Mewah

Global Brands, Local Favourites

INVESTING IN SUSTAINABLE ASSETS

TO DELIVER THE VALUE OF GOODNESS

MEWAH INTERNATIONAL INC.

ANNUAL REPORT 2019

MEWAH INTERNATIONAL INC.

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 to customers in over 100 countries.

We are strategically positioning ourselves to become a global consumer products business by expanding range of consumer products, offering specialised applications and customer solutions while consolidating our position in oils and fats business.

OUR BRAND

CONTENTS

CORPORATE PROFILE

Our operations are integrated throughout the value chain from sourcing of raw materials, refining, processing, packing, branding to marketing and distribution to end customers under our own brands.

Consumer Products Range

Our range of consumer products include cooking oils, margarine, rice, sweetened condensed creamer, evaporated milk, cheese, soap, detergent and premix powder. We are continuously working on expanding the products range.

Long established and well recognised brands –

OKI & MOI

An **integrated agri-business** focused on edible oils and fats

Upstream

- Plantation
- Milling

Mewah

Midstream

- Refining palm oil
- Specialty fats
- Applications developments

Downstream

- Consumer packs
- Branding
- Private Label
- Sale / marketing
- Distribution

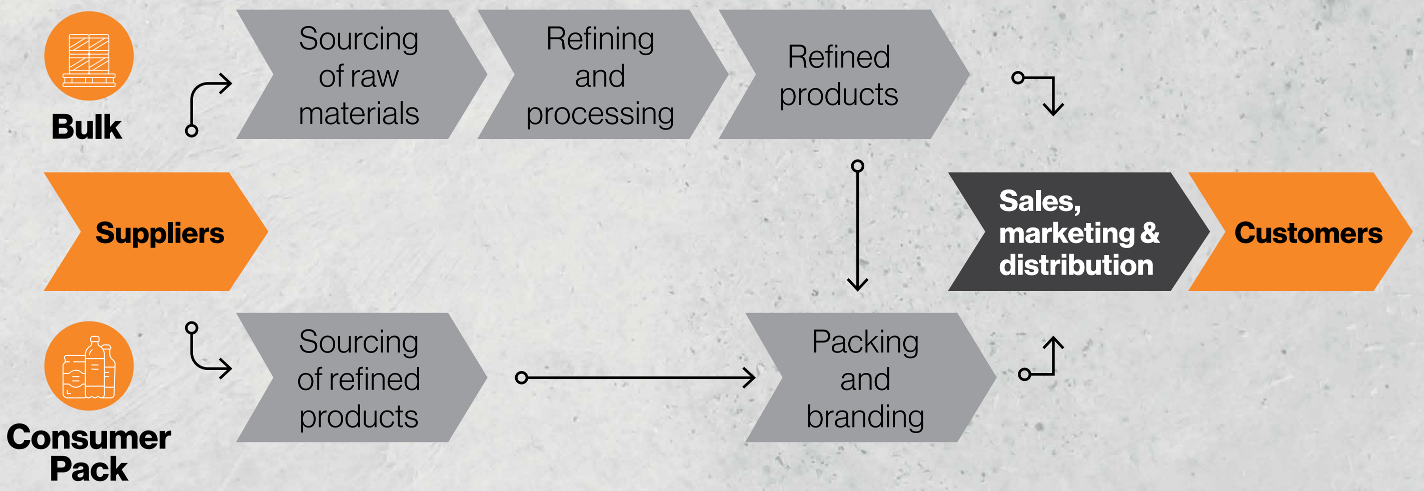
Customers

Bulk

Bulk segment produces and sells vegetable-based edible oil and fat products in bulk form primarily to distributors and factories involved in the production of confectionery, bakery products and other food items.

Consumer Pack

Consumer pack segment produces vegetable-based edible oil and fat products, in consumer pack form and sell under own brands and under the brands of third parties, primarily to importers and distributors at destination markets.



Total refining capacity of 3.5 million MT annually

Product are sold to customers in >100 countries

Sales and Marketing Offices

Malaysia, Singapore, Indonesia, Australia, China, Russia, Turkey, India, Ivory Coast, Thailand, USA, Benin, Ghana, Uganda, Cameroon and Mozambique

Manufacturing Operations

Malaysia, Singapore

Malaysia:

- 4 refining and processing plants
- 2 packing plants
- 1 biodiesel plant
- 1 dairy manufacturing plant

Indonesia:

- 1 plantation
- 1 milling plant

Singapore:

- 1 packing plant

CHAIRMAN'S MESSAGE

The year 2019 was a challenging year. Estimated global growth dropped to 2.4%, the slowest pace since the global financial crisis. This weakness was widespread with nearly 90% of advanced economies and 60% of emerging markets and developing economies (EMDEs) undergoing varying degrees of deceleration. The palm oil industry was also adversely impacted for the major portion of the year. CPO prices for the first three quarters were on an average 10% lower than 2018. However, during the last quarter of 2019, CPO prices rose by 48%, trading at nearly its highest over the past three-year period. Fears of supply crunch, stemming from expectations of lower output growth, and robust biofuel demand contributed to the steep rise in CPO prices. This enabled the downstream asset companies to capture a better part of the value chain.

The Group's strong foundation supported us through this challenging year. Despite higher sales volume and higher average selling prices in the last quarter, lower average selling prices in the first three quarters eventually caused the Group to register a 4.4% decrease in revenue for the full year 2019. But our strong customer focus, close partnerships with our business associates and our global distribution network contributed towards our sales volume crossing 4.5 million metric tonne (MT) for the first time. The persistent efforts of our Marketing team enabled us to achieve this milestone.

The Group's operating margin also came under pressure during the year. Reduced price difference vis-à-vis competitive products, global trade wars, tariff and duty structures, volatility in prices all created significant pressure on our refining margins. To protect and increase our market share and capture the thin operating margins, we focused on ensuring optimum production in our refineries. We also focused on improving working capital efficiency to partially mitigate the impact of reduced operating margins.

Over the many decades, the Group has demonstrated a track record of continuing and growing even during challenging periods. We take this temporary downturn in our stride and continue to grow our value chain and build upon our competencies. Among other value-adding and expansion initiatives, we also continue to invest in sustainability. During the year, we produced and exported the first shipment of Malaysian Sustainable Palm Oil (MSPO) certified Refined, Bleached and Deodorised (RBD) Palm Olein. We recognise that climate change is a rising global concern. As a global corporate citizen, we have adopted sustainable practices as our fundamental responsibility.

The market outlook for 2020 remains fluid in rear term. Prior to COVID-19 and its categorisation as pandemic by WHO, the World Bank had predicted a marginal global growth for 2020 of 2.5%. We foresee palm oil prices continuing to be supported by lower opening inventory, minimal production growth and biodiesel enhancement programmes in Malaysia and Indonesia. On the other hand, the operating environment will remain challenging with unfolding events from the COVID-19 outbreak. As palm oil industry form's part of the food and fuel sector where the demand is expected to be robust, we do not foresee a very significant pressure on the volumes. However, even as the Group stay focused on running operations sustainably, we will monitor the situation closely and rebalance our portfolio risk where necessary to create long-term value for our stakeholders.

Considering our performance for the year, the present market conditions and the interim dividend of S$0.0046 per ordinary share issued and paid in the third quarter of 2019, the Board of Directors has not recommended any final dividend for 2019.

Our performance in this tough year was guided by the deep commitment and oversight from our Board of Directors and unrelenting efforts of our resilient workforce. We are grateful for their contributions and look forward to their continued support as we unitedly rise above this challenging global environment towards creating and delivering value to our shareholders.

We remain grateful for the support of our continuing shareholders.

Dr Cheo Tong Choon @
Lee Tong Choon
Chairman and Executive Director

CEO'S MESSAGE

Although global issues plagued 2019, the Group upheld our commitment to build a resilient business amid the uncertain and ever-changing environment. During the year, we strengthened our value chain by making discipline and targeted investments for long-term value. In 2019, we grew our volumes by 8.8% and reduced our working capital deployment significantly by US$108.6 million.

The Group achieved record sales volume in 2019, crossing 4.5 million metric tonne (MT) for the first time in our over 50 years history. The volume growth was mainly attributed to the 11.9% growth in the Bulk segment whereas the Consumer Pack segment managed to retain its market share. The higher sales volume for the year was but dampened by 34.9% lower operating margins for the Bulk segment. The Consumer Pack segment had another good year with a healthy 13.3% increase in its operating margin. The Group managed to remain steadfast against increased price volatility and stiff competition, especially from companies having captive plantations, to achieve US$11.6 million profit after tax attributable to shareholders. Our performance in 2019 was below our expectations and was lower as compared to 2018, particularly in the last quarter of 2019.

Crossing
4.5
MILLION MT
Total sales volume

The Group's Balance Sheet position remained strong with high financial liquidity. As at 31 December 2019, the Group had a healthy net debt to equity ratio of 0.65 with 60.7% of our total investments funded from our own Equity. We also maintained operational efficiency by reducing our business cycle time from 61 days in 2018 to 59 days in 2019. Notably, our prudent capital management improved our Net cash flow from operating activities position to US$123.5 million in 2019 from US$20.6 million in 2018. We maintained comfortable liquidity position with unutilised bank lines of US$234.9 million at year end.

Looking Ahead

While some of the challenges in the world economy eased towards end of 2019 with the signing of US-China phase one trade deal, there are still many uncertainties in the macroenvironment. Amongst which, the COVID-19 outbreak situation continues to unfold globally, and likewise its adverse impact on various economies. While the demand for food and fuel are expected to stay robust over the long-term, we are ceaseless in our effort to secure our future.

Our earlier investment in a biodiesel plant has provided the Group with new growth opportunities. Recognising the intent of both Malaysia and Indonesia governments to promote biodiesel, we have increased the capacity of our biodiesel plant this year. This expansion puts us in a good position to capitalise on new opportunities. Similarly, expansion of our evaporated milk plant packing capacity will enable us to shorten the lead time from order to delivery besides providing us with the flexibility to customise packaging requirements matching to our customer needs. This aligns with our commitment to deliver quality and value-added products to customers worldwide. In addition, we expect our investment in two Gas-turbine cogeneration plants in Westport and Pasir Gudang refineries in 2019 to contribute going forward towards utility cost savings for the Group as well as help the cause for climate change.

> **"As we focus on running our operations sustainably and ensuring returns on our recent capital investment, we will also keep a close watch on the external environment to ensure that we remain on track towards creating value for our stakeholders."**

We are confident that as we continue to work together towards establishing stronger foundations, building a winning team with value mindset and maintaining our commitment to satisfy market needs, we will accomplish our goal of building a future-ready organisation.

Our human capital is our competitive advantage. We look forward to continued support from our employees, shareholders, customers, suppliers and bankers in our journey ahead.

MS MICHELLE CHEO HUI NING
Chief Executive Officer and Executive Director

BOARD OF DIRECTORS

DR CHEO TONG CHOON @ LEE TONG CHOON

Executive Director

Date of first appointment as Director:
29 October 2010

Date of last re-election:
26 April 2018

- Chairman of the Board of Directors
- Member of Nominating Committee

As the Chairman of the Board, Dr Cheo Tong Choon @ Lee Tong Choon is responsible for leading the Board, facilitating effective contribution from non-executive directors, effective communication with shareholders and promoting high standards of corporate governance. He is responsible for setting the strategic direction of our Group. Dr Cheo has been leading our Group for the past three decades. Under his direction, Mewah has expanded into refining, manufacturing and trading of palm oil and related products. Dr Cheo also oversee the expansion of Mewah into new businesses including biodiesel, rice, dairy and soap.

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 practiced as a registered medical practitioner from 1975 to 1986 with a group of medical specialists, Drs Bain & Partners in Singapore, before he took over the leadership role in our Group.

MS MICHELLE CHEO HUI NING

Executive Director

Date of first appointment as Director:
29 October 2010

Date of last re-election:
24 April 2019

- Chief Executive Officer
- Member of Board of Directors

Ms Michelle Cheo Hui Ning joined our Group in 2003 and is responsible for the formulation and execution of overall strategy, new business development, project execution, corporate risk and factory operations. Since joining our Group, Ms Cheo has been instrumental in expanding the supply chain of the Group. This has included expanding into Indonesia as well as building an additional refinery, specialty fats facilities, and dairy factory in Malaysia. She has been the leading force to get our Group listed on Singapore Exchange and has been expanding our Group's presence geographically into Indonesia and China as well as new business divisions of specialty fats, shipping and biodiesel. Prior to joining our Group, she worked with Exxon Mobil from 1997 to 2003 in USA and Singapore.

Ms Cheo currently serves on the 60th council of the Singapore Chinese Chamber of Commerce & Industries (SCCCI). In addition, she is a board member and chairs the audit committee of the Singapore Chinese Orchestra. She is the 2019 Her Times Women Empowerment Award Winner for Entrepreneurship. She was previously a Committee member of the Future Corporate Capabilities and Innovation Sub-Committee under the Committee on the Future Economy.

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

MS BIANCA CHEO HUI HSIN

Executive Director

Date of first appointment as Director:
29 October 2010

Date of last re-election:
27 April 2017

- Chief Operating Officer
- Member of Board of Directors

Ms Bianca Cheo Hui Hsin joined our Group in 2004 and heads the Consumer Pack segment of which she has overall responsibility. Since taking over the division, she has been focusing on enhancing brand building & sales and development of premium customised oils and fats products. In addition, Ms Cheo has been instrumental in introducing new products to the consumer pack division, leading our Group's foray into rice, soap and dairy products. She has also expanded our Group's distribution strength, developing the Group's presence in West Africa, Europe and South America. Ms Cheo was responsible for executing our Group's listing on the Singapore Stock Exchange.

Prior to joining our Group, she practiced 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 Bachelor of Laws in 1998 and was admitted as an advocate and solicitor of the Supreme Court of Singapore in 2000.

MR ROBERT LOKE TAN CHENG

Independent Director

Date of first appointment as Director:
28 April 2015

Date of last re-election:
26 April 2018

- Member of Board of Directors
- Chairman of Audit Committee
- Member of Remuneration Committee
- Member of Nominating Committee

Mr Robert Loke Tan Cheng has over 30 years' banking experience with major global, regional corporate lending, risk management and investment banks in Asia. Mr Loke led Bangkok Bank Berhad, Malaysia for 9 years before retiring as Chief Executive Officer and Executive Director in 2015. In the past, Mr Loke held various positions in risk management and operational banking with Nomura Singapore Limited, Keppel Tatlee Bank, OCBC Group, Allied Irish Bank and Chase Manhattan Bank.

Mr Loke was Executive Director of Bangkok Bank Berhad, Malaysia and Director for Bangkok Bank Nominees, Malaysia from 2007 to 2015. He was also member of the Association of Banks in Singapore's (ABS) Standing Committee for Risk Management and the Vice-Chairman of the ABS's Credit Risk task force from 2005 to 2006.

Mr Loke obtained Post Graduate Diploma in Management from McGill University in 1979. He also obtained MBA and Electrical Engineering with cum Laude (Distinction) from Concordia University in 1980 and 1978 respectively.

DR FOO SAY MUI (BILL)

Independent Director

Date of first appointment as Director:
28 April 2015

Date of last re-election:
26 April 2018

- Member of Board of Directors
- Lead Independent Director
- Chairman of Nominating Committee
- Chairman of Remuneration Committee

Dr Foo Say Mui (Bill) has more than 30 years' experience in financial services industry. Dr Foo has served as CEO/ General Manager of Australia & New Zealand Banking Group Ltd (ANZ) in Singapore for 12 years from 1999 to 2011. Prior to his retirement from ANZ in 2015, Dr Foo was appointed as Vice Chairman, South and South East Asia from 2011 to 2015. Dr Foo also held various positions including as President Director in Indonesia and Regional Head of Investment Banking.

Dr Foo is currently a director and adviser to several listed and private companies including Tung Lok Restaurants (2000) Ltd and Director of Tower Capital Asia Pte. Ltd, Kenon Holdings Ltd., Business Circle Singapore Pte Ltd, M&C REIT Management Ltd and M&C Business Trust Management Ltd.

Dr Foo graduated from Concordia University with a Bachelor of Business Administration. He also holds a Masters of Business Administration from McGill University and an honorary Doctorate of Commerce from James Cook University, Australia.

TAN SRI DATUK DR ONG SOON HOCK

Independent Director

Date of first appointment as Director:
29 October 2010

Date of last re-election:
24 April 2019

- Member of Board of Directors
- Member of Audit Committee
- Member of Remuneration Committee
- Member of Nominating Committee

Tan Sri Datuk Dr Ong Soon Hock has been a pioneer in contributing to the group of palm oil industry. He 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. His contributions to the palm oil industry have led to his receiving several prestigious awards including Merdeka Award, Palm Oil Industry Leadership (PILA) Award and Pioneer in Tocotrienol Research from the Oxygen Club of California. He has 40 years of research and development experience in lipid chemistry and is the registered holder of 20 patents in the field of palm oil related technology.

Tan Sri Datuk Dr Ong is Emeritus Professor of University Science Malaysia (USM). As former Chairman of Programme Advisory Committee Panel on Food, Nutrition and Quality, former Chairman of MPOB Nutrition Projects Committee and as former Chairman of International Advisory Panel on Nutrition, Dr Ong has been actively involved in various research projects of Malaysian Palm Oil Board.

Tan Sri Datuk Dr Ong graduated with a Bachelor of Science degree with First Class Honours and obtained a Master of Science from the University of Malaya. He also obtained a Doctor of Philosophy (PhD) in organic chemistry from King's College University of London and the Distinguished Sc. Alumni Award from National University of Singapore. He was Fulbright-Hays Fellow at MIT. He was Visiting Professor at Dyson Perrins Laboratory, University of Oxford. He is a Senior Fellow of the Academy of Sciences Malaysia with the title "Academician", Fellow of King's College, London and Fellow of TWAS Academy of Sciences. On 21 September 2015, he received the Anugerah Tokoh Akademik Negara Award. In February 2016, he was awarded Hon D.Sc by University of Nottingham.

DATUK DR FAWZIA BINTI ABDULLAH

Independent Director

Date of first appointment as Director:
8 August 2017

Date of last re-election:
26 April 2018

- Member of Board of Directors
- Member of Audit Committee
- Member of Nominating Committee

Datuk Dr Fawzia Binti Dato Abdullah currently sits on the board of Econ Health Care and Nursing Home Sdn. Bhd. in Malaysia and is an advisor to BookDoc.com.

In 2010, Datuk Dr Fawzia was appointed as Foundation Dean of SEGI University in Malaysia and was Professor and Head of the Dental Faculty till her retirement in 2016.

In 1999, Datuk Dr Fawzia was appointed as Public Services Commissioner by DYMM the Yang Di Pertuan Agong of Malaysia for a term of 5 years.

In recognition of her services to the country, she was conferred the honourable title — Panglima Jasa Negara by DYMM Yang Di Pertuan Agong of Malaysia. Datuk Dr Fawzia was also awarded Pingat Ibrahim Sultan in 1976 and Setia Mahkota Johor in 1978 by DYMM Sultan Ismail Johor.

Datuk Dr Fawzia was the first woman to be conferred as Honorary Member of the Malaysian Dental Association (MDA) and was the Vice President of the MDA from 1981 to 1991. Datuk Dr Fawzia was inducted as Fellow of Federation Dentaire International which was founded in Paris in 1986.

Datuk Dr Fawzia graduated from the University of Singapore with a Bachelor of Dental Surgery in 1968 and she did her post graduate in Public Health Dentistry at London University in 1976.

She was with the Ministry of Health Malaysia for 32 years and was the first female Director of Oral Health.

SENIOR MANAGEMENT

DR CHEO TONG CHOON @ LEE TONG CHOON

Dr Cheo Tong Choon @ Lee Tong Choon is our Chairman and Executive Director. Details of his working experience and qualifications are set out in "Board of Directors", page 6.

MS MICHELLE CHEO HUI NING

Ms Michelle Cheo Hui Ning is our Executive Director and Chief Executive Officer. Details of her working experience and qualifications are set out in "Board of Directors", page 6.

MS BIANCA CHEO HUI HSIN

Ms Bianca Cheo Hui Hsin is our Executive Director and Chief Operating Officer. Details of her working experience and qualifications are set out in "Board of Directors", page 7.

MR RAJESH SHROFF

Mr Rajesh Shroff joined our Group in November 2019 as Chief Financial Officer. He is responsible for financial strategies and planning, treasury and investor relations, corporate finance and corporate affairs, financial reporting and taxation. Mr Shroff comes with three decades of extensive experience in areas such as finance & treasury, risk & compliance, reporting & taxation, planning & strategy, merger & acquisitions, offshore shared services & automation. He started his professional career with Ernst & Young Group. In the last 20 years, Mr Shroff has worked in various management positions in food, agri-business & commodity trading sectors with Adani Wilmar Limited, Adani Enterprises Ltd, Adani Global Pte Ltd, Olam Agro India Ltd and Olam International Pte Ltd.

Mr Shroff is a Fellow Member of The Institute of Chartered Accountants of India and an Associate member of The Institute of Company Secretaries of India.

MR SHYAM KUMBHAT

Mr Shyam Kumbhat is the Head, Trading and Merchandising. He is responsible for overseeing our palm oil bulk trading and marketing activities. He joined our Group in 1995 as the president of Mewah Oils & Fats Pte Ltd. He has more than 40 years of experience in the edible oils and fats industry.

Prior to joining our Group, Mr Kumbhat worked with Pan Century Edible Oils Sdn Bhd, a member of the India-based multinational Birla Group as Vice President, Marketing from 1977 to 1995.

MS WONG LAI WAN

Ms Wong Lai Wan is the Head, Risk Management. She joined Mewah in 1987 as a chemist. She has over 30 years of experience in quality control, production, operations, logistics, marketing, trading, business development and risk management.

She is currently responsible for the business development, operational controls and risk management. Before joining Mewah, Ms Wong started her career with Pan Century Edible Oils Sdn Bhd as a chemist.

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

MS AGNES LIM SIEW CHOO

Ms Agnes Lim Siew Choo is the Head, Operations in Malaysia. She joined our Group in 1988 as Factory Operations Executive, and subsequently progressed to overseeing the factory operations of our Malaysian subsidiaries as our Group expanded.

Ms Lim has more than 30 years' experience in factory operation. Her present portfolio spans production, quality assurance, procurement, as well as ensuring all local and overseas delivery commitments. Prior to joining our Group, Ms Lim worked with Southern Edible Oils Sdn Bhd from 1983 to 1988 as an Operations Executive, and was responsible for receiving and dispatching edible oil, production planning and the fulfilment of local and overseas shipment requirements.

She obtained a Bachelor of Arts degree from The University of York, in Toronto, Canada in 1982.

OUR WHOLESOME PRODUCTS:

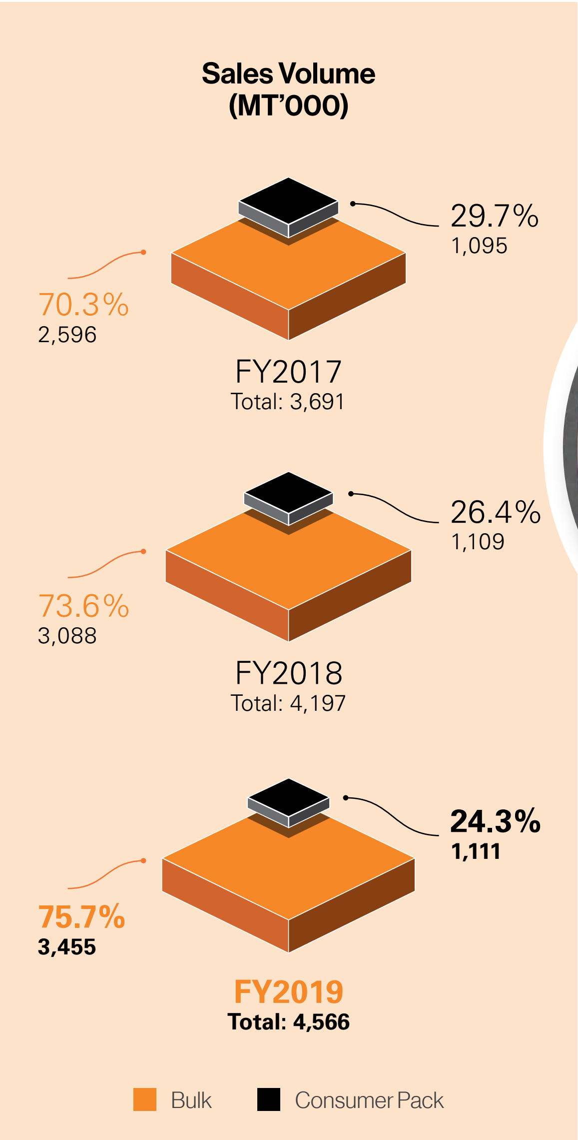
Ingredients for Strong Growth

OPERATIONS AND FINANCIAL REVIEW

	FY 2017	FY 2018	**FY 2019**
Income Statement			
Revenue	2,927	2,947	**2,817**
Operating margin	151.0	122.8	**105.4**
Profit after tax	32.1	14.8	**11.6**
Earnings per share (US cents per share)	2.14	0.99	**0.78**
BALANCE SHEET			
Long-term investments (restated)*	366	418	**465**
Working capital (restated)*	487	504	**396**
Total investments	853	922	**861**
Equity	518	520	**523**
Gross debt	404	451	**400**
Cash	69	49	**62**
Net debt (Gross debt less Cash)	335	402	**338**
Total capital	853	922	**861**
Gross debt to equity	0.78	0.87	**0.77**
Net debt to equity	0.65	0.77	**0.65**
Net asset value per share (US cents per share)	34.42	34.62	**34.80**
In US$' million, unless stated otherwise			
SEGMENTAL PERFORMANCE			
Sales volume (MT'000)			
Bulk	2,596	3,088	**3,455**
Consumer Pack	1,095	1,109	**1,111**
Total	3,691	4,197	**4,566**
Operating margin (US$'million)			
Bulk	85.9	70.2	**45.7**
Consumer Pack	65.1	52.6	**59.7**
Total	151.0	122.8	**105.4**
Operating margin per MT (US$)			
Bulk	33.1	22.7	**13.2**
Consumer Pack	59.5	47.4	**53.7**
Total	40.9	29.3	**23.1**

* FY 2018 numbers were restated relating to acquisition of subsidiaries as disclosed in page 139.

