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

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.

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's 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, and 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.

#### PART III - REMUNERATION

##### 3.1 Remuneration Policy

The Board had through the RC, established a formal and transparent Remuneration Policy as a guide for the Board and the RC to determine the remuneration of Directors and/or Senior Management of the Company which takes into account the demands, complexities and performance of the Company as well as skills and experience required. The Remuneration Policy is available on the Company's website at [www.kfmb.com.my](http://www.kfmb.com.my).

The Board, assisted by the RC, implements the policy and procedures on remuneration, which includes reviewing and recommending the proposed remuneration packages of the Directors of the Company. The RC is responsible to ensure that the remuneration packages are benchmarked with industry standards in light of the Group's performance in the industry as well as commensurate with the expected responsibility and contribution by the Directors and link to the strategic objectives of the Group.

Non-Executive Directors will be paid a basic fee as ordinary remuneration and will be paid a sum based on their responsibilities in committees and the Board, their attendance and/or special skills and expertise they bring to the Board. The fee shall be fixed in sum and not by a commission on or percentage of profits or turnover.

The annual Directors' fees and benefits payable to the Non-Executive Directors are endorsed by the Board for approval by the shareholders of the Company at the AGM.

## Corporate Governance Overview Statement (cont'd)

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

#### PART III - REMUNERATION (CONT'D)

##### 3.2 Remuneration of Directors

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 2022 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	–	60,000	–	60,000
Yau Ming Teck	–	36,000	–	36,000
Yap Ee Seong	–	36,000	–	36,000
<b>Total</b>	–	<b>204,000</b>	–	<b>204,000</b>

##### 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	–	60,000	–	60,000
Yau Ming Teck	–	36,000	–	36,000
Yap Ee Seong	–	36,000	–	36,000
<b>Total</b>	–	<b>204,000</b>	–	<b>204,000</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 a named basis the remuneration of the Executive Directors.



## Corporate Governance Overview Statement (cont'd)

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

#### PART III - REMUNERATION (CONT'D)

##### 3.2 Remuneration of Directors (cont'd)

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.

##### 3.3 Remuneration of Senior Management

The remuneration of the Senior Management of the Company for the FYE 2022 as follows:-

Range of Remuneration	No. of Senior Management Officer
RM50,001 to RM100,000	5

Due to the 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 a 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.

### PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

#### PART I – AUDIT COMMITTEE

##### 4.1 Effective and Independent AC

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

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

The AC members possess the necessary skills and knowledge to discharge their duties in accordance with the TOR of the AC and they are able to understand matters under the purview of the AC including the financial reporting process.

## Corporate Governance Overview Statement (cont'd)

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

#### PART I – AUDIT COMMITTEE (CONT'D)

##### 4.1 Effective and Independent AC (cont'd)

The AC will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the ARMC was a former key audit partner. This policy had been codified in the TOR of AC of the Company. Currently, none of the members of the AC is a former key audit partner.

The term of office and performance of the AC and its members are reviewed by the NC annually to determine whether such AC and members have carried out their duties in accordance with the TOR.

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 AC Report of the Annual Report.

##### 4.2 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 2022, 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.

#### PART II – RISK MANAGEMENT AND INTERNAL CONTROL

##### 5.1 Risk Management and Internal Control

The Board recognises the importance of having 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 of the adequacy, efficiency and effectiveness of the Group's internal control system and risk management.

The Internal Auditors shall conduct regular reviews 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.



## Corporate Governance Overview Statement (cont'd)

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

#### PART II – RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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

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 the 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.

To ensure that the responsibilities of Internal Auditors are fully discharged, the AC evaluates the performance of the Internal Auditors for the FYE 2022 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

#### PART I – ENGAGEMENT WITH STAKEHOLDERS

##### 6.1 Continuous 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 with 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.

## Corporate Governance Overview Statement (cont'd)

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

#### **PART II – CONDUCT OF GENERAL MEETINGS**

##### **6.2 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-Seventh AGM ("37<sup>th</sup> 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-Eighth AGM ("38<sup>th</sup> 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 37<sup>th</sup> AGM convened on 21 March 2022, 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.

##### **6.3 Effective Communication and Proactive Engagement**

All Directors attended the 37<sup>th</sup> AGM and be accountable to the shareholders for their stewardship of the Company. The Chairman of the Board and its Board Committees members were available to respond to shareholders' queries concerning the Company and the Group at the 37<sup>th</sup> AGM. The External Auditors were also invited to attend the AGM and assist the Board in addressing relevant queries made by the shareholders.

From the Company's perspective, the AGM also serves as a forum for Directors to engage with the shareholders personally to understand their needs and seek their feedback. The Board welcomes questions and feedback from the shareholders during the shareholders' meetings and ensures their queries are responded to properly and systematically.

The summary of the key matters discussed at the AGM will be made public on the Company's website for the shareholders' information.



## AUDIT COMMITTEE REPORT

The members of the Audit Committee (“AC” or “the Committee”) of the Company are pleased to present their report for the FYE 2022.

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 MMLR of Bursa Securities, 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 CIMA and the MIA.

The TOR of the AC can be accessed from 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 the 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 2022

The summary of works undertaken by the Committee for the financial year ended 30 September 2022, 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 recommended 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, 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 FYE 2022;
- 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 AC 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 in the Statement of Risk Management and Internal Control.

For the FYE 2022, the Committee noted that the IA function is independent and has performed its 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 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 MMLR of Bursa Securities, 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 FYE 2022.

## 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 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, and compliance controls as well as risk management procedures are contained within this system of risk management and internal control.

## RISK MANAGEMENT

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

The responsibility for reviewing the adequacy and effectiveness of the internal control system has been delegated by the Board to the 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.

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

### INTERNAL CONTROL SYSTEM

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

- Organisation and definition of the management structure of the 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 arises 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.

### INTERNAL AUDIT FUNCTION

The Group's internal audit function was outsourced to an external professional services firm, to assist the AC in providing an independent assessment of 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.



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

### INTERNAL AUDIT FUNCTION (CONT'D)

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

- Flour milling business unit: Quality Assurance
  - i) Quality assurance criteria and plan
  - ii) In-Process inspection of raw materials
  - iii) Outgoing inspection
  - iv) Documentation of testing procedures for assurance
  - v) Recording of defects
  - vi) Follow-up actions for defects/non-conformity
- Flour milling business unit: Facilities Maintenance and Housekeeping
  - i) Planning and scheduling of maintenance work
  - ii) Administration of machine breakdown
  - iii) Calibration of equipment and instrument
  - iv) Statutory inspection by the Department of Occupational
  - v) Safety and Health
  - vi) Policies and procedures on housekeeping
  - vii) Spillage control and pest control
  - viii) Waste disposal

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 FYE 2022 for the internal audit function of the Group was RM31,347 (2021: RM33,533).

### 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 FYE 2022. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the processes adopted by the Board in reviewing the adequacy and integrity of the system of risk management and internal control of the Group.

The Board is of the view that the Company's risk management and internal control system is operating effectively and adequately, in all material aspects, and 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 FYE 2022 and up to the date of approval of this statement. The Board maintains an on-going commitment to continue taking appropriate measures to enhance and strengthen the risk management and internal control system of the Group.

## ADDITIONAL COMPLIANCE INFORMATION

### 1) UTILISATION OF PROCEEDS

The Company did not raise funds through any corporate exercise during the FYE 2022.

### 2) AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid or payable to firms or corporations affiliated with the External Auditors by the Company and the Group for the FYE 2022 are as follows:-

Details of fees	Company RM'000	Group RM'000
Audit fees	63.0	104.5
Non-audit fees	9.0	9.0

**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.

### 3) 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 FYE 2022 or, if not then subsisting, entered into since the end of the previous financial year.

### 4) RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs")

The details of the Shareholders' Mandate for the RRPTs are set out in the Circular to Shareholders dated 18 January 2023 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 2022 are disclosed in Note 26 to the audited financial statements for the FYE 2022.



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Pursuant to the Companies Act 2016 and the MMLR of Bursa Securities, 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 2022 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 a 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 the responsibility for ensuring that the Company keeps accounting records that 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 FYE 2022.



# 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 2022.

### 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 except as disclosed in Note 5 to the financial statements.

### FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	3,055,466	2,498,138
Attributable to:- Owners of the Company	3,055,466	2,498,138

### 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 final dividend payment for the financial year.

### ISSUE OF SHARES, DEBENTURES AND WARRANTS

There were no changes in the issued and paid-up capital and no issuance of debentures and warrants during the financial year.

The salient features of the warrants are disclosed in Note 14 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 14 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  
Wong Yau Min (Appointed on 30 September 2022)  
Lim Lian Chee (Appointed on 3 October 2022)

\* *Directors of the Company and its subsidiaries*

The Directors of the subsidiaries since the beginning of the financial year to the date of this report, not including those Directors listed above are:-

Tan Mow Heng  
Lee Lip Khang  
Nordiana Binti Nordin  
Chong Yew Lian (Resigned on 12 December 2022)

### DIRECTORS' REMUNERATION AND BENEFITS

The details of the Directors' remuneration and benefits are set out in Note 25 to the financial statements.

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.



