

RIMBUNAN SAWIT BERHAD ("RSAWIT" or "THE COMPANY") - ISSUANCE OF UNMODIFIED AUDIT OPINION WITH STATEMENT OF MATERIAL UNCERTAINTY RELATING TO GOING CONCERN IN RESPECT OF RSAWIT'S AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Pursuant to paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of RSAWIT wishes to announce that the Company's external auditors, Messrs Crowe Malaysia PLT, has included a statement of material uncertainty relating to going concern in its independent Auditors' Report dated 11 April 2025, in respect of the Group's financial statements for the financial year ended 31 December 2024. Kindly find below the extract of the abovesaid Independent Auditors' Report:-

Opinion

We have audited the financial statements of Rimbunan Sawit Berhad, which comprise the statements of financial position as at 31 December 2024 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 13 to 100.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2024, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the financial statements, which indicates that as at 31 December 2024, the Group's current liabilities exceeded its current assets by RM136.4 million. This condition, along with other matters as set forth in Note 4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

As at 31 December 2024, the Group's total borrowings amounted to RM232.2 million (2023: RM340.1 million), of which RM111.7 million (2023: RM189.7 million) were classified as current liabilities. Details of these borrowings are disclosed in Note 20 to the financial statements. The Group's trade and non-trade payables were recorded at RM107.8 million (2023: RM113.6 million) as at 31 December 2024.

Of these payables, RM37.9 million (2023: RM39.4 million) were payable to the related parties. Details of these trade and non-trade payables are disclosed in Notes 23 and 24 to the financial statements respectively. In addition, the Group recorded earnings before interest, tax, depreciation and amortisation ("EBITDA") of RM107.3 million (2023: RM100.2 million) for the financial year.

As at the end of the reporting period, the Group has access to approved but unutilised credit facilities to meet any potential shortfall in working capital. Management remains confident that the existing credit facilities will continue to be available as the Group has not defaulted on any repayment obligations during the financial year.

The Group has implemented several strategic initiatives to enhance its financial and operational performance. These include securing a sufficient number of harvesters, advancing mechanization processes, and executing cost optimization measures to improve efficiency and productivity across its plantation operations. These efforts are expected to enhance fresh fruit bunch (FFB) yields and contribute to the Group's profitability. Furthermore, the Group is accelerating the replanting of less productive tall palm areas with high-yielding materials to improve the age profile of the palms and drive significant improvements in plantation productivity.

Management remains confident in its position regarding the ongoing tax dispute with the IRBM, believing, based on legal advice, that there is no legal and factual basis for the tax authority to issue notices of additional assessment, as disclosed in Note 37 to the financial statements.

Taking into account the positive outlook in the oil palm plantation industry, the availability of existing credit lines, as well as the continued financial support from the related parties, management believes that the Group will be able to generate sufficient cash flows to meet its obligations and working capital needs for the next financial year. Accordingly, the financial statements of the Group have been prepared on the going concern basis.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of Property, Plant and Equipment Refer to Note 7 in the financial statements	
Key Audit Matter	How our audit addressed the key audit matter
<p>The Group has oil palm plantation assets with a carrying amount of RM552.7 million as of 31 December 2024. No impairment was recognised for the financial year.</p> <p>The Group shall assess at the end of each reporting period whether there is any indication that the plantation assets may be impaired. If any such indication exists, the Group shall</p>	<p>Our procedures included, amongst others: -</p> <ul style="list-style-type: none"> ▪ where valuation experts are engaged to determine the recoverable amounts, we assess the competence, capabilities and objectivity of management's valuation experts; evaluate the valuation methodologies and the appropriateness of the assumptions used by the valuation experts.

<p>estimate the recoverable amounts of these assets.</p> <p>As at 31 December 2024, certain oil palm plantations of the Group have been making losses, indicating that the carrying amounts of these oil palm plantation assets may be impaired.</p> <p>We gave audit focus on the impairment of these oil palm plantation assets because the estimation of their recoverable amounts involves significant judgement.</p>	<ul style="list-style-type: none"> ▪ where recoverable amounts are determined by the management using discounted cash flows method, we evaluate and challenge the appropriateness and reasonableness of the assumptions applied to key inputs and compare those inputs with externally derived data as well as our own assessments based on our knowledge of the client and the industry. ▪ testing the sensitivity of the impairment calculations to changes in key assumptions used to evaluate the impact on the currently estimated headroom. ▪ evaluating the adequacy of the disclosures in the financial statements, including disclosures of key assumptions and judgements.
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STEPS TAKEN OR PROPOSED TO BE TAKEN AND TIMELINE TO ADDRESS THOSE KEY AUDIT MATTERS THAT RELATE TO THE MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

The Material Uncertainty Related to Going Concern highlighted in the Independent Auditors' Report was mainly due to the unfavourable financial results and deteriorated financial position arising from the impairments of property, plant and equipment over the past few years.

- (a) The Group has implemented several strategic initiatives to enhance its financial and operational performance. These include securing a sufficient number of harvesters, advancing mechanization processes, and executing cost optimization measures to improve efficiency and productivity across its plantation operations. These efforts are expected to enhance fresh fruit bunch (FFB) yields and contribute to the Group's profitability. Furthermore, the Group is accelerating the replanting of less productive tall palm areas with high-yielding materials to improve the age profile of the palms and drive significant improvements in plantation productivity.
- (b) Management remains confident in its position regarding the ongoing tax dispute with the IRBM, believing, based on legal advice, that there is no legal and factual basis for the tax authority to issue notices of additional assessment, as disclosed in Note 37 to the financial statements.
- (c) Taking into account the positive outlook in the oil palm plantation industry, the availability of existing credit lines, as well as the continued financial support from the related parties, management believes that the Group will be able to generate sufficient cash flows to meet its obligations and working capital needs for the next financial year. Accordingly, the financial statements of the Group have been prepared on the going concern basis.