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 2023.

As of December 31, 2023, the Group reported a revenue of RM507.8 million, marking a decline from RM675.9 million on December 31, 2022. This downturn is primarily attributed to a decrease in the average selling prices of Fresh Fruit Bunches (FFB), Crude Palm Oil (CPO), and Palm Kernel (PK) by 28.7%, 23.8%, and 33.9%, respectively, reaching RM661, RM3,725, and RM1,862 per metric tonne. Despite a noteworthy 18.5% increase in FFB production volume, totaling 250,750MT compared to 211,681MT in the corresponding period of 2022, the decline in selling prices contributed to the overall revenue decline.

The Group reported a gross profit of RM19.4 million, profit before tax of RM17.3 million, profit after tax of RM13.0 million, and EBITDA of RM100.2 million. This mainly due to the Group has undertaken aggressive cost control measures, innovative sustainable approaches in operations, and the strategic disposal of Jayamax and Selangor estates. Additionally, a boost in other income by RM50.0 million further contributed to the higher profit after tax. The boost was mainly due to the impairment review triggered by strategic disposal of Selangor and Jayamax estate, resulting to impairment loss no longer required on property, plant and equipment.

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.

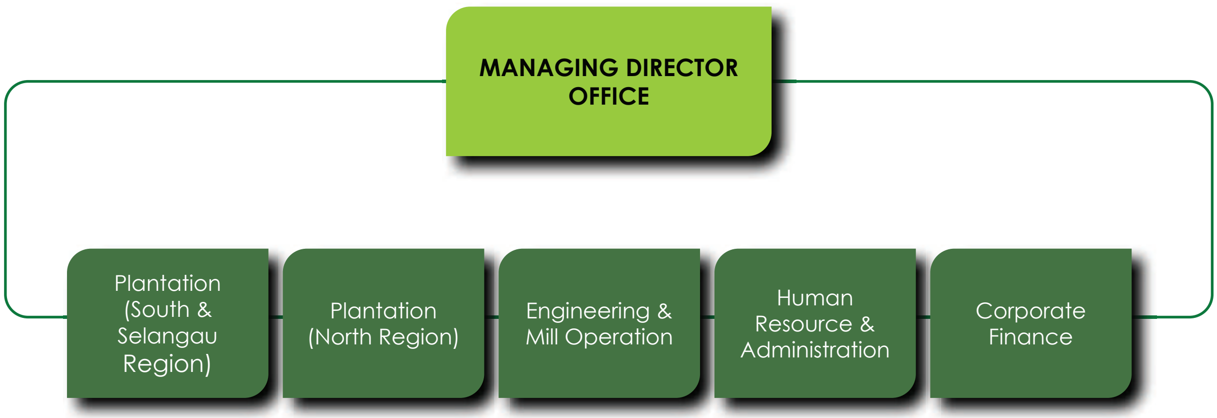
Our Corporate and Organisation Structure

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 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.

Management Discussion and Analysis (cont'd)

RIMBUNAN SAWIT'S ORGANISATION STRUCTURE



The Progress of the Ongoing Corporate Proposals

On 30 June 2023, 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 unpresented by available assets of RM223,089,761 pursuant to Section 117 of the Companies Act of 2016. The corresponding credit of RM223,089,761 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 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 of 2016 for the cancellation of the special resolution passed at the Company's extraordinary general meeting held on 19 September 2023 for the Proposed Capital Reduction. Pursuant thereto, the Company had lodged the relevant documents as required by Section 119 (1) of the Companies Act 2016 with the Registrar of Companies ("ROC") and subsequently on 6 November 2023, received a notice dated 3 November 2023 issued by the ROC confirming the reduction of share capital ("Notice"). Pursuant to Section 119 (4) of the Companies Act 2016, the Notice shall be inclusive 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 3 November 2023. Following the completion of the Proposed Capital Reduction, the issued share capital of the Company is RM391,510,496 comprising 2,041,722,343 RSB shares.

