

MAG Holdings (MAGH MK)

Not Rated

Sabah's Shrimp Fuels Malaysia's Aquaculture Giant

Fair Value (Return): MYR0.30 (+52%)
Price: MYR0.20
Market Cap: USD85.2m
Avg Daily Turnover (MYR/USD) 0.92m/0.21m

- **MYR0.30 FV based on 12x FY26F(Jun) P/E.** MAG Holdings, a Sabah-based shrimp producer, benefits from Sabah's status as Malaysia's top seafood hub. Smart farming solutions and a 13% boost in breeding capacity in FY25 reinforce its position as Malaysia's top vertically integrated white shrimp producer. Having a strong presence in top export markets like China and South Korea, MAGH secured China's largest hotpot chain as customer to expand its reach in the world's most populous market. With a >12% net profit margin, its 8x FY26F P/E remains attractive.
- **Malaysia's largest integrated shrimp producer.** MAGH stands as Malaysia's largest shrimp farmer, commanding an impressive 25.2% market share. As the nation's leading integrated shrimp producer, the company excels in upstream to downstream operations, supported by strategically located, exclusive breeding sites free from pollution. These pristine waters are vital for ensuring optimal shrimp survival rates, unmatched product freshness, and superior quality. Setting itself apart, MAGH is the only local shrimp producer to implement an innovative water gate system, boasting harvesting efficiency that is 2.5x greater than traditional netting methods.
- **Presence in Asia's top seafood markets.** MAGH ranks among Malaysia's largest shrimp exporters, with key markets including South Korea (contributing 35% of revenue), Taiwan, and China. In Oct 2024, it achieved a significant milestone by securing a new local customer, with the end customer being China's largest hotpot chain – further strengthening its presence in the world's most populous market. Notably, China and South Korea are among the top three buyers of Malaysian seafood, highlighting MAGH's pivotal role in expanding the nation's seafood footprint globally.
- **Advancing smart farming and seafood diversification.** In 2024, MAGH expanded its fourth farm, adding 32 ponds and 800 tonnes (+13%) of breeding capacity, with harvesting set for 1HFY25. Operating at 79% utilisation, it has achieved optimal breeding production. Meanwhile, MAGH plans to improve its fry quality and implement smart farming technologies, including auto feeders and pH sensors, across 50% of its ponds, boosting yield up to 4x and improving shrimp survival rate by 10%. Diversifying its portfolio, the company is venturing into tiger prawns (which is capturing the highest export value compared to other prawn species), ready-to-cook prawn products (+20% GPM), and high-value seafood like fish and crabs, while collaborating with farmers to maximise processing plant capacity.
- **Valuation.** Aligning with its 3-year earnings CAGR of 12%, we assign a P/E of 12x to its FY26F (Jun) earnings, deriving a FV of MYR 0.30. This is also in line with the 2-year forward P/E of the Bursa Consumer Index.
- **Key risks:** Disease outbreaks, environmental pollution as well as market and foreign currency fluctuations.

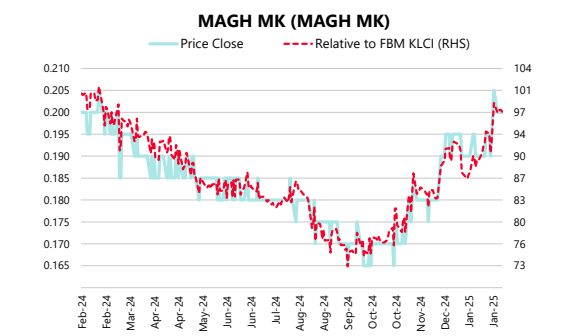
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	5.3	5.3	14.3	8.1	0.0
Relative	10.5	10.5	17.1	12.3	(2.9)
52-wk Price low/high (MYR)				0.17	-0.21



Source: Bloomberg

Forecasts and Valuation	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Total turnover (MYRm)	202	305	351	403	464
Recurring net profit (MYRm)	38	42	43	48	60
Recurring net profit growth (%)	152.2	9.3	3.2	10.7	24.1
Recurring P/E (x)	8.48	8.49	8.76	7.91	6.38
P/B (x)	0.4	0.5	0.4	0.4	0.4
P/CF (x)	14.91	3.94	3.97	6.16	5.28
Dividend Yield (%)	na	0.4	1.1	1.3	1.6
EV/EBITDA (x)	4.52	5.44	3.22	2.68	1.89
Return on average equity (%)	4.6	4.3	5.2	5.4	6.4
Net debt to equity (%)	net cash	net cash	net cash	net cash	net cash

Source: Company data, RHB

Note:

Small cap stocks are defined as companies with a market capitalisation of less than USD0.5bn.

Financial Exhibits

Asia	Financial summary (MYR)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
Malaysia	Recurring EPS	0.02	0.02	0.02	0.03	0.03
Consumer Non-cyclical	DPS	-	0.00	0.00	0.00	0.00
MAG Holdings	BVPS	0.46	0.43	0.45	0.48	0.50
MAGH MK	Return on average equity (%)	4.6	4.3	5.2	5.4	6.4
Not Rated						
	Valuation metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Recurring P/E (x)	8.48	8.49	8.76	7.91	6.38
	P/B (x)	0.4	0.5	0.4	0.4	0.4
	FCF Yield (%)	(2.4)	1.2	18.8	9.9	12.6
	Dividend Yield (%)	-	0.4	1.1	1.3	1.6
	EV/EBITDA (x)	4.52	5.44	3.22	2.68	1.89
	EV/EBIT (x)	5.63	7.26	3.94	3.26	2.24
	Income statement (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Total turnover	202	305	351	403	464
	Gross profit	67	67	88	101	116
	EBITDA	60	54	78	84	99
	Depreciation and amortisation	(12)	(14)	(14)	(15)	(16)
	Operating profit	48	41	64	69	83
	Net interest	(8)	(7)	(6)	(4)	(3)
	Pre-tax profit	45	44	58	65	80
	Taxation	(11)	(11)	(15)	(17)	(21)
	Reported net profit	34	34	43	48	60
	Recurring net profit	38	42	43	48	60
	Cash flow (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Change in working capital	(43)	22	32	(5)	(6)
	Cash flow from operations	22	90	96	62	72
	Capex	(30)	(86)	(24)	(24)	(24)
	Cash flow from investing activities	(28)	(79)	(25)	(25)	(25)
	Dividends paid	0	(2)	(4)	(5)	(6)
	Cash flow from financing activities	11	(3)	(6)	(9)	(9)
	Cash at beginning of period	163	169	175	237	264
	Net change in cash	5	9	65	28	38
	Ending balance cash	169	175	237	264	302
	Balance sheet (MYRm)	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Total cash and equivalents	169	175	237	264	302
	Tangible fixed assets	448	521	530	540	548
	Total assets	1,091	1,215	1,280	1,341	1,415
	Short-term debt	23	25	25	25	25
	Total long-term debt	88	84	84	84	84
	Total liabilities	322	398	435	454	475
	Total equity	769	816	845	887	940
	Total liabilities & equity	1,091	1,215	1,280	1,341	1,415
	Key metrics	Jun-23	Jun-24	Jun-25F	Jun-26F	Jun-27F
	Revenue growth (%)	47.1	51.3	15.0	15.0	15.0
	Recurrent EPS growth (%)	134.8	(0.2)	(3.1)	10.7	24.1
	Gross margin (%)	33.3	22.0	25.0	25.0	25.0
	Operating EBITDA margin (%)	29.7	17.7	22.3	20.8	21.3
	Net profit margin (%)	16.9	11.3	12.4	11.9	12.8
	Dividend payout ratio (%)	0.0	4.7	10.0	10.0	10.0
	Capex/sales (%)	14.7	28.3	6.9	6.0	5.2
	Interest cover (x)	3.51	3.28	5.23	5.62	6.81

