OPERATIONS AND FINANCIAL REVIEW

	FY 2015	FY 2016	FY 2017
INCOME STATEMENT			
Revenue	2,675	3,043	2,927
Operating margin	94.2	134.4	151.0
Profit after tax	6.5	20.8	33.6
Earnings per share (US cents per share)	0.43	1.39	2.24
BALANCE SHEET			
Long-term investments	331	327	366
Working capital	477	335	487
Total investments	**808**	**662**	**853**
Equity	485	486	518
Gross debt	369	226	404
Cash	46	50	69
Net debt (Gross debt less Cash)	323	176	335
Total capital	**808**	**662**	**853**
Gross debt to equity	0.76	0.46	0.78
Net debt to equity	0.67	0.36	0.65
Net asset value per share (US cents per share)	32.47	32.57	34.42

In US$' million, unless stated otherwise

	FY 2015	FY 2016	FY 2017
SEGMENTAL PERFORMANCE			
Sales volume (MT'000)			
Bulk	2,872	3,288	2,596
Consumer Pack	1,011	935	1,095
Total	3,883	4,223	3,691
Operating margin (US$'million)			
Bulk	37.2	102.5	85.9
Consumer Pack	57.0	31.9	65.1
Total	94.2	134.4	151.0
Operating margin per MT (US$)			
Bulk	13.0	31.2	33.1
Consumer Pack	56.4	34.1	59.5
Total	24.3	31.8	40.9

OPERATIONS AND FINANCIAL REVIEW

PALM OIL INDUSTRY IN 2017

In 2017, CPO prices continued with high volatility but in declining trend, dropped from a high of 3,350 ringgit in mid-February to a low of 2,340 ringgit in mid-December before closing the year at 2,400 ringgit, 25% lower for the year. The surge in prices in the early part of the year was mainly due to shortage of inventories in Indonesia and Malaysia as a result of low production caused by El-Nino. Subsequently, the decrease in market prices was largely due to higher CPO production and inventory in the Malaysia market, and weakening market demand towards the end of the year.

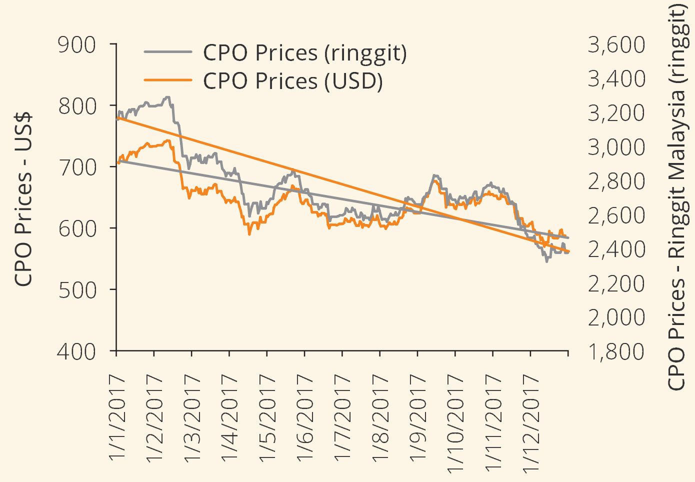
Malaysian Palm Oil Board (MPOB) reported 2017 CPO production at 19.92 million MT, an increase of 15.0%. While for Indonesia, The Indonesian Palm Oil Producers Association (Gapki) reported 2017 CPO production at 38.17 million MT and palm kernel oil production at 3.05 million MT. Total palm oil production of Indonesia stood at 41.98 million MT, an increase of 18%.

GROUP'S SALES VOLUME

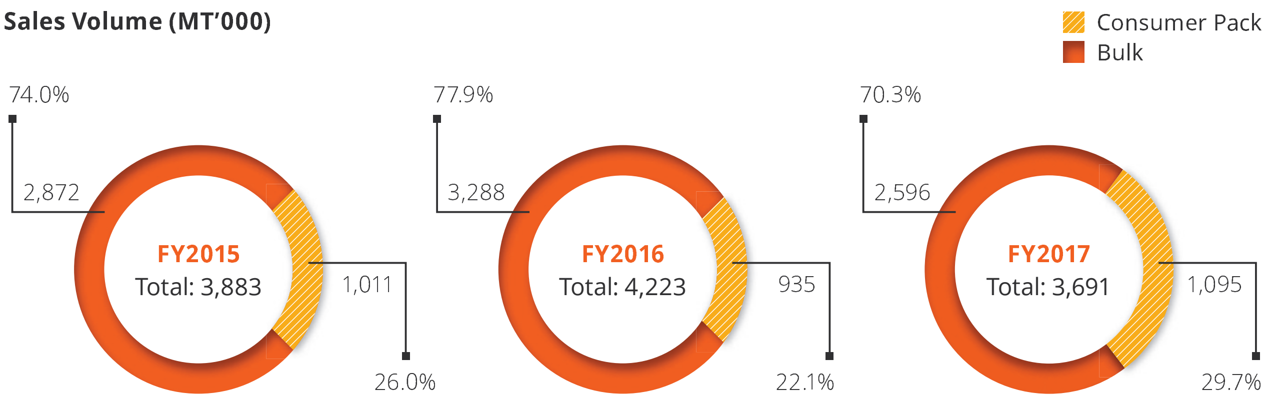
The Group achieved sales volume of 3.7 million MT compared to 4.2 million MT last year. Sales volume for 2017 was 12.6% lower than volume achieved last year. Bulk segment registered sales volume of 2.6 million MT, a decrease of 21.0% and contributed 70.3% of total volume. Consumer Pack segment was an increase of 17.0% and contributed 29.7% of total volume.

