MANAGEMENT'S DISCUSSION & ANALYSIS

FINANCIAL RESULTS

The following table sets forth a summary of the results of the Group for the financial years ended 31 December 2023 and 2022:

Financial Year Ended 31 December	2023 RM'000	2022 RM'000	Changes RM'000	%
Revenue	1,317,635	1,339,635	(22,000)	-1.6
Other income, net of other expenses and impairment losses on financial assets	23,224	3,523	19,701	559.2
Earnings before interest, taxes, depreciation and amortisation ("EBITDA")	638,930	624,252	14,678	2.4
Operating profit	530,467	503,018	27,449	5.5
Profit before tax	476,788	490,569	(13,781)	-2.8
Profit after tax	451,640	475,727	(24,087)	-5.1
Profit after tax attributable to owners of the Company	383,708	396,804	(13,096)	-3.3
Revenue				
Renewable Energy	606,163	596,925	9,238	1.5
Packaging	402,341	398,964	3,377	0.8
Resources	202,893	206,324	(3,431)	-1.7
Sub-total	1,211,397	1,202,213	9,184	0.8
Investment Holding and Others	106,238	137,422	(31,184)	-22.7
Total revenue	**1,317,635**	**1,339,635**	**(22,000)**	**-1.6**
Profit Before Tax				
Renewable Energy	437,557	419,698	17,859	4.3
Packaging	33,600	33,546	54	0.2
Resources	23,297	17,385	5,912	34.0
Sub-total	494,454	470,629	23,825	5.1
Investment Holding and Others	(17,666)	19,940	(37,606)	-188.6
Total profit before tax	**476,788**	**490,569**	**(13,781)**	**-2.8**
Included in PBT of Investment Holding and Other Divisions consist of:				
Share of results in equity accounted investments	(13,600)	17,140	(30,740)	N.M.
Write-offs of property, plant and equipment and inventories due to fire incident, net of RM2.062 million insurance income	(26,936)	-	(26,936)	na
Inventories write-offs or write-down	(6,606)	-	(6,606)	na
Fair value gain on put option liability	13,943	4,955	8,988	181.4
Gain on foreign exchange	32,048	11,305	20,743	183.5
Income tax penalty	(5,697)	-	(5,697)	na
Fair value gain on investment properties	3,543	-	3,543	na
Plant and equipment written off arising from others	(388)	(4,500)	4,112	91.4

Excluding sales contribution of disposed Serudong Power Sdn Bhd from both years, Group revenue increased 1.5% from RM1.23 billion in 2022 to RM1.25 billion. Renewable Energy Division expanded 1.5% to RM606.2 million and Packaging Division improved marginally by 0.8% to RM402.3 million. The Resources Division posted a 1.7% decrease in revenue to RM202.9 million.

Pre-tax profit of the Group's three core divisions collectively grew 5.1% from RM470.6 million in 2022 to RM494.5 million. Renewable Energy Division rose 4.3% to RM437.6 million. Resources Division expanded 34.0% to RM23.3 million, while Packaging Division came in marginally better at RM33.6 million.

Group's pre-tax profit on the whole however declined 2.8% to RM476.8 million (2022: RM490.6 million), negatively impacted by share of losses in joint venture/associates, one-off charges from fire-related assets write-offs (in Packaging Division) and income tax penalty, and higher inventory write-down/write-off, partially offset by higher forex gain and fair value gains on both put option liability and investment properties.

Our Joint Venture, Edenor Technology Sdn Bhd and its subsidiaries ("Edenor") recorded a share of loss of RM13.1 million in the current year, compared to a share of profit of RM15.7 million in 2022. During the year, Edenor suffered significant capacity loss from plant repair, maintenance and upgrading works and experienced intense price competition in a weak consumer market.

RENEWABLE ENERGY DIVISION

Revenue in 2023 came in 1.5% higher at RM606.2 million (2022: RM596.9 million). Hydro energy sales registered a 1.2% increase to RM597.5 million, while solar energy sales grew 36.1% to RM8.7 million.

Don Sahong Hydropower Plant ("DSHP") recorded an average Energy Availability Factor ("EAF") of 91.4% in 2023, higher than the long term simulated average of 89.0%, but 3.2 percentage-point lower than 2022. The EAF in 2022 was abnormally high due to the absence of turbine maintenance and an unusually high water level during the dry season in that year. Despite a 3.4% year-on-year decline in hydro energy sales volume, revenue was bolstered by a 3.6% currency gain and a 1% tariff adjustment.

