FINANCIAL STATEMENTS

DIRECTORS' REPORT

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position of the Company as at 31 December 2012.

DIRECTORS

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

Dr Cheo Tong Choon @ Lee Tong Choon
Ms Michelle Cheo Hui Ning
Ms Bianca Cheo Hui Hsin
Ms Leong Choi Foong
Ms Wong Lai Wan
Mr Giam Chin Toon
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor
Mr Lim How Teck
Tan Sri Datuk Dr Ong Soon Hock

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2012	At 1.1.2012	At 31.12.2012	At 1.1.2012
Dr Cheo Tong Choon @ Lee Tong Choon	-	18,686,000	550,340,220	527,041,220
Ms Michelle Cheo Hui Ning	-	-	550,340,220	527,041,220
Ms Bianca Cheo Hui Hsin	-	-	550,340,220	527,041,220
Ms Leong Choi Foong	94,000	94,000	-	-
Ms Wong Lai Wan	224,000	224,000	20,000	35,000
Mr Giam Chin Toon	200,000	200,000	-	-
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor	20,000	20,000	-	-
Mr Lim How Teck	300,000	300,000	-	-
Tan Sri Datuk Dr Ong Soon Hock	30,000	30,000	-	-

DIRECTORS' REPORT

For the financial year ended 31 December 2012

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

(b) The directors' interests in the ordinary shares of the Company as at 21 January 2013 were the same as those as at 31 December 2012, except for the following:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 21.01.2013	At 31.12.2012	At 21.01.2013	At 31.12.2012
Dr Cheo Tong Choon @ Lee Tong Choon	-	-	608,723,220	550,340,200
Ms Michelle Cheo Hui Ning	-	-	554,723,220	550,340,220
Ms Bianca Cheo Hui Hsin	-	-	554,723,220	550,340,220

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

AUDIT COMMITTEE

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

Mr Lim How Teck (Chairman)
Tan Sri Dato' Ir. Muhammad Radzi Bin Haji Mansor
Mr Giam Chin Toon

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2012 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the statement of financial position of the Company and the consolidated financial statements of the Group.

DIRECTORS' REPORT

For the financial year ended 31 December 2012

AUDIT COMMITTEE (CONTINUED)

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Dr Cheo Tong Choon @ Lee Tong Choon
Director

Ms Michelle Cheo Hui Ning
Director

8 March 2013

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2012

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 43 to 119 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2012, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors

Dr Cheo Tong Choon @ Lee Tong Choon
Director

Ms Michelle Cheo Hui Ning
Director

8 March 2013

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MEWAH INTERNATIONAL INC.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mewah International Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 43 to 119, which comprise the consolidated statement of financial position of the Group and statement of financial position of the Company as at 31 December 2012, the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statement of financial positions and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 8 March 2013

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2012

	Note	**2012**	2011
		US$'000	US$'000
Revenue	4	**3,620,781**	4,467,933
Cost of sales	5	**(3,408,599)**	(4,282,314)
Gross profit		**212,182**	185,619
Other income	6	**10,840**	7,873
Expenses			
- Selling and distribution expenses		**(109,193)**	(109,747)
- Administrative expenses		**(72,159)**	(64,685)
- Other (losses)/gains	7	**(6,127)**	31,868
- Finance costs	8	**(17,477)**	(12,887)
Share of profit of associated company		**60**	123
Profit before tax	10	**18,126**	38,164
Income tax credit	11	**5,399**	1,094
Profit after tax		**23,525**	39,258
Profit after tax attributable to:			
Equity holders of the Company		**24,788**	42,245
Non-controlling interests		**(1,263)**	(2,987)
		23,525	39,258
Earnings per share attributable to equity holders of the Company (expressed in US cents per share)			
- Basic and diluted	12	**1.64**	2.80

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	2012	2011
	US$'000	US$'000
Profit after tax	**23,525**	39,258
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences arising from foreign subsidiaries	**7,853**	(3,798)
Total comprehensive income, net of tax	**31,378**	35,460
Total comprehensive income attributable to:		
Equity holders of the Company	**32,659**	38,247
Non-controlling interests	**(1,281)**	(2,787)
	31,378	35,460

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	**2012 US$'000**	2011 US$'000
ASSETS			
Current assets			
Inventories	13	**243,446**	307,490
Trade receivables	14	**443,963**	410,963
Other receivables	15	**93,473**	24,590
Current income tax recoverable		**16,518**	20,613
Deferred income tax assets	25	**661**	-
Derivative financial instruments	16(a)	**101,235**	38,747
Cash and cash equivalents	17	**48,747**	136,799
		948,043	939,202
Non-current assets			
Property, plant and equipment	18	**338,661**	287,796
Leasehold prepayments	19	**17,780**	13,514
Investment in associated company	20(a)	**271**	204
Intangible asset	21	**-**	3,189
Derivative financial instruments	16(b)	**796**	185
		357,508	304,888
Total assets		**1,305,551**	1,244,090
LIABILITIES			
Current liabilities			
Trade payables	22	**243,503**	210,463
Other payables	23	**46,078**	51,353
Current income tax liabilities		**3,784**	1,157
Derivative financial instruments	16(a)	**56,099**	42,317
Borrowings	24	**284,266**	339,359
		633,730	644,649
Non-current liabilities			
Borrowings	24	**99,406**	46,771
Deferred income tax liabilities	25	**12,468**	14,880
		111,874	61,651
Total liabilities		**745,604**	706,300
NET ASSETS		**559,947**	537,790
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	26	**1,507**	1,507
Share premium	26	**185,416**	185,416
Retained profits	28(a)	**383,946**	368,334
Other reserves	27	**(7,589)**	(15,415)
		563,280	539,842
Non-controlling interests		**(3,333)**	(2,052)
Total equity		**559,947**	537,790

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

STATEMENT OF FINANCIAL POSITION – COMPANY

As at 31 December 2012

	Note	2012 US$'000	2011 US$'000
ASSETS			
Current assets			
Other receivables	15	**201,750**	154,434
Derivative financial instruments	16(a)	**2**	-
Cash and cash equivalents	17	**381**	41,082
		202,133	195,516
Non-current assets			
Investments in subsidiaries	20(b)	**820**	820
Total assets		**202,953**	196,336
LIABILITIES			
Current liabilities			
Other payables	23	**250**	203
Current income tax liabilities		**492**	248
Derivative financial instruments	16(a)	**-**	30
		742	481
Non-current liabilities			
Deferred income tax liabilities		**375**	-
Total liabilities		**1,117**	481
NET ASSETS		**201,836**	195,855
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	26	**1,507**	1,507
Share premium	26	**185,416**	185,416
Retained profits	28(b)	**14,913**	8,932
Total equity		**201,836**	195,855

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

		← Attributable to equity holders of the Company →									
	Note	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	General reserve US$'000	Asset revaluation reserve US$'000	Currency translation reserve US$'000	Retained profits US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
2012											
Beginning of financial year		1,507	185,416	(50,749)	(2,608)	10,146	27,796	368,334	539,842	(2,052)	537,790
Acquisition of subsidiaries under common control	27(b)(i)	-	-	43	-	-	-	-	43	-	43
Realisation of reserve upon disposal	27(b)(iii)	-	-	-	-	(470)	-	470	-	-	-
Tax relating to asset revaluation reserve	27(b)(iii)					382	-	-	382	-	382
Dividends	29	-	-	-	-	-	-	(9,646)	(9,646)	-	(9,646)
Total comprehensive income for the financial year		-	-	-	-	-	7,871	24,788	32,659	(1,281)	31,378
End of financial year		1,507	185,416	(50,706)	(2,608)	10,058	35,667	383,946	563,280	(3,333)	559,947
2011											
Beginning of financial year											
As previously stated		1,507	185,416	(50,749)	(832)	10,281	31,794	330,287	507,704	1,464	509,168
Finalisation of purchase price allocation		-	-	-	-	-	-	-	-	(592)	(592)
Beginning of financial year (restated)		1,507	185,416	(50,749)	(832)	10,281	31,794	330,287	507,704	872	508,576
Acquisition of non-controlling interests	27(b)(ii)	-	-	-	(516)	-	-	-	(516)	(232)	(748)
Put option granted to non-controlling interests	27(b)(ii)	-	-	-	(1,260)	-	-	-	(1,260)	-	(1,260)
Realisation of reserve upon disposal	27(b)(iii)	-	-	-	-	(135)	-	135	-	-	-
Dividends	29	-	-	-	-	-	-	(4,333)	(4,333)	-	(4,333)
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	95	95
Total comprehensive income for the financial year		-	-	-	-	-	(3,998)	42,245	38,247	(2,787)	35,460
End of financial year		1,507	185,416	(50,749)	(2,608)	10,146	27,796	368,334	539,842	(2,052)	537,790