Source: Company data, RHB

Financial Overview, Forecasts & Valuation

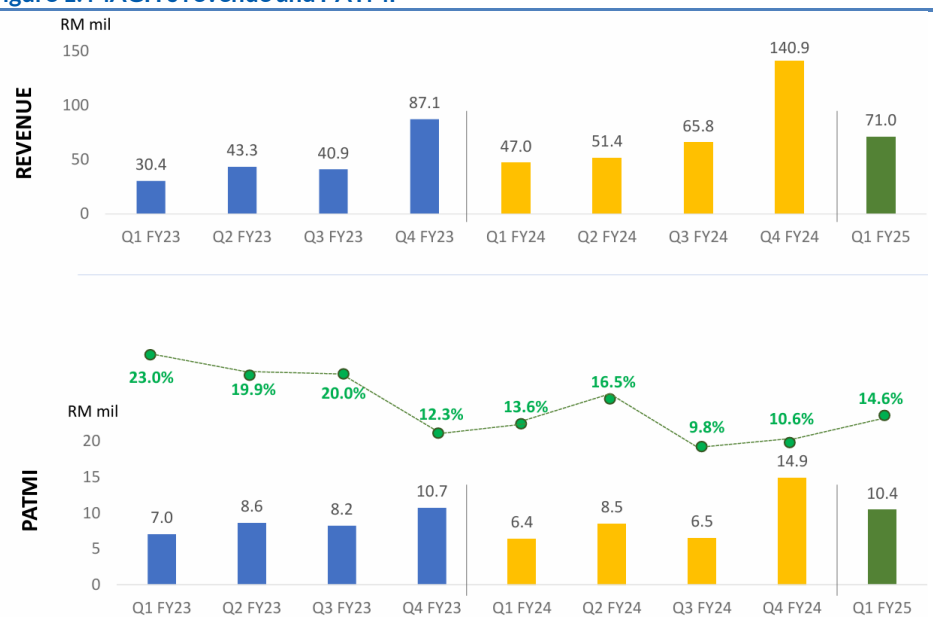
Result highlights. In 1QFY25, MAGH reported total revenue of MYR71m, marking a 51% increase from MYR47m in 1QFY24. This was mainly due to increased sales from the aquaculture business. YoY, it posted a gross profit of MYR15.7m – a significant improvement of a 40.5% increase from MYR11.2m. PBT surged to MYR10.6m, a notable increase from MYR6.6m in 1QFY24, mainly due to higher revenue. The other income of MYR1.4m was mainly derived from interest income from the loan to the former's subsidiary. Meanwhile, there was an FX gain of MYR2.8m resulting from unrealised non-cash fluctuation in inter-company balances. Profit after tax (PAT) also posted a rise to MYR10.4m from MYR6.4m YoY.

Balance sheet and dividend. As of 30 Sep 2024, MAGH maintained a net cash position of MYR23.6m. While the company does not have a formal dividend policy, it previously distributed 5% of its PAT as dividends. Moving forward, we assume a higher dividend payout of 10%, supported by its strengthened balance sheet driven by profit growth. This translates to an estimated dividend yield of 1.3% and 1.6% for FY25F-26F.

Forecasts. MAGH is set to deliver a 3-year earnings CAGR of 12.3%, fuelled by capacity expansion and efficiency improvements, positioning itself as a dominant player in both local and export markets. As Malaysia's leading shrimp producer, the company plays a critical role in ensuring national food security, backed by its superior farming and processing capacity. It is strategically tapping into high-growth export markets like China and South Korea, where demand for *L. vannamei* prawns continues to surge. Domestically, Malaysia's urbanisation, a booming post-COVID-19's food service and hotel industries (HORECA) industry, and steady population growth are driving sustained demand for shrimp products. Additionally, Sabah's pristine waters provide an unmatched advantage in seafood production, ensuring a reliable, high-quality supply for Malaysia and global markets. With a strong market presence and a rapidly expanding industry, MAGH is poised for sustained growth and market leadership.

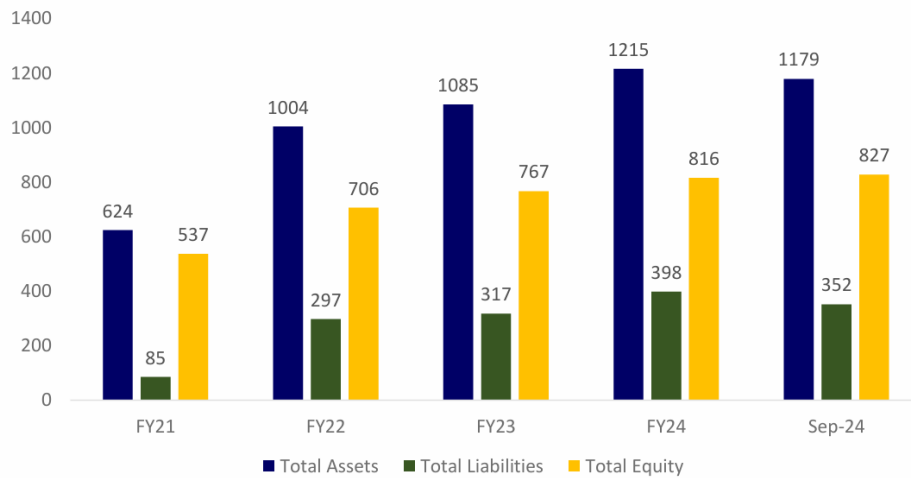
Valuation. The peers listed in the peer table (Figure 3) are all local seafood providers, each operating in different segments of the seafood value chain. However, MAGH has no direct peer, as it is the only company involved in both shrimp farming and processing. QL Resources (QLG MK, NEUTRAL, TP: MYR6.36) and CCK Consolidated (CCK MK, NR) have diversified businesses, including retail and F&B store chains, while Ocean Fresh and PT Resources Holdings (PTRB MK, NR) focus solely on processing and selling frozen seafood. The closest comparable peer would be SBH Marine (SBH MK, NR), which farms, processes, and distributes frozen seafood, though its operations are not limited to shrimp. Given the lack of consensus from the peer table, it is not a suitable reference for MAGH's valuation. Instead, aligning with its 3-year earnings CAGR of 12%, we assign a P/E of 12x to its FY26F (Jun) earnings, deriving a FV of MYR 0.30. This is also in line with the 2-year forward P/E of the Bursa Consumer Index.

