

Operations and Financial Review



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FINANCIAL HIGHLIGHTS

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
INCOME STATEMENT					
Revenue	2,705	3,276	2,867	3,533	4,468
Operating Margin	79.6	176.6	182.9	184.4	119.0
Core Net Profit (Net profit before exceptional items)	26.7	89.0	89.7	97.1	40.2
Net Profit	26.7	89.0	89.7	92.4	42.2
Earning per share (US cents per share)	2.07	6.92	6.96	7.08	2.80
Return on Equity	18.4%	52.0%	45.5%	38.8%	8.3%
BALANCE SHEET					
Fixed Investments	167	169	173	223	305
Working capital	181	176	249	397	482
Cash (IPO Proceeds)	-	-	-	141	58
Total investments	348	345	422	761	845
Equity	171	190	239	509	538
Gross Debt	206	195	221	326	386
Cash excluding IPO Proceeds	(29)	(40)	(38)	(74)	(79)
Adjusted Net Debt	177	155	183	252	307
Total capital	348	345	422	761	845
Debt to equity	1.21	1.03	0.92	0.64	0.72
Net debt to equity	1.04	0.82	0.77	0.22	0.46
Net asset value per share (US cents per share)	13.34	14.85	18.66	33.69	35.82

In US\$ millions, unless otherwise stated

SEGMENTAL PERFORMANCE

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Segmental Performance:					
Sales Volume (MT'000)					
Bulk	2,970	2,575	3,080	2,976	2,761
Consumer Pack	608	757	727	876	889
Total	3,578	3,332	3,807	3,852	3,650
Operating Margin (US\$'million)					
Bulk	39.7	115.1	100.5	102.2	76.6
Consumer Pack	39.9	61.5	82.4	82.2	42.4
Total	79.6	176.6	182.9	184.4	119.0
Operating Margin per MT (US\$)					
Bulk	13.4	44.7	32.6	34.4	27.7
Consumer Pack	65.6	81.3	113.4	93.8	47.8
Total	22.2	53.0	48.0	47.9	32.6

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Mewah is a consumer products business that has been focused on palm based oils and fats with sales in over 100 countries supported by well established brands and cost-efficient integrated large manufacturing facilities.

Palm oil industry in 2011

2011 witnessed good bumper CPO production in Indonesia and Malaysia, the world's largest CPO producing countries. Production in Malaysia registered a growth of 11.3% to 18.9 million tonnes, as against a drop of 3.3% in 2010. However demand from destination countries remained weak due to global economic and financial concerns. Indonesian government's decision to reduce export duties for refined oil compared to CPO, and lack of clarity about Malaysian government's expected response to help the refiners in Malaysia added uncertainty to the industry.

High CPO production, slow demand from destination markets and uncertain industry conditions pushed CPO prices down from the peak of RM3,900 in the beginning of February 2011 to RM2,800 by end of October 2011 before ending the year at RM3,200. Inventory levels at producing countries remained high throughout the year. In Malaysia, CPO inventory levels remained high at 2.0 million tonnes by end of 2011 compared to 1.6 million tonnes at the end of 2010.

Under falling prices conditions and slow demand from end markets, Malaysia refining margins and global distribution margins remained under pressure during 2011.

Cautious Approach

Under such tough economic conditions and uncertainty, the Group remained prudent throughout the year by participating selectively in trade flows and in selecting its customers and trade terms.

High capacity utilisation maintained

We strive to be the lowest cost refiner in the industry. Strategic location, large scale, automation, integration of facilities and high capacity utilisation are key to maintain the costs of refining low.

Our large scale, fully integrated refineries and processing plants are located strategically in Semenyih,

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Pasir Gudang and Westport in Malaysia. Our facilities in Pasir Gudang and Westport are located among a high concentration of refineries and oleo-chemical plants, with port facilities that are situated along international shipping routes while our facility in Semenyih is conveniently located inland near many of our Malaysian local customers.

In 2011, we were able to achieve capacity utilisation of 95.3%, arguably the highest in the industry, producing 2.667 million MT of refined oil from total installed capacity of 2.800 million MT.