OPERATIONS AND FINANCIAL REVIEW



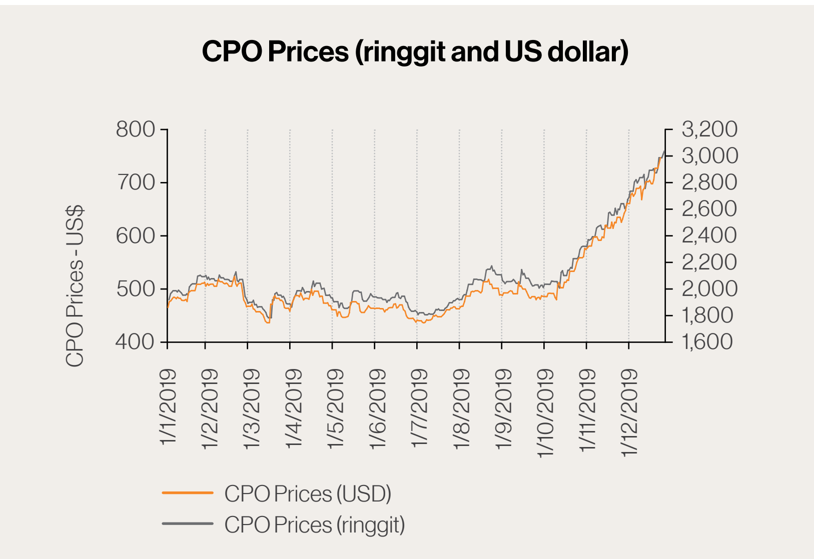
Palm Oil Industry in 2019

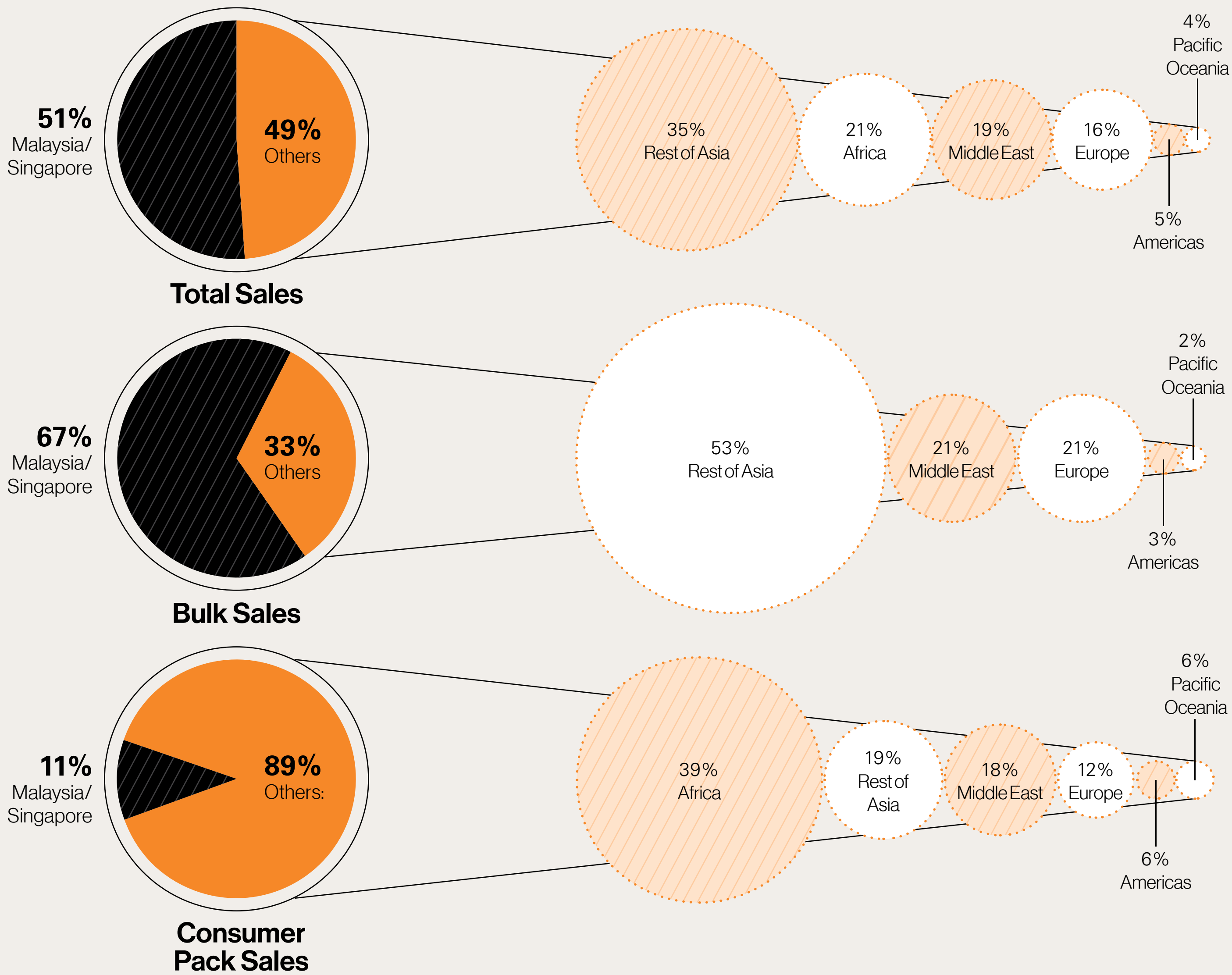
In 2019, the Crude palm oil ("CPO") prices were highly volatile, the lowest traded (MT) was at RM1,845 in Mid-Mar 2019 and the highest was at RM3,048 in End-Dec. The weakness in CPO price for majority of the year was mainly due to high inventory levels in both Indonesia and Malaysia, coupled with weaker prices for soybean oils. However, the last quarter of the year saw a steep rally with the substantial portion of the rally between mid-November and December, finally closing the year at RM3,048. At year end CPO traded at it's highest in almost three years driven by (i) fears of tightening supply growth due to dry weather and lower fertilizer applications in Malaysia and Indonesia last year and (ii) expectations of robust biofuel demand primarily from Indonesia's B30 biodiesel mandate and Malaysia's newly implemented B20 program.

The Group achieved record sales volume of 4,566,000 MT compared to 4,197,600 MT last year. Sales volume for 2019 was 8.8% higher than volume achieved last year.

Group's Sales Volume

The Group achieved record sales volume of 4,566,000 MT compared to 4,197,600 MT last year. Sales volume for 2019 was 8.8% higher than volume achieved last year. Bulk segment registered sales volume of 3,454,600 MT, an increase of 11.9% and contributed 75.7% of total volume. Consumer Pack segment volume was constant with a marginal increase of 0.2% and it contributed 24.3% of total volume.





Well Diversified Sales Revenue

The Group reported sales revenue of US$2,817.3 million in 2019, 4.4% lower than last year due to 12.1% lower average selling prices offset by 8.8% higher sales volume.

Bulk segment recorded a decrease of 1.9% in revenue and contributed 70.7% of total revenue. Consumer Pack segment registered a decrease of 9.9% in revenue and contributed 29.3% of total revenue.

We strive to diversify our sales revenue across the globe and our efforts continued in 2019. Based on billing address of the customers, 49% of total sales were made as destination sales, selling the products to customers in countries other than Malaysia and Singapore. Destination sales remained diversified with Middle East, Rest of Asia, Africa and Rest of World contributing 19%, 35%, 21% and 25% of total destination sales respectively. Total sales to Americas and Europe contributed 21% of sales compared to 20% last year.

Destination sales for both Bulk and Consumer Pack segments remained strong. 33% of Bulk segment sales were made to destination markets with Middle East, Rest of Asia and Rest of World contributing 21%, 53% and 26% respectively. 89% of Consumer Pack segment sales were made to destination markets with Africa, Middle East, Europe, Rest of Asia and Rest of World contributing 39%, 18%, 12%, 19% and 12% respectively.

	FY 2018	**FY 2019**
Malaysia/ Singapore	52%	**51%**
Destination	48%	**49%**
TOTAL	100%	**100%**
Africa	23%	**21%**
Middle East	27%	**19%**
Rest of Asia	26%	**35%**
Americas	5%	**5%**
Europe	15%	**16%**
Pacific Oceania	4%	**4%**

Operations and Financial Review

Operating Margins

The Group measures and tracks the performance in terms of Operating Margin per MT of sales volume and resultant total operating margin (OM). OM is calculated by adjusting the depreciation in cost of sales, selling and distribution expenses and foreign exchange differences in other gains or losses to gross profit.

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 which have helped us to deliver robust operating margins during normal industry conditions and resilient margins during tough economic cycles.

We achieved operating margin of US$105.4 million, 14.2% lower than last year, partially mitigated by 8.8% higher sales volume, due to lower margin of US$23.1 per MT compared to US$29.3 per MT last year . The volatility in CPO prices along with reduced price difference versus competitive products created significant pressure on the refining margins, with higher feedstock costs in the last quarter aggravating the situation. To protect and increase market share the Group continued fulfilling market requirements even at these reduced margins. Total operating margin for Bulk segment decreased 34.9% to US$45.7 million reflecting the lower operating margin of US$13.2 per MT compared to US$22.7 per MT last year, with some support from 11.9% higher sales volume. Despite lower margins achieved for Bulk segment, with our strong marketing and distribution networks, long established and well recognised brands and broader product portfolio, we managed to achieve healthy margins for Consumer Pack segment. Total operating margin for Consumer Pack segment increased 13.5% to US$59.7 million due to higher operating margin of US$53.7 per MT compared to US$47.4 per MT last year with 0.2% higher sales volume. Bulk and Consumer Pack segments contributed 43.4% and 56.6% of total operating margin respectively.

During the year one of our subsidiary became the first Malaysian refinery to produce and export a shipment of Malaysian Sustainable Palm Oil (MSPO) certified RBD Palm Olein, to Japan. Recent investments towards sustainability, value addition and expansion initiatives in refineries, dairy manufacturing facilities and biodiesel plant had their initial standalone costs. In spite of Bulk segment being under pressure, higher operational contributions by Consumer Pack business enabled the Group to achieve profit after tax attributable to shareholders for the full year of US$11.6 million.

Total	FY 2018	**FY 2019**	Change %
Sales volume (MT'000)	4,198	**4,566**	8.8%
OM per MT (US$)	29.3	**23.1**	-21.2%
Operating margin (US$mil)	122.8	**105.4**	-14.2%

Bulk	FY 2018	**FY 2019**	Change %
Sales volume (MT'000)	3,088	**3,455**	11.9%
OM per MT (US$)	22.7	**13.2**	-41.9%
Operating margin (US$mil)	70.2	**45.7**	-34.9%

Consumer Pack	FY 2018	**FY 2019**	Change %
Sales volume (MT'000)	1,109	**1,111**	0.2%
OM per MT (US$)	47.4	**53.7**	13.3%
Operating margin (US$mil)	52.6	**59.7**	13.5%

Strong Balance Sheet

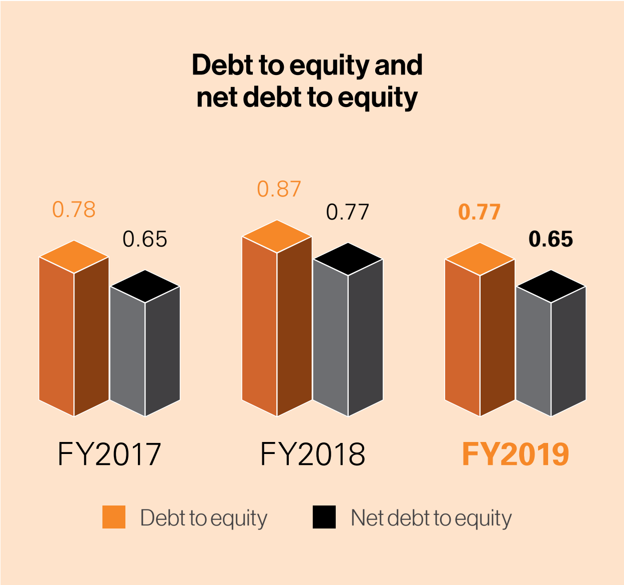
We manage our capital structure very actively by maintaining prudent debt to equity ratio and maintaining healthy combination of equity, long-term debt and short-term debt to fund long-term investment and working capital.

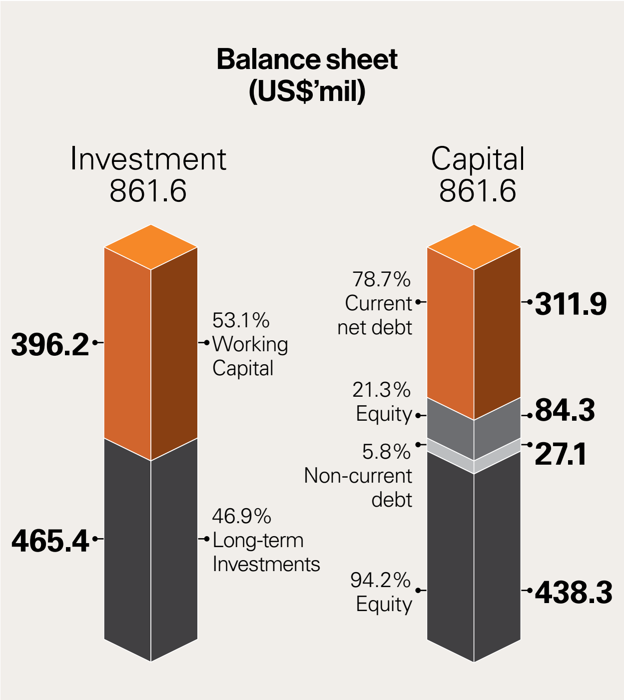
As at 31 Dec 2019, we maintained gross debt to equity ratio of 0.77 and net debt to equity ratio of 0.65. Current low net debt to equity ratio, well below our target limit of 1.5 leaves enough scope for us to raise more debt to support our growth plans or utilize incremental trade finance due to business requirements.

As at 31 Dec 2019, long-term investments of US$465.4 million were funded by equity and long-term debt of 94.2% and 5.8% respectively. Working capital of US$396.2 million were funded by equity and current net-debt of 21.3% and 78.7% respectively. We have made significant capital expenditure in last couple of years primarily in manufacturing facilities within or adjacent to our value chain from our own reserves. Our working capital is majorly deployed in highly liquid inventories and short duration receivables. The Board of Directors regularly review the Group's capital structure and our long term - short term debt mix to ensure appropriateness in line with our long-term objectives.

We maintain adequate working capital credit lines to support our business. As at year end our current working capital lines utilisation was 59.9% of total credit lines available.

In 2019 we achieved record sales volume and though during last quarter of the year palm oil prices strongly rebounded, yet with strong focus on working capital efficiency across our efficient, large scale, integrated production facilities and distribution network, we were able to maintain an improved cycle time of 59 days.

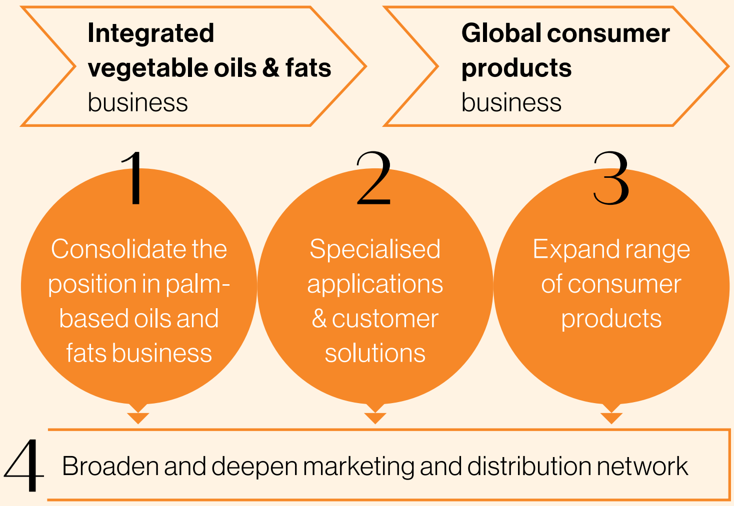




FORWARD LOOKING STRATEGY

One Strong Portfolio and Many Growth Possibilities

We are amongst the leading producers in the edible oils and fats industry with an integrated supply chain from midstream to downstream, comprising large integrated refineries, global distribution capabilities and a wide range of consumer products sold under own brands. This value chain allows us to efficiently satisfy the needs of both our customers and suppliers alike. We always seek to stay ahead of the curve of the global consumer products business by expanding our range of consumer products, cross-offering specialised applications and customer solutions. We continue to build a strong platform by investing in manufacturing facilities within or adjacent to our value chain and adding new products to our portfolio. These initiatives have their own gestation periods.



Palm oil exports from Malaysia and Indonesia are expected to be tight going forward due to lower production growth and biodiesel mandate enhancement programs. This supply side shortfall should provide support to palm oil prices as the demand growth stability is expected in line with global food and energy demand. However, factors such as US China trade deal, prices in competitive space of soft oil sector and crude oil, various tariff and duty structure will continue to influence CPO prices. The present uncertainty and volatility require continuous monitoring and assessment. COVID-19 outbreak has created turbulence in the global markets. The strong control measures taken by leading economies globally is expected to restrict the impact on the business sentiments hopefully to a shorter time frame, with the palm oil demand expected to be not hugely impacted with a lasting impact. The food and fuel demand are projected to stay robust over the long term matching higher income levels and population growth. With our large integrated manufacturing facilities, wide distribution networks and long-established reputed brands we have the right size and mix to successfully capture and deliver value to our long-term stakeholders.

To enhance our value chain, we had earlier invested in a biodiesel plant next to our Westport refinery. This has opened new growth opportunities for us. We have doubled the capacity of our biodiesel plant this year. The intent of Malaysia government's progress towards B20 biodiesel program combined with the already mandated B30 biodiesel program of Indonesia government is an important catalyst for the palm oil industry.

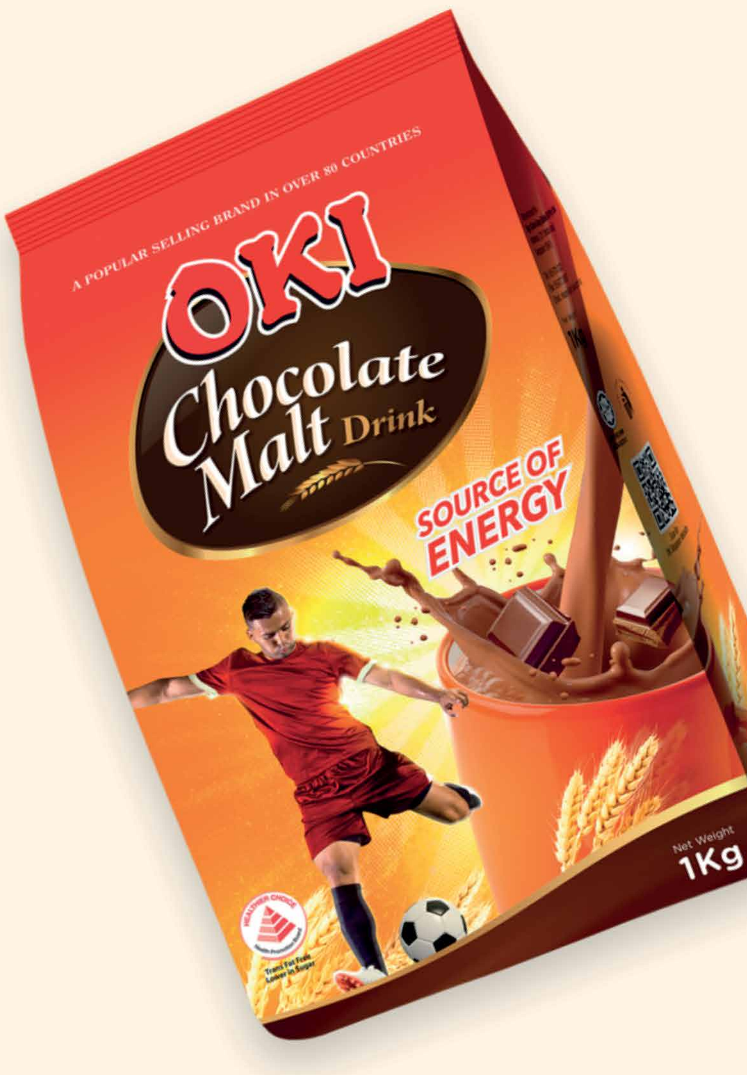
During the year we also commissioned two Gas-turbine cogeneration plants in Westport and Pasir Gudang refineries. This will lead to utility cost savings besides contributing to climate change mitigation.

Our ownership of three small vessels has brought logistic efficiencies as well as sharpened our internal capabilities in logistics management.

Our dairy based products manufacturing facility in Malaysia has facilitated significant marketing and distribution synergies with our current Consumer Pack segment. Our tin-can making facility besides reducing the lead time from order to delivery has also increased our flexibility in fulfilling customised packaging requirement of our consumers. This year we have increased our evaporated milk plant packing capacity. We are actively working towards adding more varieties to our dairy based products.

We continue our focus on developing and offering specialised applications and customer solutions for different industries such as confectionaries, bakeries, food ingredients and the infant nutrition businesses. Investing in brands remains of paramount importance to us. Like dairy based products and rice, we continue to explore more consumer products that can be synergised into common product baskets to our existing and prospective customers.

We continue to make efforts to improve our customer reach across the globe by increasing our own presence in key geographies, supported by our subsidiaries for local distribution in locations such as Africa, Australia & USA.



RESEARCH & DEVELOPMENT

At Mewah, our passion for innovation drives excellence in fulfilling customers' demand and expectations. Innovation is crucial for driving future growth and building a stronger business. Our approach is customer-centric with a clear focus on the customer, the market, quality, operations and cost control. R&D is a catalyst for change in product innovation and helps to fuel our customers' growth. We strive to develop value added products that are differentiated and deliver distinctive value.

This past year we have successfully developed products in line with global health trends, giving our customers a competitive edge in various markets. Increased customer support and engagement had also enabled our team to better understand our customers' needs and provide them with personalised service. The results were positive customer experience and business outcomes.

The development of R&D capacity and capability to support sustainable growth is integral to our long term strategic planning. Determined to set industry standards, in the past year we have expanded both our R&D capacity and capability through acquiring equipment to help in our development work as well as hiring personnel with industry and regulatory expertise.

Our Innovation and Knowledge Management Centre (IKMC) is an incubator for translating customer insights and needs into commercialised customer insights and needs into commercialised solutions. Our activities involve coming up with solutions that not only meet customer and market needs today, but also resilient to the changing world of tomorrow. This keeps Mewah at the forefront of consumer trends.

The cornerstone of our R&D activities is our highly dedicated team, our most valuable assets. Our team consists of scientists, engineers and technologists with expertise in lipid science, dairy, bakery, frying, confectionary, pre-mix, non-food, biodiesel, as well as regulatory, analytical services, applications, sensory and pilot plants. We are committed to investing in our people. Motivated, well-trained and engaged employees are crucial for success. Developing future technical leaders is highly prioritised and we achieve this by providing an all-rounded experience, personal development, mentoring and training opportunities. Continuous training is an important pillar of our people development manifesto.

