

CHAIRMAN'S MESSAGE

Scale has been the cornerstone of our growth and development. We sustain our growth through building on the scalable aspects of our businesses which are our large-scale refineries, strong supplier network, and broad customer base. The Group, as such, is well positioned to meet market demands while delivering effective cost solutions for the benefit of our customers.

2017 proved yet to be another successful year for the Group.

Crude Palm Oil (CPO) production in years that followed an El Nino year generally witnessed an exponential growth. However, 2017 has been an exception to that rule, with production volumes from both Indonesia and Malaysia being disappointing low due to lower yields. There was also another concern faced by the industry which was the moratorium on palm oil plantation expansion in Indonesia.

In spite of that, the Group did relatively well in the Bulk segment as it experienced strong demand from the destination markets with a weaker ringgit supporting prices over a good part of the year. The good performance is also the result of a relatively better than expected refining margin with firmer prices as we approached year end.

The Consumer Pack segment too had a positive performance due to improving operating margins and better product offerings as it continued to expand and sell to more than 100 destination markets while offering economies of scale in its value chain.

The market remains challenging in the medium term due to surplus inventories, tighter government regulations for example the push for sustainable palm oil in both Malaysia and Indonesia, and moratorium on new plantation in Indonesia. However, these should be mitigated by better supply and demand dynamics driven by healthier domestic consumption pattern among growing middle class, continued technological advancement in developing infrastructure and logistics in supporting palm oil industry, and the deployment of increasingly automated and energy efficient technology in oil processing which maximises productivity.

Nevertheless, the Group ended the year on a stronger note. The resolute support given by the shareholders was pivotal to these achievements. Therefore, the Group proposes a final dividend of 0.004 Singapore cents per ordinary share which along with interim dividend 0.013 Singapore cents, making total dividend of 0.017 Singapore cents per ordinary share for the full year.

We are also grateful to our Board of Directors and employees for their continued support and passion. All these put us in a much stronger position for a sustainable future growth.

DR CHEO TONG CHOON

Chairman and Executive Director