Selective trade participation scaled down volumes

We strive to manage risks and rewards prudently and are willing to step back when the rewards do not match the risks undertaken. Under deteriorating market conditions and tougher financial conditions we remained prudent by participating selectively in trade flows and in selecting the customers and trade terms. Though our sales volumes reduced by 5.2% compared to last year, we still achieved sales volume of 3.650 million MT, 36.9% higher than the refined oil manufactured by us. Incremental sales volume of 983 thousand MT was supported by purchase of refined oil and related products from other refiners.

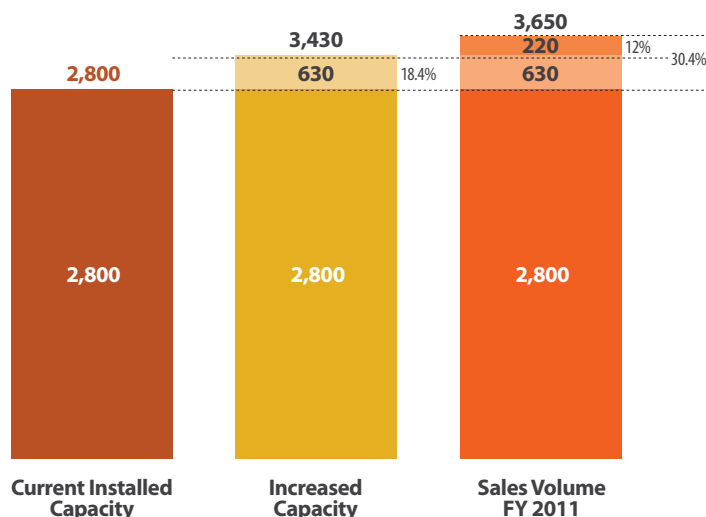
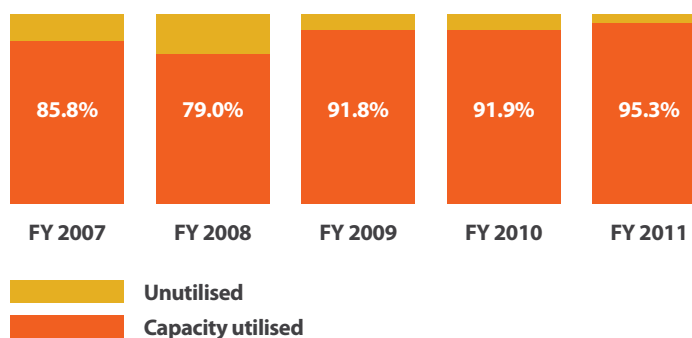
It has been our strategy to keep adequate gap between our refining capacity and selling capability providing us operational flexibility to scale down our sales volumes under tougher market conditions, without affecting our refining capacity utilisation. Sales volume of 3.650 million MT achieved in 2011 is still materially higher than our expected increased capacity of 3.430 million MT, once our fourth refinery comes on stream by end of 2013.

Sales volume for the Bulk segment, that includes trading volumes for the refined oil purchased from other refiners, reduced by 7.2% to 2.761 million MT. Consumer Pack segment maintained healthy sales volume of 889 thousand MT, 1.5% higher than last year.

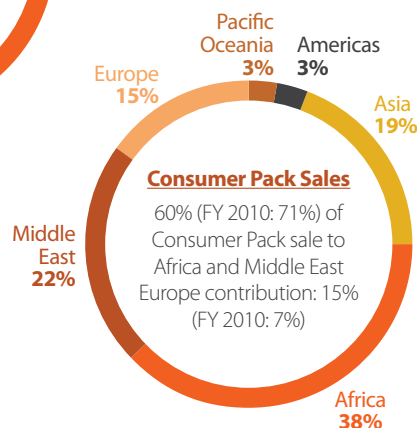
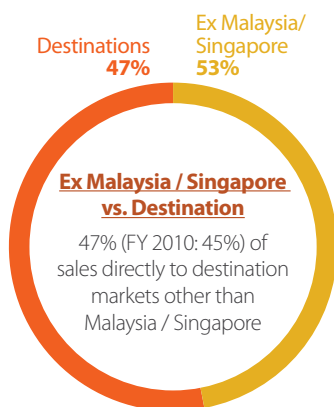
Capacity Utilisation

In Thousand MT

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Installed Capacity	2,800	2,800	2,800	2,800	2,800
Capacity Utilised	2,402	2,212	2,570	2,573	2,667
Capacity Utilisation	85.8%	79.0%	91.8%	91.9%	95.3%



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Well diversified sales revenue

Our total sales revenue of US\$4,468 million in 2011 was 26.5% higher than last year on the back of higher selling prices. Sales revenue for the bulk segment grew by 24.6% and consumer pack segment registered revenue growth of 31.3%. Bulk segment contributed 71.4% of total sales revenue, while Consumer Pack segment contributed 28.6% of the revenue.