Evolving consumer trends and changing regulatory landscapes have resulted in a need for more customised solutions and differentiated products. Our consumer first approach has allowed us to lead the way in providing healthier, premium quality products with no partially hydrogenated oils (PHOs) and healthier options that meet our customers' requirements.

State-of-the-art facilities and latest equipment enable us to design product solutions that meet the dynamic landscape. The pilot plant allows development of solutions from raw ingredients to finished products ready for our customers' evaluation. Additionally, we also run trails on our distinctive product formulations at the plant. In the past year, we have added frying oils and fats, dairy, soap, shortening and margarines capabilities and other enhancements.

We have a well-equipped application and sensory facility to ensure that solutions provided meet their intended purposes. Our solutions are tested using industry standard food preparation equipment, currently used by many of our food customers. Qualified food practitioners staff the Application Centre.

Our R&D department for dairy products continues to develop products to widen our portfolio in line with other global diary players. We are on track to extend our range of offerings to meet different consumer requirements across different consumer segments.

Being customer-centric, we strive for excellence in delivering cost-effective and quality solutions through our passion for R&D, product innovations and good manufacturing practices. Our aim is to build technical relationships which empower lasting business results.

RISK MANAGEMENT

Our approach towards risk management is framed by our ongoing understanding of the risks that we are exposed to, our risk appetite and how these risks change over time. Our system comprises of processes and policies designed to address risks such as commodity prices, foreign currency exchange rates, counterparty & credit, economic & financial sanctions, interest rates and liquidity.

OVERVIEW

As a result of our global activities, we are exposed to various types of market risks, including fluctuations in commodity prices, foreign currency exchange rates, counterparty & credit risk and interest rates, which may affect our operational results and financial positions. Our Group Risk Department ensures that all such risks are systematically identified, quantified, monitored, mitigated and managed on a regular basis.

COMMODITY PRICE RISK

Commodity prices can vary for many reasons, such as changes in resource availability, cost of production, demand for competing commodities and substitutes, sovereign policies and regulation, global and regional economic conditions, global and regional weather conditions, natural disasters and diseases etc. all of which impact global markets and demand for commodities. Furthermore, changes in such supply and demand conditions impact the expected future prices of each commodity. Our Group is predominantly exposed to volatility in palm oil market prices. To ensure consistency in our manufacturing production, we enter forward crude palm oil ("CPO") purchase contracts besides maintaining CPO inventories. The

Risk Management

sale of corresponding finished goods may not match on a daily basis which resulting in timing differences.

The Group uses derivative instruments, predominantly exchange traded futures, for the purpose of managing such exposures associated with commodity price. The derivative instruments that we use for hedging purposes are intended to reduce the volatility in our operations. While these derivative instruments are subject to fluctuations in value, those fluctuations are generally offset for the hedged exposures by the changes in fair value of the underlying exposures. Despite such hedging, we remain exposed to basis risk between CPO and finished goods. We have established policies that limit the amount of permissible unhedged fixed price commodity positions which are generally a combination of volumetric and Value-At-Risk ("VAR") limits. However, as our major portion of inventories are valued at cost or net realisable value whichever is lower, no compensating fair value gain is recognised in our reported financial statements for inventories (refer Note on Derivative Financial Instruments and Note on Financial Risk Management to our consolidated financial statements included as part of this Annual Report). Our net commodity position consists of our inventory of raw material and finished goods, forward purchase and sale contracts and exchange traded derivative instruments. The fair value of this position is a summation of the fair values calculated by valuing all our positions at quoted market prices for the period where available or utilising a close proxy. VAR is calculated on the net position and monitored at the 95% confidence interval.

The Group has been consistently working to actively manage and mitigate this inherent risk by systematic diversification of our product portfolio such as by increasing the sales volumes of consumer pack segment and value-added products.

FOREIGN EXCHANGE RISK

The Group's functional and reporting currency is US Dollars ("USD"). Our key origin's exports are primarily denominated in USD. Majority of our expenses and domestic sales are denominated in the respective local currency. The primary currencies we are directly or indirectly exposed to are Malaysian Ringgit, Euro, Singapore Dollar, Indonesian Rupiah, Australian Dollar and Chinese Yuan. For hedging our foreign exchange risk, we enter derivative instruments, primarily currency forward, with reputed financial institutions.

COUNTERPARTY AND CREDIT RISK

We are subject to significant counterparty and credit risks that arise through our forward sales and purchase transactions. The Group actively monitor's credit and counterparty risks through regular reviews of exposures and credit analysis by Risk Department and treasury teams. The limits approved by Risk Department, besides analysis of the party, is a factor of Group's own appetite for risk as well as the size of the relevant transaction when compared to Group's Balance Sheet. While fixing credit limit for a customer besides their financial position and operating history we also do a market background check. As a practice we do not grant open credit to new customer. Existing credit limits are periodically reviewed considering their payment record,

transaction size and length of our relationship besides the prevailing market conditions. The operating teams take their compliance obligations regarding international sanctions extremely seriously with support from the Controller, Legal and Treasury Departments.

INTEREST RATE RISK

Predominantly our borrowings are short term trade finance banking facilities. These are used to fund operations. Our marketers typically build the interest expense arising from the cash conversion cycle into their selling price and recover it from the customers. Therefore, short term interest movements are not a significant risk for us.

RISK GOVERNANCE STRUCTURE

Our risk management activities are governed by our risk management system that is designed to identify, quantify, monitor and manage various risks encountered in our operations and minimise the adverse effects from the unpredictability of risks on our operating and financial performance. Our system comprises of processes and policies designed to address risks such as commodity prices, foreign currency exchange rates, counterparties and credit defaults and interest rates.

The on-going compliance of these risk management processes and policies are carried out by the heads of the respective operating units, but exposure limits are centrally set and monitored, operating under a global governance framework. Overall responsibility to monitor and assess risk lies with the independent risk function headquartered at our Singapore office. Head, Risk Management who reports directly to the CEO is a key member of the Executive Risk Management Team and works proactively with trading teams to analyse changing market conditions and ensures that hedging strategies are focused on current market dynamics.

The Risk Department reports to the Head, Risk Management and is responsible for identifying, assessing, 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 regular basis and holds periodical 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. Our flat corporate governance structure with short and direct channels of communication and control enable efficient monitoring and execution.

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 the scope of 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 Hui Ning, Ms Bianca Cheo Hui Hsin, our Chief Financial Officer – Mr Rajesh Shroff and our Head, Risk Management – Ms Wong Lai Wan (the "Executive Risk Management Team").

Risk Management

SETTING OF RISK LIMITS

The Executive Risk Management Team establishes and reviews periodically our overall risk tolerance thresholds, measured in terms of Value-At-Risk ("VAR"). 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 the market in 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 volume and turnover. The risk tolerance threshold is also based on the counterparty's background, financial performance and management team. This threshold refers to the maximum potential loss if all trading and operations across all products and geographical regions materialise at the same time. Such threshold limits are approved annually and reviewed periodically by Audit Committee.

Our Risk Department is responsible for the capture and measurement of Group-wide risk and ensuring compliance with our risk management system, procedures and processes. The Risk Department analyses and reviews our risk exposure with oversight from the Executive Risk Management Team.

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 system, procedures and processes. The Risk Department analyses and reviews our risk exposure with oversight from the Executive Risk Management Team. Any changes to our risk management system, standards, practices, policies and risk appetite require the approval of the 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.

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 limits are 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 supports in annually assessing risks and controls for the governance, trading, IT and support processes to ensure compliance with procedures of the Company. Results of these activities are reported to the Audit committee by the Group's Head of Internal Audit, accompanied by action plans to strengthen control and further mitigate risks wherever required. Our Audit Committee regularly reviews our internal control systems, internal audit reports and risk tolerance threshold limits.

OUR SUSTAINABILITY FOCUS:

Taste of a Winning Recipe

CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABILITY

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

Sustainability is part of everything we do. We aim to build a business that lasts for generations and we strive to continuously build a sustainable business that will bring a positive change to the environment which we live in.

There are **5 core** areas in our Sustainability Framework.

I. Minimising Our Environmental Footprint

II. Responsible Supply Chain

III. Product Quality and Safety

IV. Valuing Our People

V. Community Support

CORE AREA 1: MINIMISING OUR ENVIRONMENTAL FOOTPRINT

A. CARBON MANAGEMENT

- We have implemented an encompassing Greenhouse Gas ("GHG") Emissions Matrix to measure energy consumption, chemicals consumption, wastewater treatment and fuel consumption in all our manufacturing sites. Our goals are to drive better production efficiency and to lower our GHG footprint.

B. WATER MANAGEMENT

- We constantly monitor our impact on local waterways as we want to ensure that our operation does not affect the availability and quality of water for local communities and ecosystems in the areas where we operate. At the same time, we are taking multiple steps to manage our water resources effectively by conserving water as well as improving water quality and ensuring access to clean water in the communities where we operate.

C. WASTE MANAGEMENT

- All our manufacturing sites are complying with a stringent waste management policy where we commit to manage waste generated from our production activity in an environmental-friendly manner.

- Our action plan to assure sustainable waste management includes:
  i. Systematic assessment of waste-related impacts and risks across all direct operations and supply chain.

  ii. Continue to identify the 5Rs' components in managing waste:
    a. **Refuse** – Refuse to receive unnecessary materials helps to eliminate waste from the very beginning.

    b. **Reduce** – Focus to improve efficiency. To establish practices that are capable to reduce the amount of waste we generate to help the environment.

    c. **Reuse** – Practice to reuse materials without change whether for the original or a different application instead of throwing them away, or pass those unused materials on to others who could use them.

    d. **Recover** – To set up ways to recover the energy values contained within the waste material.

    e. **Recycle** – Many of the things we use every day can be recycled. Recycled items are put through a process that makes it possible to create new products out of the materials from the old ones.

CORE AREA 2: RESPONSIBLE SUPPLY CHAIN

A. SUSTAINABLE PALM OIL POLICY

- Oil palm has the highest oil output for the least amount of land area than any other vegetable oil. It is also the most widely used vegetable oil in the world. The oil palm industry employs many people and creates opportunity to bring many communities out of poverty. However, this opportunity comes with the responsibility to address the known risks associated in the palm oil supply chain.

- Our Sustainable Palm Oil Policy is a multi-stakeholder approach which seeks:
  i. To build a traceable and transparent supply chain.

  ii. To continue the journey of no deforestation and to commit no burning, protection of high conservation value (HCV) areas and high carbon stock (HCS) areas since 31st December 2015.

  iii. To reject new oil palm development in forested peatland plantation after 31st December 2015.

  iv. To respect human rights and ensure protection of the rights of all workers.

  v. To respect the rights of indigenous people and local communities to give or withhold Free, Prior, and Informed Consent (FPIC) where oil palm development takes place.

Corporate Social Responsibility & Sustainability

B. TOWARDS FULL TRACEABILITY

- Mewah Group has developed a Traceable Palm Oil Framework to trace the origin of our palm oil. At the initial stage, we review each of our suppliers through desktop assessment and in-house risk profiling analysis, with the traceability process developing well; we are progressing fast to the next step of assessing the suppliers' practices. Based on the outcome from our risk analysis, we will perform the site assessment of the suppliers' mills based on the general principle & criteria, procedures and questionnaires that are in line with industrial standards.

- For every ton of palm oil and palm kernel oil received into our refineries, we need know the source of this oil. Traceability is useful because the information can be utilised to evaluate our suppliers' performance against our Sustainable Palm Oil Policy, and to engage with our supply base to bridge the gap between us and our suppliers.

1. *Traceability to Mill Approach*

- Today, transparency and accountability are critical aspects of sustainability. It is extremely crucial that companies are capable to trace the palm oil they use back to the origin.

- We started tracing back our direct suppliers (palm oil mills) since year 2015. There are 5 key components in our traceability to mill approach:
  - i. Parent Company Name of Mill Party
  - ii. Mill Name
  - iii. Mill Address
  - iv. GPS Coordinates of Mill Party
  - v. Volumes of CPO receive into our refinery

2. *Traceability to Plantation Approach*

- The definition of traceable to plantation, or fresh fruit bunch (FFB) traceability, is a subject of considerable debate. This is because there is still no common consensus on the definition of traceable to plantation in the industry today.

- The Mewah's current approach on traceability to plantations establishes on ensuring the availability & validity of Malaysia Palm Oil Board (MPOB) and volumes of FFB supply to the supplied mills.

Mewah Traceability to Plantation Approach

Traceability to Plantation	Volume FFB Supplied	Availability of MPOB License	Validity of MPOB License
Estate/ Plantation	√	√	√
Smallholders	√	√	√
Dealers	√	√	√

C. SUPPLIER ENGAGEMENT PROGRAM

- We hold training and engagement dialogue sessions with our suppliers as well as periodic audits to evaluate and ensure compliance to our Sustainable Palm Oil Policy. The supplier engagement program also provides us the opportunity to socialise our Sustainable Palm Oil Policy with our direct suppliers, providing them with a platform to discuss the implications and requirements of adopting similar policies.

- In year 2019, we initiated Supplier Group Level Engagement. We identified 10 supplier groups in our supply chain that responsible for about 50 palm oil mills or equivalent 20% of palm oil production volume in our supply base. The program serves as a platform for us to communicate the mill assessment findings with the supplier group's management including the business owners or senior management, group sustainability department and other relevant leaders. In addition, the program enables the supplier group's management to take ownership of their own supply chain's transformation, and to lead a longer-lasting change within their supply base.

Training and engagement meeting with our suppliers under Supplier Group Level Program.

D. GRIEVANCE PROCEDURE

- As part of our Sustainability Sourcing Guide, the Grievance Procedure provide guidelines on how grievances raised by the stakeholders in our supply chain.

- We started the Grievance Procedure on our Sustainability Dashboard (www.mewahgroup.com/DashboardForm.html) since June 2016. This procedure serves as a platform for all stakeholders in our supply chain to address concerns or to report complaints that can be found in Mewah Sustainability Dashboard. The Grievance Procedure is to ensure that we are responsive to grievances from external parties. This includes any individuals, government organisations, NGOs or media outlets with concerns related to the implementation of Mewah's Sustainable Palm Oil Policy.

- We value the input of stakeholders in helping us to achieve the aims of the policies and enhancing transparency throughout our supply chain. We will be providing regular progress updates via the Mewah Group Ongoing Sustainability Grievances on our Sustainability Dashboard.

CORE AREA 3: PRODUCT QUALITY AND SAFETY

A. ASSURANCE ON OUR PRODUCT QUALITY AND SAFETY

- Assurance on product Quality and Safety for our consumers is always our top most priority. We consistently review and refine our manufacturing processes, and establish a stringent quality assurance process.

- Our commitments to product quality and safety are:
  - i. Building trust by offering products and services that match consumer expectation and preference;
  - ii. Complying with all internal and external food safety, regulatory and quality requirements;
  - iii. Gaining a zero-defect, no-waste attitude by everyone in our Company;
  - iv. Making quality assurance a group-wide objective at all our factories and offices.

Corporate Social Responsibility & Sustainability

B. QUALITY & SUSTAINABILITY CERTIFICATIONS

- Certification marks the evidence that a product conforms to applicable standards.

- As a responsible refiner and food manufacturer, we make sure all our factories are certified to one or more internationally recognised food safety standards such as FSSC 22000, ISO 22000 and GMP+.

- Today, all our refineries are certified with RSPO Supply Chain Certification. Since 2017, our main refineries have been certified for food safety with FSSC 22000.

CORE AREA 4: VALUING OUR PEOPLE

At Mewah Group, we believe that people and businesses achieve the greatest impact in sustainable development when they join forces and invest in each other.

A. HUMAN CAPITAL – TALENT MANAGEMENT

We are committed to recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed.

The Group recognises that one of the cornerstones of its success is our employees. We believe that having a highly motivated, well trained and involved set of employees is crucial to the enduring success of our corporation. To this end, we will ensure that our employees are developed to their fullest potential and talent, and their competency are fully recognised and rewarded. Department heads, who are also their mentors, will continuously assess and evaluate their subordinates to ensure that there is a structured career development in accordance with their potential, talent and competency.

We will continue to attract, motivate and retain our talented employees at all levels by providing them with job security and growth opportunities. We strive to provide all employees with career and personal development opportunities and to promote a continuous learning through training and development, job rotations and overseas assignments. We continuously recruit fresh graduates from reputable universities worldwide to be part of our team. Potential leaders will undergo a comprehensive, 2-year Leadership Training Programme to prepare them to take on challenging roles within the Group.

It is our view that an all-rounder workforce is essential for motivation and endurance. Aside from providing job satisfaction, we encourage our employees to have a balanced work life by organising and promoting social activities.

B. FAIR EMPLOYMENT PRACTICES

We believe in providing equal opportunities and follow fair employment practices. 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 by giving them job security. On a side note, all our main refineries are the members of Sedex and all have passed the ethical Sedex SMETA audit. Sedex (Supplier Ethical Data Exchange) was founded in 2001 by a group of UK retailers to drive convergence in social audit standards and monitoring. It is a not-for-profit membership organisation for business committed to the continuous improvement of ethical performance within their supply chain.

C. 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, vigorously taking action to address any identified risks by setting up protective guidance, employing 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.

All our refineries have adopted the latest OHSAS (International Occupational Health and Safety Management System) guideline with the objective to build a demonstrably sound occupational health and safety workplace. Our subsidiary, Mewaholeo Industries Sdn Bhd was the first company under Mewah Group to be certified with OHSAS 18001 in February 2010. All our refineries have the quality management system ISO 9001, ISO 14001 and HACCP in place.

CORE AREA 5: COMMUNITY SUPPORT

We understand that it is important to proactively engaging with the community which we operate in. Contributing to, and being part of, the community in which Mewah operates is essential for maintaining a positive relationship with our neighbors. We find regular engagement is very effective for keeping pulse on what is happening on the ground and what concerns and priorities our stakeholders have.

At every place that we operate, Mewah partners with the local communities to support the particular needs of the community. We contribute regularly to local charities. Our people organise and participate in social events to support and bring joy to the less fortunate in our nearby community. Our goal is to enrich the lives of the people around the touchpoints that we have established.

There are three (3) major objectives that we have set for our CSR programs:

A. SUPPORTING OUR NEXT GENERATION

We believe that every child deserves a chance at a life filled with love, laughter, friends and family.

B. ACTIVE VOLUNTEERISM OF OUR EMPLOYEES

We encourage our staff to volunteer and give back to the community. Therefore, we hold companywide community volunteer events so that our employees can find it easier to give back to community.

C. DISASTER RELIEF

We wish to support the communities that we operate in. One of the most important initiatives is to help our neighbours in their time of need. We raise money and donate other necessities to support victims of natural disasters.

1. CSR Program: Every child deserves a chance to learn – Kechara Soup Kitchen (KSK) Tuition Class

Kechara Soup Kitchen (KSK) is a community action group that distributes food, basic medical aid and provides free counseling to the homeless Malaysian. In 2018, KSK set up training center to train and empower single mothers with knowledge and skills.

Mewaholeo had initiated collaboration work with KSK since 2018. Our employees had spread words of kindness to hundreds of underprivileged families, single mothers and children through multiple charity events and activities to progressively improve the livelihoods of these families. Starting from March 2019, our employees had also volunteered their time and knowledge to provide free weekly tuition class to children of single mothers, who require special attention on extra support and guidance in education.

After a successful run in the collaboration programs with KSK, we aim to do more in years to come. We commit to continue inspire our employees to explore meaningful initiatives to contribute more for the deprived children particularly on the education.

2. CSR Program: Supporting fire victims of Kampung Tanjung Batu Laut Otentik, Tawau

On 26 August 2019, a massive blaze happened at Kampung Tanjung Batu Laut Otentik, Tawau. Almost 70 houses have been destroyed, leaving about 300 people homeless. Our employees from our subsidiary in Mewah Datu extended their helping hands to the fire victims in collaboration with Pertubuhan Kebajikan Anak Leluhur Nusantara Negeri Sabah (PERKALAS), a local non-profit organisation. Our "Disaster Action Team" consists of 15 volunteers had offered emotional support, financial assistance as well as donation of necessities and information to help the victims' families to begin the process of recovery.

CSR Program: Collaboration with KSK to provide free weekly tuition class for underprivileged children.

CSR Program: Support given to fire victims, Tawau, Malaysia.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Dr Cheo Tong Choon @ Lee Tong Choon (Chairman)
Ms Michelle Cheo Hui Ning
Ms Bianca Cheo Hui Hsin
Dr Foo Say Mui (Bill) (Lead Independent Director)
Mr Robert Loke Tan Cheng
Tan Sri Datuk Dr Ong Soon Hock
Datuk Dr Fawzia Binti Abdullah

AUDIT COMMITTEE
Mr Robert Loke Tan Cheng (Chairman)
Tan Sri Datuk Dr Ong Soon Hock
Datuk Dr Fawzia Binti Abdullah

NOMINATING COMMITTEE
Dr Foo Say Mui (Bill) (Chairman)
Mr Robert Loke Tan Cheng
Dr Cheo Tong Choon @ Lee Tong Choon
Tan Sri Datuk Dr Ong Soon Hock
Datuk Dr Fawzia Binti Abdullah

REMUNERATION COMMITTEE
Dr Foo Say Mui (Bill) (Chairman)
Mr Robert Loke Tan Cheng
Tan Sri Datuk Dr Ong Soon Hock

SENIOR MANAGEMENT
Dr Cheo Tong Choon @ Lee Tong Choon
Ms Michelle Cheo Hui Ning
Ms Bianca Cheo Hui Hsin
Mr Rajesh Shroff
Mr Shyam Kumbhat
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
International Corporation Services Ltd.
Harbour Place, 2nd Floor
103 South Church Street
P.O. Box 472, George Town
Grand Cayman KY1-1106
Cayman Islands

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

AUDITORS
PricewaterhouseCoopers LLP
7 Straits View
Marina One
East Tower, Level 12
Singapore 018936
Partner-in-charge: Ms Tan Bee Nah
(Effective from the financial year ended 31 December 2015)

PRINCIPAL BANKERS
Alliance Bank
AmBank
Arab Bank Corporation
Bangkok Bank
Bank of China
CTBC Bank
CIMB Bank
DBS Bank
Exim Bank Malaysia
ICICI Bank
OCBC Bank
RHB Bank
United Overseas Bank

CORPORATE GOVERNANCE

The Board of Directors (the **"Board"**) of Mewah International Inc. (**"Mewah"**) considers good corporate governance as a fundamental part of its responsibilities to protect and enhance shareholder value whilst pursuing sustainable growth in the financial performance of the Company and its subsidiaries (the **"Group"**). Mewah is committed to achieving high standards of corporate governance to promote corporate transparency and to enhance stakeholder value. Toward this, Mewah has put in place policies and processes to enhance corporate performance, accountability and sustainability. Mewah has adopted the Code of Corporate Governance 2018 (the **"Code"**) issued by the Monetary Authority of Singapore as the benchmark for its corporate governance policies and practices. Any deviations have been disclosed and explained.

BOARD MATTERS
THE BOARD'S CONDUCT OF AFFAIRS

PRINCIPLE 1:

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Board Responsibility

Mewah is headed by an effective and experienced Board that works closely with management for the long-term success of the Group. The Board is collectively responsible for providing entrepreneurial leadership, setting strategic objectives and constantly seeking protection to the stakeholder value and enhances the returns of the Company. Through the Board's leadership, the Group's businesses are expected to achieve sustainable and successful performance over the longer term.

The principal duties and responsibilities of the Board are to:

1. Set strategic directions and long-term goals of the Group to ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
2. Establish a framework of prudent and effective controls which enables risks to be assessed and managed effectively;
3. Review and approve the Group's strategic and business plans;
4. Monitor the performance of the Group against plans and goals;
5. Consider sustainability issue, in particular environmental and social factors in formulation of the business strategies and corporate policies of the Group;
6. Monitor and ensure the compliance with such laws and regulations as may be relevant to the business.

The Board has put in place clear written terms of reference for all directors, sets appropriate tone-from-the-top and desired organisational culture, appropriate authorities and duties of directors to accomplish a shared goal. Nominating Committee will also send the newly appointed director, the latest available version of Directors' Toolkit issued by the Singapore Institute of Director to ensure proper accountability within the Company.

While providing leadership and strategic direction, the Board gives due recognition to expectations of different stakeholders such as shareholders, lenders, employees, government agencies, suppliers, customers, competitors, business partners and service providers. The Board is responsible in ensuring that the direction set is aligned to the Group's established values and standards and due weightage is given to sustainability issues. It is also responsible for reviewing the management performance on a regular and continuous basis.

