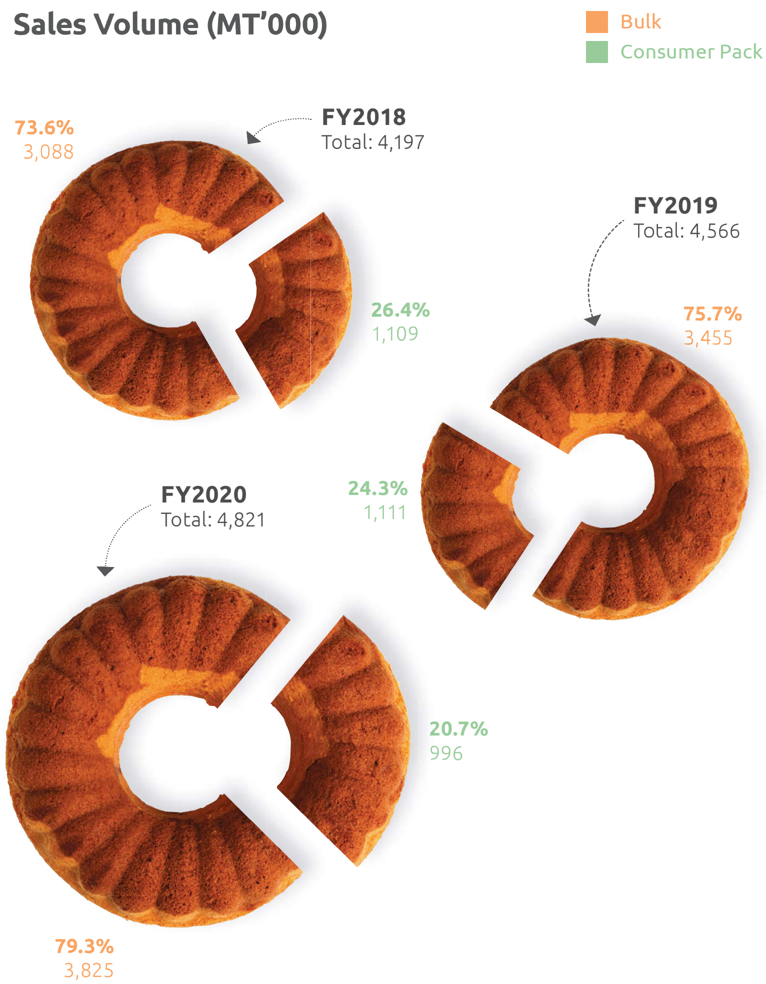
Operations and Financial Review

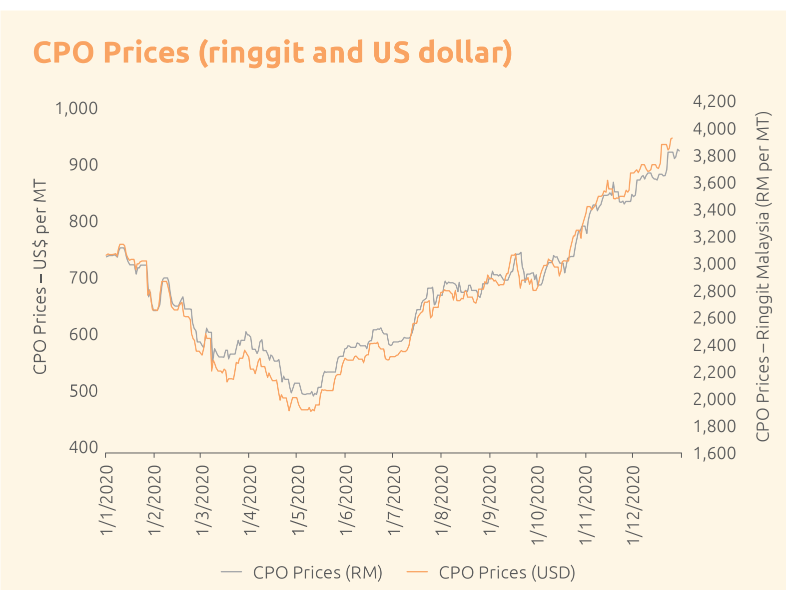
	FY2018	FY2019	**FY2020**
INCOME STATEMENT (US$'million)			
Revenue	2,947	2,817	**3,446**
Operating margin	122.8	105.4	**240.5**
Profit after tax	14.8	11.6	**86.5**
Earnings per share (US cents per share)	0.99	0.78	**5.77**
BALANCE SHEET (US$'million)			
Long-term investments	418	465	**448**
Working capital	504	396	**368**
Total investments	922	861	**816**
Equity	520	523	**610**
Gross debt	451	400	**284**
Cash	49	62	**78**
Net debt (Gross debt less Cash)	402	338	**206**
Total capital	922	861	**816**
Gross debt to equity	0.87	0.77	**0.47**
Net debt to equity	0.77	0.65	**0.34**
Net asset value per share (US cents per share)	34.62	34.80	**40.73**

