

MESSAGE FROM THE EXECUTIVE CHAIRMAN

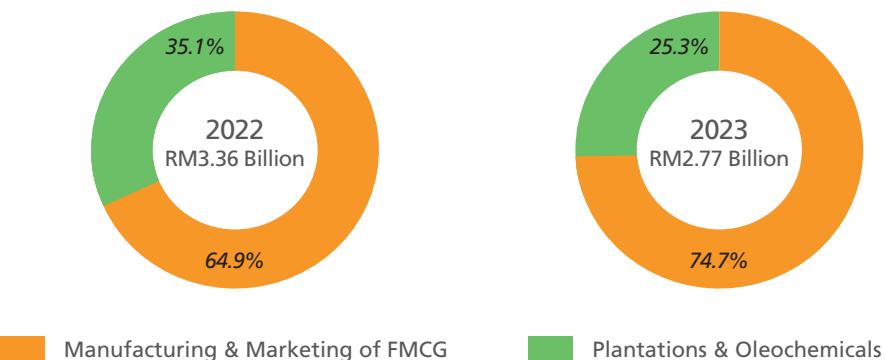
OVERVIEW:

On behalf of the Board of Directors, I am pleased to present the Annual Report of LAM SOON (M) BERHAD for the financial year ended 31 December 2023.

In 2023, the global economy was marked by a slow recovery, hampered by weaker global demand across regional economies. Whilst central banks worldwide have managed to contain inflation, the tightening monetary policies have affected global growth. This, combined with the escalation of geopolitical conflicts, first in Ukraine then in the Middle East, have introduced significant uncertainty into the global landscape. Closer to home, the palm oil market has normalised to 2020/2021 levels. We do not expect to enjoy the exceptional profits from high crude palm oil ("CPO") prices of the past two years. At the beginning of 2023, CPO prices fell to about RM4,000/mt, then steadied between RM3,300 to RM3,800 for most parts of the year. Notwithstanding the above, the business of our Group has remained resilient thanks to our diversified business and prudent hedging of our CPO positions.

For the financial year under review, group revenue fell by 17.6% to RM2.77 billion (2022: RM3.36 billion). As the high CPO prices normalised in FY2023, the profitability of the Plantations and Oleochemicals segments was adversely affected. Group profit before tax accordingly declined to RM213.60 million (2022: RM351.59 million). At company level, dividends received from subsidiaries, associates, and other investments, increased by 10.8% to RM156.69 million (2022: RM141.43 million); this led to higher profit before tax of RM164.58 million (2022: RM144.06 million).

REVENUE BY BUSINESS ACTIVITY



FAST MOVING CONSUMER GOODS ("FMCG")

Lam Soon Edible Oils Sdn. Bhd. ("LSEO")

Post COVID-19 pandemic, high inflation caused by volatile commodity prices brought about a change in consumption behaviour as shoppers traded down and looked for more value. LSEO's total revenue declined by 5.1% to RM2.06 billion (2022: RM2.17 billion). This, in turn, led to lower profit before tax of RM104.26 million (2022: RM113.46 million).

2023 was a challenging year for our Agency business which registered a 1.7% drop to RM1.09 billion sales revenue. The loss of the Lee Kum Kee agency (RM60 million impact), coupled with the drastic price increases for Arla, affected the Agency business. On a positive note, the strong growth for our Southern Lion and Spices & Seasonings Specialities businesses helped mitigate the decline.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Southern Lion, our largest Agency business, continues to grow strongly at 10%. The key Fabric Care business, which contributed 78% to Southern Lion's revenue, grew by double digit, driven by Biozip and Top Liquid brands. Oral and Beauty Care also performed satisfactorily.

The dairy business under Arla Foods declined by 28% due to steep increase in dairy prices caused by the continuing Ukraine-Russia war. Despite losing some key HORECA customer contracts, we still managed to achieve 105% against our internal forecast.

Our Mayonnaise Spices & Seasonings business, continues to register good momentum with 10% growth. It was mainly supported by the expansion of distribution for retail packs.

