Management Discussion & Analysis

> With the increase of the Group's net earnings, ROE for FYE2024 was 6.9% compared to previous year's ROE of 6.6%.

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Key Financial Highlights

	FYE2024 RM Million	FYE2023 RM Million	Variance %
Revenue	638.82	709.75	(10.0)
Cost of Sales ("COS")	372.61	442.61	(15.8)
Gross Profit ("GP")	266.21	267.14	(0.3)
Earnings Before Interest and Taxation ("EBIT")	138.76	131.93	5.2
Profit Before Tax and Zakat ("PBT")	122.55	119.29	2.7
Profit After Tax ("PAT")	82.67	77.14	7.2
Profit Attributable to Equity Holders of the Company	72.80	63.22	15.2
Net Cash Flow Generated from Operating Activities	156.04	127.30	22.6
Total Asset	1,736.00	1,619.85	7.2
Total Liabilities	538.83	451.50	19.3
Capital Employed	1,584.08	1,463.83	8.2
Retained Earnings	593.37	553.61	7.2

	FYE2024 %	FYE2023 %	Variance %
Gross Profit Margin ("GP Margin")	41.7	37.6	4.1
Return on Shareholders' Equity ("ROE")	6.9	6.6	0.3
Return on Capital Employed ("ROCE")	8.8	9.0	(0.2)

Revenue

	FYE2024 RM Million	Contribution %	FYE2023 RM Million	Contribution %	Variance RM Million	Variance %
Bulking	227.96	35.7	185.25	26.1	42.71	23.1
Plantation	177.03	27.7	204.41	28.8	(27.38)	(13.4)
Food	168.19	26.3	186.10	26.2	(17.91)	(9.6)
Manufacturing	61.57	9.7	129.56	18.3	(67.99)	(52.5)
Others	4.07	0.6	4.43	0.6	(0.36)	(8.1)
Group Revenue	**638.82**	**100.0**	**709.75**	**100.0**	**(70.93)**	**(10.0)**

The Group revenue decreased by 10.0% to RM638.82 million in FYE2024 from RM709.75 million in the previous financial year's revenue, driven by lower contributions from Manufacturing, Plantation and Food divisions.

Bulking division achieved a record high of RM227.96 million in FYE2024, representing a 23.1% increase from last year's RM185.25 million. The division's impressive performance was primarily driven by substantial contributions from our liquid storage and transportation segments. In particular, the liquid storage segment's revenue rose by 35.0% year-on-year ("y-o-y"), growing from RM121.28 million to RM163.71 million. This growth was largely due to a 79.9% increase in contributions from biofuel. The transportation segment also saw significant growth, with revenue rising by 51.2% to RM11.84 million, compared to RM7.83 million in FYE2023. Other key factors contributing to the overall increase in the revenue included expansion of tankage capacity, favourable product mix, tank occupancy and rental rates, and improved throughput volumes.

Plantation division recorded revenue of RM177.03 million, a 13.4% decrease compared to last year mainly due to lower prices and sales volumes of Crude Palm Oil ("CPO") and Crude Palm Kernel Oil ("CPKO"). The average realised selling price of CPO decreased by 2.8% year-on-year to RM3,395 per MT (FYE2023: RM3,492 per MT), while CPKO declined by 9.1% to RM3,507 per MT (FYE2023: RM3,857 per MT). Volume of CPO sold was 32,368 MT, 12.3% lower compared to last year's 36,896 MT mainly due to lower production on the back of lower fresh fruit bunches ("FFB") production and third-party crop purchased by our Indonesian subsidiary.

FFB production from our Malaysian estates showed an improvement of 10.8% to 82,735 MT from 74,659 MT recorded in the previous year. Average yield per hectare also improved for most of our Malaysian estates.

Food division registered a revenue of RM168.19 million in FYE2024, a decrease of 9.6% compared to RM186.10 million recorded in the prior year. This decline was primarily driven by underperformance of the tuna segment, both in export and domestic canned tuna arising from supply chain constraints encountered in Q1 of FYE2024. The decrease significantly impacted the total sales volume of canned products, which fell by 32.9% to 550,376 cartons compared to 820,113 cartons sold in the previous year.

Manufacturing division's revenue declined by RM67.99 million from RM129.56 million to RM61.57 million in FYE2024 due to the marked decline in sales volumes across most product segments, particularly travel, transport and confidential documents.

