

FINANCIAL STATEMENTS

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CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
Revenue	4	2,926,657	3,042,787
Cost of sales		(2,733,072)	(2,827,210)
Gross profit		193,585	215,577
Other income	5	4,619	4,328
Other gains/(losses)	6	36,654	(6,401)
Expenses			
- Selling and distribution		(86,884)	(93,577)
- Administrative		(79,162)	(70,557)
- Finance	9	(10,067)	(10,717)
Share of profit of associated company	20	46	34
Profit before tax		58,791	38,687
Income tax expense	10(a)	(25,370)	(17,850)
Profit after tax		33,421	20,837
Profit after tax attributable to:			
Equity holders of the Company		33,631	20,801
Non-controlling interests		(210)	36
		33,421	20,837
Earnings per share attributable to equity holders of the Company (expressed in US cents per share)			
- Basic and diluted	12	2.24	1.39

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	2017	2016
	US\$'000	US\$'000
Profit after tax	33,421	20,837
Other comprehensive income/(loss):		
Item that may be reclassified subsequently to profit or loss:		
Currency translation differences arising from foreign subsidiaries		
- Gains/(losses)	16,143	(11,017)
- Reclassification	(1,578)	-
Item that will not be reclassified subsequently to profit or loss:		
Realisation of asset revaluation reserve upon disposal of property, plant and equipment	-	50
Other comprehensive income/(loss), net of tax	14,565	(10,967)
Total comprehensive income	47,986	9,870
Total comprehensive income attributable to:		
Equity holders of the Company	48,015	9,876
Non-controlling interests	(29)	(6)
	47,986	9,870

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

BALANCE SHEET – GROUP

As at 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
ASSETS			
Current assets			
Inventories	13	367,840	222,629
Trade receivables	14	252,427	256,413
Other receivables	15	85,498	51,457
Current income tax recoverable	11	7,092	6,535
Derivative financial instruments	16(a)	65,969	49,654
Cash and cash equivalents	17	69,593	50,034
		848,419	636,722
Non-current assets			
Property, plant and equipment	18	365,645	326,953
Investment in associated company	20	435	348
Deferred income tax assets	24	2,914	9,735
Derivative financial instruments	16(b)	7,443	3,234
		376,437	340,270
Total assets		1,224,856	976,992
LIABILITIES			
Current liabilities			
Trade payables	21	146,642	123,968
Other payables	22	93,364	76,975
Current income tax liabilities	11	3,331	4,320
Derivative financial instruments	16(a)	22,351	32,629
Borrowings	23	385,413	194,882
		651,101	432,774
Non-current liabilities			
Deferred income tax liabilities	24	37,035	27,186
Borrowings	23	19,064	30,983
		56,099	58,169
Total liabilities		707,200	490,943
NET ASSETS		517,656	486,049
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	25	1,501	1,501
Share premium	25	180,012	180,012
Other reserves	26	(68,974)	(85,133)
Retained profits	27(a)	403,984	392,380
		516,523	488,760
Non-controlling interests		1,133	(2,711)
Total equity		517,656	486,049

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

BALANCE SHEET – COMPANY

As at 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
ASSETS			
Current assets			
Other receivables	15	250,668	275,685
Derivative financial instruments	16(a)	-	124
Cash and cash equivalents	17	155	85
		250,823	275,894
Non-current assets			
Investments in subsidiaries	19	849	849
		251,672	276,743
LIABILITIES			
Current liabilities			
Other payables	22	168	173
Current income tax liabilities	11	768	137
Derivative financial instruments	16(a)	41	-
		977	310
Non-current liabilities			
Deferred income tax liabilities	24	319	657
		1,296	967
NET ASSETS		250,376	275,776
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	25	1,501	1,501
Share premium	25	180,012	180,012
Other reserves	26	3,509	3,509
Retained profits	27(b)	65,354	90,754
		250,376	275,776

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Attributable to equity holders of the Company												
	Share capital US\$'000	Share premium US\$'000	Share redemption US\$'000	Capital reserve US\$'000	Merger reserve US\$'000	General reserve US\$'000	Revaluation reserve US\$'000	Asset translation reserve US\$'000	Currency translation reserve US\$'000	Retained profits US\$'000	Total equity US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
2017													
Beginning of financial year	1,501	180,012	-	3,509	(53,005)	(2,495)	8,518	(41,660)	392,380	488,760	(2,711)	486,049	
Profit for the year	-	-	-	-	-	-	-	-	33,631	33,631	(210)	33,421	
Other comprehensive income for the year	-	-	-	-	-	-	-	14,384	-	14,384	181	14,565	
Total comprehensive income for the year	-	-	-	-	-	-	-	14,384	33,631	48,015	(29)	47,986	
Transfer from general reserve	-	-	-	-	-	1,775	-	-	(1,775)	-	-	-	
Liquidation of subsidiaries	-	-	-	-	-	-	-	-	-	-	4,073	4,073	
Dividends	-	-	-	-	-	-	-	-	(20,252)	(20,252)	(200)	(20,452)	
Total transactions with owners, recognised directly in equity	-	-	-	-	-	1,775	-	-	(22,027)	(20,252)	3,873	(16,379)	
End of financial year	1,501	180,012	-	3,509	(53,005)	(720)	8,518	(27,276)	403,984	516,523	1,133	517,656	
2016													
Beginning of financial year	1,501	180,012	-	3,509	(53,005)	(2,495)	8,676	(30,685)	379,757	487,270	(2,562)	484,708	
Profit for the year	-	-	-	-	-	-	-	-	20,801	20,801	36	20,837	
Other comprehensive loss for the year	-	-	-	-	-	-	(158)	(10,975)	208	(10,925)	(42)	(10,967)	
Total comprehensive income for the year	-	-	-	-	-	-	(158)	(10,975)	21,009	9,876	(6)	9,870	
Dividends	-	-	-	-	-	-	-	-	(8,386)	(8,386)	(143)	(8,529)	
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	-	-	(8,386)	(8,386)	(143)	(8,529)	
End of financial year	1,501	180,012	-	3,509	(53,005)	(2,495)	8,518	(41,660)	392,380	488,760	(2,711)	486,049	

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
Cash flows from operating activities			
Profit after tax		33,421	20,837
Adjustments for:			
- Income tax expense	10(a)	25,370	17,850
- Loss on liquidation of subsidiaries	6	2,298	-
- Depreciation of property, plant and equipment	18	17,427	17,116
- Gains on disposal of property, plant and equipment	6	(5,111)	(484)
- Property, plant and equipment written off	6	93	99
- Impairment losses on property, plant and equipment	6	2,976	1,742
- Interest income	5	(2,913)	(1,697)
- Interest expense	9	10,067	10,717
- Share of profit of associated company	20	(46)	(34)
Operating cash flows before working capital changes		83,582	66,146
Changes in operating assets and liabilities:			
- Inventories		(118,630)	101,195
- Trade and other receivables		(39,216)	(11,240)
- Trade and other payables		43,559	65,038
- Derivative financial instruments		(43,066)	(15,891)
Cash flows (used in)/from operations		(73,771)	205,248
Interest received		2,170	1,157
Interest paid		(10,067)	(10,717)
Income tax paid	11	(12,584)	(7,430)
Increase in restricted short term deposit		(2,623)	-
Net cash flows (used in)/from operating activities		(96,875)	188,258
Cash flows from investing activities			
Increase in other receivables		(2,000)	(5,055)
Additions to property, plant and equipment		(29,708)	(31,338)
Proceeds from disposal of property, plant and equipment		7,503	1,289
Net cash flows used in investing activities		(24,205)	(35,104)
Cash flows from financing activities			
Increase in restricted short term deposit		(1,120)	-
Proceeds from long term borrowings		945	1,382
Repayment of long term borrowings		(21,892)	(35,245)
Net proceeds from /(repayment of) short term borrowings		176,283	(104,536)
Interest received		743	540
Dividends paid to equity holders of the Company	28	(20,252)	(8,386)
Dividends paid to non-controlling interests		(200)	(143)
Net cash flows from/(used in) financing activities		134,507	(146,388)
Net change in cash and cash equivalents			
		13,427	6,766
Cash and cash equivalents at beginning of financial year		49,845	45,407
Effect of changes in exchange rate on cash and cash equivalents		2,578	(2,328)
Cash and cash equivalents at end of financial year	17	65,850	49,845

