OPERATIONS AND FINANCIAL REVIEW

	FY 2016	FY 2017	FY 2018
INCOME STATEMENT			
Revenue	3,043	2,927	2,947
Operating margin	134.4	151.0	122.8
Profit after tax	20.8	32.1	14.8
Earnings per share (US cents per share)	1.39	2.14	0.99
BALANCE SHEET			
Long-term investments	327	366	412
Working capital	335	487	510
Total investments	**662**	**853**	**922**
Equity	486	518	520
Gross debt	226	404	451
Cash	50	69	49
Net debt (Gross debt less Cash)	176	335	402
Total capital	**662**	**853**	**922**
Gross debt to equity	0.46	0.78	0.87
Net debt to equity	0.36	0.65	0.77
Net asset value per share (US cents per share)	32.57	34.42	34.62

In US$' million, unless stated otherwise

SEGMENTAL PERFORMANCE

	FY 2016	FY 2017	FY 2018
Sales volume (MT'000)			
Bulk	3,288	2,596	3,088
Consumer Pack	935	1,095	1,109
Total	4,223	3,691	4,197
Operating margin (US$'million)			
Bulk	102.5	85.9	70.2
Consumer Pack	31.9	65.1	52.6
Total	134.4	151.0	122.8
Operating margin per MT (US$)			
Bulk	31.2	33.1	22.7
Consumer Pack	34.1	59.5	47.4
Total	31.8	40.9	29.3

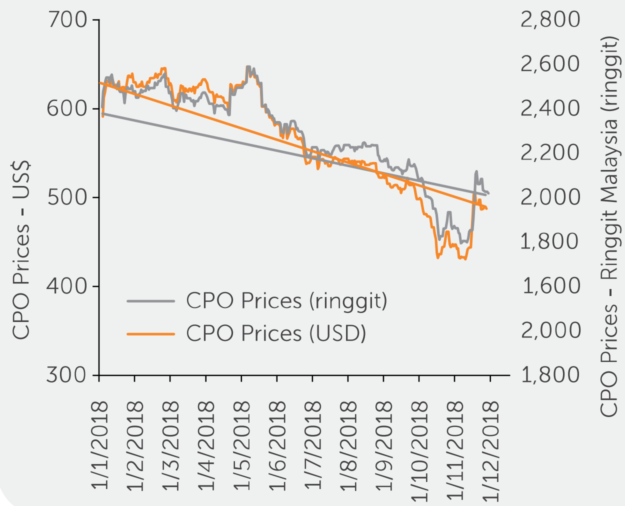
OPERATIONS AND FINANCIAL REVIEW

PALM OIL INDUSTRY IN 2018

In 2018, the prices of all oil palm products were traded lower. CPO price traded lower by 19.3%, averaging RM2,256 per metric tonne compared to RM2,795 per metric tonne in 2017. The highest traded price for 2018 was in March at RM2,558 per metric tonne, while the lowest was in early December at RM1,733 per metric tonne. The lower CPO price during the year was mainly due to the higher palm oil inventory arising from lower palm oil export demand coupled with weaker prices of other vegetable oil in the world market.

However, there was a price surge towards the end of the year to RM1,975 which were caused by a few positive events. These positive events were the implementation of biodiesel mandates by Malaysia and Indonesia, a rally in soya bean prices, and India's temporary suspension of import duty of cooking oil. With lower prices and the weakening of both ringgit and rupiah, sales volume increases during the last few months of the year as buyers at destination markets were attracted by the lower prices.

CPO Prices (ringgit and US dollar)