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2012

	Note	2012 US$'000	2011 US$'000
Cash flows from operating activities			
Profit after tax		**23,525**	39,258
Adjustments for:			
- Income tax credit		**(5,399)**	(1,094)
- Amortisation		**929**	58
- Depreciation		**16,889**	14,142
- (Gain)/loss on disposal of property, plant and equipment - net		**(300)**	367
- Property, plant and equipment written off		**24**	260
- Impairment of goodwill		**3,161**	2,717
- Gain on change in fair value of put option		**(1,260)**	-
- Interest income		**(9,571)**	(5,548)
- Interest expense		**17,477**	12,887
- Share of profit of associated company		**(60)**	(123)
- Exchange differences (net)		**(3,656)**	4,864
Operating cash flows before working capital changes		**41,759**	67,788
Changes in operating assets and liabilities:			
- Inventories		**64,044**	(64,709)
- Trade and other receivables		**(101,161)**	15,690
- Trade and other payables		**29,025**	(40,993)
- Derivative financial instruments		**(49,317)**	28,193
Cash flows (used in)/generated from operations		**(15,650)**	5,969
Interest received		**9,130**	4,753
Interest paid		**(17,477)**	(12,887)
Income tax refund received/(tax paid)		**9,490**	(26,424)
Net cash flows used in operating activities		**(14,507)**	(28,589)
Cash flows from investing activities			
Acquisition of non-controlling interests		-	(748)
(Increase)/decrease in other receivables		**(722)**	2,723
Additions to property, plant and equipment		**(58,532)**	(92,238)
Additions of leasehold prepayments	19	**(5,195)**	(14,063)
Proceeds from disposal of property, plant and equipment		**884**	574
Net cash flows used in investing activities		**(63,565)**	(103,752)
Cash flows from financing activities			
Placement and listing expenses		**-**	(1,422)
Dividends paid to equity holders of the Company	29	**(9,646)**	(4,333)
Increase in restricted short term deposit		**(19)**	(1)
Proceeds from long term borrowings		**81,965**	42,184
Repayment of long term borrowings		**(11,000)**	(17,023)
Net (repayment)/proceeds from short term borrowings		**(72,896)**	35,040
Repayment of finance lease liabilities		**(363)**	(392)
Interest received		**441**	795
Net cash flows (used in)/from financing activities		**(11,518)**	54,848
Net change in cash and cash equivalents		**(89,590)**	(77,493)
Cash and cash equivalents at beginning of financial year		**136,464**	215,152
Effect of changes in exchange rate on cash and cash equivalents		**1,683**	(1,195)
Cash and cash equivalents at end of financial year	17	**48,557**	136,464

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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 subsidiaries are disclosed in Note 38 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"). The financial statements have been prepared 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 2012

On 1 January 2012, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application to 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 Company and had no material effect on the amounts reported for the current or prior financial years.

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 2012

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) Interest income

Interest income is recognised using the effective interest method.

(c) 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 entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which 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 but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions

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

For business combinations under acquisition method of accounting, 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 the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

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 value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2.5 for the subsequent accounting policy on 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, statement of financial position, statement of cash flows and statement of changes in equity 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 2012

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; and

- 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 reserves.

(iii) Disposals of subsidiaries or businesses

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 earnings 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 2.6 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 Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in general reserve within equity attributable to the equity holders of the Company.

(c) Associated companies

Associated companies are entities 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%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(c) Associated companies (continued)

(i) Acquisitions

Investments in associated companies are 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 companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated companies equals or exceeds its interest in the associated companies, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated companies.

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

(iii) Disposals

Gains and losses arising from partial disposals or dilutions in investments in associated companies in which significant influence is retained are recognised in profit or loss.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.6 for the accounting policy on investments in associated companies in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in the asset revaluation reserve, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the asset revaluation reserve. All other decreases in carrying amounts are recognised in the statement of comprehensive income.

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 (Note 18(c)).

(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 2.8 on borrowing costs).

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The annual rates of depreciation are as follows:

Leasehold land and buildings	Amortised over the period of leases (30 to 99 years)
Freehold buildings	2%
Plant and equipment	5%
Furniture, fixtures and office equipment	5% to 20%
Motor vehicles	20%

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 statement of financial position date. The effects of any revision are recognised in profit or loss when the changes arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (continued)

(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. Any amount in revaluation reserve relating to that asset is transferred to retained profits directly.

2.5 Intangible assets

Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on acquisitions of subsidiaries and businesses prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

2.6 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's statement of financial position. 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 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

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

Property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to Note 2.4 for the treatment of a revaluation decrease in property, plant and equipment.

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 credited to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 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 acquisition, construction or production of a qualifying assets. Capitalising of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

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.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. 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 and in the case of assets classified as held-to-maturity, re-valuates this designation at each statement of financial position date.

(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 statement of financial position 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 statement of financial position 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 statement of financial position.

(iii) Held-to-maturity financial assets

Held-to-maturity financial assets, are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. They are presented as non-current assets, except for those maturing within 12 months after the statement of financial position date which are presented as current assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(a) Classification (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the statement of financial position date.

(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 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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity 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.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(e) Impairment

The Group assesses at each statement of financial position 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/held-to-maturity 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.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.9(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial guarantees (continued)

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

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 bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's statement of financial position.

Intra-group transactions are eliminated on consolidation.

2.11 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the statement of financial position 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.

2.12 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.

2.13 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.

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the statement of financial position date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Fair value estimation of financial assets and liabilities (continued)

The fair values of financial instruments that are not traded in an active market (such as commodities forward contracts) are determined by making references to the prices provided by the Malaysian Palm Oil Board, other similar products and other commodity exchanges, and makes assumptions that are based on market conditions existing at each statement of financial position date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used.

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.

2.15 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 statement of financial position 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (continued)

(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.

2.16 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. Stores, spares and consumables are stated at cost and are determined on a weighted average basis. 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.

2.17 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 statement of financial position 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 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 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 statement of financial position date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the statement of financial position 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.

2.18 Provisions

Provisions for restructuring costs and 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. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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 costs.

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

2.19 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 statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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 translation differences 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 statement of financial position date are recognised in profit or loss.

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 dates;

(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.

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.

2.21 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.

2.22 Cash and cash equivalents

For the purpose of presentation in the 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 statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 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.

2.24 Dividends to Company's shareholders

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

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) Fair value of derivative financial instruments

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. The Group uses a variety of methods, such as making references to the prices listed on Malaysian Palm Oil Board, other similar products and other exchanges, and makes assumptions that are based on market conditions existing at each statement of financial position date. Quoted market prices or dealer quotes are also used to estimate the fair value, where appropriate.

If the commodities prices had been higher or lower by 5% from management's estimates and other variables remain constant, the Group's profit after tax would have been lower or higher by US$7,000,000 respectively, arising from the changes in the fair value of the commodities forward contracts and futures contracts.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment on a regular basis. 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. In determining this, management has made judgement as to 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 effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has made estimates 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

(b) Impairment of loans and receivables (continued)

If the net present values of estimated cash flows had been higher or lower by 5% from management's estimates for all past due loans and receivables, the Group's allowance for impairment would have been lower or higher by US$725,000 correspondingly to profit or loss.

(c) Uncertain tax positions

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management has estimated the amount of capital allowances, incentives and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction. Where the final outcome of these matters is different from the amounts that were initially recorded, such as due to changes in tax rules or revised interpretations of existing tax laws and precedent such differences will impact the income tax provisions in the corresponding periods.

(d) Useful lives of plant and equipment

The cost of plant and equipment are depreciated on a straight-line basis over their useful lives, which management estimates to be of 20 years.

These estimates could change significantly as a result of technical innovations.

If the actual useful lives of these plant and equipment had been higher or lower by 5% from management estimates, the carrying amount of the plant and equipment would have been higher or lower by US$666,000 and US$736,000 and correspondingly to profit or loss.

4. REVENUE

	Group	
	2012	2011
	US$'000	US$'000
Sale of agricultural products including palm based edible oils and fats in bulk	**2,649,389**	3,187,866
Sale of agricultural products including palm based edible oils and fats in the form of consumer packs	**971,392**	1,280,067
	3,620,781	4,467,933

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

5. COST OF SALES

	Group	
	2012	2011
	US$'000	US$'000
Cost of inventories	**3,403,121**	4,212,598
(Gains)/losses from derivative financial instruments	**(33,363)**	31,139
Labour costs and other overheads	**38,841**	38,577
	3,408,599	4,282,314

6. OTHER INCOME

	Group	
	2012	2011
	US$'000	US$'000
Interest income on bank deposits	**441**	795
Late interest charge on trade receivables	**9,130**	4,753
Rental income	**396**	325
Commission income	**67**	426
Other miscellaneous income	**806**	1,574
	10,840	7,873

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

7. OTHER LOSSES/(GAINS)

	Group	
	2012	2011
	US$'000	US$'000
Foreign exchange losses/(gains)	**4,502**	(35,212)
Property, plant and equipment written off	**24**	260
(Gain)/loss on disposal of property, plant and equipment - net	**(300)**	367
Impairment of goodwill (Note 21)	**3,161**	2,717
Gain on change in fair value of put option (Note 27(b)(ii))	**(1,260)**	-
	6,127	(31,868)

Non-controlling interests of Molly CGU have the option to put its shares to the Group for a cash consideration to be calculated in accordance with the provisions of the shareholders' agreement between the Group and the non-controlling interests. The Group recognises the present value of the estimated redemption amount as a financial liability. In 2012, a gain of US$1,260,000 arising from the change in the fair value of the put option has been recognised in profit or loss.

