CEO'S MESSAGE

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As global economies slowed down and financial uncertainties increased, the Group remained prudent in the trade-flow participation and registered marginal drop in sales volume by 3.3% to 3,883,000 metric tonne (MT) from historical high of 4,015,700 MT achieved by the Group in 2014. During the times when the going was tough, the Group took a cautious approach to avoid any unwarranted risks, including being selective in choosing customers and participating in trade flows. The Group also tightened shipment and payment terms amidst the worsening global outlook. Although this led to a drop in the sales volume for the year, the Group's competitive position in the industry, financial flexibility and liquidity remained strong.

The decrease in sales volume was fortunately more than offset by improvement in the operating margins. An improvement of 3% in operating margin per MT from US$23.6 in 2014 to US$24.3 in 2015 helped the Group to sustain its total operating margin despite facing tough operating conditions. Though operating margins for Bulk division came under pressure during the year dropping from US$14.6 to US$13.0 per MT, Consumer Pack division on the strength of our packing, branding and multi-product offerings to our customers registered impressive growth in margins from US$45.6 to US$56.4 for the year.

For the year, the Group's profit before tax improved to US$12.7 million in 2015 compared to US$3.6 million in 2014. This was partly due to a reduction of US$9.2 million in other operating expenses. Weakening currencies in our operating countries also helped to keep our operating costs low.

During tough market conditions, the Group continued to strengthen its global distribution capabilities. We are particularly pleased to increase our sales to customers in Europe and America.

The Group's balance sheet remained strong with debt to equity ratio of 0.76 or net debt to equity ratio of 0.67. Carrying higher inventories this year, the Group had a cycle time of 68 days compared to 48 days last year.

Looking Ahead

The last few years had been tough for the commodities market and, particularly, the palm oil industry. We believe that the current global uncertainties and challenging operating conditions for the palm oil industry are resulting consolidation in the industry and will benefit stronger players in the long run. For that reason, the Group will continue to strengthen our business model by investing in manufacturing facilities within palm oil industry as well as adding new products to our portfolio to embrace new opportunities in the ever-changing environment.

In the short run, it is expected that the palm oil industry will remain under pressure until the global outlook improves. Therefore, the Group will continue to operate cautiously during these tough and challenging times. We are optimistic the support of our shareholders, employees, customers, suppliers and bankers, will enable us to forge ahead and triumph all challenges.

Ms Michelle Cheo
Chief Executive Officer and Executive Director