Figure 1: MAGH's revenue and PATMI



Source: Company data

Figure 2: MAGH's financial position



Source: Company data

Figure 3: Peer comparison

Company	Country	FYE	Mkt cap (MYRm)	Price	P/E (x)			Div. yld (%)	ROE (%)	EV/ EBITDA	NP Growth (%)		PEG
				31-Jan-25 (Local currency)	Actual	1-yr fwd	2-yr fwd	1-yr fwd	1-yr fwd	1-yr fwd	1-yr fwd	2-yr fwd	
MAG Holdings	MA	06/2025	355.8	0.2	7.9	8.8	7.9	1.1	5.2	3.3	3.2	10.7	2.7
Local Peers													
QL Resources	MA	03/2025	16681.9	4.6	39.7	36.0	34.2	1.2	22.2	18.1	10.3	5.4	6.3
CCK Consolidated Holdings	MA	12/2024	918.9	1.4	10.6	9.7	8.8	3.2	22.2	NA	9.6	10.2	0.9
Ocean-Fresh	MA	12/2024	79.9	0.3	10.4	NA	NA	NA	NA	NA	NA	NA	NA
SBH Marine Holdings	MA	12/2024	222.0	0.3	18.8	NA	NA	NA	NA	NA	NA	NA	NA
PT Resources Holdings	MA	04/2025	49.8	0.42	4.4	NA	NA	NA	NA	NA	NA	NA	NA
Mkt. cap weighted avg.			15594.6		37.5	34.7	32.9	1.3	22.2	17.2	10.2	5.6	6.1
Simple average			4475.7		16.8	22.8	21.5	2.2	22.2	18.1	9.9	7.8	3.6

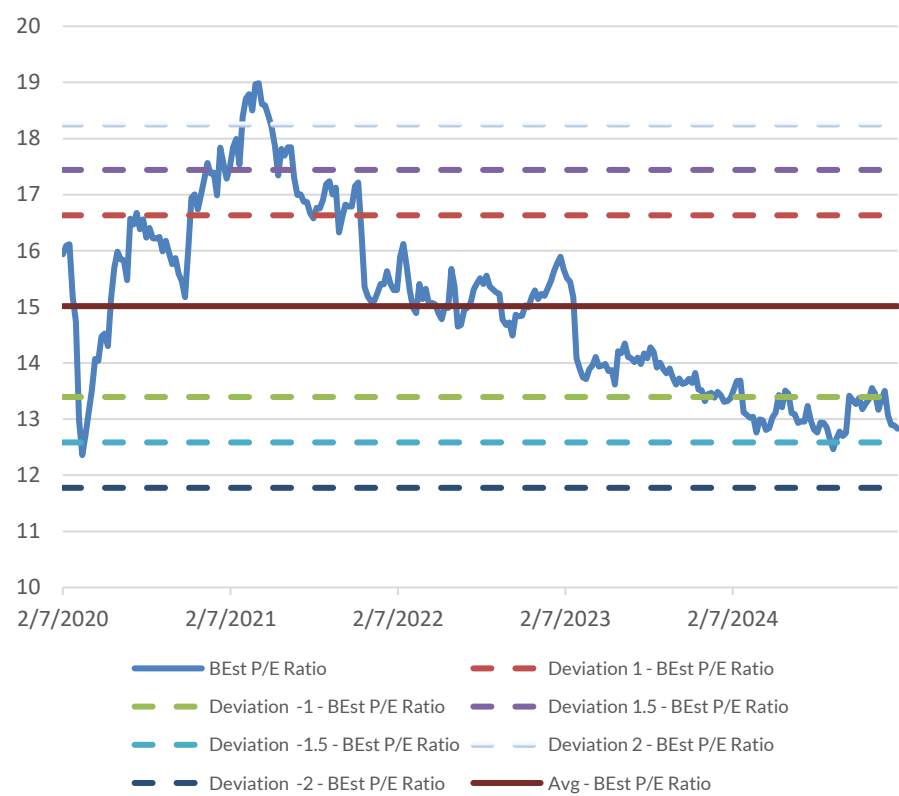
Source: Bloomberg, RHB

Figure 4: Operating metrics

Company	Revenue 3-year CAGR	Net Profit 3-year CAGR	Gross Profit Margin	EBITDA Margin	Net Profit Margin	Net Gearing (Latest)
MAG Holdings	49.2%	35.8%	22.0%	22.9%	11.3%	Net Cash
Regional						
QL Resources	26.8%	31.0%	23.0%	14.3%	6.6%	28.0
CCK Consolidated Holdings	16.8%	47.7%	20.2%	13.3%	8.5%	Net Cash
Ocean-Fresh	19.2%	42.2%	13.2%	5.0%	4.4%	Net Cash
SBH Marine Holdings	10.8%	14.6%	16.8%	10.9%	6.6%	Net Cash
PT Resources Holdings	43.8%	48.8%	15.2%	11.2%	9.5%	29.1
Mkt. Cap Weighted Avg.	26.3%	31.8%	22.6%	14.1%	6.7%	
Simple Avg.	23.5%	36.9%	17.7%	10.9%	7.1%	

Source: Bloomberg, RHB

Figure 5: Historical 2-year forward P/E of Bursa Malaysia Consumer Index



Source: Bloomberg, RHB

Industry Overview

Global shrimp market to grow at a 7-year CAGR of 5.5%. According to Grand View Research, the global shrimp market was valued at USD68.40bn in 2022 and is projected to grow at a CAGR of 5.5% from 2023 to 2030. Shrimp's low-fat, high-protein profile, along with increasing health awareness and shifting dietary preferences, is driving demand. Its versatility, taste, and nutritional benefits, including omega-3 fatty acids, further enhance its appeal. Additionally, the rise of ready-to-cook shrimp products, such as pre-peeled and deveined shrimp, has boosted convenience, supporting market growth.

Asia-Pacific: The powerhouse of global shrimp consumption. The Asia-Pacific market dominated the industry with a market share of 51.8% (USD35.4bn) in 2022 and is anticipated to reach USD54.9bn by 2030, growing at a CAGR of 5.6% (Grand View Research). Malaysia's fisheries export quantity has consistently risen over the years, increasing from MYR3.8bn in 2019 to MYR4.4bn in 2023, representing a CAGR of 3.7%. China, Singapore, and South Korea are the key export markets for Malaysian fisheries, driving a significant portion of the industry's demand. MAGH already has a strong presence in two of the markets, with South Korea accounting for 35% of its FY23 sales and China contributing 5%.

China's growing demand boosts Malaysia's shrimp exports. In FY23, sales to China accounted for over 5% of MAGH's total revenue. Recently, the company secured an indirect sales agreement with China's largest hotpot chain operator, further strengthening its foothold in the world's most populous country. According to the Food and Agriculture Organization of the United Nations (2023), the fish and seafood consumption per capita in China achieved 39.9kg in 2021 as compared to 39kg in 2016. The steady yet gradual increase in seafood consumption per capita in China presents an opportunity for Malaysia's shrimp exporters. While the growth is modest, it signals a stable demand for shrimp, providing a reliable market for exporters.