8. FINANCE COSTS

	Group	
	2012	2011
	US$'000	US$'000
Interest expense:		
- Bank borrowings	**17,438**	12,815
- Finance lease liabilities	**39**	72
	17,477	12,887

In 2012, borrowing costs of US$182,000 (2011: US$612,000) were capitalised at a rate of 5.28% (2011: 5.22%) per annum in property, plant and equipment.

9. EMPLOYEE COMPENSATION

	Group	
	2012	2011
	US$'000	US$'000
Salaries	**39,964**	38,165
Employer's contributions to defined contribution plans	**2,990**	2,667
Other staff benefits	**456**	743
	43,410	41,575

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2012	2011
	US$'000	US$'000
Freight charges	**81,545**	68,912
Transportation	**10,974**	12,235
Insurance	**6,129**	6,694
Utilities	**9,105**	9,808
Rental on operating lease	**829**	986
Employee compensation (Note 9)	**43,410**	41,575
Depreciation of property, plant and equipment (Note 18)	**16,889**	14,142
Bank charges	**7,635**	6,278
(Reversal of)/allowance for impairment of trade receivables (Note 32(b)(ii))	**(1,806)**	7,507
Amortisation of leasehold prepayments (Note 19)	**929**	58
Audit fees		
- Auditors of the Company	**310**	299
- Other auditors*	**250**	230
Non-audit fees		
- Auditors of the Company	**29**	29
- Other auditors*	**67**	50

* Includes the network of member firms of PricewaterhouseCoopers International Limited (PWCIL).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

11. INCOME TAX CREDIT

	Group	
	2012	2011
	US$'000	US$'000
Tax credit attributable to profit is made up of:		
Current income tax		
- Singapore	**2,637**	1,286
- Foreign	**1,655**	1,458
	4,292	2,744
Deferred income tax	**(2,958)**	2,150
	1,334	4,894
Over provision in prior financial years		
- Current income tax	**(6,494)**	(3,615)
- Deferred income tax	**(239)**	(2,373)
	(6,733)	(5,988)
Income tax credit	**(5,399)**	(1,094)

Income tax credit

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	
	2012	2011
	US$'000	US$'000
Profit before tax	**18,126**	38,164
Tax calculated at domestic rates applicable to profits in the respective countries	**3,652**	7,384
Effects of:		
- Tax incentives	**(6,260)**	(8,893)
- Expenses not deductible for tax purposes	**3,948**	5,837
- Income not subject to tax	**(349)**	(50)
- Deferred tax benefits not recognised	**273**	916
- Others	**70**	(300)
	1,334	4,894

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

11. INCOME TAX CREDIT (CONTINUED)

Income tax credit (continued)

The Singapore corporate tax rate was 17% for the financial years 2012 and 2011.

The Malaysia corporate tax rate was 25% for the financial years 2012 and 2011.

The weighted average applicable tax rate was 20.1% and 19.3% for the financial years ended 31 December 2012 and 31 December 2011 respectively. The changes in weighted average applicable tax rates arose from changes in the mix of income subject to tax in different countries.

The weighted average effective tax rate was 7.4% and 12.8% for the financial years ended 31 December 2012 and 31 December 2011 respectively. The tax savings arise mainly from the following tax incentives:

- certain subsidiaries in Singapore pay tax at a concessionary tax rate of 5% on qualifying income under the Global Trader Programme of International Enterprise Singapore; and

- certain subsidiaries in Malaysia entitled to reinvestment allowance, which allows additional allowance on qualifying capital expenditure.

Over provision in prior financial years

Over provision in prior financial years resulted from final tax outcome different from the amounts that were originally estimated for reinvestment allowances on qualifying capital expenditure for Malaysian-based operating subsidiaries, qualifying incomes under the Global Trader Programme of International Enterprise Singapore for Singapore-based operating subsidiaries, capital allowances, incentives and the deductibility of certain expenses at the various tax jurisdictions.

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	
	2012	2011
Net profit attributable to equity holders of the Company (US$'000)	**24,788**	42,245
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,507,061**	1,507,061
Basic earnings per share (US cents per share)	**1.64**	2.80

Diluted earnings per share was the same as the basic earnings per share for the financial years ended 31 December 2012 and 2011 as there were no potential dilutive ordinary shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

13. INVENTORIES

	Group	
	2012	2011
	US$'000	US$'000
Raw materials	**76,915**	92,899
Finished goods	**158,528**	206,254
Stores, spares and consumables	**8,003**	8,337
	243,446	307,490

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US$3,403,121,000 (2011: US$4,212,598,000).

14. TRADE RECEIVABLES

	Group	
	2012	2011
	US$'000	US$'000
Trade receivables		
- Related parties	**23,784**	19,735
- Non-related parties	**434,670**	412,465
	458,454	432,200
Less: Allowance for impairment of trade receivables		
- non-related parties (Note 32 b(ii))	**(14,491)**	(21,237)
Trade receivables - net	**443,963**	410,963

Related parties are companies in which the directors/shareholders of the Company have significant influence or control.

15. OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Non-trade receivables	**34,773**	16,770	**189,713**	139,433
Dividends receivable	**-**	-	**12,000**	15,000
Deposits	**7,271**	3,990	**33**	-
Prepayments	**51,429**	3,830	**4**	1
	93,473	24,590	**201,750**	154,434

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

15. OTHER RECEIVABLES (CONTINUED)

Group

In 2012, non-trade receivables, deposits and prepayments included US$23,512,000 (2011: US$5,513,000) paid to Bursa Malaysia Derivatives Clearing Bhd ("Bursa") for commodity trading margin and advance payments of US$46,779,000 for the purchase of raw materials, US$2,920,000 (2011: US$6,837,000) subsidy receivable from Malaysian Palm Oil Board, and US$7,000,000 (2011: US$6,300,000) advance payments for capital expenditure projects.

As at 31 December 2012, there is a loan to a director of a subsidiary of US$71,000 (2011: US$94,000). The loan is interest free, unsecured and repayable on demand.

Company

Non-trade receivables included US$189,713,000 (2011: US$91,295,000) short term loans to subsidiaries at interest rates of 2.0% - 4.0% (2011: 2.0% - 3.0%) per annum and advances to subsidiaries of US$ Nil (2011: US$48,138,000) which were repayable on demand.

Dividends receivable relates to dividends declared and unpaid by subsidiaries. The amount was non-interest bearing and repayable on demand.

16. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Current portion

		Group Fair values	
	Contract notional amount US$'000	Asset US$'000	Liability US$'000
2012			
Currency forward contracts (Note 32(e))	1,029,988	6,968	2,647
Commodities forward contracts (Note 32(e))	1,891,393	84,735	40,402
Futures contracts on commodity exchange (Note 32(e))	1,072,858	9,532	13,050
Total		101,235	56,099
2011			
Currency forward contracts (Note 32(e))	1,427,074	2,582	8,700
Commodities forward contracts (Note 32(e))	1,436,571	29,634	23,887
Futures contracts on commodity exchange (Note 32(e))	758,128	6,531	9,730
Total		38,747	42,317

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Current portion (continued)

		Company Fair values	
	Contract notional amount US$'000	Asset US$'000	Liability US$'000
2012			
Currency forward contracts (Note 32(e))	51	2	-
2011			
Currency forward contracts (Note 32(e))	1,959	-	30

(b) Non-current portion

		Group Fair values	
	Contract notional amount US$'000	Asset US$'000	Liability US$'000
2012			
Commodities forward contracts (Note 32(e))	13,176	796	-
Total		796	-
2011			
Commodities forward contracts (Note 32(e))	7,744	172	-
Futures contracts on commodity exchange (Note 32(e))	5,183	13	-
Total		185	-

(i) Currency forward contracts are entered into by the Group in currencies other than their respective functional currencies to manage exposure to fluctuations in foreign currency exchange rates on their transactions.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank and on hand	**31,679**	49,352	**381**	15,509
Short-term bank deposits	**17,068**	87,447	**-**	25,573
	48,747	136,799	**381**	41,082

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

	Group	
	2012	2011
	US$'000	US$'000
Cash and bank balances (as above)	**48,747**	136,799
Less: Bank overdrafts (Note 24)	**-**	(164)
Less: Restricted short-term bank deposits	**(190)**	(171)
Cash and cash equivalents per consolidated statement of cash flows	**48,557**	136,464

