



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

SUMMARY OF KEY MATTERS DISCUSSED AT THE THIRTY-NINTH ANNUAL GENERAL MEETING (“39th AGM”) OF LOTUS KFM BERHAD (“LOTUS” OR “THE COMPANY”) HELD ON THURSDAY, 21 MARCH 2024 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. Financial Performance

	2023 RM'000	2022 RM'000 (Restated)	2021 RM'000	2020 RM'000	2019 RM'000
Revenue	58,508	66,079	51,762	55,098	57,893
Operating profit/(loss)	2,374	2,989	2,475	9,741	(3,962)

(Page 4 of the Annual Report 2023 / AR 2023)

In FYE2023, LKFM recorded a lower revenue of RM58,508,000 in FYE2023 compared to RM66,079,000 in FYE2022, representing a 11.46% decrease or RM7,571,000 due to the decreased sales volume of flour milling and trading segment which caused by the decrease of demand in the operating market.

The Group recorded a lower operating profit of RM2,374,000 in FYE2023 compared to RM2,989,000 in FYE2022, representing a 20.58% or RM615,000 decrease. FYE2023's operating profit result was also the lowest since FYE2020.

(a) How does the Group intend to address the lower revenue and operating profit moving forward?

There are several strategies that the Group intend to employ in order to address lower revenue and operating profit:

1. Cost reduction and operational efficiency: The Group will cut unnecessary expenses, renegotiate contracts, and streamline operations that can further reduce costs.

2. Strategic Partnership and Alliances: The Group will be collaborating with other upstream and downstream companies that can provide access to new markets or resources.
3. Revenue Diversification: Expanding product lines to help the Group to mitigate the impact of lower revenue in existing areas.

(b) What is the latest outlook for the Group's business segments in FYE2024?

- Flour and trading segment: The Group foresees that the uncertainty of the economic conditions will have effects on the profitability of the business in the upcoming period, such as inflation rates, economic downturns, fluctuations in currency exchange rates and customer purchasing power.
- Plantation segment: The Group do not anticipate having any contribution in the coming period from the plantation segment as the same is still at the infancy stage. The Group however, expects a positive contribution from the potential trading of plantation related products.

Q2. Trading business

(a) What is the current utilisation rate of warehouse capacity?

The current utilisation rate of warehouse capacity is nearly 100%.

(b) What is the targeted capacity utilisation rate in the next two financial years?

The targeted utilisation rate is expected to remain the same in the year 2024, unless the market condition changes.

Q3. Lately, a proposed diversification allows the Group to enter the forest plantation industry in Malaysia. 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 (Page 4 of the AR2023).

As reported on pages 108-109 of AR2023, the Group's plantation segment recorded another and a higher loss of RM316,137 in FYE2023 (FYE2022: Loss of RM110,428) with no revenue contribution.

(a) What is the update for the Group's plantation segment activities?

The Group commenced plantation activities and it is still in an early stage of planting.

(b) What are the main reasons for the increased loss in FYE2023? Does the Group expect the segment to record another higher loss in FYE2024?

The plantation segment is still in the planting and growing phase where costs are incurred, and further planting and maintenance costs are expected to be continue.

- (c) Since the Group's diversification into the segment is just recent, when does the segment expect to contribute the recurring income stream to the Group and a positive bottom-line result?**

The Group expects its own plantation to start contributing earliest by the year 2027.

- Q4. LKFM's main raw materials such as wheat and tapioca are fully imported from oversea markets, and it is traded in USD. The fluctuations in USD/RM exchange rates will have a great impact on its raw material costs and further affect the cost of goods sold. The Group is fitting a proactive approach and strategy to minimize the risk (Page 6 of AR2023).**

Has the Group initiated an approach and strategy to minimise the risk? If so, to what extent will it mitigate the impact on the cost of goods sold?

The Group will continuously monitor the exchange rate movements and review the effectiveness of risk management to minimize the risk and protect the bottom line from adverse moments. The Group will continue to adjust the strategies as needed to respond to changing market conditions and business dynamics.