MANAGEMENT DISCUSSION AND ANALYSIS

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of Rimbunan Sawit Berhad, it is my privilege to put forward to you the Annual Report of our Company and Group for the financial year ended 31 December 2020.

On the local front, the domestic economy was severely affected by the movement control order ("MCO") and the necessary actions taken to contain the COVID-19 outbreak. The Group was fortunate that most of its operations were allowed to operate during the MCO period as the palm oil industry is considered an essential sector. Malaysia's Gross Domestic Product ("GDP") is projected to decline by between 3.5% to 5.5% in 2020, after growing 4.3% in 2019. Similar restrictions undertaken by governments globally led to major disruptions in the oils and gas sector and the eventual collapse of crude oil prices in March 2020, which affected the country's income.

After a period of low price lasting about 18 months, crude palm oil ("CPO") price increased sharply since November 2019 to reach RM3,014 per metric tonne ("MT") level in January 2020. However, the onset of the COVID-19 pandemic and the resultant lockdown measures introduced by governments globally caused a sharp decline in CPO price to around RM2,074 per MT level in May 2020. Subsequently, restocking activities undertaken by major consuming countries such as India and China coupled with lower production due to unusually wet weather led to a surge in CPO price to around RM2,700 – RM3,600 per MT level in December 2020.

For the 31 December 2020 financial year under review, the Group reported a total revenue of RM385.5 million which contributed 35.4% higher than corresponding period in 2019. Overall sales volume of CPO and PK production achieved 2.6% and 2.0% higher to 112,403MT and 24,172MT respectively. The sales volume also accompanied with favorable growth in average selling price by an increase of 31.5% and 31.3% to RM2,652 and RM1,480 as compared to 2019. Despite of lower FFB production in 2020, the hike in FFB average selling price secured the FFB revenue towards positive trend with an increase of 8.4%.

The gross profit has reflected the impact on favorable average selling price concluded with RM24.5 million together with plantation cost being monitored and further rationalized in 2020.

The pre-tax loss narrowed by 31.7% from RM68.8 million to RM47.0 million which in line with the effort on rationalizing administration costs, followed with lower loss after taxation by 10.8% from RM62.8 million to RM56.1 million in 2020.

Overview of Business and Operations, Objectives and Strategies

Rimbunan Sawit Berhad was listed on the Main Board of Bursa Malaysia on 28 June 2006 with three main subsidiaries mainly R.H. Plantation Sdn. Bhd. ("RHP"), Timrest Sdn. Bhd., and Rimbunan Sawit Holdings Berhad (which was later renamed to Rimbunan Sawit Management Services Sdn. Bhd.). We started off a palm oil mill in RHP and a land bank of 13,663 hectares before gradually expanded the planted areas and mill operation via various acquisitions between 2008 and 2012.

We remain as a cultivator of oil palm and operator of palm oil mill producing CPO, Palm Kernel ("PK"), and Fresh Fruit Bunches ("FFB"). As a progressive player in this plantation industry, we are committed to espouse our stakeholder's value as we continue to yield products and services of high quality underpinned by the conducive work environment and continuous engagement with the local community.

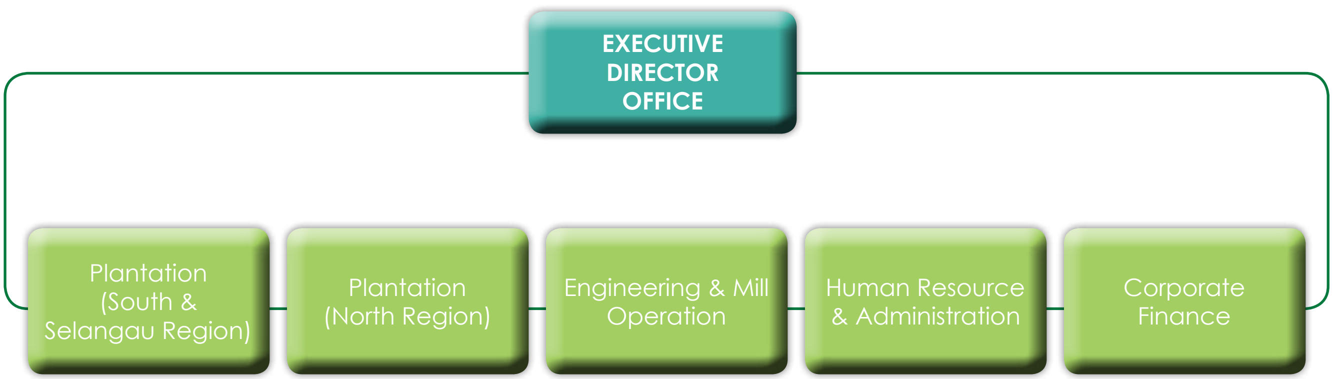
Management Discussion and Analysis (cont'd)

Our Corporate and Organisation Structure

Our corporate functions at head office level remain intact with continuous improvement and streamlining led by executive director office with the mutual support and backing of the five core functions mainly Plantation Operation – South & Selangau Region, Plantation Operation – North Region, Engineering and Mill Operation, Human Resource and Administration and Corporate Finance.