Restricted short-term bank deposits are deposits placed with a financial institution as security for banking facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US$'000	Leasehold land and buildings US$'000	Plant and equipment US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Capital expenditure in progress US$'000	Total US$'000
Group							
2012							
Cost							
Beginning of financial year	601	69,856	236,199	15,842	6,819	61,725	391,042
Currency translation differences	12	2,803	8,752	477	229	1,457	13,730
Additions	1,831	18,333	5,671	1,442	1,636	29,619	58,532
Disposals	(31)	-	(620)	(711)	(1,154)	(68)	(2,584)
Write off	(8)	-	(13)	(370)	(1)	(2)	(394)
Reclassification	-	8,414	29,795	208	-	(38,417)	-
End of financial year	2,405	99,406	279,784	16,888	7,529	54,314	460,326
Accumulated depreciation							
Beginning of financial year	71	10,745	78,108	10,133	4,189	-	103,246
Currency translation differences	2	429	2,979	343	147	-	3,900
Depreciation charge	46	1,645	12,279	1,834	1,085	-	16,889
Disposals	(9)	-	(239)	(699)	(1,053)	-	(2,000)
Write off	(1)	-	(4)	(364)	(1)	-	(370)
End of financial year	109	12,819	93,123	11,247	4,367	-	121,665
Net book value							
End of financial year	2,296	86,587	186,661	5,641	3,162	54,314	338,661

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land and buildings US$'000	Leasehold land and buildings US$'000	Plant and equipment US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Capital expenditure in progress US$'000	Total US$'000
Group							
2011							
Cost							
Beginning of financial year	207	60,140	186,202	13,720	6,553	44,617	311,439
Currency translation differences	1	(1,610)	(6,129)	(240)	(56)	(1,330)	(9,364)
Additions	-	10,840	7,904	2,529	731	70,234	92,238
Disposals	(74)	(6)	(2,172)	(202)	(432)	(35)	(2,921)
Write off	-	(10)	(234)	(30)	-	(76)	(350)
Reclassification	467	502	50,628	65	23	(51,685)	-
End of financial year	601	69,856	236,199	15,842	6,819	61,725	391,042
Accumulated depreciation							
Beginning of financial year	65	9,532	71,639	8,710	3,560	-	93,506
Currency translation differences	(2)	(219)	(1,909)	(160)	(42)	-	(2,332)
Depreciation charge	31	1,432	9,920	1,798	961	-	14,142
Disposals	(23)	-	(1,478)	(189)	(290)	-	(1,980)
Write off	-	-	(64)	(26)	-	-	(90)
End of financial year	71	10,745	78,108	10,133	4,189	-	103,246
Net book value							
End of financial year	530	59,111	158,091	5,709	2,630	61,725	287,796

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The carrying amounts of motor vehicles held under finance leases are US$1,070,000 (2011: US$945,000) at the statement of financial position date.

(b) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of US$173,187,000 (2011: US$155,772,000).

(c) The revalued property, plant and equipment deemed as cost were as follows:

	Group	
	2012	2011
	US$'000	US$'000
Leasehold land and building	**10,699**	10,214
Plant and machinery	**19,773**	19,158
Furniture, fixture and office equipment	**220**	231
	30,692	29,603

19. LEASEHOLD PREPAYMENTS

	Group	
	2012	2011
	US$'000	US$'000
Cost		
Beginning of financial year	**13,572**	-
Addition	**5,195**	14,063
Currency translation differences	**-**	(491)
End of financial year	**18,767**	13,572
Accumulated amortisation		
Beginning of financial year	**(58)**	-
Amortisation	**(929)**	(58)
End of financial year	**(987)**	(58)
Net book value		
End of financial year	**17,780**	13,514

Leasehold prepayments represented land use rights paid by subsidiaries for industrial lands with leasehold period ranging from 16 to 30 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

20. INVESTMENT IN ASSOCIATED COMPANY AND SUBSIDIARIES

(a) Investment in associated company

	Group	
	2012	2011
	US$'000	US$'000
Equity investment at cost		
Beginning of financial year	**204**	86
Share of profits	**60**	123
Currency translation differences	**7**	(5)
End of financial year	**271**	204

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

	Group	
	2012	2011
	US$'000	US$'000
Assets	**1,107**	826
Liabilities	**553**	416
Revenue	**2,834**	2,744
Net profit	**122**	251

Details of the associated company are included in Note 38.

(b) Investment in subsidiaries

	Company	
	2012	2011
	US$'000	US$'000
Equity investments at cost		
Beginning of financial year	**820**	*-
Additions	**-**	820
End of financial year	**820**	820

* As at 31 December 2011, the nominal value of investment in subsidiaries held directly by the Company was US$104.

In 2012, Semenyih Inc. and Mewah (HK) Limited were incorporated on 3 May 2012 and 21 May 2012 respectively. Both subsidiaries are wholly owned subsidiaries of the Company. The cost of investment in these newly incorporated subsidiaries is less than US$1,000.

Details of the subsidiaries are included in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

21. INTANGIBLE ASSET

	Group	
	2012	2011
	US$'000	US$'000
Composition:		
Goodwill		
Cost		
Beginning of financial year	**5,718**	5,846
Currency translation differences	**112**	(128)
End of financial year	**5,830**	5,718
Accumulated impairment		
Beginning of financial year	**(2,529)**	-
Impairment charge (Note 7)	**(3,161)**	(2,717)
Currency translation differences	**(140)**	188
End of financial year	**(5,830)**	(2,529)
Net book value	**-**	3,189

Impairment test for goodwill

As at 31 December 2011, goodwill was wholly allocated to the Molly CGU. Molly CGU consist of Molly Foods bvba, a company incorporated in Belgium which through its wholly owned subsidiary, Bloom Land Enterprises Limited ("Bloomland"), a company incorporated in Hong Kong, owns 100% of BeCe S.à.r.l. ("BeCe"), a company incorporated in Togo. Molly CGU is involved primarily in importing commodities, including edible oils and fats products produced by the Group, for sale in West Africa. Please also see Note 35 for a subsequent event involving Molly CGU.

Following continued tough market conditions, slowed demands resulting in high inventory carry cost coupled with losses due to falling prices and expectations of the market developments, management determined that the recoverable amount of the CGU is below the carrying value. An impairment charge of US$3,161,000 (2011: US$2,717,000) was included in the income statement within "other losses/(gains)" (Note 7).

22. TRADE PAYABLES

	Group	
	2012	2011
	US$'000	US$'000
Trade payables		
- Related parties	**890**	1,007
- Non-related parties	**242,613**	209,456
	243,503	210,463

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

23. OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Non-trade payables				
- Related parties	**2**	16	**48**	5
- Associated company	**232**	362	**-**	-
- Non-related parties	**20,781**	24,515	**-**	-
	21,015	24,893	**48**	5
Accrual for operating expenses	**25,063**	26,460	**202**	198
	46,078	51,353	**250**	203

Group

Amount due to associated company and related parties, mainly for forwarding services and rental of premises, are unsecured, interest-free and repayable on demand.

Company

Amount due to related parties are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

24. BORROWINGS

	Group	
	2012	2011
	US$'000	US$'000
Current		
Bank overdrafts (Note 17)	**-**	164
Bank borrowings		
- Export credit financing	**10,204**	23,968
- Bankers' acceptance	**226,121**	153,122
- Revolving credit	**9,261**	11,823
- Trust receipts and bills payable	**13,267**	142,088
- Term loans	**25,244**	7,893
Finance lease liabilities (Note 24(c))	**169**	301
	284,266	339,359
Non-current		
Bank borrowings		
- Term loans	**99,222**	46,513
Finance lease liabilities (Note 24(c))	**184**	258
	99,406	46,771
Total borrowings	**383,672**	386,130

(a) Securities granted

The borrowings of the Group are secured by:
- Specific fixed charge and legal charges against certain assets of several subsidiaries
- Personal guarantee by a director of a subsidiary
- Corporate guarantees by the Company and certain subsidiaries

Finance lease liabilities are secured over the leased motor vehicles as at 31 December 2012 with carrying value of US$1,070,000 (2011: US$945,000) as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of non-current borrowings

The fair value of borrowings approximated the carrying value of the borrowings at statement of financial position date as they bear interest 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 2012

24. BORROWINGS (CONTINUED)

(c) Finance lease liabilities

The Group leases certain plant and equipment under finance leases.

