Operations and Financial Review

	FY 2014	FY 2015	FY 2016
INCOME STATEMENT			
Revenue	3,439	2,675	3,043
Operating margin	94.6	94.2	134.4
Net profit*	2.7	6.5	20.8
Earnings per share (US cents per share)	0.18	0.43	1.39
BALANCE SHEET			
Long-term investments	382	331	327
Working capital	424	477	335
Total investments	**806**	**808**	**662**
Equity	536	485	486
Gross debt	331	369	226
Cash	61	46	50
Net debt (Gross debt less Cash)	270	323	176
Total capital	**806**	**808**	**662**
Gross debt to equity	0.62	0.76	0.46
Net debt to equity	0.50	0.67	0.36
Net asset value per share (US cents per share)	35.92	32.47	32.57

In US$' million, unless stated otherwise

* Profit after tax attributable to equity holders of the company

	FY 2014	FY 2015	FY 2016
SEGMENTAL PERFORMANCE			
Sales volume (MT'000)			
Bulk	2,852	2,872	3,288
Consumer Pack	1,164	1,011	935
Total	4,016	3,883	4,223
Operating margin (US$'million)			
Bulk	41.6	37.2	102.5
Consumer Pack	53.0	57.0	31.9
Total	94.6	94.2	134.4
Operating margin per MT (US$)			
Bulk	14.6	13.0	31.2
Consumer Pack	45.6	56.4	34.1
Total	23.6	24.3	31.8

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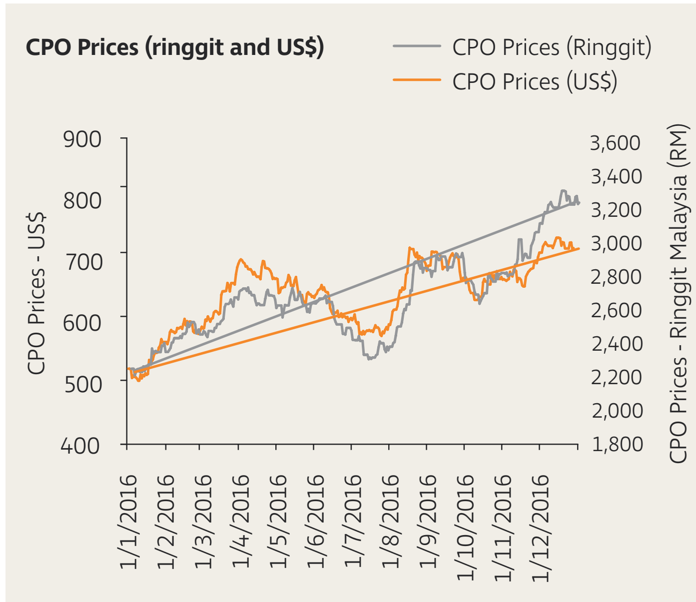
PALM OIL INDUSTRY IN 2016

The price of Crude Palm Oil ("CPO") was on trend upwards during the year, from a low of 2,200 ringgit in early-January to hitting a high of 3,280 ringgit in mid-December before closing the quarter at 3,210 ringgit. This meant CPO prices were 43% higher for the year and were at average of 2,650 ringgit for the year.

Low inventory levels at Indonesia and Malaysia due to El-Nino in second half of 2015 and first half of 2016, coupled with improved production outlook resulted in prices for spot and nearby months at premiums compared to forward months.

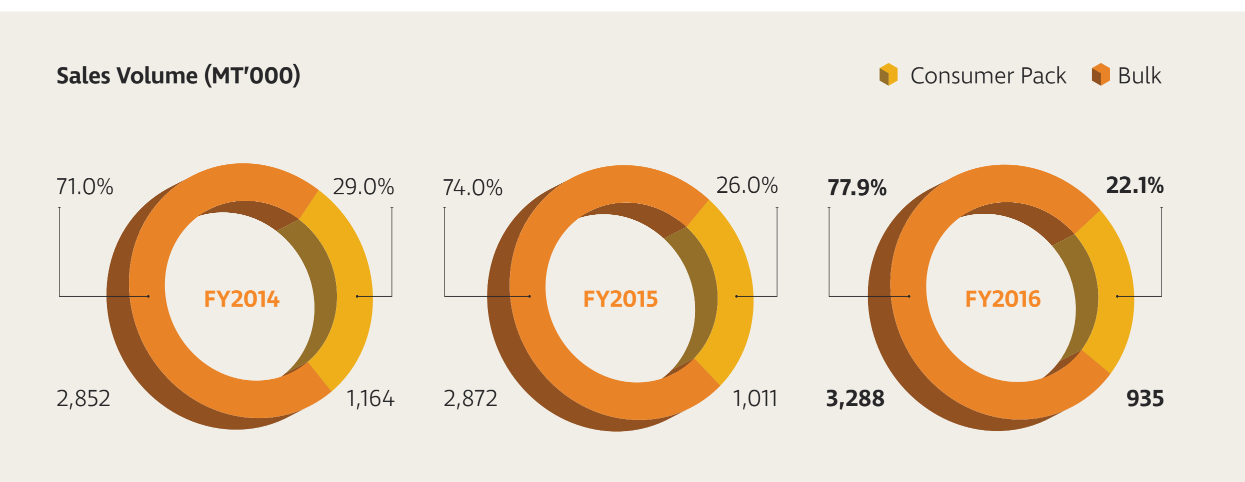
After weak sales towards the end of the last year, the Group saw renewed demand from destination markets, particularly for the Bulk segment and industrial buyers were keen to stock more inventories in view of growing concerns over the availability of palm oil and a bullish view on the prices. Improved demand from destination market and a weaker ringgit helped to support the prices. The Group continued to leverage on its consolidated position as a downstream player and its operational efficiencies and flexibilities to meet its customers' requirement.