Matters requiring the Board's decision and approval
The Board sets the strategic direction for the management and day-to-day operational decisions are taken by the management. The following matters of strategic importance have been reserved for the Board's decision:

- Group's strategy and business plans;
- Capital expenditure, investments and divestments exceeding certain material limits;

CORPORATE GOVERNANCE

- All capital-related matters including increase, decrease or re-organisation;
- Dividend policy and dividend payments:
- Risk strategy, internal controls and risk limit strategies and execution;
- Approval of credit limits and trade terms with related parties;
- Annual and quarterly results announcement;
- Annual report;
- Appointment of directors and key management personnel.

Board Committees

To assist the Board in the execution of its duties, the Board has delegated specific functions to the Board Committees, which would submit its recommendations or decisions to the Board. All the Board Committees are formed with clear written terms of reference setting out their compositions, authorities and duties including reporting back to the Board.

Details of the Board Committees are as set out below:
- Audit Committee, responsible for the functions as set out under Principle 10.
- Nominating Committee, responsible for the functions as set out under Principle 4.
- Remuneration Committee, responsible for the functions as set out under Principle 6.

Board Meeting and Attendance

The Board convenes scheduled meeting on a quarterly basis to coincide with the announcement of the Group's quarterly results. Ad hoc meetings will be convened between the scheduled meetings as and when necessary to attend any pressing matters requiring the Board's consideration and decision. Under the Company's Memorandum and Articles of Association, a director who is unable to attend any meeting in person may participate via teleconference or video conference. Decisions of the Board and Board Committees may also be obtained via circulation.

The Directors' attendance at the General, Board and Board Committee meetings during the financial year ended 31 December 2019 is set out as follows:

Name	AGM	Board Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
EXECUTIVE DIRECTORS					
Dr Cheo Tong Choon @ Lee Tong Choon	1/1	4/4		3/3	
Ms Michelle Cheo Hui Ning	1/1	4/4			
Ms Bianca Cheo Hui Hsin	1/1	4/4			
Ms Wong Lai Wan*(Note 1)	1/1	4/4			
INDEPENDENT DIRECTORS					
Dr Foo Say Mui (Bill)	1/1	4/4		3/3	2/2
Mr Robert Loke Tan Cheng	1/1	4/4	4/4	3/3	2/2
Tan Sri Datuk Dr Ong Soon Hock	1/1	4/4	4/4	3/3	2/2
Datuk Dr Fawzia Binti Abdullah	1/1	4/4	4/4	3/3	
No. of meetings held:		**4**	**4**	**3**	**2**

Note:
1. Ms Wong Lai Wan stepped down from the Mewah Board with effect from 31 December 2019.

CORPORATE GOVERNANCE

Induction, orientation and training

Newly appointed director will receive from the Nominating Committee, the latest available version of Directors' Toolkit issued by the Singapore Institute of Director to ensure proper accountability within the company.

The Group will also conduct an orientation program for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. A new director who has no prior experience as a director of a company listed on the SGX-ST must undergo mandatory training in the roles and responsibilities as prescribed by the SGX-ST. The new director will be required to undertake the required training within one year from the date of his appointment to the Board.

Directors are updated regularly on changes in relevant laws and regulations, industry developments, business initiatives and challenges on the matters related to the Company and its businesses. The Group has arranged a briefing session to all directors on updates in the requirements of the SGX-ST.

Directors will also be briefed on Companies Act, Chapter 50 or other regulations/statutory requirements, including its changes, from time to time. Annually, the Company will arrange the external auditors to update to all directors on the new and revised financial reporting standards that are applicable to the Company. Directors are given regular training and updates on specific matters relevant to the Company and the business to ensure they carry out their role effectively. Directors are also encouraged to participate in external training at the Group's expense.

To facilitate ongoing knowledge enhancement for existing directors, the following orientations and trainings were provided during the year:

- Overview of the Oils and Fats industry and Group's strategy to grow the business;
- Group strategic plans to further consolidate its position in Palm oils industry;
- Risk management practices for Group's trading and review of Group's overall risk limits;
- Political and physical risk management;
- Data, disruption and digital transformation;
- Singapore: Our Challenges & Opportunities;
- Combating Top Cybersecurity Threats;
- Group's capital structure and financing flexibility to align to growth plans;
- Business China Advanced Leaders Programme;
- Briefings were provided by the external auditor to the Board on new accounting standards.
- Briefing was provided by legal counsel to the Board on Key Changes to the Mainboard Listing Rules 2020.

Access to complete, adequate and timely information

The Group recognises the flow of relevant information on an accurate and timely basis is critical for the Board to be effective in discharge of its duties. All Board members are supplied with relevant, complete, adequate and timely information prior to Board meetings and on an on-going basis to enable them to make informed decisions. The Board papers and related materials e.g. background or explanatory information, are sent to directors at least three calendar days before the Board meeting so that the Board members may better understand the matters prior to the Board meeting to enable constructive discussion and queries to be raised in the meeting. However, confidential and/or sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. When necessary, senior management and/or the relevant employees will be invited to attend Board meetings to answer any query from Directors.

Company Secretary

The directors have unrestricted access to the Company Secretary and the Group's senior management to facilitate direct access to the Company Secretary and senior management, when necessary.

CORPORATE GOVERNANCE

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. The Company Secretary or his nominees is required to attend to all General, Board and Board Committees' meetings. The appointment and removal of the Company Secretary is a matter for the Board as a whole. 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 Group.

BOARD COMPOSITION AND GUIDANCE

PRINCIPLE 2:

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board Size, Composition, Diversity And Balance

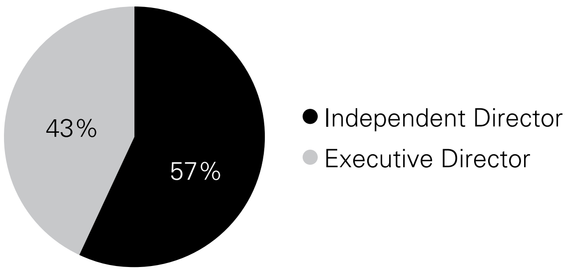
As at the date of this report, the Board comprises seven members, Independent Directors make up majority of the Board. A brief profile of each director is given on pages 6 to 8 of this Report.

The Group has adopted a Board Diversity Policy which recognises that a diverse Board will enhance the decision-making process by utilising the variety in skills, industry and business experiences, gender and other distinguishing qualities of the members of the Board. The Board, in concurrence with the Nominating Committee (**"NC"**) examines the Board structure, size and composition including the skills, knowledge, experience, gender, age and core competencies of the Board members to ensure that an appropriate balance of expertise, experience and knowledge. In accordance with this policy, NC will review the relevant objectives for promoting and achieving diversity on the Board, the progress made, and make recommendations for approval by the Board. NC will review this policy from time to time as appropriate and the progress made.

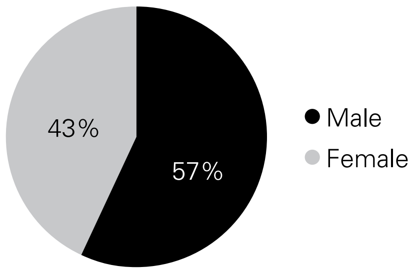
The current Board possesses diversified and varied expertise, experience and knowledge in the areas of the Group's palm oil business and geographical operations, as well as in the areas of strategy formulation, manufacturing, marketing, legal, taxation, finance, accounting and corporate compliances. With their varied experience in different industries and areas of expertise, independent directors play a crucial role in challenging the Board to develop strategies in the best interest of the Group. They also contribute independent perspective in reviewing the performance of the management in meeting agreed goals and objectives, and performance monitoring.

The Group also emphasises great importance to gender equality and this has been incorporated as one of the objective in the Board Diversity Policy. The Company has three women on the Board, namely Ms Michelle Cheo Hui Ning, Ms Bianca Cheo Hui Hsin and Datuk Dr Fawzia Binti Abdullah.

Board Composition, Diversity and Balance



Gender Diversity



CORPORATE GOVERNANCE

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

Name of Director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Dr Cheo Tong Choon @ Lee Tong Choon	Executive Director and Chairman of Board	-	Member	-
Ms Michelle Cheo Hui Ning	Executive Director and Chief Executive Officer	-	-	-
Ms Bianca Cheo Hui Hsin	Executive Director and Chief Operating Officer	-	-	-
Dr Foo Say Mui (Bill)	Lead Independent Director	-	Chairman	Chairman
Mr Robert Loke Tan Cheng	Independent Director	Chairman	Member	Member
Tan Sri Datuk Dr Ong Soon Hock	Independent Director	Member	Member	Member
Datuk Dr Fawzia Binti Abdullah	Independent Director	Member	Member	-

Independence of Directors

All directors are required to disclose timely, any relationship or appointments which would impair their independence to the Board. The NC also evaluates the independence of all independent directors annually. Each independent director is required to complete an Independence Confirmation at the time of appointment and annually to declare whether he/she considered himself/ herself independent based on the guideline provided by the Code that independent directors should be independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonable perceived to interfere , with the exercise of the director's independent business judgement in the best interest of the Company.

The NC has ascertained that the independent directors, namely Dr Foo Say Mui (Bill), Mr Robert Loke Tan Cheng, Tan Sri Datuk Dr Ong Soon Hock and Datuk Dr Fawzia Binti Abdullah do not have any relationship with the Group, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from management and its substantial shareholders.

The NC had conducted a rigorous review during the year end NC meeting on the independence of Tan Sri Datuk Dr Ong Soon Hock (**"Tan Sri Datuk Dr Ong"**) who had served the Board for a period exceeding nine years from the date of his first appointment. Such review was in accordance with the Code and entailed Tan Sri Datuk Dr Ong's independence in conduct, character and judgements, and confirmation that he has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonable perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company. NC is satisfied with the independence of Tan Sri Datuk Dr Ong and the Board has approved the recommendation from the NC.

CORPORATE GOVERNANCE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3:

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The roles of the Chairman and the Chief Executive Officer (**"CEO"**) are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman, Dr Cheo Tong Choon @ Lee Tong Choon (**"Dr Cheo"**) is an Executive Director. The Chairman is responsible for:-

- leading the Board and facilitating its effectiveness while promoting a culture of openness and debate within the Board;
- setting the agenda and ensures that the directors receive complete, adequate and timely information and that adequate time is available for discussion for matters on the agenda, particularly on matters relating to strategies;
- building constructive relations within the Board, and between the Board and the management to ensure the execution of the strategies and direction decided by the Board;
- facilitating effective contribution of Non-Executive Directors;
- ensure constructive communication and engagement with shareholders take place in every general meeting; and
- promoting standards of corporate governance.

Dr Cheo has been the force behind the success of the Group and works closely with the CEO and the management.

Ms Michelle Cheo Hui Ning, daughter of Dr Cheo is the CEO and the Executive Director. She is responsible for execution of overall strategy of the Group and day-to-day operations.

Lead Independent Director

Since the Chairman and the CEO are immediate family members, the Board has appointed Dr Foo Say Mui (Bill) as the Lead Independent Director. The Lead Independent Director has a pivotal role to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making. The Lead Independent Director acts as a bridge between the independent directors and the Chairman as well as representing shareholders' interests. He also provides continuity of leadership at the Board level in the absence of the Chairman and in situation where Chairman is conflicted.

On the sidelines of every Board meeting, the independent directors meet without the presence of the executive directors and the feedback is provided by the Lead Independent Director to the Chairman after the meeting.

BOARD MEMBERSHIP

PRINCIPLE 4:

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Board reviews the size and composition of the Board at least twice in a year, taking into account the need for progressive renewal of Board and each Director's competencies, commitment, contribution and performance.

To ensure that the governance and business needs of the Group are adequately addressed, the Board has established a Nominating Committee (the **"NC"**) to regularly review the capabilities of the Directors collectively by taking into account their skills, experience, diversity and industry knowledge as well as review of succession plans for directors, Chairman, CEO and key management personnel.

CORPORATE GOVERNANCE

NC make recommendations to the Board on all Board appointments. In reviewing the Board composition and in identifying suitable candidates for appointment to the Board, the NC will ultimately base their decisions based on the following principles:-

(a) Skills, experience, knowledge, gender and age diversity;
(b) Non-executive directors make up a majority of the board, where the Chairman is not independent.

NC comprises Lead Independent Director Dr Foo Say Mui (Bill), Independent Directors Mr Robert Loke Tan Cheng, Tan Sri Datuk Dr Ong Soon Hock, Datuk Dr Fawzia Binti Abdullah and Executive Director Dr Cheo Tong Choon @ Lee Tong Choon. The Chairman of the Nominating Committee is Dr Foo Say Mui (Bill) and majority of the NC members are non-executive and independent directors.

NC's key responsibilities include the following:

(i) identifying candidates for nomination and make recommendations to the Board on all Board appointment;
(ii) re-nomination of the directors in accordance with the Memorandum and Articles of Association, having regard to the director's contribution and performance;
(iii) determining annually the independency of an independent director in accordance with the Code;
(iv) deciding whether or not a director is able to and has been adequately carrying out his duties as a director;
(v) to review the balance and diversity of skills, experience, gender, age, knowledge, competencies of the Board and its size and composition;
(vi) reviewing and recommending the training and professional development programmes for the Board ;
(vii) developing and recommending to the Board a process of evaluation of the performance of the Board, Board Committees and directors

The Board has implemented a process to be carried out by the NC 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. Details of the process are explained under Principle 5, Board Performance.

The Board has not set the maximum number of Board representations which any director may hold. However, the NC monitors and assesses twice a year whether directors who have multiple board representations and other principal commitments are able to give sufficient time and attention to the affairs of the Company and diligently discharge their duties as a director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual director, his actual conduct on the Board and Board Committees and his attendance record at meetings. The NC is satisfied that in FY 2019, sufficient time and attention is being given to the affairs of the Group by each director. Details of directorships and commitments of all directors are explained in page 6 to 8 of this report.

Each member of the NC is required to abstain from deliberating, participating or voting in the matters relating to him including the assessment of his performance and re-nomination as director.

All Board appointments are approved by way of written resolutions or approved by the shareholders at any general meeting based on the recommendations of the NC. In searching, nominating and selecting new directors, the NC will continue to tap on the resources of directors' personal contacts, recommendations of potential candidates and participate in the shortlisting and interviewing process, if required. The NC will engage external agencies to assist if required, at the expense of the Group.

In assessing re-appointment of the directors, the NC evaluates based on several criteria including qualifications, contributions and independence of the directors. In accordance with the Company's Memorandum and Articles of Association, each director shall retire at least once in every three years. A retiring director shall be eligible for re- election subject to approval by the shareholders at the Annual General Meeting (**"AGM"**). New directors appointed by the Board will hold office only until the next 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. The Board generally does not have a practice of appointing alternate directors. However, new directors appointed by the shareholders in any general meeting shall retire at least once in every three years.

CORPORATE GOVERNANCE

Key information regarding each director's qualifications, shareholdings, relationships (if any), date of first appointment, directorship and other principal commitments is presented on pages 6 to 8 of the 'Board of Directors' and 'Directors' Statement' on pages 52 to 55 of this Annual Report. The NC had recommended to the Board the re-election of Ms Bianca Cheo Hui Hsin, Dr Foo Say Mui (Bill) and Datuk Dr Fawzia Binti Abdullah, who will be retiring pursuant to Article 86 of the Company's Memorandum and Articles of Association at the forthcoming AGM. The directors retiring by rotation have consented to continue in office.

The additional information on Ms Bianca Cheo Hui Hsin, Dr Foo Say Mui (Bill) and Datuk Dr Fawzia Binti Abdullah, being the Directors who have been nominated for re-election, required pursuant to Rule 720(6) of the SGX-ST Listing Manual are set out below:

Details	Ms Bianca Cheo Hui Hsin	Dr Foo Say Mui (Bill)	Datuk Dr Fawzia Binti Abdullah
Date of first appointment as Director	29 October 2010	28 April 2015	8 August 2017
Date of last re-election	27 April 2017	26 April 2018	26 April 2018
Age	44	63	77
Country of principal residence	Singapore	Singapore	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the NC and assessed Ms Cheo's overall contributions and performance, is of the view that she is suitable for re-appointment as a Director of the Company.	The Board, having considered the recommendation of the NC and assessed Dr Foo's overall contributions and performance, is of the view that he is suitable for re-appointment as a Director of the Company.	The Board, having considered the recommendation of the NC and assessed Datuk Dr Fawzia's overall contributions and performance, is of the view that she is suitable for re-appointment as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Please refer to "Board of Directors" on page 7.	Non-Executive.	Non-Executive.
Job Title	• Executive Director • Chief Operating Officer	• Lead Independent Director • Chairman of Nominating Committee • Chairman of Remuneration Committee	• Independent Director • Member of Audit Committee • Member of Nominating Committee

CORPORATE GOVERNANCE

Details	Ms Bianca Cheo Hui Hsin	Dr Foo Say Mui (Bill)	Datuk Dr Fawzia Binti Abdullah
Professional qualifications **Working experience and occupation(s) during the past 10 years**	• Please refer to the "Board of Directors" on page 7.	• Please refer to the "Board of Directors" on page 7.	• Please refer to the "Board of Directors" on page 8.
Shareholding interest in the listed issuer and its subsidiaries	Yes. Please refer to "Statistics of Shareholdings" on page 143 to 145.	NIL.	NIL.
Relationship (including immediate family relationships) with other director, executive officer, Mewah, substantial shareholders of Mewah or substantial shareholder of principal subsidiary	• Children of Dr Cheo Tong Choon @ Lee Tong Choon (Chairman and substantial shareholder); sibling of Ms Michelle Cheo Hui Ning (Chief Executive officer and substantial shareholder) and sibling of Mr Cheo Jian Jia and Ms Sara Cheo Hui Yi (substantial shareholder). • Niece of Mr Cheo Seng Jin (substantial shareholder).	NIL.	NIL.
Conflict of interest (including any competing business)	NIL.	NIL.	NIL.
Undertaking (in the format set out in Appendix 7.7) under Rule 720 (1) has been submitted to the listed issuer	Yes.	Yes.	Yes.
Present directorship			
- Listed Companies	• Mewah International Inc.	• Mewah International Inc. • Tung Lok Restaurants (2000) Ltd	• Mewah International Inc.

CORPORATE GOVERNANCE

Details	Ms Bianca Cheo Hui Hsin	Dr Foo Say Mui (Bill)	Datuk Dr Fawzia Binti Abdullah
- Others	• One Marthoma (CI) Inc. • Pandan Loop International Inc. • Cavenage House International Inc. • Hua Guan Inc. • Moi International Inc. • Mewah China (HK) Limited • Ngo Chew Hong Corporation Pte. Ltd. • Cavenagh Oleo (S) Pte. Ltd. • Hua Guan Oleo (S) Pte Ltd. • Mewah (HK) Limited • Dr T.C. Pierre (Cayman Islands) Inc. • Eighteen Tenth Nineteen Forty Four Inc. • Unity Investment Inc. • Cheo @ Berrima Inc. • Moi Chemicals Limited • J.J. Mibisa Holding (BVI) Inc. • T.C. Stone Limited • J.J. Mibisa Inc. • J.J. Mibiansa Holdings Pte Ltd • Futura Ingredients Singapore Pte. Ltd. • Ecobliss (S) Pte. Ltd. • Eco Oleo (S) Pte. Ltd. • Ecogenesis Life Sciences Pte. Ltd. • Futura Oppenheimer Pte. Ltd. • Bokley Pte. Ltd. • Aiwei Pte Ltd • All Bright Global Limited	• The International Institute for Strategic Studies (Asia) Ltd ("IISS Asia") as Trustee for the Strategic Studies Fund; • Tower Capital Asia Pte Ltd; • Business Circle Singapore Pte Ltd; • M&C REIT Management Ltd & M&C Business Trust Management Ltd • Kenon Holdings Ltd.	• Econ Medicare Centre & Nursing Home Sdn. Bhd.
Past directorship (for the last 5 years)			
- Listed Companies	• NIL	• NIL	• NIL
- Others	• MOI International (Australia) Pty Ltd • MOI Foods U.S.A. Inc. • Mewah Marketing Pte. Ltd. • Moi Foods (Belgium) N.V • Eco Perfect Limited	• Heartware Network • IC Power Pte Ltd • Unigestion Asia Pte Ltd • I.C. Power Asia Development Ltd. • Academies Australiasia Group Limited	

CORPORATE GOVERNANCE

BOARD PERFORMANCE

PRINCIPLE 5:

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NC has in place a process for the evaluation of the Board's effectiveness as a whole, its Board Committees and a process for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board on an annual basis. The evaluation is done through written assessments by individual directors in anonymous manner. The assessment is based on objective performance criteria including the Board composition and Board size, Board's understanding of the Group's business operations, development of strategic directions, the effectiveness of the Board meetings to facilitate discussion and decision on critical and major corporate matters, as well as individual's contribution and commitment to their roles. The Company Secretary compiles Directors' responses to the evaluation form into a consolidated report. The collated findings are reported and recommendations are submitted to the Board for review and to further enhance the Board's effectiveness. No external facilitator was used in the evaluation process. The performance criteria do not change from year to year unless the NC is of the view that it is necessary to change the performance criteria, for instance, to align with any changes to the Code. In FY 2019, there were no significant issues that warrant the Board's attention.

REMUNERATION MATTERS
PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 6:

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Remuneration Committee (the **"RC"**) comprises entirely of independent directors. The RC is chaired by Dr Foo Say Mui (Bill) with Mr Robert Loke Tan Cheng and Tan Sri Datuk Dr Ong Soon Hock as its members.

The RC is responsible to review and make recommendations to the Board a framework of remuneration for the Board and the key management personnel (**"KMP"**), and determining specific remuneration packages for each director and the KMP. The recommendations of the RC 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 the RC. Each member of the RC is required to abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC in respect of his or her own remuneration package.

The RC has accessed to appropriate advice from within and/or outside the Group on the remuneration of directors and KMP. It ensures that in the event of such advice being sought, existing relationships, if any, between the Group and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The RC did not engage any remuneration consultants for the financial year 2019.

The RC is also responsible in reviewing the Group's obligations arising in the event of termination of the executive directors' and KMP's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

CORPORATE GOVERNANCE

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 7:

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The RC and the Board in determining the level and structure of remuneration of the Board and KMP will ensure that the Board and KMP are provided with appropriate remuneration that is proportionate to the sustained performance and value creation of the Group taking into account its strategic objectives, its long-term interests and risks policies of the Group and is also responsive to the economic climate as well as the performance of the Group, business units and individuals. The RC has structured remuneration packages for KMP on measured performance indicators taking into account both financial and non-financial factors. It is structured to link a significant and appropriate proportion of rewards to the Group's and individual's performance. The remuneration framework for the Board and KMP is aligned with the interest of shareholders, other stakeholders and appropriate to attract, retain and motivate them for the long-term success of the Group.

DISCLOSURE ON REMUNERATION

PRINCIPLE 8:

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Independent directors are paid directors' fees, subject to the approval of shareholders at the AGM. No additional fee is paid for their appointments on other Board Committees. The directors' fee are appropriate to the level of contribution, taking into account factors such as effort, time spent and the responsibilities of the Directors such that the independence of the non-executive directors is not compromised by their compensation. Executive directors and the CEO do not receive directors' fees but are remunerated as members of management.

CORPORATE GOVERNANCE

The breakdown of the remuneration of the (i) directors and CEO; and (ii) employees who are substantial shareholders or are immediate family members of a director, the CEO or a substantial shareholder of the Company, for the financial year ended 31 December 2019 is as follows:

Name	Fixed Salary	Variable Income	Benefits in Kind	Total	Remuneration Band (S$'000)
Executive Directors					
Dr Cheo Tong Choon @ Lee Tong Choon	83%	16%	1%	100%	2,750 to 3,000
Ms Michelle Cheo Hui Ning	80%	19%	1%	100%	1,000 to 1,250
Ms Bianca Cheo Hui Hsin	80%	19%	1%	100%	1,000 to 1,250
Ms Wong Lai Wan[1]	68%	27%	<5%	100%	250 to 500
Independent Non-Executive Directors					
Mr Robert Loke Tan Cheng	100%	-	-	100%	250 and below
Dr Foo Say Mui (Bill)	100%	-	-	100%	250 and below
Tan Sri Datuk Dr Ong Soon Hock	100%	-	-	100%	250 and below
Datuk Dr Fawzia Binti Abdullah	100%	-	-	100%	250 and below

Note:
(1) Ms Wong Lai Wan stepped down from Mewah Board on 31 December 2019.