	Group	
	2012	2011
	US$'000	US$'000
Minimum lease payments due		
- Not later than one year	**194**	336
- Between one and two years	**115**	232
- Between two and five years	**87**	44
	396	612
Less: Future finance charges	**(43)**	(53)
Present value of finance lease liabilities	**353**	559

The present values of finance lease liabilities were analysed as follows:

	Group	
	2012	2011
	US$'000	US$'000
Not later than one year	**169**	301
Between one and two years	**103**	219
Between two and five years	**81**	39
	353	559

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

25. 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 statement of financial position as follows:

	Group	
	2012	2011
	US$'000	US$'000
Deferred income tax assets		
- expected to be recovered within one year	**661**	-
Deferred income tax liabilities		
- expected to be settled within one year	**(7,783)**	(5,781)
- expected to be settled after one year	**(4,685)**	(9,099)
	(12,468)	(14,880)
	(11,807)	(14,880)

Movement in deferred income tax account is as follows:

	2012	2011
	US$'000	US$'000
Beginning of financial year	**(14,880)**	(15,453)
Currency translation differences	**(506)**	350
Tax charged to		
- profit or loss	**3,197**	223
- equity	**382**	-
End of financial year	**(11,807)**	(14,880)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

25. DEFERRED INCOME TAXES (CONTINUED)

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation US$'000	Revaluation of property, plant and equipment US$'000	Unremitted foreign income US$'000	Total US$'000
2012				
Beginning of financial year	(26,591)	(3,050)	-	(29,641)
Currency translation differences	(1,039)	(32)	-	(1,071)
(Charged)/credited to				
- profit or loss	(1,555)	13	(375)	(1,917)
- equity	-	382	-	382
End of financial year	(29,185)	(2,687)	(375)	(32,247)

	Accelerated tax depreciation US$'000	Revaluation of property, plant and equipment US$'000	Total US$'000
2011			
Beginning of financial year	(24,981)	(2,691)	(27,672)
Currency translation differences	679	62	741
Charged to			
- profit or loss	(2,289)	(421)	(2,710)
End of financial year	(26,591)	(3,050)	(29,641)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

25. DEFERRED INCOME TAXES (CONTINUED)

Group (continued)

Deferred income tax assets

	Unutilised tax losses US$'000	Unutilised reinvestment allowance US$'000	Unrealised loss on derivative financial instruments US$'000	Others US$'000	Total US$'000
2012					
Beginning of financial year	110	8,166	4,898	1,587	14,761
Currency translation differences	4	330	151	80	565
Credited/(charged) to					
- profit or loss	561	3,962	(1,679)	2,270	5,114
End of financial year	675	12,458	3,370	3,937	20,440
2011					
Beginning of financial year	45	4,611	6,572	991	12,219
Currency translation differences	(9)	(232)	(112)	(38)	(391)
Credited/(charged) to					
- profit or loss	74	3,787	(1,562)	634	2,933
End of financial year	110	8,166	4,898	1,587	14,761

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 US$9,370,000 (2011: US$4,960,000) at the statement of financial position date which 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. The tax losses have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

26. SHARE CAPITAL AND SHARE PREMIUM

	No. of ordinary shares		Amount		
	Authorised share capital at par value of US$0.001/ US$0.01	Issued share capital at par value of US$0.001/US$0.01	Authorised share capital at par value of US$0.001/ US$0.01	Share capital at par value of US$0.001/ US$0.01	Share premium
	'000	'000	US$'000	US$'000	US$'000
Group and Company					
2012					
Beginning and end of financial year, ordinary shares at par value, US$0.001	30,000,000	1,507,061	30,000	1,507	185,416
2011					
Beginning and end of financial year, ordinary shares at par value, US$0.001	30,000,000	1,507,061	30,000	1,507	185,416

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

27. OTHER RESERVES

	Group	
	2012	2011
	US$'000	US$'000
(a) Composition:		
Merger reserve	**(50,706)**	(50,749)
General reserve	**(2,608)**	(2,608)
Asset revaluation reserve	**10,058**	10,146
Currency translation reserve	**35,667**	27,796
	(7,589)	(15,415)

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

27. OTHER RESERVES (CONTINUED)

	Group	
	2012	2011
	US$'000	US$'000
(b) Movements		
(i) Merger reserve		
Beginning of financial year	**(50,749)**	(50,749)
Acquisition of subsidiaries under common control	**43**	-
End of financial year	**(50,706)**	(50,749)
(ii) General reserve		
Beginning of financial year	**(2,608)**	(832)
Acquisition of non-controlling interests	**-**	(516)
Put option granted to non-controlling interests*	**-**	(1,260)
End of financial year	**(2,608)**	(2,608)
(iii) Asset revaluation reserve		
Beginning of financial year	**10,146**	10,281
Realisation of reserve upon disposal	**(470)**	(135)
Tax relating to asset revaluation reserve	**382**	-
End of financial year	**10,058**	10,146
(iv) Currency translation reserve		
Beginning of financial year	**27,796**	31,794
Net currency translation differences of foreign subsidiaries	**7,853**	(3,798)
Non-controlling interests	**18**	(200)
End of financial year	**35,667**	27,796

Other reserves are non-distributable.

* Certain non-controlling interests have the option to put its shares to the Group for a cash consideration to be calculated in accordance with the provisions of the shareholders' agreement between the Group and the non-controlling interests. The Group recognises the present value of the estimated redemption amount as a financial liability (included in non-trade payables, Note 23) against equity.

28. 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 our borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

28. RETAINED PROFITS (CONTINUED)

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

	Company	
	2012	2011
	US$'000	US$'000
Beginning of financial year	**8,932**	(3,105)
Dividends (Note 29)	**(9,646)**	(4,333)
Total comprehensive income for the financial year	**15,627**	16,370
End of financial year	**14,913**	8,932

29. DIVIDENDS

	Group and Company	
	2012	2011
	US$'000	US$'000
Declared and paid during the financial year:		
Dividend on ordinary shares:		
- Final exempt one-tier dividends of S$0.0050 for 2011 per share	**6,021**	-
- Interim exempt dividends of S$0.0030 (2011: S$0.0035) per share	**3,625**	4,333
	9,646	4,333
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final exempt one-tier dividends of S$0.0055 (2011: S$0.0050) per share	**6,773**	5,830

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

30. CONTINGENT LIABILITIES

Group

(a) In March 2007, criminal charges in Malaysia were brought against Mewah-Oils Sdn Bhd ("MOSB"), a wholly-owned subsidiary, and a director of the Company alleging that between October 2003 and November 2003, MOSB used two falsified customs documents to discharge crude palm oil ("CPO"). MOSB has also been charged with dishonestly receiving 6,998 MT of CPO alleging that such CPO was stolen property belonging to Lushing Traders Pte Ltd ("Lushing"). The maximum penalty under law is a fine not exceeding Malaysian Ringgit 500,000 (US$158,000) or imprisonment for a term not exceeding five years, or both. The charges arose from a complaint made by Lushing. In 2003, MOSB had purchased and paid for CPO from Summerwind Trading Pte Ltd ("Summerwind") which Summerwind had purchased from Lushing.

In April 2010, a civil claim was made by Lushing against MOSB in the Malaysian High Courts for having wrongfully received and converted 6,998 MT of CPO and claimed US$2,650,000 and interest at 8.0% per annum from the alleged date of conversion of the CPO, which is between October 2003 and November 2003, costs and any other relief that may be granted by the court.

On 26 January 2012, the Sessions Court Judge in Klang dismissed all charges against MOSB and the director ruling that the prosecution had failed to establish a prima facie case and therefore there was no need for the defence to be called. The judge ruled that there was insufficient evidence to prove that MOSB was capable of forging or falsifying the documents, MOSB did not have any contractual relationship with Lushing in the said contracts of selling and buying of palm oil and that MOSB could not be blamed for discharging the cargo because it must have thought that the deal between Lushing and Summerwind would eventually be settled by those parties.

On 27 January 2012, the prosecution has appealed to the High Court of Malaysia against the judgement.

Shafee & Co, representing MOSB and the director, is of the view that the cases are without merit, as the documentary evidence available indicates MOSB had properly imported the CPO into Malaysia and that MOSB was not party to the contract between Lushing and Summerwind for the sale and purchase of the relevant CPO.

There is no further progress to the matter since January 2012.

(b) In 2010, a claim against Moi Foods Malaysia Sdn Bhd ("Moi Foods"), a wholly-owned subsidiary, in the High Court of Malaya, Shah Alam, in the State of Darul Ehsan, Malaysia for the amount of Malaysian Ringgit 836,805 (US$216,321) for alleged non-payment by Moi Foods of a construction contract entered into in 2001 between the claimants and Mewah-Oils Sdn Bhd (which subsequently novated the contract to Moi Foods) to construct a building block consisting of warehouse and offices on Lot 40 Phase 2A Pulau Indah Industrial Park. Moi Foods has filed a defence disputing the amount claimed in 2010.

The pleadings are closed. The matter has been pending since 2010 without any further developments.

