

MESSAGE FROM THE EXECUTIVE CHAIRMAN

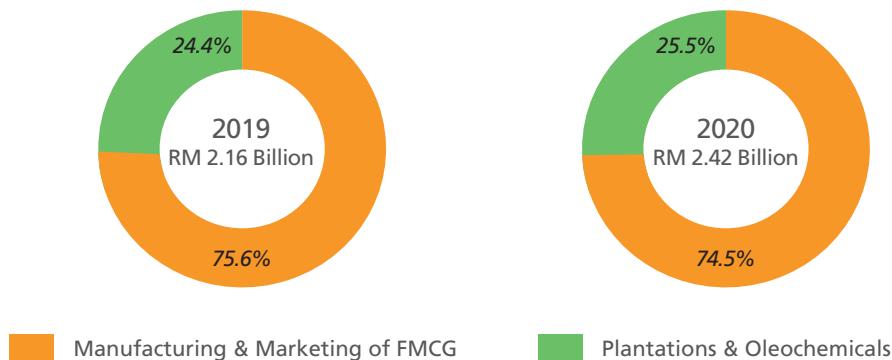
INTRODUCTION

On behalf of the Board of Directors, I am pleased to present the Annual Report of LAM SOON (M) BERHAD for the financial year ended 31 December 2020.

2020 was marked by two important events, the global spread of coronavirus (COVID-19) and extreme volatility in Crude Palm Oil (CPO) prices. The Group being largely palm-oil based is cognisant of the implications. Hence, the management adopted cautious and prudent approach to hedge the CPO position, and had largely benefited from the rise in CPO prices.

We are pleased to advise the shareholders that consolidated profit before tax has increased from RM 157.37 million to RM 214.37 million in 2020, being the highest in the history of the company. This was achieved on the back of a 12.0% increase in group revenue to RM 2.42 billion in 2020 (2019: RM 2.16 billion). Both Fast Moving Consumer Goods (FMCG) segment and Plantations & Oleochemicals segment contributed to this positive result. At Company level, dividends received from subsidiaries, associates and other investments, increased to RM 93.11 million (2019: RM 89.54 million); this culminated in higher profit before tax for the year at RM 89.58 million (2019: RM 88.05 million).

REVENUE BY BUSINESS ACTIVITY



FAST MOVING CONSUMER GOODS (FMCG)

Lam Soon Edible Oils Sdn Bhd (LSEO)

The 1st Movement Control Order (MCO) period was announced between March and June 2020. It caused an immediate boost in demand for cooking oils, fats and hand sanitisers, which drove up sales for LSEO. This was followed by further demand spikes arising from the end of MCO and the reimposition of Conditional MCO (CMCO) in October 2020. As a result, LSEO sales grew by 11.2% to reach RM 1.79 billion (2019: RM 1.61 billion). Combined with favourable hedging of raw materials (explained above), LSEO delivered profit before tax of RM 114.71 million, a commendable increase of 58.9% (2019: RM 72.21 million).

Southern Lion Sdn Bhd (SLSB)

SLSB, your Company's 50% associate, managed to achieve revenue of RM 639.76 million, an increase of 3.0% over the previous year. The Lion Fair in the second half of 2020 resonated with consumers via recalibrated trade mechanics that appealed to the 'new normal sentiments'. SLSB revised its marketing strategy to re-position itself and expand market share: profit after tax for the year was RM 30.78 million (2019: RM 47.19 million), and profit contribution from SLSB to our Group has consequently reduced to RM 15.39 million (2019: RM 23.60 million).

TOP detergent was recognised as the Gold Award recipient within Household Products Category at the prestigious 2020 Putra Brand Awards. 2020 also saw the successful relaunching of TOP Blooming along with newly launched TOP Silky Miracle (new entry into "softening alike" segment of detergent category). In the oral care segment, Systema continues to increase its market share; it held on to its leadership within the tapered toothbrush segment. New SKUs in the mid-price and upper-economy price segments were introduced and collaborative engagements undertaken with dental professionals.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Marketing Activities

With Malaysians confined at home for extended periods, there was a high surge in purchases for home cooking and baking for in-home consumption. The extra expenditure provided a good impetus of growth to the Group's leading brands in cooking oils, margarine and spread, sauces, etc., as well as for Lee Kum Kee sauces and Arla range of dairy products which we distribute. In addition, the Group's popular **Antabax** personal care brand experienced a stupendous growth amid the need for anti-bacterial products during the pandemic.

Thanks to the extensive long-term investment into brand building initiatives, LSEO managed to outperform the industry average based on Nielsen Malaysia Retail Index across multiple categories. Core categories such as cooking oil, margarine and sauces registered double digits growth against national growth of 5.1%, for dry grocery, while both household and personal care registered growth against nationwide contraction in these categories.

