

RIMBUNAN SAWIT BERHAD (“RSB” OR “COMPANY”)

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF RSB PURSUANT TO SECTION 117 OF THE COMPANIES ACT 2016 (“ACT”) (“PROPOSED CAPITAL REDUCTION”)

1. INTRODUCTION

On behalf of the Board of Directors of RSB (“**Board**”), Maybank Investment Bank Berhad (“**Maybank IB**”) wishes to announce that the Company proposes to undertake the Proposed Capital Reduction.

2. DETAILS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction entails the reduction of the issued share capital of RSB pursuant to Section 117 of the Act via the cancellation of the Company’s paid-up share capital which is substantially unrepresented by available assets of RM223,089,761. The corresponding credit of RM223,089,761 arising from such cancellation will be used to set-off against the accumulated losses of the Company while the remaining balance, if any, will be credited to the retained earnings of the Company which shall be used in a manner to be determined by the Board at a later date and in the best interest of the Company as permitted by the relevant and applicable laws as well as the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

As at 12 June 2023, being the latest practicable date prior to this announcement (“**LPD**”), the issued share capital of RSB is RM614,600,257 comprising 2,041,722,343 ordinary shares in RSB (“**RSB Shares**” or “**Shares**”).

For illustrative purposes only, the effects of the Proposed Capital Reduction on the accumulated losses of the Company as well as RSB and its subsidiaries (collectively, “**Group**”) based on the latest audited consolidated statement of financial position as at 31 December 2022 and the latest unaudited results of the Group for the 3-month financial period ended 31 March 2023 are as follows:

	(Audited) As at 31 December 2022		(Unaudited) As at 31 March 2023	
	Company level	Group level	Company level	Group level
	RM’000	RM’000	RM’000	RM’000
Accumulated losses	(200,646)	(178,802)	(223,090)	(196,184)
Add: Credit arising from the Proposed Capital Reduction	223,090	223,090	223,090	223,090
Less: Estimated expenses for the Proposed Capital Reduction	(163)	(163)	(163)	(163)
Resultant (accumulated losses) / retained profits	22,281	44,125	(163)	26,743

The summary and commentaries of the financial information of the Group for the past 3 financial years ended 31 December (“**FYEs**”) 2020 to 2022 and 3-month financial periods ended 31 March 2022 and 31 March 2023 (“**FPEs**”) are set out in **Appendix I** of this announcement.

Subject to and subsequent to the approval of the shareholders of the Company for the Proposed Capital Reduction at an extraordinary general meeting (“EGM”) to be convened, the Proposed Capital Reduction will take effect when the Registrar of Companies has recorded the information lodged in the appropriate register in accordance with Section 119 of the Act.

For avoidance of doubt, the Proposed Capital Reduction will not result in:

- (a) any adjustment to the share price of RSB Shares immediately after the Proposed Capital Reduction;
- (b) any change in the total number of RSB Shares in issue or the number of RSB Shares held by the Company’s shareholders;
- (c) any payment to the shareholders of RSB; and
- (d) any cash outflow or change in the net assets (“NA”) of the Group, save for the estimated expenses to be incurred in relation to the Proposed Capital Reduction.

3. RATIONALE FOR THE PROPOSED CAPITAL REDUCTION

The rationale for the Proposed Capital Reduction is as follows:

- (a) to accurately reflect the Group’s financial position through eliminating the accumulated losses of the Company via the cancellation of the share capital which is unrepresented by available assets of the Company; and
- (b) to enhance the Company’s ability to declare and pay dividends out of its retained earnings in the future, as and when appropriate, when the Group returns to profitability.

4. EFFECTS OF THE PROPOSED CAPITAL REDUCTION

4.1. Share Capital

The effect of the Proposed Capital Reduction on the share capital of the Company are illustrated as follows:

	No. of Shares	RM
Issued share capital as at the LPD	2,041,722,343	614,600,257
To be cancelled pursuant to the Proposed Capital Reduction	-	(223,089,761)
After the Proposed Capital Reduction	2,041,722,343	391,510,496

4.2. Substantial shareholders’ shareholdings

The Proposed Capital Reduction will not have any effect on the group structure and substantial shareholders’ shareholding in the Company.