Reconciliation of liabilities arising from financing activities

	1 January 2017 US\$'000	Proceeds from borrowings US\$'000	Principal and interest payments US\$'000	Non-cash changes		31 December 2017 US\$'000
				Foreign exchange movement US\$'000	Interest expense US\$'000	
Borrowings	225,865	177,228	(31,959)	23,276	10,067	404,477

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 37 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") 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 FRS and INT FRS.

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

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statements.

2.2 Revenue recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue recognition (continued)

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

(a) *Sale of goods*

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

(b) *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 discharge-to-discharge method. Under this method, voyage revenue is recognised rateably over the period from its original discharge port to departure from the next discharge port.

Demurrage is included if a claim is considered probable. Losses arising from time or voyage charters are provided for as soon as they are anticipated.

(c) *Interest income*

Interest income is recognised using the effective interest method.

(d) *Rental income*

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

2.3 Group accounting

(a) *Subsidiaries*

(i) Consolidation

Subsidiaries are 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(i) Consolidation (continued)

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 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.

(ii) Acquisitions

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

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 (i) 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 (ii) fair values of the identifiable net assets acquired, is recorded as goodwill.

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

- The financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control.
- The assets and liabilities are brought into the financial statements at their existing carrying amounts from the perspective of the controlling party.
- The income statement includes the results of the acquired entities since the earliest date the entities are under common control.
- The comparative figures of the Group represent the income statement, statement of comprehensive income, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) Acquisitions (continued)

- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration.
- 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.

(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 subsidiary. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) *Associated company (continued)*

(ii) Equity method of accounting

Under the equity method of accounting, the investments 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 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.

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.

(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 are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

On 1 January 2007, the Group has elected to adopt FRS 101 exemption to deem the previous revaluation of certain property, plant and equipment as deemed cost. The accumulated depreciation at the date of revaluation was eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(a) Measurement (continued)

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2.7 on borrowing costs).

(b) Depreciation

Depreciation 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%

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

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

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets

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 cash generating units ("CGU") to which the asset belongs.

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at 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, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also 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.

2.8 Financial assets

(a) Classification

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(a) *Classification (continued)*

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

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

- (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade receivables" (Note 14), "other receivables" (Note 15) and "cash and cash equivalents" (Note 17) on the balance sheet.

(b) *Recognition and derecognition*

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

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

(c) *Initial measurement*

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

(d) *Subsequent measurement*

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(e) Impairment

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

(i) Loans and receivables financial assets

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

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

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

(f) Offsetting 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.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet, if material.

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

Intra-group transactions are eliminated on consolidation.

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 2017

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). If not, 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 31(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) When the Group is the lessee:

(i) Lessee – Finance leases

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

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

(ii) Lessee – Operating leases

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

(b) *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.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Income taxes (continued)

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.

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 2017

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 ("presentation currency"), which is also the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency 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.

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 of the entity giving rise to such reserve.

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.

2.20 Segment reporting

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

2.21 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 met the definition of cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 of the Group

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 31(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\$15,645,000 (2016: lower or higher by US\$5,440,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

(b) Impairment assessment of a manufacturing plant of the Group

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

As at 31 December 2017, management has identified indications of impairment relating to PPE of a manufacturing plant of the Group. The total net book value of the PPE relating to this manufacturing plant that was recognised on the balance sheet amounted to approximately US\$50,147,000 as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(b) *Impairment assessment of a manufacturing plant of the Group (continued)*

The recoverable amount of this PPE was determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model and requires the Group to make an estimate of the expected future cash flows from the continuing use of the PPE.

The key assumptions used in the value-in-use calculation that were subject to critical accounting estimates were relating to the estimation of the discount rate, terminal growth rate and operating margin as follows:

Discount rate	9.0%
Terminal growth rate	3.0%
Operating margin	3.6% to 12.5%

Operating margin is calculated as revenue, less cost of sales (excluding depreciation), selling and distribution expenses and foreign exchange gains/(losses).

An unfavorable change of 1% to any of the individual key assumptions listed above would not have resulted in the recoverable amounts of the PPE of this manufacturing plant to be lower than its carrying amount.

Based on the recoverable amount determined by management, no impairment for the PPE of this manufacturing plant was deemed necessary as at 31 December 2017.

(c) *Assessment of recoverability of past due trade receivables of the Group*

Management reviews its loans and receivables for objective evidence of impairment on a regular basis and by each customer due to the specific risks associated with each debtor. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. Management has used its judgement to determine whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effects in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has used its judgement to determine whether an impairment loss should be recorded based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experienced. Further details are disclosed in Note 31(b)(ii) to the financial statements.

Based on payments made by the debtors of the Group subsequent to the balance sheet date, as well as the past payment history of these debtors, management believes that there is no significant uncertainty in the estimate of the allowance for impairment of these past due trade receivables that has been recorded in the financial statements as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

4. REVENUE

	Group	
	2017 US\$'000	2016 US\$'000
Sale of palm based products in bulk	1,978,230	2,290,150
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	946,923	752,637
Charter income	1,504	-
	2,926,657	3,042,787

5. OTHER INCOME

	Group	
	2017 US\$'000	2016 US\$'000
Interest income on bank deposits and others	743	540
Late interest charged on trade receivables	2,170	1,157
	2,913	1,697
Rental income	144	215
Commission income	50	42
Insurance claims	280	1,174
Other miscellaneous income	1,232	1,200
	4,619	4,328

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

6. OTHER GAINS/(LOSSES) (NET)

	Group	
	2017 US\$'000	2016 US\$'000
Foreign exchange gains - net	33,050	1,640
Reversal of provision/(provision for) legal claims [Note 6(i)]	3,641	(3,751)
Reversal of impairment losses/(impairment losses) on other receivables	218	(2,382)
Impairment losses on property, plant and equipment (Note 18)	(2,976)	(1,742)
Property, plant and equipment written off	(93)	(99)
Gains on disposal of property, plant and equipment	5,111	484
Loss on liquidation of subsidiaries (Note 17)	(2,298)	-
Others	1	(551)
	36,654	(6,401)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

6. OTHER GAINS/(LOSSES) (NET) (continued)

(i) Provision for legal claims

In the previous financial year, the provision for legal claims amounting to US\$3,751,000 was related to a civil action that was filed by Lushing Traders Pte Ltd, a company registered in the Republic of Singapore, in the Malaysian High Court against Mewah-Oils Sdn Bhd ("MOSB"), a wholly-owned subsidiary of the Company. In 2016, the Court of Appeal dismissed MOSB's appeal and management made full provision for the claims as at 31 December 2016.