On 21 December 2023, our Group wholly-owned subsidiaries, R.H. Plantation Sdn Bhd and Jayamax Plantation Sdn Bhd had entered into a Sale and Purchase Agreement ("SPA") with Mahawangsa Sungai Bok Plantation Sdn Bhd. For R.H. Plantation Sdn Bhd, the Company proposed to dispose of a parcel of agricultural land described as Lot 56 Sawai Land District, Miri, Sarawak measuring an area of approximately 4,857 hectares together with the oil palm plantation and buildings erected thereon ("Selangor Estate") to Mahawangsa Sungai Bok Plantation Sdn Bhd for a total cash consideration of Ringgit Malaysia Ninety million (RM90,000,000) only. On the other hand, Jayamax Plantation Sdn Bhd proposed to dispose of 4 parcels of agricultural land described as Lots 4 and 6, both of Block 9 Dulit Land District, Miri, Sarawak and Lots 101 and 102, both of Sawai Land District, Miri, Sarawak, collectively measuring an area of approximately 5,078 hectares, each with the oil palm plantation and buildings erected thereon (collectively, the "Jayamax Estate") to Mahawangsa Sungai Bok Plantation Sdn Bhd for a total cash consideration of Ringgit Malaysia Seventy Five million (RM75,000,000) only. On 22 December 2023, 10% of total disposal consideration of RM165,000,000 has been paid to R.H. Plantation Sdn Bhd and Jayamax Plantation Sdn Bhd by Mahawangsa Sungai Bok Plantation Sdn Bhd upon execution. Both aforementioned subsidiaries entered into Supplementary Agreements with the purchaser on 21 February 2024, to change the manner in which the balance of the disposal consideration will be settled. On 28 February 2024, Mahawangsa Sungai Bok Plantation Sdn Bhd has make payment of RM2,500,000 each for R.H. Plantation Sdn Bhd and Jayamax Plantation Sdn Bhd.

Management Discussion and Analysis
(cont'd)

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 69,557 hectares. Our total planted area stood at 43,031 hectares, comprising 62% of our land bank. The planted area by Age Cluster and are reflected in the following tables:

Age Cluster	2023 (HA)
Immature (1-3 years)	2,231
Young mature (4 - 7 years)	1,454
Prime mature (8 - 19 years)	20,390
Old mature (> 20 years)	18,956
Total planted area	**43,031**

Planted Hectares by Region	2023 (HA)
Kuching region	6,761
Sibu region	9,396
Miri region	26,874
Total planted area	**43,031**

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.

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 • 60 metric ton per hour
Certification & Compliance	• Obtain MSPO certification on 18 February 2019 • ISO 9001:2008 standard • MSPO SCCS	• Obtain MSPO certification on 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

Management Discussion and Analysis (cont'd)

Palm Oil Mills (Cont'd)

The brief profiles of the three mills are indicated in the following table: (Cont'd)

	RHP Mill	RSB Mill	Lundu Mill
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 - 2023	• FFB Processed: 46,355 MT • CPO Production: 8,849 MT • PK Production: 2,033 MT • OER: 19.09% • KER: 4.39% • CPO Sales: RM35.11 million • PK Sales: RM4.5 million	• FFB Processed: 255,804 MT • CPO Production: 49,527 MT • PK Production: 11,062 MT • OER: 19.36% • KER: 4.32% • CPO Sales: RM183.86 million • PK Sales: RM20.39 million	• FFB Processed: 247,259 MT • CPO Production: 47,776 MT • PK Production: 11,005 MT • OER: 19.32% • KER: 4.45% • CPO Sales: RM181.57 million • PK Sales: RM19.82 million

Our Financial Performance

Our revenue reduced by 24.9% to RM507.8 million as compared to 2022 of RM675.9 million accompanied with decrease in the average selling price of FFB, CPO and PK by an decrease of 28.7%, 23.8% and 33.9% to RM661, RM3,725 and RM1,862 per metric tonne as compared to 2022. Despite a noteworthy 18.5% increase in FFB production volume in 2023, the decline in average selling prices contributed to the overall revenue decline.

Cost of sales has decreased by 20.6% to RM488.4 million as compared to RM614.9 million in 2022 mainly due to drop in FFB purchases price by RM141.8 million from RM550.2 million in 2022 to RM408.4 million in 2023.

The administrative and other expenses increased by RM3.0 million due to the increase in bad debts written off, biological asset written off, PPE written off, stock written off, legal and professional charges and staff costs.

The finance cost has increased by RM1.5 million due to the increase in loan borrowings of term loan, revolving credit, hire purchase and banker acceptance. Furthermore, the overall interest rate of borrowings also increased as compared to 2022.