4.3 Earnings and earnings per Share (“EPS”)

The Proposed Capital Reduction will not have any material effect on the consolidated earnings and EPS of the Group for the financial year ending 31 December 2023.

4.4 NA per Share and gearing

The effect of the Proposed Capital Reduction on the NA per share and gearing of the Group based on the latest audited consolidated statement of financial position of the Company as at 31 December 2022 and on the assumption that the Proposed Capital Reduction had been effected on that date, are as follows:

	Audited as at 31 December 2022	After the Proposed Capital Reduction
	RM	RM
Share capital	614,600,257	391,510,496
Reserves		
- Merger reserve	(53,065,553)	(53,065,553)
- (Accumulated losses) / Retained profits	(178,801,539)	⁽¹⁾ 44,125,222
Shareholders' funds / NA	382,733,165	382,570,165
Non-controlling interests	(29,258,846)	(29,258,846)
Total equity	353,474,319	353,311,319
No. of shares in issue	2,041,722,343	2,041,722,343
NA per Share (RM) ⁽²⁾	0.17	0.17
Total borrowings (RM)	349,421,815	349,421,815
Gearing (times) ⁽³⁾	0.99	0.99

Notes:

- (1) After deducting the estimated expenses relating to the Proposed Capital Reduction of RM163,000.
- (2) Calculated as total equity divided by the total number of RSB Shares.
- (3) Calculated as total borrowings divided by total equity.

5. APPROVALS REQUIRED AND CONDITIONALITY

The Proposed Capital Reduction is subject to the approvals of:

- (a) shareholders of the Company at an EGM to be convened; and
- (b) any other relevant parties / authorities, if required.

The Proposed Capital Reduction is not conditional upon any other corporate exercise / scheme of the Company.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND / OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders and / or person connected to them has any interest, direct and indirect, in the Proposed Capital Reduction.

7. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Capital Reduction including but not limited to the rationale and effects of the Proposed Capital Reduction, is of opinion that the Proposed Capital Reduction is in the best interest of the Company.

8. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Capital Reduction is expected to be completed in the fourth (4th) quarter of 2023.

9. ADVISER

Maybank IB has been appointed as the Principal Adviser to the Company for the Proposed Capital Reduction.

This Announcement is dated 30 June 2023.

APPENDIX I - HISTORICAL FINANCIAL INFORMATION OF THE RSB GROUP

The summarised historical financial information of the Group is as follows:

	Audited			Unaudited	
	FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	3M-FPE 2022 (RM'000)	3M-FPE 2023 (RM'000)
Revenue	385,471	541,502	675,917	160,290	104,841
Cost of Sales	(360,984)	(486,852)	(614,901)	(143,924)	(110,144)
Gross (Loss) / Profit	24,487	54,650	61,016	16,366	(5,303)
(Loss) after tax ("LAT") / Profit after tax ("PAT")	(56,052)	(6,978)	(5,818)	3,730	(20,436)
Share capital	614,600	614,600	614,600	614,600	614,600
Total equity	366,450	359,292	353,474	363,022	333,038
Total borrowings	409,763	387,947	349,422	372,139	353,825
No. of Shares in issue (‘000)	2,041,722	2,041,722	2,041,722	2,041,722	2,041,722
NA per share (RM) ⁽¹⁾	0.18	0.18	0.17	0.18	0.16
(Loss) per Share / EPS (sen) ⁽²⁾	(2.75)	(0.34)	(0.28)	0.18	(1.00)

Notes:

(1) Calculated as total equity divided by the no. of Shares in issue.

(2) Calculated as LAT / PAT divided by the no. of Shares in issue.