SEGMENTAL PERFORMANCE			
Sales volume (MT'000)			
Bulk	3,088	3,455	**3,825**
Consumer Pack	1,109	1,111	**996**
Total	4,197	4,566	**4,821**
Operating margin (US$'million)			
Bulk	70.2	45.7	**160.5**
Consumer Pack	52.6	59.7	**80.0**
Total	122.8	105.4	**240.5**
Operating margin per MT (US$)			
Bulk	22.7	13.2	**42.0**
Consumer Pack	47.4	53.7	**80.3**
Total	29.3	23.1	**49.9**

Palm Oil Industry in 2020

In 2020, the Crude palm oil ("CPO") prices were highly volatile. In the beginning of the year, palm oil prices continued the trajectory of December 2019. But soon the CPO price tanked from RM3,114 per MT in Mid-Jan 2020 to a low of RM2,025 in Mid-May 2020. The decline in CPO prices during the first half of the year was mainly due to (i) concerns over expected plunge in global edible oil demand arising from outbreak of COVID-19 pandemic (ii) decreased pressure of soyabean supply from US to China with the harvest in Brazil and (iii) the drastic drop in brent crude oil prices to USD 27 per barrel. However in second-half of 2020 the sentiments changed and CPO price rose unprecedentedly under pressure from thin supply and increased demand surging to a nine-year high of RM3,841 per MT by end-Dec 2020. Shortage of workers in labour intensive palm estate operations along with the impact from La Niña resulted in contraction of production in Malaysia leading to a reduced year end stockpile of 1.26 million MT, significantly lower than 2.01 million MT at the beginning of year 2020. In Indonesia, the domestic consumption of palm oil products increased in 2020 by 3.6% compared to 2019 in line with the planned expansion of palm oil usage in biodiesel. The global edible oil demand resurfaced in third quarter of 2020 due to various nations frontloading their imports for replenishing their stockpiles, especially China and India. As palm oil continues to be the most consumed vegetable oil globally all the above factors pushed the CPO prices higher and higher during whole of second-half of 2020.





Group's Sales Volume

The Group achieved its historically highest sales volume of 4,821,200 MT this year surpassing by 5.6%, the earlier record sales volume achieved in 2019 of 4,566,000 MT. Bulk segment at a sales volume of 3,825,300 MT, achieved an increase of 10.7% and contributed 79.3% of total sales volume for the year. Consumer Pack segment volume at 995,900 MT had a decrease of 10.4% due to lower demand in HoReCa segment and it contributed 20.7% of total sales volume for the year.

Well Diversified Sales Revenue

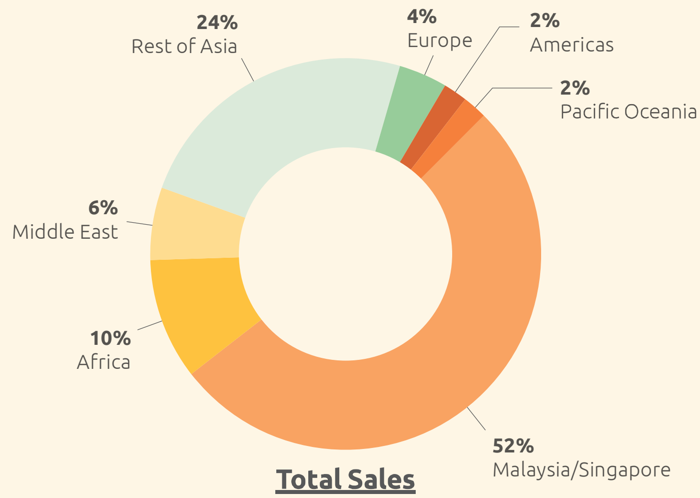
The Group reported sales revenue of US$3,445.9 million in 2020, 22.3% higher than last year. This was a result of higher selling prices of 15.8% and higher sales volume of 5.6%.