Company

The Company has issued corporate guarantees to banks for borrowings to certain subsidiaries. As at 31 December 2012, the borrowings under the guarantees amounted to US$376,106,000 (2011: US$292,420,000). 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 is of the view that no loss is expected to arise from the guarantees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

31. COMMITMENTS

(a) Capital commitments

Capital expenditures contracted for at the statement of financial position date but not recognised in the financial statements are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Property, plant and equipment	**54,387**	40,063

(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 statement of financial position date but not recognised as liabilities, are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Not later than one year	**415**	333
Between one and five years	**1,385**	1,186
Later than five years	**4,544**	3,984
	6,344	5,503

(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 statement of financial position date but not recognised as receivables, are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Not later than one year	**72**	364
Between one and five years	**50**	293
Later than five years	**-**	130
	122	787

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. 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's risk management strategy provides for the use of financial instruments such as currency forward contracts, commodities forward and futures contracts of crude palm oil and palm oil products.

Financial risk management is carried out by a Risk Committee in accordance with the policies set by the Board of Directors. The Risk Committee 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") and Australia Dollar ("AUD"). 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 2012

32. 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 is as follows:

	USD US$'000	SGD US$'000	Ringgit US$'000	AUD US$'000	Others US$'000	Total US$'000
At 31 December 2012						
Financial assets						
Cash and cash equivalents	15,093	767	10,264	210	22,413	48,747
Trade and other receivables	328,912	4,142	61,423	4,629	86,901	486,007
Intercompany receivables	843,230	20	190,690	4,838	51,514	1,090,292
	1,187,235	4,929	262,377	9,677	160,828	1,625,046
Financial liabilities						
Borrowings	(30,232)	(158)	(346,796)	(6,390)	(96)	(383,672)
Other financial liabilities	(132,140)	(13,979)	(135,142)	(1,084)	(7,236)	(289,581)
Intercompany payables	(843,230)	(20)	(190,690)	(4,838)	(51,514)	(1,090,292)
	(1,005,602)	(14,157)	(672,628)	(12,312)	(58,846)	(1,763,545)
Net financial assets/(liabilities)	181,633	(9,228)	(410,251)	(2,635)	101,982	(138,499)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	326,123	7,011	(71,058)	-	76,202	338,278
Less: Currency forward contracts	(215,473)	6,900	374,399	(9,913)	(155,913)	-
Currency profile	292,283	4,683	(106,910)	(12,548)	22,271	199,779
Financial (assets)/liabilities denominated in the respective entities' functional currencies	(261,067)	(7,508)	106,221	8,112	(6,991)	(161,233)
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	31,216	(2,825)	(689)	(4,436)	15,280	38,546

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. 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 is as follows: (continued)

	USD US$'000	SGD US$'000	Ringgit US$'000	AUD US$'000	Others US$'000	Total US$'000
At 31 December 2011						
Financial assets						
Cash and cash equivalents	48,284	31,646	12,455	244	44,170	136,799
Trade and other receivables	323,872	3,960	48,333	2,982	52,576	431,723
Intercompany receivables	699,619	66,093	206,304	345	80,287	1,052,648
	1,071,775	101,699	267,092	3,571	177,033	1,621,170
Financial liabilities						
Borrowings	(150,330)	(1,355)	(230,562)	(3,706)	(177)	(386,130)
Other financial liabilities	(105,051)	(16,822)	(133,445)	(1,204)	(5,294)	(261,816)
Intercompany payables	(699,619)	(66,093)	(206,304)	(345)	(80,287)	(1,052,648)
	(955,000)	(84,270)	(570,311)	(5,255)	(85,758)	(1,700,594)
Net financial assets/(liabilities)	116,775	17,429	(303,219)	(1,684)	91,275	(79,424)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	254,497	6,111	(90,593)	-	45,542	215,557
Less: Currency forward contracts	(554,363)	12,788	597,698	(4,260)	(51,863)	-
Currency profile	(183,091)	36,328	203,886	(5,944)	84,954	136,133
Financial (assets)/liabilities denominated in the respective entities' functional currencies	(15,056)	(1,206)	(205,676)	1,414	(127,164)	(347,688)
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	(198,147)	35,122	(1,790)	(4,530)	(42,210)	(211,555)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. 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 is as follows: (continued)

	USD US$'000	SGD US$'000	EURO US$'000	Total US$'000
At 31 December 2012				
Financial assets				
Cash and cash equivalents	347	34	-	381
Intercompany receivables	201,750	-	-	201,750
	202,097	34	-	202,131
Financial liabilities				
Other financial liabilities	-	(202)	-	(202)
Intercompany payables	(48)	-	-	(48)
	(48)	(202)	-	(250)
Net financial assets/(liabilities)	202,049	(168)	-	201,881
Less: Currency forward contracts	-	(49)	51	2
Currency profile	202,049	(217)	51	201,883
Financial (assets)/liabilities denominated in the Company's functional currency	(202,049)	-	-	(202,049)
Currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency	-	(217)	51	(166)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. 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 is as follows: (continued)

	USD US$'000	SGD US$'000	Ringgit US$'000	Total US$'000
At 31 December 2011				
Financial assets				
Cash and cash equivalents	13,008	28,074	-	41,082
Intercompany receivables	90,686	63,747	-	154,433
	103,694	91,821	-	195,515
Financial liabilities				
Other financial liabilities	(33)	(117)	(48)	(198)
Intercompany payables	(5)	-	-	(5)
	(38)	(117)	(48)	(203)
Net financial assets/(liabilities)	103,656	91,704	(48)	195,312
Less: Currency forward contracts	-	1,959	-	1,959
Currency profile	103,656	93,663	(48)	197,271
Financial (assets)/liabilities denominated in the Company's functional currency	(103,656)	-	-	(103,656)
Currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency	-	93,663	(48)	93,615

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

With all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

	2012		2011	
	Increase/(decrease)			
	Change %	**Profit after tax US$'000**	Change %	Profit after tax US$'000
Group				
USD against SGD				
- Strengthened	**6**	**157**	1	(306)
- Weakened	**6**	**(157)**	1	306
USD against Ringgit				
- Strengthened	**3**	**19**	2	31
- Weakened	**3**	**(19)**	2	(31)
USD against AUD				
- Strengthened	**1**	**41**	1	40
- Weakened	**1**	**(41)**	1	(40)
Company				
USD against SGD				
- Strengthened	**6**	**11**	1	(777)
- Weakened	**6**	**(11)**	1	777
USD against Ringgit				
- Strengthened	**3**	**-**	2	1
- Weakened	**3**	**-**	2	(1)
USD against EURO				
- Strengthened	**2**	**(1)**	2	-
- Weakened	**2**	**1**	2	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. 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 their borrowings and deposits placed with creditworthy licensed banks and financial institutions.

The Group's policy is to enter into variable interest rates borrowings.

The Group's borrowings were denominated mainly in Ringgit and USD. As at 31 December 2012, profit after tax for the financial year would have been lower or higher by US$372,000 (2011: US$174,000) 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 prices. The Group minimises the risk arising from such fluctuations by entering into commodities forward contracts and futures contracts. The Group has not adopted hedge accounting.

In the course of entering into these contracts, the Group may be exposed to the inherent risk associated with trading activities conducted by its personnel. The Group has in place a risk management system to manage such risk exposure.

As at 31 December 2012, if the commodity prices had increased or decreased by 5% and other variables held constant, the Group's profit after tax would have been lower or higher by US$7,000,000 (2011: US$6,457,000) respectively, arising from the changes in fair value of the commodities forward and futures 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 and bank deposits. For trade and other receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral 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 a Risk Committee. In addition, any increase in credit limit requires approval from the Risk Committee. The Risk Committee 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 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

As the Group does 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 statement of financial position, except as follows:

	Company	
	2012	2011
	US$'000	US$'000
Corporate guarantees provided to financial institutions on subsidiaries' borrowings	**376,106**	292,420

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

The major trade receivables of the Group comprised of 1 debtor for 2012 (2011: 1 debtor) and represented 32% of trade receivables (2011: 26%). The Company did not have trade receivables in 2012 and 2011.

