

# 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 2022.

For the 31 December 2022 financial year under review, the Group reported a total revenue of RM675.9 million and gross profit of RM61.0 million which contributed 24.8% and 11.8% higher than corresponding period in 2021. Overall sales volume of CPO and PK production increased by 6.8% and 6.5% to 110,607MT and 23,812MT respectively. On the other hand, there had been favorable growth in the average selling price of CPO and PK with an increase of 14.2% and 5.1% to RM4,885 and RM2,815 respectively as compared to 2021. Higher FFB production in 2022 together with the hike in FFB average selling price secured the FFB revenue towards positive trend with an increase of 16.1%.

The Group reported a pre-tax profit of RM6.0 million, which is an increase of 106.9% from RM2.9 million pre-tax profit in 2021, followed with lower loss after taxation by 17.1% from RM7.0 million to RM5.8 million in 2022.

## 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.

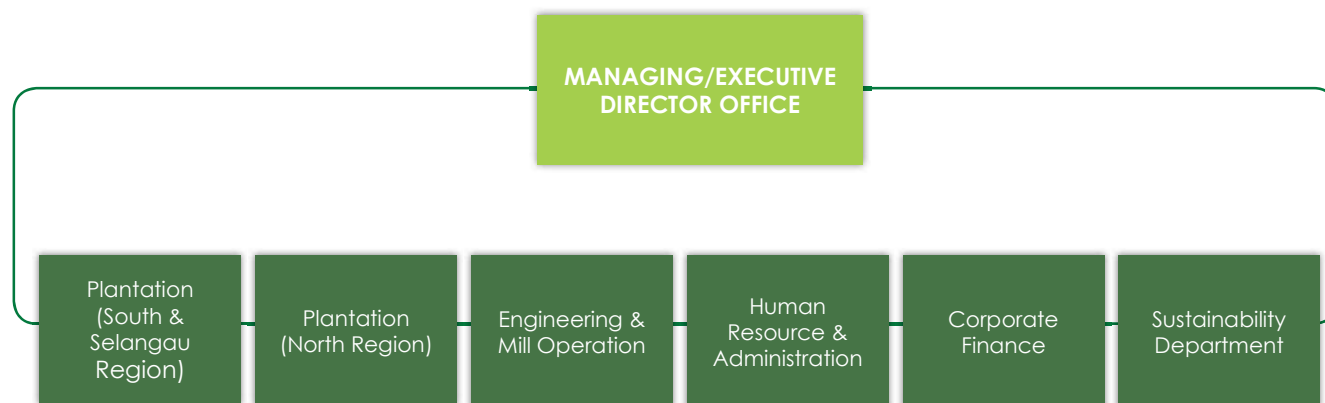
## Our Corporate and Organisation Structure

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

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.

## Management Discussion and Analysis (cont'd)

### RIMBUNAN SAWIT'S ORGANISATION STRUCTURE



#### Oil Palm Estate

Our portfolio of estates remains at sixteen spanning across Kuching, Sibul and Miri regions in Sarawak. Our total land bank remains at 69,909 hectares. Our total planted area stood at 42,478 hectares, comprising 61% of our land bank. The planted area by Age Cluster and are reflected in the following tables:

Age Cluster	2022 (HA)
Immature (1-3 years)	2,576
Young mature (4 - 7 years)	1,259
Prime mature (8 - 19 years)	20,849
Old mature (> 20 years)	17,794
<b>Total planted area</b>	<b>42,478</b>

Planted Hectares by Region	2022 (HA)
Kuching region	6,636
Sibu region	9,396
Miri region	26,446
<b>Total planted area</b>	<b>42,478</b>

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.

#### 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.

Lundu Mill, on the other hand, 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.