Malaysia's local frozen seafood market growth. From 2019 to 2023, the value of fresh, frozen, and chilled seafood consumption in Malaysia grew from MYR 3.23bn to MYR 4.38bn, reflecting a CAGR of 7.91% (Statista). The rising demand for seafood is driving increased consumption of *L. vannamei* prawns, while the HORECA industry plays a key role in seafood demand, sourcing prawns as premium ingredients for dining establishments. Malaysia's HORECA sector, represented by F&B service revenue, expanded from MYR50.8bn in 2021 to MYR 71bn in 2023 (Statista), highlighting the sector's growth. Beyond this, Malaysia's steady population growth and the increasing need for convenience have led to a greater preference for frozen white prawns, which align with consumer demand for easy-to-prepare meals. Urbanisation, expected to rise from 79% in 2024 to 87% by 2050 (Smith Zander), will further drive higher living standards and the demand for convenient food options. This shift is expected to boost the consumption of frozen prawns, which can be processed (beheaded, deshelled, and deveined), reducing meal preparation time and enhancing consumer convenience.

***L. vannamei* prawn – the backbone of Malaysia's aquaculture industry.** In 2022, the *L. vannamei* species held the largest market share at 45.3%, valued at USD30.9bn (Grand View Research). Its dominance is driven by rapid growth and high demand in the global shrimp trade. Compared to other shrimp species, it exhibits rapid growth, reaching marketable size in a relatively short period. This characteristic is of high importance in the shrimp industry as it allows farmers to produce more shrimp in a shorter timeframe. This increased production capacity directly addresses the rising global demand for shrimp. In 2023, the *L. vannamei* prawn emerged as the top-performing species in Malaysia's freshwater and brackish water aquaculture sector, commanding the highest sales value among all freshwater aquaculture products (Department of Fisheries Malaysia). This continued dominance underscores the growing demand for *L. vannamei* prawns, driven by the popularity in both local and international markets. As the primary product of MAGH, the company is well-positioned to capitalise on this trend, further cementing its role as a leading player in Malaysia's aquaculture industry.

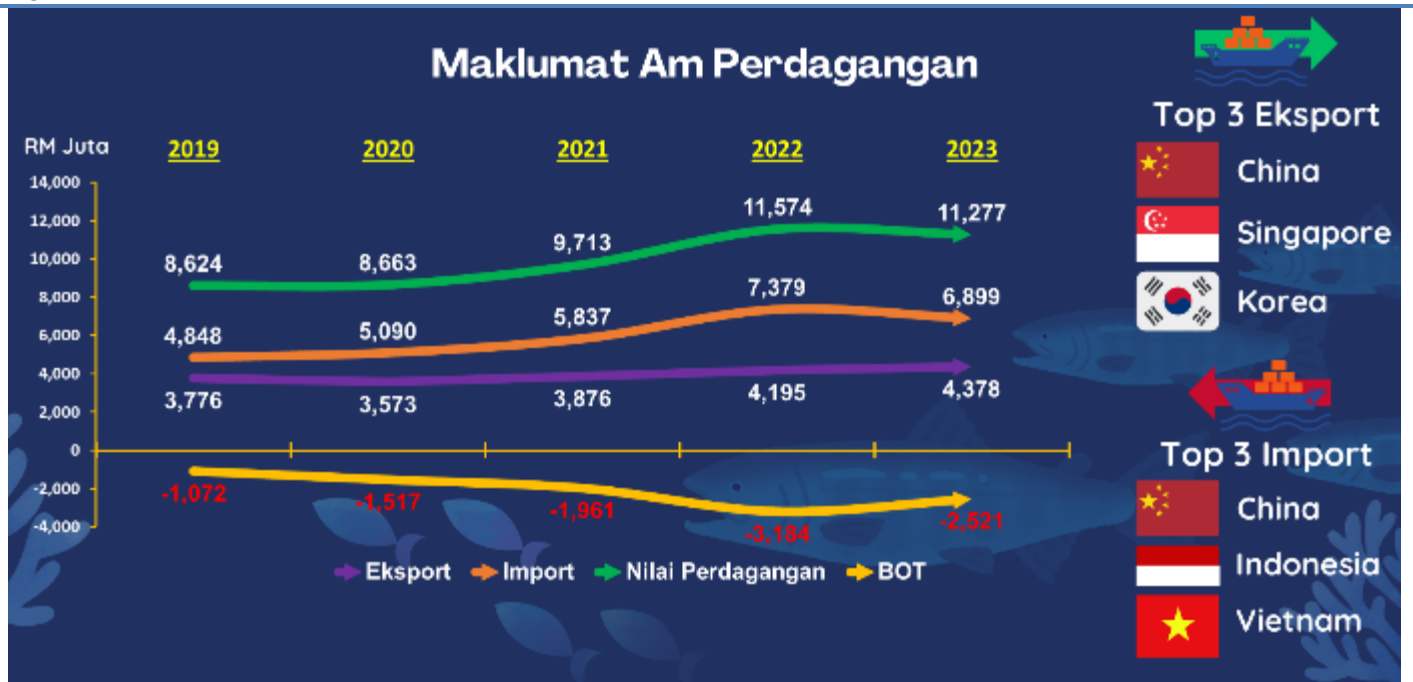
Sabah's dominance in Malaysia's fisheries sector. According to the Department of Fisheries Malaysia, the production value of the fisheries sector in Malaysia has steadily expanded by 3.6% YoY, reaching MYR16.5bn in 2023, compared to MYR16bn in 2022. This growth highlights the sector's resilience and its contribution to the nation's economy. Sabah emerged as the largest fisheries producer in Malaysia in 2022 and 2023, commanding a significant 25.2% market share in 2023. The state's abundant marine resources, coupled with its strategic coastal location, have positioned it as a critical hub for fisheries production. This dominance not only highlights Sabah's vital role in supporting Malaysia's overall fisheries sector but also strengthens MAGH's position as a key player in the industry. As a Sabah-based

3 February 2025

Consumer Non-cyclical | Food Products

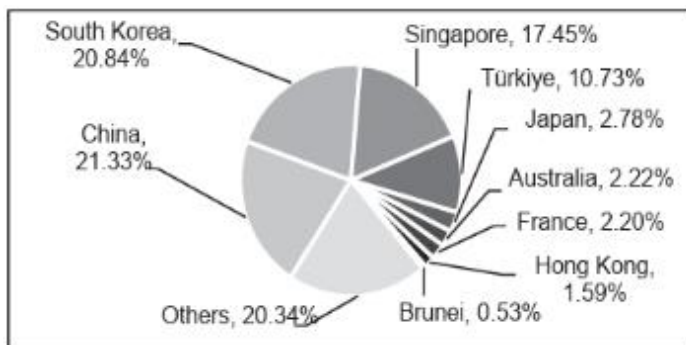
aquaculture company, MAGH is well-poised to benefit from the state's leading market share and growing demand for high-quality fisheries products.

