



# Global Brands Local Favourites

Sales volume of

**3.9**

million M.T.



We are a global agri-business focused on edible oils and fats with refineries and processing facilities in Malaysia and Singapore, established brands and sales in over 100 countries.



Sales in over  
**100**  
countries

## contents

corporate profile 04 chairman's message 10 ceo's message 11 board of directors 13  
group structure 17 operations and financial review 20 forward looking strategy 26  
risk management 28 research and development 30 corporate social responsibility 31  
corporate governance 33 financial statements 43 ipo proceeds and material contract 124  
statistics of shareholdings 125 notice of annual general meeting 127 corporate information 133



global aspirations  
local commitment





Mewah has come a long way since our humble beginnings – importing RBD palm oil and RBD palm olein from refineries in Johor, Malaysia, repacking them in our facilities in Singapore and distributing them locally. Today, we are one of the largest edible oils and fats businesses in Asia with a current total refining capacity of 8,000 M.T. a day or 2.8 million M.T. annually. Our growth journey has not ended. With our listing in November 2010 and our growth plans, a new chapter in our journey is just unfolding.



## Corporate Profile

Mewah Group is an integrated agri-business focused on edible oils and fats. One of the largest palm oil processors in the world by capacity, Mewah Group produces a wide range of refined and fractionated vegetable oils and fats principally from palm oil, as well as from lauric oils, such as palm kernel oil and coconut oil, and from soft oils, such as soybean oil, canola oil, sunflower seed oil and corn oil. Featuring an integrated operations throughout the edible oils and fats value chain, from the sourcing and processing of raw materials, to the packing, merchandising, shipping and distribution of the products, Mewah Group's products are sold to customers in more than 100 countries – both under our own brands and the brand names of our customers.

The Group has been in operation since the 1950s. Since then, we have established packing operations importing RBD palm oil and RBD palm olein from refineries in Johor, Malaysia, repacking them in the facilities in Singapore and distributing them first in Singapore and later, globally. In 1987, the Group commenced refining crude palm oil in our first refinery in Selangor, Malaysia with a production capacity of 400 M.T. a day or approximately 140,000 M.T. annually.

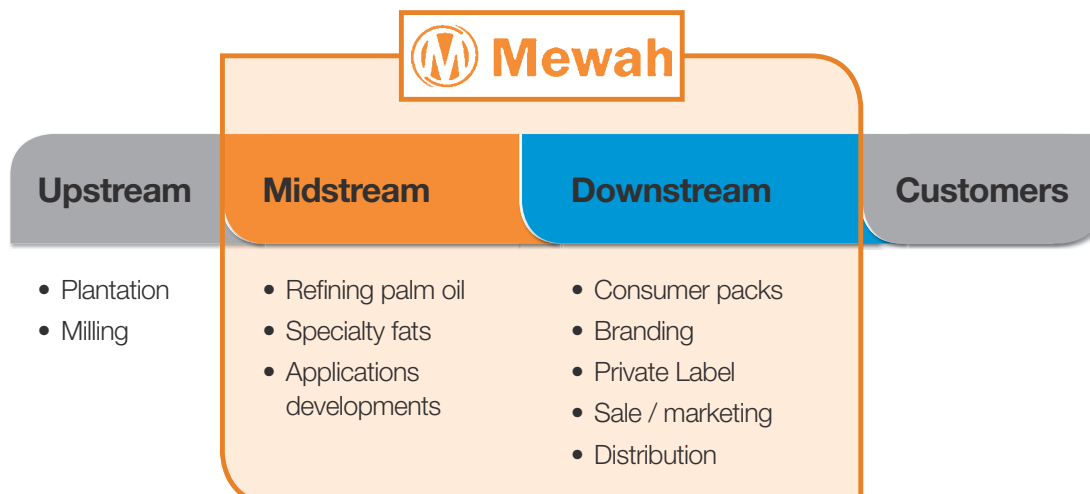
Today, the Mewah Group has grown to be one of the largest edible oils and fats businesses in Asia with a current total refining capacity of 8,000 M.T. a day or 2.8 million M.T. annually. The Group currently has three refineries and processing plants located in Semenyih, Pasir Gudang and Westport, Malaysia, two packing plants in Malaysia and one packing plant in Singapore.

### Our Business

Our operations are integrated throughout the value chain of edible oils and fats, from sourcing of raw materials, refining, processing, packing, branding, to marketing and distributing to end customers.

Our midstream operations include producing of a wide range of refined and fractionated vegetable oils and fats principally from palm oil as well as from lauric and soft oils. Our midstream operations are supported by strategically located, large scale integrated manufacturing processing facilities close to the source of raw materials. Our downstream operations include packing of oils and fats under our own established brands or under private label. Our products are currently sold to over 100 countries.

The integration across the value chain allows us to enjoy significant operating efficiencies through lower manufacturing and logistics costs, better quality control over our products and increased access to market information. Our business model allows us to better manage cyclicity in our industry and fluctuations in the price of CPO and other commodities as we are less susceptible to changes in the price of commodities and are able to respond quickly to changes in demand, supply and pricing for our products through our ability to produce a wide variety of value-added products.



# Corporate Profile

## Business Segments

The Group's business consists of two business segments namely the Bulk segment and Consumer Pack segment.

### Bulk Segment

Our bulk segment produces and sells vegetable-based edible oil and fat products in bulk. These products are refined and fractionated from palm oil, lauric oils, and soft oils. The main bulk edible oils and fats we produce are RBD palm oil, RBD palm olein and RBD palm stearin. RBD palm oil is a major component used in the manufacture of margarines and shortenings and is also used for frying. RBD palm olein is mainly used as cooking oil and in industrial applications for processed foods such as fries and chips. RBD palm stearin is used mainly to manufacture margarine, shortenings, soaps and detergents.

We also produce specialty fats and oils in bulk form. These specialty fats and oils products are used for cocoa butter and dairy products. We sell our specialty fats and oils in bulk form primarily to distributors and factories involved in the production of confectionery, bakery products and other food items.

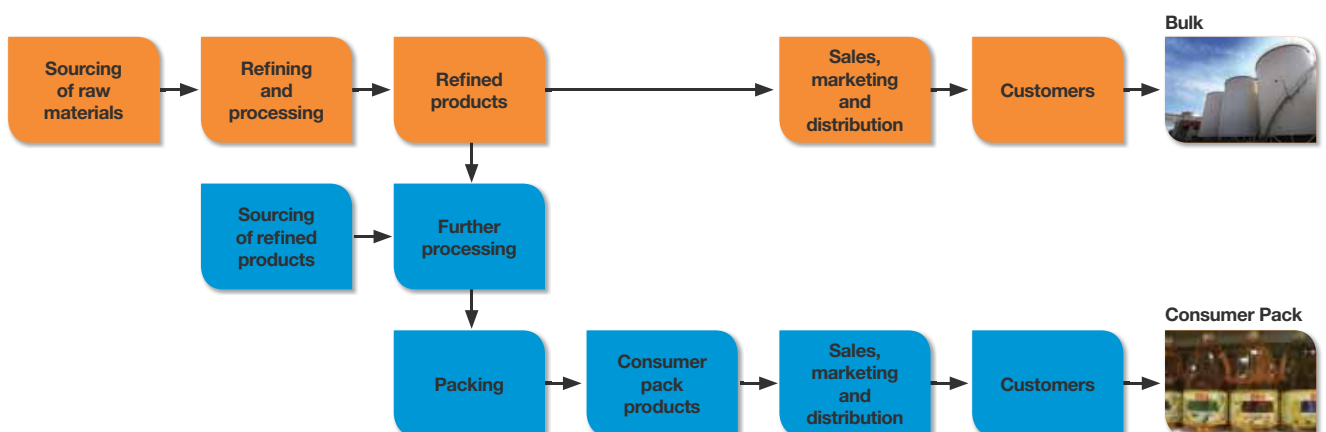
We source the raw materials for our bulk edible oils and fats division, primarily palm oil as well as lauric oils and soft oils, mainly from suppliers in Malaysia where our manufacturing operations are located, or from Indonesia and South America. Our bulk edible oil products are sold to refiners, processors, wholesalers and retailers in the food, animal feed and oleochemicals industries.

### Consumer Pack Segment

Our consumer pack products division produces and sells vegetable-based edible oil and fat products in the form of consumer packs to end customers under our own house brands and under the brands of third parties. We also sell specialty oils and fats in consumer pack form under our own house brands.

Our specialty fats and confectionary oils sold in consumer pack form are sold under our own brand names, such as 'Moi' and 'Ok!', primarily to distributors and factories involved in the production of confectionery, bakery products and other food items.

The raw materials for our consumer pack products are primarily palm, lauric and soft oils that are sourced in bulk, together with the raw materials for the rest of our business divisions from suppliers located in Malaysia. Our consumer pack products are produced at our Westport and Pasir Gudang refineries in Malaysia and at our packing plants in Malaysia and Singapore. We manufacture some of our own packaging for our consumer pack products at our packing plants in Malaysia and purchase the remainder of our needs from third parties. Our consumer pack products are marketed and sold through our sales offices located in Singapore, Malaysia, Australia, China, India, Europe, Russia and Africa to more than 100 countries around the world.



# Corporate Profile

## Manufacturing Operations

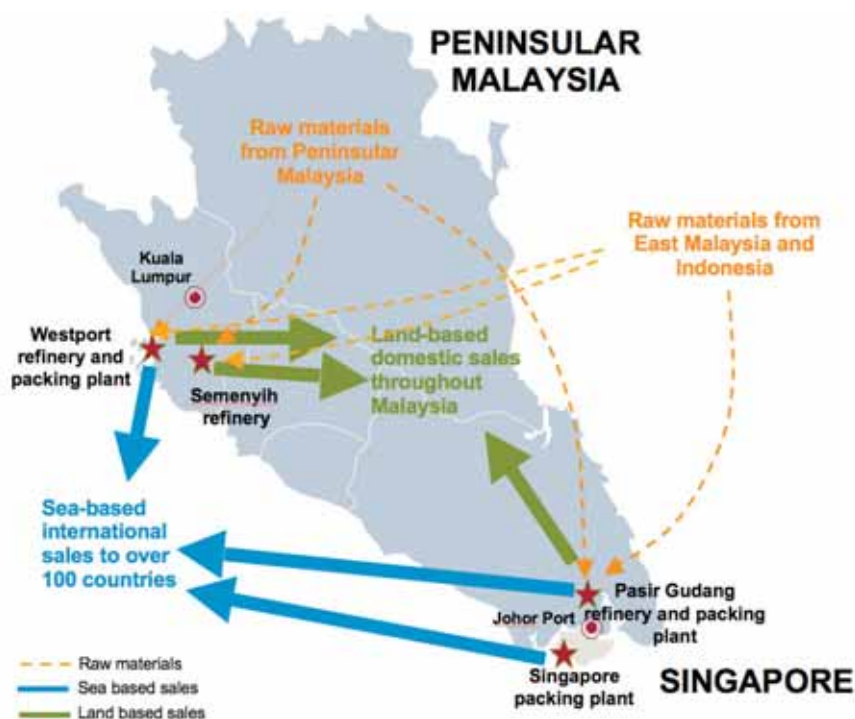
With current refining capacity of 2.8 million M.T. per annum, we are the second largest palm oil processor in Malaysia and sixth largest in the world, by installed capacity<sup>1</sup>. The average size of our refinery plants is the largest in Malaysia<sup>1</sup>. The large size of our plants enables us to achieve economies of scale as we are able to spread capital expenditures and fixed costs over a large volume of products produced and lower our cost of production per M.T. at each plant.

We currently have three refineries in Malaysia, two packing plants in Malaysia and one packing plant in Singapore. Our refineries in Westport and Pasir Gudang are situated near ports that are located along major shipping routes and have pumping facilities that allow us to receive CPO supplies from and to deliver our bulk products to sea-calling vessels directly. Our plant at Semenyih is strategically located inland near many of our local customers. All our refineries and packing

plants are strategically located to have easy access to raw materials, our customers or distribution and transportation facilities and reduces the time to market of our products which lowers our costs. Apart from the refining of CPO and CPKO, our facilities in Malaysia are also able to carry out a wide variety of other functions, such as fractionation and hydrogenation, neutralising, winterising and texturising, which allows us to produce a variety of products, and to custom make products for our customers. With over 90% of capacity utilisation, our refineries are one of the most efficiently run refineries in the world.

All our refineries and processing facilities are ISO certified to provide assurance to our customers that our quality management systems meet specific standards. We have also received various other accreditations and certifications, such as Halal and HACCP certifications, which allow our products to be sold in a wider variety of markets to a broader range of customers.

<sup>1</sup> Based on a report by LMC International Limited.





## Corporate Profile

### Merchandising and Global Distribution Capabilities

We sell and distribute our bulk and consumer pack products to more than 100 countries in the Asia Pacific, the Indian sub-continent, Middle East, Africa and Europe through a well-established global sales and distribution network. We distribute our products through our own distribution network of sales and marketing offices in Singapore, Malaysia, Australia, China, India, Europe, Russia and Africa. In addition, we employ a multi-cultural marketing team which gives us a competitive advantage in accessing and understanding the respective local markets. Besides that, the strength of our merchandising and distribution also lies in the high and consistent quality of our products. We are able to specially develop products to meet our customers' specifications and to assist them in the design, packaging and branding of products under their respective brands. This has allowed us to develop strong relationships with our key customers around the world, many of whom are well-known large food companies, by providing them with timely and reliable supplies of their edible oil and fat needs.

### Consumer Brands

We have a wide range of consumer pack products marketed under our house brands, such as 'Okki', 'Mona', 'Moi', 'Krispi', 'Deli', 'Turkey', 'Cabbage', 'Mewah' and 'Fry-ola', many of which we believe are established and well-recognised names. We believe our 'Okki' and 'Moi' brands of edible oils are some of the leading brands of edible oils in Africa. Our consumer pack products are available in countries in the Asia Pacific, the Indian sub-continent, Middle East, Africa and Europe.

Through more than 50 years of experience in establishing and promoting our brands, we believe we have developed and obtained in-depth knowledge of the types of products, packaging, pricing and display that will appeal to consumers in the markets we target. As such, we believe we are well positioned to take advantage of potential growth markets for our consumer pack products.





global growth  
local success



With the support of dedicated sales teams, based in Singapore and Malaysia, and regional sales teams located in Singapore, Malaysia, Australia, China, India, Europe, Russia and Africa, Mewah has a strong distribution network. Effectively, we deliver our products to customers in more than 100 countries.





## Chairman's Message

2010 was a milestone year for the company when it got listed on the Main Board of the Singapore Stock Exchange on November 24, 2010. After running the business for over five decades as a closely held family business, the company went public to share the fruits of its success with the public at large. Getting publicly listed has opened a new chapter in the life of the company with new opportunities and new challenges ahead.

Financial Year 2010 was a very satisfying year for us when our robust business delivered yet another set of strong financial performance despite tough global economic environment and volatile commodity prices. With a net profit of US\$92.4 million, the company achieved earnings per share of US cents 7.08 per share and an impressive return on equity of 38.8%. More importantly, we ended the year with a much stronger Balance Sheet with a total equity of US\$509 million and a conservative debt to equity ratio of 0.64. Our Balance Sheet is stronger than ever to support our growth strategy.

I would like to take this opportunity to thank and congratulate the entire Mewah team on making the company a success story. While I thank the promoter shareholders who have supported us

all this while, I also welcome new public investors and the independent directors and thank them for showing their confidence in the business and our future growth plans.

Throughout the year, we have remained focused on succession planning. The Group has continued to invest in human resources development to ensure enhanced capacity and adequate human capital for our ambitious expansion plans. The management continues to roll-out its strategic plan continually reassessing its long term goals and has continued with its succession planning path in all areas of the business. Our employees are commended for their continued loyalty, commitment to excellence and support in helping the Group achieve the best performance possible.

The Group has continued to invest and expand in areas it believes are important, including expansion of the research and development team to assist in driving innovation and the development of new product ranges designed to focus on meeting the needs of our customers.

While the public listing opens up opportunities for us to take the business to new heights, it also adds additional challenges for the Company to meet increased expectations from all our stakeholders. We have laid strong foundations over the last five decades and we are confident of meeting and exceeding the expectations.

We believe we have a compelling story and we look forward with great passion to the future, creating greater value for our shareholders.

**Dr Cheo Tong Choon**  
Chairman and Executive Director

## CEO's Message

Financial Year 2010 was a year of laying the foundation to start a new chapter of growth. We delivered a robust and consistent financial performance for another year amidst volatile market conditions. We further strengthened our already strong financial position by raising more equity through an initial public offer to support our growth plans. During the year, we acquired controlling stake in our distributor in West Africa which will not only broaden our market reach but also open doors to manufacture and distribute other products having synergies with our current business. During 2010, we also initiated various expansion projects including a refinery with a capacity of 525,000 M.T. increasing the capacity for specialty fats by 210,000 M.T., a consumer packs project to produce soap and shortenings. A new chapter in our journey is just unfolding!

### Review of FY 2010

Mewah delivered a robust, stable and consistent financial performance for the year 2010 despite tough global economic environment and volatile commodity prices. Tough market conditions and volatile market conditions were test of our robust and operationally flexible business model that has been delivering consistent earnings and we passed the test with flying colours. Our net profit US\$92.4 million was 3.1% higher than last year. Excluding exceptional items i.e. IPO expenses, our net profit of US\$97.2 million was 8.4% higher than the last year. The company achieved earnings per share of US cents 7.08 per share.

Our sales of 3.85 million M.T. were 37.6% higher than our current refining capacity of 2.8 million M.T. adding to our confidence that we will be able to accelerate the capacity utilisation for our new refinery with an installed capacity of half a million M.T. currently under construction. Our current refineries continued to operate at capacity utilisation of more than 90%. Our consumer pack segment with higher margins registered an impressive growth of 20.5% in the sales volumes.

Our sales remain well diversified spanning over 100 countries. Africa and Middle East continues to be our strong markets for consumer packs sales, contributing over 70% of the sales of the segment.

We ended the year with a much stronger Balance Sheet with a total equity of US\$509 million, and a conservative debt to equity ratio of 0.64. Our Balance Sheet is stronger than ever to support our growth plans.

Our operational efficiency was reflected in our low cycle time of 43 days. Our high asset turnover ratio of 8.4 times with profit margin of 2.6%, combined with a comfortable leverage



## CEO's Message

ratio of 1.8 times helped us achieve an impressive return on the equity of 38.8%.

### **Our key success factors**

Over the last five decades, we have positioned ourselves as an integrated edible oils and fats business participating in the attractive parts of the value chain. Our efficient and strategically located large scale integrated production facilities act as global factories closer to raw material and help us to keep our cost of production low, provide operational efficiencies and provide entry barriers. We have our own established and recognised consumer brands that give us access to larger pool of customers while creating customer loyalty. Our well balanced experienced management team provides us competitive advantage in tough market conditions.

### **Preparing for the future**

With our current competitive position in the industry we have sight on consolidating our position further as an integrated player of agri-based consumer products. As a strategy, we plan to expand ranges of agri-based consumer products, broaden our marketing and distribution reach and invest in demand driven production facilities.

In 2010, we acquired majority stake in Molly Foods bvba that will help us to consolidate our integrated position in the downstream part of the value chain, broaden and depend our marketing and distribution network and open opportunities for other consumer products having manufacturing and distribution synergies with our current business.

We are also undertaken various expansion plans to increase our current refining capacity from 2.8 million M.T. to 3.3 million M.T., increase specialty fats capacity from 70 thousand M.T. to 280 thousand M.T., building facilities to produce soap and shortening.

We have set our sight to increase our presence in China, by setting packing plants to start with and scale up the investments for manufacturing. We are exploring other organic and inorganic opportunities to further strengthen our position as an integrated agri-based consumer products business. With our well defined strategy, focused demand-driven expansion of the business, our competitive position in the industry, supported by our strong balance sheet, we are well poised to grow further.

We believe that there will be many opportunities for us in the near future. Overall, our focus is to continue to build sustainable growth, and continued profitability to create long term value for all our stakeholders.

I would like to take this opportunity to thank our employees, suppliers, customers, bankers and shareholders for their support in helping to make 2010 a successful year for us as a Group. We are also grateful for the continued partnership and confidence in the Company.

### **Michelle Cheo**

Chief Executive Office & Executive Director

## Board of Directors

### **Dr Cheo Tong Choon @ Lee Tong Choon**

Dr Cheo Tong Choon @ Lee Tong Choon is our Chairman and Executive Director. He is responsible for the overall strategy and direction for the Group. Dr Cheo has more than 20 years of experience in the edible oils and fats business. He was responsible for establishing the Mewah Group of companies in Malaysia, which included Ngo Chew Hong Oils & Fats (M) Sdn Bhd, Mewaholeo Industries Sdn Bhd and Mewah-Oils Sdn Bhd. Dr Cheo also established our subsidiary, Moi Foods Malaysia Sdn Bhd, which is primarily in the business of packing and marketing consumer pack products. Dr Cheo is responsible for setting the strategic direction of our Group and under his direction, our Group has expanded into refining, manufacturing and trading of palm oil and related products.

Dr Cheo obtained a Doctor of Medicine (MD) degree from the University of Saskatchewan, Canada and is a member of the Royal Colleges of Physicians of the United Kingdom in internal medicine. He practised as a registered medical practitioner from 1975 to 1986 with a group of medical specialists, Drs Bain & Partners in Singapore, before he became our Chairman and Executive Director.

### **Ms Michelle Cheo Hui Ning**

Ms Michelle Cheo Hui Ning is an Executive Director and our Chief Executive Officer. She has overall responsibility for our corporate risk management, production and systems and technical processes. She is responsible for the bulk segment of our business, including sales, formulation of strategy and execution. Ms Cheo joined our Group in 2003 and along with the Executive Chairman, she is responsible for managing the overall strategic direction of the Group, which involves managing the operations, projects and organisation of the Group. Prior to joining our Group, Ms Cheo worked with Exxon Mobil from 1997 to 2003.

Ms Cheo graduated in 1997 and holds a Chemical Engineering degree from Imperial College, University of London. She also obtained a Master of Business Administration degree from INSEAD in 2004.

### **Ms Bianca Cheo Hui Hsin**

Ms Bianca Cheo Hui Hsin is an Executive Director and our Chief Operating Officer. She joined our Group in 2004 and now heads the consumer pack segment, and has overall responsibility for our human resource, financial management, marketing, organisational development and IT systems. Prior to joining our Group, Ms Cheo practised law in Singapore with Allen & Gledhill LLP from 2000 to 2003 and with Norton Rose LLP from 2003 to 2004.

Ms Cheo graduated from the King's College University of London, with a degree of Bachelor of Laws in 1998 and she was admitted as an advocate and solicitor of the Supreme Court of Singapore in 2000.

### **Mr Cheo Seng Jin**

Mr Cheo Seng Jin is an Executive Director and Head of Commercial. He is responsible for the strategy for sales and marketing. Mr Cheo has gained more than 20 years of experience in the edible oils and fats industry in Singapore and China whilst working with our subsidiary, Ngo Chew Hong Edible Oil Pte. Ltd. He presently sits on the board of directors of some of our subsidiaries. Mr Cheo also assisted in establishing our Group's subsidiaries, MOI International (Australia) Pty Ltd in Australia and Moi Foods (Shanghai) Co. Ltd. in China, which operate as our marketing offices for our consumer pack segment in those countries.

Mr Cheo obtained a Bachelor of Science degree from the University of Singapore (now known as the National University of Singapore) in 1972.

## Board of Directors

### Ms Leong Choi Foong

Ms Leong Choi Foong is an Executive Director and our Group Treasurer. Ms Leong joined the Group in 1990 as the Finance Manager of our subsidiary, Ngo Chew Hong Oils & Fats (M) Sdn Bhd, and subsequently as the Group Financial Controller of our subsidiary, Mewah-Oils Sdn Bhd, until her most recent appointment with our Company. Prior to joining our Group, Ms Leong worked as a tax and audit assistant with Othman Hew & Co. between 1980 and 1983 and as a financial and management accountant at Southern Bank Berhad, which is now part of CIMB Bank Berhad, between 1984 and 1990, where she was in charge of the Group's financial and management reporting.