Southern Lion Sdn. Bhd. ("SLSB")

SLSB, our 50% associate, delivered an overall sales of RM779.62 million, achieving a surplus of 7.8% over the previous year (2022: RM723.06 million). Successful implementation of Lion Fair in August and September, coupled with competitive pricing and additional brand campaigns in the 4th quarter, contributed to the growth. Fabric care segment remains as the largest contributor with 71% of total business, while the personal care category accounted for 20% of the total business; the remaining is for home care and exports.

TOP detergent continued with its innovative leadership with the launch of new TOP Magical Infusion powder variant in October 2023. It is the first detergent to release a premium floral fragrance that enhances mood and refreshes senses whilst thoroughly cleaning clothes. Focusing on consumers with active lifestyle, TOP Hygienic range was relaunched in August 2023 with new breakthrough Anti-Sweat for eliminating 99.9% odour-causing bacteria, with essential oil added for a natural fragrance. TOP Smart Clean low suds liquid detergent was relaunched in Nov 2023 with added baking soda, a natural ingredient that provides powerful cleaning, yet is safe and gentle to the skin (dermatologically tested).

SLSB's profit before tax for the year soared to RM46.16 million (2022: RM13.07 million). This was mainly contributed by stable material price in current year as well as strong sales growth.

Marketing Activities

Despite a subdued consumer market in the first half of 2023, LSEO remained competitive by driving its mid-priced brands such as Buruh refined oil, Antabax and Lion's Shokubutsu, all of which helped sustain the Company's growth trajectory.

As the FMCG market recovered and with lower raw materials prices in the second half of 2023, the Company amplified its brand presence and sales generation by rolling out its consumer engagement and channel programmes. Turning around a challenging year, the Company continued to improve its brand share in most of its core categories such as Cooking Oil, Dishwash and Personal Wash.

It is your Group's conviction that a consistent brand building commitment is necessary to achieve business resiliency and competitive advantage. The following brand accolades and awards testify to the trust and bonds with our consumers:

Brands	Awards
Knife	2023 Reader's Digest Trusted Brand Award (Gold)
	2023 Brand Laureate Award (National's Favourite Brand - Cooking Oil)
Cap Buruh	2023 Reader's Digest Trusted Brand Award (Gold)
Naturel	2023 Reader's Digest Trusted Brand Award (Gold)
	2023 Brand Laureate Award (Brand Choice Award – Olive Oil)
Antabax	2023 Brand Laureate Award (Brand of the Year – Medicated Personal Wash Category)

Manufacturing Activities

Product quality and food safety remain our top priorities in manufacturing. In 2023, the Teluk Panglima Garang ("TPG") factory has successfully obtained ISO 9001 and ISO 14001 re-certification, in addition to HACCP, MS682, Halal, MSPO and RSPO supply chain certification systems.

Several improvements were made to the existing processing plant at the TPG factory:

- Installed a new smoke ventilation system at the factory and performed fire protection upgrades to existing buildings.
- Completed installation of case over packer ("COP") to reduce packaging material costs and increase production efficiency.
- Introduced COP machines with pick-and-place functions in an oil packing line and automatic self-adhesive labels in another to reduce labour and increase productivity.
- Addition of six more CCTV units to enhance the CCTV coverage of the facility.

In addition to plant and process improvements, the TPG factory has begun a revamp of its automated storage and retrieval system, which is more than 25 years old. This will improve overall warehouse management and increase throughput speed. The project started in August 2023, and the first and second phases will be completed in June 2024 and June 2025, respectively.

Pasir Gudang ("PSG") factory has invested in a new 250g brick machine from Europe offering flexibility in packaging sizes for new products. To improve processing operations, upgrades have been made including replacing old-jacketed blending tanks. The installation of shell and tube heat exchangers also helps support a consistent temperature and process control, leading to increased efficiency and higher product quality.

Furthermore, PSG has successfully reduced glycidyl fatty acid esters level of palm oil to adhere to European Union regulations. Through precise parameter controls and utilising PSG's capabilities, we ensure that our palm products meet strict regulatory requirements. These efforts showcase our dedication to environmental responsibility, operational efficiency, and high product standards.

