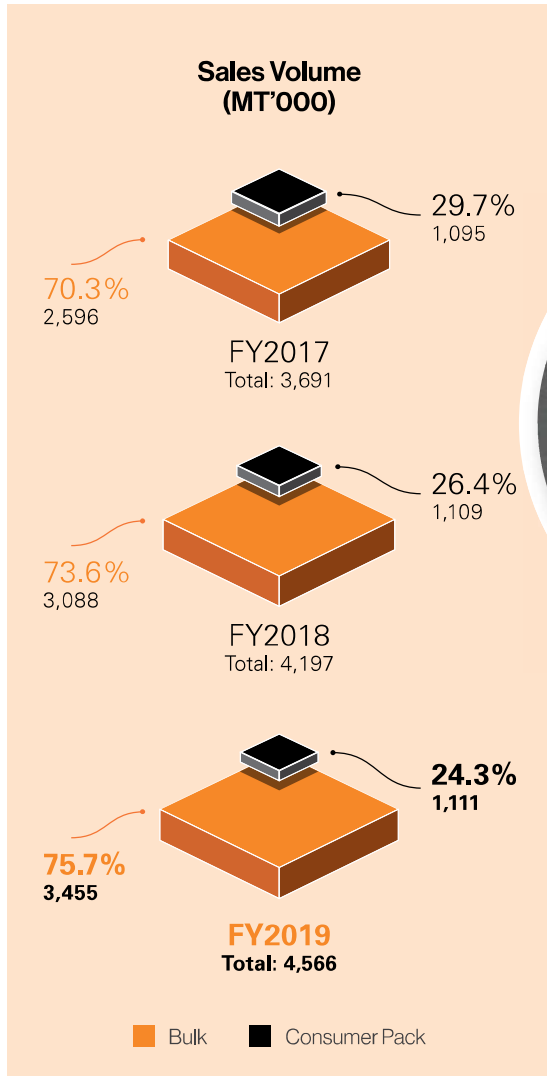


OPERATIONS AND FINANCIAL REVIEW

	FY 2017	FY 2018	FY 2019
Income Statement			
Revenue	2,927	2,947	2,817
Operating margin	151.0	122.8	105.4
Profit after tax	32.1	14.8	11.6
Earnings per share (US cents per share)	2.14	0.99	0.78
BALANCE SHEET			
Long-term investments (restated)*	366	418	465
Working capital (restated)*	487	504	396
Total investments	853	922	861
Equity	518	520	523
Gross debt	404	451	400
Cash	69	49	62
Net debt (Gross debt less Cash)	335	402	338
Total capital	853	922	861
Gross debt to equity	0.78	0.87	0.77
Net debt to equity	0.65	0.77	0.65
Net asset value per share (US cents per share)	34.42	34.62	34.80
<i>In US\$' million, unless stated otherwise</i>			
SEGMENTAL PERFORMANCE			
Sales volume (MT'000)			
Bulk	2,596	3,088	3,455
Consumer Pack	1,095	1,109	1,111
Total	3,691	4,197	4,566
Operating margin (US\$'million)			
Bulk	85.9	70.2	45.7
Consumer Pack	65.1	52.6	59.7
Total	151.0	122.8	105.4
Operating margin per MT (US\$)			
Bulk	33.1	22.7	13.2
Consumer Pack	59.5	47.4	53.7
Total	40.9	29.3	23.1

* FY 2018 numbers were restated relating to acquisition of subsidiaries as disclosed in page 139.

OPERATIONS AND FINANCIAL REVIEW



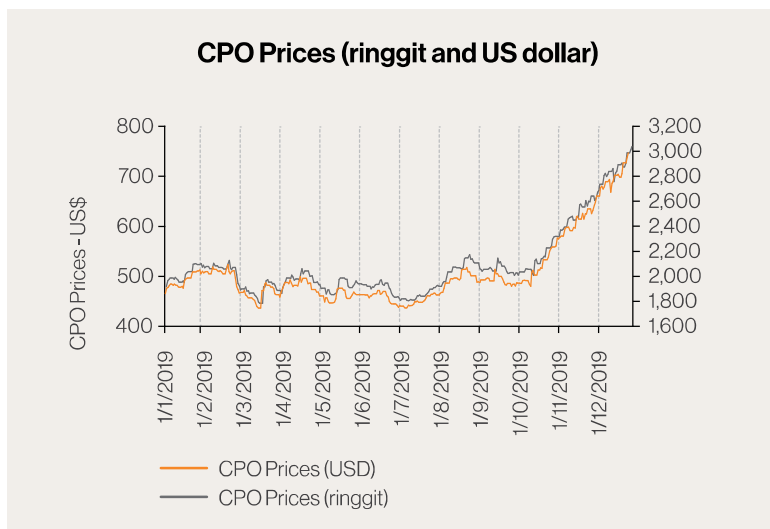
The Group achieved record sales volume of 4,566,000 MT compared to 4,197,600 MT last year. Sales volume for 2019 was 8.8% higher than volume achieved last year.

