STATEMENT ON **MANAGEMENT DISCUSSION AND ANALYSIS**

BUSINESS OVERVIEW

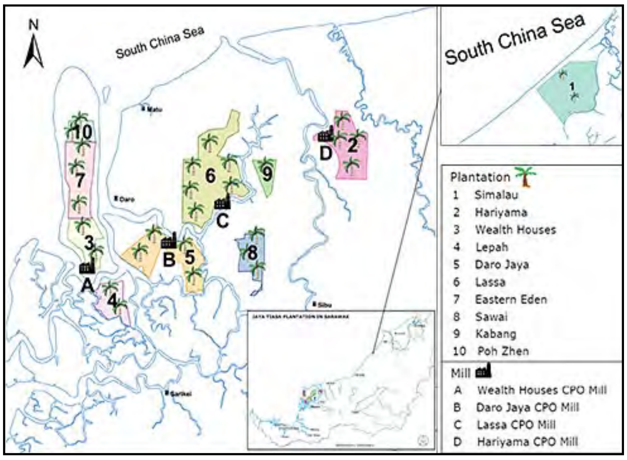
Jaya Tiasa Holdings Berhad commenced operations in 1987 as a downstream wood processing company and has since grown in leaps and bounds following its first establishment. Subsequent to its public listing on the Main Market of Bursa Malaysia in February 1995, the Group began diversification into the oil palm plantation business in 2002 and expanded into palm oil milling with the commissioning of its first Crude Palm Oil (CPO) mill in 2009. Oil palm plantation and milling operations remain our core businesses while the timber division is actively engaging in forest plantation operations and the extraction and trading of logs under the Sustainable Forest Management paradigm.

(A) OIL PALM DIVISION

The Group has ten plantations in the state of Sarawak, covering a total land bank of 83,483 hectares, with a total planted and mature area of 69,589 hectares and four CPO mills, strategically located within the vicinity of our oil palm plantations. All our four CPO mills combined have a total annual processing capacity of 1,782,000 MT of Fresh Fruit Bunch (FFB).

No.	Plantation	Land Area (Ha)	Planted Area (Ha)
1	Simalau	5,003	4,866
2	Hariyama	10,600	9,645
3	Wealth Houses	6,000	5,757
4	Lepah	5,149	4,099
5	Daro Jaya	11,681	9,841
6	Lassa	21,300	16,287
7	Eastern Eden	10,000	8,580
8	Sawai	6,050	5,448
9	Kabang	2,700	2,133
10	Poh Zhen	5,000	2,933
	Total	**83,483**	**69,589**

As a credible and responsible organisation committed to the safeguarding of our environment in our oil palm operations, the Group has established itself as a strong proponent of sustainability and believes that implementing sustainable agricultural practices is not just a journey but a responsibility. All our plantations and CPO mills have received the Malaysian Sustainable Palm Oil (MSPO) certification as we continuously assess our estates and mills to maintain our certification status.



No.	CPO Mill	Capacity (MT) Per Hour	Capacity (MT) Per Annum
A	Wealth Houses CPO Mill	90	486,000
B	Daro Jaya CPO Mill	60	324,000
C	Lassa CPO Mill	120	648,000
D	Hariyama CPO Mill	60	324,000
	Total	**330**	**1,782,000**

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(B) TIMBER DIVISION

The timber division encompasses the upstream industrial tree planting development activities and logging operations in our respective reforestation and timber concession areas located in the state of Sarawak covering a total expanse of 412,478 hectares.

Under the reforestation sector, the Group is currently managing a total reforestation area of 120,395 hectares. Out of the 75,622 hectares of plantable area, 39,145 hectares in total had been planted up till the closing of this reporting Financial Year (FY) 2023.

LPF	Gross Area (Ha)	Est. Plantable Area (Ha)	Planted to date (Ha)
Total	120,395	75,622	39,145

All our tree planting operations adhere to the Tree Planting Plans approved by Forest Department Sarawak. Similarly, all our logging operations within our three Forest Management Units (FMUs) are being managed according to the Forest Management Certification standards.

OBJECTIVES AND STRATEGIES

In pursuit of a holistic business approach, the Group remains committed to meeting our key operational objectives of upholding the quality and sustainability of our oil palm and timber businesses to create long-term sustainable values and returns for our shareholders and stakeholders. This is achieved through the adoption of the Environmental, Social and Governance (ESG) principles to increase operational efficiencies.

(A) OIL PALM DIVISION

Apart from ensuring environmental compliance with the rules and regulations of the Natural Resources and Environment Board (NREB) of Sarawak and the Department of Environment (DOE) of Sarawak, we have also stepped up our internal compliance to align our ground operations to the ESG principles.

In our endeavour to cut down on the dependency on fossil fuel to reduce carbon emission, we started transitioning to solar power for our in-field lightings in a few estates, an initiative if feasible would be replicated to the remaining estates and for other consumptions.