Ms Leong obtained a Bachelor of Accounting degree from the University of Malaya in 1980. She is a member of the Malaysian Association of Certified Public Accountants and a chartered accountant certified by the Malaysian Institute of Accountants.

### Ms Wong Lai Wan

Ms Wong Lai Wan is an Executive Director and Head of Risk Management. Ms Wong joined our Group in 1987 as a chemist. During her 23 years with our Group, she has held various portfolios in quality control, production, operations, logistics, marketing, trading and business development. In 2005, she became our Executive Vice President and Head of Risk Management. She is currently responsible for the overall business operations and risk management of our Group. Ms Wong started her career with Pan Century Edible Oils Sdn Bhd as a chemist from 1985 to 1987.

Ms Wong graduated with a Bachelor of Science degree in Chemistry with First Class Honours from Universiti Kebangsaan, Malaysia in 1985.

### Mr Giam Chin Toon

Mr Giam Chin Toon is our Lead Independent Director. He was appointed to our Board of Directors on October 29, 2010 and is the Chairman of the Nomination Committee and Remuneration Committee. He is also a member of the Audit Committee.

Mr Giam is a senior partner of the law firm of Wee Swee Teow & Co. Mr Giam was appointed Senior Counsel in 1997. He was President of the Law Society of Singapore between 1987 and 1989, and remains actively involved in the activities of the Law Society of Singapore and the Singapore Academy of Law. Mr Giam joined the Singapore legal service in 1967 and was a magistrate when he left the legal service in 1970. He has served as arbitrator and counsel in many arbitral and court proceedings.

Mr Giam is active in the commercial field holding directorships and appointments in private and public listed companies as well as institutions. These include the boards of Ascott Residence Trust Management Limited, Guthrie GTS Limited, the Singapore Mediation Centre and the Inland Revenue Authority of Singapore. He has previously served on the boards of Oversea-Chinese Banking Corporation Limited, SembCorp Marine Limited, the Singapore Institute of Directors, Health Sciences Authority, Energy Market Authority, and Raffles Holdings Limited.

Mr Giam is Singapore's Ambassador (Non-Resident) to Peru and High Commissioner (Non-Resident) to Ghana.

Mr Giam graduated from the University of Singapore in 1967 with a Bachelor of Laws (Honours) and a Masters of Law degree in 1969.

### Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor

Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor is an Independent Director. He was appointed to our Board of Directors on October 29, 2010 and is a member of our Nomination Committee, Audit Committee and Remuneration Committee. Tan Sri Ir Radzi served the Government of Malaysia in various engineering and management roles between 1965 and 1986 at Jabatan Telekom Malaysia including a three year secondment as a technical advisor to the Ministry of Energy, Telecommunications & Post in Malaysia between 1976 and 1979. He was appointed as Director General JTM in 1985 and retired in 1987 with the corporatisation of Jabatan Telekom Malaysia. He opted into the successor company, Telekom Malaysia Berhad, as Director of

## Board of Directors

Operations, Director of Marketing and Customer Service and Director of Regulatory Management and External Affairs between 1987 and 1996. From 1997 to 1999, Tan Sri Ir Radzi was retained as a Consultant/Advisor to the Multimedia Development Corporation Sdn Bhd and he is currently a member of its board of directors. From July 1999 to July 2009, Tan Sri Ir Radzi was Chairman of Telekom Malaysia Berhad and its group of companies.

Tan Sri Ir Radzi is currently Chairman of Kumpulan Fima Berhad (Malaysia), Chairman of Menara Kuala Lumpur Sdn Bhd, President-Commissioner of PT XL Axiata Tbk (Indonesia), a director of Pos Malaysia Berhad and a member of the APEC Business Advisory Council (ABAC Malaysia).

Tan Sri Ir Radzi graduated with a Diploma in Electrical Engineering from Faraday House Engineering College, London in 1962, and a Master of Science degree in Technological Economics from the University of Stirling, Scotland in 1975. A registered engineer with the board of Engineers Malaysia and Engineering Council, United Kingdom, he is a corporate member of the Institution of Engineers Malaysia, the Institution of Engineering and Technology, United Kingdom and the Chartered Management Institute, United Kingdom.

Tan Sri Ir Radzi was made an Honorary Fellow by the ASEAN Federation of Engineering Organisation in 2004 and was made a Fellow of the Institute of Marketing Malaysia and a Fellow of the Institute of Directors, Malaysia in 2007. Tan Sri Ir Radzi was appointed as the Pro-Chancellor of Multimedia University in 2008.

### **Mr Lim How Teck**

Mr Lim How Teck is an Independent Director. He was appointed to our Board of Directors on October 29, 2010 and is the Chairman of the Audit Committee. He is also a member of our Remuneration Committee and Nomination Committee.

Mr Lim is currently Chairman of Redwood International Pte. Ltd. (an investment & consultancy company). Mr Lim has an in-depth knowledge of the shipping

industry and the Neptune Orient Lines Limited ("NOL") group of companies (the "NOL Group"), having been with the NOL Group from 1979 to 2005. He held directorships in various subsidiaries, associated companies and investment interests of the NOL Group. In NOL, he held various positions from Executive Director, Group Chief Financial Officer, Group Chief Operating Officer and Group Deputy Chief Executive Officer.

Mr Lim has extensive international qualifications and experience in business finance and accounting. Prior to joining NOL, he worked in Coopers & Lybrand (an international accounting firm) and Plessey Singapore (a multinational trading and manufacturing company).

Mr Lim holds a Bachelor of Accountancy Degree from the University of Singapore. He is a Fellow of the Chartered Institute of Management Accountants of UK (FCMA), a Fellow of the Certified Public Accountants of Australia (FCPA Aust), a Fellow of the Institute of Certified Public Accountants of Singapore (FCPA ICPAS), a Fellow of the Singapore Institute of Directors (SID) and an Associate of the Business Administration of Australia (AIBA). He is a graduate of the Harvard Graduate School of Business Corporate Financial Management Course and Advanced Management Program in 1983 and 1989 respectively.

Mr Lim's other appointments include being Chairman of Certis CISCO Security Pte. Ltd., ACAL Holdings Pte. Ltd. and ARA-CWT Trust Management (Cache) Limited and is also Deputy Chairman of Tuas Power Ltd. He is also a director of PNG Sustainable Development Program Limited, IFS Capital Limited, Jurong Port Pte Ltd, ACAL Underwriting Limited (UK), Rickmers Trust Management Pte. Ltd., ARA Asset Management Ltd, The Foundation for Development Cooperation, The Foundation for Development Cooperation Limited (Singapore) Ltd, The Foundation for Development Cooperation Limited Pacific Ltd, Accuron Technologies Limited, Swiseco Holdings Limited. He was awarded The Public Service Medal (Pingat Bakti Masyarakat) National Day Award in 1999, The Service to Education Medal (Singapore Ministry of Education) in 2000 and 2002, and The Gold Service Medal (Singapore Civil Defence Force) in 1996.

## Board of Directors

### **Tan Sri Datuk Dr Ong Soon Hock**

Tan Sri Datuk Dr Ong Soon Hock is an Independent Director. He was appointed to our Board of Directors on October 29, 2010. He is also a member of our Nominating Committee.

Tan Sri Datuk Dr Ong is currently an adjunct professor at the University of Malaya, where he is attached to the Department of Chemistry and the Faculty of Economic and Administration. Prior to joining the University of Malaya in 2007, Tan Sri Datuk Dr Ong was the Chief Operating Officer of Country Heights Education Sdn Bhd from 1996 to 1998.

Tan Sri Datuk Dr Ong has an in-depth knowledge of the chemistry and technology associated with the palm oil industry, having actively contributed to palm oil related research and the palm oil industry for more than 36 years.

Tan Sri Datuk Dr Ong was a director of the Malaysian Palm Oil Promotion Council from 1990 to 1996, and was Director General of the Palm Oil Research Institute of Malaysia from 1987 to 1989, where he remained as an advisor until 1990. Prior to joining the Palm Oil Research Institute of Malaysia, Tan Sri Datuk Dr Ong was a professor at the University of Science Malaysia from 1970 to 1981, and a lecturer at the University of Malaya from 1959 to 1970.

Tan Sri Datuk Dr Ong's contributions to the palm oil industry have led to his receiving several awards, including

the Distinguished Science Alumni Award from the National University of Singapore in 2006, the Malaysian Scientific Association Golden Jubilee Award in Oil Palm Research in 2005, the First Asian Achievement Award for Research and Development by the Asean Institute in 1992 and the First Award for Distinguished Contribution to Economic Advance with respect to Palm Oil for 1990/1991 by the Federation of Asian Chemical Societies in 1991. Tan Sri Datuk Dr Ong has over 36 years of research and development experience in lipid chemistry, and is the registered holder of 16 patents in the field of palm oil related technology.

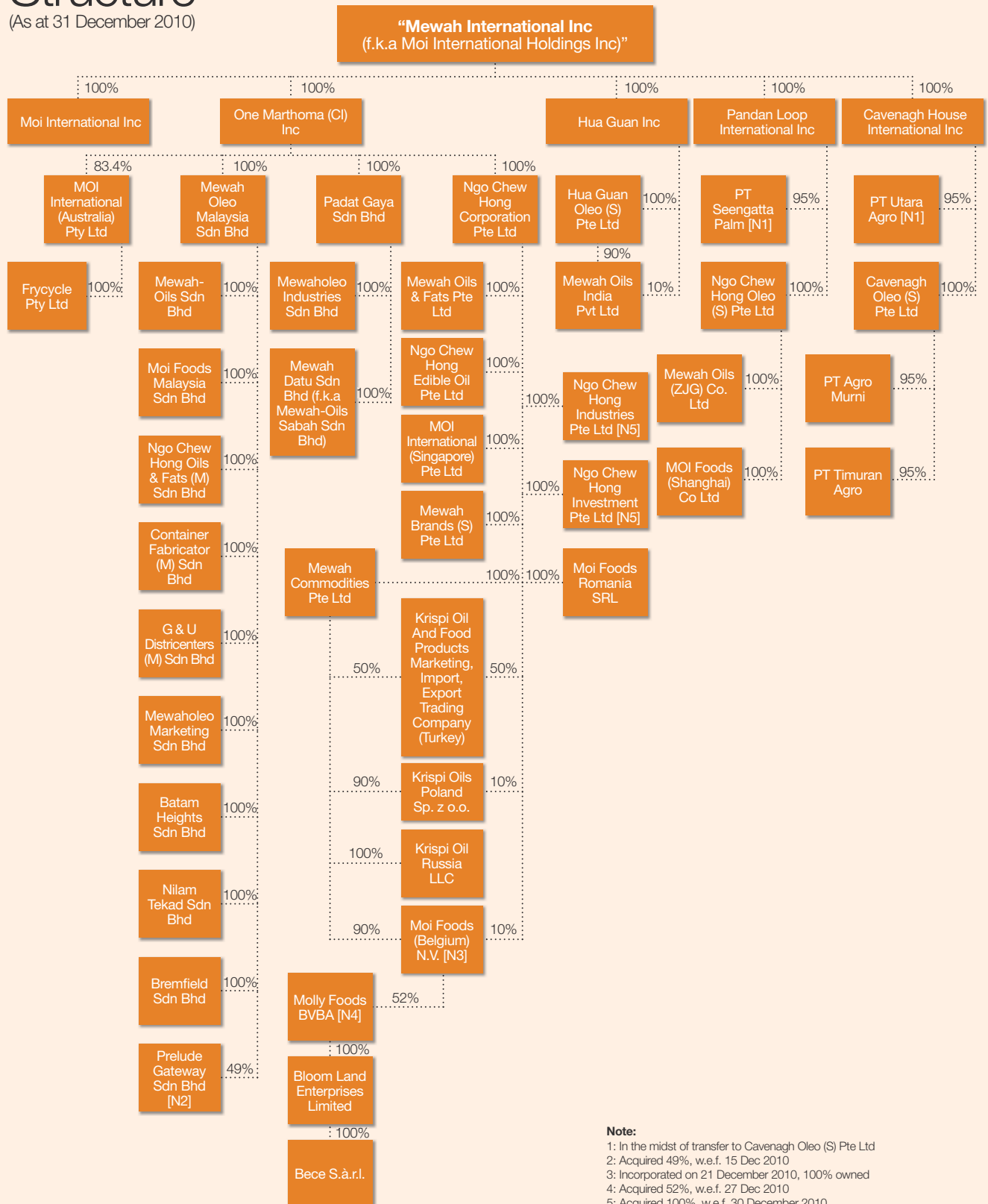
Tan Sri Datuk Dr Ong graduated with a Bachelor of Science degree with First Class Honours from the University of Malaya in 1958, and obtained a Master of Science from the University of Malaya in 1959. Tan Sri Datuk Dr Ong obtained a Doctor of Philosophy (PhD) in organic chemistry from King's College University of London in 1963.

Tan Sri Datuk Dr Ong is a Senior Fellow of the Academy of Sciences Malaysia with the title "Academician", and was appointed as an Emeritus Professor of the University of Science, Malaysia in 2007. He has been the President of the Malaysian Oil Scientists and Technologists Association since 1987, the President of the Malaysian Invention and Design Society since 1986 and the President of the Malaysian Federation of La Sallian Associations since 2008. Recently, he was conferred Fellowship of King's College, London.



# Group Structure

(As at 31 December 2010)



**Note:**

- 1: In the midst of transfer to Cavenagh Oleo (S) Pte Ltd
- 2: Acquired 49%, w.e.f. 15 Dec 2010
- 3: Incorporated on 21 December 2010, 100% owned
- 4: Acquired 52%, w.e.f. 27 Dec 2010
- 5: Acquired 100%, w.e.f. 30 December 2010



In an increasingly competitive operating landscape, Mewah achieved yet another set of robust and consistent operational and financial performance. Its current balance sheet is poised to support the growth strategy.





global presence  
regional operations

# Operations and Financial Review

## FINANCIAL HIGHLIGHTS

	FY 2007	FY 2008	FY 2009	FY 2010
<b>INCOME STATEMENT</b>				
Revenue	2,705	3,276	2,867	3,533
Operating Margin	79.6	176.6	182.9	184.4
EBITDA	46.9	134.6	131.4	132.3
Net Profit	26.7	89.0	89.7	92.4
Net Profit excluding exceptional items	26.7	89.0	89.7	97.2
Earning per share (US cents per share)	2.07	6.92	6.96	7.08
Return on Equity	18.4%	52.0%	45.5%	38.8%
<b>BALANCE SHEET</b>				
Fixed Investments	167	169	173	223
Current Investments	181	176	249	397
Cash and cash equivalents	29	40	38	215
<b>Total use of funds</b>	<b>377</b>	<b>385</b>	<b>460</b>	<b>835</b>
Equity	171	190	239	509
Borrowings	206	195	221	326
<b>Total sources of funds</b>	<b>377</b>	<b>385</b>	<b>460</b>	<b>835</b>
Debt:Equity	1.21	1.03	0.92	0.64
Net asset value per share (US cents per share)	13.34	14.85	18.66	33.79

In US Dollars (in million), unless otherwise stated

## SEGMENTAL PERFORMANCE

	FY 2007	FY 2008	FY 2009	FY 2010
<b>Segmental Performance:</b>				
<b>Sales Volume (M.T.'000)</b>				
Bulk	2,970	2,575	3,080	2,976
Consumer Pack	608	757	727	876
Total	3,578	3,332	3,807	3,852
<b>Operating Margin (US\$'million)</b>				
Bulk	39.7	115.1	100.5	102.2
Consumer Pack	39.9	61.5	82.4	82.2
Total	79.6	176.6	182.9	184.4
<b>Operating Margin per M.T. (US\$)</b>				
Bulk	13.4	44.7	32.6	34.4
Consumer Pack	65.6	81.3	113.4	93.8
Total	22.2	53.0	48.0	47.9

## Operations and Financial Review



Mewah is an agri-based consumer products business, focused on palm oil related products with established and recognised brands and sales in over 100 countries. The bulk and consumer pack segments are well supported by cost-efficient, integrated large scale refineries.

### **Palm Oil Industry Trend in 2010**

In 2010, palm oil industry was affected by hot and dry weather in early part of the year followed by heavy rainfall affecting the harvesting, resulting in lower production and pushing the prices high in the second half of 2010.

For Malaysia, according to Malaysian Palm Oil Board, the average Fresh Fruit Bunch yield fell 6.3% to 18.04 M.T. per hectare and CPO production dropped by 3.3% to 16.99 million M.T.. Total exports of palm oil products increased by 2.8% to 23.06 M.T. in 2010. Price discount between palm oil and soybean oil shrank to 9%, compared to five-year average of 17%. In December, 2010 the gap decreased to a marginal 0.2%.

Tight CPO supplies and higher demand pushed the CPO prices from the levels of RM2,500 per M.T. in the early part of the year to over RM3,800 per M.T. by the end of the year.

### **Consistent Performance**

Despite volatile market conditions and fluctuating CPO prices, the Group achieved yet another set of robust and consistent operational and financial performance. In 2010, the Group maintained capacity utilisation of over 90%, achieved sales volume of 3.9 million M.T., 37.6% higher than the installed refining capacity, maintained stable operating margins and delivered robust return on equity of 38.8% for the year.

### **Building Capabilities**

2010 was also the year of building capabilities to take the business to next level of growth. In November 2010, the Group got listed on the SGX main board raising net proceeds of US\$184 million, strengthening the balance sheet to support expansion and growth plans. Expansion plans were undertaken to further strengthen the market position as a leading edible oils and fats processor by increasing refining capacity, expanding the range and capacity of specialty fats production and further deepening the participation in the value chain.



## Operations and Financial Review

	Thousand M.T.			
	FY 2007	FY 2008	FY 2009	FY 2010
<b>Installed Capacity</b>	<b>2,800</b>	<b>2,800</b>	<b>2,800</b>	<b>2,800</b>
<b>Capacity Utilised</b>	<b>2,402</b>	<b>2,212</b>	<b>2,570</b>	<b>2,573</b>
<b>Capacity Utilisation</b>	<b>85.8%</b>	<b>79.0%</b>	<b>91.8%</b>	<b>91.9%</b>

### Manufacturing

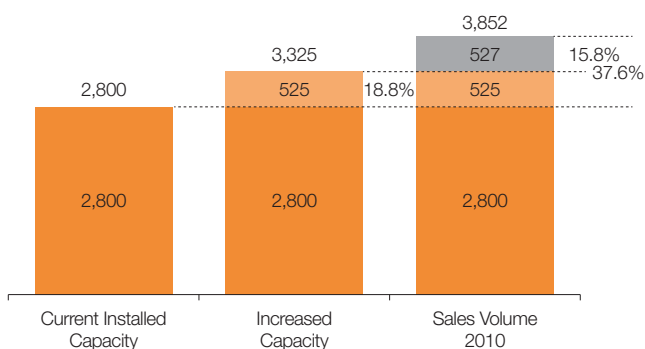
Our refineries and processing plants are located in Semenyih, Pasir Gudang and Westport in Malaysia. Our facilities in Pasir Gudang and Westport are strategically located among a high concentration of refineries and oleo-chemical plants, with port facilities that are situated along international shipping routes while our facility in Semenyih is conveniently located inland near many of our Malaysian local customers. Total refining capacity for the Group is 2.8 million M.T.. During 2010, the Group maintained high capacity utilisation of 91.9%, similar to 91.8% achieved in 2009.

### Robust sales volume, substantially higher than current installed capacity

The Group maintained high sales volume of 3.852 million M.T., 37.6% higher than current refining capacity of 2.8 million M.T.. Incremental sales volume was supported by purchase of refined oil and related products from other manufacturers.

Current sales volume is 15.8% higher than the planned increased capacity of 3.325 million M.T., once our fourth refinery comes on stream in FY 2012. With our current capacity utilisation of 91.9% and our current sales capabilities, we are optimistic of achieving high capacity utilisation for the new refinery.

Consumer Pack segment reported a strong growth of 20.5% to 876 thousand M.T. in 2010, compared with 727 thousand M.T. in 2009. Sales for Consumer Pack segment in 2010 was 31.9% higher than 2009. Sale for the segment was supported by the Group's increased sale of cooking oil in West Africa.



# Operations and Financial Review

## Well diversified Sales Revenue

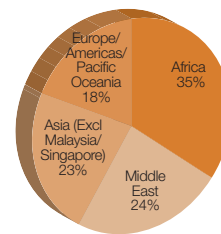
Sales revenue for 2010 increased by 23.2% to US\$3.533 billion. Increase in the sales revenue was largely attributable to increased prices during the year. Sales revenue for the bulk segment grew by 20.2% and consumer pack segment registered revenue growth of 31.9%. Bulk segment contributed 72% of total sales revenue, while Consumer Pack segment contributed 28% of the revenue.

The Group currently sells its products to customers in over 100 countries, Africa and Middle East being strong markets for the Group. We review our sales based on the billing address of the customer. Of the total sales, 45% of the sales were made directly to destination markets which were evenly distributed across the globe. Africa and Middle East contributed 35% and 24% of total destination sales.

Most of our bulk sales are made to customers with billing address in Malaysia or Singapore, who in turn carry the products to destination markets. In 2010, over 25% of bulk sales were made to destination markets other than Malaysia and Singapore. Consumer Pack sales are made largely to the destination markets. In 2010, Africa and Middle East contributed over 70% of the sales for the consumer pack segment.

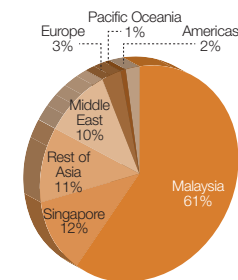
## Destination Sale

Well diversified sales throughout the world with strong presence in Africa and Middle East



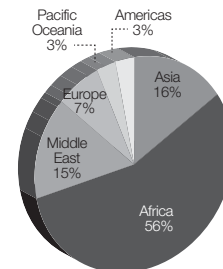
## Bulk

Over 25% of Bulk sales directly to destination markets other than Malaysia and Singapore

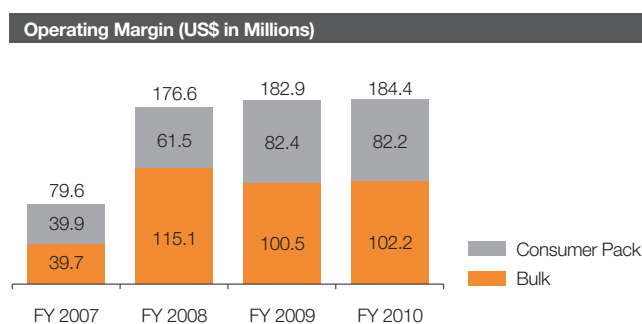


## Consumer Pack

Over 70% of Consumer Pack sales to Africa and Middle East



## Operations and Financial Review



### Consistent Operating Margins across segments

We source the raw materials for our bulk edible oils and fats division, primarily palm oil as well as lauric oils and soft oils, mainly from suppliers in Malaysia where our manufacturing operations are located, or from Indonesia and South America. Our bulk edible oil products are sold to refiners, processors, wholesalers and retailers in the food, animal feed and oleochemicals industries.

Our consumer pack products division produces and sells vegetable-based edible oil and fat products in the form of consumer packs to end customers under our own house brands and under the brands of third parties as well as specialty oils and fats in consumer pack form under our own house brands.

As a strategy we always try to pass the cost to the customers, thereby targeting a minimum operating margin. To mitigate the price volatility in the commodity prices, we use derivatives such as forward physical and futures contracts. We also purchase bulk edible oil products from other processors as our current marketing and distribution capabilities are more than our processing capabilities. This adds operational flexibility to our operations.

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.

In the volatile market conditions, we have delivered yet another set of consistent operating margins for both business segments.