Figure 6: Malaysia's seafood export, import and trade value



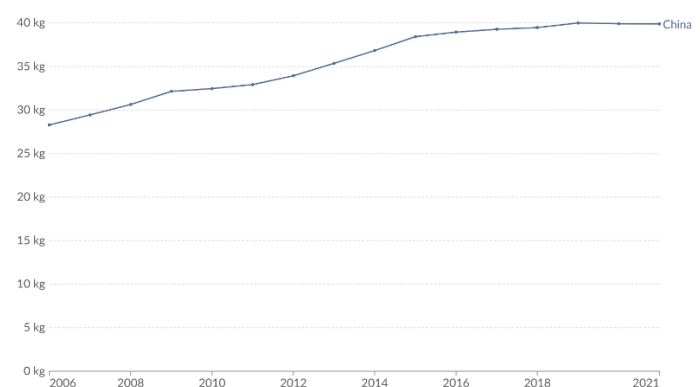
Source: Department of Fisheries Malaysia

Figure 7: Malaysia's export destinations for prawns in 2023



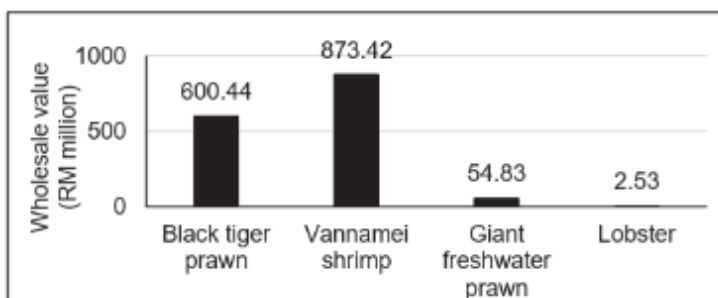
Source: United Nations Comtrade, SMITH ZANDER

Figure 8: Fish and seafood consumption per capita in China



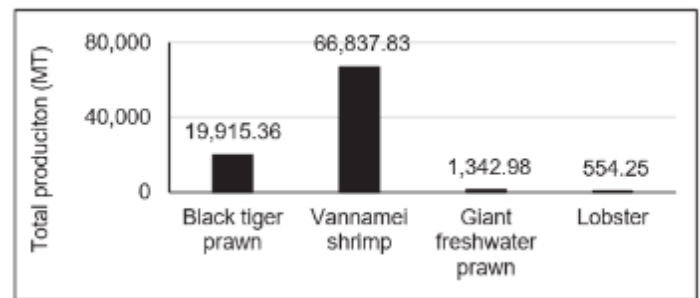
Source: Food and Agriculture Organisation of the United Nations (2023)

Figure 9: Wholesale value of commonly consumed prawns and lobster in Malaysia in 2023



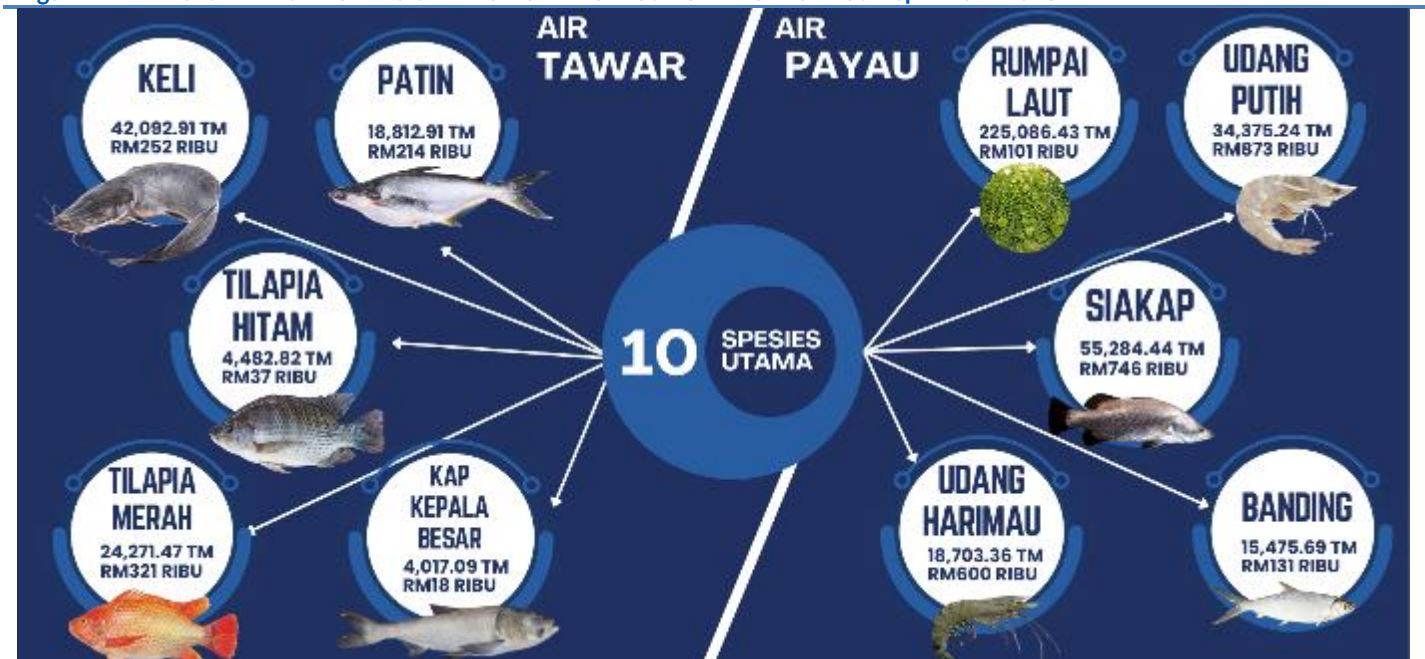
Source: Department of Fisheries Malaysia, SMITH ZANDER

