

CEO'S MESSAGE

Although global issues plagued 2019, the Group upheld our commitment to build a resilient business amid the uncertain and ever-changing environment. During the year, we strengthened our value chain by making discipline and targeted investments for long-term value. In 2019, we grew our volumes by 8.8% and reduced our working capital deployment significantly by US\$108.6 million.

The Group achieved record sales volume in 2019, crossing 4.5 million metric tonne (MT) for the first time in our over 50 years history. The volume growth was mainly attributed to the 11.9% growth in the Bulk segment whereas the Consumer Pack segment managed to retain its market share. The higher sales volume for the year was but dampened by 34.9% lower operating margins for the Bulk segment. The Consumer Pack segment had another good year with a healthy 13.3% increase in its operating margin. The Group managed to remain steadfast against increased price volatility and stiff competition, especially from companies having captive plantations, to achieve US\$11.6 million profit after tax attributable to shareholders. Our performance in 2019 was below our expectations and was lower as compared to 2018, particularly in the last quarter of 2019.

The Group's Balance Sheet position remained strong with high financial liquidity. As at 31 December 2019, the Group had a healthy net debt to equity ratio of 0.65 with 60.7% of our total investments funded from our own Equity. We also maintained operational efficiency by reducing our business cycle time from 61 days in 2018 to 59 days in 2019. Notably, our prudent capital management improved our Net cash flow from operating activities position to US\$123.5 million in 2019 from US\$20.6 million in 2018. We maintained comfortable liquidity position with unutilised bank lines of US\$234.9 million at year end.

Looking Ahead

While some of the challenges in the world economy eased towards end of 2019 with the signing of US-China phase one trade deal, there are still many uncertainties in the macroenvironment. Amongst which, the COVID-19 outbreak situation continues to unfold globally, and likewise its adverse impact on various economies. While the demand for food and fuel are expected to stay robust over the long-term, we are ceaseless in our effort to secure our future.

Our earlier investment in a biodiesel plant has provided the Group with new growth opportunities. Recognising

the intent of both Malaysia and Indonesia governments to promote biodiesel, we have increased the capacity of our biodiesel plant this year. This expansion puts us in a good position to capitalise on new opportunities. Similarly, expansion of our evaporated milk plant packing capacity will enable us to shorten the lead time from order to delivery besides providing us with the flexibility to customise packaging requirements matching to our customer needs. This aligns with our commitment to deliver quality and value-added products to customers worldwide. In addition, we expect our investment in two Gas-turbine cogeneration plants in Westport and Pasir Gudang refineries in 2019 to contribute going forward towards utility cost savings for the Group as well as help the cause for climate change.



As we focus on running our operations sustainably and ensuring returns on our recent capital investment, we will also keep a close watch on the external environment to ensure that we remain on track towards creating value for our stakeholders.



We are confident that as we continue to work together towards establishing stronger foundations, building a winning team with value mindset and maintaining our commitment to satisfy market needs, we will accomplish our goal of building a future-ready organisation.

Our human capital is our competitive advantage. We look forward to continued support from our employees, shareholders, customers, suppliers and bankers in our journey ahead.

MS MICHELLE CHEO HUI NING
Chief Executive Officer and Executive Director