Our palm-based oils and fats business registered sales volume of approximately 3.5 million MT and was relatively the same as the production from our installed capacity of 3.5 million MT.

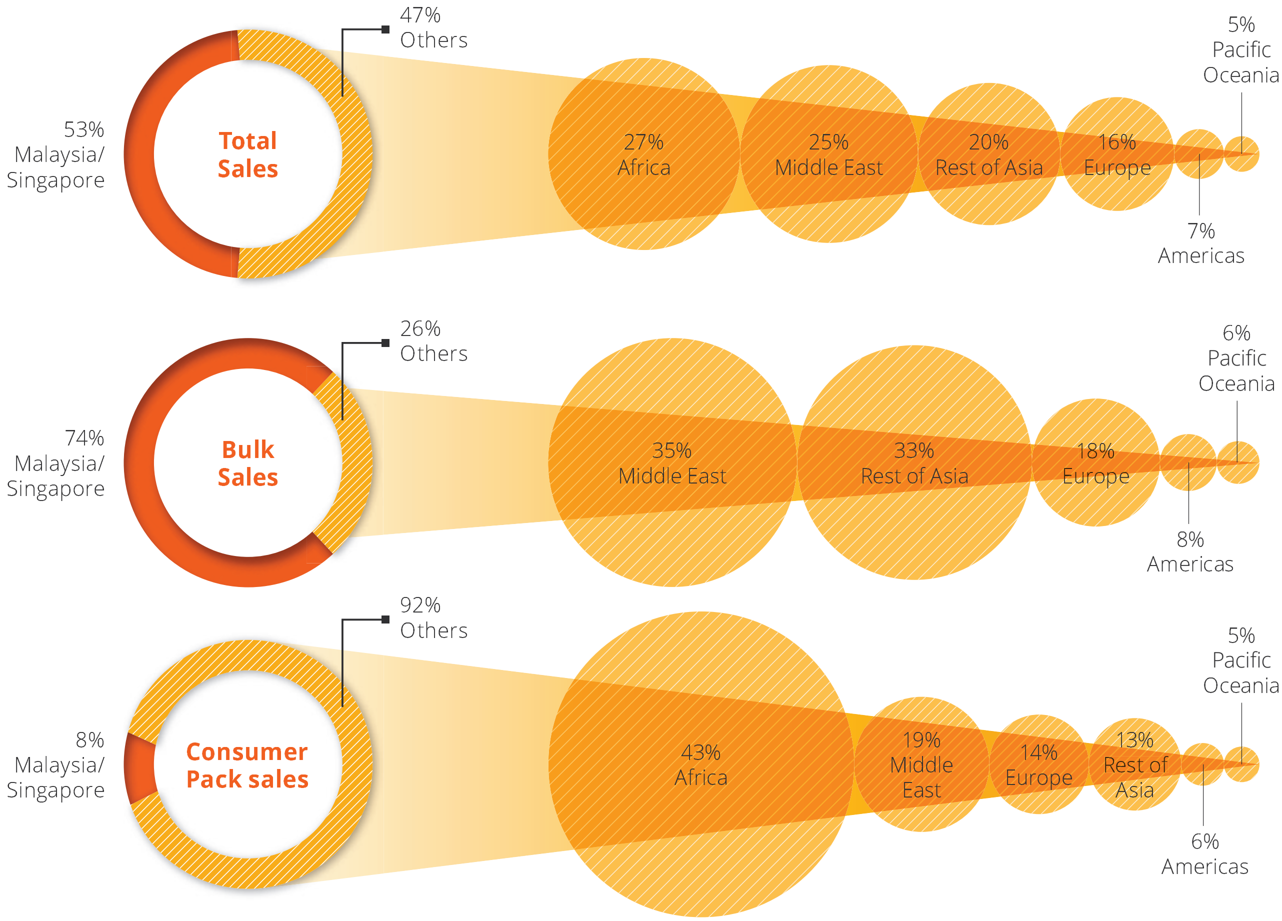
CPO Prices (ringgit and US dollar)



Sales Volume (MT'000)



Geographical spread



WELL DIVERSIFIED SALES REVENUE

The Group reported sales revenue of US$2,926.7 million in 2017, 3.8% lower than last year due to 12.6% lower sales volume despite 10.1% higher average selling prices.

