

# CEO'S MESSAGE

2012 presented yet another year of harsh market conditions, especially for the Malaysian palm oil industry. It is times such as this that truly test the robustness of our foundation and the adaptability of our business model. In the face of unrelenting challenges, the Group maintained a prudent approach, scaling down the sales volumes with careful customer selection and imposing stringent trade terms.

Though sales volumes declined by 6.8% to 3.4 million metric tons, it remained significantly higher than our installed capacity of 2.8 million metric tons. Our bulk business remained resilient and delivered stable margin of US\$25.0 per metric ton under tough operating conditions for Malaysian refiners. After witnessing a sharp drop in margins last year, our consumer pack business saw improved margin of US\$53.1 per metric ton compared to US\$47.8 last year. Net profit attributable to shareholders registered a decline at US\$24.8 million. We continued to maintain a solid Balance Sheet, underpinned by a conservative debt to equity ratio of 0.69. Our bankers remained confident in our business and the future outlook, as reflected in our utilisation of only 25% of our available trade credit lines.

We are maintaining a clear focus on strengthening our foothold in the palm oil refining industry. We have recently invested in manufacturing facilities to produce value added products such as cocoa butter substitutes, margarine and soap. We are currently installing a new refinery in Sabah with an installed refining capacity of 700,000 MT that will increase our total capacity to 3.5 million metric tons annually further consolidating our position as one of the largest palm oil refiners in world.

Moving forward, we look to transcend our position as an integrated palm based edible oils and fats business to become an integrated

global food business, ready to seize greater opportunities. The Group is proactively adding more value-added consumer products having sourcing, manufacturing and distribution synergies with our consumer pack business. In Westport, Malaysia, we are working to strengthen our dairy products manufacturing facilities, which will complement our current palm oil business by broadening our range of consumer products to meet the market demand. We have added rice business to our portfolio and are happy to achieve sales of 125,000 metric tons in the first full year of operation.

In 2013, while the future macro environment is expected to show signs of improvement, growth particularly in Europe, Africa and Middle East is likely to remain subdued. High inventories in origin countries would continue to have an adverse impact on the Group's business. In view of these impending challenges, the Group will adopt a prudent business approach by participating selectively in trade flows and continuing to increase our refining capacity. More importantly, we are well poised to expand our consumer reach through the provision of a wider variety of quality non-oil consumer products.

It has undoubtedly been a challenging year for the Group. Nevertheless, we remain resilient as ever with the steadfast support of our shareholders, employees, customers, suppliers and bankers. I would like to thank all our valued stakeholders for their confidence in us. I look forward to building a stronger Mewah Group with your continued support.

**MS MICHELLE CHEO**

Chief Executive Officer and Executive Director

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**MOVING FORWARD, WE LOOK TO TRANSCEND OUR POSITION AS AN INTEGRATED PALM BASED EDIBLE OILS AND FATS BUSINESS TO BECOME AN INTEGRATED GLOBAL FOOD BUSINESS, READY TO SEIZE GREATER OPPORTUNITIES. THE GROUP IS PROACTIVELY ADDING MORE VALUE-ADDED CONSUMER PRODUCTS HAVING SOURCING, MANUFACTURING AND DISTRIBUTION SYNERGIES WITH OUR CONSUMER PACK BUSINESS**