(i) 3-month FPE 31 March 2023 vs 3-month FPE 31 March 2022

The Group's revenue for the 3-month FPE 31 March 2023 was RM104.8 million, representing a decrease of approximately 34.6% from RM160.3 million in the 3-month FPE 31 March 2022. The decrease was mainly due to the following:

- a) decrease in the average selling price of Fresh Fruit Branches ("FFB"), Crude Palm Oil ("CPO") and Palm Kernel ("PK") by 43.5%, 33.5% and 56.1% from RM1,226 per MT, RM5,820 per MT and RM4,318 per MT to RM693 per MT, RM3,869 per MT and RM1,897 per MT respectively; and
- b) decrease in the sales volume of CPO by 279 MT, representing a decrease of 1.4%.

In line with the decrease in revenue, the Group recorded a LAT of RM20.4 million for the 3-month FPE 31 March 2023 as opposed to a profit after tax of RM3.7 million for the 3-month FPE 31 March 2022. The LAT was mainly due to the following:

- a) the Group recorded a gross loss of RM5.3 million for the 3-month FPE 31 March 2023 due to the large decrease in the average selling price of FFB, CPO and PK;

- b) increase in the administrative and other operating expenses by approximately RM0.9 million, representing a 15.0% increase from the 3-month FPE 31 March 2022 due to fixed asset written off and fair value loss arising from biological asset-FFB; and
- c) increase in the finance costs by approximately 14.9% or RM0.4 million mainly due to the increase in loan borrowing amount and interest rates by Bank Negara Malaysia over the 1-year period.

(ii) FYE 31 December 2022 vs FYE 31 December 2021

For FYE 31 December 2022, the Group's revenue was RM675.9 million, representing a 24.8% increase from FYE 31 December 2021. The increase was mainly due to the following:

- a) increase in the average selling price of CPO and PK by approximately 14.2% and 5.1% to RM4,885 per MT and RM2,815 per MT respectively; and
- b) overall increase in the sales volume of CPO and PK to 110,607 MT and 23,812 MT, representing a 6.8% and 6.5% increase respectively.

In line with our increased revenue, the Group recorded a lower LAT of RM5.8 million for FYE 31 December 2022 as compared to the LAT of RM7 million incurred for FYE 31 December 2021. The decrease in LAT was mainly due to the following:

- a) the Group recorded a higher gross profit of RM61 million for the FYE 31 December 2022 as compared to RM54.6 million for the FYE 31 December 2021, representing a 11.7% increase mainly due to the increase in the average selling price and sales volume of CPO and PK;
- b) increase in other income by approximately RM7.1 million or 61.2% mainly due to the reversal of impairment loss of property, plant and equipment ("PPE"), investment and sales of livestock;
- c) decrease in finance costs by approximately RM0.5 million or 3.5% arising from the settlement of term loan facilities during the financial year.

(iii) FYE 31 December 2021 vs FYE 31 December 2020

The Group recorded revenue of RM541.5 million for the FYE 31 December 2021, representing an increase of 40.5% from RM385.5 million in the FYE 31 December 2020. The increase in revenue was mainly due to;

- a) increase in the average selling price of CPO and PK with an approximate increase of 61.3% and 81.0% to RM4,278 per MT and RM2,679 per MT respectively; and
- b) increase in the revenue contribution of FFB products by 36% due to the increase in average selling price.

The Group recorded a lower LAT of RM7.0 million for the FYE 31 December 2021 as compared to RM56.1 million for the FYE 31 December 2022, representing an 87.5% decrease. The lower LAT is mainly due to the following:

- a) increase in gross profits by approximately RM30.2 million or 123.3% to RM54.7 million mainly due to the significant increase in the selling price of CPO and PK despite the decrease in sales volume;
- b) other income increased by RM2.5 million or 27.7% mainly due to the reversal of impairment loss of PPE of approximately RM4.2 million;

- c) administrative and other expenses decreased by RM18.7 million or 43.4% mainly due a lower amount written off in respect of biological assets and PPE as well as impairment of goodwill as compared to those in 2021; and
- d) decrease in finance costs by RM5.2 million or 28% arising from the settlement of term loan facilities during the financial year.