

MESSAGE FROM THE EXECUTIVE CHAIRMAN

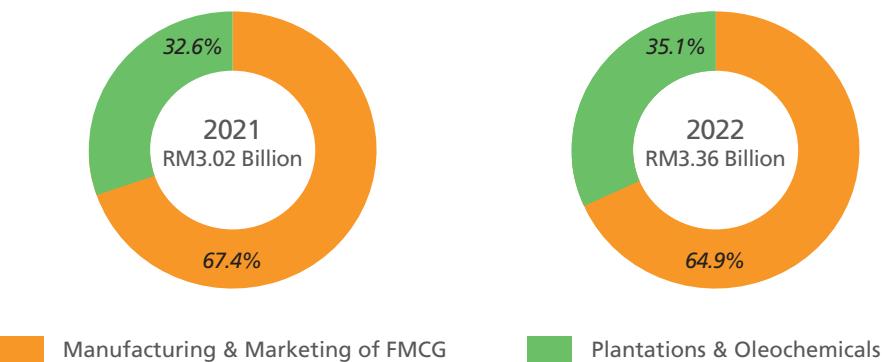
INTRODUCTION

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 2022.

2022 has been quite a roller-coaster ride for us as commodities markets across the world continued to witness immense volatility. Prices which attained new highs during the early part of the year were further fuelled by the Russia-Ukraine conflict. Against an already tight global supply, the introduction of Indonesian policies limiting exports caused the price of crude palm oil ("CPO") to peak at an all-time high of RM8,700/MT in March. To contain the higher inflation, major central banks worldwide rallied by tightening monetary policies. The impact on global growth projections and above all, the supply and demand complex, was further exacerbated by China's zero-COVID policy. And when the Indonesian Government reversed its export ban subsequently, CPO prices spiralled downwards to RM3,300/MT at the close of September. Notwithstanding the above, the business of our Group has remained resilient thanks to our cautious approach and prudent hedging of our CPO positions.

Group profit before tax managed to close at RM351.59 million (2021: RM334.06 million) while group revenue grew by 11.3% to RM3.36 billion (2021: RM3.02 billion). Extreme fluctuations in CPO prices translated into cost pressures on the fast-moving consumer goods ("FMCG") segment, thus reducing profitability. This was however, partially offset by higher profit before tax from our Plantations and Oleochemicals segment. At company level, dividends received from subsidiaries, associates, and other investments, increased by 10.9% to RM141.43 million (2021: RM127.55 million); this led to higher profit before tax of RM144.06 million (2021: RM123.57 million).

REVENUE BY BUSINESS ACTIVITY



FAST-MOVING CONSUMER GOODS

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

With the opening of our national borders and relaxation of COVID-19 restrictions, normalisation of domestic consumption helped boost the Malaysian economy which, in tandem, enabled LSEO total revenue to grow by 6.4% to RM2.17 billion (2021: RM2.04 billion). However, the sharp CPO price downtrend, coupled with the removal of cooking oil subsidy and a lower fixed ceiling price imposed by the Government, resulted in lower profit before tax of RM113.46 million (2021: RM133.67 million). Faced with cost pressures from various global supply chain issues, LSEO initiated a re-engineering of our supply chain management which improved our operational efficiency (100+ containers backlog recovery) for East Malaysia. LSEO also saved costs by eliminating demurrage charges.

Southern Lion, accounting for the largest part of our Agency business, grew by 10.3%. Its key Fabric Care business grew by 14.7%, driven by Top Liquid and Biozip Magical Bloom launched in 2nd quarter of 2022.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Our dairy business, as exclusive national distributor of Arla Foods, continues to grow strongly and achieved RM114.72 million in sales, or 15.1% growth. Despite steep increase in dairy prices due to the Russia-Ukraine war, we managed to lock in major HORECA customers by signing long term supply contracts. This helped in mitigating the decline in the bakery ingredients channel due to reduced home-baking activities following normalisation of back-to-office work.