Pertaining to the installation of clean air emission for boilers mentioned in the last Annual Report, we are pleased to announce that we have commenced with the fabrication of the Electrostatic Precipitator (ESP) for two (2) of our CPO mills in the second half of FY2023. These two ESP projects are expected to be completed by the end of FY2024. For the third CPO mill, we are awaiting approval of the design of the ESP which was submitted to the DOE at the start of FY2024. Our fourth CPO mill which was the newest of our four mills is already equipped with the wet scrubber technology since its commissioning.

With all our plantations and CPO mills fully certified with MSPO certifications and our CPO mills further attaining MSPO SCCS, we continue to prioritise our operations to combine economic achievements with various operational stimulus by not just integrating sustainability into our business strategy but also factoring in profitability, environmental and social considerations into our business plans to remain competitive and be cost-effective so as to be better equipped to manage the risks in our operations.

(B) TIMBER DIVISION

(i) LOGGING

For our logging operations, the Group is similarly committed to enhancing effective management, conservation and sustainable development of forest biodiversity to preserve a balanced ecosystem amidst our logging activities to ensure the long-term viability of our logging operations while protecting the environment in our FMUs.

As a testament to our commitment towards responsible stewardship of the environment we operate in, we are proud to announce that two (2) of our FMUs, namely, Penuan-Lebuwai FMU and Baleh-Balui FMU were both awarded the Malaysia Criteria and Indicators for Sustainable Forest Management Certification (MC&I SFM) under the Malaysian Timber Certification Scheme (MTSC) on 18th April 2023, while the remaining Mengiong-Entulu FMU had undergone all the required audits in December 2022 and now awaiting issuance of the same certification. These achievements signify our Group's unrelenting commitment in the sustainability certification journey towards a more sustainable future.

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(ii) REFORESTATION

Our commitment to aggressively develop our forest plantations remains to be our ultimate priority in our pursuit to fully plant by the year 2025 with fast-growing tree species such as Eucalyptus Pellita, Eucalyptus Deglupta (Kamarere), Albizia Falcataria (Batai) and Kelampayan not just for sustainable log supply but also to conserve the forest.

As a testimony of our active role-play in the regeneration of our forests, we already completed planting in one of our forest plantations in 2018. Efforts are put in to intensify planting in the remaining forest plantations through increased recruitment drives to bring in more foreign workers to work in the harsh terrain and the deployment of more effective mechanizations to accelerate the work progress.

FINANCIAL PERFORMANCE REVIEW

The Group registered a revenue of RM855.0 million for FY2023, which was a marginal 5% increase year-on-year, underpinned by higher sales volume of oil palm products. The profit before tax came in at RM 166.8 million, representing a drop of 17% from the previous year, mainly attributed to lower CPO prices in this reporting year.

The Group's total cash flow from the operating activities as at the end of the FY2023 decreased by 8% to RM297.2 million from RM322.6 million recorded in the previous year. During this financial year, we voluntarily repaid RM155 million from the cash surplus to reduce our borrowing in advance. The selling and distribution costs rose by 27% year-on-year in tandem with the increase in sales volume of our FFB products. The net asset per share improved to RM1.42 compared to RM1.31 in FY2022.

(A) OIL PALM DIVISION

The performance of the oil palm division was impacted by the overall challenging conditions affecting the plantation industry. In spite of those, the division's revenue for FY2023 was better at RM792.3 million, contributing 93% to the Group's total revenue, which was 9% higher than the previous financial year at RM724.2 million. This improvement can be ascribed to the higher FFB production coupled with a tight and well-managed budget despite the volatility and rising costs of the raw materials.

Product	Average Selling Price (RM/MT)		OER / KER (%)	
	FY2023	FY2022	FY2023	FY2022
CPO	3,852	4,347	19.1%	18.5%
PK	2,026	3,390	4.4%	4.1%
FFB	772	1,162		

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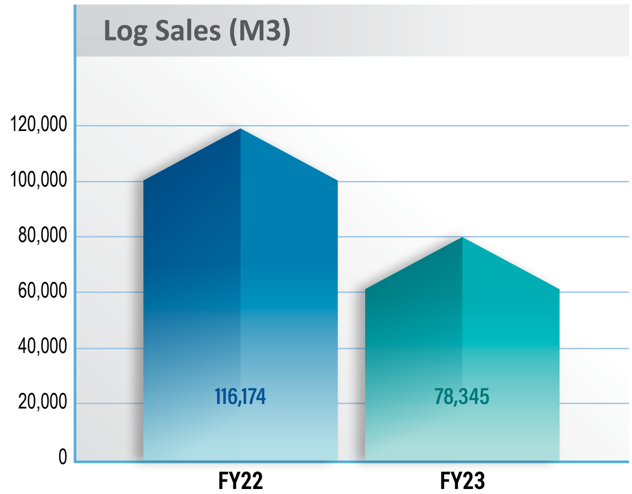
The division recorded an average realized CPO and Palm Kernel (PK) prices of RM3,852 per MT (FY2022: RM4,347 per MT) and RM2,026 per MT (FY2022: RM3,390 per MT) respectively for the reporting year. The average FFB selling price was RM772 per MT in FY2023 which is 34% lower than the RM1,162 per MT in FY2022.