The supporting functions including Information Technology, Agricultural Practices, Internal Audit, Purchasing, Transportation, Geographic Information System, Land and Public Relations will continue to be streamlined to ensure cohesiveness with core functions and in adherence with Board of Directors' guidelines.

RIMBUNAN SAWIT'S ORGANISATION STRUCTURE



The Progress of the Ongoing Corporate Proposals

For the financial year under review, Sale and purchase agreement ("SPA") dated 22 February 2017 entered into between RH Lundu Palm Oil Mill Sdn Bhd and RSB Lundu Palm Oil Mill Sdn Bhd, for RH Lundu to sell and RSB Lundu to purchase, the Lundu Land together with the Lundu Oil Mill, workers' quarters and plantation assets, for RM33,700,000 exclusive of goods and services tax. The Lundu Acquisition SPA was subsequently varied by two supplemental agreements dated 28 March 2017 and 21 December 2018, respectively. RSB Lundu had, on 20 February 2019, settled the partial purchase price of RM28,080,000 to RH Lundu to complete the acquisition of the Lundu Oil Mill including the workers' quarters and the plantation assets, therefore marking a partial completion of the Lundu Acquisition SPA. As for Lundu Land, being the remaining asset to be completed under the Lundu Acquisition SPA, its completion is subject to the subdivision of Parent Lot 248 Block 4 Stungkor Land District in Lundu, Kuching division, Sarawak culminating in the issuance of the issue document of title to the Lundu Land and the written consent being obtained from the Director of Lands and Surveys and the Superintendent of Lands and Surveys respectively for the transfer of the Lundu Land by RH Lundu to RSB Lundu within 18 months from 20 February 2019. As at the 18 August 2020, the Lundu Acquisition SPA has been mutually extended by a period of 18 months from 19 August 2020 until 18 February 2022 for the parties to fulfil the Conditions Subsequent. On 5th February 2021, the subdivision of parent Lot 248 is completed. Currently, palm oil mill is pending the written consent from Director of Lands and Surveys and the Suprintendent of Lands and Surveys respectively for the transfer of the Lundu Land.

Management Discussion and Analysis (cont'd)

On 22 January 2020, our Group wholly-owned subsidiary, Lumiera Enterprise Sdn Bhd had entered into a Sale and Purchase Agreement ("SPA") with Biogreen Success Sdn Bhd to dispose all that parcel of land situated at Along Batang Baram, Baram together with the oil palm plantation, its facilities, infrastructures, improvements, immovable assets but excluding the movable assets thereon for a total cash consideration of Ringgit Malaysia Eighty-Five Million (RM85,000,000) only. As a result of the Covid-19 outbreak and the movement control order imposed, the Lumiera SPA was subsequently varied by the Supplementary Agreement dated 31 March 2020. On 1 September 2020, our Group had announced that Lumiera Enterprise Sdn Bhd has received full purchase price from Biogreen Sdn Bhd and hence the proposed disposal is completed.

On 4 June 2020, our Group wholly-owned subsidiary, Woodijaya Sdn Bhd had entered into a Sale and Purchase Agreement ("SPA") with Muzana Plantation JV Sdn Bhd to dispose one (1) parcel of land situated at between Sungai Bakong and Sungai Baram, Baram containing an area of 2,819 hectares, more or less and described as Lot 1200 Puyut Land District together with the oil palm plantation, its facilities, infrastructures, improvements, immovable assets but excluding the movable assets thereon for a total cash consideration of Ringgit Malaysia Fifty Three Million (RM53,000,000) only. On 5 October 2020, our Group had announced that Woodijaya Sdn Bhd has received full purchase price from Muzana Plantation JV Sdn Bhd and hence the proposed disposal is completed.