Our beverage affiliate, Ace Canning, rebounded with 27.1% growth after performing poorly during COVID-19 lockdowns in 2020 and 2021. The improved domestic consumption during festivities such as Hari Raya and Chinese New Year helped drive the growth for its Drinho and Homesoy range.

In January 2022, we completed the acquisition of Silk Vietnam ("SV"), a strategic transaction to support LSEO business expansion. SV is a manufacturer of household and personal care products with facilities in Vietnam. It supplies much of LSEO's Antabax product range. Post-acquisition, LSEO restructured the supply chain, which significantly improved monthly on-time fulfilment rate. Our new subsidiary contributed with profit before tax of RM1.74 million.

Southern Lion Sdn. Bhd. ("SLSB")

SLSB, your Company's 50% associate, managed to deliver an annual revenue of RM723.06 million (2021: RM652.95 million), an increase of 10.7% over the previous year. All business segments enjoyed faster growth, the largest being registered by fabric care (+13.5%). TOP detergent continued with its innovative leadership with the relaunch of TOP Super Colour and Colour Protect, incorporating 5D Colour Protech technology to keep bright colours vibrant and dark colours deep and solid. Within the polybag detergent segment, BioZip launched the Magical Bloom variant, which helped to consolidate the brand's dominant position in the segment. However, profit after tax, which was negatively impacted by higher cost of raw materials, declined to RM11.57 million (2021: RM20.61 million).

Marketing Activities

Notwithstanding the challenges of acute supply chain disruptions, high commodity prices and the impact of CPO price crash and government policy changes affecting bottled refined cooking oil, the Group sustained its leadership market share in its core product categories such as Cooking Oil, Chilled Spread and Fabric Care. At the same time, we executed savings and efficiencies initiatives that moderated the impact of extremely high commodity prices.

FY 2022/2021 Nielsen Market Pulse reported 5.4% volume decline in overall dry grocery categories, recognising the normalising or declining consumption of dry groceries, following which the Group shifted its emphasis to the non-food and mid-priced product categories to sustain growth. **Antabax**, our anti-bacterial brand, recorded the highest growth among top brands in medicated liquid shower. We achieved this through strategic digital marketing of its "Bax-in-Action" 2.0 campaigns and channel programmes.

Our Group's resilience is the culmination of years of consistent brand building. The following brand accolades and awards testify to our bonds with our consumers:

Brands	Awards
Knife	2022 Reader's Digest Trusted Brand Award (Platinum)
	2022 Brand Laureate Award (Most Iconic Brand - Cooking Oil)
	2022 Baby Talk & Mama Papa Readers' Choice Awards (Best Soy Sauce) *
	2022 Baby Talk & Mama Papa Readers' Choice Awards (Best Sesame Oil) *
Cap Buruh	2022 Reader's Digest Trusted Brand Award (Gold)
Naturel	2022 Reader's Digest Trusted Brand Award (Gold)
	2022 Brand Laureate Award (Best Choice Award in Consumer – Olive Oil)
	2022 Baby Talk & Mama Papa Readers' Choice Awards (Best Health Oil, Best Olive Oil and Best Organic Pasta) *
Antabax	2022 Brand Laureate Award (Brand Influencer – Derma Protection Solutions)

*Baby Talk & Mama Papa Magazines

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Manufacturing Activities

In line with the Company's emphasis on product quality and food safety, the Teluk Panglima Garang ("TPG") factory successfully obtained the re-certification of HACCP certification in 2022. Likewise, ISO 9001, ISO 14001, MS682, Halal, MSPO and RSPO supply chain certification systems are well maintained, highlighting our continuous improvement in our risk-based approach to manufacturing and business management.

Several improvements were made to the existing processing plant at the TPG facility during the year:

- Installation and commissioning of robotic palletisers in oil packaging line, improving work efficiency, and reducing manpower.
- Commissioning of new filling machine of the detergent line, replacing the existing equipment that has been in use for 10 years, while increasing production capacity by 20%.
- Installation of skirting boards and support bars, as well as the placement of restraints in the container parking area to enhance workplace safety features.