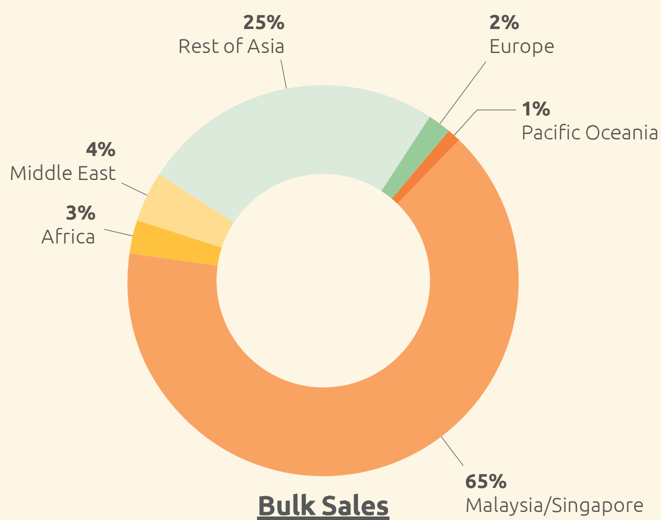
Bulk segment riding on high stockpiling demand recorded an increase of 32.9% in revenue and contributed 76.8% of total revenue. Consumer Pack segment registered a decline of 3.3% in revenue and contributed 23.2% of total revenue.

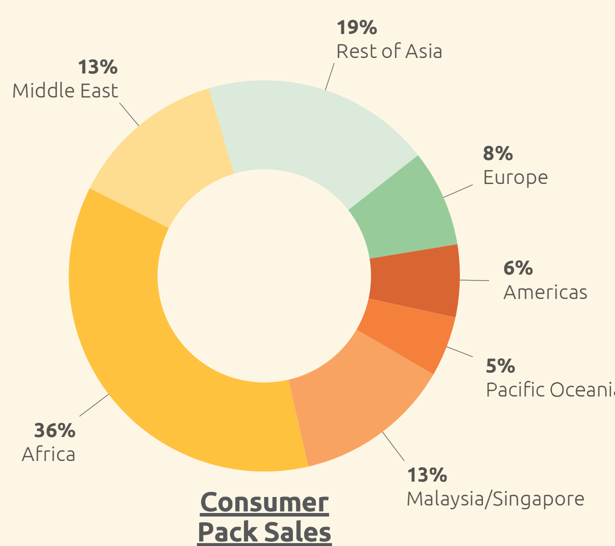
We continue building upon our strategy to diversify our sales revenue across the globe and in 2020, our products were sold in over 140 countries. Based on billing addresses of the customers, 48% of total sales were made as destination sales, selling the products to customers in countries other than Malaysia and Singapore. Destination sales remained diversified with Rest of Asia, Africa, Middle East and Rest of World contributing 24%, 10%, 6% and 8% of total destination sales respectively.

Destination sales for Bulk segment remained strong while for Consumer Pack segment, the markets deferred their sourcing due to higher prevailing prices and relied more of their local packers. 35% of Bulk segment sales were made to destination markets with Rest of Asia, Middle East and Rest of World contributing 25%, 4% and 6% respectively. 87% of Consumer Pack segment sales were made to destination markets with Africa, Rest of Asia, Middle East, Europe and Rest of World contributing 36%, 19%, 13%, 8% and 11% respectively.

Geographical Spread







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, allowance for/(reversal of) expected credit losses and foreign exchange differences in other gains or losses to gross profit.

Over the period of last seven 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.