Additionally, our Research and Development team successfully introduced two new products:

- Naturel Olive Spread with Calcium:

To offer customers more nutritional choices, Naturel Olive Spread with Calcium was launched in Singapore. This spread provides a tasty and convenient way to boost calcium intake which is crucial for bone and teeth health.

- Bakery Fat:

In collaboration with a global burger chain, we have developed a Trans-Free bakery fat for their burger buns. Utilising their proprietary recipe and our specially formulated bakery fat, the burger buns are described as soft, light, fluffy, and healthier.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

PLANTATIONS & OLEOCHEMICALS

Lam Soon Plantations Sdn. Bhd. ("LSP")

LSP, at the group level, achieved revenue of RM690.48 million (2022: RM1,183.34 million) with profit before tax of RM72.02 million (2022: RM222.63 million).

At the company level, it reported revenue of RM122.42 million (2022: RM158.46 million). Profit before tax declined to RM122.20 million (2022: RM132.38 million) due to the effect of lower realised average selling prices of CPO and palm kernel but mitigated by higher sales volume and lower production cost.

Dara-Lam Soon Sdn. Bhd. ("DLS")

For the same reasons, our 38.8% associate, DLS experienced a drop in profit before tax by 47.6% to RM40.21 million (2022: RM76.78 million) despite higher sales volume. This has resulted in a contribution of net profit of RM11.45 million (2022: RM24.36 million) to the Group's results, a reduction of 53.0%.

To mitigate the rising costs, DLS has continued to invest in mechanisation of fruit collection by investing nearly RM3.5 million so far.

Pacific Oleochemicals Sdn. Bhd. ("POC")

2023 was an incredibly challenging year for POC as we see newer oleochemical players coming into the industry. Tepid global market recovery as mentioned above and glut in Europe and USA/LATAM has resulted in a weak demand. Coupled with surplus supply, we see extremely competitive prices for basic products like fatty acid and glycerine. Most major plants did not run at full capacity for 2nd half of 2023, while some chose to trade instead of producing to save costs. All these factors contributed to lower shipped-out volume by 7.0% compared to last year. The falling average selling prices led to a fall in total revenue by 44.8% to RM563.97 million (2022: RM1,020.90 million). Stiffer price competition to retain market share negatively impacted our product margins – which resulted in POC's decline in profit before tax by 95.5% to RM5.38 million (2022: RM118.56 million).

Amidst the competitive market environment, POC is taking steps to maintain its cost competitiveness and built four additional storage tanks to give greater flexibility to our production schedules. Furthermore, the commissioning of the 3.4MW cogeneration plant in end-Dec 2022 has helped to alleviate approximately RM5.88 million in cost savings in 2023.

SUSTAINABILITY AND COMMUNITY INITIATIVES

At Lam Soon Group, we endeavour to embed sustainability in all material areas of our operations in a responsible manner. The Sustainability Steering Committee and its supporting working groups actively obtain feedback from internal and external stakeholders to share best practices and to create meaningful sustainability programmes with a view to achieving the United Nations' Sustainable Development Goals.

Effluent control initiatives

- Pasir Gudang:
 - We have completed construction of a bund wall at a primary storage tank farm. This wall is essential for containing any accidental material leaks and allows for timely remedial actions to be implemented.
 - The wastewater treatment plant ("WWTP") has been upgraded to include the implementation of recirculation systems to minimise water wastage.
- POC: Started a project to reduce WWTP sludge and working with customers towards replacing wooden pallets with recyclable plastic pallets.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Energy Efficiency and Conservation

- Pasir Gudang: The installation of a modern air compressor to replace the old one. The new compressor, equipped with state-of-the-art technology and energy-efficient motors, not only improves the generation of compressed air but also helps to save on electricity costs.
- POC:
 - Installation of economiser at the splitting plant – Expected to generate up to 5% cost savings for our splitting plant while reducing carbon emissions (up to 450MT of carbon dioxide equivalent per year).
 - Revamping of new cooling towers – Expected to reduce our energy consumption while improving our production efficiency.
- LSP: Biogas Plant comes with gas engine expected to commission by June 2024, when commission it will reduce palm oil mill fossil fuel consumption by 80% and emission of greenhouse gas by 90%.