## Directors' Report (cont'd)

### 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 1.10.2021	Bought	Sold	At 30.9.2022
<b>The Company</b>				
<b>Direct interest:-</b>				
Mohd Rasli bin Muda	470,000	–	–	470,000
Lee Wai Fun	33,912,000	–	–	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	8,330,000	–	–	8,330,000
<b>Indirect interest:-</b>				
Datuk Wong Sak Kuan#	300,000,000	–	–	300,000,000
Chia Weng Lock*	58,136,000	–	–	58,136,000
	← Number of warrants →			
	At 1.10.2021	Bought	Sold	At 30.9.2022
<b>The Company</b>				
<b>Direct interest:-</b>				
Lee Wai Fun	16,820,000	–	–	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 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 there were no bad debts to be written off and no provision for doubtful debts was required; 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 to make any provision for doubtful debts in the financial statements of the Group and of the Company; 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 was 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 60 to 124 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 2022 and of their financial performance and their 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  
30 December 2022

## STATUTORY DECLARATION

I, Datuk Wong Sak Kuan, 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 60 to 124 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 )  
30 December 2022 )

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

Before me:

**RAMATHILAGAM A/L T RAMASAMY**  
(W671)  
Commissioner for Oaths



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LOTUS KFM BERHAD

## 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 2022 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 60 to 124.

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 2022, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 8 to the financial statements. The Group and the Company hold significant amounts of inventories amounting to RM1,480,297 which is subject to a risk that the inventories become slow-moving or obsolete and rendering them not sellable or can only be sold for selling prices below their carrying amounts. There is inherent subjectivity and estimation involved in determining the accuracy of inventories obsolescence provision and in making an assessment of their adequacy due to risk of inventories not stated at the lower of costs or market values.

#### Our response

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

Independent Auditors' Report  
TO THE MEMBERS OF LOTUS KFM BERHAD  
(cont'd)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

**Key Audit Matters (cont'd)**

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

The risk

Refer to Note 9 to the financial statements. We focused on this area because the Group and the Company have material amount of trade receivables that amounted to RM7,725,001 and RM7,208,328 respectively. 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 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 20 to the financial statements. We focus on this area given the magnitude of revenue transaction that occurred and the amount of revenue is significant to the financial statements of the Group and of the Company. 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.

Furthermore, International Standard on Auditing 240 presumed that we consider the risk of fraud arising in revenue recognition. Whilst revenue recognition and measurement is not complex for the Group and the Company, revenue targets form part of the Group's and of the Company's key performance measures which could create an incentive to record revenue incorrectly.

Our response

We have 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, performed substantive tests to verify the revenue recognised, performed analytical procedures on the trend of revenue recognised to identify any unusual fluctuations; and performed cut-off test on sampling basis around the financial year end to check whether revenue is recognised in the correct accounting period.

We understood and reviewed the appropriateness of revenue recognition policies.



## Independent Auditors' Report TO THE MEMBERS OF LOTUS KFM BERHAD (cont'd)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

#### Key Audit Matters (cont'd)

##### *Goodwill on consolidation*

##### The risk

Refer to Note 6 to the financial statements. The Group holds goodwill on consolidation of RM24,431,954 which has been allocated as the cash-generating units. The Group performs an annual impairment assessment for its goodwill. This requires management to estimate the recoverable amount of the cash-generating units and this involves significant assumptions which are inherently judgemental.

##### Our response

We evaluated the model used in determining the value in use of the cash-generating units as well as assessing the discounted rate used and challenging the reasonableness of key assumptions based on our knowledge of the business and industry. Besides that, we have performed sensitivity analysis on the key assumptions inputted to the model and understood the impact on the overall carrying value of goodwill with the alterations to the key assumptions. We also assessed the adequacy of disclosures in the financial statements.

#### 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, 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.

Independent Auditors' Report  
TO THE MEMBERS OF LOTUS KFM BERHAD  
(cont'd)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

**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.

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.



Independent Auditors' Report  
TO THE MEMBERS OF LOTUS KFM BERHAD  
(cont'd)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)**

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

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

**Other Matters**

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  
30 December 2022

**LIM CHOOI LING**  
(NO: 03537/11/2024(J))  
CHARTERED ACCOUNTANT

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2022

	Note	2022 RM	Group 2021 RM	2022 RM	Company 2021 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	23,198,329	21,715,699	22,483,963	21,715,699
Investment in subsidiaries	5	–	–	6,000,005	1,000,005
Goodwill	6	24,431,954	–	–	–
Other investments	7	2	2	2	2
Total non-current assets		47,630,285	21,715,701	28,483,970	22,715,706
<b>Current assets</b>					
Inventories	8	1,480,297	4,496,654	1,480,297	4,496,654
Trade receivables	9	7,725,001	5,939,832	7,208,328	5,939,832
Other receivables	10	10,609,327	15,302,059	6,370,269	7,485,538
Tax recoverable		7,229	–	–	–
Amount due from subsidiaries	5	–	–	23,044,605	6,928,412
Cash and cash equivalents	11	20,944,705	39,467,333	19,562,324	39,401,792
Total current assets		40,766,559	65,205,878	57,665,823	64,252,228
<b>TOTAL ASSETS</b>		88,396,844	86,921,579	86,149,793	86,967,934
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
<b>Equity attributable to owners of the Company:-</b>					
Share capital	12	88,700,686	88,700,686	88,700,686	88,700,686
Redeemable convertible preference shares	13	–	–	–	–
Warrant reserves	14	8,719,341	8,719,341	8,719,341	8,719,341
Accumulated losses		(21,302,317)	(24,357,783)	(21,797,203)	(24,295,341)
Total equity		76,117,710	73,062,244	75,622,824	73,124,686



Statements of Financial Position  
AS AT 30 SEPTEMBER 2022  
(cont'd)

	Note	2022 RM	Group 2021 RM	2022 RM	Company 2021 RM
<b>LIABILITIES</b>					
<b>Non-current liability</b>					
Lease liabilities	15	8,038,725	8,051,174	7,382,625	8,051,174
Total non-current liability		8,038,725	8,051,174	7,382,625	8,051,174
<b>Current liabilities</b>					
Trade payables	16	1,136,169	2,094,997	378,241	2,094,997
Other payables	17	1,013,221	1,297,657	675,084	1,281,570
Contract liabilities	18	1,415,038	1,501,453	1,415,038	1,501,453
Lease liabilities	15	653,647	677,366	653,647	677,366
Borrowings	19	–	190,580	–	190,580
Tax payable		22,334	46,108	22,334	46,108
Total current liabilities		4,240,409	5,808,161	3,144,344	5,792,074
<b>TOTAL LIABILITIES</b>		12,279,134	13,859,335	10,526,969	13,843,248
<b>TOTAL EQUITY AND LIABILITIES</b>		88,396,844	86,921,579	86,149,793	86,967,934

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 2022

	Note	2022 RM	Group 2021 RM	2022 RM	Company 2021 RM
Revenue	20	66,079,460	51,762,174	62,101,939	51,762,174
Cost of sales		(61,908,260)	(47,477,166)	(58,696,889)	(47,477,166)
Gross profit		4,171,200	4,285,008	3,405,050	4,285,008
Other income		843,448	441,747	843,448	441,747
Administrative expenses		(1,842,134)	(1,935,511)	(1,623,744)	(1,887,555)
Selling and distribution expenses		(97,701)	(364,532)	(97,701)	(364,532)
Net gain on impairment of receivables		–	48,500	–	48,500
Operating profit		3,074,813	2,475,212	2,527,053	2,523,168
Finance income		436,546	706,287	436,546	706,287
Finance costs		(323,365)	(350,355)	(323,365)	(350,355)
Profit before tax	21	3,187,994	2,831,144	2,640,234	2,879,100
Tax expense	22	(132,528)	(170,000)	(142,096)	(170,000)
Profit for the financial year/Total comprehensive income for the financial year		3,055,466	2,661,144	2,498,138	2,709,100
<b>Attributable to:-</b>					
Owners of the Company		3,055,466	2,661,144		
<b>Earnings per share attributable to owners of the Company</b>					
-Basic (sen)	23	0.30	0.34		
-Diluted (sen)	23	0.27	0.28		

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



# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

	Attributable to owners of the Company					Total equity RM
	Share capital RM	Redeemable convertible preference shares RM	Warrant reserves RM	Accumulated losses RM	Distributable	
<b>Group</b>						
Balance at 1 October 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
Total comprehensive income for the financial year	–	–	–	3,055,466		3,055,466
Balance at 30 September 2022	88,700,686	–	8,719,341	(21,302,317)		76,117,710

**Statements of Changes in Equity**  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022  
(cont'd)

	Note	Attributable to owners of the Company				
		Share capital RM	Non-distributable ReDEMABLE convertible preference shares RM	Warrant reserves RM	Accumulated losses RM	Total equity RM
<b>Company</b>						
Balance at 1 October 2020		59,064,731	15,000,000	8,719,341	(27,004,441)	55,779,631
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	12	(364,045)	-	-	-	(364,045)
Conversion of settlement preference shares	13	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	(24,295,341)	73,124,686
Total comprehensive income for the financial year		-	-	-	2,498,138	2,498,138
Balance at 30 September 2022		88,700,686	-	8,719,341	(21,797,203)	75,622,824

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



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022

	Note	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
<b>OPERATING ACTIVITIES</b>					
Profit before tax		3,187,994	2,831,144	2,640,234	2,879,100
<b>Adjustments for:-</b>					
Depreciation of property, plant and equipment		1,662,850	1,783,727	1,644,686	1,783,727
Gain on disposal of property, plant and equipment		–	(185)	–	(185)
Gain on termination of lease		(2,725)	(467)	(2,725)	(467)
Interest expenses		323,365	350,355	323,365	350,355
Interest income		(436,546)	(706,287)	(436,546)	(706,287)
Inventories written off		270,293	–	270,293	–
Net gain on impairment of receivables		–	(48,500)	–	(48,500)
Property, plant and equipment written off		3,579	4,722	–	4,722
Reversal of inventories written down		(227,815)	–	(227,815)	–
Operating profit before working capital changes		4,780,995	4,214,509	4,211,492	4,262,465
<b>Changes in working capital:-</b>					
Inventories		2,973,879	4,144,946	2,973,879	4,144,946
Receivables		6,588,874	(3,044,166)	(153,227)	(1,585,355)
Payables		(2,192,410)	(8,475,888)	(2,323,242)	(8,488,538)
Contract liabilities		(86,415)	(1,392,906)	(86,415)	(1,392,906)
Cash generated from/(used in) operations		12,064,923	(4,553,505)	4,622,487	(3,059,388)
Tax paid		(211,718)	(271,567)	(165,870)	(271,567)
Net cash from/(used in) operating activities		11,853,205	(4,825,072)	4,456,617	(3,330,955)

