

CHAIRMAN'S MESSAGE

The year 2019 was a challenging year. Estimated global growth dropped to 2.4%, the slowest pace since the global financial crisis. This weakness was widespread with nearly 90% of advanced economies and 60% of emerging markets and developing economies (EMDEs) undergoing varying degrees of deceleration. The palm oil industry was also adversely impacted for the major portion of the year. CPO prices for the first three quarters were on an average 10% lower than 2018. However, during the last quarter of 2019, CPO prices rose by 48%, trading at nearly its highest over the past three-year period. Fears of supply crunch, stemming from expectations of lower output growth, and robust biofuel demand contributed to the steep rise in CPO prices. This enabled the downstream asset companies to capture a better part of the value chain.

The Group's strong foundation supported us through this challenging year. Despite higher sales volume and higher average selling prices in the last quarter, lower average selling prices in the first three quarters eventually caused the Group to register a 4.4% decrease in revenue for the full year 2019. But our strong customer focus, close partnerships with our business associates and our global distribution network contributed towards our sales volume crossing 4.5 million metric tonne (MT) for the first time. The persistent efforts of our Marketing team enabled us to achieve this milestone.

The Group's operating margin also came under pressure during the year. Reduced price difference vis-à-vis competitive products, global trade wars, tariff and duty structures, volatility in prices all created significant pressure on our refining margins. To protect and increase our market share and capture the thin operating margins, we focused on ensuring optimum production in our refineries. We also focused on improving working capital efficiency to partially mitigate the impact of reduced operating margins.

Over the many decades, the Group has demonstrated a track record of continuing and growing even during challenging periods. We take this temporary downturn in our stride and continue to grow our value chain and build upon our competencies. Among other value-adding and expansion initiatives, we also continue to invest in

sustainability. During the year, we produced and exported the first shipment of Malaysian Sustainable Palm Oil (MSPO) certified Refined, Bleached and Deodorised (RBD) Palm Olein. We recognise that climate change is a rising global concern. As a global corporate citizen, we have adopted sustainable practices as our fundamental responsibility.

The market outlook for 2020 remains fluid in rear term. Prior to COVID-19 and its categorisation as pandemic by WHO, the World Bank had predicted a marginal global growth for 2020 of 2.5%. We foresee palm oil prices continuing to be supported by lower opening inventory, minimal production growth and biodiesel enhancement programmes in Malaysia and Indonesia. On the other hand, the operating environment will remain challenging with unfolding events from the COVID-19 outbreak. As palm oil industry form's part of the food and fuel sector where the demand is expected to be robust, we do not foresee a very significant pressure on the volumes. However, even as the Group stay focused on running operations sustainably, we will monitor the situation closely and rebalance our portfolio risk where necessary to create long-term value for our stakeholders.

Considering our performance for the year, the present market conditions and the interim dividend of S\$0.0046 per ordinary share issued and paid in the third quarter of 2019, the Board of Directors has not recommended any final dividend for 2019.

Our performance in this tough year was guided by the deep commitment and oversight from our Board of Directors and unrelenting efforts of our resilient workforce. We are grateful for their contributions and look forward to their continued support as we unitedly rise above this challenging global environment towards creating and delivering value to our shareholders.

We remain grateful for the support of our continuing shareholders.

**Dr Cheo Tong Choon @
Lee Tong Choon**
Chairman and Executive Director