A total of 9.1 MWp generation capacity were added to the Group's solar portfolio in the current year, bringing the cumulative installed capacity to 27.0 MWp at the end of 2023 (31 December 2022: 17.9 MWp).

The Division posted a 4.3% year-on-year improvement in pre-tax profit to RM437.6 million (2022: RM419.7 million) on higher revenue and lower net interest expense.

RESOURCES DIVISION

Annual turnover came in slightly lower by 1.7% to RM202.9 million (2022: RM206.3 million) due mainly to lower sales volume of lime products. Demand for lime products during the year generally weakened because of slower mining activities and softer industrial demand. Revenue contribution from non-lime products increased 5.0% to RM18.7 million (2022: RM17.8 million).

Pre-tax profit however rose 34.0% to RM23.3 million in the current year (2022: RM17.4 million) because of export currency gain, higher production efficiency and a favourable change in the sales mix.

PACKAGING DIVISION

Despite the challenging operating environment and the fire incident, revenue rose marginally by 0.8% to RM402.3 million (2022: RM399.0 million). Pre-tax profit (excluding assets write-offs due to fire incident) improved slightly by 0.2% to RM33.6 million (2022: RM33.5 million) on stable revenue and close monitoring of operating and production costs.

FINANCIAL POSITION

ASSETS AND LIABILITIES

Changes in key assets and liabilities during the financial year ended 2023 are explained below:

ASSET/LIABILITY ITEMS	AS AT 31.12.2023 RM'000	AS AT 31.12.2022 RM'000	CHANGES RM'000	EXPLANATION
Service concession asset	1,940,046	1,940,823	(777)	The marginal decrease was due to RM88.6 million amortisation charge, largely offset by translation gain of RM87.8 million.
Property, plant and equipment ("PPE")	531,945	481,679	50,266	The increase was due to RM115.2 million CAPEX comprised mainly the following: (a) RM61.4 million by Packaging Division for plant expansion; (b) RM28.5 million for plantation development; and (c) RM18.8 million for solar development. Partially offset by RM38.3 million depreciation charge and RM29.0 million write-offs due mainly from the fire incident occurred within the Packaging Division.
Investment properties	168,746	165,203	3,543	The increase was due to gain on change in fair value of investment properties.
Right-of-use ("ROU") assets	116,312	119,021	(2,709)	The decrease was largely due to RM4.6 million depreciation charge for the year, partly offset by RM1.8 million new acquisition.
Development expenditures	203,048	74,574	128,474	The increase was attributable to progressive development of DSHP's 5th turbine expansion project.
Joint ventures and associates	166,674	174,561	(7,887)	The decrease was due to RM13.6 million share of loss for the year, offset by RM5.7 million new investment.
Investment in quoted shares	133,278	152,305	(19,027)	The decrease was due to fair value loss of quoted securities.
Inventories (non-current)	40,166	43,443	(3,277)	The decrease was due to write-off of non-qualifying expenses previously capitalised.
Inventories (current)	131,737	147,882	(16,145)	The decrease was mainly due to lower stock level recorded in Packaging Division.
Receivables and prepayments	488,684	437,252	51,432	The increase was mainly due to advanced payments for new capital projects and investments, and a 7% increase in USD receivable from Électricité du Laos ("EDL"), partly offset by deconsolidation effect of SPSB.
Deferred tax liabilities	126,954	124,320	2,634	The increase was mainly due to translation loss.
Payables and accruals (current)	168,823	155,726	13,097	The increase was mainly due to amount owing to EPCC contractor for DSHP's 5th turbine expansion project, partially offset by deconsolidation effect of SPSB.