Statements of Cash Flows  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022  
(cont'd)

	Note	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
<b>INVESTING ACTIVITIES</b>					
Interest received		201,392	496,533	201,392	496,533
Investment in subsidiaries		–	–	(5,000,000)	(999,998)
Deposits paid for proposed acquisition of subsidiaries		(449,104)	(6,357,289)	–	–
Purchase of property, plant and equipment	A	(2,559,080)	(89,630)	(2,483,330)	(89,630)
Proceeds from disposal of property, plant and equipment		–	3,145	–	3,145
Advances to subsidiaries		–	–	(16,116,193)	(6,916,940)
Net cash outflow from acquisition of subsidiaries		(26,671,087)	–	–	–
Net cash used in investing activities		(29,477,879)	(5,947,241)	(23,398,131)	(7,506,890)
<b>FINANCING ACTIVITIES</b>					
Drawdown of bankers' acceptance		–	190,580	–	190,580
Interest paid		(323,365)	(350,355)	(323,365)	(350,355)
Interest received		235,154	209,754	235,154	209,754
Placement of fixed deposits pledged to licensed banks	B	(235,154)	(5,209,754)	(235,154)	(5,209,754)
Uplift of fixed deposits pledged with a licensed bank	B	4,900,000	–	4,900,000	–
Proceeds from issuance of shares upon conversion of RCPS, net of share issuance expenses		–	14,635,955	–	14,635,955
Repayment of bankers' acceptance		(190,580)	(83,780)	(190,580)	(83,780)
Repayment of lease liabilities		(619,163)	(638,869)	(619,163)	(638,869)
Net cash from financing activities		3,766,892	8,753,531	3,766,892	8,753,531
<b>CASH AND CASH EQUIVALENTS</b>					
Net changes		(13,857,782)	(2,018,782)	(15,174,622)	(2,084,314)
Brought forward		24,430,570	26,449,352	24,365,029	26,449,343
Carried forward	B	10,572,788	24,430,570	9,190,407	24,365,029



Statements of Cash Flows  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022  
(cont'd)

**NOTES TO THE STATEMENTS OF CASH FLOWS**

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

	Group		Company
	2022 RM	2021 RM	2022 RM
Total purchase of property, plant and equipment	3,215,180	89,630	2,483,330
Less: Acquisition by means of lease liabilities	(656,100)	–	–
Total cash used in purchase of property, plant and equipment	2,559,080	89,630	2,483,330

**B. CASH AND CASH EQUIVALENTS**

	Group		Company
	2022 RM	2021 RM	2022 RM
Fixed deposits with licensed banks	10,372,962	15,037,791	10,372,962
Cash in hand	19,825	12,180	16,500
Cash at bank	10,551,918	24,417,362	9,172,862
	20,944,705	39,467,333	19,562,324
Less: Fixed deposits pledged with licensed banks	(10,371,917)	(15,036,763)	(10,371,917)
	10,572,788	24,430,570	9,190,407

Statements of Cash Flows  
FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2022  
(cont'd)

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

**Group**

	At 1.10.2021 RM	Additions/ Drawdown RM	Termination RM	Repayments RM	At 30.9.2022 RM
Bankers' acceptance	190,580	–	–	(190,580)	–
Lease liabilities	8,728,540	656,100	(73,105)	(619,163)	8,692,372
	8,919,120	656,100	(73,105)	(809,743)	8,692,372

	At 1.10.2020 RM	Additions/ Drawdown RM	Termination RM	Repayments RM	At 30.9.2021 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

**Company**

	At 1.10.2021 RM	Termination RM	Repayments RM	At 30.9.2022 RM
Bankers' acceptance	190,580	–	(190,580)	–
Lease liabilities	8,728,540	(73,105)	(619,163)	8,036,272
	8,919,120	(73,105)	(809,743)	8,036,272

	At 1.10.2020 RM	Additions/ Drawdown RM	Termination RM	Repayments RM	At 30.9.2021 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

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



# NOTES TO THE FINANCIAL STATEMENTS

- 30 SEPTEMBER 2022

## 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 except as disclosed in Note 5 to the financial statements.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors on 30 December 2022.

## 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 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 amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 October 2021.

The initial application of the 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 2022

### (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.

##### 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	

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

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

##### Effective for financial period beginning on or after 1 January 2024

Amendments to MFRS 16	Lease - Lease Liability in a Sales and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements - Non-current Liability with Covenants

##### Deferred to a date to be determined by the MASB

Amendments to MFRS 10 and MFRS 128*	Consolidated Financial Statements and Investments in Associate and 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 any financial impact to the financial statements of the Group and of the Company.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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.

##### 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.

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(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 (cont'd)

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

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

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

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

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

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

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, 9 and 10 to the financial statements.

Income taxes

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



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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)

##### 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 2022  
(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 statement of 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 2022

### (cont'd)

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

#### 3.1 Consolidation (cont'd)

##### 3.1.3 Business combination and goodwill

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 2022

### (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.

#### 3.2 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 to 10 years
Motor vehicles	4 to 10 years
Plant and machinery	10 to 30 years

Capital work-in-progress consists of properties and 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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

#### 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
Leasehold land	50 years
Office	8.83 years
Shop office	3.25 years
Wheat silos	8.25 years

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

The right-of-use assets are also subject to impairment. 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.

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(cont'd)

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

**3.3 Leases (cont'd)**

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

**3.3.1.2 Lease liabilities (cont'd)**

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 premises and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). 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.

**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.

When inventories are sold and revenue is recognised, the carrying amount of those inventories is recognised as cost of goods sold. Write-down to NRV and inventory losses are recognised as expenses when it occurred and any reversal is recognised in the profit or loss in the period in which the reversal occurs.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

#### 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 3.3.1.1 - 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.

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.

Goodwill is tested for impairment annually as at the end of each reporting period and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
(cont'd)

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

#### 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 measurement

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.

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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

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

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

##### 3.6.1.2 Subsequent measurement

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); and
- 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 ("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 other investments, 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.

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.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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

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. ECLs are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime ECLs, 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 ECLs. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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 ECLs that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of ECLs 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.

##### *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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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)

###### *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.

##### 3.6.2 Financial liabilities

##### 3.6.2.1 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.

##### 3.6.2.2 Subsequent measurement

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

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

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

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
(cont'd)

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

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

##### 3.6.2 Financial liabilities (cont'd)

###### 3.6.2.2 Subsequent measurement (cont'd)

###### *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 ("EIR"). 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.

###### 3.6.2.3 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.

###### 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 amount of cash and which are subject to an insignificant risk of change in value.

For the purpose of statements of cash flows, cash and cash equivalents are presented net of pledged deposits.

#### 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 and prior periods' profits or 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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

#### 3.8 Equity, reserves and distribution to owners (cont'd)

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

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

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

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

#### 3.9 Warrants

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

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

#### 3.10 Provisions

Provisions are recognised when 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.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

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

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 uncertainty 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.

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 services, 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 20 to the financial statements.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

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

##### 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.

#### 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.

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
(cont'd)

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

#### 3.14 Employee benefits (cont'd)

##### 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).

##### 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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

#### 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.

#### 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.

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(cont'd)

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

**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 2022

### (cont'd)

#### 4. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, factory and civil works	Equipment and fixtures	Factory RM	Factory store RM	Forklift RM	Hostel RM	Motor vehicles RM	Office RM	Plant and machinery RM	Shop office RM	Wheat silos RM	Capital work-in-progress RM	Leasehold land RM	Total RM
<b>Cost</b>														
At 1.10.2020	9,876,990	4,508,961	5,261,139	66,071	29,732	18,449	124,093	3,894,277	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)	-	(4,722)
Reclassification	-	173,180	-	-	-	-	-	-	48,288	-	-	(221,468)	-	-
Termination	-	-	-	(66,071)	(29,732)	(18,449)	-	-	-	-	-	-	-	(114,252)
At 30.9.2021	9,876,990	4,693,171	5,261,139	-	-	-	124,093	3,894,277	41,202,102	182,988	439,790	-	-	65,664,550
Effect from acquisition of subsidiaries	-	6,799	-	-	-	-	-	-	-	-	-	-	-	6,799
Additions	-	-	-	-	-	-	-	-	-	-	-	2,483,330	731,850	3,215,180
Written off	-	(6,799)	-	-	-	-	-	-	-	-	-	-	-	(6,799)
Termination	-	-	-	-	-	-	-	-	-	(182,988)	-	-	-	(182,988)
At 30.9.2022	9,876,990	4,693,171	5,261,139	-	-	-	124,093	3,894,277	41,202,102	-	439,790	2,483,330	731,850	68,696,742
<b>Accumulated depreciation</b>														
At 1.10.2020	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
Termination	-	-	-	(58,298)	(22,736)	(4,612)	-	-	-	-	-	-	-	(85,646)
Disposal	-	(740)	-	-	-	-	-	-	-	-	-	-	-	(740)
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
Effect from acquisition of subsidiaries	-	2,540	-	-	-	-	-	-	-	-	-	-	-	2,540
Charge for the financial year	137,766	133,946	309,479	-	-	-	-	439,729	571,138	-	53,308	-	17,484	1,662,850
Written off	-	(3,220)	-	-	-	-	-	-	-	-	-	-	-	(3,220)
Termination	-	-	-	-	-	-	-	-	-	(112,608)	-	-	-	(112,608)
At 30.9.2022	7,608,903	4,359,164	928,437	-	-	-	124,083	1,099,323	26,257,675	-	159,924	-	17,484	40,554,993

