

Chairman's

Statement



Dear Shareholders,

K Fima delivered a strong operating performance in the financial year ended 31 March 2023 (“FYE2023”) despite the challenging economic environment.

Our performance demonstrates once again the advantage of KFima’s uniquely diversified and broad portfolio.

Revenue

	FYE2023 RM Million	FYE2022 RM Million
Manufacturing	129.56	104.13
Plantation	204.41	245.50
Bulking	185.25	163.90
Food	186.10	165.72
Others	4.43	4.25
Group Revenue	709.75	683.50

Profit Before Tax and Zakat

	FYE2023 RM Million	FYE2022 RM Million
Manufacturing	10.11	8.49
Plantation	45.39	108.75
Bulking	62.10	56.26
Food	4.79	20.72
Others (including Associated Companies)	(3.10)	(8.91)
Group PBT	119.29	185.31

While a detailed breakdown of our operational and financial performance can be found on pages 15 to 43. I would like to briefly reflect on FYE2023, which has seen us navigate a fluid economic environment, where ripple effects are being felt from economic headwinds such as inflation, labour shortages and supply chain disruptions.

Group revenue increased to an all-time high of RM709.75 million, up by 3.8% compared to the previous year, driven by strong performance across most of our core businesses. Notably, our bulking and food divisions reached new revenue milestones, with both hitting all-time highs of RM185.25 million and RM186.10 million in FYE2023, respectively.

Our Group profit before tax and zakat (“PBT”) for the year was RM119.29 million, down by 35.6% compared to the previous year, primarily due to the decrease in the PBT of our plantation and food divisions. Plantation division was impacted by commodity prices which sharply receded in the second half of the year from the historical high experienced at the onset of the year, while food division’s profitability was impacted by the spike in raw materials and freight costs. On the other hand, bulking division achieved another record high PBT of RM62.10 million, surpassing the previous year’s PBT of RM56.26 million driven by strong contributions from the biofuel and transportation segments. Manufacturing division’s PBT also increased to RM10.11 million, up by 19.1% compared to the previous year, driven by volume recovery particularly in the transport and travel document segments.

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The Group has continued to be significantly cash generative, with net operating cash generated of RM127.30 million in the year. This has enabled the Group to maintain capital investment, and continue to prioritise returns to shareholders.

Our ability to drive structural topline growth was supported by accomplishments across the Group, particularly the progress we made to Inter-alia enhance our operational footprint, drive efficiencies and capture the benefits of organic growth investments and M&A that we have made in prior years.

In FYE2023, we had delivered multiple projects across our business units. We accelerated our mechanisation efforts at our Malaysian estates, commenced expansion of our coldroom capacity and works on a second tuna processing line in Papua New Guinea. We have improved the yields of our biodiesel plant in Port Klang and expanded its capabilities to process multiple types of feedstocks.

We also continued to optimise the footprint of our bulking terminals in Port Klang to extend

our capabilities and meet a growing demand base.

As you can see, the Group's focus in FYE2023 had remained squarely on execution of key priority areas, managing what we could control and doing what was necessary despite the many distractions. In the circumstances, I would like to acknowledge the incredible contribution of the Group's employees under the leadership of the Group Managing Director in producing good progress on our priorities and a solid set of results for the year.

“We have updated our vision and mission this year. Our vision is to become a dynamic organisation that drives sustainable growth and value, and our mission is to drive the growth of our businesses and to be the industry partner of choice”

Dividend

The Board has approved a single-tier interim dividend of 9 sen per share and special dividend of 3 sen per share for FYE2023. The interim and special dividends will be paid on 18 August 2023 and represents 52.1% of the Company's Profit After Tax and Non-Controlling Interests (“PATANCI”). This payout ratio is in line with the Company's dividend policy to pay at least 40.0% of PATANCI, subject to the Company's financial position.

Governance and the Board

Your Board sets the tone of integrity and accountability for the Group and we recognise the essential role of governance in value creation and sustainability.

The KFima Board is active and engaged, interacting with management to support delivery and ensure ongoing oversight.

I am confident that we have a well-balanced, independent and diverse board with a wide range of skills and industry experience to discharge our governance and oversight role, as well as to steer and set the strategic direction of the Group. This was affirmed by the externally facilitated Board effectiveness evaluation process undertaken for the current financial year. The process involved the completion of questionnaires and individual meetings with each Director, covering various aspects of Board, Committee and Director effectiveness. The evaluation results are considered by the Nomination and Remuneration Committee, and escalated to the Board. Key themes arising from the review was the Board's desire to delve deeper into strategic topics, enhancing the content of information provided (through more forward-looking reporting and analysis), and succession planning of key management positions. Accordingly, these process-focused recommendations are being taken forward and actioned in this current financial year.

In addition to Board and Board Committee meetings, several of our non-executive directors sit on major subsidiary boards,



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with our values, can help us become more deliberate about the decisions we make thus shaping our strategies and ways of working.

By staying true to these principles and focusing on sustainability, I believe we can create a lasting legacy that we can all be proud of, both in terms of our financial performance and our ability to create opportunities that can benefit the communities where we operate.