Other income boost by RM50.0 million mainly due to the impairment review triggered by strategic disposal of Selangor and Jayamax estate, resulting to impairment loss no longer required on property, plant and equipment. Additionally, a boost in other income further contributed to the higher profit before taxation of RM17.3 million as compared to profit before taxation of RM6.0 million in 2022 and our profit of taxation was improved by 323.8% or RM18.8 million in 2023.

Management Discussion and Analysis
(cont'd)

Our Financial Position

The Group's non-current assets stood at RM682.3 million, a reduction of RM98.2 million as compared to 2022 mainly due to disposal of PPE and PPE written off with carrying amount RM3.1 million, assets classified as held for sale of RM123.6 million, biological assets written off of RM0.6 million, impairment of goodwill with RM0.1 million and yearly PPE's depreciation of RM69.1 million for the Group. This however, was mitigated by PPE additions of RM45.5 million and reversal of impairment loss of PPE of RM52.8 million.

The proposed disposals of Jayamax and Selangor estates are reclassified as held for sale as all the classification criteria are met. The proposed disposals are expected to be completed in 3rd Quarter of 2024.

The Group's total borrowings decreased by RM9.3 million to RM340.1 million as compared to 2022 of RM349.4 million mainly due to the repayment of borrowings. However, it was mitigated by the drawdown of term loan, revolving credit, hire purchase and banker acceptance. Furthermore, there is no bank overdraft as at 31 December 2023 mainly due to the Group used REPO for payment to contractors and suppliers.

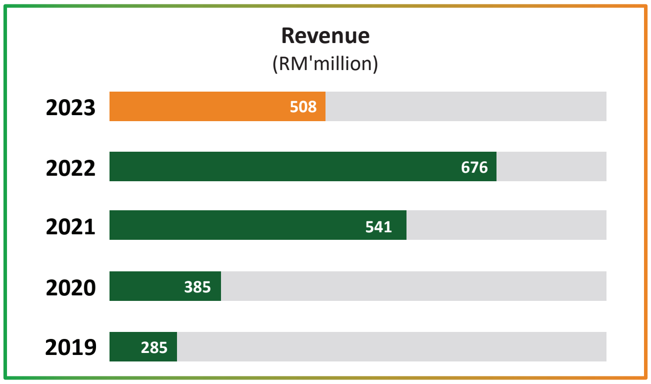
The Group's debt to equity ratio has decreased to 0.93 times as compared to 0.96 times in 2022 as a result of further reduction to our Group borrowings. The following is an overview of our Group's key financial indicators for the past five financial years.

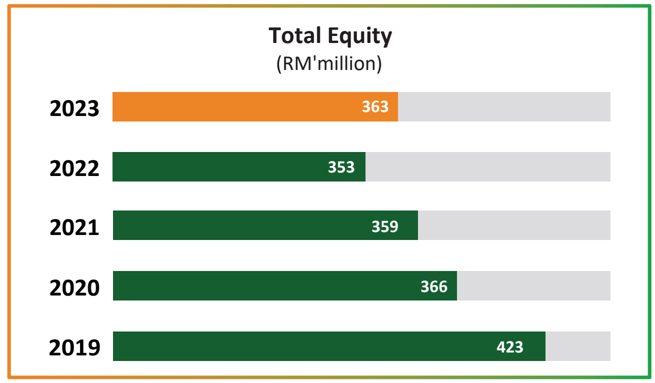
Key Financial Indicators	2023	2022	2021	2020	2019
(RM'thousand)					
Revenue	507,762	675,917	541,502	385,471	284,714
EBITDA	100,237	84,773	82,893	39,763	50,138
Profit/(Loss) after taxation	13,018	(5,818)	(6,978)	(56,052)	(62,843)
Total equity	362,932	353,474	359,292	366,450	422,502
Total assets	853,314	851,225	886,746	912,356	1,120,920
Net debts	337,327	338,831	370,016	408,516	505,965
Debt to Equity Ratio	0.93	0.96	1.03	1.11	1.20
Profit/(Loss) per share (sen)	1.23	(0.02)	(0.32)	(2.16)	(2.53)
Net assets per share (RM)	0.18	0.17	0.18	0.19	0.27