We strive to diversify our sales revenue across the globe and our efforts continued in 2011. Most of our bulk sales are made to customers with billing address in Malaysia and Singapore, who in turn carry the products to destination markets. Consumer Pack sales are made largely directly to destination markets.

In 2011, 47% of total sales were made to customers with billing addresses of destination markets, i.e. countries other than Malaysia or Singapore, up from 45% last year.

Of total destination sales, we were able to further diversify our sales to Africa, Middle East, Rest of Asia and Rest of World contributing 24%, 25%, 27% and 24% respectively, compared to 35%, 24%, 23% and 18% respectively last year.

For the Bulk segment, we achieved 29% sales to destination markets, up from 27% last year. For the Consumer Pack segment there were significant improvements in sales to Middle East and Europe which contributed 22% and 15% of the segment sales compared to 15% and 7% respectively last year. Our reliance on Africa reduced from 56% to 38%.

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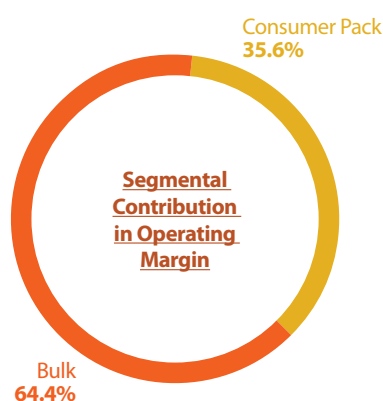
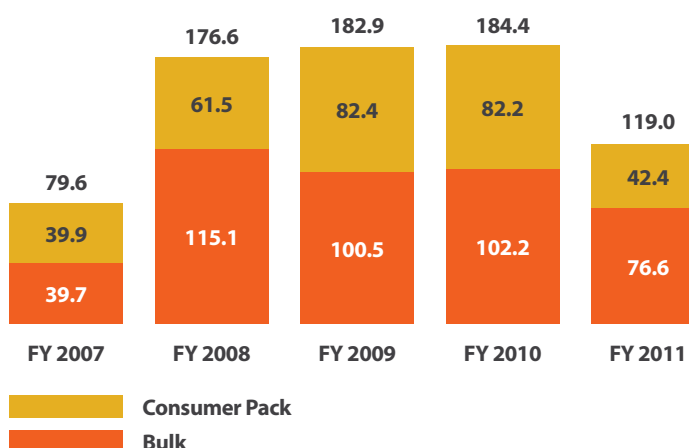
Operating Margin

The Group measures and tracks the performance in terms of Operating Margin per MT of sales volume and resultant total operating margin. OM is calculated as revenue, less cost of sales (excluding depreciation), selling and distribution expenses and foreign exchange gains or losses.

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 that have helped us to deliver robust and consistent operating margins during all the ups and downs of economic cycles.

For 2011, we achieved operating margin of US\$32.6 per MT, down from US\$47.9 per MT achieved last year. Bulk division which consists mainly of refining and trading margin was more resilient achieving US\$27.7 per MT compared to US\$34.4 per MT last year. But the margins for consumer pack division, that include branding and distribution margins suffered more due to macro economic conditions and tough market conditions particularly in Africa. Under falling prices conditions during the year, buyers at destination markets ended up holding high priced inventories and resulted in losses. It prompted them to reduce and delay their purchases and also negotiate harder at the time of new purchases. Our joint venture company, through its subsidiary, being the importer and distributor of our consumer pack products in West Africa and other subsidiaries in Europe continued to experience slow demand resulting in higher inventory carrying cost and pressure on margins. Resultantly operating margin of Consumer Pack division came down to US\$47.8 per MT compared to US\$93.8 per MT achieved last year. Bulk and Consumer Pack segments contributed 64.4% and 35.6% respectively of total operating margin.