Notes to the Financial Statements  
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(cont'd)

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

Group (cont'd)	Buildings, factory and civil works RM	Equipment and fixtures RM	Factory RM	Factory store RM	Forklift RM	Hostel RM	Motor vehicles RM	Office RM	Plant and machinery RM	Shop office RM	Wheat silos RM	Capital work-in-progress RM	Leasehold land RM	Total RM
Accumulated impairment losses														
At 1.10.2020/														
30.9.2021/30.9.2022	1,729,204	-	-	-	-	-	-	-	3,214,216	-	-	-	-	4,943,420
Net carrying amount														
At 30.9.2022	538,883	334,007	4,332,702	-	-	-	10	2,784,954	11,730,211	-	279,866	2,483,330	714,366	23,198,329
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



Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(cont'd)

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

Company	Buildings, factory and civil works RM	Equipment and fixtures RM	Factory RM	Factory store RM	Forklift RM	Hostel RM	Motor vehicles RM	Office RM	Plant and machinery RM	Shop office RM	Wheat silos RM	Capital work-in-progress RM	Total RM
<b>Cost</b>													
At 1.10.2020	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)	(4,722)
Reclassification	-	173,180	-	-	-	-	-	-	48,288	-	-	(221,468)	-
Termination	-	-	-	(66,071)	(29,732)	(18,449)	-	-	-	-	-	-	(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
Additions	-	-	-	-	-	-	-	-	-	-	-	2,483,330	2,483,330
Termination	-	-	-	-	-	-	-	-	-	(182,988)	-	-	(182,988)
At 30.9.2022	9,876,990	4,693,171	5,261,139	-	-	-	124,093	3,884,277	41,202,102	-	439,790	2,483,330	67,964,892
<b>Accumulated depreciation</b>													
At 1.10.2020	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)	-	-	-	-	-	-	-	-	-	-	(740)
Termination	-	-	-	(58,298)	(22,736)	(4,612)	-	-	-	-	-	-	(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
Charge for the financial year	137,766	133,266	309,479	-	-	-	-	439,729	571,138	-	53,308	-	1,644,686
Termination	-	-	-	-	-	-	-	-	-	(112,608)	-	-	(112,608)
At 30.9.2022	7,608,903	4,359,164	928,437	-	-	-	124,083	1,099,323	26,257,675	-	159,924	-	40,537,509
<b>Accumulated impairment losses</b>													
At 1.10.2020/30.9.2021/30.9.2022	1,729,204	-	-	-	-	-	-	-	3,214,216	-	-	-	4,943,420
<b>Net carrying amount</b>													
At 30.9.2022	538,883	334,007	4,332,702	-	-	-	10	2,784,954	11,730,211	-	279,866	2,483,330	22,483,963
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

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(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</b>		<b>Company</b>	
	<b>2022 RM</b>	<b>2021 RM</b>	<b>2022 RM</b>	<b>2021 RM</b>
Factory	4,332,702	4,642,181	4,332,702	4,642,181
Leasehold land	714,366	–	–	–
Office	2,784,954	3,224,683	2,784,954	3,224,683
Shop office	–	70,380	–	70,380
Wheat silos	279,866	333,174	279,866	333,174
	<b>8,111,888</b>	<b>8,270,418</b>	<b>7,397,522</b>	<b>8,270,418</b>

(b) Additions of right-of-use assets of the Group during the financial year is amounted to RM731,850 (2021: Nil).

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

	<b>Group</b>		<b>Company</b>	
	<b>2022 RM</b>	<b>2021 RM</b>	<b>2022 RM</b>	<b>2021 RM</b>
Factory	309,479	309,479	309,479	309,479
Factory store	–	11,660	–	11,660
Forklift	–	1,749	–	1,749
Hostel	–	2,306	–	2,306
Leasehold land	17,484	–	–	–
Office	439,729	439,729	439,729	439,729
Shop office	–	56,304	–	56,304
Wheat silos	53,308	53,308	53,308	53,308
	<b>820,000</b>	<b>874,535</b>	<b>802,516</b>	<b>874,535</b>

**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 RM522,000 (2021: RM366,000).

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

	<b>Group and Company</b>	
	<b>2022 RM</b>	<b>2021 RM</b>
Within 1 year	339,000	366,000



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

#### 5. SUBSIDIARIES

##### (a) Investment in subsidiaries

	2022 RM	Company 2021 RM
Unquoted shares, at cost	6,324,005	1,324,005
Less: Accumulated impairment losses	(324,000)	(324,000)
	6,000,005	1,000,005

Investment in subsidiaries are impaired at reporting date when the recoverable amount of the subsidiary is lower than cost of investment. The movement of accumulated impairment losses during the financial year is as follows:-

	2022 RM	Company 2021 RM
Brought forward/Carried forward	324,000	324,000

Details of the subsidiaries are as follows:-

Name of subsidiaries	Effective interest		Principal activities	Principal place of business
	2022 %	2021 %		
<u>Direct subsidiaries of the Company</u>				
KFM Marketing Sdn. Bhd.*	100	100	Trading of industrial related products.	Malaysia
Lotus Plantation Sdn. Bhd.*	100	100	Holding companies, planting, replanting, transplanting, thinning and conserving of forests and timber tracts, and wholesale of a variety of goods without any particular specialisation not elsewhere classified.	Malaysia
LKB Plantation Sdn. Bhd.	100	100	Dormant.	Malaysia

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
(cont'd)

### 5. SUBSIDIARIES (CONT'D)

#### (a) Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows (cont'd):-

Name of subsidiaries	Effective interest		Principal activities	Principal place of business
	2022 %	2021 %		
<u>Subsidiaries of Lotus Plantation Sdn. Bhd.</u>				
ASV Jaya Resources Sdn. Bhd.	100	–	To plant, grow cultivate, produce and raise forest plantations of all kinds or varities of forest plants, tree and crops and nature products of any kind.	Malaysia
Sam Jaya Plantation Sdn. Bhd.	100	–	To plant, grow cultivate, produce and raise forest plantations of all kinds or varities of forest plants, tree and crops and nature products of any kind.	Malaysia
Hijau Ria Solutions Sdn. Bhd.	100	–	Wholesale of lumber and timber.	Malaysia
Ladang Lojing Sdn. Bhd.	100	–	Logging operators, buying and selling logs.	Malaysia
Khas Jadi Sdn. Bhd.	100	–	Business of logging and trading in timber logs.	Malaysia

\* The subsidiaries are dormant in prior financial year.

#### (b) Acquisition of subsidiaries

On 11 October 2021, Lotus Plantation Sdn. Bhd. ("LPSB"), a wholly-owned subsidiary of the Company, acquired 2 ordinary shares, representing 100% of total shares in ASV Jaya Resources Sdn. Bhd. ("AJRSB"), Sam Jaya Plantation Sdn. Bhd. ("SJPSB") and Hijau Ria Solution Sdn. Bhd. ("HJRSB") respectively for a total consideration of RM5,162,190.

On 31 December 2021, LPSB had again acquired 200,000 and 1,000,000 ordinary shares, representing 100% of total shares in Khas Jadi Sdn. Bhd. ("KJSB") and Ladang Lojing Sdn. Bhd. ("LLSB") respectively for total consideration of RM21,646,200.

On 2 August 2022, AJRSB and SJPSB had issued 199,998 new ordinary shares respectively which has acquired by LPSB for a total cash consideration of RM399,996.

On 29 August 2022, HJRSB had issued 199,998 new ordinary shares which has acquired by LPSB for a total cash consideration of RM199,998.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

#### (cont'd)

## 5. SUBSIDIARIES (CONT'D)

### (b) Acquisition of subsidiaries (cont'd)

The fair value of the identifiable assets and liabilities of the subsidiaries as at date of acquisition are as follows:-

	AJRSB RM	SJPSB RM	HJRSB RM	LLSB RM	KJSB RM	Total RM
Property, plant and equipment	3,000	–	1,259	–	–	4,259
Other receivable	335,200	335,200	732,875	1,232,892	596,040	3,232,207
Tax recoverable	–	–	–	–	5,813	5,813
Cash and cash equivalents	7,130	14,969	113,872	297	1,035	137,303
Other payables	(32,527)	(14,759)	(60,707)	(256,653)	(584,500)	(949,146)
Tax payable	–	(5,000)	(49,000)	–	–	(54,000)
Total identifiable assets and liabilities	312,803	330,410	738,299	976,536	18,388	2,376,436

#### Net cash outflow arising from acquisition of subsidiaries

	Group RM
Purchase consideration	26,808,390
Cash and cash equivalents acquired	(137,303)
	<u>26,671,087</u>

#### Goodwill arising from business combination

Goodwill was recognised as a result of the acquisition as follows:-

	Group RM
Fair value of consideration transferred	26,808,390
Fair value of identifiable assets acquired and liabilities assumed	(2,376,436)
Goodwill	<u>24,431,954</u>

#### Impact of the acquisition on the consolidated statement of profit or loss and other comprehensive income

From the date of acquisition, acquired subsidiaries has contributed RM44,123 to the Group's loss for the year respectively. If the combination had taken place at the beginning of the financial year, the Group's profit for the year from its continuing operations would have been decreased by RM39,633.