On 4 December 2017, MOSB successfully won its appeal at the Federal Court of Malaysia and accordingly, the provision for legal claims was written back to profit or loss during the current financial year.

7. EXPENSES BY NATURE

	Group	
	2017	2016
	US\$'000	US\$'000
Purchases of inventories	2,818,739	2,713,673
Changes in inventories	(118,630)	101,195
Gains from derivative financial instruments	(9,027)	(23,080)
Freight charges	50,392	36,861
Consultation fees	2,669	2,433
Transportation	22,095	18,892
Export duties	7,594	9,566
Insurance	5,701	5,199
Utilities	11,038	10,231
Rental on operating leases	1,871	1,706
Repair and maintenance	5,694	4,834
Employee compensation (Note 8)	60,876	50,797
Depreciation of property, plant and equipment (Note 18)	17,427	17,116
Bank charges	2,902	2,043
(Write back of allowance)/allowance for impairment of trade receivables [Note 31(b)(ii)]	(2,279)	18,317
Inventories written down	3,887	1,371
Audit fees		
- Auditors of the Company	340	334
- Other auditors*	182	186
Non-audit fees		
- Auditors of the Company	67	61
- Other auditors*	96	65
Others	17,484	19,544
Total cost of sales, selling and distribution and administrative expenses	2,899,118	2,991,344

* Includes 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 2017 and 2016, the inventories written down mainly relate to inventories which are slow-moving.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

8. EMPLOYEE COMPENSATION

	Group	
	2017 US\$'000	2016 US\$'000
Salaries	53,247	45,156
Employer's contributions to defined contribution plans	4,914	4,160
Other staff benefits	2,715	1,481
	60,876	50,797

9. FINANCE EXPENSES

	Group	
	2017 US\$'000	2016 US\$'000
Interest expenses:		
- Bank borrowings	10,067	10,733
- Finance lease liabilities	-	1
	10,067	10,734
Less: Borrowing costs capitalised in property, plant and equipment	-	(17)
Finance expenses recognised in profit or loss	10,067	10,717

In 2017, borrowing costs were capitalised at a rate of nil (2016: 4.25%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. INCOME TAXES

(a) Income tax expense

	Group	
	2017	2016
	US\$'000	US\$'000
Tax expense attributable to profit was made up of:		
Current income tax		
- Singapore	1,744	575
- Foreign	6,612	6,035
	<u>8,356</u>	6,610
Deferred income tax	7,387	8,427
	<u>15,743</u>	15,037
Under/(over) provision in prior financial years		
- Current income tax (Note 11)	3,247	(455)
- Deferred income tax	6,380	3,268
	<u>9,627</u>	2,813
Income tax expense	<u>25,370</u>	17,850

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	
	2017	2016
	US\$'000	US\$'000
Profit before tax	<u>58,791</u>	38,687
Tax calculated at domestic rates applicable to profits in the respective countries	13,922	10,394
Effects of:		
- Tax incentives	(563)	840
- Expenses not deductible for tax purposes	4,075	4,050
- Income not subject to tax	(1,177)	(8)
- Utilisation of previously unrecognised tax losses	(512)	(219)
- Under provision of tax in prior financial years	9,627	2,813
- Others	(2)	(20)
	<u>25,370</u>	17,850

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

10. INCOME TAXES (continued)

(a) Income tax expense (continued)

Singapore and Malaysia, two of the Group's main tax jurisdictions, had headline corporate tax rates of 17% and 24% (2016: 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, 0% tax rate on qualifying income under the Pioneer Status in Malaysia and other various schemes for qualifying capital investments in Malaysia.

Under provision in prior financial years

The under provision of current income tax in respect of prior financial years mainly relates to a notice of additional tax, which was raised by a local tax authority to a wholly-owned subsidiary of the Group and was paid during the financial year. The wholly-owned subsidiary has filed an objection to this additional tax assessment and the matter is currently in arbitration.

The under provision of deferred income tax in respect of prior financial years mainly relates to the impairment of certain deferred income tax assets of a wholly-owned subsidiary of the Group based on the latest forecast of the amount of deferred income tax assets that are expected to be utilised in the future.

If the final outcome is different from the provisions that have been made, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) The tax credit relating to each component of other comprehensive income is as follows:

Group	2017			2016		
	Before tax \$'000	Tax credit \$'000	After tax \$'000	Before tax \$'000	Tax credit \$'000	After tax \$'000
Realisation of asset revaluation reserve upon disposal of property, plant and equipment	-	-	-	(208)	50	(158)

11. CURRENT INCOME TAXES RECOVERABLE/(LIABILITIES)

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Beginning of the year	2,215	1,051	(137)	(129)
Currency translation differences	565	(111)	(7)	-
Income tax paid	12,584	7,430	486	343
Tax expense (Note 10)	(8,356)	(6,610)	(1,149)	(378)
(Under)/over provision in prior financial years (Note 10)	(3,247)	455	39	27
End of the financial year	3,761	2,215	(768)	(137)
Represented by:				
Current income tax recoverable	7,092	6,535	-	-
Current income tax liabilities	(3,331)	(4,320)	(768)	(137)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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	
	2017	2016
Net profit attributable to equity holders of the Company (US\$'000)	33,631	20,801
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)	2.24	1.39

Diluted earnings per share was the same as the basic earnings per share for the financial years ended 31 December 2017 and 2016 as there were no potential dilutive ordinary shares outstanding.

13. INVENTORIES

	Group	
	2017	2016
	US\$'000	US\$'000
Raw materials	166,206	89,260
Finished goods	195,833	127,117
Stores, spares and consumables	5,801	6,252
	367,840	222,629

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US\$2,703,996,000 (2016: US\$2,816,239,000).

14. TRADE RECEIVABLES

	Group	
	2017	2016
	US\$'000	US\$'000
Trade receivables		
- Related parties [Note 32(a)]	31,183	24,671
- Non-related parties	255,458	270,697
	286,641	295,368
Less: Allowance for impairment of trade receivables		
- non-related parties [Note 31(b)(ii)]	(34,214)	(38,955)
Trade receivables – net	252,427	256,413

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

15. OTHER RECEIVABLES

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Loans to subsidiaries	-	-	263,392	286,582
Less: Allowance for impairment	-	-	(12,757)	(10,910)
	-	-	250,635	275,672
Non-trade receivables	65,012	30,576	-	-
Dividend receivable	-	-	25	-
Deposits	17,306	19,039	-	-
Prepayments	3,180	1,842	8	13
	85,498	51,457	250,668	275,685

Group

As at 31 December 2017, non-trade receivables included US\$50,988,000 (2016: US\$23,418,000) refundable Goods Service Tax, US\$3,089,000 (2016: US\$4,365,000) relating to subsidy receivable for cooking oil price stabilisation scheme and US\$8,945,000 (2016: US\$1,515,000) of advance payments for the purchase of raw materials.

As at 31 December 2017, deposits included US\$8,948,000 (2016: US\$6,948,000) being advance payments towards capital expenditure and US\$7,680,000 (2016: initial and variation margin of US\$9,080,000) paid to Bursa Malaysia Derivatives Clearing Bhd for commodity trading initial margin payment.

Other non-trade receivables are unsecured, interest-free and repayable on demand.