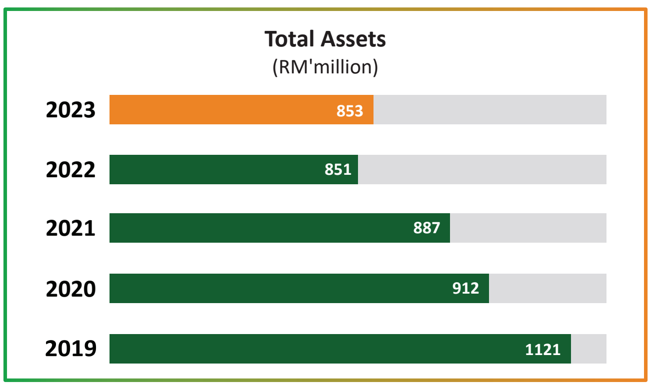
Management Discussion and Analysis (cont'd)

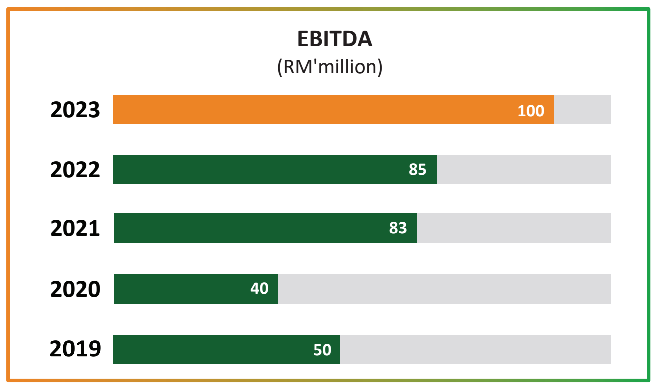
Review of Financial Results

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 2023 increased to RM100.2 million as compared to RM84.8 million in 2022. The increase was mainly due to hike in FFB production, increase in PK sales volume and cost control.

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

Key Operating Indicators	2023	2022	2021	2020	2019
CPO Production Volume (MT)	106,152	111,756	103,126	112,376	109,514
PK Production Volume (MT)	24,100	24,512	22,109	24,078	23,616
FFB Production Volume (MT)	250,750	211,681	192,732	246,501	315,132
OER (%)	19.32	19.41	19.69	19.58	20.35
KER (%)	4.39	4.26	4.22	4.20	4.39
Mature Area (Ha)	38,464	36,352	39,424	39,349	43,424
FFB Yield per Ha (MT/Ha)	6.52	5.82	4.89	6.26	7.26
CPO Sales Volume (MT)	107,531	110,607	103,527	112,403	109,611
PK Sales Volume (MT)	24,024	23,812	22,359	24,172	23,690
FFB Processed (MT)	549,418	575,800	523,839	573,949	538,136

Anticipated or Known Risks

The group continually reviews and assesses 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 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.
Operational	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.

Management Discussion and Analysis (cont'd)

Anticipated or Known Risks (Cont'd)

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. (Cont'd)

Risk Category	Description/ Rationales	Impact	Mitigation Plans
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 in compliance with MSPO requirements.
Liquidity	Debt to Equity ratio close to 1 in the past.	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.

Forward Looking Statements

The Malaysian oil palm industry is optimistic about 2024, anticipating a stronger performance due to factors such as increased crude palm oil (CPO) production, higher palm oil prices, and rising global demand. Efforts to address labor issues, allocate funds for replanting programs, and enhance sustainability have been implemented by the government. Automation tax incentives, the adoption of DNA testing technology, and expanding market scopes aim to boost productivity. Despite potential challenges from international regulations and policies, the industry expects improved export performance, especially to major importing countries like China and India. The average CPO price is projected to rise in 2024, supported by growing demand and initiatives like B35 in Indonesia promoting biodiesel. In view of the above, the Group remains cautiously optimistic on the outlook for the financial year 2024.

Dividend Policy

For the financial year under review, the Board of Directors has decided not to declare dividend as dividend distribution is subject to a liquidity and solvency assessment based on various factors including the entity's financial position, reserves, earnings, capital requirements and other relevant factors, as outlined in the Companies Act 2016. Our Group has prioritized cash from operations towards debt repayment and reserves for working capital usage, while also ensures higher cash liquidity.

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 Ie
Managing Director