Name	Family relationship with any director and/or substantial shareholder	Remuneration Band (S$'000)
Employees who are substantial shareholder of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company (remuneration exceeding S$100,000)		
Mr Cheo Jian Jia	Children of Dr Cheo Tong Choon @ Lee Tong Choon; Sibling of Ms Michelle Cheo Hui Ning and Ms Bianca Cheo Hui Hsin	400 to 500
Ms Cheo Chong Cher	Sibling of Dr Cheo Tong Choon @ Lee Tong Choon;	200 to 300
Ms Cheo Sor Cheng Angeline		200 to 300
Ms Cheo Su Ching		200 to 300
Ms Alicia Cheo		100 to 200
Ms Cheo Soh Hua @ Lee Soh Hua		200 to 300
Mr Cheo Teong Eng	Sibling of Dr Cheo Tong Choon @ Lee Tong Choon;	100 to 200

CORPORATE GOVERNANCE

Top Five Key Management Personnel

Remuneration paid to the top five KMP (who are not directors or the CEO) ranged between S$300,000 and S$1,500,000 and aggregated to S$3,072,000 50%, 48%, and 2% of which were fixed salary, variable income and benefits in kind respectively.

In considering the disclosure of remuneration of the directors, immediate family members of a director or KMP, the Group measures the industry conditions in which the Group operates and considers the confidential nature of the remuneration. The Group believes that given the confidential and commercial sensitivities associated with remuneration matters and the highly competitive human resource environment in which the Group operates and the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place, it is in the best interest of the Group to not disclose the Company's top five KMP on a named basis (who are not directors or the CEO).

Remuneration of executive directors and KMP includes a variable component which is linked directly to performance measures identified by the Group. The quantum of variable component is dependent on the individual performance against those measures that includes knowledge and understanding of the Group and industry, execution of strategies, personal qualities, as well as performance of the Group in general. The Company does not have contractual provisions to reclaim incentive components of remuneration from executive directors and KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company as it is of the view that, in any case, it has legal recourse under such circumstances.

No Director or KMP is involved in deciding his or her remuneration.

The Company did not have any Employee Share Schemes for the financial year 2019.

ACCOUNTABILITY AND AUDIT
RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 9:

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders

The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls.

The Executive Risk Management Team monitors and assists the Board in determining the nature and extent of the significant risks which the Group is willing to take in achieving its strategic objectives and value creation. Risk management is explained further in page 19 to 22.

Internal Audit

The internal audit (**"IA"**) function of the Group is established to oversee the risk governance in the Group and maintained on an ongoing basis to ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets. The IA is an independent function within the Group. The IA Department is headed by Mr Larry Cheng (**"Mr Cheng"**), and suitably qualified executives who meet the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Mr Cheng reports direct to the Chairman of Audit Committee. The Audit Committee approves the hiring, removal, evaluation, and compensation of the Group IA Manager. The Audit committee also annually reviews the scope of the internal audit to be carried out by the IA team. The IA function of the Group has unfettered access to all the Group's documents, records, properties and personnel, including Audit Committee and has appropriate standing within the Group.

CORPORATE GOVERNANCE

The Group's IA conducts an annual review of the effectiveness of the Group's material internal controls, including financial, operational, compliance, information technology controls, and risk management systems. 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 Group IA adopted a risk-based auditing approach that focuses on material internal controls, including financial, operational, compliance, information technology controls, and risk management systems. Audits were carried out on all significant business units in the Group, inclusive of limited review performed on dormant and inactive companies. All the Group IA's reports are submitted to the Audit Committee for deliberation with copies of these reports extended to the Chairman, CEO and the relevant Senior Management Officers. In addition, IA's summary of findings and recommendations are discussed at the Audit Committee meetings. The Audit Committee also meet's with IA without the presence of the Senior Management, to discuss any issues of concern.

Risk Management and Internal Control

The role of the IA function is to assist the Audit Committee to provide reasonable assurance that the Group 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 Audit Committee ensures that the IA are adequately resourced and have appropriate standing within the Group. The Audit Committee also review and ensure, on an annual basis, the independence, adequacy and effectiveness of the IA function.

Opinion on the Adequacy and Effectiveness of Internal Control and Risk Management Systems

Based on the internal controls and risk management systems established and maintained by the Group, audit checks performed by the internal and external auditors and regular reviews performed by management, the Board and various Board Committees, the Audit Committee and the Board is of the opinion that the Group's internal control and risk management systems are adequate and effective as at 31 December 2019 to address the financial, operational, compliance and information technology risks of the Group.

The internal control and risk management systems established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives.

Assurance from the CEO and CFO

The Chief Executive Officer and Chief Financial Officer, have also provided a written confirmation to the Board that to the best of their understanding (a) the financial records have been properly maintained, the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group had established and maintained an adequate system of internal controls effective in addressing financial, operational, compliance and information technology controls and risk management systems for the financial year ended 31 December 2019.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

PRINCIPLE 10:

The Board has an Audit Committee which discharges its duties objectively.

Establishment of Audit Committee

The Audit Committee (**"AC"**) comprises entirely non-executive and independent directors. The AC is chaired by Mr Robert Loke Tan Cheng with Tan Sri Datuk Dr Ong Soon Hock and Datuk Dr Fawzia Binti Abdullah as its members. The Board considers the members of the AC are appropriately qualified with sufficient and relevant financial management expertise and experience to discharge its functions. The AC is also kept abreast of changes to accounting standards and issues which have a direct impact on financial statements through meetings with the external auditors who will update the AC on recent related developments. It held four meetings in FY 2019. The AC has met with the internal and external auditors without the presence of the management during the year. The AC does not have any member who was a former partner or director of the Company's external auditor, PricewaterhouseCoopers LLP (**"PwC"**), within a period of two years commencing on the date of their ceasing to be a partner of PwC, or who holds any financial interest in PwC.

The AC is guided by the following key terms of reference which defines its scope of authority to:

(i) Commission internal investigations and review any significant findings and otherwise carry 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 likely to have a material impact on the Company's operating results or financial position);
(ii) review the financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group (including the annual and quarterly reports and any other formal financial statements, reviewing significant financial reporting issues and judgements which they contain) and announcements on the Group's financial performance and recommend changes, if any, to the Board;
(iii) review and report to the Board the adequacy and effectiveness of the Group's internal controls and risk management systems and any oversight of its risk management processes and activities to mitigate and manage risks at acceptable levels determined by the Board;
(iv) review the assurance from the CEO and Chief Financial Officer on the financial records and financial statements;
(v) consider and make recommendations to the Board, on the proposals to shareholders on the appointment, re-appointment and removal of the Group's external auditors. AC shall oversee the selection process for new auditors and if an auditor resigns, AC shall investigate the issues leading to the resignation and decide whether any action is required;
(vi) oversee the relationship with the external auditors and make recommendations to the Board on the external auditors' remuneration and terms of engagement, to ensure the fee commensurate with the audit and non-audit services provided and whether the scope of such services enable adequate audit to be conducted;
(vii) assess and review annually the adequacy, effectiveness, independence, scope and results of external audit and the Group's internal audit function;
(viii) review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
(ix) review and approve the annual internal and external audit plan;
(x) review interested person transactions and potential conflicts of interest, if any;
(xi) review all hedging policies and instruments to be implemented by the Group, if any; and
(xii) review all investment instruments that are not principal protected.

Each member of the AC must abstain from voting on any resolution in respect of matters in which he/she is interested.

CORPORATE GOVERNANCE

External Auditors

The AC has conducted annual review on the independence and objectivity of the external auditors as well as non-audit services provided by them and is satisfied that the nature and extent of such services do not affect the independence of the external auditors. Details of the fees paid and payable to the auditors in respect of audit and non-audit services are set out in the notes to financial statements on page 91 of this Report. The Group has complied with Rule 712, and Rule 715 read with Rule 716 of the SGX-ST Listing Manual in relation to its auditors. The audit partner of the external auditors is rotated every five years in accordance to Rule 713 of the SGX-ST Listing Manual.

The AC has explicit authority to investigate any activity within its terms of reference, full access to and co-operation from the management and full discretion to invite any director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its function properly.

The AC, with the concurrence of the Board, had recommended the re-appointment of PwC as the Company's external auditors at the forthcoming AGM.

Whistle-blowing policy

The Group has put in place a policy on whistle-blowing, approved by the AC and endorsed by the Board to facilitate the reporting of activities or practices which are malpractice, illegal act or omission of work by an employee. Details of the Whistle Blowing Policy and arrangements have been posted to the employees' intranet. By creating an atmosphere of openness and trust, the Group encourages the employees to use internal mechanisms for reporting any malpractice, illegal acts or omissions by any of Group's employees or ex-employees and such reports will be treated fairly and be protected from reprisal.

Dealings in securities

The Group has adopted a Best Practice Code — Trading in Company's Securities. As per the policy, the Company, its directors and all employees of the Group are prohibited from dealing in the Company's shares two weeks before the announcement of the Group's first quarter, second quarter and third quarter results and one month before the announcement of full year results, and ending one business day after the announcement of the results. Directors and all employees are also prohibited from trading in the Company's securities on short-term considerations, defined as 30 days from last dealing; and in situations where the insider trading laws and rules would prohibit trading. The directors' interests in shares of the Company are disclosed on page 53 of this Report.

Key Audit matters

The AC considered and discussed the key audit matters, as disclosed on page 56 to page 57 of this Report, with management and the external auditors. The Audit Committee's assessment and conclusion is explained below:

Valuation of commodities forward contracts of the Group

The AC reviewed the overall valuation methodology adopted by management, including the different sources of prices for consistency and appropriateness. The Audit Committee's review also considered the work performed by the external auditors as well as an assessment of the sensitivity of the valuation to changes in the assumptions and the implications of the same and concluded that the valuation of the commodities forward contracts was reasonable.

CORPORATE GOVERNANCE

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 disclosures in respect of interested person transactions for the financial year ended 31 December 2019 are as follows:

Name of Interested Person	**Nature of relationship**	**Aggregate value of all IPT during the period 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)**
		FY 2019 US$'000	FY 2019 US$'000
Prelude Gateway Sdn. Bhd.	An associate of the Company	96	3,447
Ecolex Sdn. Bhd.	An associate of the Chairman	32	10,356
Containers Printers Pte Ltd	An associate of sibling of the Chairman	NIL	847
Mr Cheo Seng Jin	Sibling of the Chairman	776	NIL
Mr Cheo Tiong Choon	Sibling of the Chairman	776	NIL
Kent Holidays (S) Pte Ltd	An associate of sibling of the Chairman	246	NIL
Choon Heng Logistics Pte Ltd	An associate of sibling of the Chairman	213	NIL
Futura Ingredients Singapore Pte Ltd	An associate of the Chairman	84	NIL

Material Contracts

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO, any director, or controlling shareholder subsisting at the end of financial year ended 31 December 2019 and no material contracts entered into since the end of the previous financial year.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

PRINCIPLE 11:

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company treats all shareholders fairly and equitably to enable the shareholders to exercise their shareholders' right and have the opportunity to communicate their views on matters affecting the Company.

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. If any shareholder is unable to attend, he or she is allowed to appoint up to two proxies to vote on his or her behalf at the meeting through proxy forms sent in advance. Shareholders are informed of shareholders' meetings through notices published in the newspapers, the announcements released via SGXNET and reports or circulars sent to all shareholders. All shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders and have been informed of the rules, including voting procedures, which govern general meetings of shareholders. They are encouraged to meet with the Board and senior management to have a greater insight into the Group's developments. Voting in absentia by mail, facsimile or email has not been implemented as the authentication of shareholders' identity, integrity of the information and other related security issues still remain a concern.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. Independent scrutineers are appointed to conduct the voting process and verify votes after each resolution. The results of the votes are announced at the shareholders' meetings. The outcome of general meeting will also be announced on the SGXNET and the Company website at www.mewahgroup.com after the general meeting.

All directors including the chairman of each Board Committee and the management are present at the AGM to allow shareholders to have the opportunity to communicate their views and ask directors or the management questions regarding the Company. The external auditors are also present at such meetings to assist the directors to address shareholders' queries relating to the conduct of the audit and the preparation and content of the auditors' report.

The attendance of all directors at the AGM as well as all Board and Board Committee meetings are recorded and disclosed on page 32. The Company prepares minutes of general meetings which incorporate substantial and relevant comments or queries from shareholders and responses from the Board and Management and publishes these on the Company website.

Considering the present market conditions and after factoring the interim dividend of S$0.0046 per ordinary share for the third quarter already paid to the shareholders, the Company did not recommend any final dividend for the fourth quarter. The Group explained its dividend payout in the Dividend Policy and this policy is available at the Company website at www.mewahgroup.com.

CORPORATE GOVERNANCE

ENGAGEMENT WITH SHAREHOLDERS

PRINCIPLE 12:

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company has in place an Investor Relation Policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communications with shareholders. The Investor Relations Policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

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 Group disseminates all price sensitive and material information to its shareholders via SGXNET on a non-selective basis. Financial and other performance data of the Group as well as business units, where appropriate, is provided to shareholders in order to have 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 SGXNET website as well as on the Company website at www.mewahgroup.com.

Following the amendments to the Listing Manual and to promote sustainability by conserving environmental and financial resources, the Company also make available a digital format of the Annual Report for FY2019 ("Annual Report"). The Annual Report, as well as Notice of AGM are published on the Company website at www.mewahgroup.com. All shareholders of the Company will receive the notice of AGM, two proxy forms and a request form to request for hard copies of the Annual Report.

MANAGING STAKEHOLDERS RELATIONSHIPS ENGAGEMENT WITH STAKEHOLDERS

PRINCIPLE 13:

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach towards the needs and interest of material stakeholders to ensure that the best interest of the Company are served.

The Company maintains a corporate website, www.mewahgroup.com, to communicate and engage with stakeholders.

The Annual Report sets out the Group's Forward Looking Strategy on page 16 to page 17 and key areas of focus in managing stakeholder relationships at the Sustainability Report FY2019.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

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 60 to 142 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

DIRECTORS

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

Dr Cheo Tong Choon @ Lee Tong Choon
Ms Michelle Cheo Hui Ning
Ms Bianca Cheo Hui Hsin
Dr Foo Say Mui (Bill)
Mr Robert Loke Tan Cheng
Tan Sri Datuk Dr Ong Soon Hock
Datuk Dr Fawzia Binti Abdullah

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' STATEMENT

For the financial year ended 31 December 2019

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:

	No. of ordinary shares			
	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Mewah International Inc				
Dr Cheo Tong Choon @ Lee Tong Choon	-	-	720,060,120	725,965,320
Ms Michelle Cheo Hui Ning	2,163,600	2,163,600	698,278,620	710,833,820
Ms Bianca Cheo Hui Hsin	2,460,100	2,460,100	699,804,620	712,359,820
Ms Wong Lai Wan	224,000	224,000	-	-
Tan Sri Datuk Dr Ong Soon Hock	30,000	30,000	-	-

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

AUDIT COMMITTEE

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

Mr Robert Loke Tan Cheng (Chairman)
Tan Sri Datuk Dr Ong Soon Hock
Datuk Dr Fawzia Binti Abdullah

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors.

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' STATEMENT

For the financial year ended 31 December 2019

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

6 March 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc.

OUR OPINION

In our opinion, the accompanying consolidated financial statements of Mewah International Inc. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards (International) ["SFRS(I)"] so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:
- the consolidated income statement of the Group for the financial year ended 31 December 2019;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the balance sheet of the Group as at 31 December 2019;
- the balance sheet of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc. (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of commodities forward contracts	
At 31 December 2019, the Group has recognised the following fair values of derivative financial assets/(liabilities) as disclosed in Note 16 to the financial statements: • Commodities forward contracts included within current assets: US$68,340,000 • Commodities forward contracts included within current liabilities: US$93,705,000 As these commodities forward contracts are not traded in an active market, the related fair values are estimated using a level 2 valuation technique as described in Note 34(e) to the financial statements. We focused on the valuation of the Group's commodities forward contracts because of the critical accounting estimates involved in determining the indicative market prices which are used in the valuation of these contracts, as disclosed in Note 3(a) to the financial statements.	We held discussions with management to understand the determination of the fair values of these commodities forward contracts. With the assistance of our internal valuation specialists, we assessed the appropriateness of the level 2 valuation technique adopted by management by evaluating the appropriateness of the valuation methodology and the basis of indicative market prices used by management. We also independently verified these indicative market prices to external sources. On a sample basis, we tested management's computation of the fair values of derivative financial assets/(liabilities). Based on the work performed, we found the valuation methodology to be appropriate and the indicative market prices used by management to be within acceptable range.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc. (continued)

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of financial statements in accordance with SFRS(I) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc. (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Tan Bee Nah.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 6 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	**2019**	2018
		US$'000	US$'000
Revenue	4	**2,817,255**	2,946,818
Cost of sales		**(2,693,366)**	(2,812,107)
Gross profit		**123,889**	134,711
Other income	5	**5,301**	4,195
Other gains/losses	6	**8,500**	880
Reversal of expected credit losses		**672**	8,149
Expenses			
- Selling and distribution		**(38,808)**	(31,759)
- Administrative		**(81,411)**	(88,802)
- Finance	9	**(15,093)**	(15,414)
Share of profit of associated company	23	**71**	68
Profit before tax		**3,121**	12,028
Income tax credit	10(a)	**8,443**	2,672
Profit after tax		**11,564**	14,700
Profit after tax attributable to:			
Equity holders of the Company		**11,646**	14,788
Non-controlling interests		**(82)**	(88)
		11,564	14,700
Earnings per share attributable to equity holders of the Company (expressed in US cents per share)			
- Basic and diluted	12	**0.78**	0.99

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 US$'000	2018 US$'000
Profit after tax		**11,564**	14,700
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from foreign subsidiaries			
- Gains/(losses)		**1,074**	(5,155)
Other comprehensive income/(loss), net of tax		**1,074**	(5,155)
Total comprehensive income		**12,638**	9,545
Total comprehensive income attributable to:			
Equity holders of the Company		**12,772**	9,961
Non-controlling interests		**(134)**	(416)
		12,638	9,545

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

BALANCE SHEET - GROUP

As at 31 December 2019

	Note	31 December 2019 US$'000	31 December 2018 US$'000 (restated)
ASSETS			
Current assets			
Inventories	13	**323,190**	401,675
Trade receivables	14	**243,785**	221,592
Other receivables	15	**77,973**	91,980
Current income tax recoverable	11	**4,961**	6,966
Derivative financial instruments	16(a)	**71,797**	61,679
Cash and bank balances	17	**61,814**	48,611
		783,520	832,503
Non-current assets			
Intangible asset	18	**970**	970
Property, plant and equipment	19	**464,829**	417,333
Investment in associated company	23	**569**	491
Deferred income tax assets	27	**2,864**	3,457
Derivative financial instruments	16(b)	**33**	894
		469,265	423,145
Total assets		**1,252,785**	1,255,648
LIABILITIES			
Current liabilities			
Trade payables	24	**125,034**	142,154
Other payables	25	**50,579**	64,029
Contract liabilities	4(b)	**6,808**	10,182
Lease liabilities	20(e)	**521**	-
Current income tax liabilities	11	**1,701**	3,289
Derivative financial instruments	16(a)	**118,784**	34,071
Borrowings	26	**373,748**	404,555
		677,175	658,280
Non-current liabilities			
Lease liabilities	20(e)	**7,206**	-
Deferred income tax liabilities	27	**18,688**	30,762
Borrowings	26	**27,149**	46,310
		53,043	77,072
Total liabilities		**730,218**	735,352
NET ASSETS		**522,567**	520,296

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

BALANCE SHEET - GROUP

As at 31 December 2019

	Note	31 December 2019 US$'000	31 December 2018 US$'000 (restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	28	**1,501**	1,501
Share premium	28	**180,012**	180,012
Other reserves	29	**(37,955)**	(39,081)
Retained profits	30(a)	**378,700**	377,094
		522,258	519,526
Non-controlling interests		**309**	770
Total equity		**522,567**	520,296

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

BALANCE SHEET - COMPANY

As at 31 December 2019

	Note	31 December 2019 US$'000	31 December 2018 US$'000
ASSETS			
Current assets			
Other receivables	15	**300,731**	283,443
Cash and bank balances	17	**86**	590
		300,817	284,033
Non-current assets			
Investments in subsidiaries	22	**849**	849
Derivative financial instruments	16(a)	**29**	-
		878	849
Total assets		**301,695**	284,882
LIABILITIES			
Current liabilities			
Other payables	25	**305**	265
Current income tax liabilities	11	**329**	314
Derivative financial instruments	16(a)	**-**	28
		634	607
Non-current liabilities			
Deferred income tax liabilities	27	**1,806**	1,029
Total liabilities		**2,440**	1,636
NET ASSETS		**299,255**	283,246
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	28	**1,501**	1,501
Share premium	28	**180,012**	180,012
Other reserves	29	**3,509**	3,509
Retained profits	30(b)	**114,233**	98,224
Total equity		**299,255**	283,246

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Note	← Attributable to equity holders of the Company							→		
		Share capital	Share premium	Capital redemption reserve	Merger reserve	General reserve	Currency translation reserve	Retained profits	Total	Non-controlling interests	Total equity
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2019											
Balance at 1 January 2019											
As previously reported		1,501	180,012	3,509	(53,005)	(720)	11,135	377,094	519,526	679	520,205
Acquisition of subsidiaries	37	-	-	-	-	-	-	-	-	91	91
As restated		**1,501**	**180,012**	**3,509**	**(53,005)**	**(720)**	**11,135**	**377,094**	**519,526**	**770**	**520,296**
Profit for the year		-	-	-	-	-	-	11,646	11,646	(82)	11,564
Other comprehensive income for the year		-	-	-	-	-	1,126	-	1,126	(52)	1,074
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**1,126**	**11,646**	**12,772**	**(134)**	**12,638**
Dividends	31	-	-	-	-	-	-	(10,040)	(10,040)	(327)	(10,367)
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**-**	**(10,040)**	**(10,040)**	**(327)**	**(10,367)**
Balance at 31 December 2019		**1,501**	**180,012**	**3,509**	**(53,005)**	**(720)**	**12,261**	**378,700**	**522,258**	**309**	**522,567**
2018 (restated)											
Balance at 1 January 2018		**1,501**	**180,012**	**3,509**	**(53,005)**	**(720)**	**15,962**	**369,264**	**516,523**	**1,133**	**517,656**
Profit for the year		-	-	-	-	-	-	14,788	14,788	(88)	14,700
Other comprehensive loss for the year		-	-	-	-	-	(4,827)	-	(4,827)	(328)	(5,155)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**(4,827)**	**14,788**	**9,961**	**(416)**	**9,545**
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	244	244
Dividends	31	-	-	-	-	-	-	(6,958)	(6,958)	(191)	(7,149)
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**-**	**(6,958)**	**(6,958)**	**53**	**(6,905)**
Balance at 31 December 2018		**1,501**	**180,012**	**3,509**	**(53,005)**	**(720)**	**11,135**	**377,094**	**519,526**	**770**	**520,296**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	**2019** **US$'000**	2018 US$'000
Cash flows from operating activities			
Profit after tax		**11,564**	14,700
Adjustments for:			
- Income tax credit	10(a)	**(8,443)**	(2,672)
- Depreciation of property, plant and equipment	19	**21,420**	19,430
- Losses/(gains) on disposal of property, plant and equipment	6	**88**	(2,226)
- Property, plant and equipment written off	6	**51**	71
- Reversal of impairment loss on property, plant and equipment	6	**(3,376)**	-
- Interest income	5	**(2,558)**	(1,465)
- Interest expense	9	**15,093**	15,414
- Share of profit of associated company	23	**(71)**	(68)
Operating cash flows before working capital changes		**33,768**	43,184
Changes in operating assets and liabilities:			
- Inventories		**81,139**	(41,594)
- Trade and other receivables		**(14,644)**	36,553
- Contract liabilities		**(3,374)**	(496)
- Trade and other payables		**(29,148)**	(28,231)
- Derivative financial instruments		**71,679**	27,159
Cash flows from operations		**139,420**	36,575
Interest received		**2,013**	894
Interest paid		**(15,093)**	(15,414)
Income tax paid	11	**(2,809)**	(4,036)
Decrease in restricted short term deposit		**-**	2,623
Net cash flows from operating activities		**123,531**	20,642
Cash flows from investing activities			
Acquisition of subsidiaries	37	**-**	(8,404)
Decrease/(increase) in other receivables		**4,960**	(1,203)
Additions to property, plant and equipment		**(53,201)**	(79,723)
Proceeds from disposal of property, plant and equipment		**180**	7,495
Net cash flows used in investing activities		**(48,061)**	(81,835)
Cash flows from financing activities			
Decrease/(increase) in restricted short term deposit		**333**	787
Proceeds from long term borrowings		**3,438**	51,149
Repayment of long term borrowings		**(15,623)**	(23,892)
Net (repayments)/proceeds from short term borrowings		**(39,846)**	23,398
Repayment of lease liabilities		**(496)**	-
Interest received		**545**	571
Dividends paid to equity holders of the Company	31	**(10,040)**	(6,958)
Dividends paid to non-controlling interests		**(327)**	(191)
Net cash flows (used in)/from financing activities		**(62,016)**	44,864
Net change in cash and cash equivalents		**13,454**	(16,329)
Cash and cash equivalents at beginning of financial year		**48,278**	65,850
Effect of changes in exchange rate on cash and cash equivalents		**82**	(1,243)
Cash and cash equivalents at end of financial year	17	**61,814**	48,278

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2019	Proceeds from borrowings	Principal payments	Adoption of SFRS(I)16	Non-cash changes Foreign exchange movement	31 December 2019
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Borrowings	450,865	3,438	(55,469)	-	2,063	**400,897**
Lease liabilities	-	-	(496)	8,223	-	**7,727**

	1 January 2018	Proceeds from borrowings	Principal payments	Non-cash changes Foreign exchange movement	31 December 2018
	US$'000	US$'000	US$'000	US$'000	US$'000
Borrowings	404,477	74,547	(23,892)	(4,267)	450,865

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 and incorporated and domiciled in the Cayman Islands. The address of its registered office is Harbour Place, 2nd 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.