Company

Loans to subsidiaries bear interests from 1.2% to 9.9% (2016: 1.2% to 9.1%) per annum. The loans are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Current portion

	Contract notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
2017			
Currency forward contracts [Note 31(e)]	825,983	19,053	(9,062)
Commodities forward contracts [Note 31(e)]	863,949	23,109	(12,875)
Futures contracts on commodity exchange [Note 31(e)]	991,625	23,807	(414)
Total		65,969	(22,351)
2016			
Currency forward contracts [Note 31(e)]	569,644	9,547	(6,433)
Commodities forward contracts [Note 31(e)]	723,064	16,613	(25,186)
Futures contracts on commodity exchange [Note 31(e)]	948,980	23,494	(1,010)
Total		49,654	(32,629)
	Contract notional amount US\$'000	Company Fair values	
		Asset US\$'000	Liability US\$'000
2017			
Currency forward contracts [Note 31(e)]	3,172	-	(41)
2016			
Currency forward contracts [Note 31(e)]	3,350	124	-

(b) Non-current portion

	Contract notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
2017			
Commodities forward contracts [Note 31(e)]	16,313	30	-
Futures contracts on commodity exchange [Note 31(e)]	164,496	7,413	-
Total		7,443	-
2016			
Commodities forward contracts [Note 31(e)]	1,628	20	-
Futures contracts on commodity exchange [Note 31(e)]	115,066	3,214	-
Total		3,234	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

- (i) Currency forward contracts are entered into by the Group to manage exposure to fluctuations in foreign currency exchange rates.
- (ii) 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.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 US\$'000	216 US\$'000	2017 US\$'000	216 US\$'000
Cash at bank and on hand	49,846	34,689	155	85
Short-term bank deposits	19,747	15,345	-	-
	69,593	50,034	155	85

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

	Group	
	2017 US\$'000	2016 US\$'000
Cash and bank balances (as above)	69,593	50,034
Less: Restricted short term bank deposits	(3,743)	-
Less: Bank overdrafts (Note 23)	-	(189)
Cash and cash equivalents per consolidated statement of cash flows	65,850	49,845

During the financial year, the Group completed the liquidation of subsidiaries, Molly Foods bvba, Bloom Land Enterprises Limited and BeCe S.à.r.l, and the net cash flow arising from the liquidation of the subsidiaries, are as follows:

	Group 2017 US\$'000
Net liabilities of liquidated subsidiaries	(197)
Less: Non-controlling interest	4,073
	3,876
Reclassification of currency translation reserve	(1,578)
	2,298
Loss of liquidation of subsidiaries (Note 6)	(2,298)
Net cash inflow/(outflow)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT

Group	2017	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Vessels	Capital expenditure in progress	Total
<i>Cost</i>									
Beginning of financial year	20,288	109,721	275,599	18,660	7,470	-	-	34,926	466,664
Currency translation differences	2,358	8,497	31,171	928	246	-	-	1,550	44,750
Additions	386	133	6,995	797	1,352	1,972	-	18,073	29,708
Disposals	-	(3,455)	(66)	(92)	(957)	-	-	-	(4,570)
Write off	-	-	(139)	(68)	(143)	-	-	-	(350)
Reclassification	5,116	817	19,922	8	(1)	-	-	(25,862)	-
End of financial year	28,148	115,713	333,482	20,233	7,967	1,972	-	28,687	536,202
<i>Accumulated depreciation</i>									
Beginning of financial year	1,262	20,610	96,629	13,764	5,374	-	-	-	137,639
Currency translation differences	162	1,361	10,542	664	149	-	-	-	12,878
Depreciation charge (Note 7)	524	2,629	11,942	1,369	888	75	-	-	17,427
Disposals	-	(1,116)	(40)	(91)	(931)	-	-	-	(2,178)
Write off	-	-	(50)	(64)	(143)	-	-	-	(257)
End of financial year	1,948	23,484	119,023	15,642	5,337	75	-	-	165,509
<i>Accumulated impairment losses</i>									
Beginning of financial year	-	-	17	247	66	-	-	1,742	2,072
Impairment losses (Note 6)	-	-	-	-	-	-	-	2,976	2,976
End of financial year	-	-	17	247	66	-	-	4,718	5,048
<i>Net book value</i>									
End of financial year	26,200	92,229	214,442	4,344	2,564	1,897	-	23,969	365,645

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Capital expenditure in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2016							
<i>Cost</i>							
Beginning of financial year	21,497	114,502	274,796	19,168	7,837	22,589	460,389
Currency translation differences	(780)	(6,746)	(12,018)	(375)	(100)	(1,100)	(21,119)
Additions	78	1,307	2,176	982	775	26,020	31,338
Disposals	(616)	(14)	(435)	(343)	(1,041)	-	(2,449)
Write off	-	-	(626)	(812)	(1)	(56)	(1,495)
Reclassification	109	672	11,706	40	-	(12,527)	-
End of financial year	20,288	109,721	275,599	18,660	7,470	34,926	466,664
<i>Accumulated depreciation</i>							
Beginning of financial year	978	18,859	90,344	13,793	5,340	-	129,314
Currency translation differences	(63)	(1,103)	(4,254)	(265)	(66)	-	(5,751)
Depreciation charge (Note 7)	413	2,862	11,514	1,379	948	-	17,116
Disposals	(66)	(8)	(382)	(340)	(848)	-	(1,644)
Write off	-	-	(593)	(803)	-	-	(1,396)
End of financial year	1,262	20,610	96,629	13,764	5,374	-	137,639
<i>Accumulated impairment losses</i>							
Beginning of financial year	-	-	17	247	66	-	330
Impairment losses (Note 6)	-	-	-	-	-	1,742	1,742
End of financial year	-	-	17	247	66	1,742	2,072
Net book value							
End of financial year	19,026	89,111	178,953	4,649	2,030	33,184	326,953

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

18. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) As at 31 December 2017, bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of US\$148,897,000 (2016: US\$142,221,000).
- (b) During the financial year, impairment loss on capital expenditure in progress of US\$2,976,000 was recognised in profit or loss as management has determined that the carrying amount of the capital expenditure incurred in relation to a project in Indonesia as at 31 December 2017 was in excess of the recoverable amount.

19. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	US\$'000	US\$'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	849	849

Details of the significant subsidiaries are included in Note 37. There are no subsidiaries with non-controlling interest that are material to the Group as at 31 December 2017 and 2016.