The Group is pleased with its performance during these challenging times. As the Group's business is predominantly classified as essential industries, its operations were not significantly impacted under COVID-19 influenced disruptive conditions. However, the prices for the majority of agri-commodities remained volatile throughout the year. Average MPOB spot price for CPO was RM2,784/tonne in 2020 against RM2,145/tonne in 2019. This rise in CPO price can be attributed to weaker than expected CPO production supported by strong demand especially from China and India after the end of economic restriction periods. Many countries were trying to stock up and guarantee sufficient internal availability of various agri commodities. This strong demand and tight supply conditions resulted in robust refining margins. The Group's unique position in the value chain as integrated palm oil player supported by large scale production facilities, well established brands, strong distribution capabilities, deep market insights, loyal and long-standing customer and supplier base enabled the Group to appropriate increased margins and register all-time high operating income. At the same time, the impact of the crisis in developing and developed economies triggered the need for in-depth impairment reviews. Despite the higher one-off impairments provided during the year, the Group balance sheet remains strong and continues to provide financial flexibility to explore opportunities for increasing its value chain-participation and diversification of manufacturing facilities geographically.

The Group's operating margin more than doubled to US$240.5 million due to higher operating margin per MT of US$49.9 compared to US$23.1 last year and higher sales volume. Total operating margin for Bulk segment more than tripled to US$160.5 million reflecting the higher operating margin of US$42.0 per MT compared to US$13.2 per MT last year, with some support from 10.7% higher sales volume. For Consumer Pack segment, total operating margins increased 34.0% to US$80.0 million due to higher operating margin of US$80.3 per MT compared to US$53.7 per MT last year despite 10.4% lower sales volume. Bulk and Consumer Pack segments contributed 66.7% and 33.3% of total operating margin respectively.

Total	FY2019	FY2020	Change %
Sales volume (MT'000)	4,566	**4,821**	5.6%
OM per MT (US$)	23.1	**49.9**	116.0%
Operating margin	105.4	**240.5**	128.3%

Bulk	FY2019	FY2020	Change %
Sales volume (MT'000)	3,455	**3,825**	10.7%
OM per MT (US$)	13.2	**42.0**	218.2%
Operating margin	45.7	**160.5**	251.2%

Consumer Pack	FY2019	FY2020	Change %
Sales volume (MT'000)	1,111	**996**	-10.4%
OM per MT (US$)	53.7	**80.3**	49.5%
Operating margin	59.7	**80.0**	34.0%

Operations and Financial Review

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.

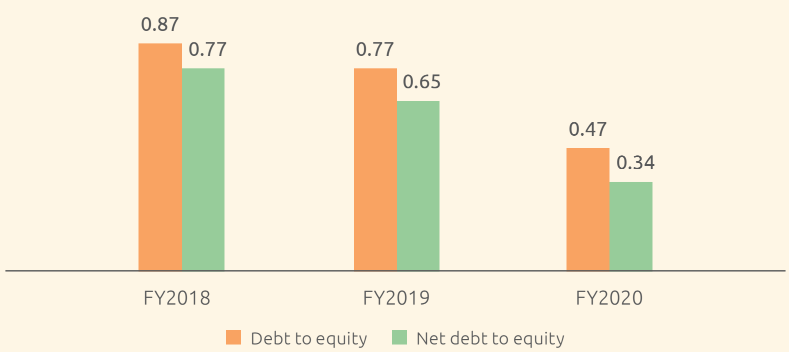
As at 31 Dec 2020, we maintained gross debt to equity ratio of 0.47 and net debt to equity ratio of 0.34. Our low net debt to equity ratio, well below our target limit of 1.5, gives us enough scope to raise more debt to support our growth plans or utilize incremental trade finance due to business requirements. In the past few years, we have made significant capital expenditure primarily in manufacturing facilities within or adjacent to our value chain. However in 2020 we remained prudent and did not commit towards any significant fresh capital expenditure due to COVID-19 pandemic influenced market volatility.

As at 31 Dec 2020, our long-term investments of US$448.5 million have been very conservatively funded by equity and long-term debt of 92.1% and 7.9% respectively. Working capital of US$367.8 million was funded only 46.4% by current net-debt with the remaining 53.6% funded by equity. The operating cashflows generated in 2020 were predominantly utilsed to pay down our current debt. Our working capital remains 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 continue maintaining adequate working capital credit lines to support our business. As at year end our current working capital lines utilisation was a conservative 49.2% of our total credit lines though the 2020 year-end palm oil prices remained at historical high.

In 2020, despite higher agri commodity prices and 5.6% increase in our sales volume, we were still able to achieve a reduced cycle time of 48 days compared to 59 days in 2019. This was possible with strong focus on working capital efficiency across our efficient, large scale, integrated production facilities and distribution network.

Debt to equity and net debt to equity



Balance sheet (US$'mil)

31 Dec 2020