The principal activity of the Company is that of investment holding. The principal activities of its significant subsidiaries are disclosed in Note 41 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) 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 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases.

Adoption of SFRS(I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases (continued)

(a) When the Group is the lessee (continued)

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

(ii) On a lease-by-lease basis, the Group has:
   (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
   (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
   (c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
   (d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
   (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition (i.e. 1 January 2019).

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) The difference between the carrying amount of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases (continued)

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

(c) When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset.

On 1 January 2019, the Group has reassessed the classification of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, none of the subleases of office space is reassessed as finance lease.

The accounting policy for subleases are disclosed in Note 2.14.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase
	US$'000
Property, plant and equipment	8,223
Lease liabilities	8,223

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	US$'000
Operating lease commitment disclosed as at 31 December 2018	13,334
Less: Short-term leases	(539)
Less: Low-value leases, except for those under a sublease arrangement	(252)
Less: Discounting effect using weighted average incremental borrowing rate of 4.33%	(4,320)
Lease liabilities recognised as at 1 January 2019	8,223

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue

(a) Sale of goods

The Group produces and sells primarily vegetable-based edible oil and fat products. Sales are recognised at a point in time when control of the products has transferred to its customer, being when the right to payment accrues, significant risks and rewards of ownership are transferred, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

(b) Shipping services

Revenue from shipping services is recognised in the accounting period in which the services are rendered.

(c) Charter income

Revenue from time charter is recognised on a straight-line basis over the period of the time charter agreement.

Revenue from voyage charter is recognised rateably over the estimated length of the voyage within the reporting period and ends in subsequent reporting period.

The Group determines the percentage of completion of voyage freight using the load-to-discharge method. Under this method, voyage revenue is recognised rateably over the period from the departure of a vessel from the port of loading to departure from the discharge port.

Demurrage is included if a claim is considered probable.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) 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.

If payments by the customers are received before the sale of goods or shipping services, a contract liability is recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that 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 unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, statement of comprehensive income, 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.

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

(ii) Acquisitions

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

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 identifiable net assets.

The excess of (a) 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

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, balance sheet, statement of cash flows and statement of changes in equity and 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 bank balances and fair values of other consideration.
- 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 reserve.

(iii) Disposals

When a change in the Group'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 previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

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

Please refer to Note 2.5 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group'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 Company. 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) Associated company

Associated company is an entity 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%.

Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investment in associated company is 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 associated company represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investment.

(ii) Equity method of accounting

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise Group's share of its associated company's post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated company is recognised as a reduction of the carrying amount of the investment. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associated company includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) Associated company (continued)

(iii) Disposals

Investment in associated company is derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to Note 2.5 for the accounting policy on investment in associated company 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 including mature plants are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(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. Mature plants are living plants used in the production or supply of agricultural produce that are expected to bear produce for more than one period, covering activities that are necessary to cultivate the mature plants before they are in the location and condition necessary to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs).

(b) Depreciation

Freehold land, capital expenditure in progress (including immature plants) are stated at cost and not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold buildings	2%
Leasehold land and buildings	1% to 3% (Over the period of leases)
Plant and equipment	2% to 5%
Furniture, fixtures and office equipment	5% to 20%
Motor vehicles	20%
Vessels	4%
Mature plants	5%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation (continued)

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) 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.

(d) 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 gains/losses". Any amount in asset revaluation reserve relating to that asset is transferred to retained profits directly.

2.5 Investments in subsidiaries and associated company

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

2.6 Impairment of non-financial assets

(a) Goodwill

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 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets (continued)

(b) Property, plant and equipment
Investments in subsidiaries and associated company

Property, plant and equipment and investments in subsidiaries and associated company 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 deemed cost, in which case, such impairment loss is treated as a decrease to the asset revaluation reserve to the extent of the asset revaluation reserve relating to these assets.

An impairment loss for an asset other than goodwill is reversed 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.

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

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 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

(a) Classification and measurement

The Group classifies its financial assets as financial assets at amortised cost.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

<u>At subsequent measurement</u>

(i) Debt instruments

Debt instruments mainly comprise of cash and bank balances, and trade and other receivables.

Financial assets of the Group are subsequently measured as follows:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(c) 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 debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

2.10 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, in which case they are presented as non-current liabilities.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

2.12 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. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss within "cost of sales" 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.

2.13 Fair value estimation of financial assets and liabilities

The Group's commodities futures contracts are traded in active markets and their fair values take into consideration quoted prices at the balance sheet date in active markets such as Bursa Malaysia.

The Group's commodities forward contracts are not traded in an active market and hence their fair values are estimated using a valuation technique as described in Note 34(e).

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.

2.14 Leases

(a) The accounting policy for leases <u>before 1 January 2019</u> are as follows:

(i) When the Group is the lessee:

- *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. Initial direct costs incurred by the Group in negotiating and arranging operating leases are capitalised as prepayments and recognised in profit or loss over the lease term on a straight-line basis.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

(a) The accounting policy for leases before 1 January 2019 are as follows: (continued)

(ii) When the Group is the 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.

(b) The accounting policy for leases from 1 January 2019 are as follows:

(i) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- *Right-of-use assets*

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within “Property, plant and equipment”.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(i) When the Group is the lessee: (continued)

- *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- *Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for a sublease arrangement. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(ii) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the 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. 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.

2.16 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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 associated companies, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Income taxes (continued)

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 on acquisition.

The Group accounts for investment tax credits similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

2.17 Provisions

Provisions for 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.

Other 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 profit or loss as finance expense.

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

2.18 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. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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 Dollar ("US$") ("presentation currency"), which is 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 exchange differences resulting 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. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses are presented in the income statement within "other gains/losses".

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.

(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 date;

(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 other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Segment reporting

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

2.21 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.

For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.22 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.

2.23 Dividends to Company's shareholders

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

2.24 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 presented on the balance sheet under other payables as deferred income.

2.25 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum 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 (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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) Valuation of commodities forward contracts

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 (Note 16). 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 and hence their fair values are estimated using a valuation technique as described in Note 34(e).

If the commodities forward prices had been higher or lower by 5% from the management's estimates and other variables remain constant, the Group's profit after tax would have been lower or higher by US$8,432,000 (2018: lower or higher by US$11,679,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

(b) Assessment of recoverability of past due trade receivables of the Group

Management reviews its trade receivables on a regular basis to identify specific trade receivables that are credit impaired and recognises a loss allowance equal to lifetime expected credit loss in respect of these receivables. For the remaining trade receivables, they are grouped based on similar risk characteristics and days past due to determine the expected credit loss rate to be applied. In calculating the expected credit loss rates, management considers historical loss rates and adjusts to reflect current and forward looking macro economic factors affecting the ability of the customers to settle the receivables. Further details are disclosed in Note 34(b) to the financial statements.

Based on the assessment performed by management at 31 December 2019, the loss allowance recognised for specific trade receivables that are credit impaired amounted to US$21,609,000 (Note 14). For the remaining trade receivables, management has assessed that the associated credit risks are insignificant.

(c) Impairment assessment of the Group's property, plant and equipment

Property, plant and equipment ("PPE") is tested for impairment whenever there are indications that these assets may be impaired. Management performs reviews to determine whether there are any indications of impairment in relation to the PPE held by the Group.

Based on the reviews performed by management at 31 December 2019, management has not identified any indications of impairment in relation to the PPE of the Group.

(d) Uncertain tax position of the Group

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, incentives and deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction. Where the final outcome of these matters is different from the amounts that were initially recorded, such as due to changes in tax rules or revised interpretations of existing tax laws and precedent, such differences will impact the income tax provisions in the corresponding periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines.

	Group		
	At a point in time	**Over time**	**Total**
	US$'000	US$'000	US$'000
2019			
Sale of palm based products in bulk	1,955,926	-	1,955,926
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	784,557	-	784,557
Shipping services*	-	71,976	71,976
Charter income	-	4,796	4,796
Total	**2,740,483**	**76,772**	**2,817,255**
2018			
Sale of palm based products in bulk	1,995,968	-	1,995,968
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	874,101	-	874,101
Shipping services*	-	72,299	72,299
Charter income	-	4,450	4,450
Total	2,870,069	76,749	2,946,818

* Shipping services relate to revenue earned arising from the delivery of products sold to customers.

Included in the sale of palm based products in bulk is the subsidy received from the Malaysian government under the cooking oil price stabilisation scheme amounting to US$2,221,000 (2018: US$3,102,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) Contract liabilities

	Group		
	31 December		1 January
	2019	2018	2018
	US$'000	US$'000	US$'000
Contract liabilities			
- Sale of goods contracts	**6,808**	10,182	8,118
Total contract liabilities	**6,808**	10,182	8,118

(i) Revenue recognised in relation to contract liabilities

	Group	
	2019	2018
	US$'000	US$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Sale of goods contracts	**7,810**	6,058

(ii) Unsatisfied performance obligations

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less is not disclosed.

(c) Trade receivables from contracts with customers

	Group		
	31 December		1 January
	2019	2018	2018
	US$'000	US$'000	US$'000
Trade receivables from contracts with customers	**265,394**	244,648	286,641
Less: Allowance for expected credit losses	**(21,609)**	(23,056)	(34,214)
Trade receivables (net)	**243,785**	221,592	252,427

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. OTHER INCOME

	Group	
	2019	2018
	US$'000	US$'000
Interest income on bank deposits and others	**545**	571
Late interest charged on trade receivables	**2,013**	894
	2,558	1,465
Rental income	**211**	413
Commission income	**45**	47
Insurance claims	**221**	149
Other miscellaneous income	**2,266**	2,121
	5,301	4,195

Other miscellaneous income mainly comprise sales of scrap and waste.

6. OTHER GAINS (NET)

	Group	
	2019	2018
	US$'000	US$'000
Foreign exchange gains/(losses) - net	**5,370**	(1,025)
Loss allowance on other receivables	**(107)**	(250)
Reversal of impairment loss on property, plant and equipment (Note 19)	**3,376**	-
Property, plant and equipment written off	**(51)**	(71)
(Losses)/gains on disposal of property, plant and equipment	**(88)**	2,226
	8,500	880

The Group carried out a review of the recoverable amount of certain property, plant and equipment at 31 December 2019 and assessed that there are indications that the impairment loss recognised in the prior financial years relating to these property, plant and equipment no longer exists at 31 December 2019. Accordingly, the management of the Group has estimated the recoverable amount of these property, plant and equipment at 31 December 2019 and recorded a reversal of impairment loss of US$3,376,000 in the consolidated income statement for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. EXPENSES BY NATURE

	Group	
	2019	2018
	US$'000	US$'000
Purchases of inventories	**2,393,403**	2,744,079
Changes in inventories	**77,459**	(41,594)
Losses from derivative financial instruments	**97,428**	2,905
Freight charges	**67,579**	61,350
Consultation fees	**3,117**	3,059
Transportation	**24,800**	21,598
Export duties	**174**	879
Insurance	**6,078**	4,869
Utilities	**13,495**	13,161
Rental on operating leases	**1,347**	2,485
Repair and maintenance	**8,097**	6,777
Employee compensation (Note 8)	**63,592**	66,116
Depreciation of property, plant and equipment (Note 19)*	**21,420**	19,430
Bank charges	**4,002**	4,012
Inventories written down/(Reversal of inventories written down)	**3,680**	(1,738)
Audit fees		
- Auditors of the Company	**371**	364
- Other auditors**	**255**	226
Non-audit fees		
- Auditors of the Company	**92**	120
- Other auditors**	**111**	110
Others	**27,085**	24,460
Total cost of sales, selling and distribution and administrative expenses	**2,813,585**	2,932,668

* Includes depreciation arising from adoption of SFRS(I) 16 amounting to US$787,000 (Note 19)

** Include the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

For the financial year ended 31 December 2019, the inventories written down mainly relate to inventories which were slow-moving. For the financial year ended 31 December 2018, the reversal of inventories written down mainly relate to inventories previously written down that were sold above their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. EMPLOYEE COMPENSATION

	Group	
	2019	2018
	US$'000	US$'000
Salaries	**56,819**	59,680
Employer's contributions to defined contribution plans	**4,409**	4,251
Other staff benefits	**2,364**	2,185
	63,592	66,116

9. FINANCE EXPENSES

	Group	
	2019	2018
	US$'000	US$'000
Interest expenses:		
- Bank borrowings and others	**15,093**	15,414

10. INCOME TAXES

(a) Income tax credit

	Group	
	2019	2018
	US$'000	US$'000
Tax expense attributable to profit was made up of:		
Current income tax		
- Singapore	**2,000**	2,470
- Foreign	**5,010**	3,390
	7,010	5,860
Deferred income tax	**(10,676)**	(6,636)
	(3,666)	(776)
Over provision in prior financial years		
- Current income tax (Note 11)	**(3,746)**	(1,870)
- Deferred income tax	**(1,031)**	(26)
	(4,777)	(1,896)
Income tax credit	**(8,443)**	(2,672)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. INCOME TAXES (continued)

(a) Income tax credit (continued)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the domestic rates of income tax as explained below:

	Group	
	2019	2018
	US$'000	US$'000
Profit before tax	**3,121**	12,028
Tax calculated at domestic rates applicable to profits in the respective countries	**(1,017)**	855
Effects of:		
- Tax incentives	**(6,234)**	(6,624)
- Expenses not deductible for tax purposes	**1,224**	5,354
- Income not subject to tax	**(1,148)**	(84)
- Deferred tax benefits not recognised	**3,351**	-
- Utilisation of previously unrecognised tax losses	**-**	(236)
- Over provision of tax in prior financial years	**(4,777)**	(1,896)
- Others	**158**	(41)
	(8,443)	(2,672)

Singapore and Malaysia, two of the Group's main tax jurisdictions, had headline corporate tax rates of 17% and 24% (2018: 17% and 24%) respectively. The Group enjoys certain tax incentives such as concessionary tax rate on qualifying income under the Global Trader Programme of International Enterprise Singapore, concessionary tax rate on qualifying income under the Pioneer Status in Malaysia and other various schemes for qualifying capital investments in Malaysia.

Over provision in prior financial years

For the financial year ended 31 December 2019, the over provision of current income tax in respect of prior financial years resulted from the final settlement of the notice of additional tax of a wholly-owned subsidiary during the current financial year. The notice of additional tax was raised by a local tax authority to a wholly-owned subsidiary of the Group during the financial year ended 31 December 2017 and was paid and provided during that financial year. The wholly-owned subsidiary had filed an objection to this additional tax assessment and the matter was under arbitration as at 31 December 2018.

For the financial year ended 31 December 2018, the over provision of current income tax in respect of prior financial years resulted from the final tax outcome being different from the amounts that were originally estimated for reinvestment allowances on qualifying capital expenditure for Malaysian-based operating subsidiaries, capital allowances, incentives and the deductibility of certain expenses in the various tax jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. CURRENT INCOME TAXES RECOVERABLE/(LIABILITIES)

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Beginning of the year	**3,677**	3,761	**(314)**	(768)
Currency translation differences	**38**	(130)	**(5)**	(18)
Income tax paid	**2,809**	4,036	**1,137**	1,060
Tax expense (Note 10)	**(7,010)**	(5,860)	**(1,176)**	(870)
Over provision in prior financial years (Note 10)	**3,746**	1,870	**29**	282
End of the financial year	**3,260**	3,677	**(329)**	(314)
Represented by:				
At 31 December				
- Current income tax recoverable	**4,961**	6,966	**-**	-
- Current income tax liabilities	**(1,701)**	(3,289)	**(329)**	(314)

12. EARNINGS PER SHARE

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

	Group	
	2019	2018
	US$'000	US$'000
Net profit attributable to equity holders of the Company (US$'000)	**11,646**	14,788
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,500,667**	1,500,667
Basic earnings per share (US cents per share)	**0.78**	0.99

Diluted earnings per share was the same as the basic earnings per share for the financial years ended 31 December 2019 and 2018 as there were no potential dilutive ordinary shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. INVENTORIES

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Raw materials	**153,240**	152,501
Finished goods	**162,993**	242,693
Stores, spares and consumables	**6,957**	6,481
	323,190	401,675

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US$2,474,542,000 (2018: US$2,700,747,000).

14. TRADE RECEIVABLES

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Trade receivables		
- Related parties [Note 35(a)]	**12,699**	20,947
- Non-related parties	**252,695**	223,701
	265,394	244,648
Less: Allowance for expected credit losses		
- Non-related parties [Note 34(b)]	**(21,609)**	(23,056)
Trade receivables - net	**243,785**	221,592

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. OTHER RECEIVABLES

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Loans to subsidiaries	**-**	-	**331,148**	322,983
Less: Allowance for expected credit losses	**-**	-	**(30,434)**	(39,556)
	-	-	**300,714**	283,427
Non-trade receivables	**13,023**	49,998	**-**	-
Deposits	**59,403**	37,148	**-**	-
Prepayments	**5,547**	4,834	**17**	16
	77,973	91,980	**300,731**	283,443

Group

As at 31 December 2019, non-trade receivables included US$1,454,000 (2018: US$37,464,000) refundable Goods and Service Tax, US$1,702,000 (2018: US$64,000) relating to subsidy receivable for cooking oil price stabilisation scheme and US$5,013,000 (2018: US$9,973,000) being advance payments towards capital expenditure.

As at 31 December 2019, deposits included US$8,201,000 (2018: US$8,472,000) of advance payments for the purchase of raw materials and US$49,424,000 (2018: US$27,732,000) paid to Bursa Malaysia Derivatives Clearing Bhd for commodity trading initial and variation margin payment.

Company

Loans to subsidiaries bear interests from 0.6% to 8.4% (2018: 1.2% to 10.1%) per annum. The loans are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. DERIVATIVE FINANCIAL INSTRUMENTS

Currency forward contracts are entered into by the Group to manage exposure to fluctuations in foreign currency exchange rates.

The Group enters 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.

(a) Current portion

	Contract notional amount	Group Fair values	
		Asset	**Liability**
	US$'000	US$'000	US$'000
31 December 2019			
Currency forward contracts [Note 34(e)]	560,431	3,457	(5,023)
Commodities forward contracts [Note 34(e)]	869,993	68,340	(93,705)
Futures contracts on commodity exchange [Note 34(e)]	855,772	-	(20,056)
Total		**71,797**	**(118,784)**
31 December 2018			
Currency forward contracts [Note 34(e)]	667,408	4,568	(3,251)
Commodities forward contracts [Note 34(e)]	1,006,930	51,640	(16,039)
Futures contracts on commodity exchange [Note 34(e)]	979,113	5,471	(14,781)
Total		61,679	(34,071)

	Contract notional amount	Company Fair values	
		Asset	**Liability**
	US$'000	US$'000	US$'000
31 December 2019			
Currency forward contracts [Note 34(e)]	995	**29**	**-**
31 December 2018			
Currency forward contracts [Note 34(e)]	5,293	-	(28)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Non-current portion

	Contract notional amount	Group Fair values	
		Asset	Liability
	US$'000	US$'000	US$'000
31 December 2019			
Futures contracts on commodity exchange [Note 34(e)]	4,226	33	-
31 December 2018			
Commodities forward contracts [Note 34(e)]	2,508	483	-
Futures contracts on commodity exchange [Note 34(e)]	138,467	411	-
Total		**894**	**-**

17. CASH AND BANK BALANCES

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**50,050**	42,590	**82**	586
Short-term bank deposits	**11,764**	6,021	**4**	4
	61,814	48,611	**86**	590

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

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Cash and bank balances (as above)	**61,814**	48,611
Less: Restricted short term bank deposits	**-**	(333)
Cash and cash equivalents per consolidated statement of cash flows	**61,814**	48,278

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. INTANGIBLE ASSET

	Group	
	31 December	
	2019	2018
	US$'000	US$'000 (restated)
Goodwill arising from acquisition of subsidiaries	**970**	970
Beginning of financial year	**970**	-
Acquisition of subsidiaries	**-**	970
End of financial year	**970**	970

The goodwill arises from the Group's acquisition of 95% of the issued equity of PT Angso Duo Sawit and PT Jambi Batanghari Plantation ("jointly as Jambi business"), and are involved primarily in milling and palm oil plantation businesses respectively. These companies are incorporated in Indonesia. Further details relating to this acquisition is in Note 37.

Impairment tests for goodwill

Goodwill arising from business combination have been allocated to the cash-generating unit ("CGU") – Jambi business, for impairment testing.

The recoverable amount of the CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

Discount rate	12.66%
Terminal growth rate	4.97%

The terminal growth rate used is consistent with the forecast included in industry reports and did not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used was pre-tax and reflected specific risks relevant to the CGU.

Based on the recoverable amount determined by management, no impairment for the goodwill was deemed necessary as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. 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$'000	Vessels US$'000	Mature plants US$'000	Capital expenditure in progress US$'000	Total US$'000
Group									
2019									
Cost									
Beginning of financial year									
As previously reported	22,944	124,761	345,862	21,507	7,776	11,070	-	61,899	595,819
Acquisition of subsidiaries (Note 37)	-	2,286	1,692	-	-	-	3,162	(2,036)	5,104
As restated	22,944	127,047	347,554	21,507	7,776	11,070	3,162	59,863	600,923
Adoption of SFRS(I) 16 (Note 2.1)	-	8,129	40	-	54	-	-	-	8,223
Currency translation differences	251	1,320	4,078	118	30	3	84	576	6,460
Additions	144	1,264	6,070	1,804	880	301	465	42,273	53,201
Disposals	-	(165)	(991)	(345)	(236)	-	-	-	(1,737)
Write off	-	-	(844)	(179)	-	-	-	-	(1,023)
Reclassification	-	6,459	29,873	174	-	132	173	(36,811)	-
End of financial year	23,339	144,054	385,780	23,079	8,504	11,506	3,884	65,901	666,047
Accumulated depreciation									
Beginning of financial year									
As previously reported	2,122	25,696	128,661	16,653	4,714	696	-	-	178,542
Acquisition of subsidiaries (Note 37)	-	-	(68)	-	-	-	68	-	-
As restated	2,122	25,696	128,593	16,653	4,714	696	68	-	178,542
Currency translation differences	27	391	1,478	82	21	-	26	-	2,025
Depreciation charge (Note 7)	488	2,898	14,268	1,622	1,126	918	100	-	21,420
Disposals	-	(134)	(786)	(340)	(209)	-	-	-	(1,469)
Write off	-	-	(797)	(175)	-	-	-	-	(972)
Reclassification	-	2,119	(2,177)	7	11	-	40	-	-
End of financial year	2,637	30,970	140,579	17,849	5,663	1,614	234	-	199,546
Accumulated impairment losses									
Beginning of financial year	-	4,280	17	247	66	-	-	438	5,048
Reversal of impairment losses	-	(3,376)	-	-	-	-	-	-	(3,376)
End of financial year	-	904	17	247	66	-	-	438	1,672
Net book value									
End of financial year	**20,702**	**112,180**	**245,184**	**4,983**	**2,775**	**9,892**	**3,650**	**65,463**	**464,829**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	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$'000	Vessels US$'000	Mature plants US$'000	Capital expenditure in progress US$'000	Total US$'000
Group									
2018 (restated)									
Cost									
Beginning of financial year	28,148	123,262	333,482	20,233	7,967	1,972	-	21,138	536,202
Currency translation differences	(774)	(2,830)	(7,601)	(241)	(97)	-	-	(1,856)	(13,399)
Additions	136	2,981	2,033	1,719	1,508	9,337	-	62,009	79,723
Acquisition of subsidiaries	-	3,415	1,740	-	12	-	3,162	5	8,334
Disposals	(5,311)	(21)	(862)	(107)	(1,606)	-	-	-	(7,907)
Write off	-	-	(1,654)	(129)	(8)	(239)	-	-	(2,030)
Reclassification	745	240	20,416	32	-	-	-	(21,433)	-
End of financial year	22,944	127,047	347,554	21,507	7,776	11,070	3,162	59,863	600,923
Accumulated depreciation									
Beginning of financial year	1,948	23,484	119,023	15,642	5,337	75	-	-	165,509
Currency translation differences	(59)	(414)	(2,733)	(169)	(58)	-	-	-	(3,433)
Depreciation charge (Note 7)	518	2,631	13,085	1,407	983	806	-	-	19,430
Acquisition of subsidiaries	-	-	(68)	-	-	-	68	-	-
Disposals	(285)	(5)	(698)	(102)	(1,548)	-	-	-	(2,638)
Write off	-	-	(16)	(125)	-	(185)	-	-	(326)
End of financial year	2,122	25,696	128,593	16,653	4,714	696	68	-	178,542
Accumulated impairment losses									
Beginning and end of financial year	-	4,280	17	247	66	-	-	438	5,048
Net book value									
End of financial year	20,822	97,071	218,944	4,607	2,996	10,374	3,094	59,425	417,333

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Right-of-use ("ROU") assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 20(a).