20. INVESTMENTS IN ASSOCIATED COMPANY

	Group	
	2017	2016
	US\$'000	US\$'000
<i>Equity investment at cost</i>		
Beginning of financial year	348	330
Share of profits	46	34
Currency translation differences	41	(16)
End of financial year	435	348

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

	Group	
	2017	2016
	US\$'000	US\$'000
Assets	1,223	1,049
Liabilities	(336)	(339)
Carrying value of associated company	887	710
Effective interest rate of the Group in associated company	49%	49%
Carrying value of group's interest in associated company	435	348
Revenue	5,013	3,713
Net profit and total comprehensive income	94	69
Effective interest rate of the Group in associated company	49%	49%
Share of profit of associated company	46	34

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 2017

21. TRADE PAYABLES

	Group	
	2017 US\$'000	2016 US\$'000
Trade payables		
- Related parties [Note 32(a)]	780	939
- Non-related parties	145,862	123,029
	146,642	123,968

22. OTHER PAYABLES

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Non-trade payables				
- Related parties [Note 32(a)]	2	1	-	-
- Associated company	54	43	-	-
- Non-related parties	58,690	45,533	-	-
	58,746	45,577	-	-
Deferred income	4,095	1,919	-	-
Accrual for operating expenses	30,523	29,479	168	173
	93,364	76,975	168	173

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. As at 31 December 2017, non-trade payables from non-related parties included US\$30,754,000 (2016: US\$25,769,000) payable to Bursa Malaysia Derivatives Clearing Bhd ("Bursa"), US\$10,678,000 (2016: US\$8,118,000) relating to advances from customers and US\$731,000 (2016: US\$631,000) relating to Goods Service Tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

23. BORROWINGS

	Group	
	2017	2016
	US\$'000	US\$'000
<i>Current</i>		
Bank overdrafts (Note 17)	-	189
Bank borrowings		
- Trade financing	364,860	173,924
- Revolving credit	5,000	-
- Term loans	15,553	20,769
	385,413	194,882
<i>Non-current</i>		
Bank borrowings		
- Term loans	19,064	30,983
	19,064	30,983
Total borrowings	404,477	225,865

(a) Securities granted

Total borrowings include secured liabilities of US\$32,222,000 (2016: US\$45,085,000). The borrowings of the Group are secured by certain property, plant and equipment as disclosed in Note 18(a) and corporate guarantees by the Company as disclosed in Note 29.

(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 2017

24. DEFERRED INCOME TAXES

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

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets	2,914	9,735	-	-
Deferred income tax liabilities	(37,035)	(27,186)	(319)	(657)

Deferred income tax liabilities

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

	Group		Company	
	2017	2016	2017	2016
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of financial year	(17,451)	(6,995)	(657)	(486)
Currency translation differences	(2,903)	1,189	-	-
Tax (charged)/credited to				
- Profit or loss	(13,767)	(11,695)	338	(171)
- Equity [Note 10(b)]	-	50	-	-
End of financial year	(34,121)	(17,451)	(319)	(657)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. 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	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2017					
Beginning of financial year	(23,322)	(2,028)	(1,111)	(4,150)	(30,611)
Currency translation differences (Charged)/credited to	(2,723)	(64)	-	(1,025)	(3,812)
- Profit or loss	(814)	1,535	696	(9,080)	(7,663)
End of financial year	(26,859)	(557)	(415)	(14,255)	(42,086)
2016					
Beginning of financial year	(21,482)	(2,132)	(939)	(2,209)	(26,762)
Currency translation differences (Charged)/credited to	1,097	54	-	254	1,405
- Profit or loss	(2,937)	-	(172)	(2,195)	(5,304)
- Equity [Note 10(b)]	-	50	-	-	50
End of financial year	(23,322)	(2,028)	(1,111)	(4,150)	(30,611)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

24. DEFERRED INCOME TAXES (continued)

Group (continued)

Deferred income tax assets

	Unutilised tax losses	Unutilised reinvestment allowance	Others	Total
	US\$'000	US\$'000	US\$'000	US\$'000
2017				
Beginning of financial year	3,619	6,984	2,557	13,160
Currency translation differences	221	364	324	909
(Charged)/credited to				
- Profit or loss	(1,871)	(6,312)	2,079	(6,104)
End of financial year	1,969	1,036	4,960	7,965
2016				
Beginning of financial year	4,479	14,260	1,028	19,767
Currency translation differences	(79)	(31)	(106)	(216)
(Charged)/credited to				
- Profit or loss	(781)	(7,245)	1,635	(6,391)
End of financial year	3,619	6,984	2,557	13,160

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately US\$1,856,000 (2016: US\$4,046,000) at the balance sheet date which would expire between 2018 and 2022. These unrecognised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

Company

Deferred income tax liabilities

	Unremitted foreign income	
	2017	2016
	US\$'000	US\$'000
Beginning of financial year	(657)	(486)
Charged to		
- Profit or loss	338	(171)
End of financial year	(319)	(657)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. SHARE CAPITAL AND SHARE PREMIUM

	No. of ordinary shares		Amount		
	Authorised share capital at par value of US\$0.001 '000	Issued share capital at par value of US\$0.001 '000	Authorised share capital at par value of US\$0.001 US\$'000	Share capital at par value of US\$0.001 US\$'000	Share premium US\$'000
Group and Company 2017					
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
2016					
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.

26. OTHER RESERVES

	Group	
	2017 US\$'000	2016 US\$'000
(a) Composition:		
Merger reserve	(53,005)	(53,005)
General reserve	(720)	(2,495)
Asset revaluation reserve	8,518	8,518
Currency translation reserve	(27,276)	(41,660)
Capital redemption reserve	3,509	3,509
	(68,974)	(85,133)
	Company	
	2017 US\$'000	2016 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 subsidiary.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

26. OTHER RESERVES (continued)

(a) Composition: (continued)

Asset revaluation reserve arose as a result of the Group's election on 1 January 2007 to adopt the FRS 101 exemption to deem the previous revaluation of certain property, plant and equipment as deemed cost [Note 2.4(a)(i)].

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.

	Note	Group 2017 US\$'000	2016 US\$'000
(b) Movements			
(i) Merger reserve			
Beginning and end of financial year		(53,005)	(53,005)
(ii) General reserve			
Beginning of financial year		(2,495)	(2,495)
Transfer to retained earnings		1,775	-
End of financial year		(720)	(2,495)
(iii) Asset revaluation reserve			
Beginning and end of financial year		8,518	8,676
Realisation of reserve upon disposal		-	(208)
Less: Tax on disposal of property, plant and equipment		-	50
		-	(158)
End of financial year		8,518	8,518
(iv) Currency translation reserve			
Beginning of financial year		(41,660)	(30,685)
Net currency translation differences of foreign subsidiaries		16,143	(11,017)
Liquidation of subsidiaries		(1,578)	-
Less: Non-controlling interests		(181)	42
		14,384	(10,975)
End of financial year		(27,276)	(41,660)
Group and Company			
		2017	2016
		US\$'000	US\$'000
<hr/>			
(v) 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 2017

27. 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	
	2017	2016
	US\$'000	US\$'000
Beginning of financial year	90,754	31,423
Dividends (Note 28)	(20,252)	(8,386)
Total comprehensive income for the financial year	(5,148)	67,717
End of financial year	65,354	90,754

28. DIVIDEND

	Group and Company	
	2017	2016
	US\$'000	US\$'000
<i>Declared and paid during the financial year:</i>		
Dividend on ordinary shares:		
- Final exempt one-tier dividend of S\$0.0055 for 2016 (2015: S\$0.0045) per share	5,908	5,026
- Interim exempt one-tier dividend of S\$0.0130 for 2017 (2016: S\$0.0030) per share	14,344	3,360
	20,252	8,386

Proposed but not recognised as a liability as at 31 December:

Dividend on ordinary shares, subject to shareholders' approval at the AGM:

- Final exempt one-tier dividend of S\$0.0040 (2016: S\$0.0055) per share	4,493	5,699
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29. CONTINGENT LIABILITIES

Company

The Company has issued corporate guarantees to banks for borrowings to certain subsidiaries. As at 31 December 2017, the borrowings under the guarantees amounted to US\$400,857,000 (2016: US\$222,700,000). The financial effects of FRS 39 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. COMMITMENTS

(a) Capital commitments

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

	Group	
	2017	2016
	US\$'000	US\$'000
Property, plant and equipment	31,531	11,776
Acquisition of business*	9,120	9,120
	40,651	20,896

* In the previous financial year, the Group has entered into a conditional sale and purchase agreement to acquire 95% of equity shares in a company incorporated in Indonesia engaged in the palm oil business. As at 31 December 2017, the acquisition has yet to be completed as it is subject to the satisfactory results of the due diligences and attainment of certain regulatory approvals.