(B) TIMBER DIVISION

Log sales dropped 27%, contributing 7% to the Group's total revenue, with a loss before tax of RM19.9 million. The average export price for logs, supported by global demand and favourable exchange rate, was higher at USD266 per M3 from USD231 per M3 in the previous financial year.



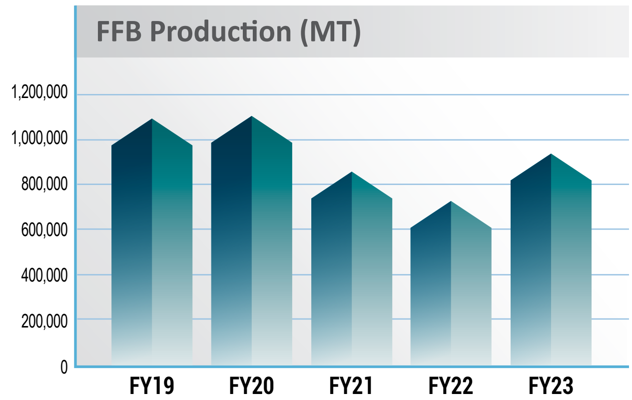
OPERATIONAL REVIEW

(A) OIL PALM DIVISION

All our palm trees have matured. Out of the Group's total planted area of 69,589 hectares, about 3% of the palms are more than 18 years of age. The average age of palms is 14 years, which is within the prime production bracket. Efforts and plans are being made to prepare for replanting to replace the ageing palms.

The total FFB production for the group in FY2023 stood at 943,924 MT, which was an impressive 28% increase year-on-year against 737,723 MT in the previous financial year, considering the challenging operational environment and labour shortages even though the workforce has started to improve since the signing of the Memorandum of Understanding (MOU) between Malaysia and Indonesia for the entry and employment of Indonesian workers.

As a way of mechanization to improve on operational efficiency and effectiveness and to stay competitive, this division has embarked on the pilot running of the drone equipped with high resolution cameras for aerial surveillance of the general field and palm health conditions. Over time, the practicality of the drone technology will be extended to all the plantations for more concise collection of the ground information for better plantation management and to reduce the reliance on manual systems.



On the milling side, the CPO mills recorded a total production of 182,309 MT of CPO and 42,109 MT of PK in this reporting period, which was an increase of 35% and 39% respectively. Oil Extraction Rate (OER) continued to improve for the third consecutive year to 19.1% from 18.5% in the previous year.

CPO Mill	Capacity (MT per annum)	FY2023		FY2022	
		FFB Input (MT)	Utilization %	FFB Input (MT)	Utilization %
Wealth Houses	486,000	254,666	52%	220,919	45%
Daro Jaya	324,000	189,556	59%	130,692	40%
Lassa	648,000	326,086	50%	248,610	38%
Hariyama	324,000	185,357	57%	132,352	41%
Total	**1,782,000**	**955,665**	**54%**	**732,573**	**41%**

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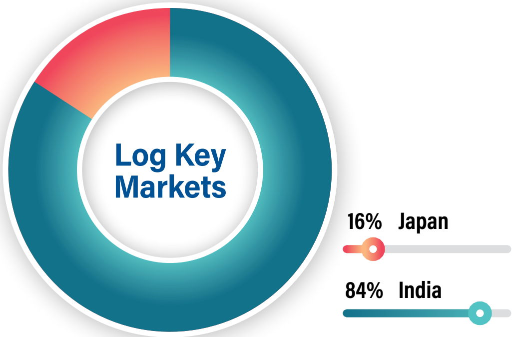
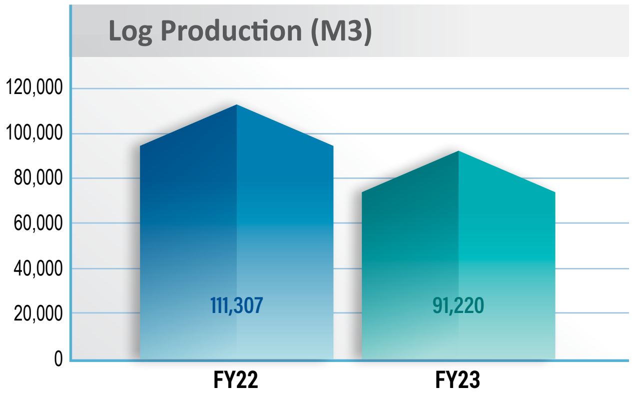
(B) TIMBER DIVISION

(i) LOGGING





India remained our largest buyer in the reporting FY2023, constituting 84% of our logs export market. Our customers were mostly long-time loyal clients who had maintained good relationship with us and trusted in our quality product, the criteria the Group has always sought to cherish to maintain our logs export market.

