

CORPORATE GOVERNANCE

The Board of Directors of Mewah considers good corporate governance as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group. The Group is committed to maintain a high standard of corporate governance on the principles of effective leadership, accountability, integrity and openness as set out by the revised Code of Corporate Governance 2012 (the “2012 Code”) issued by the Monetary Authority of Singapore. Any deviations have been disclosed and explained.

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PRINCIPLE 1

The Board's conduct of affairs

Executive Board to lead and control the company

Board Responsibility

Mewah is led and controlled by an effective Board that works closely with management for the success of the Group. The Board is responsible for providing entrepreneurial leadership, setting strategic objectives and constantly seeking protection to the shareholder value and enhances the returns of the Company.

The Board's principal duties and responsibilities are to:

1. Set strategic directions and long term goals of the Group 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

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.

Independent Judgement

All board members are expected to exercise independent judgment in the best interests of the Company, diversified knowledge and experience to decide on issues of strategy outlook, social and environmental issues, and resources, standards of conduct and review of performance. Directors who directly or indirectly, interested in a transaction or proposed transaction are required to declare the nature of their interests and they are prohibited from voting on the resolution if he/she has any interest.

Board Committees

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

- Audit Committee, responsible for the functions as set out under Principle 12.
- Nominating Committee, responsible for the functions as set out under Principle 4.
- Remuneration Committee, responsible for the functions as set out under Principle 7.

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 are convened between the scheduled meetings as and when necessary to attend any pressing matters requiring the Board's consideration and decision. To facilitate the Board's decision-making process, the Company's Articles of Association provides for Directors to participate in Board meetings by teleconference or video conference. Decisions of the Board and Board Committees may also be obtained via circulation.

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The Directors' attendance at the Board and Board Committee meetings during the financial year ended 31 December 2017 is set out as follows:

Name	Board Meeting	Audit Committee Meeting	Nominating Committee Meeting	Remuneration Committee Meeting
EXECUTIVE DIRECTORS				
Dr Cheo Tong Choon @ Lee Tong Choon	5/5		2/2	
Ms Michelle Cheo Hui Ning	5/5			
Ms Bianca Cheo Hui Hsin	5/5			
Ms Wong Lai Wan	5/5			
Ms Leong Choi Foong ⁽¹⁾	5/5			
INDEPENDENT DIRECTORS				
Dr Foo Say Mui (Bill)	5/5		2/2	2/2
Mr Robert Loke Tan Cheng	5/5	5/5	2/2	2/2
Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor ⁽²⁾	3/5	3/5	1/2	1/2
Tan Sri Datuk Dr Ong Soon Hock	5/5	5/5	2/2	2/2
Datuk Dr Fawzia Binti Abdullah ⁽³⁾	1/5	1/5		
No. of meetings held:	5	5	2	2

Note:

⁽¹⁾ Ms Leong Choi Foong resigned as the Director of the Company with effect from 26 February 2018.

⁽²⁾ Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor deceased on 21 July 2017.

⁽³⁾ Datuk Dr Fawzia Binti Abdullah was appointed as the Independent Director, Member of Audit Committee and Member of Nominating Committee with effect from 8 August 2017.

Matters requiring Board 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
- All capital-related matters including increase, decrease or reorganisation
- Dividend policy and dividend payments
- Risk strategy and risk limit approvals
- Approval of credit limits and trade terms with related parties

Induction, orientation and training

At the time of appointment, directors are provided with formal letters setting out their duties and obligations. The Group also conducts an orientation program for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. First time directors are provided training on areas such as accounting, risk management, legal, compliance and industry-specific knowledge. All the directors are given regular training and updates specific matters relevant to ensure they carry out their role effectively. The 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:

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- 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
- Group's capital structure and financing flexibility to align to growth plans
- Update on new legislations, regulations and developments relevant to the Group
- External seminars and conferences on regulatory matters
- Briefings were provided by the external auditors to Audit Committee on new accounting standards

PRINCIPLE 2

Board Composition and Guidance

Strong and independent element on the Board

Board Size and Board Composition

The Board, in concurrence with the the Nominating Committee examines the board structure, size and composition including the skills, knowledge and core competencies of the board members to ensure that an appropriate balance of expertise, experience and knowledge. A brief profile of each Director is given on pages 6 to 8 of this Report.