## Management Discussion and Analysis (cont'd)

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

	RHP Mill	RSB Mill	Lundu Mill
Operation & Capacity	<ul style="list-style-type: none"> <li>Commenced operation in 1998</li> <li>80 metric ton per hour</li> </ul>	<ul style="list-style-type: none"> <li>Commenced operation in May 2017</li> <li>60 metric ton per hour</li> </ul>	<ul style="list-style-type: none"> <li>Commenced operation in March 2006</li> <li>45 metric ton per hour</li> </ul>
Certification & Compliance	<ul style="list-style-type: none"> <li>Obtain MSPO certification on 18 February 2019</li> <li>ISO 9001:2008 standard</li> <li>MSPO SCCS</li> </ul>	<ul style="list-style-type: none"> <li>Obtain MSPO certification on February 2019</li> <li>Crops' grading in line with MPOB guidelines</li> <li>MSPO SCCS</li> </ul>	<ul style="list-style-type: none"> <li>Obtain MSPO certification on 20 June 2018</li> <li>Crops' grading in line with MPOB guidelines</li> <li>MSPO SCCS</li> </ul>
Sustainability & Environmental	<ul style="list-style-type: none"> <li>Equip with composting plant to recycle mill's waste into plant nutrients for manuring</li> <li>Flue filtering system to regulate boiler gas emission</li> </ul>	<ul style="list-style-type: none"> <li>Waste management plan in compliance with DOE</li> <li>Flue filtering system installation in the pipeline</li> </ul>	<ul style="list-style-type: none"> <li>Waste management plan in compliance with DOE</li> <li>Flue filtering system to ensure clean air emission</li> </ul>
Performance Metrics - 2022	<ul style="list-style-type: none"> <li>FFB Processed: 197,254 MT</li> <li>CPO Production: 37,988 MT</li> <li>PK Production: 7,945 MT</li> <li>OER: 19.26%</li> <li>KER: 4.03%</li> <li>CPO Sales: RM183.90 million</li> <li>PK Sales: RM22.27 million</li> </ul>	<ul style="list-style-type: none"> <li>FFB Processed: 110,073 MT</li> <li>CPO Production: 22,239 MT</li> <li>PK Production: 5,036 MT</li> <li>OER: 20.20%</li> <li>KER: 4.57%</li> <li>CPO Sales: RM103.77 million</li> <li>PK Sales: RM12.94 million</li> </ul>	<ul style="list-style-type: none"> <li>FFB Processed: 268,472 MT</li> <li>CPO Production: 51,529 MT</li> <li>PK Production: 11,531 MT</li> <li>OER: 19.19%</li> <li>KER: 4.30%</li> <li>CPO Sales: RM252.66 million</li> <li>PK Sales: RM31.82 million</li> </ul>

# Management Discussion and Analysis (cont'd)

## Our Financial Performance

Our revenue improved by 24.8% to RM675.9 million as compared to 2021 of RM541.5 million accompanied with favorable growth in average selling price by an increase of 14.2% and 5.1% to RM4,885 and RM2,815 as compared to 2021. Higher FFB production in 2022 together with the hike in FFB average selling price secured the FFB revenue towards positive trend with an increase of 16.1%.

Cost of sales has increased by 26.3% to RM614.9 million as compared to RM486.9 million in 2021 mainly due to hike in FFB purchases price by RM90.9 million from RM461.8 million in 2021 to RM552.7 million in 2022. As a result, the Group notched gross profit of RM61.0 million in 2022 as compared to gross profit of RM54.6 million in 2021.

Other income increased by RM7.1 million or 61.2% mainly due to the reversal of impairment loss of property, plant and equipment and reversal of impairment for investment as well as sales of livestock. The administrative and other expenses increased by RM6.8 million from RM24.4 million in 2021 to RM31.2 million in 2022 mainly due to biological asset written off, loss arising from changes in fair value of biological assets-FFB and impairment loss on rubber plantation.