**Operating Margin per MT**

	FY 2007	FY 2008	FY 2009	FY 2010
Total	US\$22.2	US\$53.0	US\$48.0	US\$47.9
Bulk	US\$13.4	US\$44.7	US\$32.6	US\$34.4
Consumer Pack	US\$65.6	US\$81.3	US\$113.4	US\$93.8

## Operations and Financial Review

### Strong Balance Sheet supported by public listing

The Group got 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. We have further increased and diversified our borrowing to provide us operational and financial flexibility.

Currently our balance sheet is very strongly poised to support the growth plans of the Group with cash and cash equivalents of US\$215 million. Current Debt-to-equity ratio is conservatively placed at 0.64, down from 0.92 in FY 2009 and from 1.21 in FY 2007.

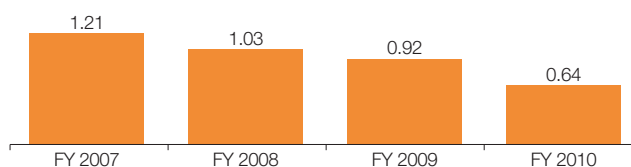
Our efficient, large scale, integrated production facilities and strong distribution network continue to help us to keep our cycle time very short of 43 days in FY 2010. Excluding Readily Marketable Inventories, our cycle time is only 23 days.

### Robust Return on Equity

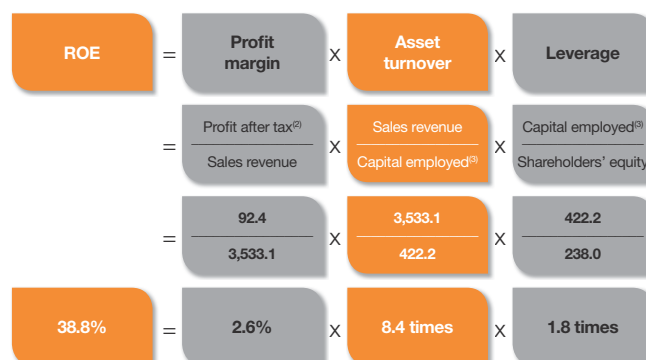
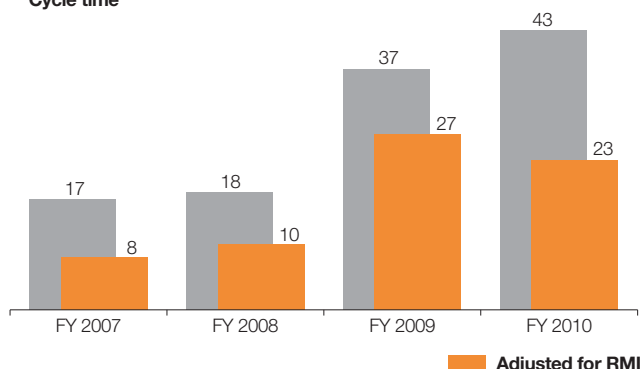
We have continued to deliver robust return on equity, delivering a return of 38.8% for FY 2010. We actively strive to maximising the return on the equity by :

1. increasing our profit margin by adding higher margin products, increasing our participation in the value chain, and providing value added services to our customers.
2. Increasing asset turnover by remaining closer to source of raw material, having integrated, large scale processing facilities and managing the supply chain efficiently.
3. Optimising leverage, making good use of borrowing without compromising on the solvency and liquidity of the business.

#### Debt to equity



#### Cycle time



#### 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

## Forward Looking Strategy



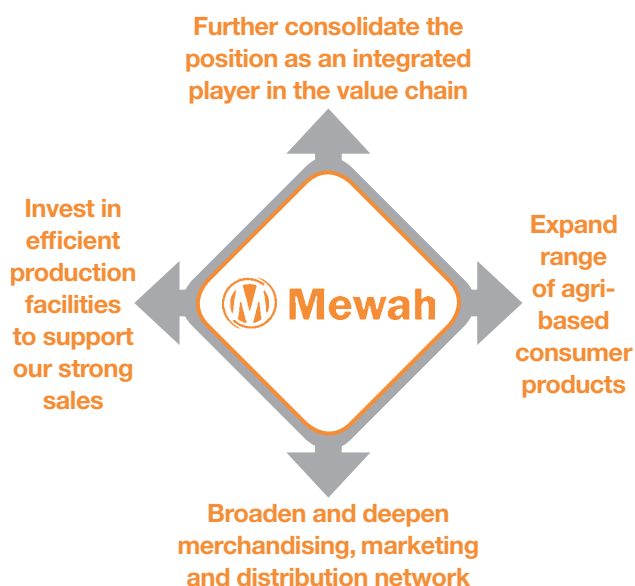
We strive to further strengthen our position as agri-based consumer products business by continuing the demand-driven expansion of the business by increasing production capacity and expanding the range of value-added products and distribution network.



## Forward Looking Strategy

### Our Strategy

Over the last five decades, we have become a leading integrated edible oils and fats business. We strive to further strengthen our position as agri-based consumer products business by continuing the demand-driven expansion of the business by increasing production capacity and expanding the range of value-added products and distribution network. To meet the objective, we have identified the following specific focused strategies:



In December 2010, the Group completed the acquisition of 52.0% of the issued equity of Molly Foods bvba ("Molly Foods"), a company incorporated in Belgium which, through its wholly owned subsidiary, Bloom Land Enterprises Limited ("Bloom Land"), a company incorporated in Hong Kong, owns 100% of BeCe S.à.r.l. ("BeCe"), a company incorporated in Togo, involved primarily in importing commodities, including edible oils and fats products produced by the Group, for sale in West Africa. The acquisition will help us to consolidate our integrated position in the downstream part of the value chain, broaden and depend our marketing and distribution network and open opportunities for other consumer products having

manufacturing and distribution synergies with our current business.

We have undertaken the following expansion plans in line with our strategy:

- **Increase in Refining Capacity:** We have undertaken to build a refinery with a capacity of 1,500 M.T. per day in Sabah, Malaysia and expect it to be operational by the second half of 2012. We estimate the cost of completing the project to be US\$60.0 million. Our current sales are more than our current refining capacity and we expect to reach high capacity utilisation in a short period.
- **Increase in Specialty Oils and Fats Capacity:** We have undertaken projects at our Westport and Pasir Gudang facilities to expand our specialty oils and fats capacity by 600 M.T. per day. We estimate the cost of completing the projects to be US\$105.0 million and expect the facilities to be operational by the second half of 2011.
- **Facilities to produce Consumer Products:** We are building facilities to produce consumer products such as soap and shortening at our Westport facilities for our consumer pack business. The project at an estimated cost of US\$25.0 million is expected to be completed by the second half of 2011.
- **China expansion:** We plan to build production facilities in Zhangjiagang and Tianjin, China. We plan to start the facilities with setting up of packing plants that are expected to be operational by the second half of 2013. We intend to materialise our plans for other manufacturing facilities in due course of time.

We are exploring other organic and inorganic opportunities to further strengthen our position as an integrated agri-based consumer products business. With our well defined strategy, focused demand-driven expansion of the business, our competitive position in the industry, supported by our strong balance sheet, we are well poised to growth further.

# Risk Management



In 2010, various market factors, including changes in supply and demand, changes in political climate in various regions, and a weak US dollar, led to high volatility in the prices of agricultural commodities in the industry. Continuous changes in market conditions in our business create risk conditions that could result in potential losses.

As a result of our Group's global operating and financing activities, we are exposed to various types of market risks, including fluctuations in agricultural commodity prices, foreign currency exchange rates, interest rates, counterparty credit and liquidity risk. We use certain financial instruments to hedge the risk of commercial exposures and we do not hold such financial instruments for trade or speculative purposes. These market risk management activities are governed by our risk management system that is designed to identify, quantify and control various risks encountered in our operations and minimise the adverse effects from the unpredictability of financial market risks on our financial performance.

Our system comprises of processes and policies designed to address risks such as commodity prices, foreign currency

exchange rates, interest rates, counterparties' credit and liquidity.

Our risk management system is based on the following main principles:

### **Risk governance structure**

The on-going compliance of these risk management processes and policies are carried out by the heads of the respective operating units. Our risk governance structure consists of a team of employees led by Ms Wong Lai Wan in the Risk Department of our Singapore office, who is responsible for, among others, monitoring and improving the overall effectiveness of our risk management system, the review and setting of trade positions and limits to manage our overall risk exposure. The Risk Department monitors and assesses risks on a daily basis and holds weekly meetings with our marketing and operations teams. The Risk Department has the authority to make temporary increases or changes to risk limits but such increases or changes must at all times remain within our overall risk management guidelines and framework of the Group.

# Risk Management

Where the execution of any activity will result in the breach of any applicable limits in our risk management guidelines and framework, specific approval for that activity must be sought, and obtained, from the Executive Risk Management Team prior to the execution of the activity. Any risk-related issues which are outside our risk management guidelines and framework are reported to the committee consisting of our Executive Directors, Dr Cheo Tong Choon @ Lee Tong Choon, Ms Michelle Cheo and Ms Bianca Cheo (the “Executive Risk Management Team”).

## Setting of risk limits

The Executive Risk Management Team establishes and reviews periodically our overall risk tolerance thresholds. The team is responsible for overall systems, procedures and processes for risk management including derivatives trading. Such risk tolerance threshold is based on a percentage of total shareholders’ funds, and/or the budgeted annual operating profit, after taking into account, among other things, the Executive Risk Management Team’s view on the overall production capacity of refining and processing operations and of the market upon which trading activities take place, the price (and price trend) of raw materials, the track record of management in managing its risk exposures in the prior period, and the financial budgets including projected sales volumes and turnover.

The risk tolerance threshold is also based on the counterparty’s background, financial performance and management team. The risk tolerance threshold refers to the maximum potential loss if all trading and operations across all products and geographical regions materialise at the same time.

## Reporting and reviewing structure

Our Risk Department is responsible for the capture and measurement of Group-wide risk and ensuring compliance with our risk management systems, procedures and processes. The Risk Department analyses and reviews our daily risk exposure with oversight from the Executive Risk Management Team. Any changes to our risk management systems, standards, practices, policies and risk appetite require the approval of our Board.

With respect to risks related to the use of derivative financial instruments, once limits for derivatives positions have been established by our Executive Risk Management Team, our Risk Department monitors our trading activities to ensure compliance with these limits. If additional exposure is required, the trading department approaches the Risk Department to approve an increase in the limits. On a case-by-case basis, the Risk Department makes a recommendation to the Executive Risk Management Team to change established limits. If approved by the Executive Risk Management Team, the revised limit is implemented and monitored by the Risk Department.

Any breach (whether of trading limits or non-adherence to established policies), disclosed or revealed by the Risk Department, will be acted upon by the Executive Risk Management Team. Where the Executive Risk Management Team considers the breach to be significant (whether in terms of financial impact or otherwise), the Executive Risk Management Team will report the breach to the Board.

Our Internal Audit Department reviews our internal control systems regularly on an annual basis to ensure compliance with the risk management system. Any material findings such as breaches of trading limits or non-adherence to established risk management policies will be reported to our Audit Committee as and when they arise.

## Research and Development



We are committed to develop new products and applications and have a modern, world class research and development centre. The main objectives of our research and development initiatives are to develop new products, to ensure our products are suitable for their intended applications, and to develop and improve on the quality of our products such as their texture, appearance and overall sensory and aesthetic aspects. Some of the new products that we are currently undertaking research and development work include cocoa butter equivalents and new products to add to our existing range of bakery and specialty fats.

Our innovation and knowledge centre is equipped with modern and advanced machines and equipment which enhance our research and development capabilities. In addition to the test equipment used for quality control assessments, our laboratory runs tests on differential scanning calorimetry and other sophisticated chemical-physical tests for our research and development activities. Our laboratory is equipped with a scaled-down refining plant that includes scaled-down refining equipment, a texturiser

and an interesterification facility. We also have a scaled down chocolate making machine in the laboratory. To test new ideas and ensure solutions provided to customers meet their intended purposes, products are tested in our laboratory which also has cooking, steaming, frying and baking facilities. Panelists who are familiar with the products and possess the ability to distinguish between basic tastes are invited to rate the quality of developed products in specially set-up sensory evaluation booths in our laboratory.

Our research and development model is based on a global organisation that emphasises a collaborative approach to develop new products and related applications. Our research and development team works closely with various business and marketing groups within the Group to keep our initiatives relevant and commercially viable.

We believe that our research and development initiatives will be able to enhance our competitiveness and keep us at the forefront of emerging developments and technologies in the industry.

## Corporate Social Responsibility



At Mewah Group, we believe that corporate success and social welfare are interdependent and as such we believe in Creating Share Value, or CSV. We strive to create value for our shareholders by embracing responsibility for our activities on the environment, consumers, employees, suppliers, competition and communities we operate in. As a socially responsible corporate, we strive to honour the triple bottom line: People, Planet and Profit.

Our Corporate Social Responsibility Policy or CSR Policy can be divided into four broader categories:

1. Ethical business conduct
2. Fair employment practices
3. Workplace Health and Safety
4. Environment

### **Ethical Business Conduct**

We value the principles of integrity, honesty and accountability. We are committed to conducting our business while ensuring:

- Ethical business practices throughout our operations
- Fair treatment of all our employees, our suppliers, buyers, service providers and all other parties that deal with us during our business operations
- High standards for all matters relating to health, safety and the environment
- Transparent business policies and practices

We recognise that the involvement of our employees is the key to our success in the business. We treat our employees fairly and expect them in turn to treat all stakeholders ethically.

### **Fair employment practices**

We believe in providing equal employment opportunities and follow fair employment practices.

Our aim is to ensure that no job applicant shall receive less favourable treatment on account of sex, marital status, religion, race or nationality.

The Group recognises the value of its employees and long term retention as key to the success of the business. The Group aims to attract and retain skilled employees giving them job security.

### **Workplace Health and Safety**

The Group aims to provide each employee with a safe place to work. All group locations are required to abide by local health and safety regulations. We conduct regular work risk assessments, seriously taking action to address any identified risks by setting up protective guarding, enforcing the usage of personal protective equipment, embarking on work sites audits and inspections, as well as regular reviews and controls of safety risks. We strive to achieve zero loss work day due to work place accidents.

Mewaholeo Industries Sdn Bhd is the first company under the Mewah Group to be certified with OSHAS 18000 in 2009. We have adopted OSHAS guidelines and best practices in our other subsidiaries companies. Benchmarking is also one of the adopted strategies to ensure we are on par with the industry's standard. We are committed to designing beneficial health and safety programs for the welfare of employees.



# Corporate Social Responsibility

## Environment

Environment protection is always part of our business. We strive to preserve and protect our mother nature. We deeply appreciate the importance of protecting the environment especially for future generation.

As an active member of the Roundtable on Sustainable Palm Oil (RSPO), we align our value with the principal objective of the RSPO, that is to promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue between its stakeholders. We seek to produce palm oil products in a sustainable manner.

It is vital that the production and the use of palm oil must be done in a sustainable manner based upon economical, social and environmental viability to maintain ecological balance and biodiversity vastness.

We are actively involved in the development of 'RSPO Supply Chain Certification Requirements'. We remain fully committed to support sustainable palm oil by:

### a) Developing and maintaining an effective and efficient traceability system

A traceability system is vital in tracing and capturing the use of sustainable palm oil throughout the supply chain. We can specifically trace from end products to raw material suppliers for each product where data on raw materials, plant utilities, in-process parameters, storage tank parameters and finished products are well-maintained and kept using ERP system. With the effective and efficient traceability system, the volume / ratio of the sustainable palm oil used can be clearly identified and declared accordingly to any claim requirements.

### b) Incorporating sustainability criteria as one of the procurement requirement

Sourcing from sustainable suppliers is one of our major requirements in procuring raw materials. We are in partnerships with sustainable suppliers who share the same value and aim to preserve the environment for future generations.

Our various companies have been granted interim approval for Mass Balance Supply Chain, based on our self-assessment, of compliance with RSPO Supply Chain Certification requirements for supply of RSPO certified sustainable palm oil.

<u>Company</u>	<u>Date of interim approval</u>
Mewah-Oils Sdn Bhd	1 <sup>st</sup> Jun, 2009
Mewaholeo Industries Sdn Bhd	8 <sup>th</sup> Sep, 2009
MOI Foods Malaysia Sdn Bhd	8 <sup>th</sup> Sep, 2009
Ngo Chew Hong Oils & Fats (M) Sdn Bhd	15 <sup>th</sup> Oct, 2009

Our various companies have also been granted interim approval for segregation supply chain, based on our self-assessment, of compliance with RSPO Supply Chain Certification requirements for supply of RSPO certified sustainable palm oil.

<u>Company</u>	<u>Date of interim approval</u>
Mewah-Oils Sdn Bhd	26 <sup>th</sup> Nov, 2009
Mewaholeo Industries Sdn Bhd	6 <sup>th</sup> Jan, 2010

# Corporate Governance

Mewah got listed on the Mainboard of the Singapore Stock Exchange Securities Trading Limited (SGX-ST) on November 24, 2010. As a public listed Company, Mewah is committed to maintain a high standard of corporate governance on the principles of effective leadership, accountability, integrity and openness as set out by the Corporate Governance Code 2005

("Code"). On October 29, 2010, a professional board was set up with a well balanced mix of executive and non-executive independent directors. The Board is pleased to confirm that the Company has adhered to the principles and guidelines of the Code, as have been referred below:

Guideline	Disclosure	Page of reference in this report
1.3	Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters	34
1.4	The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings	34
1.5	The type of material transactions that require board approval under internal guidelines	34
2.2	Where the company considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem him as non-independent, the nature of the director's relationship and the reason for considering him as independent	34
3.1	Relationship between the Chairman and CEO where they are related to each other	35
4.1	Composition of nominating committee	34
4.5	Process for the selection and appointment of new directors to the board	36
4.6	Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	35
5.1	Process for assessing the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board	36
9	The clear disclosure of remuneration policy, level and mix of remuneration, procedure for setting remuneration and link between remuneration paid to directors and key executives, and performance	37
9.1	Composition of remuneration committee	34
9.2	Names and remuneration of each director. The disclosure of remuneration to be in bands of S\$250,000. Breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives	38
9.3	Names and remuneration of at least the top 5 key executives (who are not also directors). The disclosure to be in bands of S\$250,000 including a breakdown of remuneration	38
9.3	Remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$150,000 during the year. The disclosure in bands of \$250,000 and including a breakdown of remuneration	38
9.4	Details of employee share schemes	38
11.8	Composition of audit committee and details of the committee's activities	39
12.2	Adequacy of internal controls, including financial, operational and compliance controls, and risk management systems	40

# Corporate Governance

Key aspects of the Corporate Governance practices adopted by the Company are described below:

## Principle 1

### **The Board's conduct of affairs**

*Effective Board to lead and control the company*

Mewah is led and controlled by an effective Board that works closely with the Management for the success of the company. In line with the guidelines set by the Code, key roles of the Board are to:

- provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- establish a framework of prudent and effective controls which enable risk to be assessed and managed;
- review management performance; and
- set the company's values and standards, and ensure that obligations to shareholders and others are understood and met.

In addition, the Board is also responsible for the review and approval of Group's business strategies, key investments and financing decisions.

The Board plans to convene scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results. Ad-hoc meetings are to be convened as and when necessary to review the Group's performance, and to deliberate on specific issues. To facilitate the Board's decision-making process, the Company's Articles of Association provides for Directors to participate in Board meetings by teleconference or video conference. Decisions of the Board and Board committees may also be obtained via circulation.

To assist the Board in the execution of its duties, the Board has delegated specific functions to following board committees:

### **Audit Committee**

The Audit Committee comprises independent directors Mr Lim How Teck, Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor and Mr Giam Chin Toon. The Chairman of the Audit Committee is Mr Lim How Teck. The Audit Committee is required to meet periodically to perform the functions as set out in Principle 11 of this report.

### **Nominating Committee**

Our Nominating Committee comprises Independent Directors Mr Giam Chin Toon, Tan Sri Datuk Dr Ong Soon Hock, Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor, Mr Lim How Teck, and Executive Director Dr Cheo Tong Choon @ Lee Tong Choon. The Chairman of the Nominating Committee is Mr Giam Chin Toon. Our Nominating Committee is responsible for the functions as set out in Principle 4 of this report.

### **Remuneration Committee**

Our Remuneration Committee comprises of Independent Directors Mr Giam Chin Toon, Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor and Mr Lim How Teck. The Chairman of the Remuneration Committee is Mr Giam Chin Toon. Our Remuneration Committee is responsible for the functions as set out in Principle 7 of this report.

No Board or board committee meetings were held in the year as the Company was listed on November 24, 2010. The first meetings of the Board and the committees were held on February 21, 2011 to coincide with the announcement of Group full year results.

## Principle 2

### **Board Composition and Guidance**

*Strong and independent element on the Board*

The Board presently has ten members comprising six Executive Directors and four Non-Executive Directors. Out of the total of ten Directors, four (representing one third of the Board composition) of these Directors are considered "Independent" based on the guidelines under the Code. According to the Code, an independent director is one who has no relationship

# Corporate Governance

with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the director's independent business judgment. The independence of each director is reviewed annually by the Nominating Committee (NC).

The composition and the effectiveness of the Board are reviewed on an annual basis by the NC to ensure that there is an appropriate mix of expertise and experience to fulfill its duties.

The Board collectively views that its current size complies with the Code and is effective, taking into account the scale and nature of the operations of the Group. A brief profile of each Director is given on pages 13 to 16 of this annual report.

The nature of the current Directors' appointments on the Board and details of their membership on Board Committees are set out below:

Name	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Dr Cheo Tong Choon @ Lee Tong Choon	Chairman and Executive Director		Member	
Ms Michelle Cheo Hui Ning	Chief Executive Officer and Executive Director			
Ms Bianca Cheo Hui Hsin	Chief Operating Officer and Executive Director			
Mr Cheo Seng Jin	Head, Commercial and Executive Director			
Ms Leong Choi Foong	Group Treasurer and Executive Director			
Ms Wong Lai Wan	Head, Risk Management and Executive Director			
Mr Giam Chin Toon	Lead Independent Director	Member	Chairman	Chairman
Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor	Independent Director	Member	Member	Member
Tan Sri Datuk Dr Ong Soon Hock	Independent Director		Member	
Mr Lim How Teck	Independent Director	Chairman	Member	Member

## Principle 3

### **Chairman and Chief Executive Officer**

*Separate Chairman and Chief Executive Officer*

Dr Cheo Tong Choon @ Lee Tong Choon is our Chairman and Executive Director and is responsible for the overall strategy and direction for the Group. Ms Michelle Cheo Hui Ning is an Executive Director and our Chief Executive Officer and is the daughter of the Chairman. Along with the Chairman, she is responsible for

managing the overall strategic direction of the Group, which involves managing the operations, projects and organisation of the Group.

The Chairman has been the force behind the success of the Group and works closely with the Chief Executive Officer to ensure smooth transition of leadership and to ensure adequate accountability and transparency.

# Corporate Governance

The Non-executive, Independent Directors fulfill a pivotal role to ensure a balance of power and authority, such that no one individual represents a considerable concentration of power. Their role is particularly important as they provide unbiased and independent views, advice and judgment to take care of the interests, not only of the Company but also of shareholders, employees, customers, suppliers and the many communities in which the Company conducts business.

This year, the Board at the recommendation of the Code, appointed a Lead Independent Director as part of the Board succession planning in order to provide continuity of leadership at the Board level in the absence of the Chairman. The Lead Independent Director also acts as a bridge between the Independent Directors and the Chairman as well as represents shareholders' interests.

## Principle 4

### **Board Membership**

*Formal and transparent process for the appointment of new directors to the Board*

The principal functions of the NC are as follows:

- (i) reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to our Board for appointment of Directors;
- (ii) re-nomination of our Directors in accordance with our Articles of Association, having regard to our Director's contribution and performance;
- (iii) determining annually whether or not a Director is independent; and
- (iv) deciding whether or not a Director is able to and has been adequately carrying out his duties as a director.