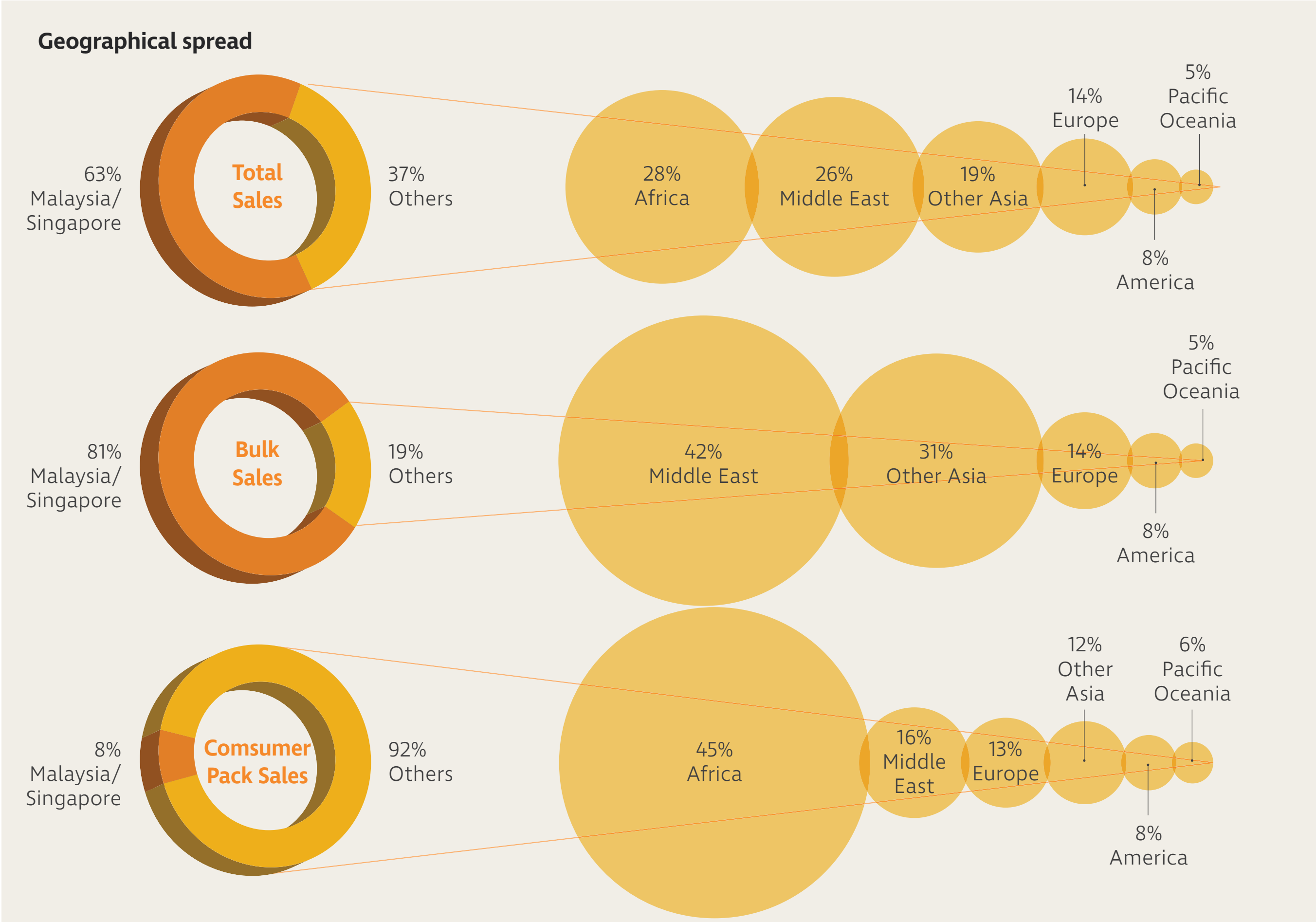


GROUP'S SALES VOLUME

The Group achieved record sales volume of 4,223,000 MT compared to 3,883,000 MT last year. Sales volume for 2016 was 8.8% higher than volume achieved last year. Bulk segment registered record sales volume 3,288,000 MT, increased 14.5% and contributed 77.9% of total volume. Consumer Pack segment slipped 7.5% and contributing 22.1% of total volume.