Meanwhile, Pasir Gudang ("PSG") factory has been working with the Malaysia Ministry of Health ("MOH") to comply with new labelling requirements which come into effect 1 January 2024. These involve updating the ingredients list declaration and the nutrition information panel to include mandatory declarations of total sugars and sodium. The changes will give consumers access to clear, accurate and up-to-date information about the food products they are buying and consuming, so that they can make informed decisions about their dietary choices. Working alongside with MOH, PSG was moreover able to register their factory products and meet China's regulatory requirements ahead of the implementation date – thus enabling expansion into their market while ensuring compliance with their regulations.

Several improvements were made to the existing processing plant at the PSG facility during the year:

- Installation of a digital radar system with HMI touch screen which provides higher accuracy with data recording feature as part of the measures for continuously embracing industry 4.0 development.
- Installation of a fall arrestor system for all unloading bays to improve on workplace safety.
- A further 4 storage tanks were enhanced with nitrogen blanketing system to preserve the quality of oil storage.

PLANTATIONS & OLEOCHEMICALS

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

LSP at the group level achieved revenue of RM1,183.34 million (2021: RM973.16 million) with profit before tax of RM222.63 million (2021: RM183.38 million).

At the company level, it reported revenue of RM158.46 million (2021: RM113.29 million) while profit before tax was at RM132.38 million (2021: RM99.65 million). Good results were achieved both in terms of higher production volume of 14.7% and higher average selling price of RM5,102/MT (2021: RM4,198/MT).

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

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

Shortage of plantation labour was further aggravated during 2022, thus crippling many operations throughout Malaysia. It was not uncommon to see longer harvesting rounds and unpruned palms, thus resulting in enormous field losses across the entire country. The estate at DLS, Pahang, our 40% associate, was not spared as it too faced similar operational challenges. In addition, unfavourable weather conditions also impacted production negatively. However, our successful implementation of in-field mechanisation managed to minimise crop losses. This strategy, coupled with prudent management practices, helped to contribute higher profit before tax of RM76.78 million (2021: RM65.13 million) or an increase of 17.9%.

DLS contributed a net profit of RM24.36 million (2021: RM19.35 million) to the Group's results, an increase of 25.9%.

Pacific Oleochemicals Sdn. Bhd. ("POC")

The global economic situation was challenging, and the sales volume was affected and reduced by 10.6%. Nevertheless, the company's established multinationals customer base and focus on delivering high quality value-added products to meet their requirements enabled it to sustain its business.

POC registered higher revenue at RM1,020.90 million (2021: RM855.83 million) and improved profit before tax of RM118.56 million (2021: RM111.22 million). Profit after tax was also higher at RM87.64 million (2021: RM83.41 million).

To enhance production productivity, POC has successfully implemented robotics and automation in its operations.

SUSTAINABILITY AND COMMUNITY INITIATIVES

Sustainability is an integral part of the 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 create meaningful sustainability programmes with a view to achieving the United Nations' Sustainable Development Goals ("SDGs").

Waste Management Initiatives

- Pasir Gudang:
 - Reduction of schedule waste SW401 (spent caustic soda) disposal through partially diverting for neutralising at in-house wastewater treatment plant without jeopardising operation.
 - Reclassification of spent bleach earth (SW311) as 'general waste fit for reprocessing to animal feed or bio diesel' approved by the Department of Environment. This not only reduced the schedule waste disposal costs but also created a new income stream.
- POC: Initiated 3 internal programmes to reduce problematic plastic usage – ban on usage of polystyrene food foam containers; replacing polystyrene sheets with plain board for container loading; and rolled out recyclable ECO-bags to replace all laminated paper bags as the main packaging.
- Glenmarie headquarters: Implemented a ban on all single-use styrofoam food containers beginning 1 November 2022 and in support of this programme, subsidised the purchase of reusable lunch boxes.