### (c) Amount due from subsidiaries

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

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
(cont'd)

### 6. GOODWILL ON CONSOLIDATION

	2022 RM	Group 2021 RM
Brought forward	-	-
Addition during the financial year	24,431,954	-
Carried forward	24,431,954	-

Goodwill acquired in a business combination is allocated, at acquisition date, to the cash-generating unit ("CGU") that is expected to benefit from the business combination.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

Key assumptions made in determining the value-in-use are as follows:

- Cash flows were projected based on actual operating results and the 16 years business plan;
- The discount rate applied to the cash flows projections are derived from the weighted average cost of capital of the Group plus a reasonable risk premium;
- The size of operation will remain at least or not lower than the current results.

The key assumption used for determining the value-in-use, which are determined based on external sources and internal sources, is as follows:-

	2022 %	Group 2021 %
Discount rate	8.73	-

The projected cash flows from use are derived from the most recent financial budgets approved by management.

With regards to the assessments, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying values of these units to differ materially from their recoverable amounts except for the changes in prevailing operating environment which is not ascertainable.

### 7. OTHER INVESTMENTS

The other investments represent the following:-

	Group and Company 2022 RM	2021 RM
Unquoted shares in Malaysia, at cost	1,735,501	1,735,501
Less: Accumulated impairment losses	(1,735,499)	(1,735,499)
	2	2



# Notes to the Financial Statements

## - 30 SEPTEMBER 2022

### (cont'd)

#### 7. OTHER INVESTMENTS (CONT'D)

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

	Group and Company 2022 RM	2021 RM
Brought forward/Carried forward	1,735,499	1,735,499

#### 8. INVENTORIES

	Group and Company 2022 RM	2021 RM
Raw materials	1,119,153	3,926,009
Finished goods	181,803	310,431
Consumables	179,341	260,214
	<u>1,480,297</u>	<u>4,496,654</u>
<b>Recognised in profit or loss:-</b>		
Inventories recognised in cost of sales	55,726,521	43,303,952
Inventories written down in cost of sales	270,293	-
Reversal of inventories written down in other income	(227,815)	-

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

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

#### 9. TRADE RECEIVABLES

	2022 RM	Group 2021 RM	Company 2022 RM	2021 RM
Trade receivables, gross	7,775,395	5,990,226	7,258,722	5,990,226
Less: Allowance for expected credit losses				
- Individual impairment	(22,960)	(22,960)	(22,960)	(22,960)
- Collective impairment	(27,434)	(27,434)	(27,434)	(27,434)
	<u>(50,394)</u>	<u>(50,394)</u>	<u>(50,394)</u>	<u>(50,394)</u>
	<u>7,725,001</u>	<u>5,939,832</u>	<u>7,208,328</u>	<u>5,939,832</u>

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(cont'd)

**9. TRADE RECEIVABLES (CONT'D)**

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

	Individual impairment RM	Collective impairment RM	Total RM
<b>Group and Company</b>			
At 1.10.2020	71,460	27,434	98,894
Reversal	(48,500)	–	(48,500)
At 30.9.2021/30.9.2022	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 (2021: cash term to 90 days). Other credit terms are assessed and approved by the management on case-by-case basis.

**10. OTHER RECEIVABLES**

	2022 RM	Group 2021 RM	2022 RM	Company 2021 RM
Non-trade receivables	31,161	374,891	31,161	374,891
Advances	20,124	24,483	20,124	24,483
Advances to suppliers	5,939,525	4,125,000	5,939,525	4,125,000
Deposits	3,372,132	8,039,050	240,136	263,136
Prepayments	1,246,385	2,738,635	139,323	2,698,028
	10,609,327	15,302,059	6,370,269	7,485,538

Included in non-trade receivables of the Group and of the Company is an amount of RM31,061 (2021: RM343,400) due from a company in which a Director has 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 RM5,939,525 (2021: RM4,125,000) due from a company in which Directors have interest.

In prior financial year, included in deposits of the Group and of the Company is an amount of RM13,000 due from a company in which Directors have interest.

Included in deposits of the Group is an amount of RM449,104 (2021: RM6,357,289) paid for acquisition of subsidiaries.

In prior financial year, included in prepayments of the Group and of the Company is an amount of RM2,472,664 paid for acquisition of plant and machinery, where the plant and machinery have yet delivered to the Company.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

#### 11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash in hand	19,825	12,180	16,500	12,180
Cash at bank	10,551,918	24,417,362	9,172,862	24,351,821
Fixed deposits with licensed banks	10,372,962	15,037,791	10,372,962	15,037,791
Presented in statements of financial position	20,944,705	39,467,333	19,562,324	39,401,792
Less: Fixed deposits pledged with licensed banks	(10,371,917)	(15,036,763)	(10,371,917)	(15,036,763)
Presented in statements of cash flows	10,572,788	24,430,570	9,190,407	24,365,029

The fixed deposits with licensed banks of the Group and of the Company amounted to RM10,371,917 (2021: RM15,036,763) 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 1.45% to 2.10% (2021: 1.60% to 1.88%) per annum and matured within 1 to 3 (2021: 1 to 3) months.

#### 12. SHARE CAPITAL

	Group and Company		Amount	
	2022 Number of ordinary shares Units	2021 Units	2022 RM	2021 RM
<b>Issued and fully paid with no par value:-</b>				
Brought forward	1,018,974,904	718,974,904	88,700,686	59,064,731
Issuance pursuant to conversion of redeemable convertible preference shares	–	300,000,000	–	30,000,000
Share issuance expenses	–	–	–	(364,045)
Carried forward	1,018,974,904	1,018,974,904	88,700,686	88,700,686

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.

## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

In prior 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.

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

	Group and Company Number of shares Units	Amount RM
<u>Equity component recognised under equity:-</u>		
At 1.10.2020	300,000,000	15,000,000
Redemption during the financial year	(300,000,000)	(15,000,000)
At 30.9.2021/30.9.2022	-	-

In prior 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 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.



## Notes to the Financial Statements

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

The salient features of the RCPS are as follows (cont'd):-

- (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.

#### 14. WARRANT RESERVES

	Group and Company 2022 RM	2021 RM
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 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

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.

Notes to the Financial Statements  
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**14. WARRANT RESERVES (CONT'D)**

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

	At 1.10.2021	Number of units		At 30.9.2022
		Issued	Exercised	
Warrant B 2019/2024	267,808,360	–	–	267,808,360

**15. LEASE LIABILITIES**

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

	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
As at 1 October	8,728,540	9,396,482	8,728,540	9,396,482
Additions	656,100	–	–	–
Termination	(73,105)	(29,073)	(73,105)	(29,073)
Accretion of interest	323,365	350,355	323,365	350,355
Payments	(942,528)	(989,224)	(942,528)	(989,224)
As at 30 September	8,692,372	8,728,540	8,036,272	8,728,540
Represented by:-				
Current	653,647	677,366	653,647	677,366
Non-current	8,038,725	8,051,174	7,382,625	8,051,174
	8,692,372	8,728,540	8,036,272	8,728,540

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

The interest rate of lease liabilities of the Group and Company are ranging from 3.00% to 3.86% and 3.86% (2021: 3.86% and 3.86%) per annum respectively.

The Group and Company have total cash outflows for leases of RM1,012,348 (2021: RM1,078,743).

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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

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

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

	Group and Company 2022 RM	2021 RM
Low-value assets	10,029	16,516
Short-term leases	59,791	73,003
	69,820	89,519

#### 16. TRADE PAYABLES

Trade payables are non-interest bearing and are generally on credit terms ranged from cash term to 60 days (2021: cash term to 60 days).

Included in trade payables of the Group of the Company is an amount of RM378,241 (2021: RM1,989,183) due from a company in which a Director has interest.

#### 17. OTHER PAYABLES

	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
Non-trade payables	470,931	581,999	175,782	577,912
Accrual of expenses	411,790	624,158	368,802	612,158
Deposit received	130,500	91,500	130,500	91,500
	1,013,221	1,297,657	675,084	1,281,570

Included in non-trade payables of the Group is an amount of RM256,441 (2021: RMNil) due to a Director of subsidiaries which is unsecured, non-interest bearing and repayable on demand.

Included in non-trade payables of the Group and of the Company is an amount of RM142 (2021: RM365) 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 RM130,500 (2021: RM91,500) due to a company in which a Director have interest.

## Notes to the Financial Statements

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(cont'd)

### 18. CONTRACT LIABILITIES

	<b>Group and Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Contract liabilities	1,415,038	1,501,453

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 RM1,415,038 (2021: RM1,501,453). The Group and the Company expected to recognise this revenue over the next 12 months.

### 19. BORROWINGS

	<b>Group and Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<u>Secured:-</u>		
Bankers' acceptance	-	190,580

The bankers' acceptance is secured by fixed deposits with licensed banks of the Group and of the Company as disclosed in Note 11 to the financial statements.

In prior financial year, bankers' acceptance facilities are repayable within 120 days and bear interest rate at 3.50% per annum.