Figure 10: Production volume of common prawns and lobster in Malaysia in 2023



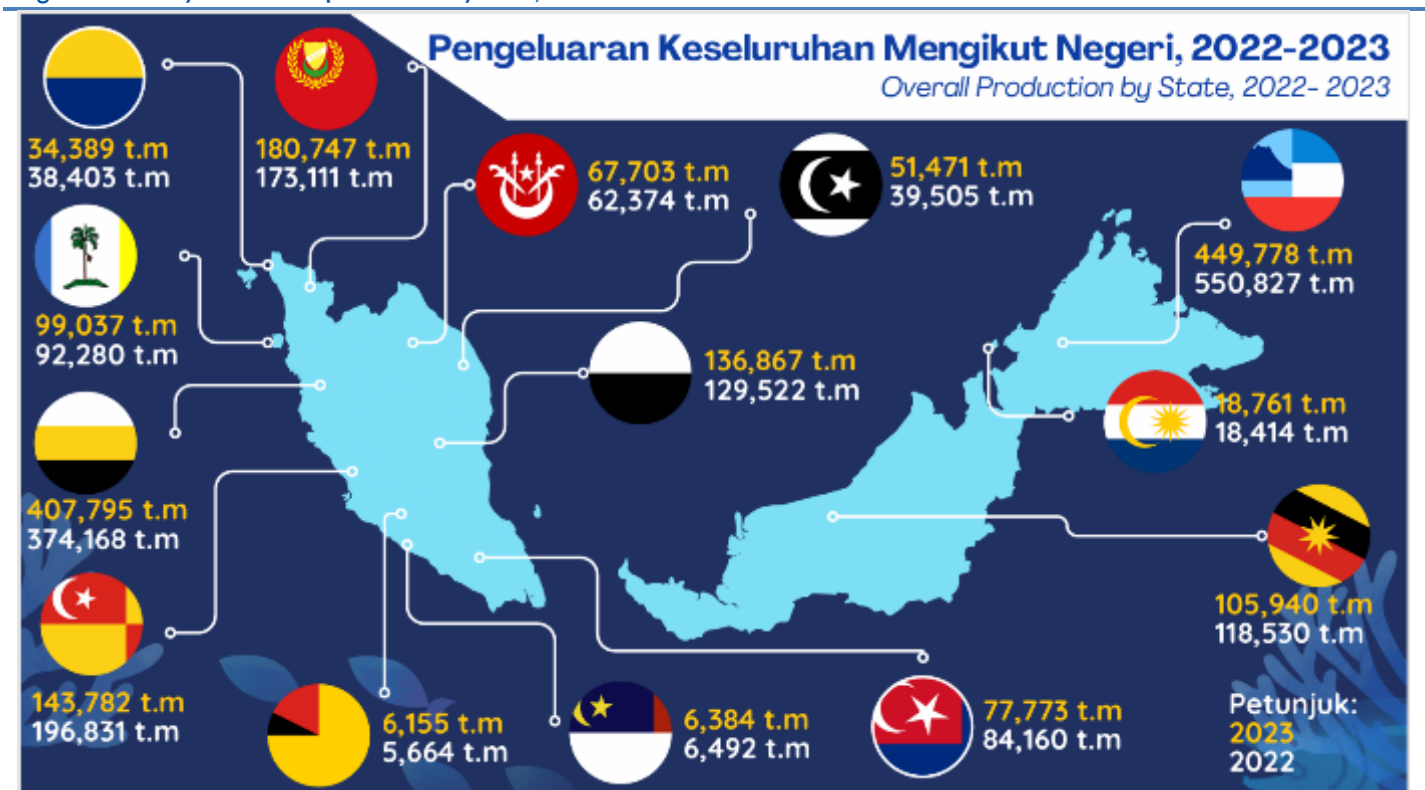
Source: Department of Fisheries Malaysia, SMITH ZANDER

Figure 11: Production volume and value of 10 main freshwater and brackish water species in 2023



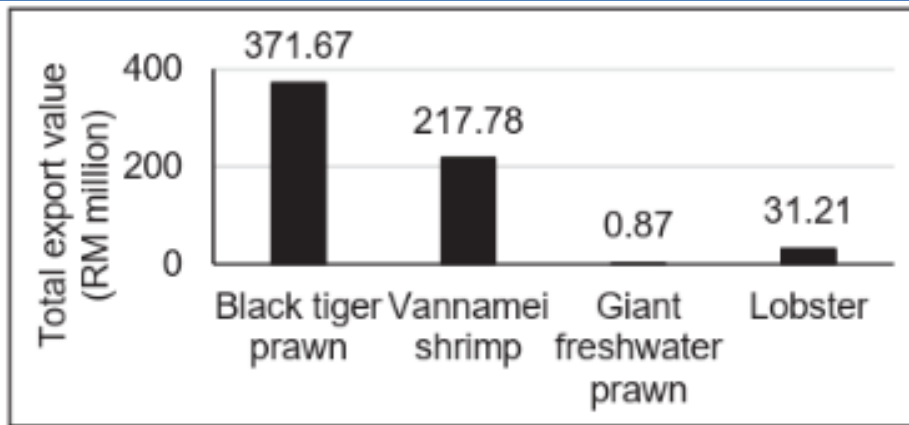
Source: Department of Fisheries Malaysia

Figure 12: Malaysia's overall production by state, 2022-2023



Source: Department of Fisheries Malaysia

Figure 13: Total export value of common prawns and lobster in Malaysia in 2023



Source: Department of Statistics Malaysia (DOSM), SMITH ZANDER

Figure 14: MAHG as an industry leader

Company name	Examples of products sold	Revenue* (RM million)	Market Share
MAG Holdings Berhad (listed on the ACE Market of Bursa Malaysia Berhad)	Black tiger prawn and vannamei shrimp	305.07	20%
Sahachai Aquaculture (M) Sdn Bhd (a subsidiary of Charoen Pokphand Foods Public Company Limited)	Vannamei shrimp, prawn fry and probiotic products (e.g., biotechnology products, mineral and water quality products, disinfectants and antiseptics, vitamin and premix as well as test kits)	246.26	16%
SBH Marine Holdings Berhad (listed on the ACE Market of Bursa Malaysia Berhad)	Black tiger prawn, vannamei shrimp, cat tiger shrimp, cuttlefish, squid and octopus	191.32	12%
QL Marine Products Sdn Bhd (a subsidiary of QL Resources Berhad)	Vannamei shrimp, fish, squid, cuttlefish, surimi and fishmeal	162.1	10%
A & O Food Industries (M) Sdn Bhd	Black tiger prawn, vannamei shrimp, fish and other seafood products	136.62	9%
Sea Horse Corporation Sdn Bhd	Black tiger prawn, jellyfish, fish, block ice and purified tube ice	134.66	9%
QQ Group Sdn Bhd	Black tiger prawn, fish and marine products	102.93	7%
Emperor Marine Marketing Sdn Bhd	Black tiger prawn and vannamei shrimp	81.88	5%
Blue Archipelago Berhad (a subsidiary of Minister of Finance (Incorporated))	Black tiger prawn, vannamei shrimp and post larvae	67.06	4%
Goh Siong Tee Marine Product Sdn Bhd	Black tiger prawn, fish, lobster, crab, mussel, scallop, squid, cuttlefish, octopus and beef	41.39	3%
Haiky Borneo Sdn Bhd	Black tiger prawn, vannamei shrimp, pink prawn, lobster, octopus, squid, abalone, clam, scallop, mussel and duck meat	34.66	2%
Camaroo Group Sdn Bhd	Black tiger prawn and vannamei shrimp	33.91	2%
Agrobest (M) Sdn Bhd	Black tiger prawn and vannamei shrimp	12.75	1%
Kin Eastern Frozen Food Sdn Bhd (a subsidiary of Consolidated Holdings Berhad)	Prawns, fish balls, crab meats and ice	10.77	1%