(b) As at 31 December 2019, bank borrowings (Note 26) are secured on property, plant and equipment of the Group with carrying amounts of US$116,752,000 (2018: US$160,760,000).

(c) In the previous financial year, property, plant and equipment written off totalling US$1,633,000 were fully recovered from the insurance claims made.

(d) Interest capitalised within capital expenditure in progress amounted to US$1,344,000 (2018: US$120,000) for the financial year ended 31 December 2019.

20. LEASES – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Property

The Group leases office space, warehouse for the purpose of back office operations, refining and selling palm oil products and dairy-based products.

Leasehold land

The Group also makes monthly lease payments for leasehold land. The right-of-use of the land are recognised within property, plant and equipment (Note 19).

There are no externally imposed covenant on these lease arrangements.

Equipment and vehicles

The Group leases motor vehicles and equipment to render logistic services. The lease arrangements prohibit the Group from subleasing the equipment to third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. LEASES – THE GROUP AS A LESSEE (continued)

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	31 December 2019 US$'000	1 January 2019 US$'000
Group		
Leasehold land*	**73,578**	72,163
Plant and equipment**	**30**	40
Motor vehicles**	**34**	54
Total	**73,642**	72,257

* Financial effects arising from adoption of SFRS(I) 16 amounted to US$7,372,000 (1 January 2019: USD$8,129,000).

** Arising from adoption of SFRS(I)16

(b) Depreciation charge during the year

	2019 US$'000
Group	
Leasehold land*	**2,027**
Plant and equipment**	**10**
Motor vehicles**	**20**
Total	**2,057**

* Financial effects arising from adoption of SFRS(I) 16 amounted to US$757,000

** Arising from adoption of SFRS(I)16

(c) Interest expense

	2019 US$'000
Group	
Interest expense on lease liabilities	**347**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. LEASES – THE GROUP AS A LESSEE (continued)

(d) Lease expense not capitalised in lease liabilities

	2019 US$'000
Group	
Lease expense – short-term leases	**539**
Lease expense – low-value leases	**808**
Total (Note 7)	**1,347**

(e) Lease liabilities

	2019 US$'000
Group	
Current	
Lease liabilities	**521**
Non-current	
Lease liabilities	**7,206**

(f) Total cash outflow for all the leases in 2019 was US$2,190,000.

(g) Addition of ROU assets during the financial year 2019 was US$Nil.

(h) Future cash outflow which are not capitalised in lease liabilities:

Extension options

i. Extension option exercisable by the Group

The lease for certain asset contains extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise the extension option. The Group negotiates extension option to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension option is exercisable by the Group and not by the lessor.

ii. Extension options subject to terms and conditions

The lease for certain asset contain extension period, for which the related lease payments had not been included in lease liabilities as the option to extend is subject to the approval of the lessor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. LEASES – THE GROUP AS A LESSOR

Nature of the Group's leasing activities – Group as a lessor

The Group has leased out office space under its leasehold buildings to non-related parties for monthly lease payments. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from leasing of office space is disclosed in Note 5.

Nature of the Group's leasing activities – Group as an intermediate lessor

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it sub-leases out office space to third parties for monthly lease payments.

Income from subleasing recognised during the financial year 2019 was US$95,000 (2018: US$59,000).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	31 December 2019	1 January 2019
	US$'000	US$'000
Less than one year	**193**	123
One to five years	**174**	84
Total undiscounted lease payment	**367**	207

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
	US$'000	US$'000
Equity investments at cost		
Beginning and end of financial year	**849**	849

Details of the significant subsidiaries are included in Note 41. There are no subsidiaries with non-controlling interest that are material to the Group as at 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. INVESTMENTS IN ASSOCIATED COMPANY

	Group	
	2019	2018
	US$'000	US$'000
Equity investments at cost		
Beginning of financial year	**491**	435
Share of profits	**71**	68
Currency translation differences	**7**	(12)
End of financial year	**569**	491

The summarised financial information of the associated company, not adjusted for the proportion ownership interest held by the Group, was as follows:

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Assets	**1,458**	1,402
Liabilities	**(298)**	(399)
Carrying value of associated company	**1,160**	1,003
Effective interest rate of the Group in associated company	**49%**	49%
Carrying value of group's interest in associated company	**569**	491

	Group	
	2019	2018
	US$'000	US$'000
Revenue	**4,374**	4,954
Net profit and total comprehensive income	**146**	138
Effective interest rate of the Group in associated company	**49%**	49%
Share of profit of associated company	**71**	68

In the opinion of management, the associated company is not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. TRADE PAYABLES

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Trade payables		
- Related parties [Note 35(a)]	**906**	1,006
- Non-related parties	**124,128**	141,148
	125,034	142,154

25. OTHER PAYABLES

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	US$'000	US$'000 (restated)	**US$'000**	US$'000
Non-trade payables				
- Related parties [Note 35(a)]	**2**	7	**-**	-
- Associated company	**260**	136	**-**	-
- Non-related parties	**19,448**	22,427	**-**	-
	19,710	22,570	**-**	-
Deferred income	**3,830**	3,877	**-**	-
Accrual for operating expenses	**27,039**	37,582	**305**	265
	50,579	64,029	**305**	265

Non-trade amounts due to associated company and related parties relate mainly to forwarding services and rental of premises, and are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. BORROWINGS

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Current		
Bank borrowings:		
- Trade financing	**326,643**	378,059
- Revolving credit	**24,545**	11,000
- Hire purchase	**417**	-
- Term loans	**22,143**	15,496
	373,748	404,555
Non-current		
Bank borrowings:		
- Hire purchase	**2,949**	-
- Term loans	**24,200**	46,310
	27,149	46,310
Total borrowings	**400,897**	450,865

(a) Securities granted

Total borrowings include secured liabilities of US$25,710,000 (2018: US$31,806,000). The borrowings of the Group are secured by certain property, plant and equipment as disclosed in Note 19(b) and corporate guarantees by the Company as disclosed in Note 32.

(b) Fair value of non-current borrowings

The fair value of non-current borrowings approximated the carrying value of the non-current borrowings at the balance sheet date as they bear interests at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements, which management expects to be available to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. 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, were shown on the balance sheet as follows:

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	US$'000	US$'000 (restated)	**US$'000**	US$'000
Deferred income tax assets	**2,864**	3,457	**-**	-
Deferred income tax liabilities	**(18,688)**	(30,762)	**(1,806)**	(1,029)

Movement in deferred income tax assets/(liabilities) account was as follows:

	Group		Company	
	2019	2018	**2019**	2018
	US$'000	US$'000 (restated)	**US$'000**	US$'000
Beginning of financial year	**(27,305)**	(34,121)	**(1,029)**	(319)
Currency translation differences	**(226)**	663	**-**	-
Tax credited/(charged) to				
- Profit or loss	**11,707**	6,662	**(777)**	(710)
Acquisition of subsidiaries (Note 37)	**-**	(509)	**-**	-
End of financial year	**(15,824)**	(27,305)	**(1,806)**	(1,029)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. DEFERRED INCOME TAXES (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) was as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation	Revaluation of property, plant and equipment	Unremitted foreign income	Unrealised gains on derivative financial instruments	Others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2019						
At 1 January 2019						
- As previously reported	(26,038)	(557)	(1,468)	(6,352)	-	(34,415)
- Acquisition of subsidiaries (Note 37)	-	-	-	-	(509)	(509)
- As restated	(26,038)	(557)	(1,468)	(6,352)	(509)	(34,924)
Currency translation differences	(299)	-	-	6	-	(293)
(Charged)/credited to						
- Profit or loss	(2,074)	-	(489)	6,346	-	3,783
End of financial year	**(28,411)**	**(557)**	**(1,957)**	**-**	**(509)**	**(31,434)**
2018 (restated)						
Beginning of financial year	(26,859)	(557)	(415)	(14,255)	-	(42,086)
Currency translation differences	543	-	-	122	-	665
(Charged)/credited to						
- Profit or loss	278	-	(1,053)	7,781	-	7,006
Acquisition of subsidiaries (Note 37)	-	-	-	-	(509)	(509)
End of financial year (restated)	(26,038)	(557)	(1,468)	(6,352)	(509)	(34,924)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. DEFERRED INCOME TAXES (continued)

Group (continued)

Deferred income tax assets

	Unutilised tax losses	Unutilised reinvestment allowance	Unrealised losses on derivative financial instruments	Provision and others	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
2019					
Beginning of financial year	93	3,135	-	4,391	7,619
Currency translation differences	-	33	-	34	67
(Charged)/credited to					
- Profit or loss	(80)	24	8,259	(279)	7,924
End of financial year	**13**	**3,192**	**8,259**	**4,146**	**15,610**
2018					
Beginning of financial year	1,969	1,036	-	4,960	7,965
Currency translation differences	3	(74)	-	69	(2)
(Charged)/credited to					
- Profit or loss	(1,879)	2,173	-	(638)	(344)
End of financial year	93	3,135	-	4,391	7,619

Deferred income tax assets are recognised for unutilised tax losses and unutilised investment allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The unrecognised unutilised tax losses amounted to approximately US$37,162,000 as at 31 December 2019 (2018: US$22,695,000) and have no expiry dates except for US$9,100,000 (2018: US$6,100,000) which would expire between 2020 to 2024 and US$23,800,000 (2018: US$15,200,000) which would expire in 2026. These unrecognised unutilised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unutilised tax losses in their respective countries of incorporation. In addition, a foreign subsidiary has unrecognised unutilised investment allowance of US$54,100,000 as at 31 December 2019 (2018: US$50,600,000) with no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. DEFERRED INCOME TAXES (continued)

Company

Deferred income tax liabilities

	Unremitted foreign income	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**(1,029)**	(319)
Charged to		
- Profit or loss	**(777)**	(710)
End of financial year	**(1,806)**	(1,029)

28. SHARE CAPITAL AND SHARE PREMIUM

	No. of ordinary shares		Amount		
	Authorised share capital at par value of US$0.001	**Issued share capital at par value of US$0.001**	**Authorised share capital at par value of US$0.001**	**Share capital at par value of US$0.001**	**Share premium**
	'000	'000	US$'000	US$'000	US$'000
Group and Company					
2019					
Beginning and end of financial year, ordinary shares at par value, US$0.001	**30,000,000**	**1,500,667**	**30,000**	**1,501**	**180,012**
2018					
Beginning and end of financial year, ordinary shares at par value, US$0.001	30,000,000	1,500,667	30,000	1,501	180,012

All issued ordinary shares were fully paid. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. OTHER RESERVES

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
(a) Composition:		
Merger reserve	**(53,005)**	(53,005)
General reserve	**(720)**	(720)
Currency translation reserve	**12,261**	11,135
Capital redemption reserve	**3,509**	3,509
	(37,955)	(39,081)

	Company	
	31 December	
	2019	2018
	US$'000	US$'000
Composition:		
Capital redemption reserve	**3,509**	3,509

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

General reserve represents the difference between the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received; and the gain on change in fair value of put option rights of non-controlling interests.

Capital redemption reserve represents the difference between the nominal value of the shares repurchased and fair value of the consideration paid.

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. OTHER RESERVES (continued)

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
(b) Movements:		
(i) Merger reserve		
Beginning and end of financial year	**(53,005)**	(53,005)
(ii) General reserve		
Beginning and end of financial year	**(720)**	(720)
(iii) Currency translation reserve		
Beginning of financial year	**11,135**	15,962
Net currency translation differences of foreign subsidiaries	**1,074**	(5,155)
Less: Non-controlling interests	**52**	328
	1,126	(4,827)
End of financial year	**12,261**	11,135

	Group and Company	
	2019	2018
	US$'000	US$'000
(iv) Capital redemption reserve		
Beginning and end of financial year	**3,509**	3,509

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. 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 the Group's borrowings.

(b) Movement in retained profits for the Company was as follows:

	Company	
	2019	2018
	US$'000	US$'000
Beginning of financial year	**98,224**	65,354
Dividends (Note 31)	**(10,040)**	(6,958)
Total comprehensive income for the financial year	**26,049**	39,828
End of financial year	**114,233**	98,224

31. DIVIDENDS

	Group and Company	
	2019	2018
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt one-tier dividend of S$0.0045 for 2018 (2017: S$0.0040) per share	**4,964**	4,517
- Interim exempt one-tier dividend of S$0.0046 for 2019 (2018: S$0.0022) per share	**5,076**	2,441
	10,040	6,958
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt one-tier dividend of S$Nil (2018: S$0.0045) per share	**-**	4,957

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. CONTINGENT LIABILITIES

Company

The Company has issued unsecured corporate guarantees to banks for borrowings to certain subsidiaries. As at 31 December 2019, the borrowings under the guarantees amounted to US$400,897,000 (2018: US$450,865,000). The financial effects of SFRS(I) 9 relating to the financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised. The management does not expect any loss to arise from the guarantees.

33. COMMITMENTS

(a) Capital commitments

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

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Property, plant and equipment	**26,591**	48,847

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

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

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, were as follows:

	Group
	31 December
	2018
	US$'000
Not later than one year	1,052
Between one and five years	1,946
Later than five years	10,336
	13,334

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. 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 minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, were as follows:

	Group
	31 December 2018
	US$'000
Not later than one year	123
Between one and five years	84
	207

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 21.

34. 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 any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forward contracts, commodities forward and futures contracts of crude palm oil and palm oil products to hedge certain financial risk exposures.

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

(a) Market risk

(i) Currency risk

The Group's revenue is denominated primarily in United States Dollar ("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"), Euro ("EUR"), Singapore Dollar ("SGD"), Australian Dollar ("AUD"), Indonesian Rupiah ("IDR") and Chinese Yuan ("CNY"). Currency risk arises within entities in the Group when transactions are denominated in currencies other than the entities' functional currencies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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 was as follows:

	USD*	Ringgit	EUR	SGD	AUD	IDR	CNY
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2019							
Financial assets							
Cash and bank balances	**938**	**23,321**	**20,086**	**2,195**	**153**	**1,257**	**258**
Trade and other receivables	**18,807**	**131,283**	**25,138**	**3,964**	**3,236**	**3,823**	**2,832**
Intercompany receivables	**31,687**	**206,707**	**167,881**	**27**	**38**	**19,975**	**3,280**
	51,432	**361,311**	**213,105**	**6,186**	**3,427**	**25,055**	**6,370**
Financial liabilities							
Borrowings	**-**	**(201,983)**	**-**	**-**	**-**	**-**	**-**
Lease liabilties	**-**	**(713)**	**-**	**(5,738)**	**(833)**	**-**	**(198)**
Trade and other payables	**(5,028)**	**(113,158)**	**(11,074)**	**(9,948)**	**(696)**	**(2,391)**	**(1,836)**
Intercompany payables	**(186,217)**	**(206,707)**	**(167,881)**	**(27)**	**(38)**	**(19,975)**	**(3,280)**
	(191,245)	**(522,561)**	**(178,955)**	**(15,713)**	**(1,567)**	**(22,366)**	**(5,314)**
Net financial (liabilities)/assets	**(139,813)**	**(161,250)**	**34,150**	**(9,527)**	**1,860**	**2,689**	**1,056**
Add: Firm commitments and highly probable forecast transactions in foreign currencies	**41,043**	**(56,843)**	**9,688**	**179**	**-**	**-**	**(13,600)**
Less: Currency forward contracts	**52,828**	**1,353**	**(92,851)**	**4,260**	**(9,153)**	**-**	**(2,998)**
Currency profile	**(45,942)**	**(216,740)**	**(49,013)**	**(5,088)**	**(7,293)**	**2,689**	**(15,542)**
Financial liabilities/(assets) denominated in the respective entities' functional currencies	**-**	**207,912**	**28,254**	**(7)**	**(1,089)**	**13,310**	**18,756**
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**(45,942)**	**(8,828)**	**(20,759)**	**(5,095)**	**(8,382)**	**15,999**	**3,214**

* This relates to the Group's exposure to USD arising from subsidiaries with Ringgit functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. 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 was as follows (continued):

	USD*	Ringgit	EUR	SGD	AUD	IDR	CNY
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2018							
Financial assets							
Cash and bank balances	5,401	16,463	4,252	1,443	122	718	895
Trade and other receivables	18,956	135,151	29,744	4,028	3,148	3,747	3,160
Intercompany receivables	111,244	241,339	41,373	26	151	15,155	2,314
	135,601	392,953	75,369	5,497	3,421	19,620	6,369
Financial liabilities							
Borrowings	-	(197,771)	-	-	-	-	-
Trade and other payables	(13,408)	(128,094)	(7,307)	(12,035)	(822)	(1,626)	(6,966)
Intercompany payables	(111,244)	(241,339)	(41,373)	(26)	(151)	(15,155)	(2,314)
	(124,652)	(567,204)	(48,680)	(12,061)	(973)	(16,781)	(9,280)
Net financial assets/(liabilities)	10,949	(174,251)	26,689	(6,564)	2,448	2,839	(2,911)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	29,095	91,371	(926)	(9,210)	-	(2,479)	(12,564)
Less: Currency forward contracts	(16,468)	24,572	(67,990)	3,237	(8,758)	-	(7,569)
Currency profile	23,576	(58,308)	(42,227)	(12,537)	(6,310)	360	(23,044)
Financial liabilities/(assets) denominated in the respective entities' functional currencies	-	62,165	32,807	(15)	(325)	9,679	17,787
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	23,576	3,857	(9,420)	(12,552)	(6,635)	10,039	(5,257)

* This relates to the Group's exposure to USD arising from subsidiaries with Ringgit functional currency.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. 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 was as follows:

	SGD US$'000	AUD US$'000	CNY US$'000	EUR US$'000
At 31 December 2019				
Financial assets				
Cash and bank balances	**39**	**8**	**-**	**-**
Other receivables	**-**	**-**	**36**	**-**
	39	**8**	**36**	**-**
Financial liabilities				
Other payables	**(305)**	**-**	**-**	**-**
Net financial (liabilities)/assets	**(266)**	**8**	**36**	**-**
Less: Currency forward contracts	**408**	**-**	**(36)**	**(542)**
Currency profile/currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency	**142**	**8**	**-**	**(542)**

	SGD US$'000	AUD US$'000	CNY US$'000
At 31 December 2018			
Financial assets			
Cash and bank balances	46	7	-
Other receivables	-	133	-
	46	140	-
Financial liabilities			
Other payables	(265)	-	-
Net financial (liabilities)/assets	(219)	140	-
Less: Currency forward contracts	293	-	(5,000)
Currency profile/currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency	74	140	(5,000)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If Ringgit, EUR, SGD, AUD, IDR and CNY change by 5% (2018: Ringgit, EUR, SGD, AUD and IDR: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position net of those denominated in the respective entities' functional currencies are as follows:

	Profit after tax Increase/(Decrease)	
	US$'000	US$'000
	Strengthened	**Weakened**
Group		
31 December 2019		
USD against Ringgit	**(1,864)**	**1,864**
Ringgit against USD	**(960)**	**960**
EUR against USD	**(2,257)**	**2,257**
SGD against USD	**(554)**	**554**
AUD against USD	**(911)**	**911**
IDR against USD	**1,740**	**(1,740)**
CNY against USD	**349**	**(349)**
31 December 2018		
USD against Ringgit	1,251	(1,251)
Ringgit against USD	205	(205)
EUR against USD	(501)	501
SGD against USD	(668)	668
AUD against USD	(353)	353
IDR against USD	534	(534)
CNY against USD	(280)	280

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If SGD, AUD, CNY and EUR change against USD by 5% (2018: SGD and AUD: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position net of those denominated in the respective entities' functional currencies are as follows:

	Profit after tax Increase/(Decrease)	
	US$'000	US$'000
	Strengthened	**Weakened**
Company		
31 December 2019		
SGD against USD	**6**	**(6)**
AUD against USD	**-**	**-**
CNY against USD	**-**	**-**
EUR against USD	**(22)**	**22**
31 December 2018		
SGD against USD	3	(3)
AUD against USD	6	(6)
CNY against USD	(208)	208

(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's exposure to interest rate risk arises primarily from its borrowings and deposits placed with creditworthy licensed banks and financial institutions. However, due to the short duration of these financial instruments, the Group does not expect any changes in market interest rate to have a significant impact on the Group's profit after tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(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. 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 and hence their fair values are estimated using a valuation technique as described in Note 34(e).

If the commodities forward prices had been higher or lower by 5% from the management's estimates and other variables remain constant, the Group's profit after tax would have been lower or higher by US$8,432,000 (2018: lower or higher by US$11,679,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

(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, cash and bank balances, and derivative financial instruments. For trade and other receivables and commodities forward contracts, the Group adopts the policy of dealing only with customers of appropriate credit standing and history 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 the Executive Risk Management Team. In addition, any increase in credit limit requires approval from the Executive Risk Management Team. The Executive Risk Management Team is mandated to monitor the payment ageing profile of the third party receivables, to review all the outstanding receivables regularly and to identify any potential uncollectible for credit loss allowance and/or write-off.

As the Group and the Company do 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	
	31 December	
	2019	2018
	US$'000	US$'000
Corporate guarantees provided to financial institutions on subsidiaries' borrowings	**400,897**	450,865

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

The management is of the view that no loss is expected to arise from the guarantees.

The credit risk relating to each class of financial instruments presented on the balance sheet are as follows:

(i) Cash and bank balances and other receivables

The Group has assessed that cash and bank balances and other receivables are subject to immaterial credit loss.

(ii) Trade receivables

For specific trade receivables identified by the Group to be credit impaired, the Group recognised a loss allowance equal to lifetime expected credit loss of US$21,609,000 in respect of these receivables, as follows:

	Group	
	31 December 2019 US$'000	31 December 2018 US$'000
Gross amount	**30,742**	31,300
Less: Allowance for expected credit losses	**(21,609)**	(23,056)
	9,133	8,244
Beginning of financial year	**(23,056)**	(34,214)
Currency translation differences	**(644)**	(97)
Reversal of expected credit losses	**672**	8,149
Allowance utilised	**1,419**	3,106
End of financial year	**(21,609)**	(23,056)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Trade receivables (continued)

For the remaining receivables, they are grouped based on similar risk characteristics and days past due, and the Group uses a provision matrix to measure the lifetime expected credit loss allowance for these receivables. These receivables as at 31 December 2019 and 31 December 2018 are set out as follows:

	Group	
	31 December 2019 US$'000	31 December 2018 US$'000
Trade receivables		
Not past due	**137,263**	105,072
Past due < 3 months	**77,199**	91,797
Past due 3 to 6 months	**8,639**	3,058
Past due 6 to 12 months	**1,155**	2,358
Past due over 1 year	**10,396**	11,063
	234,652	213,348

For the purpose of ascertaining the credit loss to be provided, the Group takes into consideration any deposits and payables to these customers as well as credit insurance coverage to determine the credit risk exposure to the Group.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the commodities price to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Based on the above assessment, the Group has concluded that the credit loss from these receivables as at 31 December 2019 is immaterial.

The Group considers a trade receivable as in default if the counterparty fails to make contractual payments within a commercially reasonable timeframe that is determined by the Group, and write off the trade receivable when there is no reasonable expectation of recovery. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

(iii) Financial guarantee contracts

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and maintaining flexibility in funding by keeping credit facilities available with different financial institutions. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term bank deposits as disclosed in Note 17.