### 20. 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</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Timing of revenue recognition				
<u>At point in time:-</u>				
Sale of flour and related products	62,101,939	51,762,174	62,101,939	51,762,174
Sales of chemical substance	3,977,521	-	-	-
	66,079,460	51,762,174	62,101,939	51,762,174



# Notes to the Financial Statements

## - 30 SEPTEMBER 2022

### (cont'd)

#### 20. REVENUE (CONT'D)

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Geographical market</b>				
Malaysia	66,079,460	51,762,174	62,101,939	51,762,174

#### 21. PROFIT BEFORE TAX

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Auditor's remuneration:				
- Statutory audit	104,500	70,500	63,000	62,500
- Others services	9,000	9,500	9,000	9,500
Depreciation of property, plant and equipment	1,662,850	1,783,727	1,644,686	1,783,727
Property, plant and equipment written off	3,579	4,722	-	4,722
Gain on disposal of property, plant and equipment	-	(185)	-	(185)
Gain on termination of lease	(2,725)	(467)	(2,725)	(467)
Government grant received	(4,156)	(531,101)	(4,156)	(531,101)
Interest expense:				
- Lease liabilities	323,365	350,355	323,365	350,355
Interest income:				
- Fixed deposits	(235,171)	(210,782)	(235,171)	(210,782)
- Other interest income	(201,375)	(495,505)	(201,375)	(495,505)
Realised gain on foreign exchange	(1,532)	(7,794)	(1,532)	(7,794)
Rental income	(522,000)	(366,000)	(522,000)	(366,000)

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(cont'd)

**22. TAX EXPENSE**

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<u>Current tax:-</u>				
Provision for current financial year	135,000	170,000	135,000	170,000
(Over)/Under provision for prior financial year	(2,472)	–	7,096	–
	132,528	170,000	142,096	170,000

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	3,187,994	2,831,144	2,640,234	2,879,100
At Malaysian statutory tax rate of 24% (2021: 24%)	765,119	679,475	633,656	690,984
<u>Tax effects in respect of:-</u>				
Expenses not deductible for tax purposes	102,529	51,681	70,992	40,172
Income not subject to tax	(125,648)	(156)	(125,648)	(156)
(Over)/Under provision of tax expense in prior year	(2,472)	–	7,096	–
Movement of deferred tax assets not recognised	(607,000)	(561,000)	(444,000)	(561,000)
Total tax expense	132,528	170,000	142,096	170,000



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

## 22. TAX EXPENSE (CONT'D)

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

### Group and Company

	Property, plant and equipment RM	Unutilised capital allowance RM	Total RM
At 1.10.2020	(1,508,000)	1,508,000	-
Recognised in profit or loss	(250,000)	250,000	-
At 30.9.2021	(1,758,000)	1,758,000	-
Recognised in profit or loss	(39,000)	39,000	-
At 30.9.2022	(1,797,000)	1,797,000	-

### Unrecognised deferred tax assets

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

	2022 RM	Group 2021 RM	2022 RM	Company 2021 RM
Unabsorbed business losses	71,104,000	71,832,000	66,556,000	66,604,000
Unutilised capital allowances	1,137,000	2,940,000	1,137,000	2,940,000
Unutilised reinvestment allowances	9,973,000	9,973,000	9,973,000	9,973,000
	82,214,000	84,745,000	77,666,000	79,517,000

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"):-

	2022 RM	Group 2021 RM	2022 RM	Company 2021 RM
YA 2028	69,731,000	70,459,000	65,183,000	65,231,000
YA 2029	1,373,000	1,373,000	1,373,000	1,373,000
	71,104,000	71,832,000	66,556,000	66,604,000

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(cont'd)

**23. 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:-

	2022	Group 2021
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	3,055,466	2,661,144
Weighted average number of ordinary shares at 30 September	1,018,974,904	794,249,473
Basic earnings per share (sen)	0.30	0.34

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:-

	2022	Group 2021
Profit for the financial year attributable to ordinary equity holders of the Company (RM)	3,055,466	2,661,144
Weighted average number of ordinary shares at 30 September	1,148,678,394	954,396,181
Diluted earnings per share (sen)	0.27	0.28

**24. EMPLOYEE BENEFIT EXPENSES**

	Group and Company 2022 RM	2021 RM
Salaries, wages and other emoluments	793,100	2,148,483
Directors' fees	204,000	264,000
Social security contributions	12,231	40,264
Defined contribution plans	91,045	327,412
	1,100,376	2,780,159



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

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#### 25. DIRECTORS' REMUNERATION

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

	Group and Company 2022 RM	2021 RM
<b>Existing Directors</b>		
<u>Executive Directors:-</u>		
Salaries and other emoluments	120,000	455,833
Social security contributions	941	1,462
Defined contribution plans	14,400	54,708
	135,341	512,003
 <u>Non-executive Directors</u>		
Directors' fees	204,000	264,000
	339,341	776,003

#### 26. RELATED PARTY DISCLOSURES

##### (a) Related party transactions

The significant related party transactions of the Group and of the Company are as follows:-

	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
Purchase from companies in which a Director has interest	52,740,109	38,757,117	52,740,109	38,757,117
Sales to a company in which a Director has interest	–	2,649	–	2,649
Disposal of property, plant and equipment to a company in which a Director has interest	–	3,145	–	3,145
Payment made on behalf and reimbursed from a Director	5,927	–	–	–
Rental charged to companies in which a Director has interest	522,000	366,000	522,000	366,000
Payment on behalf and reimbursed from a company in which a Director has interest	1,467	2,896	1,467	2,896

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
(cont'd)

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

#### (b) Related party balances

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Notes 5, 10, 16 and 17 to the financial statements.

#### (c) Compensation of key management personnel

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 all the Directors of the Company and 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>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
Salaries and other emoluments	132,424	287,401
Defined contribution plans	15,834	33,806
Social security contributions	2,112	2,770
	<hr/> 150,370	<hr/> 323,977

### 27. COMMITMENTS

#### Operating lease commitments

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

	<b>Group and Company</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>
<u>Future minimum lease payments payable:-</u>		
- Within 1 year	3,240	3,870
- Between 2 to 5 years	4,320	7,560
	<hr/> 7,560	<hr/> 11,430



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (cont'd)

## 28. FINANCIAL INSTRUMENTS

### Categories of financial instruments

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

	2022 RM	2021 RM
<b>Group</b>		
Financial assets		
Other investments	2	2
Trade receivables	7,725,001	5,939,832
Other receivables	3,423,417	8,438,424
Cash and cash equivalents	20,944,705	39,467,333
	<hr/> 32,093,125	<hr/> 53,845,591
Financial liabilities		
Trade payables	1,136,169	2,094,997
Other payables	1,013,221	1,297,657
Borrowings	-	190,580
	<hr/> 2,149,390	<hr/> 3,583,234
<b>Company</b>		
Financial assets		
Other investments	2	2
Trade receivables	7,208,328	5,939,832
Other receivables	291,421	662,510
Amount due from subsidiaries	23,044,605	6,928,412
Cash and cash equivalents	19,562,324	39,401,792
	<hr/> 50,106,680	<hr/> 52,932,548
Financial liabilities		
Trade payables	378,241	2,094,997
Other payables	675,084	1,281,570
Borrowings	-	190,580
	<hr/> 1,053,325	<hr/> 3,567,147

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
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### 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:-

	2022 RM	Group 2021 RM
<b>Classes of financial assets:-</b>		
Trade receivables	7,725,001	5,939,832
Other receivables	3,423,417	8,438,424
Cash and cash equivalents	20,944,705	39,467,333
	32,093,123	53,845,589

	2022 RM	Company 2021 RM
<b>Classes of financial assets:-</b>		
Trade receivables	7,208,328	5,939,832
Other receivables	291,421	662,510
Amount due from subsidiaries	23,044,605	6,928,412
Cash and cash equivalents	19,562,324	39,401,792
	50,106,678	52,932,546



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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

#### 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.

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 Collective RM	Individual RM	Net balances RM
<b>Group 2022</b>				
Current (Not past due)	5,825,788	-	-	5,825,788
1-30 days past due	1,787,982	(4,198)	-	1,783,784
31-60 days past due	118,980	(22,970)	-	96,010
61-90 days past due	7,301	-	-	7,301
More than 90 days past due	35,344	(266)	(22,960)	12,118
	7,775,395	(27,434)	(22,960)	7,725,001

Notes to the Financial Statements  
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**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 (cont'd):-

	Gross carrying amount RM	Loss allowance Collective RM	Individual RM	Net balances RM
<b>Group (cont'd)</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>Company</b>				
<b>2022</b>				
Current (Not past due)	5,353,381	-	-	5,353,381
1-30 days past due	1,757,177	(4,198)	-	1,752,979
31-60 days past due	112,820	(22,970)	-	89,850
61-90 days past due	-	-	-	-
More than 90 days past due	35,344	(266)	(22,960)	12,118
	7,258,722	(27,434)	(22,960)	7,208,328
<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



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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 2022  
(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 27% and 29% (2021: 25% and 25%) of total Group's and Company's trade receivables were due from 2 and 2 (2021: 1 and 1) major customer(s) respectively.

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.

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.



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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

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

Group	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>2022</b>					
<u>Financial liabilities</u>					
Lease liabilities	8,692,372	10,644,484	952,363	3,928,446	5,763,675
Trade payables	1,136,169	1,136,169	1,136,169	—	—
Other payables	1,013,221	1,013,221	1,013,221	—	—
	10,841,762	12,793,874	3,101,753	3,928,446	5,763,675
<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

Notes to the Financial Statements  
- 30 SEPTEMBER 2022  
(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):-

			← Maturity →		
			Current	← Non-current →	
	Carrying amount RM	Contractual cash flows RM	Within 1 year RM	Between 2 to 5 years RM	More than 5 years RM
<b>Company</b>					
<b>2022</b>					
<u>Financial liabilities</u>					
Lease liabilities	8,036,272	9,988,384	952,363	3,928,446	5,107,575
Trade payables	378,241	378,241	378,241	—	—
Other payables	675,084	675,084	675,084	—	—
	<b>9,089,597</b>	<b>11,041,709</b>	<b>2,005,688</b>	<b>3,928,446</b>	<b>5,107,575</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>

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 2022

### (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:-

#### Group and Company

	<b>Denominated in USD RM</b>
<b>2021</b>	
Other receivables	1,548,830
Other payables	(68,267)
	<hr/> 1,480,563

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.

