

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 2022

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 25 April 2023, in respect of the Group's financial statements for the financial year ended 31 December 2022. 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 2022 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 a summary of significant accounting policies, as set out on pages 14 to 102.

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 2022, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 4 in the financial statements, which indicates that the Group incurred a net loss of RM5.8 million for the financial year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by RM225.4 million. These conditions and the tax dispute with the Inland Revenue Board, Malaysia ("IRBM") as disclosed in Note 34 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

As at 31 December 2022, the Group's total borrowings amounted to RM349.4 million (2021: RM387.9 million), of which RM190.5 million (2021: RM202.9 million) were classified as current liabilities. Details of these borrowings are disclosed in Note 19 to the financial statements. The Group's trade and non-trade payables were recorded at RM103.1 million (2021: RM91.3 million) as at 31 December 2022. Of these payables, RM36.4 million (2021: RM37.9 million) were payable to the related parties. Details of

these trade and non-trade payables are disclosed in Notes 21 and 22 to the financial statements respectively. In addition, despite the loss suffered, the Group recorded earnings before interest, tax, depreciation and amortisation (“EBITDA”) of RM84.8 million (2021: RM82.9 million) for the financial year. As at the end of the reporting period, the Group has available approved unutilised credit facilities of RM86.3 million, to meet the shortfall in working capital requirements, if any.

The Group believes that it will continue to enjoy the existing credit facilities granted by the banks as it has not defaulted in any repayment obligations for the financial year. Furthermore, as part of its rationalisation plan, the Group has taken measures to improve its cash flows position by downsizing or ceasing the operations of certain unproductive oil palm plantation estates, so as to reduce future losses and cash outflows from these estates. The Group also believes that it has an arguable case to contend that there is no legal and factual basis for the tax authority to issue notices of additional assessment, based on the legal advice, as disclosed in Note 34 to the financial statements.

In view of the above, barring any other unforeseen circumstances, management believes that, with the implementation of the rationalisation plan and the existing credit lines granted by the banks, as well as the continued financial support from the related parties, 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.

Our opinion is not modified in respect of this matter.

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 RM669.9 million as at 31 December 2022. A reversal of RM10,249,269 was recognised for the financial year in respect of these plantation assets.</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 estimate the recoverable amounts of these assets.</p> <p>Certain oil palm plantations of the Group have a history of losses mainly due to the low oil palm yield. This was identified by management as an impairment indicator. Two methods are used by management to determine the recoverable amounts of the plantation assets, i.e. valuations performed by professional valuers and discounted cash flows model.</p> <p>We gave audit focus on the impairment of these plantation assets because the estimation of their recoverable amounts involves significant management judgement.</p>	<p>Our procedures included, amongst others:-</p> <ul style="list-style-type: none"> • for recoverable amounts determined by using professional valuers, assessing the competence, capabilities and objectivity of management’s valuation experts; and evaluating the valuation methodologies and the appropriateness of the assumptions used by the valuation experts. • for recoverable amounts determined by using discounted cash flows method, evaluating and challenging the appropriateness and reasonableness of the assumptions applied to key inputs such as prices of crude palm oil, oil palm yield rates, operating costs and discount rate applied, which included comparing these 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 (e.g. commodity prices, discount rate) to evaluate the impact on the currently estimated headroom.

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 believes that it will continue to enjoy the existing credit facilities granted by the banks as it has not defaulted in any repayment obligations for the financial year. Furthermore, as part of its rationalisation plan, the Group has taken measures to improve its cash flows position by downsizing or ceasing the

operations of certain unproductive oil palm plantation estates and CPO Mills, so as to reduce future losses and cash outflows from these estates. The Group is considering divesting some of its unprofitable investments to further consolidate and streamline its operations to become more efficient and productive. The Group also believes that it has an arguable case to contend that there is no legal and factual basis for the tax authority to issue notices of additional assessment, based on the legal advice, as disclosed in Note 34 to the financial statements.

- (b) In view of the above, barring any other unforeseen circumstances, management believes that, with the implementation of the rationalisation plan and the existing credit lines granted by the banks, as well as the continued financial support from the related parties, 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.