



**LOTUS KFM BERHAD  
198401007083 (119598-P)  
(Incorporated in Malaysia)**

**SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-EIGHTH ANNUAL GENERAL MEETING (“38<sup>th</sup> AGM”) OF LOTUS KFM BERHAD (“LOTUS” OR “THE COMPANY”) HELD ON FRIDAY, 17 MARCH 2023 AT 10:00 A.M.**

---

**REPLY TO QUESTIONS FROM THE MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”)**

Mr. Lim Lian Chee (“Mr. Lim”), the Executive Director of the Company, presented to the Shareholders, the questions received from the MSWG along with the replies from the Board as summarised below:

**Operational & Financial Matters**

**Q1. In the financial year ended 2022 (“FYE 2022”), Lotus KFM Berhad (“LKFM”) recorded an improved profit before tax of RM3,188,000 compared to the profit before tax of RM2,831,000 recorded in the financial year ended 2021 (“FYE 2021”) (Page 5 of the Annual Report 2022).**

**(a) Is the improved financial performance sustainable?**

The Group’s flour milling and trading in its related products business will continue to be the principal support of the Group’s financial performance. The Group’s performance is subject to, largely, costs of raw materials, fluctuation of foreign currency exchange rate and pressure of inflation.

**(b) What is the prospect for the Group’s business segments in the financial year ended 2023 (“FYE 2023”)?**

The Group is cautious on the uncertainty of the current economic condition. It, however is targeting to increase sales volume in FYE 2023 by potential expansion into new customers’ bases.

**Q2. The Group's gross profit margin (“GPM”) has decreased by 1.97% from GPM of 8.28% in FYE 2021 to GPM of 6.31% in FYE 2022 (Page 62 of the Annual Report 2022).**

**(a) What is the reason for the decreased GPM in FYE 2022?**

The main reason for decreased GPM in FYE 2022 is due to the increase in price of raw material and the volatility of supply caused by war and policy of the raw material exporting countries. For example, the Ukraine and Russia war, and the banning of wheat export by the Indian government, one of the largest wheat producers.

**(b) In what ways can the Group improve its GPM? What is the outlook for the GPM in FYE2023?**

The Group is cautious on the uncertainty of the current economic condition, and the Group is working to pass on the cost to customers. The Group is also planning to expand the market to new customer bases in order to improve the Group's GPM.

**Q3. Other income increased significantly from RM441,747 in FYE2021 to RM843,448 in FYE 2022 (Page 62 of the Annual Report 2022).**

**What are the reasons for the significant increase in other income? What is the expectation for other income in FYE 2022?**

The increase in the other income was due to the increase in rental income from RM30,500 per month in FYE 2021 to RM43,500 per month in FYE 2022, and there is an extraordinary item in FYE 2022 of RM227,815. The rental income is expected to be maintained in FYE 2023.

**Q4. The volatility of prices on imported raw materials such as wheat and tapioca remains 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 (Page 6 of the Annual Report 2022).**

**Is the Group able to pass on the increase in cost to its customers? If not, to what extent will the abovementioned factor impact the Group's financial performance, adversely?**

The Group should be able to pass on the cost increase to its customers selectively. Otherwise, the Group's bottom line maybe impacted.

**Q5. Factory Utilisation Rate**

**(a) What is the previous and current capacity utilisation rate for LKFM's factory?**

The previous and current capacity utilisation rate for the LKFM's factory is very low, as we are focusing on our trading business whereby the utilisation of warehouse capacity is almost 100%.

**(b) What is the targeted utilisation rate for the factory in FYE2023?**

The Company's targeted utilisation rate for the factory in FYE2023 is expected to remain the same unless the market improves.

## **QUESTIONS RAISED BY THE SHAREHOLDERS**

The questions raised by a shareholder and the responses provided by Mr. Lim were summarised below:-

**Q1. Following the introduction and implementation of the Environment, Social and Governance (“ESG”) sustainability framework, until today, what effort has been done by the Group?**

- The Group has taken the following steps to comply with the ESG framework: -
  - Implemented energy saving measures such as upgrading its vehicles from petroleum-powered to electric and promoting energy conservation across the Group entities; and
  - Diversified into the plantation segment by acquiring a plantation company, which has enabled the Group to plant vast acres of plants and trees.

The results of these efforts are expected to become visible after three (3) years and should help the Group to earn Carbon Credits. Going forward, the Group intends to further strengthen its commitment to ESG compliance.