On 25 August 2020, our Group propose to undertake the Proposed Capital Reduction. The Proposed Capital Reduction entails the reduction of the issued share capital of our Company via the cancellation of our Company's paid-up share capital which is lost or unrepresented by available assets of RM192,528,933 pursuant to Section 117 of the Companies Act 2016. The corresponding credit of RM192,528,933 arising from the Proposed Capital Reduction will be used to set-off against our Company's accumulated losses while the remaining balance, if any, will be credited to the retained earnings of our Company which shall be used in a manner to be determined by our Board at a later date and in the best interest of our Company as permitted by the relevant and applicable laws as well as the Main Market Listing Requirements of Bursa Securities. Our Group had announced that the Company has not received any application under Section 118(2) of the Companies Act 2016 for the cancellation of the special resolution passed at the Company's extraordinary general meeting held on 12 October 2020 for the Proposed Capital Reduction. Pursuant thereto, the Company had, on 30 November 2020, lodged the relevant documents as required by Section 119(1) of the Companies Act 2016 with the Registrar of Companies ("ROC") and subsequently received the notice dated 30 November 2020 issued by the ROC ("Notice") confirming the reduction of share capital. Pursuant to Section 119(4) of the Companies Act 2016, the Notice shall be conclusive evidence that all the requirements of the Act with respect to the reduction of share capital have been complied with. Accordingly, the Proposed Capital Reduction is effective as at 30 November 2020. Following the completion of the Proposed Capital Reduction, the issued share capital of the Company is RM614,600,257 comprising 2,041,722,343 RSB Shares.

Oil Palm Estate

Our portfolio of estates remains at sixteen spanning across Kuching, Sibu and Miri regions in Sarawak. Our total land bank stood at 69,909 hectares. Our total planted area stood at 44,091 hectares, comprising 63% of our land bank. The planted area by Age Cluster and are reflected in the following tables:

Age Cluster	**2020 (HA)**
Immature (1-3 years)	2,977
Young mature (4 - 7 years)	4,560
Prime mature (8 - 19 years)	20,587
Old mature (> 20 years)	15,967
Total planted area	**44,091**

Planted Hectares by Region	**2020 (HA)**
Kuching region	6,610
Sibu region	9,396
Miri region	28,085
Total planted area	**44,091**

Our Group placed top emphasis on best agricultural practices within its estates. All our estates have obtained the Malaysian Sustainable Palm Oil ("MSPO") certification during the financial year under review.

Management Discussion and Analysis (cont'd)

Palm Oil Mills

The Group has three palm oil mills with two of the mills situated in Miri region, namely RHP Mill and RSB Mill. RSB Mill was constructed in early 2013 and commenced production in the middle of 2017. Subsequently, the Mill began its CPO sales in July 2017.

The remaining mill, Lundu Mill is located in Kuching region. The Mill was previously constructed and managed by RH Lundu Palm Oil Mill Sdn. Bhd. before it was bought over by RSB Lundu Palm Oil Mill Sdn. Bhd. except for the land via the supplemental agreement dated 21 December 2018. Lundu Mill began operation in March 2006.

The brief profiles of the three mills are indicated in the following table:

	RHP Mill	RSB Mill	Lundu Mill
Operation & Capacity	• Commenced operation in 1998 • 80 metric ton per hour	• Commenced operation in May 2017 • 60 metric ton per hour	• Commenced operation in March 2006 • 45 metric ton per hour
Certification & Compliance	• Obtain MSPO certification on 18 February 2019 • ISO 9001:2008 standard • MSPO SCCS	• Obtain MSPO certification on 18 February 2019 • Crops' grading in line with MPOB guidelines • MSPO SCCS	• Obtain MSPO certification on 20 June 2018 • Crops' grading in line with MPOB guidelines • MSPO SCCS
Sustainability & Environmental	• Equip with composting plant to recycle mill's waste into plant nutrients for manuring • Flue filtering system to regulate boiler gas emission	• Waste management plan in compliance with DOE • Flue filtering system installation in the pipeline	• Waste management plan in compliance with DOE • Flue filtering system to ensure clean air emission.
Performance Metrics - 2020	• FFB Processed: 216,119 MT • CPO Production: 42,752 MT • PK Production: 8,884 MT • OER: 19.78% • KER: 4.11% • CPO Sales: RM113.34 million • PK Sales: RM13.36 million	• FFB Processed: 129,735 MT • CPO Production: 26,079 MT • PK Production: 5,598 MT • OER: 20.10% • KER: 4.32% • CPO Sales: RM69.11 million • PK Sales: RM8.10 million	• FFB Processed: 228,095 MT • CPO Production: 43,545 MT • PK Production: 9,596 MT • OER: 19.09% • KER: 4.21% • CPO Sales: RM115.68 million • PK Sales: RM14.33 million

Management Discussion and Analysis (cont'd)

Our Financial Performance

Our revenue improved by 35.4% to RM385.5 million as compared to 2019 of RM284.7 million accompanied with favorable growth in average selling price by an increase of 31.5% and 31.3% to RM2,652 and RM1,480 as compared to 2019. Despite of lower FFB production in 2020, the hike in FFB average selling price secured the FFB revenue towards positive trend with an increase of 8.4%.

