


Responses to SGX Queries :: On Financial Statements :: RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF SECOND QUARTER RESULTS ENDED 30 JUNE 2011

* Asterisks denote mandatory information

Name of Announcer *	MEWAH INTERNATIONAL INC.
Company Registration No.	CR-166055
Announcement submitted on behalf of	MEWAH INTERNATIONAL INC.
Announcement is submitted with respect to *	MEWAH INTERNATIONAL INC.
Announcement is submitted by *	TAN KIM TEW
Designation *	SR. EXECUTIVE, CORPORATE SERVICE
Date & Time of Broadcast	23-Aug-2011 17:17:56
Announcement No.	00051

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF SECOND QUARTER RESULTS ENDED 30 JUNE 2011
Subject of Query *	On Financial Statements
Description	Please refer to the attached file.

Attachments

[Announcement_SGXqueries_Q2_2011.pdf](#)
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MEWAH INTERNATIONAL INC.

(Company Registration No.: CR-166055)

RESPONSE TO SGX QUERIES ON ANNOUNCEMENT OF SECOND QUARTER RESULTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2011

The Board of Directors of the Company would like to respond to some queries raised by Singapore Exchange Securities Trading Limited (the "SGX-ST") on 23rd August 2011, with reference to second quarter results announcement made by the Company on 12th August 2011.

SGX-ST Query 1:

We note on page 1 of the results announcement that 'Cost of sales' has increased by 56.7% from US\$778.1 million in 2Q2010 to US\$1.2 billion in 2Q2011. In respect of the above, please provide the following information:

- (i) Reasons for the increase in 'Cost of sales'
- (ii) Breakdown of major items of 'Cost of sales' and explain material variances

Company's response:

We source raw materials, mainly crude palm oil and partly-refined palm oil products which we process further before sale. We also purchase futures contracts for CPO on MDEX. We utilize derivative financial instruments, such as commodity forwards and futures contracts to hedge against the risk of price fluctuations of our raw materials and products.

'Cost of sales' comprises mainly cost of inventories, changes in the fair value of derivative financial instruments and labour costs and other overheads.

Appended below is the breakdown of 'Cost of sales':

	Group		
	THREE MONTHS ENDED		
	30 Jun 2011	30 Jun 2010	Increase
	US\$'million	US\$'million	US\$'million
Cost of inventories	1,224.5	814.0	410.5
Gain from derivative financial instruments	(16.1)	(44.9)	28.8
Labour costs and other overheads	11.0	9.0	2.0
Total	1,219.4	778.1	441.3

We experienced significantly higher prices for our raw materials resulting in cost of inventories sold during the quarter increasing by US\$410.5 million to US\$1,224.5 million.

During the quarter, gain from derivative financial instruments decreased by US\$28.8 million to US\$16.1 million. Variance is explained by changes in the fair value of derivative financial instruments from the date of the contracts are entered into, to the date of the relevant balance sheet and upon settlement.

Labour costs and other overheads increased by US\$2.0 million, mainly on account of higher direct labour and marine insurance costs, to US\$11.0 million.

Effectively, our 'Cost of sales' increased by US\$441.3 million or 56.7% to US\$1,219.4 million for the quarter, from US\$778.1 million for the corresponding quarter last year.

SGX-ST Query 2:

We note on page 1 of the results announcement that 'Profit before tax' has decreased by 71.6% from US\$21.4 million in 2Q2010 to US\$6.1 million in 2Q2011. Please elaborate on the significant decrease in 'Profit before tax'.

Company's response:

During the quarter we experienced tough market conditions putting pressure on our profits. Though our revenue increased by US\$424.3 million for the quarter, due to cost of sales of higher by US\$441.3 million our 'Gross profit' reduced by US\$17.0 million.

We gained US\$0.9 million due to higher 'Other income' mainly on account of higher interest income and gained US\$0.8 million due to lower 'expenses' (selling and distribution expenses, administrative expenses, other operating gains/expenses and finance costs).

Reduction of US\$17.0 million in our 'Gross profit' and gains of US\$1.7 million on account of 'Other income' and 'expenses' resulted in our 'Profit before tax' decreasing by US\$15.3 million or 71.6% to US\$6.1 million.

The initial public offering of the Company was sponsored by Credit Suisse (Singapore) Limited. (the "Issue Manager"). The Issue Manager assumes no responsibility for the contents of this announcement.

By Order of the Board

Michelle Cheo Hui Ning
Chief Executive Officer and Executive Director
23rd August 2011