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

Energy Efficiency and Conservation

- Pasir Gudang:
 - Reduce diesel consumption via planning optimisation and process temperature control at refinery plant and changing from diesel to battery-operated forklifts.
 - Reduce electricity consumption by replacing old air compressors with new unit with higher efficiency and lower carbon dioxide ("CO₂") emission for Margarine and Fats plant.
 - Reduction of water consumption through recirculating of water for jacket cooling equipment at wastewater treatment plant.
- POC: Commissioned a 3.4MV Cogen Plant that is capable to avoid 6,000MT of CO₂ emissions per annum. The completion of the plant in December 2022 was timely following the electricity tariff rose by 39% since January 2023.
- LSP: Awarded a Biogas plant to be commissioned by end of 2023 – to reduce palm oil mill fossil fuel consumption by 80%.
- Conversion to LED lightings for the TPG, PSG and POC factories.

In our efforts to provide better housing for our staff and workers, one unit of Manager's bungalow, two blocks of semi-detached non-executive staff's house and four blocks (four units per block) of worker's house were constructed in our Group's plantation estates in Lahad Datu, Sabah and in Muadzam Shah, Pahang.

The Group joined Malaysia Recycling Alliance ("MAREA") since May 2022 as a Main Contributor to collaborate on improving collection and recycling rates so as to achieve a greener, cleaner Malaysia and a more sustainable waste-reduced future.

PROSPECTS

Ahead of us awaits a year of turbulent business environment from the continued high prices of key inputs, tightening monetary policy, weakening domestic demand and the prospect of a world recession. Global inflation is expected to moderate but remains elevated for many countries.

Bank Negara Malaysia projects that the Malaysian economy will grow between 4.0% to 5.0% in 2023, supported by firm domestic demand. This has been supported by the recent report from Department of Statistics Malaysia stating that year-to-date March 2023 wholesale & retail trade (excluding motor vehicles) have grown by 12.0% vs last year (mostly led by retail trade by 19.5%). Nevertheless, consumer sentiment is expected to weaken in 2023, amid rising inflationary pressures and an interest rate hike cycle. Consumers are likely to trade down or look for cheaper alternatives even for daily essentials.

Amidst the global uncertainty and domestic economic resiliency, the Management at Lam Soon Group will continue to adapt to the changing environment by remaining agile, paying close attention to costs and by having the courage to innovate progress whilst preserving our core values.

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 2022 (2021: 30.0 sen per share or RM64.42 million).

In view of the above challenges, your Board is proposing for shareholders' approval at the forthcoming Annual General Meeting, the payment of a final single tier dividend of 5.0 sen per share and a special single tier dividend of 10.0 sen per share, amounting to RM32.21 million (2021: special of 20.0 sen per share or RM42.94 million).

MESSAGE FROM THE EXECUTIVE CHAIRMAN (cont'd)

The proposed final single tier and special single tier dividend will bring the total net dividend payments for the financial year ended 31 December 2022 to 40.0 sen per share or RM85.89 million (2021: 50.0 sen per share or RM107.36 million).

APPRECIATION

On behalf of my fellow Directors, I would like to take this opportunity to record our sincere thanks to Yang Bahagia Dato' Haji Abdul Mutalib bin Datuk Seri Mohamed Razak for his counsel and contribution during his tenure on the Board. At the same time, I would like to extend a warm welcome to Encik Shamsul Bahar bin Shamsudin for his appointment to the Board.

In closing, I would like to thank the Management for the various concerted efforts taken in midst of all the challenging business environmental factors. The significant progress our Group has made over the years would not have been possible without the support of key stakeholders – our customers, bankers, business partners, government authorities, shareholders, and our loyal workforce. We will continue to draw upon the strengths, talents, and dedication of our people in ensuring the success of future strategic prospects.

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

16 May 2023