The Board comprises eight members, half of the Board are Independent Directors. 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 emphasises great importance to gender equality. The Company has four women on the Board, namely Ms Michelle Cheo Hui Ning, Ms Bianca Cheo Hui Hsin, Ms Wong Lai Wan and Datuk Dr Fawzia Binti Abdullah.

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

Name	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Dr Cheo Tong Choon @ Lee Tong Choon	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			
Ms Wong Lai Wan	Executive Director and Head, Risk Management			
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	

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Independence of Directors

The Nominating Committee (“NC”) evaluates the independence of all Independent Directors annually. Each Independent Director is required to state whether he/she considered himself/herself independent. 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 companies, its 10% shareholders, or their 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 10% shareholders.

All directors are required to disclose timely, any relationship or appointments which would impair their independence to the Board. Based on the evaluations and results of a review conducted by the NC, the Board views all Non-Executive Directors of the Company as independent and that there are no relationships which are likely to affect the director’s judgment. None of the Non-Executive Director has served on the Board beyond nine years from the date of his/her first appointment.

PRINCIPLE 3

Chairman and Chief Executive Officer *Separate Chairman and Chief Executive Officer*

Chairman and Chief Executive Officer

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 and is responsible for leading the Board and facilitating its effectiveness while promoting a culture of openness and debate within the Board. He, as the Chairman, sets the agenda, 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. He is also responsible for constructive relations within the Board, and between the Board and the management. He is responsible for facilitating effective contribution of Non-Executive Directors, effective communication with shareholders and promoting standards of corporate governance.

As an Executive Director, Dr Cheo also plays an important role to align the management with the Board and ensure the execution of the strategies and direction decided by the Board. 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 represents a considerable concentration of power. 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.

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

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PRINCIPLE 4

Board Membership

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

The Board has established a Nominating Committee (the "NC") to make recommendations to the Board on all Board appointments. 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).

NC is responsible for:

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

The NC also makes recommendations on training and professional development needs of the Directors and how the Board's performance is to be evaluated. 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. The NC continuously assesses the performance of individual directors taking into consideration the director's number of Board representation and other principal commitments. The NC is satisfied that sufficient time and attention is being given to the affairs of the Group by each director.

Each member of the NC is required to abstain from deliberating, participating or voting in the matters relating to him/her including the assessment of his/her 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 and 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 Articles of Association, each director shall retire at least once 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 every three years.

Key information regarding each director's qualifications, shareholdings, relationships (if any), date of first appointment, directorship and other principal commitments is presented under the 'Board of Directors' and 'Directors' Statement' of this Report.

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PRINCIPLE 5

Board Performance

Formal assessment of the effectiveness of the Board and its members

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. The assessment is based on objective performance criteria including the 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 collated findings are reported and recommendations are submitted to the Board for review and to further enhance the Board's effectiveness. There were no significant issues that warrant the Board's attention.

PRINCIPLE 6

Access to Information

Board members to have complete, adequate and timely information

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

As a general rule, Board papers and related materials e.g. background or explanatory information, are required to be sent to directors at least three calendar days before the Board meeting so that the members may better understand the matters prior to the Board meeting to enable constructive discussion and queries to be raised in the meeting. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. The directors are also provided with the names and contact details of the Group's senior management and the Company Secretary to facilitate direct access to the senior management and the Company Secretary.

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 is required to attend all Board 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.

PRINCIPLE 7

Procedures for Developing Remuneration Policies

A formal and transparent procedure for developing policy

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 for recommending to the Board a framework of remuneration for the directors and key executives, and determining specific remuneration packages for each director and the Chief Executive Officer. The recommendations of 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 Remuneration Committee. Each member of the Remuneration Committee is required to abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the Remuneration Committee in respect of his or her own remuneration package.

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The RC has access to appropriate advice from within and/or outside the Group on the remuneration of directors and key executives. 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 2017.

The RC is also responsible in reviewing the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel'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.

PRINCIPLE 8

Level and Mix of Remuneration

Alignment of remuneration to long term interest and risk policies of the company

A competitive remuneration and reward system based on individual performance is important to retain and incentivise the best talents. The Group's level and mix of remuneration is aligned with the 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.

Non-Executive Directors are paid directors' fees. No additional fee is paid for their appointments on other Board Committees. Executive Directors and the CEO do not receive directors' fees but are remunerated as members of management.