Cost of sales has increased by 28.6% to RM361.0 million as compared to RM280.7 million in 2019 mainly due to hike in FFB purchases price by RM95.5 million. As a result, the Group notched gross profit of RM24.5 million as compared to 2019's gross profit of RM4.0 million.

Other income reduced by RM1.8 million mainly because 2019 included gain of RM1.1 million arising from the fair value of biological assets – Fresh Fruits Bunches. The administrative and other expenses decreased by RM8.2 million due to no impairment provision for property, plant and equipment ("PPE") in 2020 as compared to 2019.

The finance cost has reduced by RM5.0 million arising from the settlement of term loan facilities. Overall, the Group recorded lower loss before taxation of RM47.0 million as compared to 2019 of RM68.8 million. Similarly, our loss after taxation was reduced by 10.8% or RM6.8 million on the back of lower impairment provisions.

Our Financial Position

The Group's non-current assets stood at RM865.5 million, a reduction of RM129.9 million as compared to 2019 mainly due to disposal of Woodijaya's assets with carrying amount RM39.0 million, written off of biological asset with amount RM9.7 million, PPE written off of RM3.8 million, impairment of goodwill with RM5 million, and yearly PPE's depreciation of RM68.0 million for the Group.

The Group's total borrowings contracted by RM97.1 million to RM409.8 million as compared to 2019 of RM506.9 million mainly due to the repayment of banking facilities.

Despite further reduction to our total borrowings, the Group's debt to equity ratio has decreased to 1.05 times as compared to 1.17 times in 2019 as a result of further reduction to our group borrowings. The following is an overview of our Group's key financial indicators for the past five financial years.

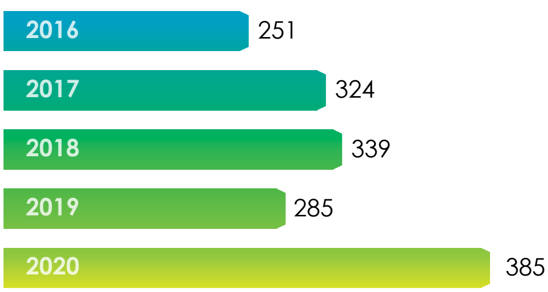
Key Financial Indicators	2020	2019	2018	2017	2016
(RM'thousand)					
Revenue	**385,471**	284,714	338,688	324,392	250,573
EBITDA	**44,901**	50,138	27,269	66,373	41,184
Profit/(Loss) after taxation	**(56,052)**	(62,843)	(148,697)	(157,588)	(75,729)
Equity attributable to owners	**389,595**	433,717	485,285	618,817	750,840
Total assets	**912,356**	1,120,920	1,211,366	1,471,022	1,604,676
Borrowings	**409,763**	506,947	537,571	584,853	585,205
Debts to Equity Ratio	**1.05**	1.17	1.11	0.92	0.74
Loss per share (sen)	**(2.16)**	(2.53)	(6.54)	(6.47)	(3.27)
Net assets per share (RM)	**0.19**	0.27	0.31	0.39	0.47

Management Discussion and Analysis (cont'd)

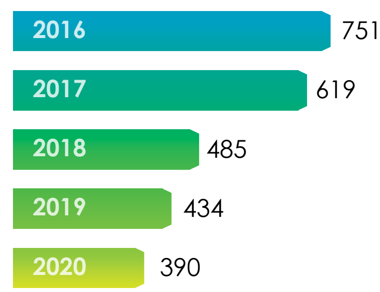
Review of Financial Results

The five-year key financial metrics are shown in the following charts.