Profitability

	FYE2024 RM Million	Contribution %	FYE2023 RM Million	Contribution %	Variance RM Million	Variance %
Bulking	87.10	71.1	62.10	52.1	25.00	40.3
Plantation	26.16	21.3	45.39	38.0	(19.23)	(42.4)
Food	13.37	10.9	4.79	4.0	8.58	179.1
Manufacturing	0.39	0.3	10.11	8.5	(9.72)	(96.1)
Others	(9.83)	(8.0)	(7.46)	(6.3)	(2.37)	(31.8)
Associated Companies	5.36	4.4	4.36	3.7	1.00	22.9
Group PBT	**122.55**	**100.0**	**119.29**	**100.0**	**3.26**	**2.7**

The Group's PBT increased by 2.7% to RM122.55 million for FYE2024, compared to RM119.29 million recorded in FYE2023, mainly due to higher contributions from the Bulking and Food divisions.

Bulking division's PBT increased to RM87.10 million in tandem with the improvement in revenue, marking a substantial 40.3% increase from the prior year's PBT of RM62.10 million. Notably, the division is the leading contributor to the Group's PBT, accounting for 71.1% of the total. In line with the increase in the division's revenue, the GP Margin rose from 53.9% achieved in the previous year to 57.4% in FYE2024, despite an increase in the COS from RM85.48 million to RM97.00 million.

Plantation division recorded PBT of RM26.16 million compared to RM45.39 million in the previous year, primarily due to lower prices and sales volumes for CPO and CPKO coupled with increased maintenance and cultivation expenditure, along with elevated estate development costs, all of which collectively impacted the division's PBT. PT Nunukan Jaya Lestari ("PTNJL"), the Group's Indonesian subsidiary's PBT declined from RM46.58 million to RM43.53 million in FYE2024.

Plantation estates in Malaysia which are presently in the development and partially mature phases registered a total pre-tax loss of RM11.44 million compared to RM7.25 million pre-tax loss recorded last year.

Consequently, the division's GP Margin also declined to 41.0% in FYE2024 (FYE2023: 47.9%).

Food division's PBT for FYE2024 recorded growth of 179.1% to RM13.37 million compared to RM4.79 million in the prior year. This growth was positively impacted by operating efficiencies, reduction of labour overheads and restructuring actions, resulting in a 18.1% decrease in cost of sales. Consequently, the division's GP Margin improved from 20.7% to 28.2%.

Manufacturing division's PBT decreased by 96.1% to RM0.39 million (FYE2023: RM10.11 million) in line with lower revenue posted for the year. This decline was primarily attributed to reduced demand across most product segments, particularly travel, transport, and confidential documents. The division registered a GP Margin of 23.7% during the year.

The **COS** of the Group for FYE2024 was RM372.61 million, RM70.00 million lower from the previous year. The sharp decrease was mainly attributable to lower production costs from Food and Manufacturing divisions due to lower levels of activity. Meanwhile, the Group's GP Margin increased from 37.6% to 41.7% in the year under review due to higher percentage of revenue contribution from Bulking division.

Share of Results of Associates increased slightly to RM5.36 million from RM4.36 million registered in the previous year on the back of contributions from Giesecke & Devrient Malaysia Sdn. Bhd. ("G&D Malaysia"). G&D Malaysia posted revenue and PAT of RM209.09 million and RM19.08 million (FYE2023: RM185.19 million and RM18.15 million) respectively, representing an improvement of 12.9% and 5.1% y-o-y respectively.

In line with the increase in PBT, the Group achieved PAT RM82.67 million (FYE2023: RM77.14 million). However, the Group's income tax expenses and zakat as of 31 March 2024 decreased from RM42.15 million to RM39.88 million.

The Profit Attributable to Equity Holders of the Company increased by 15.2% or RM9.58 million to RM72.80 million from RM63.22 million recorded in FYE2023. The basic net earnings per share for FYE2024 also increased to 26.44 sen based on the weighted average of 275.38 million shares (FYE2023: 22.92 sen based on the weighted average of 275.85 million shares).

Shareholders' Funds stood at RM957.79 million, up by 4.4% from last year in line with the increase in retained earnings. The retained earnings were RM593.37 million, RM39.76 higher than RM553.61 million registered last financial year.

With the increase of the Group's net earnings, **ROE** for FYE2024 was 6.9% based on the Group's total equity of RM1,197.17 million, compared to previous year's ROE of 6.6%.