The Nominating Committee determines how our Board's performance is to be evaluated and proposes objective performance criteria, subject to the approval of our Board, which

address how the Board has enhanced long-term shareholders' value. The Board has implemented a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual Director to the effectiveness of the Board. Each member of the Nominating Committee is required to abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his performance or re-nomination as director. In the event that any member of the Nominating Committee has an interest in a matter being deliberated upon by the Nominating Committee, he will abstain from participating in the review and approval process relating to that matter.

Board appointments are approved by way of written resolutions based on the recommendations of the NC.

In accordance with the Company's Articles of Association, each director shall retire at least once every three years. A retiring shall be eligible for re-election subject to approval by the shareholders at the annual general meeting (AGM). New Directors will hold office only until the AGM following their appointments and they will be eligible for re-election. Such Directors are not taken into account in determining the number of Directors who are to retire by rotation.

## Principle 5

### **Board Performance**

*Formal assessment of the effectiveness of the Board*

The NC has in place a process for the evaluation of the Board's effectiveness as a whole. The evaluation is done through written assessments by individual directors. In appraising the Board's effectiveness, the assessment is based on factors including the Board's understanding of the Group's business operations, development of strategic directions and the effectiveness of Board meetings to facilitate discussion and decision on critical and major corporate matters. The collated findings are reported and recommendations are submitted to the Board for review and further enhancement to the Board's effectiveness.



# Corporate Governance

## Principle 6

### **Access to Information**

*Board members to have complete, adequate and timely information*

As a general rule, board papers are required to be sent to directors at least three days before the board meeting so that the members may better understand the matters prior to the board meeting and discussion may be focused on questions that the directors may have. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. The directors are also provided with the names and contact details of the Company's senior management and the Company Secretary to facilitate direct access to senior management and the Company Secretary.

The Company fully recognises that the flow of relevant information on an accurate and timely basis is critical for the board to be effective in the discharge of its duties. Management is therefore expected to provide the board with accurate information in a timely manner concerning the Company's progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing the Company.

The role of the Company Secretary is clearly defined and includes the responsibility of ensuring that the board procedures are followed and that applicable rules and regulations are complied with.

Subject to the approval of the Chairman, the directors, whether as a Group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

## Principle 7

### **Procedures for Developing Remuneration Policies**

*A formal and transparent procedure for developing policy*

Our Remuneration Committee is responsible for recommending to our Board for a framework of remuneration for the Directors

and key executives, and determining specific remuneration packages for each Director and the chief executive officer. The recommendations of our Remuneration Committee are submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are covered by our Remuneration Committee. Each member of the Remuneration Committee is required to abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the Remuneration Committee in respect of his own remuneration package.

## Principle 8

### **Level and Mix of Remuneration**

*Adequate Remuneration of Directors*

A competitive remuneration and reward system based on individual performance is important in order to retain and incentivise the best talents. Remuneration and reward system should also be responsive to the economic climate as well as the performance of the Group and its business units.

Non-Executive Directors are paid Directors' fees which comprise a basic fee and additional fees for appointments on other Board Committees. As an Executive Director, the CEO does not receive Directors' fees but is remunerated as a member of Management. The RC has access to professional advice from appropriate consultants to determine the level and mix of remuneration for Directors as well as Management.

## Principle 9

### **Disclosure on Remuneration**

*Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration*

The breakdown of the remuneration of the Directors, top five Key Executives and Employees who are immediate family members of a director of the Company, for the financial year ended 31 December 2010 is as follows:

# Corporate Governance

Name	Fixed Salary	Variable Income	Benefits in kind	Total	Remuneration Band
<b>Executive Directors</b>					
Dr Cheo Tong Choon @ Lee Tong Choon	22%	77%	1%	100%	S\$3,250,000 to S\$3,500,000
Ms Michelle Cheo Hui Ning	49%	50%	1%	100%	S\$1,000,000 to S\$1,250,000
Ms Bianca Cheo Hui Hsin	49%	50%	1%	100%	S\$1,000,000 to S\$1,250,000
Mr Cheo Seng Jin	62%	37%	1%	100%	S\$1,000,000 to S\$1,250,000
Ms Leong Choi Foong	42%	55%	3%	100%	S\$250,000 to S\$500,000
Ms Wong Lai Wan	41%	57%	2%	100%	S\$250,000 to S\$500,000
<b>Independent Non Executive Directors</b>					
Mr Giam Chin Toon	100%	-	-	100%	S\$250,000 and below
Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor	100%	-	-	100%	S\$250,000 and below
Tan Sri Datuk Dr Ong Soon Hock	100%	-	-	100%	S\$250,000 and below
Mr Lim How Teck	100%	-	-	100%	S\$250,000 and below
<b>Top 5 Key Executives</b>					
Mr Shyam Kumbhat	18%	81%	1%	100%	S\$1,750,000 to S\$2,000,000
Mr Cheo Tiong Choon*	62%	37%	1%	100%	S\$1,000,000 to S\$1,250,000
Mr Rajesh Chopra	41%	59%	-	100%	S\$500,000 to S\$750,000
Ms Agnes Lim Siew Choo	30%	69%	1%	100%	S\$250,000 to S\$500,000
Mr Sukumaran Ramasamy	88%	12%	0%	100%	S\$250,000 to S\$500,000
<b>Employees who are immediate family members of a Director (remuneration exceeding S\$150,000)</b>					
Employee related to Dr Cheo Tong Choon @ Lee Tong Choon	63%	32%	5%	100%	S\$250,000 to S\$500,000
Employee related to Dr Cheo Tong Choon @ Lee Tong Choon	63%	32%	5%	100%	S\$250,000 to S\$500,000
Employee related to Dr Cheo Tong Choon @ Lee Tong Choon	63%	32%	5%	100%	S\$250,000 to S\$500,000
Employee related to Dr Cheo Tong Choon @ Lee Tong Choon	99%	-	1%	100%	S\$250,000 and below

There is currently no employee share scheme.

\* Related to Dr Cheo Tong Choon @ Lee Tong Choon

# Corporate Governance

## Principle 10

### **Accountability**

*Balanced and understandable assessment of the Company's performance, position and prospects*

The board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXnet to the SGX, press releases, the Company's website, and public webcast and media and analyst briefings.

The Board will review and approve the results before its release. As recommended in the Guidebook for Audit Committees in Singapore, the Board will also review and approve any media release of its financial results. Since the SGX-ST's introduction of the requirement for Directors to issue a Negative Assurance Statement to accompany its quarterly financial results announcement, a process has been introduced to support Management's representations to the Board on the integrity of the Group's financial statements and internal control systems before the Negative Assurance Statement is given by the Board.

## Principle 11

### **Audit Committee**

*Establishment of Audit Committee with written terms of reference*

The Audit Committee ("AC") comprises entirely non-executive and independent directors, namely Mr Lim How Teck, Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor and Mr Giam Chin Toon. The Committee shall meet at least four times during a year and its terms of reference are to:

- (i) commissioning internal investigations and reviewing any significant findings and otherwise carrying out its obligations under Rule 719 of the SGX-ST Listing Manual (for example, in relation to any suspected fraud or irregularity or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority of Singapore, which has or is likely to have a material impact on the Company's operating results or financial position);
- (ii) assisting our Board in the discharge of its responsibilities on financial and accounting matters;

- (iii) recommending the appointment and dismissal of internal auditors and reviewing the audit plans, scope of work and results of our audits compiled by our internal and external auditors;
- (iv) reviewing the co-operation given by our officers to the external auditors;
- (v) nominating external auditors for re-appointment;
- (vi) reviewing the integrity of any financial information presented to our Shareholders;
- (vii) reviewing interested person transactions and potential conflicts of interest, if any;
- (viii) reviewing all hedging policies and instruments to be implemented by us, if any;
- (ix) reviewing all investment instruments that are not principal protected;
- (x) reviewing and evaluating our administrative, operating and internal accounting controls and procedures; and
- (xi) reviewing our risk management structure and any oversight of our risk management processes and activities to mitigate and manage risk at acceptable levels determined by our Board.

Apart from the duties listed above, the Audit Committee is required to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our results of operations and/or financial position. Each member of the Audit Committee must abstain from voting on any resolution in respect of matters in which he is interested.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and recommends to the Board the nomination of the external auditor for reappointment. The Audit Committee has conducted an annual review of all non-audit services provided by the external auditor and is satisfied that the nature and extent of such services do not affect the independence of the external auditor.

# Corporate Governance

Principle 12 and 13

## **Internal Control and Audit**

*Sound system of internal control and independent audit function*

The Board is of the view that the Group has adequate internal controls. The Company's internal and external auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken by management on the recommendations made by the internal and external auditors in this respect.

The role of the internal auditors is to assist the Audit Committee to ensure that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the Audit Committee, and conducting regular in-depth audits of high risk areas. The Company's internal audit functions are serviced in-house ("Group Internal Audit").

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the Audit Committee. The Head of Group Internal Audit's primary line of reporting is to the Chairman of the Audit Committee, although he reports administratively to the Chief Executive Officer of the Company.

Group Internal Audit is guided by the standards for the professional practice of internal auditing developed by the Institute of Internal Audit and has met the standards for the professional practice of Internal Auditing promulgated by the Institute of Internal Audit.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational and compliance controls. Audits were carried out on all significant business units in the Company, inclusive of limited review performed on dormant and inactive companies. All Group Internal Audit's reports are submitted to the Audit Committee for deliberation with copies of these reports extended to the Chairman, Chief Executive Officer and the relevant senior management officers. In addition, Group Internal Audit's summary of findings and recommendations are discussed at the Audit Committee meetings.

Principle 14 and 15

## **Communication with Shareholders**

*Regular, effective and fair communication with shareholders; Greater shareholder participation at Annual General Meetings*

The Group is committed to upholding high standard of disclosure and continues to keep all stakeholders informed of its corporate activities on a timely and consistent basis. The company disseminates all price sensitive and material information to its shareholders via SGXNET on a non-selective basis. Financial and other performance data is given for the Group as well as business units where appropriate, to give shareholders a better insight into the Group's performance. The date of the release of quarterly results is disclosed at least two weeks prior to the date of announcement through SGXNET. On the day of announcement, the financial statements as well as the accompanying press release and presentation slides are released onto the SGX-ST website as well as on the company website at [www.mewahgroup.com](http://www.mewahgroup.com). Thereafter, a briefing or teleconference by management is jointly held for media and analysts.

All shareholders of the Company whose names are registered in the Depository Register and the Register of Members are entitled to attend the general meetings of the Company. Shareholders are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to all shareholders. They are encouraged to meet with the Board and Senior Management so as to have a greater insight into the Group's developments. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

The Chairmen of each board committee and management are required to be present to address questions at the Annual General Meeting. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary. Minutes of shareholder meetings are available upon request by registered shareholders.

# Corporate Governance

## Dealings in Securities

The Group has adopted a Best Practice Code – Trading in Company's Securities. Directors and key senior executives of the Group are prohibited from dealing in the Company's shares two weeks before the announcement of Group's first quarter, second quarter and third quarter results and one month before the announcement of full year results, and up to a day after the date of the announcement of the results. Additionally, all directors of the Group and employees are reminded not to trade in situations where the insider trading laws and rules would prohibit trading.

The directors' interests in shares of the Company during the year are found on pages 43 to 44 of this Report.

## Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The Company's disclosure in respect of interested person transactions for the financial year ended 31 December 2010 are as follows:

Name of Interested Person	Aggregate value of all IPT during the year under review (excluding transactions less than SGD100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than SGD100,000)
	<b>FY 2010</b> <b>US\$'000</b>	<b>FY 2010</b> <b>US\$'000</b>
Prelude Gateway Sdn. Bhd.	Nil	1,797
Anthola Insurance Agencies Sdn. Bhd.	Nil	3,195
Perfect Venue Sdn. Bhd.	Nil	56
Ecolex Sdn. Bhd.	Nil	55,310
Capital Paradise Sdn. Bhd.	Nil	56
Containers Printers Pte Ltd	Nil	9,967
Choon Heng Transport & Warehousing Pte Ltd	Nil	577
Nature International Pte Ltd	Nil	12,297

Above transactions are conducted in accordance to the Company's Shareholders Mandate as indicated in the Prospectus dated 16<sup>th</sup> November, 2010.

## Statement by Audit Committee and Board of Directors

In accordance with Rule 716 of the Listing Manual, the Audit Committee and the Board of Directors of the Company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries as disclosed on page 123, would not compromise the standard and effectiveness of the audit of the Group.



# Contents

Directors' Report	43
Statement by Directors	47
Independent Auditor's Report	48
Consolidated Income Statement	49
Consolidated Statement of Comprehensive Income	50
Balance Sheet - Group	51
Balance Sheet - Company	52
Consolidated Statement of Changes In Equity	53
Consolidated Statement of Cash Flows	55
Notes To The Financial Statements	56

# Directors' Report

For the financial year ended 31 December 2010

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2010 and the balance sheet of the Company as at 31 December 2010.

## Directors

The directors of the Company in office at the date of this report are as follows:

Dr Cheo Tong Choon @ Lee Tong Choon	(appointed on 29 October 2010)
Ms Michelle Cheo Hui Ning	(appointed on 29 October 2010)
Ms Bianca Cheo Hui Hsin	(appointed on 29 October 2010)
Mr Cheo Seng Jin	(appointed on 29 October 2010)
Ms Leong Choi Foong	(appointed on 29 October 2010)
Ms Wong Lai Wan	(appointed on 29 October 2010)
Mr Giam Chin Toon	(appointed on 29 October 2010)
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor	(appointed on 29 October 2010)
Mr Lim How Teck	(appointed on 29 October 2010)
Tan Sri Datuk Dr Ong Soon Hock	(appointed on 29 October 2010)

## Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' interests in shares or debentures

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2010	At 1.1.2010 or date of appointment, if later	At 31.12.2010	At 1.1.2010 or date of appointment, if later
Dr Cheo Tong Choon @ Lee Tong Choon	8,871,000	-	527,041,220	527,041,220
Ms Michelle Cheo Hui Ning	-	-	527,041,220	527,041,220
Ms Bianca Cheo Hui Hsin	-	-	527,041,220	527,041,220

# Directors' Report

For the financial year ended 31 December 2010

## Directors' interests in shares or debentures (continued)

(a) continued

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2010	At 1.1.2010 or date of appointment, if later	At 31.12.2010	At 1.1.2010 or date of appointment, if later
Mr Cheo Seng Jin	123,950,000	122,000,000	-	-
Ms Leong Choi Foong	94,000	-	-	-
Ms Wong Lai Wan	224,000	-	-	-
Mr Giam Chin Toon	100,000	-	-	-
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor	20,000	-	-	-
Mr Lim How Teck	150,000	-	-	-
Tan Sri Datuk Dr Ong Soon Hock	10,000	-	-	-

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2011 were the same as those as at 31 December 2010.

## Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

# Directors' Report

For the financial year ended 31 December 2010

## Audit Committee

The members of the Audit Committee at the end of the financial year were as follows:

Mr Lim How Teck (Chairman)  
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor  
Mr Giam Chin Toon

All members of the Audit Committee are non-executive directors.

The Audit Committee is required to meet periodically to perform the following functions:

- (i) commissioning internal investigations and reviewing any significant findings and otherwise carrying out its obligations under Rule 719 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual (for example, in relation to any suspected fraud or irregularity or suspected infringement of any Singapore laws or regulations or rules of the SGX-ST or any other regulatory authority of Singapore, which has or is likely to have a material impact on the Company's operating results or financial position);
- (ii) assisting our Board in the discharge of its responsibilities on financial and accounting matters;
- (iii) recommending the appointment and dismissal of internal auditors and reviewing the audit plans, scope of work and results of our audits compiled by our internal and external auditors;
- (iv) reviewing the co-operation given by our officers to the external auditors;
- (v) nominating external auditors for re-appointment;
- (vi) reviewing the integrity of any financial information presented to our Shareholders;
- (vii) reviewing interested person transactions and potential conflicts of interest, if any;
- (viii) reviewing all hedging policies and instruments to be implemented by us, if any;
- (ix) reviewing all investment instruments that are not principal protected;
- (x) reviewing and evaluating our administrative, operating and internal accounting controls and procedures; and
- (xi) reviewing our risk management structure and any oversight of our risk management processes and activities to mitigate and manage risk at acceptable levels determined by our Board.

Apart from the duties listed above, the Audit Committee is required to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on our results of operations and/or financial position. Each member of the Audit Committee must abstain from voting on any resolution in respect of matters in which he is interested.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

# Directors' Report

For the financial year ended 31 December 2010

## Independent auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

---

Dr Cheo Tong Choon @ Lee Tong Choon  
Director

---

Ms Michelle Cheo Hui Ning  
Director

22 March 2011



# Statement By Directors

For the financial year ended 31 December 2010

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 49 to 123 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

---

Dr Cheo Tong Choon @ Lee Tong Choon  
Director

---

Ms Michelle Cheo Hui Ning  
Director

22 March 2011

# Independent Auditor's Report

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEWAH INTERNATIONAL INC.**

(formerly known as Moi International Holdings Inc.)

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mewah International Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 123, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting control sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair consolidated income statement and balance sheets and to maintain accountability of assets.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers LLP  
Public Accountants and Certified Public Accountants

Singapore, 22 March 2011

# Consolidated Income Statement

For the financial year ended 31 December 2010

	Note	2010 US\$'000	2009 US\$'000
Revenue	4	3,533,071	2,867,081
Cost of sales	5	(3,272,973)	(2,617,702)
Gross profit		260,098	249,379
Other income	6	5,161	4,175
Expenses			
- Selling and distribution expenses		(89,906)	(73,299)
- Administrative expenses		(57,302)	(54,234)
- Other operating gains/(expenses)	7	5,150	(2,576)
- Finance costs	8	(9,779)	(6,321)
- Placing and listing expenses	25(f)	(4,737)	-
Share of profit of associate		3	-
Profit before tax	10	108,688	117,124
Income tax expense	11	(16,248)	(27,449)
<b>Profit after tax</b>		<b>92,440</b>	<b>89,675</b>
<b>Profit after tax attributable to:</b>			
Equity holders of the Company		92,352	89,191
Non-controlling interests		88	484
		<b>92,440</b>	<b>89,675</b>
Earnings per share attributable to equity holders of the Company (expressed in US cents per share)			
- Basic and diluted	12	7.08	6.96

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement Of Comprehensive Income

For the financial year ended 31 December 2010

	2010 US\$'000	2009 US\$'000
<b>Profit after tax</b>	92,440	89,675
<b>Other comprehensive income:</b>		
Currency translation differences arising from foreign operations, net of tax	25,385	6,564
<b>Total comprehensive income</b>	<b>117,825</b>	<b>96,239</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	117,637	95,785
Non-controlling interests	188	454
	<b>117,825</b>	<b>96,239</b>

The accompanying notes form an integral part of these financial statements.

# Balance Sheet - Group

As at 31 December 2010

	Note	2010 US\$'000	2009 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	13	243,959	143,405
Trade receivables	14	427,109	279,674
Other receivables	15	26,699	29,710
Tax recoverable		5,847	413
Derivative financial instruments	16(a)	87,040	41,253
Cash and cash equivalents	17	215,322	37,634
		1,005,976	532,089
<b>Non-current assets</b>			
Property, plant and equipment	18	217,933	173,349
Investment in associate	19	86	-
Intangible asset	20	5,205	-
Derivative financial instruments	16(b)	4,442	-
		227,666	173,349
<b>Total assets</b>		<b>1,233,642</b>	<b>705,438</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	21	252,785	135,464
Other payables	22	49,895	67,240
Tax payable		13,534	5,065
Derivative financial instruments	16(a)	66,674	13,624
Borrowings	23	307,774	206,933
		690,662	428,326
<b>Non-current liabilities</b>			
Borrowings	23	18,359	13,921
Deferred tax liabilities	24	15,453	24,178
		33,812	38,099
<b>Total liabilities</b>		<b>724,474</b>	<b>466,425</b>
<b>NET ASSETS</b>		<b>509,168</b>	<b>239,013</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders:</b>			
Share capital	25	1,507	11
Share premium	25	185,416	-
Retained profits		330,287	259,290
Reserves	26	(9,506)	(21,294)
		507,704	238,007
Non-controlling interests		1,464	1,006
<b>Total equity</b>		<b>509,168</b>	<b>239,013</b>

The accompanying notes form an integral part of these financial statements.

# Balance Sheet - Company

As at 31 December 2010

	Note	2010 US\$'000	2009 US\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Other receivables	15	61,890	26,259
Cash and cash equivalents	17	142,863	-
		204,753	26,259
<b>Non-current assets</b>			
Investment in subsidiaries	19	*-	*-
<b>Total assets</b>		<b>204,753</b>	<b>26,259</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	22	20,935	26,248
<b>Total liabilities</b>		<b>20,935</b>	<b>26,248</b>
<b>NET ASSETS</b>		<b>183,818</b>	<b>11</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders:</b>			
Share capital	25	1,507	11
Share premium	25	185,416	-
(Accumulated losses)/Retained profits	29	(3,105)	-
<b>Total equity</b>		<b>183,818</b>	<b>11</b>

\*The nominal value of investment in subsidiaries is US\$104.

The accompanying notes form an integral part of these financial statements.



# Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2010

Note	Attributable to equity holders of the Company								Total equity US\$'000	
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	General reserve US\$'000	Asset revaluation reserve US\$'000	Currency translation reserve US\$'000	Retained profits US\$'000	Total US\$'000		Non-controlling interests US\$'000
<b>2010</b>										
<b>Beginning of the financial year</b>	11	-	(38,834)	-	11,031	6,509	259,290	238,007	1,006	239,013
Issue of new shares to existing shareholders	25(d)	1,270	-	-	-	-	-	1,270	-	1,270
Issue of shares pursuant to the Listing	25(e)	226	191,055	-	-	-	-	191,281	-	191,281
Placing and listing expenses	25(f)	-	(5,639)	-	-	-	-	(5,639)	-	(5,639)
Cash paid/payable arising from acquisition of subsidiaries under common control	26(b)(i)	-	-	(11,915)	-	-	-	(11,915)	-	(11,915)
Acquisition of non-controlling interests	26(b)(ii)	-	-	-	(832)	-	-	(832)	(426)	(1,258)
Realisation of reserve upon disposal	26(b)(iii)	-	-	-	-	(750)	750	-	-	-
Acquisition of subsidiaries	34(b)(iii)	-	-	-	-	-	-	-	920	920
Dividends	30	-	-	-	-	-	(22,105)	(22,105)	(224)	(22,329)
Total comprehensive income for the financial year		-	-	-	-	25,285	92,352	117,637	188	117,825
<b>End of the financial year</b>	1,507	185,416	(50,749)	(832)	10,281	31,794	330,287	507,704	1,464	509,168

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2010

Note	Attributable to equity holders of the Company									
	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000	General reserve US\$'000	Asset revaluation reserve US\$'000	Currency translation reserve US\$'000	Retained profits US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
<b>2009</b>										
<b>Beginning of the financial year</b>	11	-	(38,834)	2,835	11,139	(85)	220,752	195,818	552	196,370
Transfer to retained earnings	-	-	-	(2,835)	-	-	2,835	-	-	-
Realisation of reserve upon disposal	-	-	-	-	(108)	-	108	-	-	-
Dividends	-	-	-	-	-	-	(53,596)	(53,596)	-	(53,596)
Total comprehensive income for the financial year	-	-	-	-	-	6,594	89,191	95,785	454	96,239
<b>End of the financial year</b>	11	-	(38,834)	-	11,031	6,509	259,290	238,007	1,006	239,013

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

	Note	2010 US\$'000	2009 US\$'000
<b>Cash flows from operating activities</b>			
Total profit		92,440	89,675
Adjustments for:			
- Income tax expense		16,248	27,449
- Depreciation		13,264	10,869
- Loss on disposals of other property, plant and equipment		81	325
- Other property, plant and equipment written off		977	1,463
- Placing and listing expenses	25(f)	4,737	-
- Interest income		(4,148)	(2,901)
- Interest expense		9,779	6,321
- Share of profit of associate		(3)	-
- Exchange differences (net)		7,209	3,257
<b>Operating cash flows before working capital changes</b>		<b>140,584</b>	<b>136,458</b>
Changes in operating assets and liabilities:			
- Inventories		(76,634)	(60,123)
- Trade and other receivables		(156,764)	(20,444)
- Trade and other payables		90,737	(52,426)
- Derivative financial instruments		2,822	58,697
<b>Cash flows generated from operations</b>		<b>745</b>	<b>62,162</b>
Interest received		3,834	2,772
Interest paid		(9,779)	(6,321)
Income tax paid		(25,333)	(36,750)
<b>Net cash flows (used in)/from operating activities</b>		<b>(30,533)</b>	<b>21,863</b>
<b>Cash flows from investing activities</b>			
Acquisition of non-controlling interests		(1,258)	-
Acquisition of subsidiaries	34(b)(ii)	3,604	-
Investment in associate	19(a)	(83)	-
Purchase of property, plant and equipment		(40,552)	(21,259)
Proceeds from disposal of property, plant and equipment		706	6,774
<b>Net cash flows used in investing activities</b>		<b>(37,583)</b>	<b>(14,485)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from placing and listing	25(e)	183,582	-
Proceeds from issue of new shares to existing shareholders		1,270	-
Repayment of shareholders loan		(22,819)	-
Dividends paid	30(c)	(24,085)	(29,268)
Restricted short term deposit		(19)	(2)
Proceeds from/(Repayment to) related parties		1,301	(6,696)
Proceeds from long term borrowings		9,905	1,691
Repayment of long term borrowings		(5,480)	(7,031)
Net proceeds from short term borrowings		99,555	32,575
Interest received		314	129
<b>Net cash flows from/(used in) financing activities</b>		<b>243,524</b>	<b>(8,602)</b>
<b>Net change in cash and cash equivalents</b>		<b>175,408</b>	<b>(1,224)</b>
Cash and cash equivalents at beginning of the financial year		37,376	38,043
Effect of changes in exchange rate on cash and cash equivalents		2,368	557
<b>Cash and cash equivalents at end of the financial year</b>	17	<b>215,152</b>	<b>37,376</b>

The accompanying notes form an integral part of these financial statements.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General information

Mewah International Inc. (the "Company") is listed on the Singapore Exchange Securities Trading Limited and incorporated and domiciled in the Cayman Islands. The address of its registered office is Harbour Place, 2<sup>nd</sup> Floor, 103 South Church Street, P.O. Box 472, George Town, Grand Cayman, KY1-1106, Cayman Islands. The principal place of business of the Company is at 5, International Business Park, #05-00, Mewah Building, Singapore 609914. With effect from 29 September 2010, the name of the Company was changed from Moi International Holdings Inc. to Mewah International Inc..

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 38 of the financial statements.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

### ***Interpretations and amendments to published standards effective in 2010***

On 1 January 2010, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed below:

- (a) FRS 103 (revised) *Business Combinations* (effective for annual periods beginning on or after 1 July 2009)

Please refer to Note 2.3(a)(ii) for the revised accounting policy on business combinations which the Group has applied for its acquisition of Molly Foods bvba on 27 December 2010 (Note 34(b)).

The changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.2 Revenue recognition

Revenue for the Group represents the fair value of the consideration received or receivable from the gross inflow of economic benefits during the year arising from the course of the ordinary activities of the Group's business. Revenue is represented net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

#### (a) *Sale of goods*

Revenue from sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer and there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

#### (b) *Interest income*

Interest income is recognised using the effective interest method.

#### (c) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

### 2.3 Group accounting

#### (a) *Subsidiaries*

##### (i) *Consolidation*

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.3 Group accounting (continued)

#### (a) *Subsidiaries* (continued)

##### (ii) *Acquisition of businesses*

The acquisition method of accounting is used to account for business combinations by the Group, except for business combination under common control.

For business combinations under acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to Note 2.5 for the subsequent accounting policy on goodwill.

Acquisitions of entities under common control have been accounted for using the pooling-of-interest method. Under this method:

- The financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the financial statements at their existing carrying amounts from the perspective of the controlling party;
- The income statement includes the results of the acquired entities since the earliest date the entities are under common control;
- The comparative figures of the Group represent the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity have been prepared as if the combination had occurred from the date when the combining entities or businesses first came under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to merger reserve. Cash paid/payable arising from the acquisition under common control is also taken to the merger reserves.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.3 Group accounting (continued)

#### (a) Subsidiaries (continued)

##### (iii) Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.6 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

#### (b) Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in general reserve within equity attributable to the equity holders of the Company.

#### (c) Associates

Associates companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associates are adjusted against the carrying amount of the investment. When the Group's share of losses in an associates equals or exceeds its interest in the associates, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associates.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.3 Group accounting (continued)

#### (c) *Associates* (continued)

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gains and losses arising from partial disposals or dilutions in investments in associates are recognised in profit or loss.

Investments in associates are derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.6 for the accounting policy on investments in associates in the separate financial statements of the Company.

### 2.4 Property, plant and equipment

#### (a) *Measurement*

##### (i) *Property, plant and equipment*

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increase in carrying amount arising from revaluation, including currency translation differences, are recognised in the asset revaluation reserve, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised as a loss in the statement of comprehensive income.

The Group on 1 January 2007 has elected to adopt FRS 101 exemption to deem the previous revaluation of certain property, plant and equipment as deemed cost (Note 18 (c)).

##### (ii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.8 on borrowing costs).

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.4 Property, plant and equipment (continued)

#### (b) *Depreciation*

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The annual rates of depreciation are as follows:

Leasehold land and buildings	Amortised over the period of leases (30 to 99 years)
Freehold buildings	2%
Plant and equipment	5%
Furniture, fixtures and office equipment	5% to 20%
Motor vehicles	20%

Freehold land and capital expenditure in progress are stated at cost and not depreciated.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

#### (c) *Impairment*

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.4 Property, plant and equipment (continued)

#### (d) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

#### (e) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within other operating expenses / (gains). Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

### 2.5 Intangible assets

#### *Goodwill*

Goodwill of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill of subsidiaries prior to 1 January 2010 and on acquisition of associates represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associates is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associates include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.6 Investments in subsidiaries and associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### 2.7 Impairment of non-financial assets

#### *Investments in subsidiaries and associates*

Investments in subsidiaries and associates are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to Note 2.4 for the treatment of a revaluation decrease in property, plant and equipment.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

### 2.8 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except to the extent that they are capitalised. Borrowing costs are capitalised if they were directly attributable to the acquisition, construction or production of a qualifying assets. Capitalising of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the acquisition, construction or production of qualifying assets that are financed by general borrowings.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.9 Financial assets

#### (a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### (i) Financial assets, at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables" and "cash and cash equivalents" on the balance sheet.

#### (iii) Financial assets, held-to-maturity

Financial assets, held-to-maturity, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

#### (iv) Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.9 Financial assets (continued)

#### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

#### (c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

#### (d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity, are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately in profit or loss. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

#### (e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.9 Financial assets (continued)

#### (e) *Impairment* (continued)

##### (i) *Loans and receivables/financial assets, held-to-maturity*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

##### (ii) *Financial assets, available-for-sale*

In addition to the objective evidence of impairment described in Note 2.9(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

### 2.10 Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value plus transaction cost and are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intragroup transactions are eliminated on consolidation.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.12 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Derivative financial instruments

Derivative financial instruments comprise mainly of crude palm oil and palm oil products forward contracts, futures contracts and currency forward contracts.

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

Derivative financial instruments are reported in the financial statements on a net basis where legal right of setoff exists. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

### 2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market (such as commodities forward contracts) are determined by making references to the prices provided by the Malaysian Palm Oil Board, other similar products and other commodity exchanges, and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used.

The fair values of currency forward contracts are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.15 Leases

#### (a) As lessee

##### (i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

##### (ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

#### (b) As lessor

##### Lessor - Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Stores, spares and consumables are stated at cost and are determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

### 2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.18 Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the consolidated income statement as finance costs.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### 2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

#### (a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

#### (b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

### 2.20 Currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollars, which is also the functional currency of the Company.

#### (b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.20 Currency translation (continued)

#### (c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting dates;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve.

### 2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

### 2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

### 2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share premium account.

### 2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when dividends are approved for payment.

### 2.25 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 2. Significant accounting policies (continued)

### 2.25 Non-current assets (or disposal groups) held for sale and discontinued operations (continued)

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and:

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

### 2.26 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants relating to assets are deducted against the carrying amount of the assets.

## 3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### (a) *Fair value of derivative financial instruments*

The Group is exposed to fluctuations in the prices of agri-commodities it deals in including crude palm oil and palm oil products. The Group minimises the risk arising from such fluctuations by entering into commodities forward contracts and futures contracts. As the Group has not adopted hedge accounting, the fair value changes on these derivative financial instruments are recognised in the profit or loss when the changes arise.

The Group's commodities forward contracts are not traded in an active market. The Group uses a variety of methods, such as making references to the prices listed on Malaysian Palm Oil Board, other similar products and other exchanges, and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes are used to estimate the fair value.

As at 31 December 2010, if the commodities prices increase or decrease by 5% and other variables held constant, the Group's profit after tax would have been US\$6,305,000 (2009: US\$4,268,000) lower or higher respectively, arising as a result of the changes in the fair value of the commodities forward contracts and futures contracts.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 3. Critical accounting estimates, assumptions and judgements (continued)

### (b) *Uncertain tax positions*

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

Two of the Group's Malaysian overseas subsidiaries were subjected to a routine tax compliance audit by the local tax authorities.

Under the Malaysian self-assessment tax system, the responsibility for correctly assessing tax liability is that of the tax payers. The local tax authorities conduct routine tax compliance audits to ascertain if assessments have been correctly made by the tax payers. As the tax compliance audit is still in progress and as the local tax authorities have not raised any additional tax assessment to date, the Group has therefore not recognised any additional tax liabilities.

### (c) *Impairment of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment on a monthly basis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the net present values of estimated cash flows increase or decrease by 5% from management's estimates for all past due loans and receivables, the Group's allowance for impairment will decrease or increase by US\$2,441,000 (2009: US\$1,447,000) and correspondingly to profit or loss.

### (d) *Useful lives of plant and equipment*

The cost of plant and equipment are depreciated on a straight-line basis over their useful lives, which management estimates to be of 20 years.

These estimates could change significantly as a result of technical innovations.

If the actual useful lives of these plant and equipment differ by 10% from management estimates, the carrying amount of the plant and equipment will be increased by US\$846,000 (2009: US\$554,000) or decreased by US\$1,034,000 (2009: US\$1,030,000) and correspondingly to profit or loss.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 4. Revenue

	Group	
	2010	2009
	US\$'000	US\$'000
Sale of agricultural products including palm based edible oils and fats, and other consumer products	3,533,071	2,867,081

## 5. Cost of sales

	Group	
	2010	2009
	US\$'000	US\$'000
Cost of inventories	3,280,599	2,614,963
Gain from derivative financial instruments	(48,341)	(33,407)
Labour costs and other overheads	40,715	36,146
	3,272,973	2,617,702

## 6. Other income

	Group	
	2010	2009
	US\$'000	US\$'000
Interest income on bank deposits	314	129
Late interest charge on trade receivables	3,834	2,772
Rental income	349	574
Other miscellaneous income	664	700
	5,161	4,175

Other miscellaneous income comprises mainly sales of by-products and waste.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 7. Other operating gains/(expenses)

	Group	
	2010 US\$'000	2009 US\$'000
Foreign exchange gain/(loss)	6,208	(812)
Property, plant and equipment written off	(977)	(1,439)
Loss on disposal of property, plant and equipment	(81)	(325)
	5,150	(2,576)

## 8. Finance costs

	Group	
	2010 US\$'000	2009 US\$'000
Interest expense:		
- Bank borrowings	9,673	6,211
- Finance lease	106	110
	9,779	6,321

In 2010, borrowing costs of US\$113,000 was capitalised in property, plant and equipment at a rate of 4.67%.

## 9. Employee compensation

	Group	
	2010 US\$'000	2009 US\$'000
Salaries	38,465	34,686
Employer's contributions to defined contribution plans	2,115	1,617
Other staff benefits	768	334
	41,348	36,637

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 10. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2010 US\$'000	2009 US\$'000
Bad debts written off	266	362
Employee compensation (Note 9)	41,348	36,637
Depreciation of property, plant and equipment (Note 18)	13,264	10,869
Freight	77,256	55,711
Transportation and forwarding	6,880	8,260
Insurance	4,935	3,888
Utilities	8,457	7,145
Bank charges	3,216	2,584
Lease rental	518	563
Non-audit fees		
-Auditors of the Company	708	27
-Other auditors	154	14

## 11. Income tax expense

	Group	
	2010 US\$'000	2009 US\$'000
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	12,408	8,445
- Foreign	15,180	30,470
	27,588	38,915
Deferred income tax	(12,556)	(11,970)
	15,032	26,945
Under/(over) provision in prior financial years		
- Current income tax	634	906
- Deferred income tax	582	(402)
	16,248	27,449

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 11. Income tax expense (continued)

The tax expense on profit differs from the amount that would arise using the tax calculated at domestic rates of income tax as explained below:

	Group	
	2010 US\$'000	2009 US\$'000
Profit before tax	108,688	117,124
Tax calculated at domestic rates applicable to profits in the respective countries	19,109	28,756
Effects of:		
- Tax incentives	(6,928)	(2,380)
- Expenses not deductible for tax purposes	2,576	1,512
- Income not subject to tax	(234)	(649)
- Deferred tax benefits not recognised	438	-
- Effect of changes in tax rate	-	(432)
- Others	71	138
	15,032	26,945

The Singapore corporate tax rate was 17% for the financial years 2009 and 2010.

The Singapore subsidiaries' tax liabilities have been measured based on the corporate tax rate and tax laws prevailing at balance sheet date. On 18 February 2011, the Singapore Minister of Finance announced changes to the Singapore tax laws, which included new incentives that might be available to certain entities with effect from the year of assessment 2011. The Singapore subsidiaries' tax expense for the financial year ended 31 December 2010 has not taken into consideration the effect of these incentives as these incentives were not enacted or substantively enacted by the balance sheet date.

The Malaysia corporate tax rates was 25% for the financial years 2009 and 2010.

The weighted average applicable tax rate was 17.6% and 24.6% for the financial years ended 31 December 2010 and 31 December 2009 respectively. The changes in weighted average applicable tax rates arose from changes in the mix of income subject to tax in different countries and the tax incentive granted.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 12. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company for the relevant periods by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2010	2009
Net profit attributable to equity holders of the Company (US\$'000)	92,352	89,191
Weighted average number of ordinary shares outstanding for basic earnings per share ('000) (Note (i))	1,304,537	1,281,002
Basic earnings per share (US cents per share)	7.08	6.96

(i) The earnings per share for the financial years ended 31 December 2010 and 2009 were computed based on weighted average number of shares adjusted to take into account the subdivision and issue of new ordinary shares. The Company's pre-invitation capital of 1,281,002,440 Shares were assumed to be issued throughout the relevant periods.

Diluted earnings per share is the same as the basic earnings per share for the financial years ended 31 December 2010 and 2009 as there were no potential dilutive ordinary shares outstanding.

## 13. Inventories

	Group	
	2010 US\$'000	2009 US\$'000
Raw materials	37,542	51,938
Finished goods	201,322	85,692
Stores, spares and consumables	5,095	5,775
	243,959	143,405

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US\$3,280,599,000 (2009: US\$2,614,963,000).

Inventories of US\$58,037,000 (2009: US\$41,930,000) of the Group have been pledged as security for bank facilities of the Group (Note 23(a)).

Inventories include US\$179,637,000 (2009: US\$73,388,000) readily marketable inventories, which are agricultural commodity inventories that can be readily converted to cash due to their commodity nature, international pricing mechanism and widely available markets.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 14. Trade receivables

	Group	
	2010 US\$'000	2009 US\$'000
Trade receivables	443,500	297,776
Less: Allowance for impairment of trade receivables	(16,391)	(18,102)
<b>Trade receivables - net</b>	<b>427,109</b>	<b>279,674</b>

Trade receivables include US\$8,631,000 (2009: US\$19,274,000) due from related parties.

Related parties are companies in which the directors/shareholders of the Company have significant influence or control.

## 15. Other receivables

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Non-trade receivables	9,553	24,685	44,616	-
Dividends receivable	-	-	17,273	26,258
Deposits	12,621	2,748	-	-
Prepayments	4,525	2,277	1	1
	<b>26,699</b>	<b>29,710</b>	<b>61,890</b>	<b>26,259</b>

### Group

Non-trade receivables include US\$6,167,000 (2009: US\$2,425,000) subsidy receivable from Malaysian Palm Oil Board.

In 2009, non-trade receivables included US\$5,769,000 held in commodity trading accounts with Bursa Malaysia Derivatives Clearing Bhd. In 2010, the commodity trading accounts with Bursa Malaysia Derivatives Clearing Bhd was in a net payable position (Note 22).

In 2009, non-trade receivables also included US\$15,629,000 due from related parties, mainly the advance for the acquisition of a subsidiary as disclosed in Note 34(a) on significant business combinations. The amount, which has been settled, was interest-free, unsecured and repayable on demand.

Deposits include US\$4,633,000 payment for the purchase of leasehold land.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 15. Other receivables (continued)

### Company

Non-trade receivables include US\$38,404,000 short term loans to subsidiaries, which bear interest of 2.0% per annum and repayable within 12 months and advances to a subsidiary of US\$6,212,000 which is interest free and repayable on demand.

Dividends receivable relates to dividends declared and unpaid by subsidiaries for prior financial years of which amount is non-interest bearing and repayable on demand.

## 16. Derivative financial instruments

### (a) Current portion

	Contract/ notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
<b>2010</b>			
Currency forward contracts (Note 31(e))	1,022,492	29,113	-
Commodities forward contracts (Note 31(e))	1,787,090	30,865	66,674
Futures contracts on commodity exchange (Note 31(e))	214,554	27,062	-
<b>Total</b>		<b>87,040</b>	<b>66,674</b>
<b>2009</b>			
Currency forward contracts (Note 31(e))	399,831	6,135	-
Commodities forward contracts (Note 31(e))	3,365,026	29,117	13,624
Futures contracts on commodity exchange (Note 31(e))	526,844	6,001	-
<b>Total</b>		<b>41,253</b>	<b>13,624</b>

### (b) Non-current portion

	Contract/ notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
<b>2010</b>			
Commodities forward contracts (Note 31(e))	5,742	761	-
Futures contracts on commodity exchange (Note 31(e))	33,736	3,681	-
<b>Total</b>		<b>4,442</b>	<b>-</b>

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 16. Derivative financial instruments (continued)

- (i) Currency forward contracts are entered into by the Group entities in currencies other than their respective functional currencies to manage exposure to fluctuations in foreign currency exchange rates on their transactions.
- (ii) The Group entities enter into commodities forward contracts and futures contracts to protect the Group from movements in market prices of crude palm oil and palm oil products by establishing the price at which the products will be sold or purchased.

## 17. Cash and cash equivalents

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Cash at bank and on hand	195,558	28,253	142,863	-
Short-term bank deposits	19,764	9,381	-	-
	215,322	37,634	142,863	-

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

	Group	
	2010 US\$'000	2009 US\$'000
Cash and bank balances (as above)	215,322	37,634
Less: Bank overdrafts (Note 23)	-	(107)
Less: Restricted short-term bank deposits	(170)	(151)
Cash and cash equivalents per consolidated statement of cash flows	215,152	37,376

Restricted short-term bank deposits are deposits placed with a financial institution as security for banking facilities.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 18. Property, plant and equipment

	Freehold land and buildings US\$'000	Leasehold land and buildings US\$'000	Plant and equipment US\$'000	Furniture, fixtures and office equipment US\$'000	Motor vehicles US\$'000	Capital expenditure in progress US\$'000	Total US\$'000
<b>Group</b>							
<b>2010</b>							
<b>Cost</b>							
Beginning of the financial year	59	54,080	156,850	11,465	6,102	20,190	248,746
Currency translation differences	12	5,653	17,907	993	468	2,984	28,017
Additions	1	432	3,759	1,926	795	33,639	40,552
Acquisition of subsidiaries	-	86	6	-	31	-	123
Disposals	-	(2)	(365)	(495)	(843)	(491)	(2,196)
Write off	(2)	-	(3,625)	(174)	-	(2)	(3,803)
Reclassification	137	(109)	11,670	5	-	(11,703)	-
End of the financial year	207	60,140	186,202	13,720	6,553	44,617	311,439
<b>Accumulated depreciation</b>							
Beginning of the financial year	15	7,492	57,590	7,305	2,995	-	75,397
Currency translation differences	4	826	7,328	674	248	-	9,080
Depreciation charge	3	1,260	9,694	1,361	946	-	13,264
Disposals	-	(2)	(291)	(487)	(629)	-	(1,409)
Write off	(1)	-	(2,682)	(143)	-	-	(2,826)
Reclassification	44	(44)	-	-	-	-	-
End of the financial year	65	9,532	71,639	8,710	3,560	-	93,506
<b>Net book value</b>							
End of the financial year	142	50,608	114,563	5,010	2,993	44,617	217,933

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 18. Property, plant and equipment (continued)

Group	Freehold land and buildings		Leasehold land and buildings		Plant and equipment		Furniture, fixtures and office equipment		Motor vehicles		Capital expenditure in progress		Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
<b>2009</b>													
<b>Cost</b>													
Beginning of the financial year	58	56,345	147,303	10,485	5,810	13,981	233,982						
Currency translation differences	1	908	2,594	186	152	368	4,209						
Additions	-	1,440	4,809	999	1,536	12,475	21,259						
Disposals	-	(6,129)	(937)	(210)	(1,396)	(463)	(9,135)						
Write off	-	-	(1,463)	(105)	-	(1)	(1,569)						
Reclassification	-	1,516	4,544	110	-	(6,170)	-						
End of the financial year	59	54,080	156,850	11,465	6,102	20,190	248,746						
<b>Accumulated depreciation</b>													
Beginning of the financial year	15	6,637	49,209	6,277	3,075	-	65,213						
Currency translation differences	(1)	139	1,163	85	71	-	1,457						
Depreciation charge	1	1,124	7,684	1,170	890	-	10,869						
Disposals	-	(408)	(465)	(122)	(1,041)	-	(2,036)						
Write off	-	-	(1)	(105)	-	-	(106)						
End of the financial year	15	7,492	57,590	7,305	2,995	-	75,397						
<b>Net book value</b>													
End of the financial year	44	46,588	99,260	4,160	3,107	20,190	173,349						

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 18. Property, plant and equipment (continued)

- (a) In 2009, additions included US\$783,000 plant and equipment, and motor vehicles acquired under finance leases.

The carrying amounts of plant and equipment and motor vehicles acquired under finance leases as at 31 December 2010 was US\$987,000 (2009: US\$1,236,000).

- (b) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of US\$177,743,000 (2009: US\$138,946,000).
- (c) The revalued property, plant and equipment deemed as cost are as follow:

	Group	
	2010	2009
	US\$'000	US\$'000
Leasehold land and building	10,369	9,446
Plant and machinery	19,469	19,540
Furniture, fixture and office equipment	238	214
	30,076	29,200

- (d) The title to a certain freehold land of a subsidiary with carrying amount of US\$41,800 as at 31 December 2010 (2009: US\$41,800) has yet to be issued by the relevant authorities.