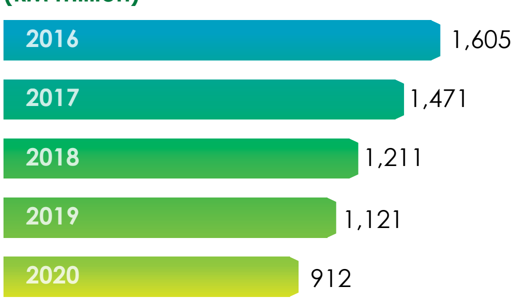
Revenue (RM'million)



Owners' Equity (RM'million)



Total Assets (RM'million)



Review of Operating Activities

The Group's EBITDA for 2020 dropped by 10.5% or RM5.2 million to RM44.9 million as compared to RM50.1 million in 2019. The drop was mainly due to hike in purchases price of FFB.

The following table highlights key operating indicators for the past five years.

Key Financial Indicators	2020	2019	2018	2017	2016
CPO Production Volume (MT)	**112,376**	109,514	116,689	67,374	49,105
PK Production Volume (MT)	**24,078**	23,616	25,582	15,470	10,595
FFB Production Volume (MT)	**246,501**	315,132	345,709	357,052	345,180
OER (%)	**19.58**	20.35	20.21	20.14	20.31
KER (%)	**4.20**	4.39	4.43	4.62	4.38
Mature Area (Ha)	**39,349**	43,424	43,424	44,992	43,760
FFB Yield per Ha (MT/Ha)	**6.26**	7.26	7.96	7.94	7.89
CPO Sales Volume (MT)	**112,403**	109,611	118,362	65,814	49,706
PK Sales Volume (MT)	**24,172**	23,690	25,684	14,896	10,502
FFB Processed (MT)	**573,949**	538,136	577,400	334,506	241,782

Management Discussion and Analysis (cont'd)

Anticipated or Know Risks

The group continually reviewing and assess its existing risks. Our risks are categorized into four main categories mainly market risks, operational risks, regulatory risks and liquidity risks.

Risk Category	Description/ Rationales	Impact	Mitigation Plans
Market	Fluctuation of CPO price due to uncertain global demand, foreign government policies, and restrictions imposed on palm oil usage, political uncertainties and COVID-19 pandemic.	Reduction in revenue that compress our EBITDA	The Group will continue to engage with relevant authorities or government bodies to promote palm oil and to diversify the market and neutralize the anti-palm oil campaigns.
Operational	Shortage of oil palm harvesters and persistently low FFB yield.	Inferior OER and loss of income	The Group has initiate various programs and incentive to enhance labor shortage.
Regulatory	Change to policies and regulations that govern labor, environmental, safety and health.	Penalty for non-compliance	The Group remain committed to enhance the efficiency of its operation including mechanization and ensure all the estates and mills are compliance with MSPO requirements.
Liquidity	Debt to Equity ratio exceed 1 for the past 5 years.	Higher funding costs with limited funding alternative	Our key initiatives is to relook into our portfolio of assets so as to realign our resources on productive areas and to expedite cost reduction initiatives.

Forward Looking Statements

Our Group is expected to register higher profit margin on the back of continuous growth in our FFB production and uptrend in CPO price. We are confident that our FFB production can be further boosted through operational efficiencies alongside increasing areas of matured palm trees in prime age category. We will focus on improving our FFB yield by maximizing our harvesters' productivity, enhancing labour recruitment processes, minimizing operating costs to reasonable level and enforcing other strategic plans in order to achieve targeted operating margin. CPO price is expected to be on the uptrend in tandem with recovery in market demand as more countries have gradually opened up their economies. We expect strong demand from China and India as they continue to replenish their palm oil inventories in line with re-opening of businesses and swift recovery in China's economy with positive GDP growth.

The Group remains steadfast in constantly improving and streamlining its operations including cost rationalization initiatives despite the uncertainty and adverse global environment arising from the on-going Covid-19 pandemic. The Group will continue to monitor the implications of Covid-19 and will take swift actions to protect its employees, operations, supply chains as well as customers. Overall, the Group is confident in managing the challenges underpinned by its commitment to review and improve the effectiveness of its strategic plans in order to deliver positive returns.

Management Discussion and Analysis (cont'd)

Dividend Policy

For the financial year under review, our Group recorded loss after taxation of RM56.1 million. As such, we did not recommend dividend to be paid for the financial year ended 31 December 2020.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere gratitude and appreciation to our shareholders, valued customers and suppliers, business partners, bankers, government agencies and all the other stakeholders for their continuous commitments, supports, and confidence on our Group.

Most importantly, we would like to put on record our utmost gratitude and appreciation to all the employees of Rimbunan Sawit Berhad for their efforts and continuous commitment to the Group.

Tiong Chiong Ong
Executive Director