#### Group and Company

	<b>Increase/(Decrease) of equity/profit for the financial year</b>
	<b>2022                  2021</b>
	<b>RM                      RM</b>
<b>USD/RM:-</b>	
Strengthened 1% (2021: 1%)	-                  14,806
Weakened 1% (2021: 1%)	-                  (14,806)

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 2022  
(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:-

	2022 RM	Group 2021 RM
<b>Fixed rate instruments</b>		
Financial asset		
Fixed deposits with licensed banks	10,372,962	15,037,791
<u>Financial liabilities</u>		
Bankers' acceptance	-	(190,580)
Lease liabilities	(8,692,372)	(8,728,540)
Net financial asset	1,680,590	6,118,671
	2022 RM	Company 2021 RM
<b>Fixed rate instruments</b>		
Financial asset		
Fixed deposits with licensed banks	10,372,962	15,037,791
<u>Financial liabilities</u>		
Bankers' acceptance	-	(190,580)
Lease liabilities	(8,036,272)	(8,728,540)
Net financial asset	2,336,690	6,118,671



## Notes to the Financial Statements

### - 30 SEPTEMBER 2022

### (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 (cont'd)

##### *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.

## 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:-

		2022 RM	2021 RM
Customer A	Segment Flour milling and trading	30,556,998	22,545,756

## 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.

## Notes to the Financial Statements

- 30 SEPTEMBER 2022  
(cont'd)

### 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.



## ANALYSIS OF SHAREHOLDINGS

### AS AT 30 DECEMBER 2022

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	2.21	1,885	0
100 – 1,000	917	23.31	813,683	0.08
1,001 – 10,000	1,597	40.60	7,837,799	0.77
10,001 – 100,000	1,028	26.13	40,464,616	3.97
100,001 – less than 5% of issued shares	301	7.65	362,480,921	35.57
5% and above of issued shares	4	0.10	607,376,000	59.61
<b>Total</b>	<b>3,934</b>	<b>100.00</b>	<b>1,018,974,904</b>	<b>100.00</b>

#### SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS AT 30 DECEMBER 2022

(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

Notes:-

- (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 30 DECEMBER 2022  
(cont'd)

### DIRECTOR'S INTEREST AS AT 30 DECEMBER 2022

(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	—	—	—	—
Wong Yau Min	—	—	—	—
Lim Lian Chee	—	—	—	—

Notes:-

- (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 30 DECEMBER 2022

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

No.	Name	No. of Shares Held	%
1.	LOTUS ESSENTIAL SDN. BHD.	300,000,000	29.44
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.	LEE WAI FUN	33,912,000	3.33
7.	WONG PENG KHOON	17,475,620	1.72
8.	WONG ONN ONN	12,323,900	1.21
9.	WONG MING MING	10,763,900	1.06
10.	RHB NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR WONG SAK KUAN	10,000,000	0.98
11.	TOH YAN TAI	9,670,400	0.95
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



## Analysis of Shareholdings

### AS AT 30 DECEMBER 2022

### (cont'd)

#### 30 LARGEST SECURITIES ACCOUNT HOLDERS AS AT 30 DECEMBER 2022 (CONT'D)

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

No.	Name	No. of Shares Held	%
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.	AUGUSTINE KOK HWAI NAM	7,000,000	0.69
20.	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN. BHD. - PLEDGED SECURITIES ACCOUNT FOR SHORAKA CAPGROUP SDN. BHD.	6,250,000	0.61
21.	TOH WAH CHONG	5,861,300	0.57
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.	SIM SOH POW	4,320,000	0.42
27.	TEOH HOOI LEE	3,800,000	0.37
28.	LEE WAI FONG	3,338,000	0.33
29.	WOO WAI ONN @ FOO WAI ONN	3,067,500	0.30
30.	KOH KIM HEOK	2,940,000	0.29

## ANALYSIS OF WARRANT HOLDINGS AS AT 30 DECEMBER 2022

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	11	2.18	436	0
100 - 1,000	17	3.35	9,810	0
1,001 - 10,000	133	26.23	740,940	0.29
10,001 - 100,000	224	44.18	9,867,950	3.68
100,001 – less than 5% of issued warrants	116	22.88	90,017,264	33.61
5% and above of issued warrants	6	1.18	167,171,960	62.42
<b>Total</b>	<b>507</b>	<b>100.00</b>	<b>267,808,360</b>	<b>100.00</b>

### DIRECTORS' WARRANT HOLDINGS AS AT 30 DECEMBER 2022

(As per the Register of Directors' Warrant Holdings)

Name of Directors	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	–	–	–	–
Wong Yau Min	–	–	–	–
Lim Lian Chee	–	–	–	–

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 30 DECEMBER 2022  
(cont'd)

## THIRTY LARGEST WARRANT HOLDERS AS AT 30 DECEMBER 2022

(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.	TOH YAN TAI	4,907,400	1.83
10.	RHB CAPITAL NOMINEES (TEMPATAN) SDN. BHD. - LIM WILLIE	4,745,100	1.77
11.	CHONG FONG TAI	4,308,000	1.61
12.	WONG HUEY PING	4,200,001	1.57
13.	CHIA WENG LOCK	4,000,000	1.49
14.	YAU CHI HANG	3,845,210	1.44
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	1,665,100	0.62
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.	KOH KIM HEOK	1,225,000	0.46
23.	WONG TIN WOOL	1,180,001	0.44
24.	LAI CHEAN WEI	1,174,500	0.44
25.	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. - CIMB FOR BEH CHERN WEI (MA CHENGWEI) (PB)	1,132,000	0.42
26.	LING YOKE HOOI	1,088,700	0.41
27.	WOO WAI ONN @ FOO WAI ONN	1,084,000	0.40
28.	KWONG SIEW TOON	920,000	0.34
29.	WONG KWEE FONG	906,800	0.34
30.	TAN ENG MENG	790,000	0.29

## LIST OF PROPERTIES HELD BY THE GROUP AS AT 30 SEPTEMBER 2022

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	37 years and 30 years	4,333
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	20 years	280



# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Thirty-Eighth Annual General Meeting (“38<sup>th</sup> 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 Friday, 17 March 2023 at 10.00 a.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 2022 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 RM300,000 for the period commencing from the date immediately after this 38 <sup>th</sup> AGM until the next Annual General Meeting (“AGM”) 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. Datuk Wong Sak Kuan   | <b>ORDINARY RESOLUTION 2</b>                  |
| ii. Mr. Chia Weng Lock   | <b>ORDINARY RESOLUTION 3</b>                  |
| 4. To re-elect the following Directors who retire pursuant to Clause 91 of the Company’s Constitution:   |   |
| i. Mr. Wong Yau Min  | <b>ORDINARY RESOLUTION 4</b>                  |
| ii. Mr. Lim Lian Chee  | <b>ORDINARY RESOLUTION 5</b>                  |
| 5. To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.   | <b>ORDINARY RESOLUTION 6</b>                  |

### As Special Business:

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

- |  |                              |
|--|------------------------------|
| 6. <b>GENERAL AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 (“ACT”)</b> | <b>ORDINARY RESOLUTION 7</b> |
|--|------------------------------|

“THAT subject always to the Constitution of the Company, the 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 new ordinary 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 ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time (“Mandate”) 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)

THAT pursuant to Section 85 of the Act read together with the Company's Constitution, approval be given to waive the statutory pre-emptive rights conferred upon the shareholders of the Company AND THAT the Board is exempted from the obligation to offer such new Shares first to the existing shareholders of the Company in respect of the issuance and allotment of new Shares pursuant to the Mandate.

AND FURTHER THAT the new Shares to be issued pursuant to the Mandate, shall, upon issuance and allotment, rank pari passu in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new Shares."

7. **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 8**

"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 18 January 2023 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 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 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)

### 8. 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.”

9. 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  
18 January 2023

#### 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 may be made via hardcopy or by electronic means in the following manners and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof at which the person named in the appointment proposes to vote:-

#### (a) In Hardcopy Form

The proxy form shall be deposited at the Share Registrar’s office, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

#### (b) By Electronic Means

The proxy form shall be electronically lodged via fax to +603-2094 9940 or by email to [eservices@sshsb.com.my](mailto:eservices@sshsb.com.my).

## Notice of Annual General Meeting (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 9 March 2023. Only members whose name appears in the Record of Depositors as at 9 March 2023 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 the Meeting 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 2022

This Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Act 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 38th AGM until the date of the next AGM to be held in the year 2024. In the event the proposed amount is insufficient due to more meetings or an enlarged Board size, approval will be sought at the next AGM for the shortfall.

#### 3. Items 3 and 4 of the Agenda – Re-election of Directors

Clause 85 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being or if their number is not a multiple of three (3), then the number nearest to one-third (1/3) shall retire by rotation at an AGM of the Company and be eligible for re-election provided always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. Hence, two (2) out of seven (7) Directors of the Company (excluding Mr. Wong Yau Min and Mr. Lim Lian Chee who will be retiring pursuant to Clause 91 of the Company's Constitution) are to retire in accordance with Clause 85 of the Company's Constitution.

Clause 91 of the Company's Constitution provides that any Director appointed either to fill a casual vacancy or as an addition to the existing Directors shall hold office only until the next AGM, and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors to retire by rotation at such meeting.