The finance cost has reduced by RM0.4 million arising from the settlement of term loan facilities. Overall, the Group recorded profit before taxation of RM6.0 million as compared to profit before taxation of RM2.9 million in 2021 and our loss after taxation was reduced by 17.1% or RM1.2 million in 2022.

## Our Financial Position

The Group's non-current assets stood at RM780.5 million, a reduction of RM35.1 million as compared to 2021 mainly due to disposal of PPE and PPE written off with carrying amount RM2.9 million, impairment losses of RM5.7 million, biological assets written off of RM0.8 million, and yearly PPE's depreciation of RM66.6 million for the Group. This, however, was mitigated by PPE additions of RM27.1 million and reversal of impairment for investment of RM3.4 million as well as reversal of impairment loss of PPE of RM10.2 million.

The Group's total borrowings decreased by RM38.5 million to RM349.4 million as compared to 2021 of RM387.9 million mainly due to the repayment of banking facilities.



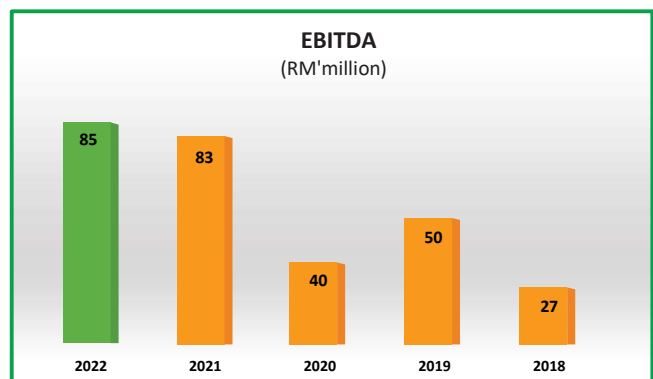
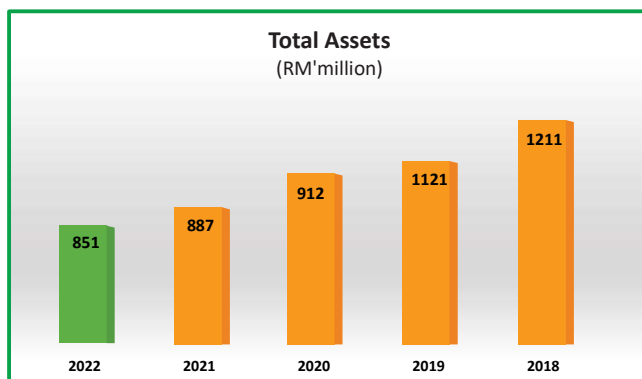
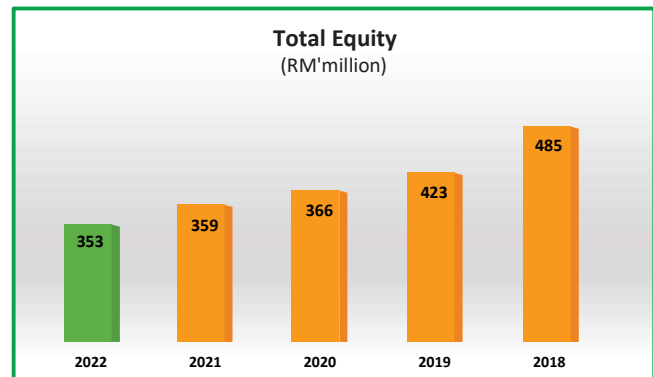
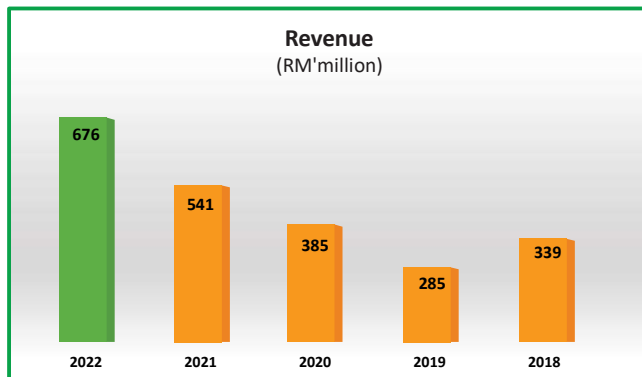
# Management Discussion and Analysis (cont'd)