Bulk segment recorded a decrease of 13.6% in revenue and contributed 67.6% of total revenue. Consumer Pack segment registered an increase of 25.8% in revenue and contributed 32.4% of total revenue.

We strive to diversify our sales revenue across the globe and our efforts continued in 2017. Based on billing address of the customers, 47% 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 Africa, Middle East, Rest of Asia and Rest of World contributing 27%, 25%, 20% and 28% of total destination sales respectively. Total sales to Americas and Europe contributed 23% of sales compared to 22% last year.

Destination sales for both Bulk and Consumer Pack segments remained strong. 26% of Bulk segment sales were made to destination markets with Middle East, Rest of Asia and Rest of World contributing 35%, 33% and 32% respectively. 92% of Consumer Pack segment sales were made to destination markets with Africa, Middle East, Europe, Rest of Asia and Rest of World contributing 43%, 19%, 14%, 13% and 11% respectively.

	FY 2016	FY 2017
Malaysia/ Singapore	63%	**53%**
Destination	37%	**47%**
TOTAL	**100%**	**100%**
Africa	28%	**27%**
Middle East	26%	**25%**
Rest of Asia	19%	**20%**
Americas	8%	**7%**
Europe	14%	**16%**
Pacific Oceania	5%	**5%**

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$151.0 million, 12.4% higher than last year on the back of improved margin of US$40.9 per MT compared to US$31.8 last year despite 12.6% lower sales volume. Total operating margin for Bulk segment decreased 16.2% to US$85.9 million due to 21.0% lower sales volume despite higher operating margin of US$33.1 per MT compared to US$31.2 last year. The expectation of falling prices resulted in buyers in the Bulk segment delaying their purchases to buying just in time (JIT). This put pressure on sales volumes for the Group and for the Bulk segment. Despite lower margins achieved for Bulk segment, our Group's integrated business model with participation in large part of the value chain and ability to sell in global markets under its own brands through well established distribution networks helped to maintain healthy margins for the Consumer Pack business. Consumer Pack segment achieved improved total operating margins of US$65.1 million on the back of 17.0% higher sales volume and higher operating margin of US$59.5 per MT compared to US$34.1 last year. Addition of rice and dairy products, duly supported by our recent investment in dairy manufacturing facilities, has improved our competitive position in the consumer products business. Bulk and Consumer Pack segments contributed 56.9% and 43.1% of total operating margin respectively.

Total	FY 2016	**FY 2017**	Change %
Sales volume (MT'000)	4,223	**3,691**	-12.6%
OM per MT (US$)	31.8	**40.9**	28.6%
Operating margin (US$mil)	134.4	**151.0**	12.4%

Bulk	FY 2016	**FY 2017**	Change %
Sales volume (MT'000)	3,288	**2,596**	-21.0%
OM per MT (US$)	31.2	**33.1**	6.1%
Operating margin (US$mil)	102.5	**85.9**	-16.2%

Consumer Pack	FY 2016	**FY 2017**	Change %
Sales volume (MT'000)	935	**1,095**	17.0%
OM per MT (US$)	34.1	**59.5**	74.5%
Operating margin (US$mil)	31.9	**65.1**	104.1%

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.

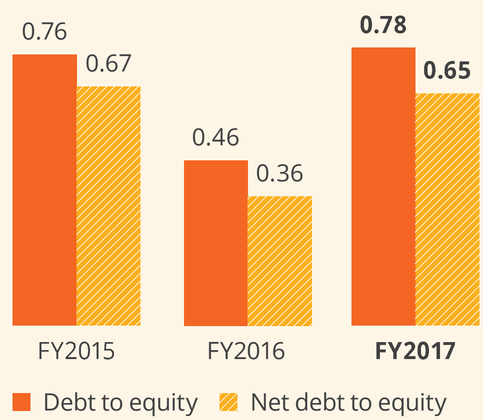
As at 31 Dec 2017, we maintained prudent debt to equity ratio of 0.78 or net debt to equity ratio of 0.65. Current low net debt to equity ratio, well below our target limit of 1.5 leaves enough scope for us to raise additional debt to support our growth plans.

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 2017, long-term investments of US$366.1 million were funded by equity and long-term debt of 94.8% and 5.2% respectively giving non-current net debt to equity ratio of 0.06. Working capital of US$486.5 million were funded by equity and current net-debt of 64.9% and 35.1% respectively giving current net debt to equity ratio of 1.85.

We maintain adequate working capital credit lines to support our business. Our current working capital lines utilisation was 65.8% of total credit lines available.

Though we have efficient, large scale, integrated production facilities and strong distribution network, we had a cycle time of 60 days in year 2017 due to the Group carrying higher inventories.

Debt to equity and net debt to equity



Balance sheet (US$'mil)