Operating Margin (US\$ in Millions)

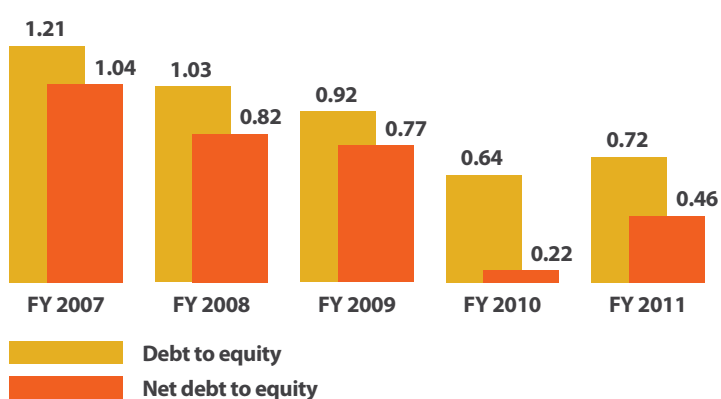


Operating Margin per MT (US\$)

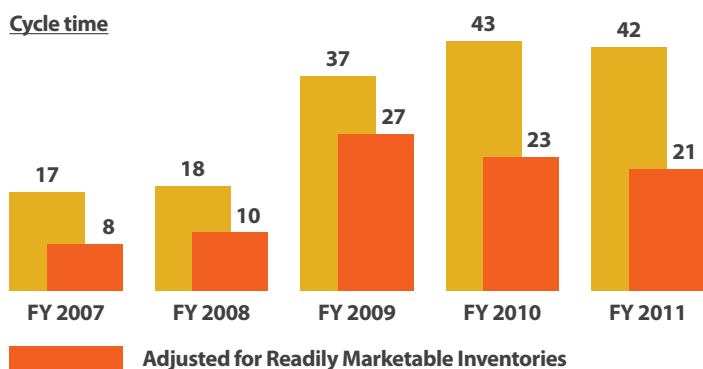
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total	22.2	53.0	48.0	47.9	32.6
Bulk	13.4	44.7	32.6	34.4	27.7
Consumer Pack	65.6	81.3	113.4	93.8	47.8

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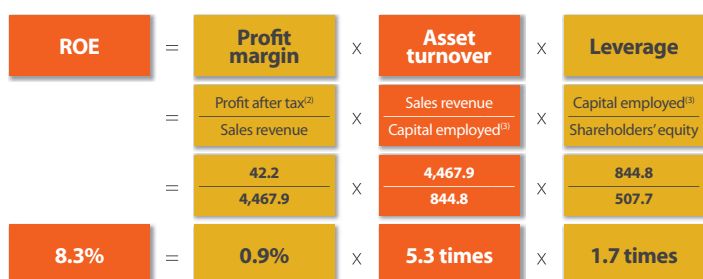
Debt to equity and Net debt to equity



Cycle time



Return on Equity



Notes

- 1) ROE is based on opening Shareholders funds.
- 2) Profit after tax attributable to equity holders of the Company.
- 3) Capital employed = Total equity + Net Debt

Strong Balance Sheet

The Group was listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST) on November 24, 2010 raising net proceeds of US\$184 million, significantly strengthening our balance sheet to support our growth plans. Cash and cash equivalents remained healthy at US\$136.8 million, which includes unutilised IPO proceeds of US\$58 million.

We manage our capital structure very actively by looking at the debt to equity ratio, for the fixed investment, for current investment and total for the business. Due to nature of investments, we target to keep net debt to equity ratio to be less than 1.0 for fixed investments, less than 2.0 for current investments and less than 1.5 on overall basis. We maintained healthy debt to equity ratio of 0.72 or net debt to equity ratio of 0.46 leaving enough scope to raise additional debt to support our growth plans.

We maintain adequate working capital credit lines to support increased working capital requirements resulting from market opportunities or increase in prices. Our target is to have utilisation to be less than 75% of total credit lines available. During 2011, we have further increased and diversified our borrowing to provide operational and financial flexibility. Our current working capital lines utilisation remains at very comfortable 36% of total credit lines available.

Our efficient, large scale, integrated production facilities and strong distribution network continued to help us to keep our cycle time very short of 42 days in 2011, similar to 43 days in 2010. Excluding Readily Marketable Inventories, our cycle time was only 21 days, down from 23 days in 2010.

Return on Equity

We achieved return on equity of 8.3% for FY2011.

We actively strive to maximising the return on the equity by increasing our profit margin, increasing asset turnover and optimising leverage.