

CEO'S MESSAGE

Mewah Group focuses on sustainable growth. Through continuous reinvestment into our business, we are laying the foundations to improve returns and value creation.

2017 proved to be a good year for the Group, posting a healthy net profit after tax of US\$33.6 million. This was an increase of 61.7% compared to last year – a major milestone and the highest for the last 5 years.

In 2017, the market saw high volatility of CPO prices from a high of 3,350 ringgit to a low of 2,340 ringgit. Throughout this period, the performance of the company remained robust with a total volume of 3.7 million metric tonne (MT) of sales and improved margins of US\$40.9 per MT compared to average margins last year of US\$31.8 per MT. This was on the back of higher direct sales to destination markets. Destination sales contributed to 47% of total sales compared to 37% in 2016.

Despite being beset with a challenging market environment and price volatility, the Group was able to achieve better refining and production margins for both the Bulk and Consumer Pack businesses. For Bulk, the operating margin improved from last year's US\$31.2 per MT to US\$33.1 per MT, while for Consumer Pack, the operating margin improved from last year's US\$34.1 per MT to US\$59.5 per MT. The scale and size of our platforms namely strong suppliers network, operational flexibility, broad customer base complemented by our large-scale manufacturing facilities contributed to this solid performance. Bulk and Consumer Pack businesses contributed 67.6% and 32.4% respectively in terms of total revenue, while contributed 56.9% and 43.1% respectively in terms of total operating margin.

The Group's balance sheet position remained strong with high financial liquidity. As at 31 December 2017, the Group had a healthy debt to equity ratio of 0.78 or net debt to equity ratio of 0.65. Our Balance Sheet continues to reflect strong underlying fundamentals. Our policies on debts and liquidity management have always been to maintain a strong balance sheet throughout the business cycle, strict capital discipline, diversification of funding sources, maintenance of minimal borrowings, and excess cash in order to give us stability and flexibility through the fiscal period. Our cash position as at year end was US\$65.9 million compared to last year's US\$49.8 million.

LOOKING AHEAD

The Group has consistently focused on consolidating our position in the oils and fats business, expanding our range of customer products and specialised applications and continuously enlarging our distribution network.

2017 saw an interesting year with many new projects being undertaken. To-date, we have purchased two small vessels in order to smoothen our logistics supply chain. We commissioned our can-making plant so as to support our growing condensed creamer and evaporated milk business. We also opened up new offices in different countries so as to deepen and enlarge our distribution network. With these distribution offices, it also allows us to be closer to the customer and to expand our range of specialised solutions. In 2018, we intend to continue expanding on these new initiatives, increasing the scale of our activities as well as improving our operational efficiency.

Our portfolio is underpinned by strong assets, deep market insights, world-class technological capabilities, strong branding positions, our global footprint, and our talented, engaged people. We believe 2018 will be an exciting year for Mewah. We will continue to sharpen our efforts to grow our business and bolster our returns so as to create higher value for our shareholders. We will also deepen our presence and extend our position in our core businesses and geographies whilst actively seeking out new opportunities within our business domain. Our enduring commitment and passion is to build a sustainable business for all stakeholders.

The Group owes our achievements to our dedicated staff who expended their time and energy to growing Mewah's capabilities. We will continue to broaden and grow our talent pool to ensure that we have the depth and experienced bench strength to drive Mewah's future growth. To ensure that we plan effectively for succession, we identify and groom our most promising employees so that each member of the team can reach their career potential, and in so doing, to develop the next generation of leaders to push Mewah towards its next level of growth.

Lastly, we wish to express our appreciation to the Board members for their counsel and advice; staff for their many years of dedicated service and contributions to Mewah; and all our shareholders, bankers, business partners, and customers for their strong support and commitment.

MS MICHELLE CHEO

Chief Executive Officer and Executive Director