ROCE for FYE2024 declined to 8.8% from 9.0% recorded in the previous year despite an increase in EBIT by 5.2% from RM131.93 million to RM138.76 million. Value of the assets employed by the Group stood at RM1,584.08 million (FYE2023: RM1,463.83 million) attributed to the increase in the Group's Total Assets by 7.2%.

Finance Cost and Liabilities

The Group's **Finance Cost** increased to RM16.22 million from RM12.64 million in FYE2023, largely due to higher borrowings and expenses related to the lease liabilities of the Plantation division. Interest expenses on borrowings rose by 97.3%, from RM2.25 million to RM4.45 million, primarily due to the construction of new tanks project in North Port. Additionally, the rise in CPO prices during the calendar year 2022 led to higher lease payments, as the lease agreements for two of our estates include variable payments based on the average CPO price.

The Group's **Total Liabilities** increased to RM538.83 million from RM451.50

million in FYE2023. As of 31 March 2024, the Group's gearing ratio stood at 0.45 times (FYE2023: 0.39 times). The increase in total liabilities was primarily attributed to the increase in long-term borrowings and deferred tax liabilities by 376.9% and 30.6% respectively.

Liquidity and Capital Resources

The Group's **Capital Expenditure ("CAPEX")** and working capital needs were funded through cash generated from operations and a combination of short-term bank credit facilities. In FYE2024, the Group invested a total of RM145.04 million in CAPEX. Specifically, RM102.11 million was allocated for the construction of new tanks as well as the purchase of new prime movers and trailers, maintenance and replacement of existing handling equipment, plant and machinery in North Port, Port Klang. RM25.42 million was allocated for the Plantation division's CAPEX, which mainly involved plantation development works and asset acquisition/replacement. Meanwhile, the Food division allocated RM3.86 million for the enhancement of their facilities, specifically for the construction of new mackerel cold room, warehouse expansion project and construction of new cooling tower. These investments aimed to upgrade and optimise their operational capabilities.

During the year under review, the Group maintained a solid financial position, with **Cash and Bank Balances** and **Financial Investments** totalling RM371.66 million (FYE2023: RM346.42 million), representing an increase of 7.3% compared to the previous year. In FYE2024, the majority of **Net Cash Used in Financing and Investing Activities** was allocated towards key initiatives, including the repayment of lease liabilities amounting to RM18.59 million, payment of dividends totalling RM33.05 million, and CAPEX expenditure of RM145.04 million. The Group's robust cash flow position underscores its capacity to fulfil financial obligations and pursue growth initiatives.

The Group's **Net Cash Generated from Operating Activities** for FYE2024 maintained a surplus position of RM156.04 million (FYE2023: RM127.30 million) primarily due to the increase in PBT along with a decrease in trade and other receivables as well as lower income taxes paid.

Free Cash Flow ("FCF") represents the cash generated by a company after accounting for the cash outflows required to support its operations and maintain its capital assets. The Group's FCF remained positive at RM11.0 million although lower compared to the previous year's FCF of RM32.08 million. FCF decreased primarily as a result of higher capital investments on property, plant and equipment (PPE), in particular the construction of new tanks, plantation development works, infrastructure, and asset acquisition or replacement.

Total Assets increased by 7.2%, reaching RM1,736.00 million compared to RM1,619.85 million last year. This growth is primarily attributed to the increase in property, plant and equipment from RM468.34 million last year to RM581.62 million in FYE2024.

Market Outlook

Malaysia

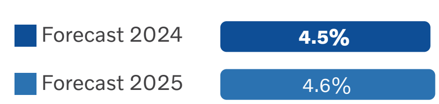
The Malaysian economy is projected to remain on a steady growth trajectory in 2024, backed by firm domestic demand, primarily through continued expansion in private sector spending. The Ministry of Finance expects growth of the Malaysian economy to accelerate to 4.0% - 5.0% in 2024 from 3.7% in 2023. However, risks to growth remain tilted to the downside given ongoing external challenges[1].

In the domestic capital market, activity will continue to be influenced by momentum in the domestic economy and corporate developments, with volatility likely to be driven primarily by uncertainties surrounding the global economy, particularly the direction of global monetary policy and evolving geopolitical tensions. Nevertheless, ongoing supportive policy actions such as the New Industrial Master Plan (NIMP) 2030 and the National Energy Transition Roadmap (NETR) are expected to provide a tailwind in the short- to medium-term, amid greater policy clarity and a continued commitment by the government towards improving medium-term economic growth prospects[1].