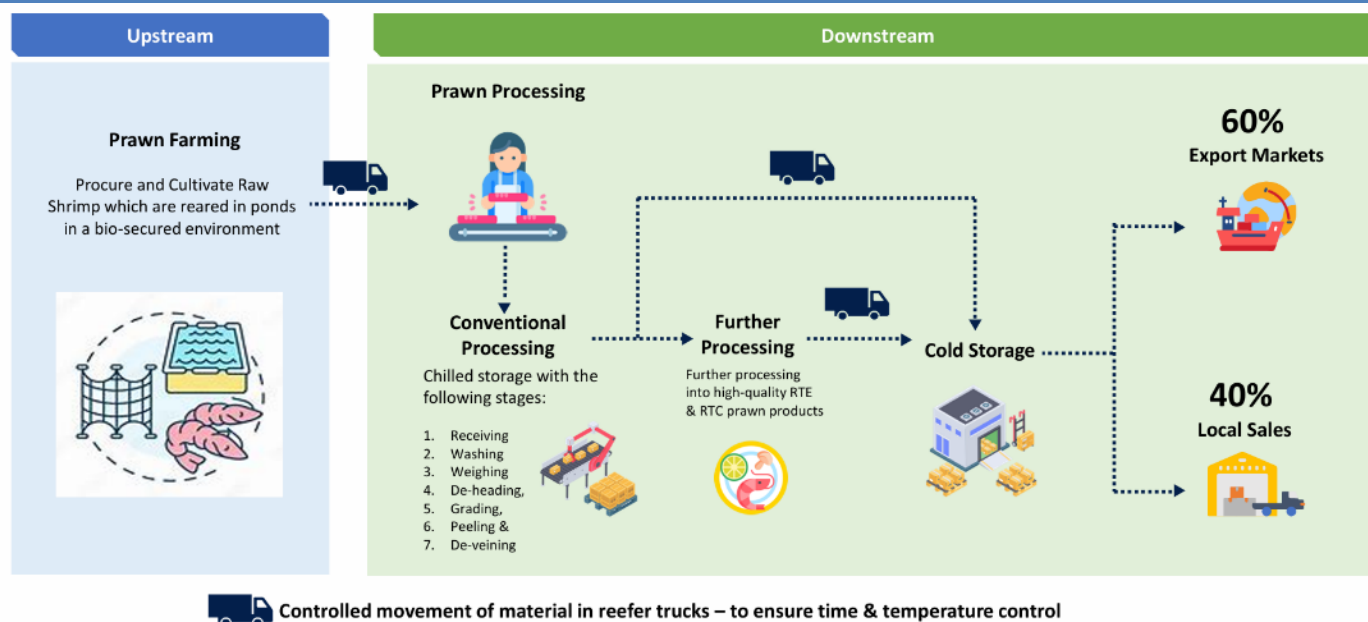
Source: Company data

Company Overview

MAG Holdings (MAGH), which stands for Malaysian Aquaculture Group, is a leading prawn aquaculture player. The company is primarily involved in prawn aquaculture and seafood processing. It is involved in every aspect of ensuring its products retain the highest standard of quality, from cultivating its own prawn aquaculture farms to processing for domestic and export markets. MAGH is listed on the ACE Market of Bursa Malaysia. The company was previously known as XingHe Holdings. In 2019, it pivoted its business interest from edible oils to aquaculture, acquiring two large prawn aquaculture farms in Tawau, Sabah and laying the foundation for its strategic direction. Today, MAGH continues to expand its operations and expertise in shrimp farming, processing and exporting high-quality seafood products to markets across the globe.

MAGH's revenue is generated solely from the trading of prawns. Wakuba Farms at Kg Wakuba, Tawau, Sabah (prawn farms with 125 cultivation ponds within a land area of 370 acres); North Cube Farm at Umas, Tawau, Sabah (a prawn aquaculture farming group with 125 cultivation ponds and a prawn processing plant within a land area of 300 acres); as well as Apas Parit farm (a prawn farm with 26 cultivation ponds within a land area of 60 acres). These farms are situated along the coastal area in the Western Pacific Ocean, well known for its pristine waters ideal for producing outstanding quality shrimps. MAGH mainly cultures *L. vannamei* shrimp in non-pesticidal cured marine ponds as its fresh shrimp product.

Figure 15: MAGH's business model



Source: Company data

Management team. MAGH is led by a dedicated and experienced management team in their respective fields:

- Ng Min Lin, the Executive Director, is also the Chairman of the Long-Term Incentive Plan Committee, and is responsible for the overall Board effectiveness and for ensuring the conduct and working of the Board is orderly and effective;
- Lim Hock Wah, the Farm Manager of MAG Aquaculture, a wholly owned subsidiary of MAGH, overseeing the overall operations of the company's prawn aquaculture farming;
- Lim Ah Cham, the advisor to the company's prawn aquaculture farming, has vast experience in prawn aquaculture farming having started the first shrimp farm in Kota Kinabalu in year 1997 on 50 acres of land with 18 ponds.

They are supported by other key senior management.