PRINCIPLE 9

Disclosure on Remuneration

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

The breakdown of the remuneration of the directors and employees who are immediate family members of a director of the Company, for the financial year ended 31 December 2017 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	80%	20%	<1%	100%	3,250 to 3,500
Ms Michelle Cheo Hui Ning	80%	20%	<1%	100%	1,000 to 1,250
Ms Bianca Cheo Hui Hsin	79%	20%	1%	100%	1,000 to 1,250
Ms Wong Lai Wan	65%	31%	4%	100%	250 to 500
Ms Leong Choi Foong ⁽¹⁾	88%	12%	0%	100%	250 and below
INDEPENDENT DIRECTORS					
Mr Robert Loke Tan Cheng	100%	-	-	100%	250 and below
Dr Foo Say Mui (Bill)	100%	-	-	100%	250 and below
Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor ⁽²⁾	100%	-	-	100%	250 and below
Tan Sri Datuk Dr Ong Soon Hock	100%	-	-	100%	250 and below
Datuk Dr Fawzia Binti Abdullah ⁽³⁾	100%	-	-	100%	250 and below

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Note:

1. Ms Leong Choi Foong resigned as Director of the Company with effect from 26 February 2018.
2. Tan Sri Dato' Ir Muhammad Radzi Bin Haji Mansor deceased on 21 July 2017.
3. Datuk Dr Fawzia Binti Abdullah was appointed as Independent Director, Member of Audit Committee and Member of Nominating Committee with effect from 8 August 2017.

Name	Family relationship with any director and/or substantial shareholder	Remuneration Band (S\$'000)
Employees who are immediate family members of a director (remuneration exceeding S\$50,000)		
Mr Cheo Jian Jia	Son of Dr Cheo Tong Choon @ Lee Tong Choon; Brother of Ms Michelle Cheo Hui Ning and Ms Bianca Cheo Hui Hsin	250 to 500
Ms Cheo Chong Cher	}	250 to 500
Ms Cheo Sor Cheng Angeline		250 to 500
Ms Cheo Su Ching		250 to 500
Ms Alicia Cheo		250 and below
Ms Cheo Soh Hua @ Lee Soh Hua		250 and below
Mr Cheo Teong Eng	Brother of Dr Cheo Tong Choon @ Lee Tong Choon	250 and below

Top Five Key Management Personnel

Remuneration paid to the top five key management personnel (who are not also directors or the CEO) ranged between S\$250,000 and S\$1,750,000 and aggregated to S\$4,068,000. 53%, 46%, 1% of which was 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 key management personnel, the Group measures the industry conditions in which the Group operates and considers the confidential nature of the remuneration. The Group believes that more detailed disclosures such as disclosure of remuneration on individually named basis for key personnel, exact amounts for directors, and disclosure in incremental bands of S\$50,000 for the immediate family members of the directors would be detrimental to the long term interest of the Group and in attracting, retaining and motivating the employees of the Group.

Remuneration of Executive Directors and key executives 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 key management personnel 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.

The Company did not have any employee share schemes for the financial year 2017.

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PRINCIPLE 10

Accountability

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

The Board has embraced openness and transparency in the conduct of the Group's affairs, whilst preserving the commercial interests of the Group. The Group presents a balanced and clear assessment of the Group's performance, position and prospects to shareholders through the timely release of its quarterly and annual financial reports via SGXNET to the SGX, press releases and the Company's website.

The Board reviews the financial reports to ensure that the disclosure of material information to shareholders is in compliance with statutory requirements and the Listing Manual of the SGX-ST and approves the financial reports before the release. As recommended in the Guidebook for Audit Committees in Singapore, the Board also reviews and approves any media release of its financial results. Negative Assurance confirmation were issued by the Board to accompany the quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render the Group's quarterly results false or misleading.

PRINCIPLE 11

Risk Management and Internal Controls

Sound system of internal controls;

PRINCIPLE 13

Internal Audit

Establishment of an effective internal audit function

The internal audit function of the Group is carried out by in-house Group Internal Audit ("IA") Department. The IA is an independent function within the Group. The IA Department, headed by Mr Larry Cheng, and suitably qualified executives committed to perform in accordance with the Standards pronounced by The Institute of Internal Auditors. Mr Cheng reports directly to the Chairman of the Audit Committee and to the CEO administratively.

The Audit Committee approves the hiring, removal, evaluation, and compensation of the Group IA Manager.

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. 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 and compliance controls. 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.