Log production in FY2023 dropped to 91,220 M3 from 111,307 M3 in the previous year, due to the slow global economic recovery which was aggravated by stiff competition from other regions.

(ii) REFORESTATION

Despite the reopening of the borders and zealous recruitment drives, this sector is still unable to attract sufficient field workers to speed up our planting progress due to the rough terrain working conditions.

To date, a total of 39,145 hectares of forest plantations had been planted. All the new planting in this reporting year totaled up to 2,055,207 of Eucalyptus Pellita (EP) seedlings under the Industrial Tree Planting (ITP) method with an average survival rate of above 90% at one month old due to the species' versatility.

Area	Species	No. of Seedling	Area (Ha)
LPF0023	EP/AF	843,408	1,431.8
LPF0024	EP/AF	1,211,799	2,058.0
LPF0028	EP/AF	-	-
		2,055,207	**3,489.8**

Eucalyptus Pellita

Albizia

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ANTICIPATED OR KNOWN RISK

According to the Malaysian Palm Oil Council, CPO prices are expected to trade in the range of RM3,700 to RM4,200 per MT during the second half of 2023 and projected to surge above RM4,300 per MT going into 2024 due to the prevailing market uncertainties on the supply of other vegetable oils and our nationwide production remaining below expectations.

Despite such a projection, we anticipate input costs including fertilizer and fuel, which had eased from the previous highs to remain elevated due to several economic hurdles caused by ongoing war, political conflicts, sputtering economy in China, tightened fuel supply and the threats of a lingering El-Nino which will continue to have a direct significant impact on the Group's financial performance. However, prudent measures are in place to manage costs without compromising on the quality.

The inability to attain the optimal manpower in the oil palm plantation division will remain a risk to achieving the desired production output. Similarly, the shortage of labour in our forest plantation division will continue to be a pressing issue as the operation costs and logistics demand continue to stump planting and maintenance works. Nevertheless, the Group has introduced various remuneration schemes which are regularly reviewed to ensure we pay a competitive market rate to retain our workers, a strategy which has a positive impact on our labour force.

FORWARD LOOKING

The prospects of a global post-pandemic economic recovery is dimmed by the volatile economic landscape rifted by ongoing wars and adverse political developments posing various challenges such as inflation, tightening monetary policies by the central banks globally, including Malaysia and the surging cost of food, fuel, energy and labour. Nevertheless, the Malaysian economy is forecast to see a moderate growth between 4.7% to 5.0% in 2023 and going into 2024, bolstered by a recovery in tourism and the continued government support to counter the downside risks looming ahead.

We are optimistic about the economy of the palm oil sector although it depends very much on the domestic and global macroeconomic factors that affect the palm oil market, weather conditions, government policy on biodiesel and the seasonal cropping pattern of FFB. Palm oil in itself is an unrivalled versatile source of essential products in food and biodiesel, and in that sense, the outlook for the Group's mainstay Oil Palm division remains bright as the CPO prices are expected to be well supported. Plans are also underway for replanting activities to sustain the Group's palm age profile and to ensure long-term productivity of our oil palm division.

Moving forward, we expect the log prices to remain challenging as the demand for tropical timber products remains unstable. Nevertheless, the Group understands that the long-term viability of our timber segment goes hand-in-hand with the environmental protection and conservation of biological diversity to enhance carbon storage and mitigate climate change and will work towards building a sustainable forest resource base.

Continuous efforts will be taken to improve the management of our operations to enhance sustainability as well as the ESG requirements to ensure long-term resilience of the Group and to better our ESG ratings which will translate to better long term financial performance, increased investor's confidence and reduced risks.

With an anticipated higher cost of labour, we will focus on worker recruitment drives to attract the younger generation of the local workforce. We will continue to emphasize on training and improving the skills of our staff and workers as we invest in various training and development programmes so that our employees can consistently improve and stay competent to support their own growth and increase work productivity to meet our business objectives.

Despite inflationary pressures and continued uncertainties and challenges in the global economy, the Group is optimistic and will continue to be cost-conscious and maintain a tight control of our budget to create a healthy financial performance and decent shareholder value. Efforts will also be focused on operational efficiency and mechanization initiatives as well as embracing lifelong learning culture to be more resilient to weather future challenges and disruptions.

DATO' JIN KEE MOU
Chief Executive Officer