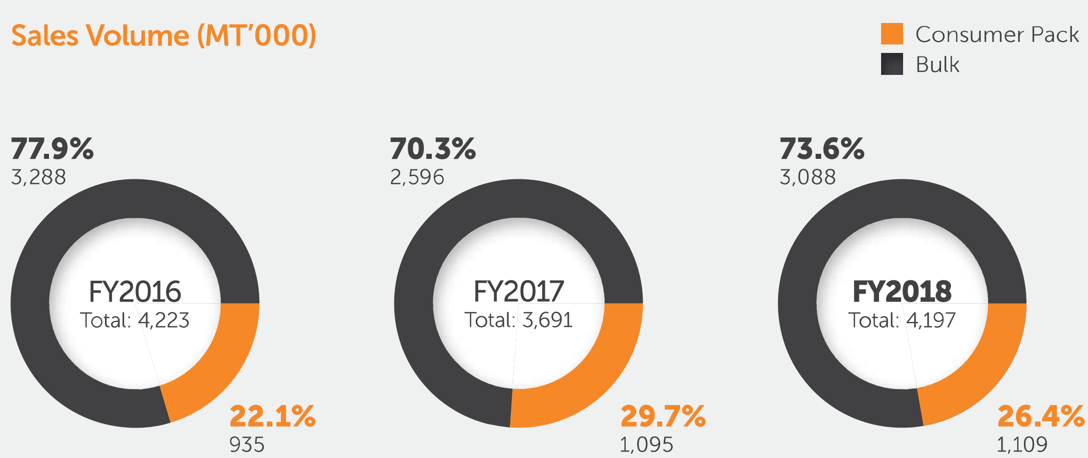
GROUP'S SALES VOLUME

The Group achieved sales volume of 4,197,600 MT compared to 3,690,600 MT last year. Sales volume for 2018 was 13.7% higher than volume achieved last year. Bulk segment registered sales volume 3,088,200 MT, an increase of 19.0% and contributed 73.6% of total volume. Consumer Pack segment was an increase of 1.4% and contributed 26.4% of total volume.

This year has been especially challenging for all players. Despite this, the Group managed to push through more volume as buyers at destination markets were attracted by the lower prices. The weaker ringgit also made palm oil attractive for international buyers.

Our palm-based oils and fats business registered sales volume of 4.0 million MT and was significantly higher than the production from our recently increased installed capacity of 3.5 million MT.

Sales Volume (MT'000)



WELL DIVERSIFIED SALES REVENUE

The Group reported sales revenue of US$2,946.8 million in 2018, 0.7% higher than last year due to 13.7% higher sales volume offset by 11.5% lower average selling prices.

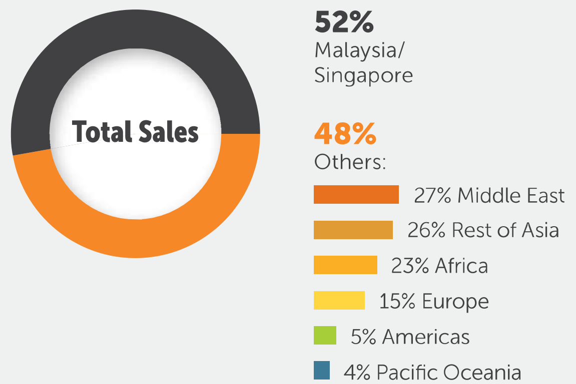
Bulk segment recorded an increase of 2.6% in revenue and contributed 68.9% of total revenue. Consumer Pack segment registered a decrease of 3.2% in revenue and contributed 31.1% of total revenue.

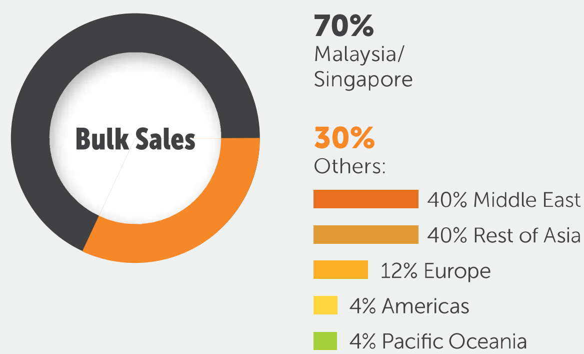
We strive to diversify our sales revenue across the globe and our efforts continued in 2018. Based on billing address of the customers, 48% of total sales were made as destination sales, selling the products to customers in countries other than Malaysia and Singapore. Destination sales remained diversified with Middle East, Rest of Asia, Africa and Rest of World contributing 27%, 26%, 23% and 24% of total destination sales respectively. Total sales to Americas and Europe contributed 20% of sales compared to 23% last year.

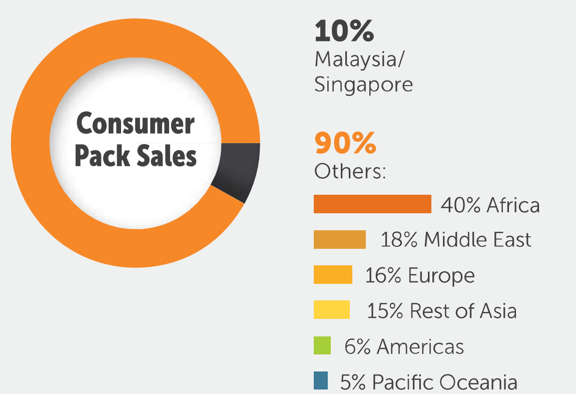
Destination sales for both Bulk and Consumer Pack segments remained strong. 30% of Bulk segment sales were made to destination markets with Middle East, Rest of Asia and Rest of World contributing 40%, 40% and 20% respectively. 90% of Consumer Pack segment sales were made to destination markets with Africa, Middle East, Europe, Rest of Asia and rest of world contributing 40%, 18%, 16%, 15% and 11% respectively.