The table below analyses financial liabilities (including derivative liabilities) of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table were the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting was not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
At 31 December 2019					
Trade and other payables	**(171,191)**	**-**	**-**	**-**	**(171,191)**
Borrowings	**(378,496)**	**(14,341)**	**(13,682)**	**(1,031)**	**(407,550)**
Lease liabilities	**(848)**	**(762)**	**(1,678)**	**(10,192)**	**(13,480)**
	(550,535)	**(15,103)**	**(15,360)**	**(11,223)**	**(592,221)**
Gross-settled currency forward contracts					
- Receipts	**306,840**	**-**	**-**	**-**	**306,840**
- Payments	**(253,591)**	**-**	**-**	**-**	**(253,591)**
	53,249	**-**	**-**	**-**	**53,249**
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	**977,193**	**798**	**-**	**-**	**977,991**
- Payments	**(748,572)**	**(3,428)**	**-**	**-**	**(752,000)**
	228,621	**(2,630)**	**-**	**-**	**225,991**
At 31 December 2018					
Trade and other payables	(199,023)	-	-	-	(199,023)
Borrowings	(408,533)	(32,563)	(13,183)	(3,260)	(457,539)
	(607,556)	(32,563)	(13,183)	(3,260)	(656,562)
Gross-settled currency forward contracts					
- Receipts	379,840	-	-	-	379,840
- Payments	(287,568)	-	-	-	(287,568)
	92,272	-	-	-	92,272
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	1,130,883	140,975	-	-	1,271,858
- Payments	(855,160)	-	-	-	(855,160)
	275,723	140,975	-	-	416,698

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year US$'000
Company	
At 31 December 2019	
Other payables	**(305)**
Gross-settled currency forward contracts	
- Receipts	**397**
- Payments	**(598)**
	(201)
At 31 December 2018	
Other payables	(265)
Gross-settled currency forward contracts	
- Receipts	293
- Payments	(5,000)
	(4,707)

The table below analyses the maturity profile of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts were allocated to the earliest period in which the guarantee could be called.

	Less than 1 year US$'000
Company	
At 31 December 2019	
Financial guarantee contracts	**(400,897)**
At 31 December 2018	
Financial guarantee contracts	(450,865)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(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, the Group may adjust the amount of dividend payments, obtain new borrowings or sell assets to reduce borrowings.

Management manages capital based on net assets of the Group and a number of key ratios including gross debt-equity ratio and net debt-equity ratio. The Group is required by the banks to maintain a certain amount of minimum net worth and gross 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 bank balances ("net debt") to total equity.

No changes were made to the objectives, policies or processes of managing capital during the financial years ended 31 December 2019 and 31 December 2018.

	Group	
	31 December	
	2019	2018
	US$'000	US$'000 (restated)
Net assets	**522,567**	520,296
Debt-equity ratio		
Gross debt*	**400,897**	450,865
Less: Cash and bank balances	**(61,814)**	(48,611)
Net debt	**339,083**	402,254
Total equity	**522,567**	520,296
Gross debt-equity ratio	**0.77**	0.87
Net debt-equity ratio	**0.65**	0.77

* Gross debt is calculated as total borrowings as disclosed in Note 26.

The Group and the Company were in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 US$'000	**Level 2** US$'000	**Total** US$'000
Group			
31 December 2019			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	**-**	**3,457**	**3,457**
- Commodities forward contracts	**-**	**68,340**	**68,340**
- Futures contracts on commodity exchange	**33**	**-**	**33**
As at 31 December 2019	**33**	**71,797**	**71,830**
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	**-**	**(5,023)**	**(5,023)**
- Commodities forward contracts	**-**	**(93,705)**	**(93,705)**
- Futures contracts on commodity exchange	**(20,056)**	**-**	**(20,056)**
As at 31 December 2019	**(20,056)**	**(98,728)**	**(118,784)**
31 December 2018			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	4,568	4,568
- Commodities forward contracts	-	52,123	52,123
- Futures contracts on commodity exchange	5,882	-	5,882
As at 31 December 2018	5,882	56,691	62,573
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(3,251)	(3,251)
- Commodities forward contracts	-	(16,039)	(16,039)
- Futures contracts on commodity exchange	(14,781)	-	(14,781)
As at 31 December 2018	(14,781)	(19,290)	(34,071)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1	Level 2	Total
	US$'000	US$'000	US$'000
Company			
31 December 2019			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	**-**	**29**	**29**
31 December 2018			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(28)	(28)

There were no transfers between Levels 1 and 2 during the year. The Group's commodities futures contracts are traded in active markets and their fair values reflect quoted prices at the balance sheet date in active markets such as Bursa Malaysia. These instruments are included in Level 1.

The Group's commodities forward contracts are not traded in an active market. Their fair values are estimated by a valuation technique that takes into consideration various sources of indicative market prices. The sources of indicative market prices include prices listed on the Malaysian Palm Oil Board (MPOB), prices obtained from an international news agency, quotes obtained from brokers and actual contracted prices entered into at the balance sheet date. 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 allowance for expected credit losses of trade and other receivables and payables are assumed to approximate their fair value. 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 and lease liabilities approximates their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

The carrying amounts of the different categories of financial instruments were as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	31 December		31 December	
	2019	2018	**2019**	2018
	US$'000	US$'000 (restated)	**US$'000**	US$'000
Financial assets at fair value through profit or loss	**71,830**	62,573	**29**	-
Financial liabilities at fair value through profit or loss	**(118,784)**	(34,071)	**-**	(28)
Financial assets at amortised cost	**363,357**	301,440	**300,714**	284,017
Financial liabilities at amortised cost	**(579,815)**	(649,866)	**(305)**	(265)

(g) Offsetting financial assets and liabilities

Group

(i) Financial assets subject to offsetting

Description	**(a)** Gross amounts of financial assets	**(b)** Gross amount of financial liabilities set off on balance sheet	**(c) = (a)-(b)** Net amounts of financial assets presented on balance sheet
	US$'000	US$'000	US$'000
31 December 2019			
Commodities forward contracts	**82,247**	**(13,907)**	**68,340**
31 December 2018			
Commodities forward contracts	57,623	(5,500)	52,123

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(g) Offsetting financial assets and liabilities (continued)

Group (continued)

(ii) Financial liabilities subject to offsetting

Description	(a) Gross amounts of financial liabilities	(b) Gross amount of financial assets set off on balance sheet	(c) = (a)-(b) Net amounts of financial liabilities presented on balance sheet
	US$'000	US$'000	US$'000
31 December 2019			
Commodities forward contracts	**(107,612)**	**13,907**	**(93,705)**
31 December 2018			
Commodities forward contracts	(21,539)	5,500	(16,039)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS

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

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

	Group	
	2019	2018
	US$'000	US$'000
Sales of finished goods to related parties	**11,408**	19,429
Purchases of raw materials from related parties	**858**	565
(Losses)/gains from derivative financial instruments from related parties	**(51)**	46
Rental received/receivable		
- Associated company	**3**	4
- Related party	**41**	42
Interest income from related parties	**3**	31
Service fee income received/receivable		
- Associated company	**25**	38
- Related party	**-**	9
Services paid/payable		
- Transportation and forwarding		
- Associated company	**3,445**	3,465
- Related party	**213**	177
- Packing material to related parties	**874**	1,173
- Consultation fees to related parties	**1,551**	1,601
- Travelling expenses to related parties	**246**	262

Related parties comprise mainly companies or individuals which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2019 and 2018 arising from the above transactions are set out in Notes 14, 15, 24 and 25.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management personnel compensation was as follows:

	Group	
	2019	2018
	US$'000	US$'000
Wages, salaries and other short-term employee benefits	**6,756**	7,173
Employer's contribution to defined contribution plans	**141**	147
	6,897	7,320

Key management compensation includes remuneration of Executive Directors and senior management of the Group and Company.

36. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Management Committee ("Mancom") that are used to make strategic decisions, allocate resources, and assess performance. The Mancom is the Group's chief operating decision-maker and comprises the Chief Executive Officer, Chief Operating Officer, the Chief Financial Officer, and the department heads of each business within each segment.

The Mancom considers the business from two segments:

(i) The bulk 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 segment which manufactures and sells edible oils and bakery fats and rice to consumers in packaged form.

The Group measures and tracks the profitability in terms of operating margin and adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA").

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

Sales between segments reported to the Mancom is measured in a manner consistent with the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

Adjusted EBITDA is calculated as operating margin add other income, less administrative expenses (excluding depreciation) and other gains excluding foreign exchange gains or losses which has considered in operating margin.

The segment information provided to the Mancom for the reportable segments for the financial year ended 31 December 2019 was as follows:

	Bulk US$'000	Consumer Pack US$'000	Total US$'000
Group			
Revenue			
Total segment sales	2,281,521	843,342	3,124,863
Inter-segment sales	(290,071)	(17,537)	(307,608)
Revenue from external parties	1,991,450	825,805	2,817,255
Operating margin	**45,693**	**59,690**	**105,383**
Other income excluding interest income	2,216	527	2,743
Interest income	2,165	393	2,558
Administrative expenses, excluding depreciation	(35,462)	(38,789)	(74,251)
Other gains excluding foreign exchange gains/(losses)	957	2,173	3,130
Adjusted EBITDA	**15,569**	**23,994**	**39,563**
Depreciation	(15,211)	(6,209)	(21,420)
Finance expense	(10,491)	(4,602)	(15,093)
Segment results	**(10,133)**	**13,183**	**3,050**
Unallocated			
Income tax credit			8,443
Share of profit of an associate			71
Profit after tax			**11,564**
Total segment assets	**974,284**	**269,137**	**1,243,421**
Unallocated			
Current income tax recoverable			4,961
Intangible asset			970
Investment in associated company			569
Deferred income tax assets			2,864
Total assets			**1,252,785**
Total assets include:			
Additions to:			
- Property, plant and equipment	34,029	19,172	53,201
Total segment liabilities	**(561,652)**	**(148,177)**	**(709,829)**
Unallocated			
Current income tax liabilities			(1,701)
Deferred income tax liabilities			(18,688)
Total liabilities			**(730,218)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

The segment information provided to the Mancom for the reportable segments for the financial year ended 31 December 2018 was as follows:

	Bulk	Consumer Pack	Total
	US$'000	US$'000	US$'000
Group			
Revenue			
Total segment sales	2,053,512	1,445,379	3,498,891
Inter-segment sales	(22,876)	(529,197)	(552,073)
Revenue from external parties	2,030,636	916,182	2,946,818
Operating margin	**70,162**	**52,641**	**122,803**
Other income excluding interest income	2,028	702	2,730
Interest income	1,165	300	1,465
Administrative expenses, excluding depreciation	(38,427)	(43,672)	(82,099)
Other gains excluding foreign exchange gains/(losses)	335	1,570	1,905
Adjusted EBITDA	**35,263**	**11,541**	**46,804**
Depreciation	(13,299)	(6,131)	(19,430)
Finance expense	(11,265)	(4,149)	(15,414)
Segment results	**10,699**	**1,261**	**11,960**
Unallocated			
Income tax credit			2,672
Share of profit of an associate			68
Profit after tax			**14,700**
Total segment assets	**944,670**	**299,094**	**1,243,764**
Unallocated (restated)			
Current income tax recoverable			6,966
Intangible asset			970
Investment in associated company			491
Deferred income tax assets			3,457
Total assets			**1,255,648**
Total assets include:			
Additions to:			
- Property, plant and equipment	51,977	27,746	79,723
Total segment liabilities (restated)	**(564,719)**	**(136,582)**	**(701,301)**
Unallocated (restated)			
Current income tax liabilities			(3,289)
Deferred income tax liabilities			(30,762)
Total liabilities			**(735,352)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

Geographical information

Revenue is attributed to countries on the basis of the customers' billing locations. The non-current assets, excluding intangible asset, deferred income tax assets and derivative financial assets, are analysed by the geographical area in which the non-current assets are located.

	Group	
	2019	2018
	US$'000	US$'000
Revenue by geography		
Malaysia	**897,431**	955,968
Singapore	**534,189**	562,591
	1,431,620	1,518,559
Other geographical areas		
- Rest of Asia	**484,067**	361,761
- Africa	**285,351**	333,290
- Middle East	**265,034**	392,338
- Europe	**224,758**	207,047
- Pacific Oceania	**58,833**	62,673
- America	**67,592**	71,150
	1,385,635	1,428,259
	2,817,255	2,946,818

	Group	
	31 December	
	2019	2018
	US$'000	US$'000
Non-current assets by geography		
Singapore	**17,996**	19,463
Malaysia	**365,357**	331,557
Other countries	**82,045**	61,700
	465,398	412,720

There is no transaction with a single external customer amounting to 10 per cent or more of the Group's revenues for the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

Changes in accounting policy

(i) The adoption of the new leasing standard described in Note 2.1 had the following impact on the adjusted EBITDA in the current year:

	Adjusted EBITDA before adoption of SFRS(I) 16	Rental expenses under SFRS(I) 1-17, when the Group is a lessee	Adjusted EBITDA after adoption of SFRS(I) 16
	US$'000	US$'000	US$'000
Bulk	15,330	239	15,569
Consumer pack	23,390	604	23,994
	38,720	843	39,563

(ii) The adoption of the new leasing standard resulted in the recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follows:

	Segment Assets	Segment Liabilities
	US$'000	US$'000
Bulk	1,128	1,144
Consumer pack	6,308	6,583
	7,436	7,727

(iii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation	Finance Expense
	US$'000	US$'000
Bulk	198	58
Consumer pack	589	289
	787	347

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. BUSINESS COMBINATIONS

Business combinations under "acquisition method"

In the previous financial year, the Group completed the acquisition of 95.0% of the issued equity of PT Angso Duo Sawit ("PTADS") and PT Jambi Batanghari Plantation ("PTJBP"), the companies incorporated in Indonesia, through its wholly owned subsidiary, PT Nilam Surya Jaya, a company incorporated in Indonesia, involved primarily in milling and palm oil plantation businesses respectively. The acquisition provided the Group a foothold in the upstream part of the value chain. The total purchase consideration was IDR120,394,000,000 or approximately US$8,404,000.

In accordance with SFRS(I) 3 Business Combinations, the fair value of the identifiable assets, liabilities and contingent liabilities was determined provisionally for the acquisition of PTADS and PTJBP as at 30 June 2018. Additional information was obtained as part of the process of finalising the purchase price allocation ("PPA") during the 12-month period allowed under SFRS(I) 3. This resulted in certain aspects of the purchase price allocation being revisited to reflect finalisation of the allocation process which was completed during the financial year ended 31 December 2019. The impact of the revision is disclosed in Note 38.

The effects of the acquisition are as follows:

		US$'000
(i)	*Purchase consideration*	
	Total purchase consideration	8,404
(ii)	*Effect on cash flows of the Group*	
	Cash paid (as above)	(8,404)
	Less: Cash and bank balances in subsidiaries acquired	-
	Cash outflow on acquisition	**(8,404)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. BUSINESS COMBINATIONS (continued)

Business combinations under "acquisition method" (continued)

The effects of the acquisition are as follows (continued):

		At fair value US$'000
(iii)	*Identifiable assets acquired and liabilities assumed*	
	Property, plant and equipment (Note 19)	8,334
	Total assets	8,334
	Other payables	(147)
	Deferred income tax liabilities	(509)
	Total liabilities	(656)
	Total identifiable net assets	**7,678**
	Less: Non-controlling interests at fair value [Note (v) below]	(244)
	Add: Intangible asset (Note 18)	970
	Consideration transferred for the business	**8,404**

(iv) Fair values and intangible asset

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 intangibles asset has not been allocated to the relevant cash-generating-units.

(v) Non-controlling interests

The Group has recognised the non-controlling interests of US$244,000.

(vi) Revenue and profit contribution

The acquired business contributed revenue of US$2,286,000 and net loss of US$237,000 to the Group from the period from 1 July 2018 to 31 December 2018.

Had PTADS and PTJBP been acquired from 1 January 2018, the consolidated revenue and consolidated profit after tax of the Group for the year ended 31 December 2018 would have been US$2,953,009,000 and US$14,315,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. COMPARATIVE FIGURES

During the financial year, the balance sheet of the Group has been changed from the previous year due to the finalisation of the purchase price allocation to goodwill, other assets and liabilities associated with the acquisition of PTADS and PTJBP (see Note 37).

The changes in the comparative balance sheet of the Group were as follows:

	As previously reported	Adjustments	As restated
	US$'000	US$'000	US$'000
Group			
At 31 December 2018			
Intangible asset	5,496	(4,526)	970
Property, plant and equipment	412,229	5,104	417,333
Other payables	(64,051)	22	(64,029)
Deferred income tax liabilities	(30,253)	(509)	(30,762)
Non-controlling interests	(679)	(91)	(770)

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

40. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mewah International Inc. on 6 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

41. LISTING OF SIGNIFICANT SUBSIDIARIES OF THE GROUP

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Group's equity holding	
				31 December	
				2019	2018
				%	%
Mewah-Oils Sdn Bhd [b]	Malaysia	Manufacturing and selling of palm oil products	Malaysia	**100**	100
Ngo Chew Hong Oils & Fats (M) Sdn Bhd [b]	Malaysia	Refining and selling of palm oil products	Malaysia	**100**	100
Mewaholeo Industries Sdn Bhd [b]	Malaysia	Refining and selling of palm oil products	Malaysia	**100**	100
Mewah Datu Sdn Bhd [b]	Malaysia	Refining and selling of palm oil products	Malaysia	**100**	100
MOI Foods Malaysia Sdn Bhd [b]	Malaysia	Manufacturing and selling of downstream palm oil products	Malaysia	**100**	100
Mewah Dairies Sdn Bhd [b]	Malaysia	Manufacturing and selling of dairy-based products	Malaysia	**100**	100
Bremfield Sdn Bhd [b]	Malaysia	Manufacturing and selling of palm oil products	Malaysia	**100**	100
Mewah Oils & Fats Pte Ltd [a]	Singapore	Trading of edible oils and providing commodity brokerage service	Singapore	**100**	100
Ngo Chew Hong Edible Oil Pte Ltd [a]	Singapore	Packaging and trading of edible oil	Singapore	**100**	100
MOI International (Singapore) Pte Ltd [a]	Singapore	Trading of edible oil products	Singapore	**100**	100
Mewah Marketing Pte Ltd (formerly known as Ngo Chew Hong Oleo (S) Pte Ltd) [a]	Singapore	Trading of edible oil products	Singapore	**100**	100

[a] Audited by PricewaterhouseCoopers LLP, Singapore
[b] Audited by PricewaterhouseCoopers, Malaysia

STATISTICS OF SHAREHOLDINGS

as at 10 March 2020

Total number of issued shares	: 1,500,667,440
Issued and fully paid-up capital	: US$1,500,667
Class of shares	: Ordinary shares
Voting rights	: One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of shareholders	%	Number of shares	%
1 – 99	3	0.08	97	0.00
100 - 1,000	1,126	30.76	1,115,100	0.07
1,001 – 10,000	1,249	34.12	7,947,362	0.53
10,001 – 1,000,000	1,255	34.28	81,510,059	5.43
1,000,001 & above	28	0.76	1,410,094,822	93.97
TOTAL	**3,661**	**100**	**1,500,667,440**	**100**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name	No. of shares	%	No. of shares	%
Eighteen Tenth Nineteen Forty Four Inc.	361,048,720[(1)]	24.06	-	0.00
Dr. TC Pierre (Cayman Islands) Inc.	-	0.00	402,681,220[(1)(2)]	26.83
T.C. Stone Limited	251,785,400[(3)]	16.78	-	0.00
J.J. Mibisa Holdings (BVI) Inc.	-	0.00	251,785,400[(3)]	16.78
Dr Cheo Tong Choon @ Lee Tong Choon	-	0.00	720,060,120[(5)]	47.98
Michelle Cheo Hui Ning	2,163,600	0.14	698,278,620[(6)]	46.53
Bianca Cheo Hui Hsin	2,460,100	0.16	699,804,620[(7)]	46.63
Sara Cheo Hui Yi	-	0.00	698,278,620[(6)]	46.53
Cheo Jian Jia	312,500	0.02	698,278,620[(6)]	46.53
Cheo Seng Jin	140,362,800[(4)]	9.35	-	0.00
Ong Tuan Hong	82,351,220	5.49	-	0.00
TOTAL	**840,484,340**	**56.00**		

STATISTICS OF SHAREHOLDINGS

as at 10 March 2020

(1) The shareholders of Eighteen Tenth Nineteen Forty Four Inc. ("1810") include Dr. T.C. Pierre (Cayman Islands) Inc. (95.46%) which is wholly owned by SG Kleinwort Hambros Trust Company (Channel Islands) Limited as trustee of The TC Peter MD Settlement for its beneficiaries, including Michelle Cheo Hui Ning, Bianca Cheo Hui Hsin, Sara Cheo Hui Yi and Cheo Jian Jia. Dr Cheo Tong Choon @ Lee Tong Choon is the settlor of the Trust.

(2) Unity Investment Inc. ("Unity") is wholly owned by Dr. T.C. Pierre (Cayman Islands) Inc. which in turn is wholly owned by SG Kleinwort Hambros Trust Company (Channel Islands) Limited as trustee of The TC Peter MD Settlement for its beneficiaries, including Michelle Cheo Hui Ning, Bianca Cheo Hui Hsin, Sara Cheo Hui Yi and Cheo Jian Jia. Dr Cheo Tong Choon @ Lee Tong Choon is the settlor of the Trust. Accordingly, Dr. T.C. Pierre (Cayman Islands) Inc. is deemed to have an interest in 41,632,500 shares held by Unity.

(3) T.C. Stone Limited.("TCS") is wholly owned by J.J. Mibisa Holdings (BVI) Inc. which in turn is wholly owned by SG Kleinwort Hambros Trust Company (Channel Islands) Limited as trustee of The TC Peter MD Settlement for its beneficiaries, including Michelle Cheo Hui Ning, Bianca Cheo Hui Hsin, Sara Cheo Hui Yi and Cheo Jian Jia. Dr Cheo Tong Choon @ Lee Tong Choon is the settlor of the Trust.

(4) Cheo Seng Jin has assigned voting rights of 43,812,000 shares to SG Kleinwort Hambros Trust Company (Channel Islands) Limited as trustee of The TC Peter MD Settlement for its beneficiaries, including Michelle Cheo Hui Ning, Bianca Cheo Hui Hsin, Sara Cheo Hui Yi and Cheo Jian Jia. Dr Cheo Tong Choon @ Lee Tong Choon is the settlor of the Trust.

(5) Deemed interest for Dr Cheo Tong Choon @ Lee Tong Choon arises from the shares held by his spouse; and shares held by 1810 (Note 1), Unity. (Note 2), TCS (Note 3) and Cheo Seng Jin (Note 4).

(6) Deemed interest for Michelle Cheo Hui Ning, Cheo Jian Jia and Sara Cheo Hui Yi arise from the shares held by 1810 (Note 1), Unity (Note 2), TCS (Note 3) and Cheo Seng Jin (Note 4).

(7) Deemed interest for Bianca Cheo Hui Ning arises from the shares held by her spouse and shares held by 1810 (Note 1), Unity (Note 2), TCS (Note 3) and Cheo Seng Jin (Note 4).

STATISTICS OF SHAREHOLDINGS

as at 10 March 2020

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	Raffles Nominees (Pte) Limited	268,083,544	17.86
2	Eighteen Tenth Nineteen Forty Four Inc.	210,981,976	14.06
3	Citibank Nominees Singapore Pte Ltd	176,641,044	11.77
4	DBS Nominees (Private) Limited	166,526,044	11.10
5	T.C. Stone Limited	143,376,309	9.55
6	United Overseas Bank Nominees (Private) Limited	127,428,191	8.49
7	CGS-CIMB Securities (Singapore) Pte. Ltd.	116,863,860	7.79
8	UOB Kay Hian Private Limited	51,643,400	3.44
9	Cheo Mingyou (Shi Mingyou)	37,805,500	2.52
10	Cheo Ming Xiang	18,991,062	1.27
11	BNP Paribas Nominees Singapore Pte. Ltd.	16,388,800	1.09
12	Chung Amy	14,914,500	0.99
13	Loo Choon Yong	14,190,000	0.95
14	Tsao Chin Mey Jimmy	11,100,000	0.74
15	Goi Seng Hui	7,666,000	0.51
16	Goh Bee Lan	4,372,400	0.29
17	Wong Wei Lan	3,558,000	0.24
18	Sukumaran S/O Ramasamy	3,300,000	0.22
19	Cheo Seng Jin	2,876,592	0.19
20	Michelle Cheo Hui Ning	2,163,600	0.14
	TOTAL	**1,398,870,822**	**93.21**

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 10 March 2020, approximately 18.90% of the issued shares of the Company are 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.

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