CEO's Message

The Group has set our sights on sustainable growth. We will continue to expand our range of consumer products and offer specialised applications and customer solutions while consolidating our position in oils and fats business and enlarging our distribution network.

2016 proved to be a good year for the Group. The globally challenging environment was boosted by favourable market conditions. Fully maximising the strong demand and low supply situation for the Bulk segment, the Group posted net profit of US$20.8 million from a low base of US$6.5 million last year.

This result came on the back of a record sales volume of 4,223,000 metric tonne (MT), 8.8% higher than last year. The higher sales volume, coupled with 4.6% higher average selling prices, in turn contributed to a 13.8% increase in revenue to US$3,042.8 million as compared to 2015. Despite the volatility of prices and challenging operational conditions, the Group's strong suppliers' network, operational flexibility and ability to service customers at short notice in case of tight inventory conditions supported by large-scale manufacturing facilities enabled the Group to achieve sound financial performance in 2016.

Higher prices during the year gave rise to positive sentiments among buyers leading to more robust demand and margins. Particularly, the operating margin for the Bulk segment more than doubled from US$13.0 per MT in 2015 to US$31.2 per MT in 2016. In contrast, the Consumer Pack segment was adversely impacted by geopolitical uncertainties and sluggish global economic growth, causing the operating margin to come under pressure during the year, dropping from US$56.4 to US$34.1 per MT.

For the year, the Group's profit before tax increased from US$12.7 million to US$38.7 million. This was mainly attributed to an increase in the operating margin by US$40.2 million which was, however, partially offset by decrease of US$1.4 million in other income and increase of US$12.8 million in other operating expenses.

The Group's balance sheet remained strong with high financial liquidity. As at 31 December 2016, the Group had a healthy debt to equity ratio of 0.46 or net debt to equity ratio of 0.36. In addition, a more efficient inventory turnaround enabled the Group to sustain a short cycle time of 44 days as compared to 68 days last year.

LOOKING AHEAD

The Group has set our sights on sustainable growth. For which, the Group will continue to expand our range of consumer products and offer specialised applications and customer solutions while consolidating our position in oils and fats business and enlarging our distribution network. As we stay focused on our goals, the Group will adopt a proactive strategy to prioritise operational efficiency while leveraging on our competitive position to embrace the opportunities in the otherwise consolidating industry and volatile market.

In the short run, production and inventory levels are expected to stabilise. By making a comparison between the current premiums for spot and nearby months and the lower prices for forward months, the indication is there that the price increase is likely to slow down, albeit strong US dollar and slow recovering global demand might keep the price close to the current range.

Notwithstanding the market conditions, the Group will continue to leverage on our consolidated and strong competitive position to deliver value. We are confident that with the support of our shareholders, employees, customers, suppliers and bankers, we are ready to tackle any challenges and capitalise on any arising opportunities.

MS MICHELLE CHEO
Chief Executive Officer and Executive Director