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 and ensures, on an annual basis, the adequacy of the IA function and reviews the adequacy and effectiveness of the IA function.

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

Based on the internal control 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, 2017 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 in respect of financial statements and financial records

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's risk management and internal control systems are effective.

PRINCIPLE 12

Audit Committee

Establishment of Audit Committee with written terms of reference

The Audit Committee ("AC") comprises entirely non-executive and Independent Directors, namely Mr Robert Loke Tan Cheng, Tan Sri Datuk Dr Ong Soon Hock and Datuk Dr Fawzia Binti Abdullah. 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 five meetings in FY 2017. 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, PwC, within the last 12 months, or who holds any financial interest in PwC.

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

- (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 is likely to have a material impact on the Company's operating results or financial position)
- (ii) reviewing the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually
- (iii) review the qualification and adequacy of the head of the internal audit function
- (iv) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system
- (v) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions
- (vi) reviewing the scope, approach and results of the audit and its effectiveness, and the independence and objectivity of the external auditors
- (vii) nominating external auditors for re-appointment
- (viii) reviewing the integrity of any financial information presented to the Company's shareholders
- (ix) reviewing interested person transactions and potential conflicts of interest, if any
- (x) reviewing all hedging policies and instruments to be implemented by the Group, if any

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- (xi) reviewing all investment instruments that are not principal protected
- (xii) reviewing the Group's risk management structure and any oversight of risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board

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

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 of this Report. The Group has complied with Rule 712, and Rule 715 read with Rule 716 of the SGX Listing Manual in relation to its auditors.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation from 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 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 policies and arrangements have been made available to all employees. 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.

Key Audit matters

The AC considered and discussed the key audit matters, as disclosed on page 48 of this Report, with management and the external auditors. The AC's assessment and conclusions are 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 AC'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.

Impairment assessment of a manufacturing plant of the Group

The AC reviewed management's impairment assessment including the valuation methodology adopted by management in relation to the property, plant and equipment of a manufacturing plant where indications of impairment were assessed to be present. It reviewed the reasonableness of the key assumptions used in the cash flow projection which included the discount rate, terminal growth rate and operating margin. It also held discussions with the external auditors about the reasonableness of the methodology and key assumptions used by management and was satisfied that no impairment allowance was necessary on the manufacturing plant.

CORPORATE GOVERNANCE

PRINCIPLE 14

Shareholder Rights

All shareholders are treated fairly and equitably;

PRINCIPLE 15

Communication with shareholders

Regular, effective and fair communication with shareholders;

PRINCIPLE 16

Conduct of shareholder meetings

Greater shareholder participation at Annual General Meetings

The Group values engagement with its shareholders and believes in regular, effective and fair communication with its shareholders. The Group is committed to upholding high standard of disclosure and continues to keep all stakeholders informed of its corporate activities on a timely and consistent basis. The Company disseminates all price sensitive and material information to its shareholders via SGXNET on a non-selective basis. Financial and other performance data 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 SGX-ST website as well as on the Company website at www.mewahgroup.com.

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 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 and the results of the votes are announced at the shareholders' meetings.

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

In order to show appreciation for the support of the shareholders, the Board of Directors has proposed a final exempt dividend of S\$0.0040 per ordinary share, which along with interim dividends of S\$0.0130, making total dividend of S\$0.0170 per ordinary share for the full year.

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 44 of this Report.

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 2017 are as follows:

Name of Interested Person	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 2017 US\$'000	FY 2017 US\$'000
Prelude Gateway Sdn. Bhd.	106	3,136
Perfect Venue Sdn. Bhd	15	NIL
Ecolex Sdn. Bhd.	40	25,434
Containers Printers Pte Ltd	NIL	1,481
Nature International Pte Ltd	NIL	1,463
Mr Cheo Seng Jin	782	NIL
Mr Cheo Tiong Choon	782	NIL
Kent Holidays (S) Pte Ltd	186	NIL
Choon Heng Logistics Pte Ltd	111	NIL
Futura Ingredients Singapore Pte Ltd	80	NIL
Western Pacific Foods Inc	1,289	NIL

Statement by Audit Committee and Board of Directors

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

Material Contracts

There was no material contracts entered into by the Company or any of its subsidiaries involving the interests of the Chief Executive Officer, any director, or controlling shareholder subsisting at the end of financial year ended 31 December 2017 and no material contracts entered into since the end of the previous financial year.