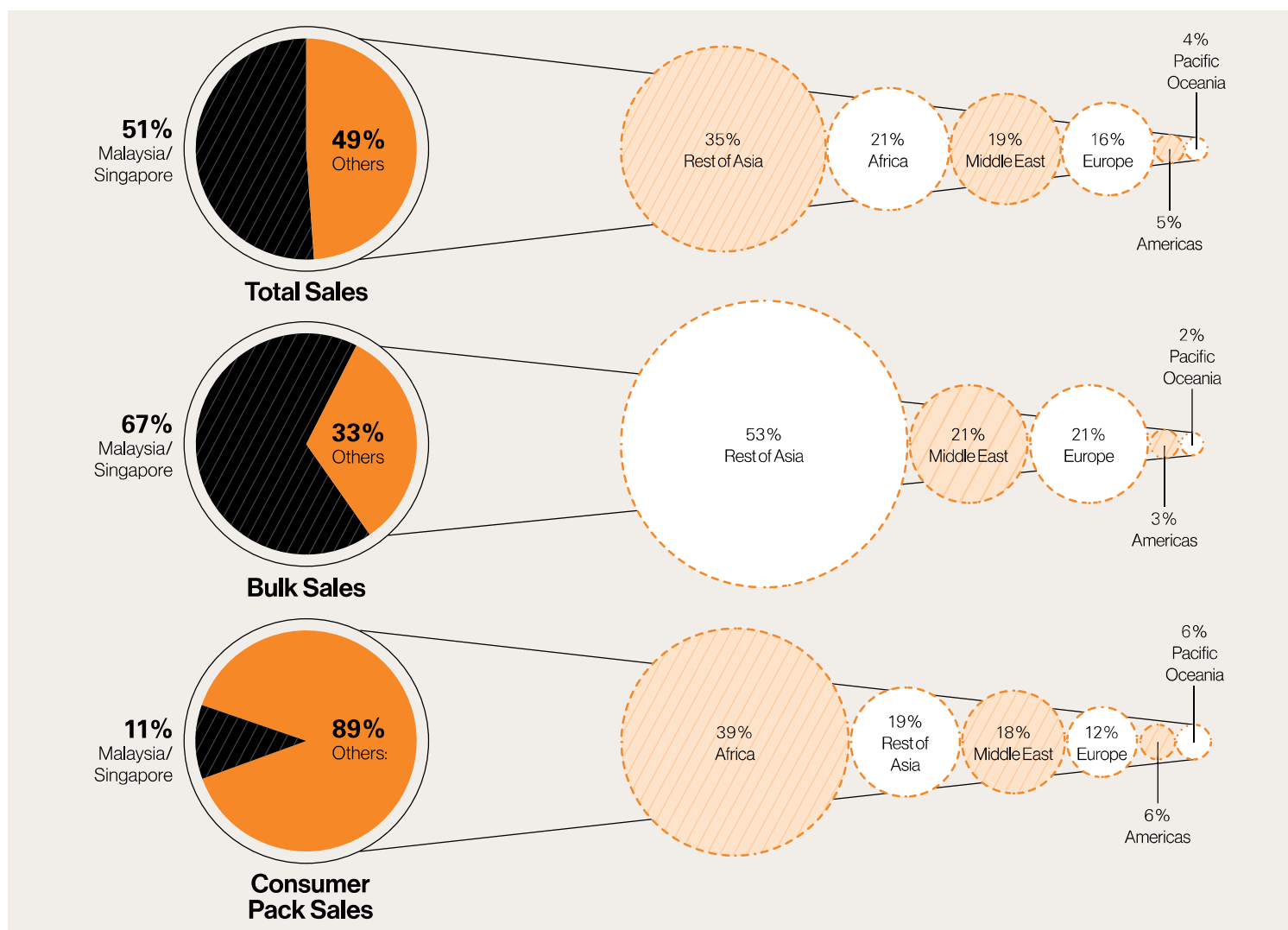
Palm Oil Industry in 2019

In 2019, the Crude palm oil (“CPO”) prices were highly volatile, the lowest traded (MT) was at RM1,845 in Mid-Mar 2019 and the highest was at RM3,048 in End-Dec. The weakness in CPO price for majority of the year was mainly due to high inventory levels in both Indonesia and Malaysia, coupled with weaker prices for soybean oils. However, the last quarter of the year saw a steep rally with the substantial portion of the rally between mid-November and December, finally closing the year at RM3,048. At year end CPO traded at it’s highest in almost three years driven by (i) fears of tightening supply growth due to dry weather and lower fertilizer applications in Malaysia and Indonesia last year and (ii) expectations of robust biofuel demand primarily from Indonesia’s B30 biodiesel mandate and Malaysia’s newly implemented B20 program.

Group’s Sales Volume

The Group achieved record sales volume of 4,566,000 MT compared to 4,197,600 MT last year. Sales volume for 2019 was 8.8% higher than volume achieved last year. Bulk segment registered sales volume of 3,454,600 MT, an increase of 11.9% and contributed 75.7% of total volume. Consumer Pack segment volume was constant with a marginal increase of 0.2% and it contributed 24.3% of total volume.