	FY 2017	FY 2018
Malaysia/ Singapore	53%	**52%**
Destination	47%	**48%**
TOTAL	**100%**	**100%**
Africa	27%	**23%**
Middle East	25%	**27%**
Rest of Asia	20%	**26%**
Americas	7%	**5%**
Europe	16%	**15%**
Pacific Oceania	5%	**4%**

Geographical spread







OPERATIONS AND FINANCIAL REVIEW

OPERATING MARGINS

The Group measures and tracks the performance in terms of Operating Margin per MT sales volume and resultant total operating margin (OM). OM is calculated by adjusting the depreciation in cost of sales, selling and distribution expenses and foreign exchange differences in other gains or losses to gross profit.

Over the period of last five decades, we have developed a proven integrated business model of participating in the midstream and downstream parts of the value chain in the attractive palm oil industry, built inherent operational flexibility, developed sound risk management practices, and established our own brands and global distribution capabilities which have helped us to deliver robust operating margins during normal industry conditions and resilient margins during tough economic cycles.

We achieved operating margin of US$122.8 million, 18.7% lower than last year due to lower margin of US$29.3 per MT compared to US$40.9 per MT last year despite 13.7% higher sales volume. For the Bulk segment, the current excess inventory in Malaysia and Indonesia continued to weigh down on the market resulting in lower prices. The margins for the refiners continued to be under pressure amidst tough industry conditions. Total operating margin for Bulk segment decreased 18.3% to US$70.2 million due to lower operating margin of US$22.7 per MT compared to US$33.1 per MT last year despite 19.0% higher sales volume. For the Consumer Pack segment, we continued to experience tough conditions in the destination markets since prices were trending lower and we experienced tendency on part of our customers to delay additional purchases and/or negotiate harder prices putting pressure on our margins. Total operating margin for Consumer Pack segment decreased 19.2% to US$52.6 million due to lower operating margin of US$47.4 per MT compared to US$59.5 per MT last year despite 1.4% higher sales volume. Bulk and Consumer Pack segments contributed 57.2% and 42.8% of total operating margin respectively.

Total	FY 2017	**FY 2018**	Change %
Sales volume (MT'000)	3,691	**4,198**	13.7%
OM per MT (US$)	40.9	**29.3**	-28.4%
Operating margin (US$mil)	151.0	**122.8**	-18.7%

Bulk	FY 2016	**FY 2018**	Change %
Sales volume (MT'000)	2,596	**3,088**	19.0%
OM per MT (US$)	33.1	**22.7**	-31.4%
Operating margin (US$mil)	85.9	**70.2**	-18.3%

Consumer Pack	FY 2016	**FY 2018**	Change %
Sales volume (MT'000)	1,095	**1,109**	1.4%
OM per MT (US$)	59.5	**47.4**	-20.3%
Operating margin (US$mil)	65.1	**52.6**	-19.2%

STRONG BALANCE SHEET

We manage our capital structure very actively by maintaining prudent debt to equity ratio and maintaining healthy combination of equity, long-term debt and short-term debt to fund long-term investment and working capital.

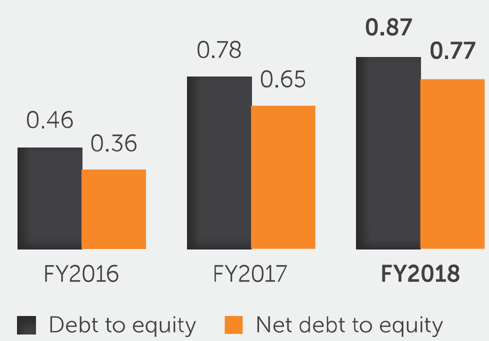
As at 31 Dec 2018, we maintained prudent debt to equity ratio of 0.87 or net debt to equity ratio of 0.77. Current low net debt to equity ratio, well below our target limit of 1.5 leaves enough scope for us to raise additional debt to support our growth plans.

Due to nature of our investments, we target to keep net debt to equity ratio of less than 1.0 for long- term investments and less than 2.0 for working capital. As at 31 Dec 2018, long-term investments of US$412.7 million were funded by equity and long-term debt of 88.8% and 11.2% respectively giving net debt to equity ratio of 0.13. Working capital of US$509.8 million were funded by current net-debt and equity of 69.8% and 30.2% respectively giving net debt to equity ratio of 2.31 which has exceed our target due to additional working capital requirement.

We maintain adequate working capital credit lines to support our business. Our current working capital lines utilisation was 68.8% of total credit lines available.

Though we have efficient, large scale, integrated production facilities and strong distribution network, we had a cycle time of 61 days in year 2018 due to the Group carrying higher inventories.

Debt to equity and net debt to equity



Balance sheet (US$'mil)