

CEO'S MESSAGE

2022 saw the vegetable oil market grappling with volatility triggered by recession fears, Russia-Ukraine war and protectionist measures imposed by governments in a bid to secure domestic food supplies. As a result of these uncertainties, crude palm oil (CPO) prices went through a roller coaster ride. In the early part of the year, higher global soyabean oil prices, firmer Brent crude oil prices, reduced sunflower oil supply, lower stockpile of CPO and Indonesia's temporary ban on CPO exports pushed the CPO price to reach a record high of RM8,076 a tonne. However, in the second half of 2022, a sharp decline in the global commodity prices and the resumption of exports by Indonesia drove CPO prices down. CPO prices finally closed at RM4,127.

Notably, significant volatility in prices and disruptions in supply chains contributed to customers having a preference for suppliers with strong global presence and large production and distribution capabilities. Simultaneously, the Group was able to leverage our exemplary credit track record and strong balance sheet to ensure confidence of our suppliers in continuing their supplies. During the year palm oil market was distorted by Indonesia's temporary export ban and levy holidays. This created price distortion between their domestic prices versus global prices, widening the refining margins.

By turning challenging circumstances into positive opportunities, the Group was able to enjoy tremendous success and growth in 2022. Besides recording higher selling price of 19.8%, the Group also increased our sales volume from 4,119,500 metric tonne (MT) last year to 4,293,000 MT. Resultantly, the Group achieved record revenue of US\$5,428.5 million and an impressive net profit of US\$113.6 million. This represents a growth of 41.8% compared to last year.

The strong performance was underpinned by an increase in sales volumes for the bulk and consumer pack segments, 2.9% and 8.0% respectively, as well as higher operating margins. While the total operating margin of the bulk segment increased by 43.6% to US\$215.9 million, the consumer pack segment also grew 13.8% to US\$85.0 million.

Due to our robust performance, the Group generated record operating cash flows before working capital changes of US\$207.0 million despite longer cycle time of 57 days, as opposed to 51 days last year. We also further bolstered our total equity to US\$774.8 million, significantly strengthening our balance sheet.

FUTURE OUTLOOK

As the Group enters 2023, the pandemic which has plagued the world is finally stabilising after two tumultuous years.

However, climate change, continuing war between Russia and Ukraine and intensifying geopolitical tensions continue to cast a dark shadow over the world's economy. Weather patterns, labour conditions, currency fluctuations, and geopolitical instability can all influence the balance between supply and demand.

Nonetheless, the outstanding performance of the Group – marked by strong earnings and good cash flow – over the past three years has strengthened the Group's foundation. Our large-scale integrated production facilities in Malaysia, expanding presence in Indonesia, established brands and comprehensive global supply chain network also augment the Group's capabilities to capture arising growth opportunities.

Particularly, the Group noted that national food protectionism is on the rise with renewed focus on self-sufficiency post pandemic, and a sustainable demand for vegetable oils given the United Nation's projection of significant global population growth in sub-Saharan Africa and South Asia regions by 2050. As an established, reputable and socially responsible player in the market, the Group is not only well placed to drive continued growth and success, but also make a positive contribution to the global food supply.

The impressive financial results accomplished in 2022 was unprecedented – and an achievement that reflects the collective hard work and commitment of our people, as well as the unwavering support and guidance of our Board of Directors and Chairman. The trust and confidence that our shareholders, customers, venture partners, suppliers, bankers and other stakeholders continue to place in us, despite the volatility, have also been instrumental to our success. Likewise, the reliable counsel and steadfast partnership that I am lucky to count on from my senior leadership team and their global teams have never failed to offer inspiration in challenging moments.

Looking ahead, we recognise that while challenges abound in the immediate future, the Group is in a strong position to weather through and tap into the sustainable opportunity present in the medium to long-term. We are committed to proactively build on the healthy goodwill and momentum today to deliver value and enrich lives of all stakeholders – sustainably. By doing so, we believe we can help ensure food security for future generations while also creating value for our stakeholders.

MS MICHELLE CHEO HUI NING

Deputy Chairperson, Chief Executive Officer and Executive Director