Well Diversified Sales Revenue

The Group reported sales revenue of US\$2,817.3 million in 2019, 4.4% lower than last year due to 12.1% lower average selling prices offset by 8.8% higher sales volume.

Bulk segment recorded a decrease of 1.9% in revenue and contributed 70.7% of total revenue. Consumer Pack segment registered a decrease of 9.9% in revenue and contributed 29.3% of total revenue.

We strive to diversify our sales revenue across the globe and our efforts continued in 2019. Based on billing address of the customers, 49% 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 19%, 35%, 21% and 25% of total destination sales respectively. Total sales to Americas and Europe contributed 21% of sales compared to 20% last year.

Destination sales for both Bulk and Consumer Pack segments remained strong. 33% of Bulk segment sales were made to destination markets with Middle East, Rest of Asia and Rest of World contributing 21%, 53% and 26% respectively. 89% of Consumer Pack segment sales were made to destination markets with Africa, Middle East, Europe, Rest of Asia and Rest of World contributing 39%, 18%, 12%, 19% and 12% respectively.

	FY 2018	FY 2019
Malaysia/ Singapore	52%	51%
Destination	48%	49%
TOTAL	100%	100%
Africa	23%	21%
Middle East	27%	19%
Rest of Asia	26%	35%
Americas	5%	5%
Europe	15%	16%
Pacific Oceania	4%	4%



Operations and Financial Review

Operating Margins

The Group measures and tracks the performance in terms of Operating Margin per MT of 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\$105.4 million, 14.2% lower than last year, partially mitigated by 8.8% higher sales volume, due to lower margin of US\$23.1 per MT compared to US\$29.3 per MT last year. The volatility in CPO prices along with reduced price difference versus competitive products created significant pressure on the refining margins, with higher feedstock costs in the last quarter aggravating the situation. To protect and increase market share the Group continued fulfilling market requirements

Total	FY 2018	FY 2019	Change %
Sales volume (MT'000)	4,198	4,566	8.8%
OM per MT (US\$)	29.3	23.1	-21.2%
Operating margin (US\$mil)	122.8	105.4	-14.2%

Bulk	FY 2018	FY 2019	Change %
Sales volume (MT'000)	3,088	3,455	11.9%
OM per MT (US\$)	22.7	13.2	-41.9%
Operating margin (US\$mil)	70.2	45.7	-34.9%

Consumer Pack	FY 2018	FY 2019	Change %
Sales volume (MT'000)	1,109	1,111	0.2%
OM per MT (US\$)	47.4	53.7	13.3%
Operating margin (US\$mil)	52.6	59.7	13.5%

even at these reduced margins. Total operating margin for Bulk segment decreased 34.9% to US\$45.7 million reflecting the lower operating margin of US\$13.2 per MT compared to US\$22.7 per MT last year, with some support from 11.9% higher sales volume. Despite lower margins achieved for Bulk segment, with our strong marketing and distribution networks, long established and well recognised brands and broader product portfolio, we managed to achieve healthy margins for Consumer Pack segment. Total operating margin for Consumer Pack segment increased 13.5% to US\$59.7 million due to higher operating margin of US\$53.7 per MT compared to US\$47.4 per MT last year with 0.2% higher sales volume. Bulk and Consumer Pack segments contributed 43.4% and 56.6% of total operating margin respectively.

During the year one of our subsidiary became the first Malaysian refinery to produce and export a shipment of Malaysian Sustainable Palm Oil (MSPO) certified RBD Palm Olein, to Japan. Recent investments towards sustainability, value addition and expansion initiatives in refineries, dairy manufacturing facilities and biodiesel plant had their initial standalone costs. In spite of Bulk segment being under pressure, higher operational contributions by Consumer Pack business enabled the Group to achieve profit after tax attributable to shareholders for the full year of US\$11.6 million.





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 2019, we maintained gross debt to equity ratio of 0.77 and 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 more debt to support our growth plans or utilize incremental trade finance due to business requirements.

As at 31 Dec 2019, long-term investments of US\$465.4 million were funded by equity and long-term debt of 94.2% and 5.8% respectively. Working capital of US\$396.2 million were funded by equity and current net-debt of 21.3% and 78.7% respectively. We have made significant capital expenditure in last couple of years primarily in manufacturing facilities within or adjacent to our value chain from our own reserves. Our working capital is majorly deployed in highly liquid inventories and short duration receivables. The Board of Directors regularly review the Group's capital structure and our long term - short term debt mix to ensure appropriateness in line with our long-term objectives.



We maintain adequate working capital credit lines to support our business. As at year end our current working capital lines utilisation was 59.9% of total credit lines available.

In 2019 we achieved record sales volume and though during last quarter of the year palm oil prices strongly rebounded, yet with strong focus on working capital efficiency across our efficient, large scale, integrated production facilities and distribution network, we were able to maintain an improved cycle time of 59 days.