(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.

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	
	2017	2016
	US\$'000	US\$'000
Not later than one year	896	491
Between one and five years	1,689	1,725
Later than five years	6,068	9,161
	8,653	11,377

(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	
	2017	2016
	US\$'000	US\$'000
Not later than one year	-	221
Between one and five years	-	76
	-	297

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise 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"), Singapore Dollar ("SGD"), Australia Dollar ("AUD"), Euro ("EUR") and Indonesian Rupiah ("IDR"). Currency risk arises within entities in the Group when transactions are denominated in currencies other than the entities' functional currencies.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	USD US\$'000	Ringgit US\$'000	EUR US\$'000	SGD US\$'000	AUD US\$'000	IDR US\$'000
At 31 December 2017						
Financial assets						
Cash and cash equivalents	10,753	17,953	5,621	1,912	243	1,898
Trade and other receivables	29,212	83,288	31,317	3,996	3,567	2,447
Intercompany receivables	41,306	155,241	22,394	28	4,068	4,146
	81,271	256,482	59,332	5,936	7,878	8,491
Financial liabilities						
Borrowings	-	(248,560)	-	(5,988)	(3,553)	-
Trade and other payables	(10,543)	(151,583)	(3,700)	(13,073)	(615)	(129)
Intercompany payables	(311,437)	(155,241)	(22,394)	(28)	(4,068)	(4,146)
	(321,980)	(555,384)	(26,094)	(19,089)	(8,236)	(4,275)
Net financial (liabilities)/ assets	(240,709)	(298,902)	33,238	(13,153)	(358)	4,216
Add: Firm commitments and highly probable forecast transactions in foreign currencies	381,065	(129,310)	7,684	(10,737)	-	-
Less: Currency forward contracts	(289,297)	296,410	(78,387)	10,875	(11,876)	7,521
Currency profile	(148,941)	(131,802)	(37,465)	(13,015)	(12,234)	11,737
Financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	131,012	22,624	(33)	5,878	(2,879)
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies	(148,941)	(790)	(14,841)	(13,048)	(6,356)	8,858

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	USD US\$'000	Ringgit US\$'000	EUR US\$'000	SGD US\$'000	AUD US\$'000	IDR US\$'000
At 31 December 2016						
Financial assets						
Cash and cash equivalents	9,792	5,628	8,967	1,823	290	544
Trade and other receivables	27,785	67,331	20,504	4,244	4,120	1,659
Intercompany receivables	136,723	67,155	6,418	-	4,259	658
	<u>174,300</u>	<u>140,114</u>	<u>35,889</u>	<u>6,067</u>	<u>8,669</u>	<u>2,861</u>
Financial liabilities						
Borrowings	-	(152,554)	-	(7,733)	(2,977)	-
Trade and other payables	(9,154)	(137,348)	(2,736)	(9,723)	(606)	(119)
Intercompany payables	(312,595)	(67,155)	(6,418)	-	(4,259)	(658)
	<u>(321,749)</u>	<u>(357,057)</u>	<u>(9,154)</u>	<u>(17,456)</u>	<u>(7,842)</u>	<u>(777)</u>
Net financial assets / (liabilities)	(147,449)	(216,943)	26,735	(11,389)	827	2,084
Add: Firm commitments and highly probable forecast transactions in foreign currencies	139,821	(64,760)	(11,364)	(11,407)	-	(9,120)
Less: Currency forward contracts	<u>(114,881)</u>	<u>120,998</u>	<u>(17,147)</u>	<u>12,257</u>	<u>(11,883)</u>	<u>9,601</u>
Currency profile	(122,509)	(160,705)	(1,776)	(10,539)	(11,056)	2,565
Financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	160,644	6,359	-	6,856	7,395
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies	(122,509)	(61)	4,583	(10,539)	(4,200)	9,960

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD	AUD
	US\$'000	US\$'000
<hr/>		
At 31 December 2017		
Financial assets		
Cash and cash equivalents	11	7
Other receivables	-	3,293
	<u>11</u>	<u>3,300</u>
Financial liabilities		
Other payables	<u>(168)</u>	-
Net financial (liabilities)/assets	(157)	3,300
Less: Currency forward contracts	-	<u>(3,172)</u>
Currency profile/currency exposure of financial liabilities net of those denominated in the Company's functional currency	<u>(157)</u>	<u>128</u>
At 31 December 2016		
Financial assets		
Cash and cash equivalents	20	7
Other receivables	-	3,077
	<u>20</u>	<u>3,084</u>
Financial liabilities		
Other payables	<u>(173)</u>	-
Net financial (liabilities)/assets	(153)	3,084
Less: Currency forward contracts	-	<u>(3,350)</u>
Currency profile/currency exposure of financial liabilities net of those denominated in the Company's functional currency	<u>(153)</u>	<u>(266)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If Ringgit, EUR, SGD, AUD and IDR change by 5% (2016: Ringgit, Euro, 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	
	← (Decrease)/Increase → US\$'000	US\$'000
	Strengthened	Weakened
Group		
2017		
USD against Ringgit	(5,453)	5,453
Ringgit against USD	(29)	29
EURO against USD	(543)	543
SGD against USD	(478)	478
AUD against USD	(233)	233
IDR against USD	324	(324)
2016		
USD against Ringgit	(3,744)	3,744
Ringgit against USD	(2)	2
EURO against USD	140	(140)
SGD against USD	(321)	321
AUD against USD	(128)	128
IDR against USD	304	(304)

If SGD and AUD change against USD by 5% (2016: 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	
	← (Decrease)/Increase → US\$'000	US\$'000
	Strengthened	Weakened
Company		
2017		
SGD against USD	(7)	7
AUD against USD	5	(5)
2016		
SGD against USD	(6)	6
AUD against USD	(11)	11

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(a) *Market risk (continued)*

(ii) Cash flows and fair value interest rate risks

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its borrowings and deposits placed with creditworthy licensed banks and financial institutions.

The Group's policy is to enter into variable interest rates borrowings and the market interest rates are typically priced into the sales transactions.

As at 31 December 2017, the Groups' profit after tax for the financial year would have been lower or higher by US\$76,000 (2016: US\$123,000) if market interest rates had been 50 basis points higher or lower with all other variables held constant.

(iii) Commodity price risk

The Group is exposed to fluctuations in the prices of agri-commodities it deals in, including crude palm oil and palm oil products. 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 31(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\$15,645,000 (2016: lower or higher by US\$5,440,000) 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, bank deposits, currency forward contracts, commodities forward contracts and futures contracts on commodity exchanges. 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 doubtful debts provision and/or write-off.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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	
	2017	2016
	US\$'000	US\$'000
Corporate guarantees provided to financial institutions on subsidiaries' borrowings	400,857	222,700

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

The major trade receivables of the Group comprised 1 debtor for 2017 (2016: 1 debtors) and represented 12% of trade receivables (2016: 13%). The Company did not have trade receivables in 2017 and 2016.