The following adds to the growing list of accolades and awards received by our various brands:

<u>Brands</u>	<u>Awards</u>
<i>Knife</i>	2020 Reader's Digest Trusted Brand Award (Platinum) 2020 Brand Laureate Award (Most Iconic Brand - Cooking Oil)
<i>Cap Buruh</i>	2020 Reader's Digest Trusted Brand Award (Gold)
<i>Naturel</i>	2020 Reader's Digest Trusted Brand Award (Gold) 2020 Brand Laureate Award (Best Choice Award in Consumer – Olive Oil) 2020 Baby Talk & Mama Papa Readers' Choice Awards 2020 Natural Health Reader's Choice Awards*
<i>Antabax</i>	2020 Brand Laureate Award (Brand Influencer – Derma Protection Solutions) 2020 Watsons HWB Awards (Most Wanted Antibacterial Wipes)

*Natural Health Magazine

To amplify our brand presence and engagement with the customers and consumers, LSEO intensified promotional activities in its key online customers. During the 10 km radius restriction of movement, we leveraged on our nationwide branch network to meet the surge of demand from customers with localised distribution centres.

Manufacturing Activities

Amid a year of unprecedented challenges with global pandemic, many sectors of the economy have been negatively impacted. During the MCO, many industries were not allowed to operate, while those allowed must do so at 50% reduction to workforce; this created great disruption to the supply chain. The factory management adapted as best as it could, demonstrating its focus and resilience to fulfil orders and pursue cost competitiveness, so as to ensure our products continue to be available in the market.

We remain uncompromising in our commitment for product quality and food safety. To these are added the safety and well-being of staff during the pandemic. In 2020, Teluk Panglima Garang (TPG) factory successfully upgraded its HACCP certification to the latest version. Moreover, it achieved the recertification of ISO 9001 and ISO14001. On its part, the Pasir Gudang (PSG) factory successfully upgraded the current integrated Food Safety Management System [FSSC 22000 (ISO/TS 22002-1)] from version 4.1 to version 5. Likewise, the systems of Halal, MSPO and RSPO Supply Chain certifications are well-maintained.

The TPG plant has commissioned a brand-new cartoning machine with automatic case packer for its Liquid Dish wash line, so as to ensure improved production line efficiency and productivity. Other successful initiatives include the overhaul of Oil Packing Line 1 wraparound machine and Line 4 filling machine. PSG plant has installed a pattern matching smart camera system for Naturel margarine packing line for automated inspection.

To reduce the environmental impact as well as cost containment, TPG plant commenced the installation of transparent roof type at the production packing area to create a conducive working environment for employees.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

PLANTATIONS & OLEOCHEMICALS

Lam Soon Plantations Sdn Bhd (LSPSB)

Overall, LSPSB group achieved significant increase in revenue of RM 618.50 million in 2020 (2019: RM 525.95 million). LSPSB group profit before tax was at RM 76.33 million, an increase of 59.9% over previous year's RM 47.75 million.

At the company level, profit before tax was reported at RM 55.97 million (2019: RM 30.89 million). This was due to the timely sale of CPO, resulting in a much higher average selling price of RM 2,830/MT as compared with RM 2,120/MT in 2019.

Dara-Lam Soon Sdn Bhd (DLSSB)

For the same reason, DLSSB achieved a profit before tax at company level of RM 42.22 million, an increase of 67.7% over last year's results of RM 25.18 million.

DLSSB group being a 40%-owned associate, contributed a net profit of RM 12.94 million to the Group results, an increase of 62.4% over previous year's RM 7.97 million.

Pacific Oleochemicals Sdn Bhd (POC)

POC achieved higher growth in both sales volume and revenue in 2020. Revenue increased from RM 463.97 million to RM 535.99 million and profit before tax achieved was RM 34.50 million, an increase of 9.8% over previous year of RM 31.43 million.

POC operated at full capacity, despite challenges encountered under COVID-19. The sales volume increased from 125,280 MT in previous year to 129,310 MT in 2020.

Over the years, POC has invested in new plants and upgraded its production capacities. The new beading plant is a state-of-the-art packaging line with robotic palletisation system. The drumming facility is fully automated for improved operational efficiency.

Today, POC is recognised by international well-known companies as the preferred reliable partner for on-time delivery and consistent high-quality, tailored-made fatty acid and refined glycerine. Its high-quality oleic acid is used by many reputable customers in the manufacturing for a wide range of oleic acid derivatives.

In October 2020, POC was awarded "MSOSH OSH GOLD 2 AWARD WINNER FOR 2019" under the category of Manufacturing & Chemical Sector by MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH.