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.





WELL DIVERSIFIED SALES REVENUE

The Group reported sales revenue of US$3,043 million in 2016, 13.8% higher than last year on the back of 8.8% higher sales volume and 4.6% higher average selling prices.

Bulk segment's revenue improved by 22.1% and contributed 75.3% of total revenue. Consumer Pack segment's revenue dropped by 5.8% and contributed 24.7% of total revenue.

We strive to diversify our sales revenue across the globe and our efforts continued in 2016. Based on billing address of the customers, 37% 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, Africa, Other Asia and rest of world contributing 26%, 28%, 19% and 27% of total destination sales respectively. Sales to Americas and Europe contributed 22% of sales compared to 24% last year.

Destination sales for both Bulk and Consumer Pack segments remained strong. 19% of Bulk segment sales were made to destination markets with Middle East, Other Asia and rest of world contributing 42%, 31% and 27% respectively. 92% of Consumer Pack segment sales were made to destination markets with Africa, Middle East, Europe, Other Asia and rest of world contributing 45%, 16%, 13%, 12% and 14% respectively.

	FY 2015	**FY 2016**
Malaysia/Singapore	53%	**63%**
Destination	47%	**37%**
Total	**100%**	**100%**
Africa	25%	**28%**
Middle East	25%	**26%**
Rest of Asia	21%	**19%**
America	11%	**8%**
Europe	13%	**14%**
Pacific Oceania	5%	**5%**

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OPERATING MARGINS

The Group measures and tracks the performance in terms of Operating Margin per MT sales volume and resultant total operating margin. 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 that 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$134.4 million, 42.7% higher than last year on the back of 8.8% increase in sales volume and improved margin of US$31.8 per MT compared to US$24.3 last year. With a tight supply situation, the Group witnessed improved performance for its bulk business supported by 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. Total operating margin for Bulk segment more than doubled to US$102.5 million supported by 14.5% higher sales volume and higher operating margin of US$31.2 per MT compared to US$13.0 last year. However, customers in certain markets continued to face difficulty in sourcing foreign currencies not only affecting sales volumes for the Consumer Pack division but also requiring the Group to make allowances for impairment of some trade receivables affecting the margins for the division. Consumer Pack segment margins decreasing to US$34.1 per MT compared to US$56.4 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 76.3% and 23.7% of total operating margin respectively.

Total	FY 2015	**FY 2016**	Change %
Sales volume (MT'000)	3,883	**4,223**	8.8%
OM per MT (US$)	24.3	**31.8**	30.9%
Operating margin (US$mil)	**94.2**	**134.4**	42.7%

Bulk	FY 2015	**FY 2016**	Change %
Sales volume (MT'000)	2,872	**3,288**	14.5%
OM per MT (US$)	13.0	**31.2**	140.0%
Operating margin (US$mil)	**37.2**	**102.5**	175.5%

Consumer Pack	FY 2015	**FY 2016**	Change %
Sales volume (MT'000)	1,011	**935**	-7.5%
OM per MT (US$)	56.4	**34.1**	-39.5%
Operating margin (US$mil)	**57.0**	**31.9**	-44.0%

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.

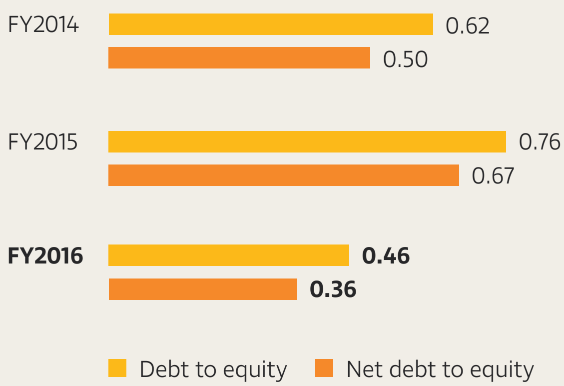
As at 31 Dec 2016, we maintained prudent debt to equity ratio of 0.46 or net debt to equity ratio of 0.36. Current low net debt to equity ratio, well below our target limit of 1.5 leaves enough scope for us to raise additional debt to support our growth plans.

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 2016, long-term investments of US$327.3 million were funded by equity and long-term debt of 90.5% and 9.5% respectively giving net debt to equity ratio of 0.10. Working capital of US$334.5 million were funded by equity and current net-debt of 43.2% and 56.8% respectively giving net debt to equity ratio of 0.76.

We maintain adequate working capital credit lines to support our business. Our current working capital lines utilisation was 30.0% of total credit lines available.

Our efficient, large scale, integrated production facilities and strong distribution network continued to keep our cycle time very short at 44 days in year 2016.

Debt to equity and net debt to equity



Balance sheet (US$'mil)