The credit risk for trade receivables (net of allowance) and commodities forward contracts based on the information provided to key management was as follows:

	Group	
	2017	2016
	US\$'000	US\$'000
Trade receivables (net of allowance)		
<u>By geographical areas</u>		
- Asia		
Malaysia	81,057	89,059
Singapore	29,883	34,216
Rest of Asia	18,737	20,336
- Africa	29,676	45,198
- Middle East	31,177	26,557
- Europe	42,947	28,735
- Pacific Oceania	9,249	5,057
- Americas	9,701	7,255
	252,427	256,413

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

	Group	
	2017 US\$'000	2016 US\$'000
Commodities forward contracts		
By geographical areas		
- Asia		
Malaysia	9,729	9,196
Singapore	6,030	2,461
Rest of Asia	1,559	578
- Middle East	1,346	1,809
- Europe	3,512	2,445
- Pacific Oceania	373	-
- Americas	590	144
	23,139	16,633

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

Currency forward contracts and bank deposits that were neither past due nor impaired are entered into with banks with high credit-ratings. Commodities futures contracts are traded in stock exchanges such as Bursa Malaysia with a good credit standing. Commodities forward contracts, trade and non-trade receivables that were neither past due nor impaired were substantially companies with a good collection track record with the Group.

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

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

The age analysis of trade receivables and commodities forward contracts past due but not impaired was as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Trade receivables		
Past due < 3 months	84,470	60,905
Past due 3 to 6 months	7,827	16,826
Past due 6 to 12 months	231	7,788
Past due over 1 year	5,551	9,987
	98,079	95,506
Commodities forward contracts		
Past due < 3 months	3,671	4,804
Past due 3 to 6 months	226	8
	3,897	4,812

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

The total carrying amount of the trade receivables individually determined to be fully/partially impaired, were as follows:

	Group	
	2017	2016
	US\$'000	US\$'000
Gross amount	46,360	46,852
Less: Allowance for impairment	(34,214)	(38,955)
	12,146	7,897
Beginning of financial year	(38,955)	(21,059)
Currency translation differences	(412)	356
Allowance written back/(made) (Note 7)	2,279	(18,317)
Allowance utilised	2,874	65
End of financial year	(34,214)	(38,955)

The remaining amount of US\$12,146,000 (2016: US\$7,897,000) was not deemed to be impaired further to the deposits and subsequent collections from these customers.

The impaired trade receivables arose mainly from sales to customers which have suffered financial difficulties.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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 US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Total US\$'000
Group				
At 31 December 2017				
Trade and other payables	(224,502)	-	-	(224,502)
Borrowings	(387,721)	(15,318)	(4,547)	(407,586)
	(612,223)	(15,318)	(4,547)	(632,088)
Gross-settled currency forward contracts				
- Receipts	593,467	-	-	593,467
- Payments	(232,516)	-	-	(232,516)
	360,951	-	-	360,951
Gross-settled commodities futures contracts and forward sales and purchase contracts				
- Receipts	972,783	170,944	-	1,143,727
- Payments	(882,791)	(9,865)	-	(892,656)
	89,992	161,079	-	251,071
Group				
At 31 December 2016				
Trade and other payables	(190,275)	-	-	(190,275)
Borrowings	(196,186)	(16,861)	(15,423)	(228,470)
	(386,461)	(16,861)	(15,423)	(418,745)
Gross-settled currency forward contracts				
- Receipts	347,710	-	-	347,710
- Payments	(221,934)	-	-	(221,934)
	125,776	-	-	125,776
Gross-settled commodities futures contracts and forward sales and purchase contracts				
- Receipts	833,228	116,580	-	949,808
- Payments	(838,816)	(114)	-	(838,930)
	(5,588)	116,466	-	110,878

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(c) *Liquidity risk* (continued)

	Less than 1 year US\$'000
<hr/>	
Company	
At 31 December 2017	
Other payables	(168)
Gross-settled currency forward contracts	
- Payments	<u>(3,172)</u>
At 31 December 2016	
Other payables	(173)
Gross-settled currency forward contracts	
- Payments	<u>(3,350)</u>

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
<hr/>	
Company	
At 31 December 2017	
Financial guarantee contracts	<u>(400,857)</u>
Company	
At 31 December 2016	
Financial guarantee contracts	<u>(222,700)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. 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 over business cycles, the Group may adjust the amount of dividend payment, obtain new borrowings or sell assets to reduce borrowings.

Management manages capital based on 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 cash equivalents ("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 2017 and 31 December 2016.

	Group	
	2017	2016
	US\$'000	US\$'000
Net assets	517,656	486,049
Debt-equity ratio		
Gross debt	404,477	225,865
Less: Cash and cash equivalents	(69,593)	(50,034)
Net debt	334,884	175,831
Total equity	517,656	486,049
Gross debt-equity ratio	0.78	0.46
Net debt-equity ratio	0.65	0.36

The Group and the Company were in compliance with all externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements

The following table presents assets and liabilities measured and carried 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			
2017			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	19,053	19,053
- Commodities forward contracts	-	23,139	23,139
- Futures contracts on commodity exchange	31,220	-	31,220
As at 31 December 2017	31,220	42,192	73,412
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(9,062)	(9,062)
- Commodities forward contracts	-	(12,875)	(12,875)
- Futures contracts on commodity exchange	(414)	-	(414)
As at 31 December 2017	(414)	(21,937)	(22,351)
Group			
2016			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	9,547	9,547
- Commodities forward contracts	-	16,633	16,633
- Futures contracts on commodity exchange	26,708	-	26,708
As at 31 December 2016	26,708	26,180	52,888
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(6,433)	(6,433)
- Commodities forward contracts	-	(25,186)	(25,186)
- Futures contracts on commodity exchange	(1,010)	-	(1,010)
As at 31 December 2016	(1,010)	(31,619)	(32,629)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
Company			
2017			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(41)	(41)
2016			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	124	124

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 impairment provision 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 approximates their carrying amount.

(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 and in Note 16 to the financial statements, except for the following:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Loans and receivables	335,457	324,181	250,815	275,757
Financial liabilities at amortised cost	(628,979)	(416,140)	(168)	(173)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT (continued)

(g) Offsetting financial assets and liabilities

Group

(i) Financial assets subject to offsetting

Description	(a) Gross amounts of financial assets US\$'000	(b) Gross amount of financial liabilities set off on balance sheet US\$'000	(c) = (a)-(b) Net amounts of financial assets presented on balance sheet US\$'000
2017			
Commodities forward contracts	26,585	(3,446)	23,139
2016			
Commodities forward contracts	18,717	(2,084)	16,633

(ii) Financial liabilities subject to offsetting

Description	(a) Gross amounts of financial liabilities US\$'000	(b) Gross amount of financial assets set off on balance sheet US\$'000	(c) = (a)-(b) Net amounts of financial liabilities presented on balance sheet US\$'000
2017			
Commodities forward contracts	(16,321)	3,446	(12,875)
2016			
Commodities forward contracts	(27,270)	2,084	(25,186)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. 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	
	2017 US\$'000	2016 US\$'000
Sales of finished goods to related parties	29,368	22,668
Purchases of raw materials from related parties	420	598
Gains/(losses) from derivative financial instruments from related parties	425	(122)
Services received		
- Transportation and forwarding		
- Associated company	3,112	2,603
- Related party	111	18
- Packing material to related parties	1,481	1,095
- Consultation fees to related parties	1,564	1,564
- Travelling expenses to related parties	187	166
- Tolling fees to related parties	-	63
Rental received/receivable		
- Associated company	3	3
- Related party	41	41
Interest income from related parties	40	432
Service fee		
- Associated company	35	27
- Related party	16	15
Advertisement fee to related parties	-	14

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 2017 and 2016 arising from the above transactions are set out in Notes 14, 15, 21 and 22 respectively.