POC is certified with all the international standards set out as below:

- ISO 9001 (Quality Management System)
- ISO 14001 (Environmental Quality Management)
- OHSAS 18001 (Occupational Safety and Health Standards)
- FSSC 22000 (Food Safety System Certification)
- RSPO Supply Chain Certificate
- Good Manufacturing Practice GMP+ B2 (Production of Feed ingredients).

Our products are all Halal and Kosher certified.

In 2020, we successfully upgraded the integrated FSSC (Food Safety System Certification) from version 4.1 to 5.

SUSTAINABILITY AND COMMUNITY INITIATIVES

Your Group is committed to continuously improve the environment and provide better living conditions for our workers. Roundtable for Sustainable Palm Oil (RSPO) certified products (mass balance model) constituted 8.6% of POC total sales volume (in MT) in 2020 as compared to 3.7% in 2019. Guided by our sustainability policy, POC has commissioned a solar photovoltaic system at its Pasir Gudang office location in December 2020. The main benefit of using solar panel system is that it is a renewable energy source and can be accessible every day. This has allowed POC to generate cost savings on energy consumption. It is moreover supported with 100% Green Investment Tax Allowance and 100% Capital Allowance from Malaysian Investment Development Authority (MIDA).

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

SUSTAINABILITY AND COMMUNITY INITIATIVES (cont'd)

For the first 4 months in 2021, by generating sufficient self-sustaining energy, POC contributed to positive environmental improvement with reduction of carbon dioxide generation by 38.2 tonnes, or around 10 tonnes reduction per month.

Likewise, LSPSB palm oil mill in Sabah will invest in a Biogas Plant in 2021 to minimise emission of greenhouse gas. When this plant is fully commissioned, the gas will be tapped to run a gas engine to produce electricity, thereby replacing fossil fuel with renewable energy and reducing methane gas emission significantly.

A total of six (6) blocks of houses were constructed in your Group's plantation estates (2 blocks located at Lahad Datu, Sabah; 4 blocks located at Muadzam Shah, Pahang). Each block consists of four units of houses and each house comes with three rooms and two bathrooms where it houses six workers. Our workers' quarters are provided with 24 hours electricity and treated water.

PROSPECTS

Bank Negara Malaysia reported that the Malaysian economy remains on track for a recovery in 2021, supported by external and domestic demand. In its annual Economic and Monetary Review, it was also mentioned that gross domestic product may expand between 6.0% to 7.0% in 2021. Unemployment remains highly uncertain in 2021, having started with 4.9% in January (increase of 0.1% versus December 2020), after reaching a 20-year high of 5.3% in May 2020.

Retail Group Malaysia has revised downwards its 2021 retail sales growth projection to 4.1% from 4.9% previously, mainly due to the re-implementation of the MCO in January 2021.

Given unemployment, the possibility of ongoing MCOs and the challenges facing all retail segments (thus negatively impacting consumer confidence), we are cautious on the outlook for 2021.

DIVIDENDS

During the year, your Company paid a single tier interim dividend of 15.0 sen per share amounting to a net payment of RM 32.21 million for the financial year ended 31 December 2020 (2019: 9.0 sen per share, RM 19.33 million).

In view of the improved performance, your Board is proposing for shareholders' approval at the forthcoming Annual General Meeting, the payment of a Final and a Special dividend as follows:

- a Final single tier dividend of 15.0 sen per share, amounting to RM32.21 million (2019: 10.0 sen per share, RM21.47 million); and
- a Special single tier dividend of 5.0 sen per share, amounting to RM 10.74 million (2019: nil)

The proposed Final and Special single tier dividends will bring the total net dividend payments for the financial year ended 31 December 2020 to 35.0 sen per share or RM 75.16 million (2019: 19.0 sen per share or RM 40.80 million).

APPRECIATION

On behalf of my fellow Directors, I would like to take this opportunity to record our sincere thanks and appreciation to Y. Bhg. Lt Jen Dato' Sri Che Akmar bin Md Noor TUDM (B) for his contributions during his tenure on the Board.

On behalf of the Board, we wish to convey our appreciation to all shareholders for the confidence and trust accorded to us. The ability of the Group to continue pursuing excellence on all fronts despite the challenging times is a testament to the strong foundation of trust and confidence that has been continuously built upon by all our stakeholders. Strong leadership supported by a loyal workforce had stayed united, dedicated, and committed while maintaining a sense of perspective to meet the needs of customers and showing trust and respect for all.

I would also like to express my appreciation to my fellow Board members for their support and invaluable advice throughout the year.

Whang Shang Ying
Executive Chairman

21 May 2021