## 19. Investment in associate and subsidiaries

### (a) Investment in associate

	Group	
	2010	2009
	US\$'000	US\$'000
<i>Equity investment at cost</i>		
Beginning of the financial year	-	-
Acquisition of associate	83	-
Share of profit of associate	3	-
End of the financial year	86	-

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 19. Investment in associate and subsidiaries (continued)

### (a) Investment in associate (continued)

The summarised financial information of associate, not adjusted for the proportion ownership interest held by the Group, is as follows:

	Group	
	2010 US\$'000	2009 US\$'000
Assets	626	-
Liabilities	(329)	-
Revenue	2,056	-
Net profit	121	-

Details of the associate are included in Note 38.

### (b) Investment in subsidiaries

	Company	
	2010 US\$'000	2009 US\$'000
Equity investments at cost		
Beginning and end of the financial year	*_	*_

#### Equity investments at cost

Beginning and end of the financial year

\*\_

\*\_

\* The nominal value of investment in subsidiaries held directly by the Company is US\$104.

Details of significant subsidiaries are included in Note 38.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 20. Intangible asset

	Group	
	2010	2009
	US\$'000	US\$'000

Composition:

Goodwill	5,205	-
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On 27 December 2010, the Group completed the acquisition of 52.0% of the issued equity of Molly Foods bvba ("Molly Foods"), a company incorporated in Belgium which, through its wholly owned subsidiary, Bloom Land Enterprises Limited ("Bloom Land"), a company incorporated in Hong Kong, owns 100% of BeCe S.à.r.l. ("BeCe"), a company incorporated in Togo, involved primarily in importing commodities, including edible oils and fats products produced by the Group, for sale in West Africa (Note 34 (b)).

The shares in Molly Foods have been acquired for a cash consideration of EUR4.68 million by the Group from Olival BVBA and Atmaca Beheer B.V., closed limited liability companies organised and existing under the laws of Belgium and Netherlands respectively.

Goodwill in relation to the acquisition of Molly Foods, Bloom Land and BeCe have been determined provisionally as the underlying audit is still ongoing.

The purchase price allocation to goodwill, intangibles (excluding goodwill) and other assets and liabilities is currently being assessed and is expected to be finalised within 12 months from the date of acquisition and hence the goodwill has not been allocated to the relevant cash-generating-units.

## 21. Trade payables

	Group	
	2010	2009
	US\$'000	US\$'000

Trade payables	252,785	135,464
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Trade payables include US\$2,173,000 (2009: US\$1,381,000) due to related parties, which were unsecured, interest free and repayable on demand.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 22. Other payables

	Group		Company	
	2010 US\$'000	2009 US\$'000	2010 US\$'000	2009 US\$'000
Non-trade payables	16,664	39,958	18,294	26,248
Accrued operating expenses	33,231	27,282	2,641	-
	49,895	67,240	20,935	26,248

### Group

Non trade payables include US\$147,000 (2009: US\$Nil) due to an associate and US\$11,000 (2009: US\$838,000) due to related parties, mainly for transportation, forwarding and insurance services. The amounts are unsecured, interest free and repayable on demand.

In 2009, non-trade payables also included US\$15,000 due to shareholder of a subsidiary, US\$1,105,000 due to a director of the Company and US\$26,230,000 dividend payable to shareholders, which have been settled.

Non-trade payables include US\$8,670,000 (2009: US\$Nil) held in commodity trading accounts with Bursa Malaysia Derivatives Clearing Bhd. In 2009, the commodity trading accounts with Bursa Malaysia Derivatives Clearing Bhd was in a net receivable position (Note 15).

### Company

Non-trade payables relates to amounts owing to subsidiaries of the Company which are unsecured, interest free and repayable on demand.

Accrued operating expenses of the Company mainly relates to listing expenses payable at the end of the financial year.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 23. Borrowings

	Group	
	2010 US\$'000	2009 US\$'000
<i>Current</i>		
Bank overdrafts	-	107
Bank borrowings		
- Export credit refinancing	31,658	2,320
- Bankers' acceptance	136,730	156,970
- Revolving credit	12,275	12,402
- Trust receipts and bills payable	116,226	23,298
- Term loans	6,796	6,109
- Istina/Ijarah Financing	3,708	5,295
Finance lease liabilities (Note 23(c))	381	432
	307,774	206,933
<i>Non-current</i>		
Bank borrowings		
- Term loans	15,898	1,055
- Istina/Ijarah Financing	1,936	12,141
Finance lease liabilities (Note 23(c))	525	725
	18,359	13,921
<b>Total borrowings</b>	<b>326,133</b>	<b>220,854</b>

(a) Securities granted

The borrowings of the Group are secured by:

- Letter of subordination of shareholders and/or group entities
- Joint and several guarantees by certain directors
- Security Sharing Agreement, debentures and legal assignment over the absolute rights of a subsidiary of the Group under Sales and Purchase Agreement for the subsidiary's land, in favour of financial institution as trustee for the said financial institution and another financial institution
- Fixed and floating charge over existing and future assets of the subsidiaries
- Corporate guarantees by the Company, subsidiaries and a related party

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 23. Borrowings (continued)

### (a) Securities granted (continued)

Finance lease liabilities are secured over the leased plant and equipment and motor vehicles as at 31 December 2010 with carrying value of US\$987,000 (2009: US\$1,236,000) as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	2010	2009
	US\$'000	US\$'000
Not later than one year	307,774	206,933
Between one and two years	13,482	6,979
Between two and five years	4,877	6,942
	326,133	220,854

### (b) Fair value of non-current borrowings

The fair value of borrowings approximates the carrying value of the borrowings at balance sheet dates.

### (c) Finance lease liabilities

The Group leases certain plant and equipment under finance leases.

	Group	
	2010	2009
	US\$'000	US\$'000
Minimum lease payments due		
Not later than one year	387	486
Between one and two years	476	27
Between two and five years	149	796
	1,012	1,309
Less: Future finance charges	(106)	(152)
Present value of finance lease liabilities	906	1,157

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 23. Borrowings (continued)

### (c) Finance lease liabilities (continued)

The present values of finance lease liabilities are analysed as follows:

	Group	
	2010 US\$'000	2009 US\$'000
Not later than one year	381	432
Later than one year		
- Between one and two years	425	22
- Between two and five years	100	703
	525	725
<b>Total</b>	906	1,157

## 24. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheets as follows:

	Group	
	2010 US\$'000	2009 US\$'000
<b>Deferred income tax liabilities</b>		
- expected to be settled within one year	(14,339)	(18,493)
- expected to be settled after one year	(1,114)	(5,685)
	(15,453)	(24,178)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The tax losses and capital allowances have no expiry dates.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 24. Deferred income taxes (continued)

The amounts of deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) recognised in the consolidated balance sheet and consolidated income statement on each type of temporary differences are as follows:

	Group			
	Consolidated Balance Sheet		Consolidated Income Statement	
	2010	2009	2010	2009
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Deferred income tax assets</b>				
Unutilised tax losses	45	84	(47)	(1,875)
Unutilised reinvestment allowance	4,611	3,698	866	(2,049)
Unrealised loss on derivative financial instruments	6,572	-	13,981	-
Unutilised capital allowance	-	254	(271)	(1,690)
Others	991	1,837	(1,048)	952
	12,219	5,873		
<b>Deferred income tax liabilities</b>				
Accelerated tax depreciation	(24,981)	(20,625)	(1,883)	(1,157)
Revaluation of property, plant and equipments	(2,691)	(2,786)	376	85
Unrealised gain on derivative financial instruments	-	(6,640)	-	16,703
Others	-	-	-	1,403
	(27,672)	(30,051)	11,974	12,372

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of US\$181,000 (2009: US\$337,000) and capital allowances of US\$Nil (2009: US\$1,017,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date.

Deferred income tax liabilities of US\$92,000 (2009: US\$59,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company. These unremitted earnings are permanently reinvested and amount to US\$916,000 (2009: US\$594,000) at the balance sheet date.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 25. Share capital and share premium

	No. of ordinary shares		Amount		
	Authorised share capital at par value of <u>US\$0.001/US\$0.01</u> '000	Issued share capital at par value of <u>US\$0.001/US\$0.01</u> '000	Authorised share capital at par value of <u>US\$0.001/US\$0.01</u> US\$'000	Share capital at par value of <u>US\$0.001/US\$0.01</u> US\$'000	Share premium US\$'000

Company

### 2010

Beginning of the financial year, ordinary shares at par value, USD0.01	5,000	1,050	50	11	-
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Listing of the Company, ordinary shares at par value, USD0.001

Subdivision of authorised share capital and issued share capital from par value of USD0.01 to USD0.001 (Notes (a) to (b))	50,000	10,500	50	11	-
Increase in authorised share capital (Note (c))	29,950,000	-	29,950	-	-
Issue of new shares to existing shareholders (Note (d))	-	1,270,502	-	1,270	-
Issue of shares pursuant to the Listing (Note (e))	-	226,059	-	226	191,055
Placing and listing expenses (Note (f))	-	-	-	-	(5,639)
End of the financial year	30,000,000	1,507,061	30,000	1,507	185,416

### 2009

Beginning and end of the financial year, ordinary shares at par value, USD0.01	5,000	1,050	50	11	-
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All issued ordinary shares are fully paid. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

On 1 October 2010, the Shareholders approved the following:

- the sub-division of the authorised share capital from US\$50,000 divided into 5,000,000 shares of a par value of US\$0.01 each in the capital of the Company to US\$50,000 divided into 50,000,000 shares of par value US\$0.001 each in the capital of the Company;
- the sub-division of 1,050,002 issued and paid up shares of par value US\$0.01 each in the capital of the Company into 10,500,020 Shares of par value US\$0.001 each in the capital of the Company;

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 25. Share capital and share premium (continued)

- (c) the increase in the authorised share capital from US\$50,000 divided into 50,000,000 shares of par value US\$0.001 each in the capital of the Company to US\$30,000,000 of 30,000,000,000 Shares of par value US\$0.001 each in the capital of the Company by the creation of 29,950,000,000 Shares of par value US\$0.001 each in the capital of the Company; and
- (d) the issue and allotment of 1,270,502,420 new shares of par value US\$0.001 each (US\$1,270,000) in the capital of the Company to the shareholders as at the date of the resolution in proportion to their shareholding, for a cash consideration at US\$0.001 per new Share.
- (e) On 24 November 2010, the Company issued 226,059,000 each at SGD1.10 per share as placement in connection with the Listing and raised gross proceeds of US\$191,281,000 (SGD248,665,000). US\$226,000 and US\$191,055,000 have been recognised in share capital and share premium respectively. The net proceeds received from the placement and listing amounted to US\$183,582,000, after deducting placing and listing expenses of the Company ("Listing Expenses") of US\$7,699,000 paid during the year.
- (f) During the financial year ended 31 December 2010, Listing Expenses amounted to US\$10,376,000. Listing Expenses of US\$5,639,000 which were directly attributable to the issuance of new shares were deducted against share premium account. The remaining balance of US\$4,737,000 were charged to the income statement.

The newly issued shares rank pari passu in all aspects with the previously issued shares.

## 26. Reserves

	Group	
	2010	2009
	US\$'000	US\$'000
(a) <u>Composition:</u>		
Merger reserve	(50,749)	(38,834)
General reserve	(832)	-
Asset revaluation reserve	10,281	11,031
Currency translation reserve	31,794	6,509
	(9,506)	(21,294)

Merger reserve represents the difference between the cost of investment and nominal value of share capital of the merged subsidiary.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 26. Reserves (continued)

	Group	
	2010 US\$'000	2009 US\$'000
(b) <u>Movements</u>		
<b>(i) Merger reserve</b>		
Beginning of the financial year	(38,834)	(38,834)
Additions arising from merger of subsidiary during the year	(11,915)	-
End of the financial year	(50,749)	(38,834)
<b>(ii) General reserve</b>		
Beginning of the financial year	-	2,835
Transfer to retained earnings	-	(2,835)
Acquisition of non-controlling interests	(832)	-
End of the financial year	(832)	-
<b>(iii) Asset revaluation reserve</b>		
Beginning of the financial year	11,031	11,139
Realisation upon disposal of asset	(750)	(108)
End of the financial year	10,281	11,031
<b>(iv) Currency translation reserve</b>		
Beginning of the financial year	6,509	(85)
Net currency translation differences of foreign operations	25,385	6,564
Non-controlling interests	(100)	30
End of the financial year	31,794	6,509

The reserves are non-distributable.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 27. Contingent liabilities

### *Group*

- (a) Mewah-Oils Sdn Bhd, a wholly-owned subsidiary, together with a Director of the Company, had been charged with custom offences in relation to usage of documents that have been falsified for the purpose of discharging crude palm oil from two shipments in October and November 2003. The maximum penalty under law for the charges against the subsidiary and the Director under the Malaysian Customs Act is a fine not exceeding five hundred thousand Malaysian Ringgit or imprisonment for a term not exceeding five years or both.

The subsidiary has also been charged with two additional charges of dishonestly receiving 1,998.518 metric tonnes and 4,999.85 metric tonnes, respectively of crude palm oil with reason to believe that it was a stolen property, in violation of Section 411 of the Malaysian Penal Code. The maximum penalty for these charges under Malaysian Penal Code is imprisonment for a term of five years and a fine.

In April 2010, a civil claim was made by original owners of the crude palm oil against the subsidiary in the Malaysian High Courts for having wrongfully received and converted 6,998.368 MT of crude palm oil (being part of the crude palm oil which is the subject matter of the criminal proceedings referred to above). The amount claimed is for a total of US\$2.65 million and interest at 8% per annum from the alleged date of conversion of the crude palm oil, which is between October 2003 and November 2003, and costs.

The directors, based on the advice of their solicitors, are of the opinion that the charges and suits against the subsidiary and the Director are without merit and hence no provision has been made in the financial statements.

- (b) In 2009, a claim against Moi Foods Malaysia Sdn Bhd ("Moi Foods"), a wholly-owned subsidiary, in the High Court of Malaya, Shah Alam, in the State of Darul Ehsan, Malaysia for the amount of Malaysian Ringgit 836,805 (US\$216,321) for alleged non-payment by Moi Foods of a construction contract entered into in 2001 between the claimants and Mewah-Oils Sdn Bhd (which subsequently novated the contract of Moi Foods) to construct a building block consisting of warehouse and offices on Lot 40 Phase 2A Pulau Indah Industrial Park. Moi Foods is currently preparing to file a defence disputing the amount claimed. The Group has made a provision of approximately Malaysian Ringgit 514,000 (US\$185,000).

### *Company*

The Company has issued corporate guarantee to a bank for borrowings of a certain subsidiary. As at 31 December 2010, the borrowings under the guarantee amounted to US\$53,125,000.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 28. Commitments

### (a) Capital commitments

Capital expenditures contracted for at the balance sheet dates but not recognised in the consolidated financial statements are as follows:

	Group	
	2010 US\$'000	2009 US\$'000
Purchases of property, plant and equipment	75,161	22,397

### (b) Operating lease commitments – where the Group is a lessee

The Group leases office premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payables under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	Group	
	2010 US\$'000	2009 US\$'000
Not later than one year	220	193
Between one and five years	1,124	461
Later than five years	3,698	2,286
	5,042	2,940

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 28. Commitments (continued)

- (c) Operating lease commitments – where the Group is a lessor

The Group leases out office space under its leasehold buildings to non-related parties under non-cancellable operating leases.

The future aggregate minimum lease receivables under operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2010 US\$'000	2009 US\$'000
Not later than one year	68	73
Between one and five years	23	-
	91	73

## 29. Retained profits

- (a) Retained profits of the Group are distributable, to the extent that it is in compliance with the local guidelines of the countries in which the subsidiaries operate and the restrictions imposed by the covenant underlying our borrowings.
- (b) Movement in (accumulated losses)/retained profits for the Company is as follows:

	Company	
	2010 US\$'000	2009 US\$'000
Beginning of the financial year	-	(12)
Dividends (Notes 30(d) and Note 30(b))	(22,105)	(26,230)
Total comprehensive income for the financial year	19,000	26,242
End of the financial year	(3,105)	-

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 30. Dividends

	Group	
	2010	2009
	US\$'000	US\$'000
<i>Ordinary dividends paid/payable</i>		
Interim exempt dividends of 1.73 cents (2009: 4.18 cents) per share paid in respect of current financial year	22,105	53,596

- (a) The dividend per share for the financial years ended 31 December 2010 and 2009 were computed based on number of shares adjusted to take into account the subdivision and issue of new ordinary shares. The Company's pre-invitation capital of 1,281,002,440 Shares were assumed to be issued throughout the relevant periods.
- (b) Included in the interim exempt dividends for the financial year ended 31 December 2009 are dividends to the shareholders of approximately US\$26,230,000. The remaining amounts of approximately US\$27,366,000 are dividends to the previous holding companies of subsidiaries prior to the reorganisation exercise by the Company.
- (c) In 2009, the Company declared interim dividend of approximately US\$26,230,000 (SGD36,855,000) of which approximately US\$24,085,000 (SGD33,500,000) has been fully paid and balance of approximately US\$2,145,000 (SGD3,355,000) was converted to shareholders' loan and was subsequently paid.
- (d) In 2010, the Company declared an interim dividend of US\$22,105,000 (SGD30,903,000), which was converted to shareholders' loan was subsequently paid.

## 31. Financial risk management

### *Financial risk factors*

The Group's activities expose it to market risk (including currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group's risk management strategy provides for the use of financial instruments such as currency forward contracts, commodities forward and futures contracts of crude palm oil and palm oil products.

Financial risk management is carried out by a Risk Committee in accordance with the policies set by the Board of Directors. The Risk Committee works closely with the Group's operating units in identifying, evaluating and managing financial risks. Regular reports will be submitted to the Board of Directors.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

### (a) Market risk

#### (i) Currency risk

The Group's revenue is denominated primarily in United States Dollars ("USD"), the functional and reporting currency of the Company. There are some exposures in other currencies, the most significant of which are the Malaysian Ringgit ("Ringgit") and Singapore Dollar ("SGD"). Currency risk arises within entities in the Group when transactions are denominated in currencies other than the entities' functional currencies.

The Group's risk management strategy provides for the use of currency forward contracts to hedge its future committed foreign exchange exposures, if necessary.

The Group's currency exposure based on the information provided to key management is as follows:

	<b>USD</b> US\$'000	<b>SGD</b> US\$'000	<b>Ringgit</b> US\$'000	<b>Others</b> US\$'000	<b>Total</b> US\$'000
<b>At 31 December 2010</b>					
<b>Assets</b>					
Cash and cash equivalents	23,548	143,623	28,822	19,329	215,322
Trade and other receivables	305,412	3,514	55,268	85,089	449,283
Intercompany receivables	547,044	78,196	149,238	43,988	818,466
<b>Total assets</b>	<b>876,004</b>	<b>225,333</b>	<b>233,328</b>	<b>148,406</b>	<b>1,483,071</b>
<b>Liabilities</b>					
Borrowings	(128,103)	(1,696)	(192,883)	(3,451)	(326,133)
Other financial liabilities	(136,926)	(23,825)	(136,103)	(5,826)	(302,680)
Intercompany payables	(547,044)	(78,196)	(149,238)	(43,988)	(818,466)
<b>Total liabilities</b>	<b>(812,073)</b>	<b>(103,717)</b>	<b>(478,224)</b>	<b>(53,265)</b>	<b>(1,447,279)</b>
<b>Net financial assets/(liabilities)</b>	<b>63,931</b>	<b>121,616</b>	<b>(244,896)</b>	<b>95,141</b>	<b>35,792</b>
Firm commitments and highly probable forecast transactions in foreign currencies	346,922	8,353	(424,551)	27,596	(41,680)
Currency forward contracts	(686,267)	3,051	-	(71,193)	(754,409)
Currency profile	(275,414)	133,020	(669,447)	51,544	(760,297)
Financial assets/(liabilities) denominated in the respective entities functional currencies	183,880	(4,556)	667,706	(41,787)	805,243
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	(91,534)	128,464	(1,741)	9,757	44,946

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management is as follows:  
(continued)

	<b>USD</b> US\$'000	<b>SGD</b> US\$'000	<b>Ringgit</b> US\$'000	<b>Others</b> US\$'000	<b>Total</b> US\$'000
<b>At 31 December 2009</b>					
<b>Assets</b>					
Cash and cash equivalents	18,608	2,808	14,390	1,828	37,634
Trade and other receivables	211,530	20,708	28,526	46,343	307,107
Intercompany receivables	91,033	29,995	12,148	22,798	155,974
<b>Total assets</b>	<b>321,171</b>	<b>53,511</b>	<b>55,064</b>	<b>70,969</b>	<b>500,715</b>
<b>Liabilities</b>					
Borrowings	(23,298)	(4,341)	(191,427)	(1,788)	(220,854)
Other financial liabilities	(47,937)	(37,231)	(112,861)	(4,675)	(202,704)
Intercompany payables	(91,033)	(29,995)	(12,148)	(22,798)	(155,974)
<b>Total liabilities</b>	<b>(162,268)</b>	<b>(71,567)</b>	<b>(316,436)</b>	<b>(29,261)</b>	<b>(579,532)</b>
<b>Net financial assets/(liabilities)</b>	<b>158,903</b>	<b>(18,056)</b>	<b>(261,372)</b>	<b>41,708</b>	<b>(78,817)</b>
Firm commitments and highly probable forecast transactions in foreign currencies	130,632	496	(19,170)	(543)	111,415
Currency forward contracts	(380,435)	(638)	-	(18,757)	(399,830)
Currency profile	(90,900)	(18,198)	(280,542)	22,408	(367,232)
Financial assets/(liabilities) denominated in the respective entities functional currencies	32,451	(7,143)	274,773	2,081	302,162
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies	(58,449)	(25,341)	(5,769)	24,489	(65,070)

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:  
(continued)

	<u>USD</u> US\$'000	<u>SGD</u> US\$'000	<u>Ringgit</u> US\$'000	<u>Others</u> US\$'000	<u>Total</u> US\$'000
<b>At 31 December 2010</b>					
<b>Assets</b>					
Cash and cash equivalents	-	142,863	-	-	142,863
Intercompany receivables	-	44,616	17,274	-	61,890
<b>Total assets</b>	-	187,479	17,274	-	204,753
<b>Liabilities</b>					
Other financial liabilities	(835)	(1,777)	(29)	-	(2,641)
Intercompany payables	(150)	(18,144)	-	-	(18,294)
<b>Total liabilities</b>	(985)	(19,921)	(29)	-	(20,935)
<b>Net financial assets/(liabilities)</b>	(985)	167,558	17,245	-	183,818
Financial assets/(liabilities) denominated in the Company's functional currency	985	-	-	-	985
Currency exposure of financial assets/ (liabilities) net of those denominated in the Company's functional currency	-	167,558	17,245	-	184,803

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:  
(continued)

	<u>USD</u> US\$'000	<u>SGD</u> US\$'000	<u>Ringgit</u> US\$'000	<u>Others</u> US\$'000	<u>Total</u> US\$'000
<b>At 31 December 2009</b>					
<b>Assets</b>					
Intercompany receivables	-	9,609	16,650	-	26,259
<b>Liabilities</b>					
Dividend payable	-	(26,230)	-	-	(26,230)
Intercompany payables	(4)	(14)	-	-	(18)
<b>Total liabilities</b>	(4)	(26,244)	-	-	(26,248)
<b>Net financial assets/(liabilities)</b>	(4)	(16,635)	16,650	-	11
Financial assets/(liabilities) denominated in the Company's functional currency	4	-	-	-	4
Currency exposure of financial assets/ (liabilities) net of those denominated in the Company's functional currency	-	(16,635)	16,650	-	15



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

With all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	2010		2009	
	← Increase/(decrease) →			
	<u>Change</u>	<u>Profit after tax</u>	<u>Change</u>	<u>Profit after tax</u>
	%	US\$'000	%	US\$'000
<u>Group</u>				
USD against SGD				
- Strengthened	5%	(8,481)	5%	1,282
- Weakened	5%	8,481	5%	(1,282)
USD against Ringgit				
- Strengthened	5%	(4,038)	5%	(1,478)
- Weakened	5%	4,038	5%	1,478
SGD against Ringgit				
- Strengthened	5%	(182)	5%	(641)
- Weakened	5%	182	5%	641
<u>Company</u>				
USD against SGD				
- Strengthened	5%	(8,376)	5%	831
- Weakened	5%	8,376	5%	(831)
USD against Ringgit				
- Strengthened	5%	(862)	5%	(832)
- Weakened	5%	862	5%	832
SGD against Ringgit				
- Strengthened	5%	7,514	5%	(1,664)
- Weakened	5%	(7,514)	5%	1,664

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

(a) Market risk (continued)

(ii) *Cash flows and fair value interest rate risks*

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has cash and bank balances and deposits placed with creditworthy licensed banks and financial institutions.