(b) Key management personnel compensation

Key management personnel compensation was as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Wages, salaries and other short-term employee benefits	7,683	7,214
Employer's contribution to defined contribution plans	144	146
	7,827	7,360

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. SEGMENT INFORMATION

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

The Exco 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 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 Exco is measured in a manner consistent with the Group's accounting policies.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. SEGMENT INFORMATION (continued)

The segment information provided to the Exco for the reportable segments for the financial year ended 31 December 2017 was as follows:

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group Sales			
Total segment sales	1,999,792	1,501,619	3,501,411
Inter-segment sales	(20,058)	(554,696)	(574,754)
Sales to external parties	1,979,734	946,923	2,926,657
Operating margin			
	85,875	65,130	151,005
Other income excluding interest income	742	964	1,706
Interest income	2,147	766	2,913
Administrative expenses, excluding depreciation	(30,664)	(42,325)	(72,989)
Other gains excluding foreign exchange gains /(losses)	4,532	(928)	3,604
Adjusted EBITDA			
	62,632	23,607	86,239
Depreciation	(11,594)	(5,832)	(17,427)
Finance expense	(6,711)	(3,356)	(10,067)
Segment results			
	44,327	14,419	58,745
Unallocated			
Income tax expense			(25,370)
Share of profit of an associate			46
Profit after tax			
			33,421
Total segment assets			
	933,446	280,969	1,214,415
Unallocated			
Current income tax recoverable			7,092
Investment in associated company			435
Deferred income tax assets			2,914
Total assets			
			1,224,856
Total assets include:			
Additions to:			
- Property, plant and equipment	17,984	11,724	29,708
Total segment liabilities			
	(551,724)	(115,110)	(666,834)
Unallocated			
Current income tax liabilities			(3,331)
Deferred income tax liabilities			(37,035)
Total liabilities			
			(707,200)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. SEGMENT INFORMATION (continued)

The segment information provided to the Exco for the reportable segments for the financial year ended 31 December 2016 was as follows:

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group Sales			
Total segment sales	2,667,650	775,636	3,443,286
Inter-segment sales	(377,500)	(22,999)	(400,499)
Sales to external parties	2,290,150	752,637	3,042,787
Operating margin			
	102,528	31,857	134,385
Other income excluding interest income	1,856	775	2,631
Interest income	1,019	678	1,697
Administrative expenses, excluding depreciation	(29,764)	(34,422)	(64,186)
Other losses excluding foreign exchange losses	(6,655)	(1,386)	(8,041)
Adjusted EBITDA	68,984	(2,498)	66,486
Depreciation	(11,614)	(5,502)	(17,116)
Finance expense	(7,885)	(2,832)	(10,717)
Segment results	49,485	(10,832)	38,653
Unallocated			
Income tax expense			(17,850)
Share of profit of an associate			34
Profit after tax			20,837
Total segment assets	769,754	190,620	960,374
Unallocated			
Current income tax recoverable			6,535
Investment in associated company			348
Deferred income tax assets			9,735
Total assets			976,992
Total assets include:			
Additions to:			
- Property, plant and equipment	19,804	11,534	31,338
Total segment liabilities	(381,401)	(78,036)	(459,437)
Unallocated			
Current income tax liabilities			(4,320)
Deferred income tax liabilities			(27,186)
Total liabilities			(490,943)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. SEGMENT INFORMATION (continued)

Geographical information

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

	Group	
	2017 US\$'000	2016 US\$'000
Revenue by geography		
Malaysia	1,033,726	1,194,814
Singapore	507,688	732,963
	1,541,414	1,927,777
Other geographical areas		
- Rest of Asia	283,967	210,104
- Africa	369,686	312,976
- Middle East	343,329	291,917
- Europe	219,279	154,322
- Pacific Oceania	70,755	60,206
- America	98,227	85,485
	1,385,243	1,115,010
	2,926,657	3,042,787
Non-current assets by geography		
Singapore	10,754	9,207
Malaysia	311,360	272,814
Other countries	43,966	45,280
	366,080	327,301

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 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 or later periods and which the Group has not early adopted:

- FRS 115 *Revenue from contracts with customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 35). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 35.

- FRS 109 *Financial Instrument* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained earnings.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

- FRS 109 *Financial Instrument* (effective for annual periods beginning on or after 1 January 2018) (continued)

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from contracts with customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 35). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 35.

- FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 35). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

- INT FRS 122 *Foreign Currency Transactions and Advance Considerations* (effective for annual periods beginning on or after 1 January 2018)

INT FRS 122 *Foreign Currency Transactions and Advance Considerations* considers how to determine the date of the transactions when applying the standard on foreign currency transactions, FRS 21 *The Effect of Changes in Foreign Exchange Rates*. The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The Interpretation is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not expect a material impact on the financial statement upon adoption of the Interpretation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

35. ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ending 31 March 2018 in May 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 *First-time Adoption of IFRS*. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under SFRS(I). The Group plans to elect relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under SFRS are as follows:

(i) Cumulative translation differences

The Group plans to elect to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and retained profits as at 1 January 2017 and 31 December 2017 was increased/reduced by US\$41,660,000 and US\$27,276,000 respectively.

(ii) Deemed cost exemption

The Group plans to elect and regard the carrying amount of certain property, plant and equipment as their deemed cost at the date of transition to SFRS(I) on 1 January 2017. As a result, the Group's asset revaluation reserve is reclassified directly into retained profits on the date of initial adoption and other reserves and retained profits as at 1 January 2017 and 31 December 2017 will be reduced/increased by \$8,518,000 respectively.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Impairment of financial assets

The following financial assets will be subject to the expected credit loss model under the SFRS(I) equivalent of IFRS 9:

- trade receivables recognised under the SFRS(I) equivalent of IFRS 15; and
- other receivables at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

35. ADOPTION OF SFRS(I) (continued)

(b) Adoption of SFRS(I) equivalent of IFRS 9 (continued)

(i) Impairment of financial assets (continued)

Whilst the application of the expected credit loss impairment model is expected to increase the provision for impairment for the abovementioned financial assets, management's assessment revealed that if the standard had been adopted in the current financial year, there would not have been a material change to the provision for impairment recognised in relation to these financial assets for the financial year ended 31 December 2017.

(c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt the SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

(i) Accounting for contracts with multiple performance obligations

Under SFRS, the contracts for sales of goods have been assessed to be one contract with revenue recognised when significant risks and rewards of ownership are transferred to the buyer and there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

The Group has assessed each contract under the requirements of SFRS(I) equivalent of IFRS 15 and concluded that for each of these contracts, there are two distinct performance obligations which are satisfied at different timings.

Whilst this will result in some timing differences in relation to the revenue to be recognised for each performance obligation, management's assessment revealed that if the standard had been adopted in the current financial year, there would not have been a material change to the revenue recognised for the financial year ended 31 December 2017.

36. 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 2 March 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

37. LISTING OF SIGNIFICANT SUBSIDIARIES OF THE GROUP

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Group's equity holding	
				2017 %	2016 %
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

^(a) Audited by PricewaterhouseCoopers LLP, Singapore

^(b) Audited by PricewaterhouseCoopers, Malaysia