Additionally, in our efforts to provide better housing for our staff and workers at our plantation, eight units of staff housing and four units of worker's house were constructed at LSP estate, in Lahad Datu, Sabah during the year.

PROSPECTS

The Malaysian economy continued to show strength and resilience in 2023. Despite the challenging external environment, Malaysia's gross domestic product grew by 3.7%. Amidst the slowdown in the global economy and inflationary pressures domestically, Bank Negara Malaysia considered and managed the complex policy trade-offs and interdependencies between inflation, growth, and preserving confidence in the ringgit.

Although ahead of us awaits a year forecasted to bring about a somewhat gloomier global economic outlook, the Malaysian economy is projected to grow between 4.0% and 5.0% in 2024. 1st quarter 2024 registered a 4.2% growth, driven by stronger private expenditure and positive turnaround in exports. This is further supported by the recent report from Department of Statistics Malaysia stating that year-to-date March 2024 wholesale & retail trade (excluding motor vehicles) have grown by 5.0% vs last year. Headline inflation is expected to average between 2.0% and 3.5% in 2024 (partly reflecting the potential upside from domestic subsidy rationalisation).

To ride the wave of challenges ahead, efforts are being directed to enhance our cost efficiencies and improve our productivity without sacrificing quality. The Management at Lam Soon Group remains cautious and prudent on capital expenditure as we seek to rein in our costs while focusing on digitalisation to reduce manual labour and the use of natural resources.

DIVIDENDS

During the year, our Company paid two (2) single tier interim dividends of 15.0 sen and 10.0 sen per share amounting to the total of RM53.68 million for the financial year ended 31 December 2023 (2022: 25.0 sen per share, RM53.68 million).

Despite challenges in 2023, your Board is pleased to recommend a final single tier dividend of 5.0 sen per share and special single tier dividend of 10.0 sen per share, amounting to RM32.21 million (2022: final of 5.0 sen and special of 10.0 sen per share or RM32.21 million) for shareholders' approval at the forthcoming Annual General Meeting.

The proposed final single tier and special single tier dividend will bring the total net dividend payments for the financial year ended 31 December 2023 to 40.0 sen per share or RM85.89 million (2022: 40.0 sen per share or RM85.89 million).

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

APPRECIATION

On behalf of the Board, I would like to take this opportunity to commemorate our former Executive Chairman, the late Mr. Whang Tar Liang, who passed away in August 2023. He was with the Company from its very beginning, when it built its first factory in Petaling Jaya in the late 1950s. He also built up our extensive branch network throughout the country which has served your company well up to today. Under Mr. Whang, our Knife became the best-selling cooking oil in Malaysia. He also expanded the Company's scope by diversifying into upstream plantations and entering into joint ventures with Lion Corporation and Akzo Nobel in the 1980s. We will always remember his dedication and vision which shaped Lam Soon's journey over the years.

We also mourn the demise in 2022 of another Lam Soon stalwart, Mr. Kuek Bak Heng, who led our sales and marketing department for many years. My fellow directors, Mr. Khoo Heng Suan and Mr. Lo Wye Kan, have penned personal and deeply felt tributes to Messrs. Whang and Kuek respectively in the following pages. We remain committed to upholding the values and principles of hard work, integrity, modesty, and service to the community that they personified.

In closing, we would like to thank the Management and all our employees for their loyal and dedicated service. We would like to take this opportunity to thank all our customers, business partners, government agencies and shareholders for their continued support and confidence in our Group where we will continue to do our best to live up to your aspirations and demands.

I would also like to express my appreciation to my fellow Board members for their support and invaluable advice throughout the year.

Whang Shang Ying
Executive Chairman

21 May 2024