The Group's debt to equity ratio has decreased to 0.96 times as compared to 1.03 times in 2021 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	2022	2021	2020	2019	2018
<b>(RM'thousand)</b>					
Revenue	675,917	541,502	385,471	284,714	338,688
EBITDA	84,773	82,893	39,763	50,138	27,269
Profit/(Loss) after taxation	(5,818)	(6,978)	(56,052)	(62,843)	(148,697)
Total equity	353,474	359,292	366,450	422,502	485,345
Total assets	851,225	886,746	912,356	1,120,920	1,211,366
Net debts	338,831	370,016	408,516	505,965	535,738
Debt to Equity Ratio	0.96	1.03	1.11	1.20	1.10
Loss per share (sen)	(0.02)	(0.32)	(2.16)	(2.53)	(6.54)
Net assets per share (RM)	0.17	0.18	0.19	0.27	0.31

## Review of Financial Results

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



# Management Discussion and Analysis (cont'd)

## Review of Operating Activities

The Group's EBITDA for 2022 increased to RM84.8 million as compared to RM82.9 million in 2021. The increase was mainly due to increase in production of CPO, PK and FFB as well as higher CPO, PK and FFB price.

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

Key Financial Indicators	2022	2021	2020	2019	2018
CPO Production Volume (MT)	111,756	103,126	112,376	109,514	116,689
PK Production Volume (MT)	24,512	22,109	24,078	23,616	25,582
FFB Production Volume (MT)	211,681	192,732	246,501	315,132	345,709
OER (%)	19.41	19.69	19.58	20.35	20.21
KER (%)	4.26	4.22	4.20	4.39	4.43
Mature Area (Ha)	36,352	39,424	39,349	43,424	43,424
FFB Yield per Ha (MT/Ha)	5.82	4.89	6.26	7.26	7.96
CPO Sales Volume (MT)	110,607	103,527	112,403	109,611	118,362
PK Sales Volume (MT)	23,812	22,359	24,172	23,690	25,684
FFB Processed (MT)	575,800	523,839	573,949	538,136	577,400

## 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
<b>Market</b>	Fluctuation of CPO price due to uncertain global demand, foreign government policies, and restrictions imposed on palm oil usage and political uncertainties.	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.
<b>Operational</b>	Shortage of oil palm harvesters and persistently low FFB yield.	Inferior OER and loss of income	The Group has initiate various programs, incentive and remuneration to enhance recruitment of labors.
<b>Regulatory</b>	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 in compliance with MSPO requirements.
<b>Liquidity</b>	Debt to Equity ratio exceed 1 for the past 5 years.	Higher funding costs with limited funding alternatives	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.

# Management Discussion and Analysis (cont'd)

## Forward Looking Statements

Foreign worker availability in Malaysia is gradually improving, and we expect the situation to normalize by mid of 2023. We also expect healthy soil moisture conditions and lower flooding-related disruptions to support output.

Looking ahead, with the expectation of firm palm oil prices and demand of the market, our Group will continue with aggressive cost control measures and explore more innovative and sustainable approaches in its operations to drive greater cost efficiency and productivity, and our Group remains cautiously optimistic on the outlook of plantation segment and looking for a favorable financial performance in the year ahead.

## Dividend Policy

For the financial year under review, our Group recorded loss after taxation of RM5.8 million. As such, we did not recommend dividend to be paid for the financial year ended 31 December 2022.

## 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 employees of Rimbunan Sawit Berhad for their efforts and continuous commitment to the Group.

**Tiong Chiong le**  
Managing Director