Our Long-term Strategic Direction

We concluded FYE2023 with a strong balance sheet and healthy cash flows. Our current and long-term strategic growth plans remain on course, and we are committed to pursuing growth opportunities while adhering to our disciplined investment guardrails to increase shareholder returns. Management is responsible for implementing strategy, with ongoing oversight from the Board.

Consistency in strategy is important, but what's equally important is to test them against emerging risks and opportunities. During the most recent review of the Group's strategy in November 2022, the Board discussed strategic insights of each business segment. These included assessments of the businesses' competitive strengths, industry attractiveness, and potential for organic and inorganic expansion. We had thoroughly considered, debated and challenged these insights, and as a result, gained clarity on our portfolio focus.

The review showed that our Group's 4 business segments are currently at different strategic verticals. In the circumstances, we believe that the best path forward to deliver sustainable top and bottom-line growth is to concentrate on (albeit selectively) businesses that are defensive, cash-generative and have stronger growth prospects which we think we can acquire and build value. For businesses with lower industry attractiveness and/or competitive strengths, we will take proactive measures to protect our position and refocus our efforts, taking into account the changing market conditions and structural changes in these segments.

and are involved in new project initiatives thus giving them a granular understanding of operations. During the course of the year, I had the opportunity to visit several of our operating units, and it is extremely motivating to meet the people that drive our business performance.

This level of engagement is important as it enables the Board to make its own independent appraisal and provide better oversight. It also helps in fostering dialogue and in building a shared understanding of the context in which the Group operates.

We have dedicated time in addressing ESG issues and have reviewed the Group's policies, terms of reference of the Board and Board Committees and assurance reports, and we are satisfied that the Group is addressing these issues appropriately.

ESG and Corporate Citizenry

In line with our commitment to incorporate environmental considerations and promote sustainable practices, we implemented several initiatives across our operations to manage our environmental footprint.

The initiatives we implemented during the year to manage water and diesel consumption have yielded positive results. Despite increased levels of activities, we have observed year-

on-year decline in the Group's overall GHG emissions intensity, as well as the water and diesel intensities across many of our operational segments.

We recorded zero fatality during FYE2023. While this is noteworthy, we do acknowledge the need to further improve the overall lost time injury rates within the Group.

We also undertook a materiality assessment to determine the issues that are most important to our stakeholders and the company's long-term sustainability. We value the input of our stakeholders and respect their interests and concerns. We believe the feedback from our stakeholders brings the necessary broader perspective that improves our strategy and activities moving forward.

These matters, together with a comprehensive overview of our sustainability efforts and progress in FYE2023, are addressed in the Sustainability section of this Annual Report.

Making a Difference through our Vision, Mission and Values

We have updated our vision and mission this year. Our vision is to become a dynamic organisation that drives sustainable growth and value, and our mission is to drive the growth of our businesses and to be the industry partner of choice. These statements, read together

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Key Priority Areas in the Year Ahead

This current financial year will be about making further progress against our strategy and delivering on our key priorities. I couldn't be more excited about what's ahead, and how we are positioned as a company to grow.

Crop volumes from our Malaysian estates are projected to increase due to the age profile of our oil palms and improved labour availability. While we have plans to further expand our landbanks in the medium-term, the focus for now is on improving our estates' agronomic standards, completing the development and rehabilitation programmes at our Malaysian estates. We will intensify our mechanisation initiatives to improve operational efficiencies and reduce dependency on manual labour. We will also continue with our climate adaptation strategies through, among others, soil management and flood mitigation, to minimise the adverse impact of weather-related events on our crop yields.

As the market increasingly pivots towards renewable energy and sustainable feedstocks, our bulking division intends to further develop our presence in this space by scaling our business. We are prioritising the timely completion of new storage capacities in North

Port, Port Klang, Selangor, which are currently in progress and slated for completion in this current financial year, and kickstarting the development plans for our greenfield investment in Tanjung Langsat Industrial Complex, Johor, once the requisite planning permissions have been obtained.

“This current financial year will be about making further progress against our strategy and delivering on our key priorities”

In respect of our food division, while our markets in Papua New Guinea are expected to remain relatively resilient with volume trends seen to be improving, the effects of inflation are more pronounced in our EU markets and weighing heavily on consumption. There are also some concerns about consistency of tuna supply due to uncertain catch rates and the corresponding price fluctuations. On the upside however, key inputs such as tin plates and palm oil have largely stabilised over the last few months. This, coupled with the capacity upgrade of our plant's coldroom, could positively improve our cost positioning and support a stable supply chain.

Despite the rebound of the economy and travel, the security printing segment is expected to undergo a significant reset due to the government's push towards digitisation. This trend is expected to persist in this current financial year, potentially impacting the manufacturing division's performance.

Acknowledgement

I would like to take this opportunity to extend my gratitude to my colleagues on the Board for their valuable counsel and support. I also wish to thank the employees of the Group for their commitment and dedication in overcoming the multitude of challenges during the year and delivering satisfactory performance.

On behalf of the Board, I thank all our valued stakeholders, including suppliers, business partners and shareholders for their continued trust and loyalty.

Thank you.

Dato' Idris Bin Kechot

Chairman