The Group's policy is to enter into variable interest rates borrowings. The Group's exposure to cash flows interest rate risks arises mainly from non-current variable-rate borrowings.

As most of the Group's borrowings are short-term and trade related, accordingly, the Group has minimum cash flows interest rate exposure risk.

The Group's borrowings are denominated mainly in Ringgit. At 31 December 2010, profit after tax for the year would have been US\$79,000 (2009: US\$5,000) respectively lower or higher if Ringgit market interest rates had been 50 basis points higher or lower with all other variables held constant.

(iii) *Commodity price risk*

The Group is exposed to fluctuations in the prices of agri-commodities it deals in, including crude palm oil and palm oil products prices. The Group minimises the risk arising from such fluctuations by entering into commodities forward contracts and futures contracts. The Group has not adopted Hedge accounting.

In the course of entering into their contracts, the Group may be exposed to the inherent risk associated with trading activities conducted by its personnel. The Group has in place a risk management system to manage such risk exposure.

As at 31 December 2010, if the commodity prices increase or decrease by 5% and other variables held constant, the Group's profit after tax would have been US\$6,305,000 (2009: US\$4,268,000) lower or higher respectively, arising as a result of the change in fair value of the commodities forward and futures contracts.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

### (b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are trade and other receivables and bank deposits. For trade and other receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group has a credit risk policy in place to manage credit risk. All new customers are subject to credit worthiness check; counterparties are ranked and assigned a credit limit appropriately. Such credit limit would be approved by a Risk Committee. In addition, any increase in credit limit requires approval from the Risk Committee. The Risk Committee is mandated to monitor the payment ageing profile of the third party receivables, review all the outstanding receivables regularly and to identify any potential uncollectible for doubtful debts provision and/or write-off.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2010 US\$'000	2009 US\$'000
Corporate guarantee provided to a bank on subsidiary's borrowings	53,125	-

The major trade receivables of the Group comprise of 1 debtor for 2010 (2009 : 1 debtor) represented 38% of trade receivables (2009 : 8%). The Company does not have trade receivables in 2010 and 2009.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group	
	2010 US\$'000	2009 US\$'000
<u>By geographical segment</u>		
- Asia		
Malaysia	203,153	134,645
Singapore	32,850	22,882
Rest of Asia	23,725	59,740
- Africa	62,913	38,059
- Middle East	75,527	9,674
- Europe	18,143	7,405
- Pacific Oceania	3,146	4,096
- America	7,652	3,173
	<u>427,109</u>	<u>279,674</u>

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

(b) Credit risk (continued)

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks of good credit-ratings. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and for which there is no historical track record of default.

(ii) *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The aged analysis of trade receivables past due but not impaired is as follows:

	Group	
	2010	2009
	US\$'000	US\$'000
1 to 3 months	47,001	24,148
3 to 6 months	1,196	2,783
6 to 12 months	623	469
Over 1 year	-	1,549
	48,820	28,949

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2010	2009
	US\$'000	US\$'000
Gross amount	16,391	18,102
Less: Allowance for impairment	(16,391)	(18,102)
	-	-
Beginning of the financial year	(18,102)	(17,471)
Currency translation difference	(2,316)	(210)
Allowance reversed & utilised/(made)	4,027	(421)
End of the financial year	(16,391)	(18,102)

The impaired trade receivables arise mainly from sales to customers which are under financial difficulties.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations due to shortage of funds. The Group maintains sufficient liquidity by closely monitoring its cash flows. The Group adopts prudent liquidity risk management policies in maintaining flexibility in funding by keeping credit facilities available with different financial institutions.

The table below analyses the maturity profile of the Group's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	<b>Less than 1 year US\$'000</b>	<b>Between 1 and 2 years US\$'000</b>	<b>Between 2 and 5 years US\$'000</b>	<b>Over 5 years US\$'000</b>	<b>Total US\$'000</b>
<u>Group</u>					
<b>At 31 December 2010</b>					
Trade and other payables	(302,680)	-	-	-	(302,680)
Borrowings	(310,119)	(14,095)	(5,436)	-	(329,650)
<hr/>					
Gross-settled currency forward contracts					
- Receipts	754,409	-	-	-	754,409
- Payments	(728,241)	-	-	-	(728,241)
	26,168	-	-	-	26,168
<hr/>					
Gross-settled futures contracts and forward sales and purchase contracts					
- Receipts	959,664	-	-	-	959,664
- Payments	(1,041,980)	(39,478)	-	-	(1,081,458)
	(82,316)	(39,478)	-	-	(121,794)
<hr/>					
<b>At 31 December 2009</b>					
Trade and other payables	(202,704)	-	-	-	(202,704)
Borrowings	(210,565)	(7,445)	(7,747)	-	(225,757)
<hr/>					
Gross-settled currency forward contracts					
- Receipts	399,830	-	-	-	399,830
- Payments	(394,237)	-	-	-	(394,237)
	5,593	-	-	-	5,593
<hr/>					
Gross-settled futures contracts and forward sales and purchase contracts					
- Receipts	1,999,360	-	-	-	1,999,360
- Payments	(1,892,510)	-	-	-	(1,892,510)
	106,850	-	-	-	106,850
<hr/>					

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

(c) Liquidity risk (continued)

The Company's financial liabilities, based on contractual undiscounted cash flows, are due within 12 months and approximate their carrying balances as the impact of discounting is not significant.

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure over business cycles, the Group may adjust the amount of dividend payment, obtain new borrowings or sell assets to reduce borrowings.

Management manages capital based on a number of key ratios including gross debt-equity ratio, net debt-equity ratio and adjusted net debt-equity ratio. The gross debt-equity ratio is defined as total interest bearing debts ("gross debt") to total equity. Net debt-equity ratio is defined as total interest bearing debts less cash and cash equivalents ("net debt") to total equity. Adjusted debt-equity ratio is defined as net debt less readily marketable inventories ("adjusted net debt") to total equity.

	Group	
	2010	2009
	US\$'000	US\$'000
Gross debt	326,133	220,854
Less: Cash and cash equivalents	(215,322)	(37,634)
Net debt	110,811	183,220
Less: Readily marketable inventories	(179,637)	(73,388)
Adjusted net debt	(68,826)	109,832
Total equity	509,168	239,013
Gross debt-equity ratio	0.64	0.92
Net debt-equity ratio	0.22	0.77
Adjusted net debt-equity ratio	(0.14)	0.46

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2010 and 2009.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

### (e) Fair value measurements

Fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); and
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2).

The following table presents our financial assets and liabilities measured at fair value as at balance sheet date.

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Financial Assets</b>			
Derivative financial instruments (Note 16)			
- Currency Forward contracts	-	29,113	29,113
- Commodities Futures contracts	30,743	-	30,743
- Commodities Forward contracts	-	31,626	31,626
<b>As at 31 December 2010</b>	<b>30,743</b>	<b>60,739</b>	<b>91,482</b>
<b>Financial Liabilities</b>			
Derivative financial instruments (Note 16)			
- Commodities Forward contracts	-	66,674	66,674
<b>As at 31 December 2010</b>	<b>-</b>	<b>66,674</b>	<b>66,674</b>
<b>Financial Assets</b>			
Derivative financial instruments (Note 16)			
- Currency Forward contracts	-	6,135	6,135
- Commodities Futures contracts	6,001	-	6,001
- Commodities Forward contracts	-	29,117	29,117
<b>As at 31 December 2009</b>	<b>6,001</b>	<b>35,252</b>	<b>41,253</b>
<b>Financial Liabilities</b>			
Derivative financial instruments (Note 16)			
- Commodities Forward contracts	-	13,624	13,624
<b>As at 31 December 2009</b>	<b>-</b>	<b>13,624</b>	<b>13,624</b>

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices. These instruments are included in Level 1.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 31. Financial risk management (continued)

### (e) Fair value measurements (continued)

The fair values of financial instruments that are not traded in an active market (such as commodities forward contracts) are determined by making references to the prices listed on the Malaysian Palm Oil Board, other similar products and other commodity exchanges, and makes assumptions that are based on market conditions existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes are used. The fair values of currency forward contracts are determined using quoted forward exchange rates at the balance sheet date. These instruments are included in Level 2.

The carrying value less impairment provision of trade receivables and payables approximates their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

## 32. Related party transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties concerned.

### (a) Sales and purchases of goods and services and other transactions

	Group	
	2010 US\$'000	2009 US\$'000
Sales to related parties		
- Sales of finished goods	32,230	22,962
Purchase from related parties		
- Purchases of raw materials	(9,446)	(6,266)
Unrealised gain/(loss) from derivative financial instruments	84	(564)
Service rendered by related parties		
- Transportation and forwarding	(2,359)	(2,188)
- Packing material	(9,909)	(8,684)
- Insurance	(3,195)	(2,396)
Rental paid/payable to related parties	(112)	(395)
Service agreement	-	(82)
Reimbursement of expenses for related parties	358	506
Property, plant and equipment transferred (from)/to related parties		
- Sales/(purchases) of land	-	4,779
- Sales of spare parts, plant and machinery and motor vehicles	-	1,620

Related parties are companies in which the directors/shareholders of the Company have significant influence or control.

Outstanding balances at 31 December 2010 and 2009 arising from the above transactions are set out in Notes 14, 15, 21 and 22 respectively.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 32. Related party transactions (continued)

### (b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2010	2009
	US\$'000	US\$'000
Wages, salaries and other short-term employee benefits	8,788	5,327
Employer's contribution to defined contribution plans	89	84
	8,877	5,411

## 33. Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee comprises the Chief Executive Officer, the Chief Financial Officer, and the department heads of each business within each business segment.

The Executive Committee considers the business from two business segments:

- (i) The bulk business segment which sources, manufactures and sells edible oils and specialty fats and oils in bulk for a variety of end uses; and
- (ii) The consumer pack goods segment which manufactures and sells edible oils and bakery fats to consumers in packaged form.

We measure and track our profitability in terms of operating margin and EBITDA.

Operating margin is calculated as revenue, less cost of sales (excluding depreciation), selling and distribution expenses and foreign exchange gain/(loss). Operating margin relating to inter-segment sales are reported under the segment where the final sales to third parties are made.

EBITDA is calculated as operating margin add other income (excluding interest income), less administrative expenses (excluding depreciation) and other operating expenses.

In 2010, the Executive Committee has decided not to allocate current and deferred taxes to the respective business segment as tax planning is monitored at the Group level without prejudice between the segments. Accordingly, the segment result, segment assets and segment liabilities for the previous financial year has been restated.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 33. Segment information (continued)

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2010 is as follows:

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
<u>Group</u>			
<b>Sales</b>			
Total segment sales	3,051,237	1,030,969	4,082,206
Inter-segment sales	(493,257)	(55,878)	(549,135)
Sales to external parties	2,557,980	975,091	3,533,071
<b>Operating margin</b>			
	<b>102,257</b>	<b>82,156</b>	<b>184,413</b>
Other income, excluding interest income	822	191	1,013
Admin expenses, excluding depreciation	(24,397)	(27,654)	(52,051)
Other operating expenses	(802)	(256)	(1,058)
<b>EBITDA</b>	<b>77,880</b>	<b>54,437</b>	<b>132,317</b>
Depreciation	(9,619)	(3,645)	(13,264)
Finance expense	(6,567)	(3,212)	(9,779)
Interest income	3,333	815	4,148
<b>Segment result</b>	<b>65,027</b>	<b>48,395</b>	<b>113,422</b>
<b>Unallocated</b>			
Placing and listing expenses			(4,737)
Income tax expense			(16,248)
Share of profit of associate			3
<b>Profit after tax</b>			<b>92,440</b>
<b>Total segment assets</b>	<b>790,687</b>	<b>431,817</b>	<b>1,222,504</b>
<b>Unallocated</b>			
Tax recoverable			5,847
Investment in associate			86
Goodwill			5,205
<b>Total assets</b>			<b>1,233,642</b>
Total assets include:			
Additions to:			
- property, plant and equipment	28,441	12,111	40,552
<b>Total segment liabilities</b>	<b>(558,198)</b>	<b>(137,289)</b>	<b>(695,487)</b>
<b>Unallocated</b>			
Tax payable			(13,534)
Deferred tax liabilities			(15,453)
<b>Total liabilities</b>			<b>(724,474)</b>

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 33. Segment information (continued)

The segment information provided to the Executive Committee for the reportable segments for the year ended 31 December 2009 is as follows:

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
<u>Group</u>			
<b>Sales</b>			
Total segment sales	2,458,491	793,954	3,252,445
Inter-segment sales	(330,479)	(54,885)	(385,364)
Sales to external parties	2,128,012	739,069	2,867,081
<b>Operating margin</b>			
Other income, excluding interest income	770	504	1,274
Admin expenses, excluding depreciation	(25,168)	(25,795)	(50,963)
Other operating expenses	(1,309)	(455)	(1,764)
<b>EBITDA</b>	<b>74,767</b>	<b>56,646</b>	<b>131,413</b>
Depreciation	(7,604)	(3,265)	(10,869)
Finance expense	(3,950)	(2,371)	(6,321)
Interest income	2,493	408	2,901
<b>Segment result</b>	<b>65,706</b>	<b>51,418</b>	<b>117,124</b>
<b>Unallocated</b>			
Income tax expense			(27,449)
<b>Profit after tax</b>			<b>89,675</b>
<b>Total segment assets</b>			
	<b>508,421</b>	<b>196,604</b>	<b>705,025</b>
<b>Unallocated</b>			
Tax recoverable			413
<b>Total assets</b>			<b>705,438</b>
Total assets includes:			
Additions to:			
- property, plant and equipment	18,511	2,748	21,259
<b>Total segment liabilities</b>			
	<b>(340,122)</b>	<b>(97,060)</b>	<b>(437,182)</b>
<b>Unallocated</b>			
Tax payable			(5,065)
Deferred tax liabilities			(24,178)
<b>Total liabilities</b>			<b>(466,425)</b>

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 33. Segment information (continued)

### Geographical information

Revenues are attributed to countries on the basis of the customers billing location. The non-current assets are analysed by the geographical area in which the non-current assets are located.

	Group	
	2010	2009
	US\$'000	US\$'000
<u>Revenue by geography</u>		
Malaysia	1,597,708	1,177,626
Singapore	335,871	394,951
	1,933,579	1,572,577
Other countries		
- Rest of Asia	371,112	442,260
- Africa	556,833	311,742
- Middle East	391,226	341,341
- Europe	136,794	97,877
- Pacific Oceania	56,070	58,388
- America	87,457	42,896
	1,599,492	1,294,504
	3,533,071	2,867,081
<u>Non-current assets by geography</u>		
Singapore	11,987	10,832
Malaysia	205,019	161,839
Other countries	927	678
	217,933	173,349

Approximately 21% of the Group's total revenue for the financial year ended 31 December 2010 is derived from a single external customer (2009: 6%). These revenues are attributable to revenue from Malaysia.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 34. Significant business combinations

### (a) Business combinations under common control

Ngo Chew Hong Corporation Pte Ltd ("NCHC"), a subsidiary of the Company entered into a Sale and Purchase agreement with Cheo Holdings Pte. Ltd. (formerly known as Ngo Chew Hong (Holdings) Pte. Ltd.) on 30 September 2010 to acquire Ngo Chew Hong Edible Oil Pte Ltd ("NCHEO") for a purchase consideration of approximately US\$11,794,000.

NCHC also entered into a Sale and Purchase agreement with Cheo Holdings Pte. Ltd. (formerly known as Ngo Chew Hong (Holdings) Pte. Ltd.) on 30 December 2010 to acquire Ngo Chew Hong Investment Pte Ltd ("NCHINV") and Ngo Chew Hong Industries Pte Ltd ("NCHIND") respectively for a purchase consideration of approximately US\$299,000 and US\$108,000 respectively.

Hua Guan Inc and Hua Guan Oleo (S) Pte Ltd, subsidiaries of the Company on 16 August 2010 acquired 10% and 90% equity interest of Mewah Oils India Pvt Ltd ("Mewah India") respectively for a purchase consideration of approximately US\$282,000.

The controlling parties of NCHEO, NCHINV, NCHIND and Mewah India are Dr Cheo Tong Choon @ Lee Tong Choon, Cheo Seng Jin, Cheo Su Ching, Ong Tuan Hong, Cheo Tiong Heng, Cheo Teong Eng, Cheo Soh Hua, Cheo Sor Cheng, Cheo Tiong Choon and Cheo Chong Cher, which are also the controlling parties of the Company.

This acquisition is accounted for under common control have been accounted for using the pooling-of-interest method, as disclosed in 2.3(a)(ii) to the financial statements.

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 34. Significant business combinations (continued)

### (a) Business combinations under common control (continued)

The comparative figures have been revised as if the combination has occurred from the date when the combining entities first came under common control.

The effects of the business combination on the comparative information presented are as follows:

#### Balance sheet

The effects as at 31 December 2009:

	US\$'000
Total assets	1,913
Total liabilities	(1,335)
Retained earnings	(377)
Merger reserve	(192)
Translation reserve	(9)

The effects as at 1 January 2009:

	US\$'000
Total assets	7,367
Total liabilities	(1,167)
Retained earnings	(5,999)
Merger reserve	(192)
Translation reserve	(9)

#### Consolidated income statement

The effects for the period ended 31 December 2009:

	US\$'000
Total profit after tax	46

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 34. Significant business combinations (continued)

### (b) Business combinations under "acquisition method"

On 27 December, 2010, the Group completed the acquisition of 52.0% of the issued equity of Molly Foods bvba ("Molly Foods"), a company incorporated in Belgium which, through its wholly owned subsidiary, Bloom Land Enterprises Limited ("Bloom Land"), a company incorporated in Hong Kong, owns 100% of BeCe S.à.r.l. ("BeCe"), a company incorporated in Togo, involved primarily in importing commodities, including edible oils and fats products produced by the Group, for sale in West Africa.

The effects of the acquisition are as follows:

	<b>US\$'000</b>
<i>(i) Purchase consideration</i>	
Total purchase consideration	6,202
<i>(ii) Effect on cash flows of the Group</i>	
Cash paid (as above)	(6,202)
Less: Cash and cash equivalents in subsidiaries acquired	9,806
<b>Cash inflow on acquisition</b>	<b>3,604</b>
	<b>At fair value</b>
	<b>US\$'000</b>
<i>(iii) Identifiable assets acquired and liabilities assumed</i>	
Cash and cash equivalents	9,806
Property, plant and equipment (Note 18)	123
Inventories	23,919
Trade and other receivables (Note (iv) below)	1,498
Total assets	35,346
Trade and other payables	(31,677)
Borrowings	(1,404)
Current tax liabilities	(348)
Total liabilities	(33,429)
<b>Total identifiable net assets</b>	<b>1,917</b>
Less: Non-controlling interests at fair value (Note (v) below)	(920)
Add: Goodwill (Note 20)	5,205
<b>Consideration transferred for the business</b>	<b>6,202</b>

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 34. Significant business combinations (continued)

(b) Business combinations under "acquisition method" (continued)

(iv) *Acquired receivables*

The fair value of trade and other receivables is US\$1,498,000 and includes trade receivables with a fair value of US\$752,000.

(v) *Non-controlling interests*

The Group has recognised the 48.0% non-controlling interests of US\$920,000.

(vi) *Revenue and profit contribution*

As the subsidiaries are acquired at year-end, there is no contribution of revenue and net profit to the Group for the year ended 31 December 2010.

Had Molly Foods, Bloom Land and BeCe been consolidated from 1 January 2010, consolidated revenue and consolidated profit for the year ended 31 December 2010 would have higher by US\$10,438,000 and US\$1,141,000 respectively.

## 35. Events occurring after balance sheet date

On 24 January 2011, the Group has signed an investment agreement with Jiangsu Zhangjiagang Free Trade Zone Foreign Investment Bureau to increase the scale of an earlier investment signed on 18 September 2009. Under the new agreement, the Group plans to acquire additional land use rights of approximately 307 mu (approximately 2.2 million sq. ft.) and increase the investment by additional US\$200 million. The project is estimated to be completed in 3 years and the investment is planned to be funded by the combination of net proceeds from the Listing of the Company and internal funds as well as external debts.

On 25 January 2011, the Group has accepted an offer of 6 pieces of industrial land (the "land") in Malaysia (the "Purchase"). The land has a total site area of 31.39 acres and will be utilized for future expansion purposes. The purchase consideration is approximately MYR26.66 million and will be funded by net proceeds from the Listing of the Company.

On 25 January 2011, the Company's wholly-owned subsidiary, Pandan Loop International Inc., through its wholly-owned subsidiary Ngo Chew Hong Oleo (S) Pte Ltd, has incorporated a company in the People's Republic of China, Mewah Oils (Tianjin) Co., Ltd.. The registered share capital of Mewah Oils (Tianjin) Co., Ltd. is US\$20 million.



# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 36. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 24 - Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 32 Financial Instruments: Presentation - Classification of rights issues (effective for annual periods beginning on or after 1 February 2010)
- Amendments to INT FRS 114 - Prepayments of a minimum funding requirement (effective for annual periods commencing on or after 1 January 2011)
- INT FRS 119 Extinguishing financial liabilities with equity instruments (effective for annual periods commencing on or after 1 July 2010)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

## 37. Authorisation of consolidated financial statements

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mewah International Inc. on 22 March 2011.

