Mewah

**MEWAH INTERNATIONAL INC.**
(Company Registration No.: CR-166055)

**RESPONSES TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) IN RESPECT OF THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The Board of Directors of Mewah International Inc (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to thank the Securities Investors Association (Singapore) ("**SIAS**") for submitting their questions in advance of the Company's forthcoming Annual General Meeting which will be convened and held on 28 April 2023 at 10:30 a.m. at Genting Ballroom 1, Level 1, Genting Hotel Jurong, 2 Town Hall Link, Singapore 608516.

Please refer to the Appendix for our responses to the questions submitted by SIAS.

The Company did not receive any questions from shareholders as at the deadline stated in the announcement of Participation in the Annual General Meeting released by the Company via SGXNet on 13 April 2023.

**By order of the Board**

Michelle Cheo Hui Ning
Deputy Chairperson, Executive Director and Chief Executive Officer
24 April 2023

## APPENDIX

### Question 1:

**For the financial year ended 31 December 2022, the group achieved record revenue of US$5.43 billion, crossing the US$5 billion mark for the first time. The group was able to achieve this by improving sales volume in the bulk and consumer pack segments by 2.9% and 8.0%, respectively. Additionally, the average selling price in the bulk segment increased by 20.1%, while the average selling price in the consumer pack segment increased by 19.1%.**

i. **Can management comment on the trend of faster growth in the consumer pack segment, and provide insights on whether this trend is expected to continue in the near future? What are the key factors driving the growth in the consumer pack segment?**

ii. **In particular, what proportion of the 8% increase in sales volume in the consumer pack segment was due to the launch of new products, and what proportion was due to higher demand or market share gains?**

iii. **Does management expect the growth rate to moderate or normalise, or even reverse, as supply chain disruptions ease and the business environment returns to pre-COVID levels?**

iv. **The operating margin per MT in the bulk segment increased from US$49.5 to US$69.1. What were the factors that caused such a significant increase, and would this margin sustainable?**

### Company Response to Question 1:

1 (i), (ii) & (ii): Prior to FY2020, the Group's consumer pack segment sales volume had been steadily growing with increased penetration of global distribution network and introduction of newer product ranges. But impacts of Covid-19 pandemic led to reduced sales volume in FY2020 and FY2021. In FY2022 with situation normalising in majority of markets, our Consumer Pack segment sales volume have increased by 5.2% viz-a viz FY2019, the year just prior to Covid-19 pandemic onslaught. The Group's products are sold to more than 100 countries and the Group will continue its focus on increasing its market penetration.

1 (iv): FY 2022 saw the vegetable oil market grappling with volatility triggered by recession fears, Russia-Ukraine war and protectionist measures imposed by governments in a bid to secure domestic food supplies. As a result of these uncertainties, palm oil prices went through a roller coaster ride. Palm oil market during last year was also distorted by Indonesia's temporary export ban and levy holidays. This created price distortion between their domestic prices versus global prices, widening the refining margins. By turning challenging circumstances into positive opportunities, the Group was able to enjoy tremendous success and growth in FY 2022. However climate change, continuing war between Russia and Ukraine and intensifying geopolitical tensions continue to cast a dark shadow over the world's economy. Weather patterns, labour conditions, inflationary conditions, and geopolitical instability can all influence the demand-supply balance. While challenges abound in the immediate future, the

Group is in a strong position to weather through these and tap into the sustainable opportunity present in the medium to long-term. The Group's large-scale integrated production facilities in Malaysia, expanding presence in Indonesia, and comprehensive global supply chain network augment its capabilities to capture these arising growth opportunities.

**<u>Question 2:</u>**

**The group's gross debt has increased to US$541 million as at 31 December 2022 (2021: US$430 million), with net debt increasing to US$438 million from US$258 million.**

**Accordingly, the gross debt to equity and net debt to equity ratios are 0.70 times and 0.57 times respectively.**

i. **Can the board/executive risk management team help shareholders better understand if it has set an internal limit to the group's gearing?**

   **In 2022, interest expenses on bank borrowings amounted to US$19.11 million, up from US$9.74 million (Note 9 Finance expenses; page 119). On page 26, the group disclosed that it uses short-term trade finance banking facilities to fund its operations and such interest costs are embedded in the selling price and passed on to the customers.**

ii. **How are the interest rates of trade financing determined? Is the group able to access preferential rates which would then give it an advantage in pricing?**

**<u>Company Response to Question 2:</u>**

2 (i): The Group actively manage its capital structure. To finance its long-term investments and working capital requirements, the Group maintains a healthy combination of (i) equity, (ii) long-term debt and (iii) short-term debt. Presently the Group's net debt to equity ratio at 0.57 is well below the Board approved target limit of 1.5. As at 31 December 2022, 77% of Group's gross borrowings of US$541 million was by way of short-term trade borrowing (at US$415 million) for financing its receivables and inventories. These short-term trade borrowings increased during FY 2022 in line with the higher prevailing commodity prices. Against Group's long-term investments of US$ 447 million (net book value) as at 31 December 2022, the long-term borrowings were only US$ 124 million (including current portion of our long-term borrowings).

2 (ii): The Group's short-term trade finance banking facilities are with various banks are predominantly at floating interest rates. Our Marketeers and traders in consultation with the treasury team actively discuss about interest rates of these trade finance facilities and on basis of expected cash conversion cycle time these costs are factored into our selling prices.