Figure 16: Wakuba farm



Source: Company data

Figure 17: Prawn aquaculture products



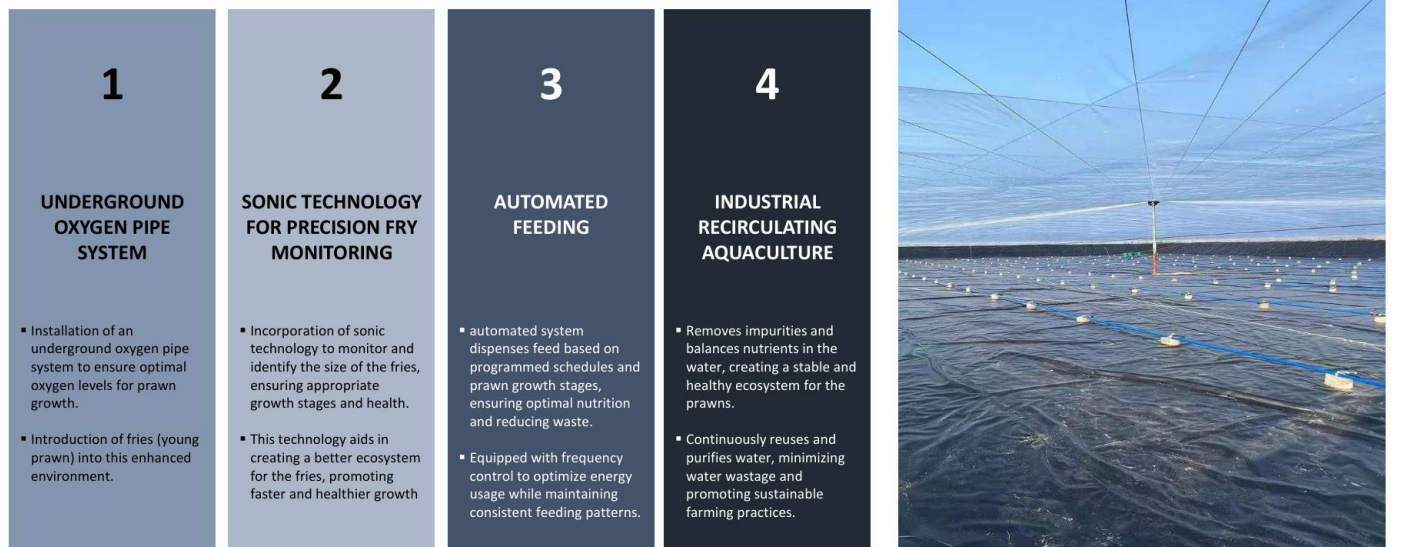
Source: Company data

Figure 18: Ready-to-eat (RTE) and ready-to-cook (RTC) products



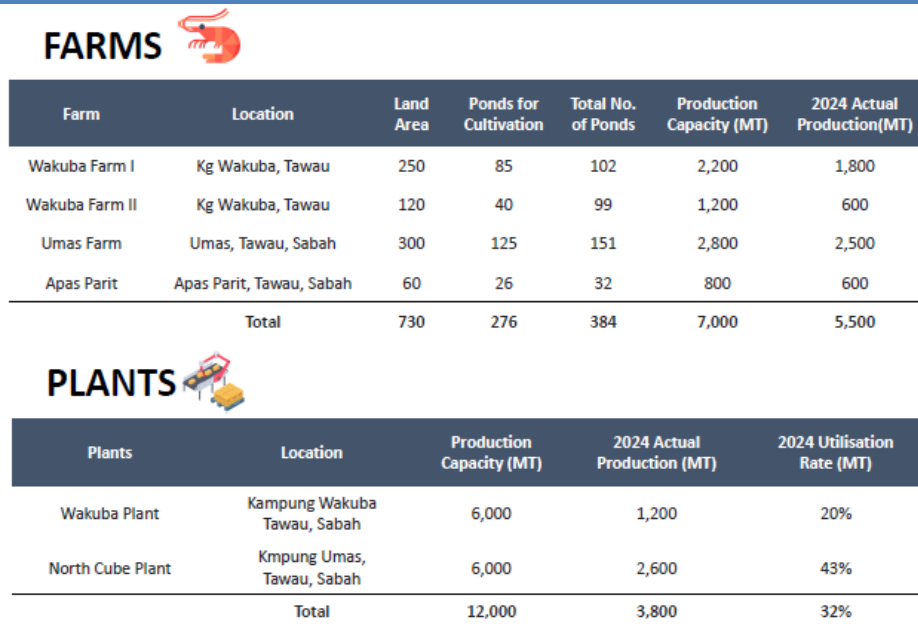
Source: Company data

Figure 19: Smart farming solutions



Source: Company data

Figure 20: Breeding and processing capacities



Source: Company data

Figure 21: Certification and compliance



Source: Company data

Figure 22: Farm process flow



Source: Company data

Figure 23: Production process flow



Source: Company data

Figure 24: Corporate structure



Source: Company data

Sustainability Initiatives

Economic sustainability. MAGH's focus is on creating long-term value for shareholders while contributing to the economic growth of the communities where it operates. In FY24, it continued to diversify its aquaculture operations, which now span 384 cultivation ponds. This expansion has not only enhanced its production capacity but has also provided stable employment opportunities for local communities in Sabah.

In addition to producing its own shrimp supply from processing, MAGH also sources from local farmers. By prioritising local suppliers and promoting local employment, MAGH has contributed to the socioeconomic development of the surrounding communities. In FY24, 99% of its sourcing budget was allocated to local vendors and suppliers, in keeping with its standard practices.

MAGH has adopted a forward-looking approach to its aquaculture business, ensuring that it remains resilient to external economic shocks, such as fluctuations in commodity prices and foreign exchange rates. Its emphasis on operational efficiency and cost management will allow MAGH to maintain profitability even during periods of market volatility.

Environmental sustainability. Generally, prawn aquaculture farming does not generate many environmental issues as there are no emissions of harmful noxious gases or the production of toxic fluids and discharges. Solid particles in the ponds entrained by the turbulence of moving water are removed naturally by sedimentation, a process which uses gravity to remove suspended solids from water.

MAGH's operations are designed to minimise the impact on natural ecosystems, particularly within its prawn aquaculture farming. With reference to Global Reporting Initiative's (GRI) environmental reporting standards, it focuses on responsible water management, reduction of greenhouse gas emissions, and waste minimisation.

Key initiatives implemented in FY24 include:

- i. **Sustainable aquaculture practices.** MAGH has adopted eco-friendly farming methods that prioritise reducing chemical usage and maintaining biodiversity. Instead of relying on chemical pesticides, it introduces specific fish species that feed on parasites, helping to maintain a healthy, chemical-free environment. These practices are in line with internationally recognised standards, and all its farms are certified under Malaysia's Malaysian Good Agricultural Practice (myGAP) certification, reinforcing its commitment to sustainable farming;
- ii. **Efficient use of resources.** MAGH continues to integrate energy-efficient technologies within its operations, reducing energy consumption and lowering its carbon footprint. It has replaced some of its paddle wheels with more energy-efficient air blowers. In addition, air blowers have fewer moving parts, resulting in lower maintenance costs and longer operational lifespan;
- iii. **Waste management.** MAGH's waste management strategy focuses on reducing, reusing and recycling waste materials. Its aquaculture operations produce sludge as a residue, which is rich in phosphorus and contains nitrogen – both essential components in organic fertiliser. MAGH is currently in the process of researching the most efficient methods of converting sludge to fertiliser.

Social sustainability. MAGH is committed to ensuring the safety and well-being of its employees, fostering an inclusive workplace, and giving back to the communities in which it operates.

- i. **Employee well-being.** Occupational health and safety is a top priority. MAGH has implemented stringent safety protocols across all operations and provides regular training to ensure that its employees work in a safe and healthy environment. The company has established and implemented standard operating procedures in compliance with the Occupational Safety and Health Act (OSHA) and industry best practices. It has also formed an OSHA Committee to conduct regular audits and safety inspections. The committee is tasked with identifying potential hazards and ensuring compliance with regulations;
- ii. **Human capital development and diversity.** MAGH believes that employees are their most valuable assets. It provides ongoing training and development opportunities to help its staffs grow in their careers and contribute meaningfully to the company's operations. MAGH is committed to equal opportunity, ensuring that all employees, regardless of gender identity, sexual orientation, age, ethnicity or background, have the

chance to succeed, while promoting a culture of respect and collaboration. In FY24, it began collecting data on all its workers across the operations, which includes gender and other details. This will allow them to plan and implement initiatives that specifically target their areas of need and foster a conducive workplace that prioritises their wellbeing;

- iii. **Community engagement.** MAGH supports the local communities through job creation, social contributions and partnerships with local suppliers. Its prawn farming operations in Sabah are not only a key driver of the local economy but also an essential part of the community's social fabric.

Key Risks

Disease outbreaks. Prawns are highly susceptible to various diseases that can significantly impact yield and profitability for MAGH. To mitigate these risks, the company implements robust biosecurity and health management practices, including establishing buffer zones to prevent contamination, maintaining optimal water quality by managing temperature, salinity, pH, and dissolved oxygen levels, using disease-resistant shrimp, conducting regular health checks, and diversifying shrimp species by cultivating White Shrimp (*L. vannamei*) and Black Tiger Shrimp (*P. monodon*).

Environmental pollution. Industrial and agricultural runoff pollution compromises water quality, adversely affecting prawn health and growth, posing a significant challenge for MAGH. To address this, the company is actively implementing water quality management and environmental stewardship through regular water quality testing and treatment, collaboration with authorities to monitor environmental factors, and the adoption of integrated farming practices to minimise environmental impact.

Market and foreign currency fluctuations. Prawn prices are volatile due to demand shifts, competition, and global market conditions, while MAGH is also exposed to foreign exchange fluctuations, with most revenue denominated in the USD. To mitigate these risks, the company is diversifying into value-added products such as frozen shrimp, securing pricing and sales through contractual agreements, conducting market research to stay ahead of trends, and implementing hedging strategies to manage currency risk effectively.

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