

CEO'S MESSAGE

2013 WAS A BUSY AND FULFILLING YEAR FOR THE GROUP. NOT ONLY DID THE MARKET BEGIN TO SHOW SIGNS OF IMPROVEMENT IN DEMAND ON THE BACK OF FAVOURABLE POLICY CHANGES IN THE MALAYSIAN CRUDE PALM OIL (CPO) INDUSTRY, INTERNALLY, THE GROUP ALSO INTENSIFIED OUR GROWTH PLANS.

Reversing the decline for the past two years, total sales volume rose 9.8% from 3.4 million metric tons to 3.7 million metric tons in 2013. For our bulk segment, sales volume grew 5.1% to reach 2.7 million metric tons as a result of higher sales in the Asian markets. Our bulk business also achieved improved operating margin of 14.3% from US\$64.5 million to US\$73.7 million. On the other hand, sales volume for our consumer pack segment recorded a 24.5% increase, from 0.8 million metric tons to 1.0 million metric tons. However, lower operating margin per metric ton despite higher sales volume caused the total operating margin for the segment to decline 4.8% to US\$41.7 million.

Once again demonstrating our firm fundamentals, the Group maintained a strong balance sheet with a low debt to equity ratio of 0.48, while sustaining a short cycle time of 47 days.

During the year, we strengthened our foothold in the rice business, a young but fast growing division within our consumer pack segment that registered more than double sales volume growth to achieve 257,000 metric tons. We are delighted to say that we are now a mid-sized player in the rice business within a short span of two years. In addition, we further stepped up efforts to expand our consumer pack product portfolio with the completion of our dairy plant in Westport, Malaysia, at the end of the year. Trial runs of production are currently being conducted and we look forward to the synergy and added value that an expanded dairy product line is envisaged to generate.

Capacity enhancement remained one of our foremost focuses. Our fourth refinery in Sabah, Malaysia, has reached its advanced stage of construction. With an installed refining capacity of 700,000 metric tons annually, the new refinery will boost our total capacity to 3.5 million metric tons, further solidifying our position as one of the world's largest palm oil refiners.

The Group witnessed yet another milestone in 2013 when we agreed to acquire a biodiesel plant in Westport, currently in advanced stage of legal completion. Apart from enabling us to take advantage of the rapidly rising demand for biodiesel, the move will help drive our consolidation efforts.

We remain optimistic for the palm oil industry as Indonesia's and Malaysia's biofuel mandates will support demand and prices for palm oil demand. With a number of major projects coming into fruition, we are excited about the future. Nevertheless, we are keenly aware that it will take time for us to attain optimal levels of capacity utilisation. As such, we will remain committed to doing business in a prudent manner.

It was with the support of our shareholders, employees, customers, suppliers and bankers that we were able to tide over past challenges. For that, I would like to offer my sincere appreciation to all who have placed their trust in us. As we enter a new year, I have no doubt that we will bring Mewah to greater heights.

Ms Michelle Cheo

Chief Executive Officer and Executive Director