**<u>Question 3:</u>**

**The group's Sustainability Report FY2022 will be published on 28 April 2023.**

i. **Can the company provide more information regarding the structure and composition of its Sustainability Department, including the number of members and their respective roles and responsibilities?**

ii. **Considering the size of the group and the significance of sustainability for its operations, has the board explored the advantages of having a chief sustainability officer?**

iii. **Can the company elaborate further on the roles and the level of involvement of the directors in the governance framework to drive, govern and manage the sustainability function within the group? What is the level of involvement and/or ownership of the sustainability agenda by the directors outside of the quarterly board meeting?**

iv. **How frequently and to what extent does the board review the group's sustainability strategies and progress?**

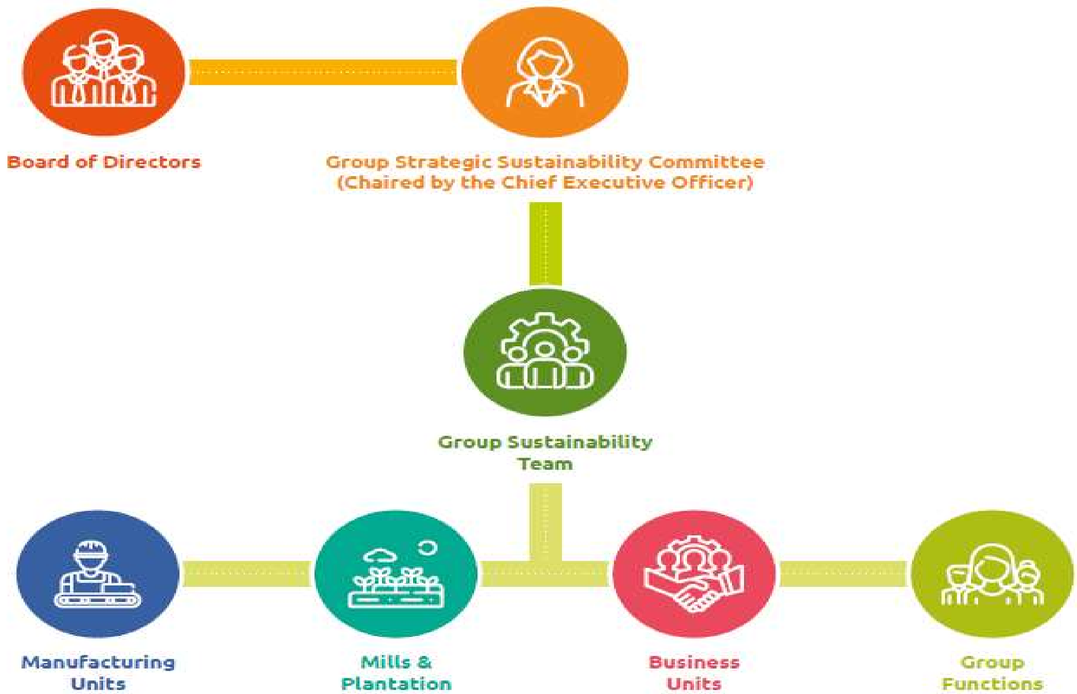
v. **Are material ESG risks integrated into the group's overall risk management framework, monitored, and reported to the board? Does the company have any examples to show how it has successfully implemented this?**

**Company Response to Question 3:**

The Group's sustainability efforts have been driven by the Group Sustainability Team in collaboration with Heads of the Respective Business Units, Manufacturing Units, and other Group Functions. This Group Sustainability Team, led by qualified professional, worked under directions from the Deputy Chairperson, CEO & Executive Director. During the year, all the Board members of the Company completed sustainability training course organised by Singapore Institute of Directors. The Group Sustainability team also conducted workshop for the Board of Directors of the Company.

In the current year (FY 2023) the Group has set up a Strategic Sustainability Committee ("**SSC**"). SSC will be involved in the development, implementation and monitoring of the Group's sustainability strategies and initiatives. The SSC is composed of senior management representatives encompassing the Group with (i) Deputy Chairperson, CEO & Executive Director appointed as Chair and (ii) COO & Executive Director as one of the key members too. This broad based SSC will ensure that sustainability is integrated into the Group's operations and will further promote the culture of responsible and sustainable practices within the Group. The SSC Chair shall provide update on the Group's Sustainability efforts to the Board of Directors periodically, including during the Board meetings. The primary role of the SSC will be to: (a) identify the applicable material ESG factors for further consideration by the Board of Directors of the Company (b) oversee the identification and prioritisation of sustainability risks and opportunities and ways to manage and address these (c) oversee the development and implementation of the Group's sustainability strategy, policies and programs under guidance from the Board of Directors and assist the Board to monitor progress towards these goals (d) ensure that sustainability considerations are fully integrated into business decision-making processes (e) ensure that the Company's environmental, social, and governance (ESG) risks and opportunities are being managed effectively.

The diagram below depicts the revised sustainability governance structure of the Group. This governance structure will enable the Group to capitalise on expertise and strength residing in various segments of the Group, besides ensuring proper monitoring and implementation of the Group's sustainability agenda.




The Board of Directors remain responsible for determining, monitoring and managing the ESG aspects that are material to the Group, including progressively integrating material ESG risk management into the Group's risk management framework. The Board remains open minded in exploring the need of having a chief sustainability officer in the future. Presently the Board of Directors of the Company will drive, govern and manage the sustainability functions within the Group through SSC.