GROUP BORROWINGS AND DEBT SECURITIES

The table below sets out the salient information on the Group's borrowings:

	Long-term		Short-term		Total	
	USD ('000)	RM ('000)	USD ('000)	RM ('000)	USD ('000)	RM ('000)
As at 31 December 2023						
Secured						
Trade financing and loans	-	-	-	38,710	-	38,710
Term loans	-	114,228	-	26,724	-	140,952
Term loans^	36,667	168,300	18,333	84,150	55,000	252,450
Revolving credit	-	-	-	97,019	-	97,019
	36,667	282,528	18,333	246,603	55,000	529,131
Unsecured Loan						
Term loan^	40,000	183,600	40,000	183,600	80,000	367,200
Revolving credit	-	-	-	5,000	-	5,000
	40,000	183,600	40,000	188,600	80,000	372,200
Total Borrowings	76,667	466,128	58,333	435,203	135,000	901,331

The table below sets out the salient information on the Group's borrowings (Cont'd):

	Long-term		Short-term		Total	
	USD ('000)	**RM** ('000)	**USD** ('000)	**RM** ('000)	**USD** ('000)	**RM** ('000)
As at 31 December 2022						
Secured						
Trade financing and loans	-	-	-	53,287	-	53,287
Term loans	-	89,449	-	28,754	-	118,203
Revolving credit	-	-	-	93,073	-	93,073
	-	89,449	-	175,114	-	264,563
Unsecured Loan						
Term loan*	70,000	307,300	31,000	136,090	101,000	443,390
Revolving credit	-	-	-	5,000	-	5,000
	70,000	307,300	31,000	141,090	101,000	448,390
Total Borrowings	70,000	396,749	31,000	316,204	101,000	712,953

^ - translated at exchange rate of 4.59 as at 31 December 2023

** - translated at exchange rate of 4.39 as at 31 December 2022*

At 31 December 2023, total borrowings (excluding hire purchase liabilities) amounted to RM901.3 million, an increase of RM188.3 million from RM713.0 million at the end of 2022. The increase was mainly due to RM252.4 million new loan raised to fund the acquisition of additional equity interest in DSPC and a RM19.6 million translation loss on USD-denominated loan, partially offset by net repayment of other loans.

Interest rates on the Group's borrowings are floating in nature. The Group has no debt securities as at 31 December 2023.

CASH FLOW ANALYSIS

In 2023, the Group generated RM585.1 million after-tax cash from its operating activities and RM25.1 million income from its investments. Together with RM43.3 million equity proceeds raised from minority shareholders, the total funds made available to the Group during the year amounted to RM653.5 million, which was deployed in the following manner:

(a) RM434.7 million for investing activities, comprising:

- i. RM124.9 million for development of DSHP's 5th turbine;
- ii. RM113.5 million for net Capex (in PPE and ROU assets);
- iii. RM176.1 million (net of RM252.4 million debt) for acquisition of additional 20% equity interest in DSPC; and
- iv. RM20.2 million for strategic investments.

(b) RM221.1 million for distribution to stakeholders, comprising:

- i. RM81.7 million dividends paid to shareholders of the Company and non-controlling interest of a subsidiary;
- ii. RM40.1 million finance cost paid to lenders;
- iii. RM91.0 million net loan repayment to lenders; and
- iv. RM8.3 million share-buyback of the Company's shares.

After factoring translation effects, the Group's bank balances and deposits rose RM16.3 million from RM492.3 million at the beginning of the year to RM508.6 million at 31 December 2023. Net debt-to-equity (including hire purchase liabilities) of the Group rose from 7.4% to 12.5%.

FOREIGN CURRENCY EXPOSURE

1. Translation of the Group's foreign operations in various functional currencies into the Company's reporting currency. Notably, the 3.6% appreciation of the US Dollar against Malaysia Ringgit in 2023 contributed positively to the improvement in revenue and PBT of the Renewable Energy Division during the year.

2. Foreign currency risks in transactions and balances of non-foreign operations that are denominated in currencies other than Ringgit Malaysia. Notably,

    a) the Resources Division and the Packaging Division derived RM349.1 million or 56.1% of their combined revenue from foreign currencies in 2023. In the same year, the two divisions spent RM139.1 million on purchases in foreign currencies.

    b) As at 31 December 2023, the non-foreign operations have a net exposure in financial assets (after setting off financial liabilities) of RM122.2 million denominated in various foreign currencies. Further details are provided in Note 40.1(a)(i) of the Financial Statements 2023.

DIVIDEND POLICY

The Company declared a total dividend of 8.25 sen per ordinary share for the financial year ended 31 December 2023. This represents more than 10% increase from 7.45 sen in 2022. Subject to the future cash flow and future plans of the Group, the Company intends to continue to gradually step-up dividend distribution by circa. 10% per annum until the pay-out ratio reaches at least 30%.

FORWARD-LOOKING STATEMENT

The Group's prospects and future plans can be found in the Chairman's Statement.