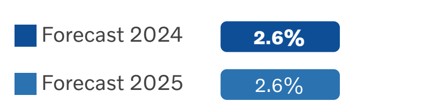
Market expectations remained broadly positive, projecting the benchmark FBMKLCI to end 2024 at around 1,600 points. Meanwhile, the domestic capital market is expected to remain orderly and will continue to play an integral role in supporting the economy, underpinned by firm macroeconomic fundamentals, ample domestic liquidity and a facilitative capital market framework[1].

CPO production is expected to stay below potential due to the El Nino event, which will likely reduce FFB production in the second half of the year. Ongoing geopolitical issues and global economic uncertainties are expected to keep commodity prices volatile[2]. Additionally, high stock levels in China and India will likely cause CPO prices to drop[3].

GDP Forecast[4]



Inflation Forecast[4]



Source.

1. *Securities Commission Malaysia - Malaysia Outlook 2024*
2. *NST - CPO price may remain volatile*
3. *The Edge Malaysia - High palm oil prices not sustainable; drop forecast in 2H2024 - Palm Oil Analytics*
4. *Asian Development Bank Outlook April 2024*

Indonesia

Indonesia's economic growth is forecasted to range between 4.80% to 5.20% y-o-y with the potential to dip below 5% due to the global economic slowdown trend influenced by geopolitical tensions, persistent inflation and high interest rates. High credit interest rates in Indonesia have impacted its economic growth and led to rising operational costs for businesses[5].

Inflation is expected to stabilise at around 3.0% in 2024, while the Rupiah exchange rate is projected to trade between IDR15,100-IDR15,600 against the US Dollar premised on controlled inflation and Bank Indonesia's monetary policy. However, the prolonged trend of high rates could push the Rupiah's value towards the upper end of its projected range[5].

Amidst the national leadership transition process following the recent presidential elections, foreign investment is likely to be subdued as investors adopt a 'wait and see' approach. Nonetheless, domestic consumption, spurred by election activities, is expected to bolster economic growth temporarily[5].

According to Gabungan Pengusaha Kelapa Sawit Indonesia (GAPKI) in 2024, Indonesia's palm oil industry will face several challenges due to global economic uncertainties. However, local consumption is expected to rise, driven by demand from the food, oleochemical, and biodiesel sectors, especially with the full implementation of the B35 biodiesel mandate. Palm oil production is expected to be stagnant, while export volumes may decrease due to higher local consumption[6].

GDP Forecast[7]

Forecast 2024	**5.0%**
Forecast 2025	5.0%

Inflation Forecast[7]

Forecast 2024	**2.8%**
Forecast 2025	2.8%

Source.

5. *CRIF- Industry Outlook in Indonesia 2024*
6. *Palm Oil Industry Performance In 2023 & Prospects For 2024 (GAPKI) (March 2024)*
7. *Asian Development Bank Outlook April 2024*

Papua New Guinea

The economy of Papua New Guinea ("PNG") is expected to improve in 2024 and 2025. The positive outlook is driven by improved prospects for the mining sector, the subregion's largest economy. Growth slowed to 2.0% in 2023 due to decreased production in the resource sector, but the report says PNG's economy is set to grow by 3.3% in 2024 due to resumption of production at the Porgera gold mine. The medium-term outlook for PNG's economy remains positive, with growth in 2025 forecast to further expand to 4.6%[10].

Inflation is expected to rise from 2.3% in 2023 to 4.5% in 2024 to then pick up even further to 4.8% in 2025 largely because of continued exchange rate depreciation and impact of the recent civil unrest. Costs for many consumer goods have soared, with prices for food and non-alcoholic beverages rising by 7.0% in 2023[10].

PNG contributes 14.5% of the world's tuna catches and benefits from a duty-free export agreement with the European Union. The PNG National Fisheries Authority plans to increase downstream processing of fisheries products to 50.0% by 2025[8]. This goal aligns with the rapid growth of the global canned fish market, which has a projected compound annual growth rate (CAGR) of 14.14%[9].

GDP Forecast[10]

Forecast 2024	**3.3%**
Forecast 2025	4.6%

Inflation Forecast[10]

Forecast 2024	**4.5%**
Forecast 2025	4.8%

Source.

8. *International Trade Administration (U.S. Department of Commerce) - Papua New Guinea - Country Commercial Guide*
9. *Reliable Business Insights - Canned Fish Market Outlook from 2024 to 2031*
10. *Asian Development Bank Outlook April 2024*