## 38. Listing of companies in the Group

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2010 %	2009 %
<u>Directly held by the Company</u>					
One Marthoma (CI) Inc. <sup>(k)</sup>	Cayman Islands	Investment holding	Cayman Islands	100	100
<u>Subsidiaries of One Marthoma (CI) Inc.</u>					
Mewah Oleo Malaysia Sdn Bhd <sup>(b)</sup>	Malaysia	Investment holding	Malaysia	100	100
Ngo Chew Hong Corporation Pte Ltd <sup>(a)</sup>	Singapore	Investment holding	Singapore	100	100
Padat Gaya Sdn Bhd <sup>(c)</sup>	Malaysia	Investment holding	Malaysia	100	100
MOI Foods (Shanghai) Co. Ltd. <sup>(i)</sup> (Held by Ngo Chew Hong Oleo (S) Pte Ltd as at 31 December 2010)	People's Republic of China	Trading	People's Republic of China	-	100
MOI International (Australia) Pty Ltd <sup>(e)</sup>	Australia	Trading	Australia	83.4	75

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 38. Listing of companies in the Group (continued)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2010 %	2009 %
<u>Subsidiaries of Mewah Oleo Malaysia Sdn Bhd</u>					
Mewah-Oils Sdn Bhd <sup>(b)</sup>	Malaysia	Manufacturing and trading of palm oil products	Malaysia	100	100
Ngo Chew Hong Oils & Fats (M) Sdn Bhd <sup>(d)</sup>	Malaysia	Refining and trading of palm oil products	Malaysia	100	100
Moi Foods Malaysia Sdn Bhd <sup>(d)</sup>	Malaysia	Manufacturing and trading of downstream palm oil products	Malaysia	100	100
Container Fabricator (M) Sdn Bhd <sup>(d)</sup>	Malaysia	Manufacturing of plastic containers	Malaysia	100	100
Mewaholeo Marketing Sdn Bhd <sup>(b)</sup>	Malaysia	Trading of palm oil and palm oil related products	Malaysia	100	100
Batam Heights Sdn Bhd <sup>(d)</sup>	Malaysia	Dormant	Malaysia	100	100
G & U Districenters (M) Sdn Bhd <sup>(d)</sup>	Malaysia	Dormant	Malaysia	100	100
Nilam Tekad Sdn Bhd <sup>(d)</sup>	Malaysia	Dormant	Malaysia	100	100
Bremfield Sdn Bhd <sup>(d)</sup>	Malaysia	Dormant	Malaysia	100	100
<u>Associate of Mewah Oleo Malaysia Sdn Bhd</u>					
Prelude Gateway Sdn Bhd <sup>(l)</sup>	Malaysia	Freight forwarding, transportation, warehousing and logistical services	Malaysia	49	-
<u>Subsidiaries of Ngo Chew Hong Corporation Pte Ltd</u>					
Mewah Oils & Fats Pte Ltd <sup>(a)</sup>	Singapore	Trading of edible oils and providing commodity brokerage service	Singapore	100	100
Ngo Chew Hong Edible Oil Pte Ltd <sup>(a)</sup>	Singapore	Packaging and trading of edible oil	Singapore	100	99
MOI International (Singapore) Pte Ltd <sup>(a)</sup>	Singapore	Trading of edible oil products	Singapore	100	100
Mewah Brands (S) Pte Ltd <sup>(a)</sup>	Singapore	To own brands used by related parties and group corporations	Singapore	100	100

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 38. Listing of companies in the Group (continued)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2010 %	2009 %
<u>Subsidiaries of Ngo Chew Hong Corporation</u>					
<u>Pte Ltd (continued)</u>					
Moi Foods Romania S.R.L. <sup>(k)</sup> (formerly known as Krispi Oils Romania S.R.L.)	Romania	Trading	Romania	100	100
Ngo Chew Hong Industries Pte Ltd <sup>(f)</sup>	Singapore	Investment holding	Singapore	100	100
Ngo Chew Hong Investment Pte. Ltd. <sup>(f)</sup>	Singapore	Dealing in share, securities and commodities	Singapore	100	100
Mewah Commodities Pte Ltd <sup>(a)</sup>	Singapore	Trading of edible oils and fats in commodity and investment holding	Singapore	100	100
Krispi Oil and Food Products Marketing, Import, Export Trading Company (Turkey) <sup>(k)</sup> (50% equity held by Mewah Commodities Pte Ltd and 50% equity held by Ngo Chew Hong Corporation Pte Ltd)	Turkey	Trading	Turkey	100	-
<u>Subsidiaries of Mewah Commodities Pte Ltd</u>					
Krispi Oil Russia LLC <sup>(k)</sup>	Russia	Trading	Russia	100	-
Krispi Oils Poland Sp. z.o.o <sup>(k)</sup> (90% equity held by Mewah Commodities Pte Ltd and 10% equity held by Ngo Chew Hong Corporation Pte Ltd)	Poland	Trading	Poland	100	-
Moi Foods Belgium N.V. <sup>(k)</sup> (90% equity held by Mewah Commodities Pte Ltd and 10% equity held by Ngo Chew Hong Corporation Pte Ltd)	Belgium	Investment holding	Belgium	100	-
<u>Subsidiary of Moi Foods Belgium N.V.</u>					
Molly Foods bvba <sup>(k)</sup>	Belgium	Trading and investment holding	Belgium	52	-
<u>Subsidiary of Molly Foods bvba</u>					
Bloom Land Enterprises Limited <sup>(g)</sup>	Hong Kong	Providing commodity brokerage service	Hong Kong	52	-
<u>Subsidiary of Bloom Land Enterprises Limited</u>					
BeCe S.à.r.l. <sup>(h)</sup>	Togo	Trading	Togo	52	-

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 38. Listing of companies in the Group (continued)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2010 %	2009 %
<u>Subsidiaries of Padat Gaya Sdn Bhd</u>					
Mewaholeo Industries Sdn Bhd <sup>(c)</sup>	Malaysia	Refining and trading of palm oil products	Malaysia	100	100
Mewah Datu Sdn Bhd <sup>(c)</sup> (formerly known as Mewah-Oils Sabah Sdn Bhd)	Malaysia	Inactive	Malaysia	100	100
<u>Subsidiary of MOI (International) Australia Pty Ltd</u>					
Frycycle Pty Ltd <sup>(e)</sup>	Australia	Dormant	Australia	83.4	75
<u>Directly held by the Company</u>					
Pandan Loop International Inc. <sup>(k)</sup> (formerly known as Futura Twenty Four - Eighteen Inc.)	Cayman Islands	Investment holding	Cayman Islands	100	100
<u>Subsidiaries of Pandan Loop International Inc.</u>					
Ngo Chew Hong Oleo (S) Pte Ltd <sup>(a)</sup>	Singapore	Dormant	Singapore	100	100
PT Seengatta Palm <sup>(k)</sup>	Indonesia	Dormant	Indonesia	95	-
<u>Subsidiaries of Ngo Chew Hong Oleo (S) Pte Ltd</u>					
MOI Foods (Shanghai) Co. Ltd. <sup>(f)</sup>	People's Republic of China	Trading	People's Republic of China	100	-
Mewah Oils (ZJG) Co. Ltd. <sup>(f)</sup>	People's Republic of China	Trading	People's Republic of China	100	-
Hua Guan Oleo (S) Pte Ltd <sup>(a)</sup> (Held by Hua Guan Inc. as at 31 December 2010)	Singapore	Investment holding	Singapore	-	100
<u>Directly held by the Company</u>					
Cavenagh House International Inc. <sup>(k)</sup>	Cayman Islands	Investment holding	Singapore	100	100
<u>Subsidiaries of Cavenagh House International Inc.</u>					
Cavenagh Oleo (S) Pte Ltd <sup>(a)</sup>	Singapore	Investment holding	Singapore	100	100
PT Utara Agro <sup>(k)</sup>	Indonesia	Dormant	Indonesia	95	95
PT Agro Murni <sup>(k)</sup> (Held by Cavenagh Oleo (S) Pte Ltd as at 31 December 2010)	Indonesia	Dormant	Indonesia	-	95
PT Timuran Agro <sup>(k)</sup> (Held by Cavenagh Oleo (S) Pte Ltd as at 31 December 2010)	Indonesia	Dormant	Indonesia	-	95

# Notes To The Financial Statements

For the financial year ended 31 December 2010

## 38. Listing of companies in the Group (continued)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2010 %	2009 %
<u>Subsidiaries of Cavenagh Oleo (S) Pte Ltd</u>					
PT Agro Murni <sup>(k)</sup>	Indonesia	Dormant	Indonesia	95	-
PT Timuran Agro <sup>(k)</sup>	Indonesia	Dormant	Indonesia	95	-
<u>Directly held by the Company</u>					
Hua Guan Inc. <sup>(k)</sup>	British Virgin Islands	Investment holding	Cayman Islands	100	100
<u>Subsidiary of Hua Guan Inc.</u>					
Hua Guan Oleo (S) Pte Ltd <sup>(a)</sup>	Singapore	Investment holding	Singapore	100	-
<u>Subsidiary of Hua Guan Oleo (S) Pte Ltd</u>					
Mewah Oils India Pvt Ltd <sup>(k)</sup> (90% equity held by Hua Guan Oleo (S) Pte Ltd and 10% equity held by Hua Guan Inc.)	India	Trading	India	100	100
<u>Directly held by the Company</u>					
Moi International Inc. <sup>(k)</sup>	Mauritius	Dormant	Mauritius	100	100

<sup>(a)</sup> Audited by PricewaterhouseCoopers LLP, Singapore

<sup>(b)</sup> Audited by PricewaterhouseCoopers, Kuala Lumpur

<sup>(c)</sup> Audited by PricewaterhouseCoopers, Johor Bahru

<sup>(d)</sup> Audited by KPMG, Kuala Lumpur

<sup>(e)</sup> Audited by BDO Kendalls (QLD) Pty Ltd, Australia

<sup>(f)</sup> Audited by RSM Chio Lim LLP, Singapore

<sup>(g)</sup> Audited by Yeung, Chan & Associate CPA Limited, Hong Kong

<sup>(h)</sup> Audited by Tog'Audit Consulting SARL, Togo

<sup>(i)</sup> Audited by Shanghai Shen Zhou Da Tong Certified Public Accountants Company Limited, People's Republic of China

<sup>(j)</sup> Audited by Suzhou Qinye Union Certified Public Accountants, People's Republic of China

<sup>(k)</sup> Not required to be audited under the laws of the country of incorporation

<sup>(l)</sup> Audited by HALS & Associates, Malaysia

## IPO Proceeds and Material Contract

### **Use of Proceeds from Initial Public Offering (“IPO”)**

The net IPO proceeds (after deducting expenses for professional fees, underwriting and placement commissions and other transaction expenses related to the IPO amounting to approximately S\$10.1 million) are approximately S\$238.6 million.

As at 31 December 2010, S\$50.0 million, S\$8.0 million and S\$5.3 million (totaling S\$63.3 million), have been used for working capital purposes, acquisition of investment in Molly Foods BVBA and Sabah Refinery Project respectively. The use of proceeds is in accordance with the intended use of net IPO proceeds as described in the Prospectus dated 16th November 2010.

### **Material Contracts**

There was no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any Director, or controlling shareholder subsisting at the end of financial year ended 31 December 2010.

# Statistics of Shareholdings

as at 18 March 2011

Total Number of Issued Shares : 1,507,061,440  
 Issued and Fully Paid-up Capital : US\$1,507,061  
 Class of Shares : Ordinary shares  
 Voting Rights : One vote per Share

## Distribution of Shareholdings

Size of Shareholdings	Number of Shareholders	%	Number of shares	%
1 – 999	Nil	Nil	Nil	Nil
1,000 – 10,000	3,247	82.31	10,652,299	0.71
10,001 – 1,000,000	673	17.06	46,287,501	3.07
1,000,001 & above	25	0.63	1,450,121,640	96.22
	3,945	100.00	1,507,061,440	100.00

## Substantial Shareholders

Name	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Dr Cheo Tong Choon @ Lee Tong Choon	8,871,000	0.59	527,041,220(1)	34.97
Ms Michelle Cheo Hui Ning	-	-	527,041,220(1)	34.97
Ms Bianca Cheo Hui Hsin	-	-	527,041,220(1)	34.97
Mr Cheo Seng Jin	123,950,000	8.22	-	-
Eighteen Tenth Nineteen Forty Four Inc.	527,041,220	34.97	-	-
Ms Sara Cheo Hui Yi	-	-	527,041,220(1)	34.97
Mr Cheo Jian Jia	-	-	527,041,220(1)	34.97
Mr Cheo Tiong Heng @ Lee Tiong Heng	103,630,000	6.88	-	-
Mr Cheo Tiong Choon	115,595,000	7.67	-	-
Mdm Ong Tuan Hong	82,351,220	5.46	-	-
Ms Cheo Soh Hua @ Lee Soh Hua	57,035,000	3.78	-	-
Mr Cheo Teong Eng	38,430,000	2.55	-	-
Ms Cheo Su Ching	50,020,000	3.32	-	-
Ms Cheo Chong Cher	35,990,000	2.39	-	-
Ms Cheo Sor Cheng Angeline	28,060,000	1.86	-	-
Ms Chung Amy	39,772,000	2.64	-	-
Mr Cheo Ming Xiang	-	-	39,772,000(2)	2.64
Ms Pearl Cheo	-	-	39,772,000(2)	2.64
Mr Cheo Ming You	34,800,500	2.31	-	-
Mr Cheo Ming Shen	24,857,500	1.65	-	-
Total	1,270,403,440	84.29		

# Statistics of Share Holdings

as at 18 March 2011

## Substantial Shareholders (continued)

- (1) The shareholders of Eighteen Tenth Nineteen Forty Four Inc. are Dr T.C. Pierre (Cayman Islands) Inc. (64.1%), Mr Cheo Seng Jin (20.4%), Mr Cheo Tiong Choon (5.1%), Mr Cheo Teong Eng (2.6%), Ms Cheo Su Ching (2.6%), Ms Cheo Chong Cher (2.6%) and Ms Cheo Sor Cheng Angeline (2.6%), interest respectively, in the share capital of Eighteen Tenth Nineteen Forty Four Inc. The directors of Eighteen Tenth Nineteen Forty Four Inc. are Ms Michelle Cheo Hui Ning, Ms Bianca Cheo Hui Hsin and Ms Leong Choi Foong. Dr T.C. Pierre (Cayman Islands) Inc., is deemed interested in the shares held by Eighteen Tenth Nineteen Forty Four Inc. in our Company by virtue of Section 4(5) of the SFA as a result of holding 64.1% shares in Eighteen Tenth Nineteen Forty Four Inc. Dr T.C. Pierre (Cayman Islands) Inc. is wholly owned by SG Hambros Trust Company (Channel Islands) Limited as trustee of the Peter Strong Spring M.D. Trust, which holds Dr T.C. Pierre (Cayman Islands) Inc.'s interest in Eighteen Tenth Nineteen Forty Four Inc. for its beneficiaries, Ms Michelle Cheo Hui Ning, Ms Bianca Cheo Hui Hsin, Ms Sara Cheo Hui Yi and Mr Cheo Jian Jia. The beneficial interests of Ms Michelle Cheo Hui Ning, Ms Bianca Cheo Hui Hsin, Ms Sara Cheo Hui Yi and Mr Cheo Jian Jia under the Peter Strong Spring MD Trust are 18.0%, 18.0%, 18.0% and 46.0%, respectively. As a result of their beneficial interests in the Peter Strong Spring M.D. Trust, Ms Michelle Cheo Hui Ning, Ms Bianca Cheo Hui Hsin, Ms Sara Cheo Hui Yi and Mr Cheo Jian Jia are deemed interested in the Shares held by Eighteen Tenth Nineteen Forty Four Inc. in our Company by virtue of Section 4(3) of the SFA. The Peter Strong Spring MD Trust is a discretionary trust and the settlor of the trust is our Executive Chairman, Dr Cheo Tong Choon @ Lee Tong Choon.
- (2) Ms Chung Amy holds her Shares in our Company on trust for Mr Cheo Ming Xiang and Ms Pearl Cheo, who as a result of their beneficial interests in the Shares in our Company held by Ms Chung Amy, are deemed interested in the Shares in our Company held by Ms Chung Amy, by virtue of Section 4(3) of the SFA.

## Twenty Largest Shareholders

Name	Number of shares	%
1. UOB Kay Hian Pte Ltd	537,490,220	35.66
2. HSBC (Singapore) Nominees Pte Ltd	364,273,000	24.17
3. Cheo Seng Jin	122,000,000	8.10
4. Cheo Tiong Heng @ Lee Tiong Heng	103,630,000	6.88
5. Ong Tuan Hong	82,351,220	5.46
6. Chung Amy	39,772,000	2.64
7. Cheo Ming You	34,800,500	2.31
8. Raffles Nominees (Pte) Ltd	28,075,000	1.86
9. Citibank Nominees Singapore Pte Ltd	26,384,334	1.75
10. Cheo Ming Shen	24,857,500	1.65
11. DBS Nominees Pte Ltd	13,985,866	0.93
12. Tsao Chin Mey Jimmy	11,891,000	0.79
13. United Overseas Bank Nominees Pte Ltd	11,542,000	0.77
14. Swordfish Investments Pte Ltd	10,605,000	0.70
15. BNP Paribas Nominees Singapore Pte Ltd	8,671,000	0.58
16. Toh Soo Meng	6,823,000	0.45
17. Low Tuck Kwong	5,000,000	0.33
18. CIMB Securities (Singapore) Pte Ltd	3,797,000	0.25
19. DBSN Services Pte Ltd	3,600,000	0.24
20. Tsao Yue Hwa Johnny @ Shu Yue Ming	3,000,000	0.20
Total	1,442,548,640	95.72

## Shareholding Held by the Public

Based on the information available to the Company as at 18 March 2011, approximately 15.71% of the issued shares of the Company is held by the public. Accordingly, the Company has complied with the Rules 1207 and 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MEWAH INTERNATIONAL INC. ("Company") will be held at Jurong Country Club, 9 Science Centre Road, Singapore 609078 on Monday, 25 April 2011 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and its subsidiaries for the financial year ended 31 December 2010 together with the Auditors' Report thereon.  
**(Resolution 1)**
2. To re-elect Dr Cheo Tong Choon @ Lee Tong Choon, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association. [See Explanatory Note (i)]  
**(Resolution 2)**
3. To note the retirement of Mr Cheo Seng Jin, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association, who will not be seeking re-election.
4. To re-elect Ms Michelle Cheo Hui Ning, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association.  
**(Resolution 3)**
5. To re-elect Ms Bianca Cheo Hui Hsin, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association.  
**(Resolution 4)**
6. To re-elect Ms Wong Lai Wan, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association.  
**(Resolution 5)**
7. To re-elect Ms Leong Choi Foong, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association.  
**(Resolution 6)**
8. To re-elect Mr Giam Chin Toon, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association. [See Explanatory Note (ii)]  
**(Resolution 7)**
9. To re-elect Tan Sri Dato' Ir Muhammad Radzi bin Hj Mansor, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association. [See Explanatory Note (iii)]  
**(Resolution 8)**
10. To re-elect Mr Lim How Teck, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association. [See Explanatory Note (iv)]  
**(Resolution 9)**
11. To re-elect Tan Sri Datuk Dr Ong Soon Hock, a Director retiring pursuant to Article 85(6) of the Company's Articles of Association. [See Explanatory Note (v)]  
**(Resolution 10)**
12. To approve the payment of Directors' Fees of S\$20,614 for the financial year ended 31 December 2010.  
**(Resolution 11)**
13. To approve the payment of Directors' Fees of S\$198,000 for the financial year ending 31 December 2011, to be paid at the end of each quarter during the financial year.  
**(Resolution 12)**

# Notice of Annual General Meeting

14. To re-appoint Messrs PricewaterhouseCoopers as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 13)**
15. To transact any other ordinary business which may properly be transacted at an Annual General Meeting. **(Resolution 14)**

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

16. "That pursuant to Rule 806 of the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:
1. (i) issue shares in the capital of the Company (the "Shares") (whether by way of rights, bonus or otherwise); and/or
  - (ii) make or grant offers, agreements or options that may or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares (collectively, the "Instruments"),
  2. (notwithstanding that the authority conferred by paragraph 1 of this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force,

at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:

- a. the aggregate number of Shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below), of which the aggregate number of Shares to be offered other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph b. below);
- b. for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph a. above, the percentage of the total number of issued Shares excluding treasury shares shall be calculated based on the total number of issued Shares excluding treasury shares of the Company at the time of the passing of this resolution, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any convertible securities;
  - (ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- c. in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the memorandum of association and Bye-laws for the time being of the Company; and

## Notice of Annual General Meeting

- d. unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue Shares pursuant to any Instrument made or granted by the Directors while this resolution was in force notwithstanding that such authority has ceased to be in force at the time of issue of such Shares." [See Explanatory Note (vi)].

**(Resolution 15)**

17. "That for the purposes of Chapter 9 of the Listing Manual ("Chapter 9") of the SGX-ST:

- (1) approval be and is hereby given for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Annual Report for the financial year 2010 (the "Appendix") with any party who is of the class of interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions (the "Mandate");
- (2) the approval given in paragraph (1) above shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and
- (3) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Mandate and/or this Resolution." [See Explanatory Note (vii)].

**(Resolution 16)**

By Order of the Board  
Abdul Jabbar Bin Karam Din  
Company Secretary  
Singapore, 8 April 2011

# Notice of Annual General Meeting

## Explanatory Notes:

- (i) Dr Cheo Tong Choon @Lee Tong Choon, upon re-election as a Director of the Company, will remain as a member of the Nominating Committee. Dr Cheo Tong Choon @Lee Tong Choon is the Chairman and Executive Director.
- (ii) Mr Giam Chin Toon, upon re-election as a Director of the Company, will remain as the Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee. Mr Giam Chin Toon is the Lead Independent Director.
- (iii) Tan Sri Dato' Ir Muhammad Radzi bin Hj Mansor, upon re-election as a Director of the Company, will remain as a member of the Audit Committee, Remuneration Committee and Nominating Committee. Tan Sri Dato' Ir Muhammad Radzi bin Hj Mansor is an Independent Director.
- (iv) Mr Lim How Teck, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee. Mr Lim How Teck is an Independent Director.
- (v) Tan Sri Datuk Dr Ong Soon Hock, upon re-election as a Director of the Company, will remain as a member of the Nominating Committee. Tan Sri Datuk Dr Ong Soon Hock is an Independent Director.
- (vi) The Ordinary Resolution 15 proposed in item 16. above, if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 15 (including shares to be issued in pursuance of instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 15, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 15, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.
- (vii) The Ordinary Resolution 16 proposed in item 17. above, if passed, is to empower the Directors of the Company to continue to enter into interested person transactions, on the Group's normal commercial terms and in accordance with the guidelines and procedures of the Company for interested person transactions as described in the Appendix to Shareholders dated 8 April 2011. This authority will continue in force until the next Annual General Meeting.

## Notes:

1. If a shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting, then he/she should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower, #32-01 Singapore 048623, at least 48 hours before the time of the Annual General Meeting.
2. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower, #32-01 Singapore 048623, at least 48 hours before the time of the Annual General Meeting.

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# Corporate Information

## Directors

Dr Cheo Tong Choon @ Lee Tong Choon (Chairman and Executive Director)  
Ms Michelle Cheo Hui Ning (Executive Director)  
Ms Bianca Cheo Hui Hsin (Executive Director)  
Mr Cheo Seng Jin (Executive Director)  
Ms Leong Choi Foong (Executive Director)  
Ms Wong Lai Wan (Executive Director)  
Mr Giam Chin Toon (Lead Independent Director)  
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor (Independent Director)  
Mr Lim How Teck (Independent Director)  
Tan Sri Datuk Dr Ong Soon Hock (Independent Director)

## Audit Committee

Mr Lim How Teck (Chairman)  
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor  
Mr Giam Chin Toon

## Nominating Committee

Mr Giam Chin Toon (Chairman)  
Tan Sri Datuk Dr Ong Soon Hock  
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor  
Mr Lim How Teck  
Dr Cheo Tong Choon @ Lee Tong Choon

## Remuneration Committee

Mr Giam Chin Toon (Chairman)  
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor  
Mr Lim How Teck

## Executive Officers

Dr Cheo Tong Choon @ Lee Tong Choon  
Ms Michelle Cheo Hui Ning  
Ms Bianca Cheo Hui Hsin  
Mr Cheo Seng Jin  
Mr Shyam Kumbhat  
Mr Rajesh Chopra  
Ms Leong Choi Foong  
Ms Wong Lai Wan  
Ms Agnes Lim Siew Choo

## Company Secretary

Mr Abdul Jabbar Bin Karam Din, LLB

## Company Registration Number

CR-166055

## Registered Office

Harbour Place, 2nd Floor  
103 South Church Street  
P.O. Box 472  
George Town  
Grand Cayman, KY1-1106  
Cayman Islands

## Principal Place of Business

5 International Business Park  
#05-00 Mewah Building  
Singapore 609914

## Cayman Islands Share Registrar

Thorp Alberga  
2606 The Centrum  
60 Wyndham Street  
Central, Hong Kong

## Share Registrar for the Offering and Singapore Share Transfer Agent

Boardroom Corporate & Advisory Services Pte. Ltd.  
50 Raffles Place #32-01  
Singapore Land Tower  
Singapore 048623

## Auditors

PricewaterhouseCoopers LLP  
8 Cross Street  
#17-00 PWC Building  
Singapore 048424  
Partner-in-charge: Rebekah Khan  
Date of Appointment: 23 February 2010

## Principal Bankers

AmBank (M) Berhad  
Bangkok Bank Berhad  
BNP Paribas, Singapore Branch  
CIMB Bank Berhad  
Rabobank International, Singapore Branch  
RHB Bank Berhad  
Société Générale Corporate & Investment Banking  
Standard Chartered Bank  
The Hong Kong & Shanghai Banking Corporation Limited  
United Overseas Bank



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