Datuk Wong Sak Kuan and Mr. Chia Weng Lock will retire by rotation in accordance with Clause 85 of the Company's Constitution whereas Mr. Wong Yau Min and Mr. Lim Lian Chee will retire in accordance with Clause 91 of the Company's Constitution. All these retiring Directors being eligible, have offered themselves for re-election at the 38th AGM.

The Board has endorsed the Nomination Committee's recommendation to seek for the shareholders' approval to re-elect the said retiring Directors as they possess the required skill sets to facilitate and contribute to the Board's effectiveness and value.

The said retiring Directors had abstained from all deliberations and decisions on their own eligibility to stand for re-election at the Board meeting.

The details and profiles of the said retiring Directors are provided in the Directors' Profile of the Company's Annual Report 2022.



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

### 4. **Item 6 of the Agenda - General Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Act**

The Company had at its Thirty-Seventh AGM held on 21 March 2022 ("37<sup>th</sup> 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 in time. As at the date of the notice, the Company did not issue any shares pursuant to the said mandate.

The Ordinary Resolution 7 proposed under item 6 of the Agenda, is a renewal of the general mandate for issuance and allotment of shares by the Company pursuant to Sections 75 and 76 of the Act. This Ordinary Resolution, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares of the Company for such purposes as the Directors consider would be in the interest of the Company. This would avoid any delay and cost involved in convening a general meeting to approve the issuance and allotment of such shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is earlier.

This general mandate will provide flexibility to the Company for issuance and allotment of shares for any possible fund-raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).

Pursuant to Section 85 of the Act and the Company's Constitution, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company. This Ordinary Resolution 7, if passed, will exclude the shareholders' pre-emptive right to be offered new shares to be issued by the Company.

### 5. **Item 7 of the Agenda – Proposed Renewal of Shareholders' Mandate**

The Ordinary Resolution 8 proposed under Item 7 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 18 January 2023 for further information.

### 6. **Item 8 of the Agenda – Proposed Amendments to the Constitution of the Company ("Proposed Amendments")**

The Proposed Amendments are mainly to streamline the Constitution with the relevant regulatory requirements as well as to enhance administrative efficiency.

The Proposed Amendments 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 8 of the Notice of Thirty-Eighth Annual General Meeting of the Company dated 18 January 2023.

Clause No.	Existing Clause	Proposed Clause
54 <i>Offer of new Shares</i>	Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible Securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of any intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares and/or Securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares and/or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to any offer of new shares or Securities) cannot, in the opinion of the Directors be conveniently offered under this Constitution. Notwithstanding the above, the Directors shall not be required to offer any new ordinary shares for the time being unissued and not allotted and any new shares or other convertible securities from time to time to be created to the holders of the existing shares where the said shares or securities are to be issued as consideration or part consideration for the acquisition of shares or assets by the Company.	Subject to any direction to the contrary that may be given by the Company in general meeting, any new shares or other convertible Securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of any intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares and/or Securities in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares and/or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to any offer of new shares or Securities) cannot, in the opinion of the Directors be conveniently offered under this Constitution. Notwithstanding the above, the Directors shall not be required to offer any new ordinary shares for the time being unissued and not allotted and any new shares or other convertible securities from time to time to be created to the holders of the existing shares where the said shares or securities are to be issued as consideration or part consideration for the acquisition of shares or assets by the Company.



## Appendix A (cont'd)

Clause No.	Existing Clause	Proposed Clause
54 <i>Offer of new Shares</i>		<p>For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained for implementation of a scheme that involves a new issuance of shares or other convertible securities to employees of the Company and its subsidiaries and approval obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable.</p> <p>In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply.</p>
125A Validity of Electronic / Digital Signature	New provision	<p>For the avoidance of doubt, any document or instrument transmitted by any technology purporting to include a signature and/or electronic or digital signature of any of the following persons:</p> <ul style="list-style-type: none"> <li>(a) a holder of Shares;</li> <li>(b) a Director (including Alternate Director);</li> <li>(c) a committee member;</li> <li>(d) in the case of a corporation, which is a holder of shares, its director or secretary or a duly appointed attorney or duly authorised representative,</li> </ul> <p>shall in the absence of express evidence to the contrary available to the person relying on such document or instrument at the relevant time, be deemed to be a document or instrument signed by such person in the terms in which it is received.</p>

## ADMINISTRATIVE NOTES

### ADMINISTRATIVE NOTES FOR THE THIRTY-EIGHTH ANNUAL GENERAL MEETING OF LOTUS KFM BERHAD (“LOTUS” OR “COMPANY”) (“38<sup>TH</sup> AGM” OR “MEETING”)

Date	Time	Venue
Friday, 17 March 2023	10.00 a.m.	Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya

### APPOINTMENT OF PROXY

1. A member who is entitled to participate and vote at the Meeting is entitled to appoint more than one (1) proxy to participate and vote in his/her stead. If you are not able to participate in the 38<sup>th</sup> AGM, you are encouraged to appoint the Chairman of the Meeting as your proxy and indicate the voting instructions in the Proxy Form.
2. The appointment of a proxy may be made in a hardcopy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the Meeting or any adjournment thereof:-

(i) In hardcopy form

The proxy form shall be deposited at the Share Registrar’s office, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

(ii) By electronic form

The proxy form shall be electronically lodged via fax to +603-2094 9940 or by email to [eservices@sshsb.com.my](mailto:eservices@sshsb.com.my).

Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

3. If you wish to participate in the Meeting yourself, please do not submit any proxy form for the Meeting. You will not be allowed to participate in the 38<sup>th</sup> AGM together with the proxy(ies) appointed by you.
4. If you have submitted your Proxy Form prior to the Meeting and subsequently decide to personally participate in the Meeting, please write in to [lily@sshsb.com.my](mailto:lily@sshsb.com.my) to revoke the earlier appointment of your proxy(ies) at least forty-eight (48) hours before the commencement of the Meeting. Upon revocation, your proxy(ies) will not be allowed to participate in the 38<sup>th</sup> AGM. In such event, kindly advise your proxy(ies) accordingly.



## Administrative Notes (cont'd)

### PROCEDURES OF THE MEETING

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 [info@lotuskfm.com.my](mailto:info@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 38<sup>th</sup> AGM is 9 March 2023. As such, only members whose names appear in the Company's Record of Depositors as at 9 March 2023 shall be entitled to attend the 38<sup>th</sup> AGM and participate, speak and vote thereat.

- (b) 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.
- (c) Members or proxies must sanitise their hands and are strongly advised to wear a face mask if they are attending the Meeting in person.
- (d) Members or proxies are advised to observe/maintain social distancing of at least 1 meter from each other throughout the Meeting.
- (e) 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.
- (f) **NO door gift** will be provided to the members/proxies at the Meeting venue and **NO refreshment** will be served at the Meeting venue.
- (g) 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.
- (h) **Recording/Photography**

By participating in this 38<sup>th</sup> 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 38<sup>th</sup> 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.

## Administrative Notes (cont'd)

### ENQUIRY

If you have any enquiry regarding the 38<sup>th</sup> 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: connie.ng@lotuskfm.com.my	Name: Ms. Lily Telephone No.: +603-2084 9000 Email: lily@sshbsb.com.my



# 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-Eighth Annual General Meeting ("38<sup>th</sup> AGM" or "Meeting") of the Company to be held at Eugenia Ballroom (Ground Floor), Palm Garden Golf Club, IOI Resort City, 62502 Putrajaya on Friday, 17 March 2023 at 10.00 a.m. or at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If no specific direction as to vote is given, the Proxy will vote or abstain from voting at his/her\* discretion.

No.	Ordinary Resolutions	For	Against
1.	To approve the payment of Directors' fees and benefits of up to RM300,000 for the period commencing from the date immediately after this 38 <sup>th</sup> AGM until the next AGM of the Company.		
2.	To re-elect Datuk Wong Sak Kuan as Director.		
3.	To re-elect Mr. Chia Weng Lock as Director.		
4.	To re-elect Mr. Wong Yau Min as Director.		
5.	To re-elect Mr. Lim Lian Chee as Director.		
6.	To re-appoint Grant Thornton Malaysia PLT as Auditors of the Company.		
7.	To approve the general authority for Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.		
8.	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 is not applicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Signature/ Common Seal of Member(s)

### NOTES:

- 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.
- 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.
- 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.
- 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.
- 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 may be made via hardcopy or by electronic means in the following manners and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof at which the person named in the appointment proposes to vote:-
- (a) **In Hardcopy Form**  
The proxy form shall be deposited at the Share Registrar's office, Securities Services (Holdings) Sdn. Bhd. at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia.
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- 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 9 March 2023. Only members whose name appears in the Record of Depositors as at 9 March 2023 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 the Meeting 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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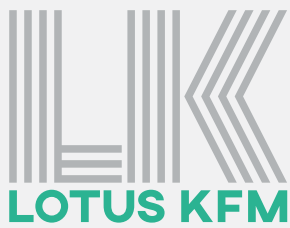
AFFIX  
STAMP

The Share Registrar  
**LOTUS KFM BERHAD**  
198401007083 (119598-P)  
c/o Securities Services (Holdings) Sdn. Bhd.  
Level 7, Menara Milenium,  
Jalan Damanlela,  
Pusat Bandar Damansara,  
Damansara Heights,  
50490 Kuala Lumpur, Malaysia

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Fold This Flap For Sealing





**LOTUS KFM BERHAD**

Registration No. 198401007083(119598-P)

Unit T2-L3-1 & 3, Level 3 IOI City Tower Two  
Lebuh IRC, IOI Resort City  
62502 Putrajaya, Malaysia

Tel : +603-89594883

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