The credit risk for trade receivables based on the information provided to key management was as follows:

	Group	
	2012	2011
	US$'000	US$'000
By geographical segment		
- Asia		
Malaysia	**182,265**	158,152
Singapore	**33,772**	33,306
Rest of Asia	**50,686**	36,745
- Africa	**44,328**	39,903
- Middle East	**89,761**	73,492
- Europe	**29,798**	47,624
- Pacific Oceania	**6,815**	5,450
- America	**6,538**	16,291
	443,963	410,963

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks of good credit-ratings. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and there was no historical track record of default.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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

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

The age analysis of trade receivables past due but not impaired is as follows:

	Group	
	2012	2011
	US$'000	US$'000
Past due < 3 months	**154,483**	59,811
Past due 3 to 6 months	**19,088**	10,072
Past due 6 to 12 months	**28,404**	2,337
Past due over 1 year	**1,766**	1,646
	203,741	73,866

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2012	2011
	US$'000	US$'000
Gross amount	**14,491**	21,237
Less: Allowance for impairment	**(14,491)**	(21,237)
	-	-
Beginning of financial year	**21,237**	16,391
Currency translation differences	**(288)**	(240)
Allowance (written back)/made	**(1,806)**	7,507
Allowance utilised	**(4,652)**	(2,421)
End of financial year	**14,491**	21,237

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations due to shortage of funds. The Group maintains sufficient liquidity by closely monitoring its cash flows. The Group adopts prudent liquidity risk management policies in maintaining flexibility in funding by keeping credit facilities available with different financial institutions.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities (including derivative financial liabilities) based on contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	Less than 1 year US$'000	Between1 and 2 years US$'000	Between 2 and 5 years US$'000	Over 5 years US$'000	Total US$'000
Group					
At 31 December 2012					
Trade and other payables	(289,581)	-	-	-	(289,581)
Borrowings	(287,278)	(72,336)	(26,787)	(5,061)	(391,462)
	(576,859)	(72,336)	(26,787)	(5,061)	(681,043)
Gross-settled currency forward contracts					
- Receipts	511,410	-	-	-	511,410
- Payments	(518,578)	-	-	-	(518,578)
	(7,168)	-	-	-	(7,168)
Gross-settled futures contracts and forward sales and purchase contracts					
- Receipts	1,620,959	13,176	-	-	1,634,135
- Payments	(1,343,292)	-	-	-	(1,343,292)
	277,667	13,176	-	-	290,843
At 31 December 2011					
Trade and other payables	(261,816)	-	-	-	(261,816)
Borrowings	(342,411)	(46,053)	(3,057)	-	(391,521)
	(604,227)	(46,053)	(3,057)	-	(653,337)
Gross-settled currency forward contracts					
- Receipts	711,616	-	-	-	711,616
- Payments	(715,458)	-	-	-	(715,458)
	(3,842)	-	-	-	(3,842)
Gross-settled futures contracts and forward sales and purchase contracts					
- Receipts	1,189,202	-	-	-	1,189,202
- Payments	(1,005,497)	(12,927)	-	-	(1,018,424)
	183,705	(12,927)	-	-	170,778

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

	Less than 1 year US$'000
Company	
At 31 December 2012	
Other payables	250
Gross-settled currency forward contracts	
- Receipts	51
- Payments	(49)
	2
At 31 December 2011	
Other payables	(203)
Gross-settled currency forward contracts	
- Receipts	1,959
- Payments	(1,929)
	30

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

	Less than 1 year US$'000
Company	
At 31 December 2012	
Financial guarantee contracts	376,106
At 31 December 2011	
Financial guarantee contracts	292,420

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk (continued)

Management manages capital based on tangible net worth 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 tangible 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 in the objectives, policies or processes during the financial years ended 31 December 2012 and 31 December 2011.

	Group	
	2012	2011
	US$'000	US$'000
Tangible net worth	**559,947**	534,601
Debt-equity ratio		
Gross debt	**383,672**	386,130
Less: Cash and cash equivalents	**(48,747)**	(136,799)
Net debt	**334,925**	249,331
Total equity	**559,947**	537,790
Gross debt-equity ratio	**0.69**	0.72
Net debt-equity ratio	**0.60**	0.46

The Group and the Company were in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

(e) Fair value measurements

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
2012				
Financial Assets				
Derivative financial instruments (Note 16)				
- Currency forward contracts	-	6,968	-	6,968
- Commodities futures contracts	9,532	-	-	9,532
- Commodities forward contracts	-	85,531	-	85,531
As at 31 December 2012	9,532	92,499	-	102,031
Financial Liabilities				
Derivative financial instruments (Note 16)				
- Currency forward contracts	-	2,647	-	2,647
- Commodities futures contracts	13,050	-	-	13,050
- Commodities forward contracts	-	40,402	-	40,402
As at 31 December 2012	13,050	43,049	-	56,099
2011				
Financial Assets				
Derivative financial instruments (Note 16)				
- Currency forward contracts	-	2,582	-	2,582
- Commodities futures contracts	6,544	-	-	6,544
- Commodities forward contracts	-	29,806	-	29,806
As at 31 December 2011	6,544	32,388	-	38,932
Financial Liabilities				
Derivative financial instruments (Note 16)				
- Currency forward contracts	-	8,700	-	8,700
- Commodities futures contracts	9,730	-	-	9,730
- Commodities forward contracts	-	23,887	-	23,887
- Put option	-	-	1,260	1,260
As at 31 December 2011	9,730	32,587	1,260	43,577

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements (continued)

	Level 1 US$'000	Level 2 US$'000	Total US$'000
Company			
2012			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	2	2
2011			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	30	30

The fair value of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (such as commodities forward contracts) is determined by making references to the prices listed on the Malaysian Palm Oil Board, other similar products and other commodity exchanges, and makes assumptions that are based on market conditions existing at each statement of financial position date. Where appropriate, quoted market prices or dealer quotes are used. The fair values of currency forward contracts are determined using quoted forward exchange rates at the statement of financial position date. These instruments are included in Level 2.

The fair value of the financial liability recognised in respect of the put option granted to the non-controlling interests is the present value of the redemption amount to be determined in accordance with the provision of the shareholders' agreement between the Group and the non-controlling interests. The redemption amount is dependent on the future financial performance of the subsidiaries. The fair value is determined based on the management's best estimate of the future financial performance of the subsidiary. This financial instrument is included in Level 3.

The carrying value less impairment provision of trade receivables and payables approximates 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statement of financial position and in Note 16 to the financial statements, except for the following:

Loans and receivables

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Trade receivables	**443,963**	410,963	**-**	-
Other receivables	**42,044**	20,760	**201,750**	154,433
Cash and cash equivalents	**48,747**	136,799	**381**	41,082
	534,754	568,522	**202,131**	195,515

Financial liabilities at amortised cost

	Group		Company	
	2012	2011	**2012**	2011
	US$'000	US$'000	**US$'000**	US$'000
Trade payables	**243,503**	210,463	**-**	-
Other payables	**46,078**	51,353	**250**	203
Borrowings	**383,672**	386,130	**-**	-
	673,253	647,946	**250**	203

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

33. 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	
	2012	2011
	US$'000	US$'000
Sales to related parties		
- Sales of finished goods	**48,289**	97,711
Purchase from related parties		
- Purchases of raw materials	**547**	5,800
Unrealised gains from derivative financial instruments	**2,272**	152
Service rendered by related parties		
- Transportation and forwarding	**2,400**	2,811
- Packing material	**8,273**	10,357
- Insurance	**23**	3,246
- Consultation fees	**1,728**	860
- Travelling expenses	**343**	367
Acquisition of subsidiaries from related parties	**34**	-
Rental paid/payable to related parties	**82**	118
Rental received/receivable from related parties	**45**	41
Service agreement	**24**	22

Related parties are companies in which the directors/shareholders of the Company have significant influence or control.

Outstanding balances at 31 December 2012 and 2011 arising from the above transactions are set out in Notes 14, 15, 22 and 23 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2012	2011
	US$'000	US$'000
Wages, salaries and other short-term employee benefits	**7,950**	7,693
Employer's contribution to defined contribution plans	**126**	114
	8,076	7,807

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

34. 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. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and the department heads of each business within each segment.

The Executive Committee 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 to consumers in packaged form.

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

EBITDA is calculated as operating margin add other income, less administrative expenses (excluding depreciation and amortisation) and other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

34. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Exco for the reportable segments for the financial year ended 31 December 2012 was as follows:

	Bulk US$'000	Consumer Pack US$'000	Total US$'000
Group			
Sales			
Total segment sales	3,148,193	1,044,568	4,192,761
Inter-segment sales	(498,804)	(73,176)	(571,980)
Sales to external parties	2,649,389	971,392	3,620,781
Operating margin	**64,479**	**43,753**	**108,232**
Other income	811	458	1,269
Interest income	7,836	1,735	9,571
Admin expenses, excluding depreciation and amortisation	(34,715)	(29,371)	(64,086)
Other gains	19	257	276
EBITDA	**38,430**	**16,832**	**55,262**
Fair value gains on put option	-	1,260	1,260
Impairment of goodwill	-	(3,161)	(3,161)
Segment results	**38,430**	**14,931**	**53,361**
Unallocated			
Depreciation			(16,889)
Amortisation			(929)
Finance expense			(17,477)
Income tax credit			5,399
Share of profit of an associate			60
Profit after tax			**23,525**
Total segment assets	**1,014,527**	**273,574**	**1,288,101**
Unallocated			
Current income tax recoverable			16,518
Investment in an associate			271
Deferred income tax assets			661
Total assets			**1,305,551**
Total assets include:			
Additions to:			
- property, plant and equipment	29,114	29,418	58,532
- leasehold prepayments	5,195	-	5,195
Total segment liabilities	**(601,134)**	**(128,218)**	**(729,352)**
Unallocated			
Current income tax liabilities			(3,784)
Deferred income tax liabilities			(12,468)
Total liabilities			**(745,604)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

34. SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Executive Committee for the reportable segments for the financial year ended 31 December 2011 was as follows:

	Bulk US$'000	Consumer Pack US$'000	Total US$'000
Group			
Sales			
Total segment sales	3,945,834	1,401,159	5,346,993
Inter-segment sales	(757,968)	(121,092)	(879,060)
Sales to external parties	3,187,866	1,280,067	4,467,933
Operating margin	**76,593**	**42,446**	**119,039**
Other income	1,346	979	2,325
Interest income	4,075	1,473	5,548
Admin expenses, excluding depreciation and amortisation	(30,367)	(28,072)	(58,439)
Other operating expenses	(282)	(346)	(628)
EBITDA	**51,365**	**16,480**	**67,845**
Impairment of goodwill	-	(2,717)	(2,717)
Segment results	**51,365**	**13,763**	**65,128**
Unallocated			
Depreciation			(14,142)
Amortisation			(58)
Finance expense			(12,887)
Income tax credit			1,094
Share of profit of an associate			123
Profit after tax			**39,258**
Total segment assets	**854,277**	**368,996**	**1,223,273**
Unallocated			
Current income tax recoverable			20,613
Investment in an associate			204
Total assets			**1,244,090**
Total assets include:			
Additions to:			
- property, plant and equipment	58,255	33,983	92,238
- leasehold prepayments	14,063	-	14,063
Total segment liabilities	**(549,547)**	**(140,716)**	**(690,263)**
Unallocated			
Current income tax liabilities			(1,157)
Deferred income tax liabilities			(14,880)
Total liabilities			**(706,300)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

34. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue is attributed to countries on the basis of the customers' billing locations. The non-current assets are analysed by the geographical area in which the non-current assets are located.

	Group	
	2012	2011
	US$'000	US$'000
Revenue by geography		
Malaysia	**1,150,562**	1,674,177
Singapore	**615,663**	707,884
	1,766,225	2,382,061
Other countries		
- Rest of Asia	**481,520**	573,030
- Africa	**375,208**	491,994
- Middle East	**708,945**	516,116
- Europe	**148,452**	268,081
- Pacific Oceania	**70,055**	71,003
- America	**70,376**	165,648
	1,854,556	2,085,872
	3,620,781	4,467,933
Non-current assets by geography		
Singapore	**14,138**	12,681
Malaysia	**315,470**	274,294
Other countries	**27,629**	17,709
	357,237	304,684

Approximately 8% of the Group's total revenue for the financial year ended 31 December 2012 was derived from a single external customer (2011: 12%). This revenue was attributable to revenue from Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

35. EVENTS OCCURRING AFTER STATEMENT OF FINANCIAL POSITION DATE

Disposal of subsidaries

In February 2013, the directors of Molly Foods bvba have proposed to liquidate the Molly CGU ("Molly Group") which consists of Molly Foods bvba, Bloom Land Enterprise Limited and Bece s.à.r.l., following continued tough market conditions and deteriorating demand in the market. The Group is assessing the liquidation and the effect on the financial statements.

Incorporation of a subsidiaries

On 23 January 2013, the Company's wholly-owned subsidiary, Ngo Chew Hong Corporation Pte Ltd, through its wholly-owned subsidiary, Moi Foods (Belgium) N.V, incorporated MOI Senegal SURL, a company registerd in Dakar, Senegal, with registered share capital of CFA 1,000,000 (approximately US$2,000).

On 13 February 2013, the Company's wholly-owned subsidiaries, Hua Guan Oleo (S) Pte Ltd and Hua Guan Inc. acquired 90% and 10% equity interest respectively in MOI Commodities India Private Ltd, a company registered in Delhi, India, for a total cash consideration of Rp.100,000 (approximately US$2,000).

36. 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 2013 or later periods and which the Group has not early adopted:

- **FRS 110 Consolidated Financial Statements** (effective for annual periods beginning on or after 1 January 2014)

  FRS 110 replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The Group has yet to assess the full impact of FRS 110 and intends to apply the standard from 1 January 2014.

- **FRS 112 Disclosure of Interests in Other Entities** (effective for annual periods beginning on or after 1 January 2014)

  FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities. The Group has yet to assess the full impact of FRS 112 and intends to adopt the standard from 1 January 2014.

- **FRS 113 Fair Value Measurement** (effective for annual periods beginning on or after 1 January 2013)

  FRS 113 provides consistent guidance across IFRSs on how fair value should be determined and which disclosures should be made in the financial statements. The Group has yet to assess the full impact of FRS 113 and intends to adopt the standard from 1 January 2013.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

37. AUTHORISATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mewah International Inc. on 8 March 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

38. LISTING OF COMPANIES IN THE GROUP

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2012	2011
				%	%
Directly held by the Company					
One Marthoma (CI) Inc. [l]	Cayman Islands	Investment holding	Cayman Islands	**100**	100
Subsidiaries of One Marthorma (CI) Inc.					
Mewah Oleo Malaysia Sdn Bhd [b]	Malaysia	Investment holding	Malaysia	**100**	100
Padat Gaya Sdn Bhd [c]	Malaysia	Investment holding	Malaysia	**100**	100
MOI International (Australia) Pty Ltd [e]	Australia	Trading	Australia	**83.4**	83.4
Agri Kurnia Sdn. Bhd. [b]	Malaysia	Investment holding	Malaysia	**100**	100
Kayumanis Warisan Sdn Bhd [b] [n]	Malaysia	Investment holding	Malaysia	**100**	-
Subsidiaries of Mewah Oleo Malaysia Sdn Bhd					
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
Moi Foods Malaysia Sdn Bhd [b]	Malaysia	Manufacturing and selling of downstream palm oil products	Malaysia	**100**	100
Container Fabricator (M) Sdn Bhd [b]	Malaysia	Manufacturing of plastic containers	Malaysia	**100**	100
Mewaholeo Marketing Sdn Bhd [b]	Malaysia	Selling of palm oil and palm oil related products	Malaysia	**100**	100
Batam Heights Sdn Bhd [b]	Malaysia	Dormant	Malaysia	**100**	100
G & U Districenters (M) Sdn Bhd [b]	Malaysia	Dormant	Malaysia	**100**	100
Bremfield Sdn Bhd [b]	Malaysia	Dormant	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

38. LISTING OF COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2012	2011
				%	%
Associated company held by Mewah Oleo Malaysia Sdn Bhd					
Prelude Gateway Sdn Bhd [b]	Malaysia	Freight forwarding, transportation, warehousing and logistical services	Malaysia	**49**	49
Directly held by the Company					
Ngo Chew Hong Corporation Pte Ltd [a]	Singapore	Investment holding	Singapore	**100**	100
Subsidiaries of Ngo Chew Hong Corporation Pte Ltd					
Mewah Oils & Fats Pte Ltd [a]	Singapore	Trading of edible oils and providing commodity brokerage service	Singapore	**100**	100
Ngo Chew Hong Edible Oil Pte Ltd [a]	Singapore	Packaging and trading of edible oil	Singapore	**100**	100
MOI International (Singapore) Pte Ltd [a]	Singapore	Trading of edible oil products	Singapore	**100**	100
Mewah Brands (S) Pte Ltd [a]	Singapore	To own brands used by related parties and group corporations	Singapore	**100**	100
Moi Foods Romania S.R.L. [l]	Romania	Trading	Romania	**100**	100
Ngo Chew Hong Industries Pte Ltd [a]	Singapore	Investment holding	Singapore	**100**	100
Ngo Chew Hong Investment Pte Ltd [a]	Singapore	Dormant	Singapore	**100**	100
Mewah Commodities Pte Ltd [a]	Singapore	Investment holding	Singapore	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

38. LISTING OF COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2012	2011
				%	%
Subsidiaries of Ngo Chew Hong Corporation Pte Ltd (continued)					
Krispi Oil and Food Products Marketing, Import, Export Trading Company (Turkey) [l] (50% equity held by Mewah Commodities Pte Ltd and 50% equity held by Ngo Chew Hong Corporation Pte Ltd)	Turkey	Trading	Turkey	**100**	100
Subsidiaries of Mewah Commodities Pte Ltd					
Krispi Oil Russia LLC [l]	Russia	Trading	Russia	**100**	100
Krispi Oils Poland Sp. z o.o [l] (90% equity held by Mewah Commodities Pte Ltd and 10% equity held by Ngo Chew Hong Corporation Pte Ltd)	Poland	Trading	Poland	**100**	100
Moi Foods Belgium N.V. [l] (90% equity held by Mewah Commodities Pte Ltd and 10% equity held by Ngo Chew Hong Corporation Pte Ltd)	Belgium	Investment holding	Belgium	**100**	100
Subsidiaries of Moi Foods Belgium N.V.					
Molly Foods bvba [l]	Belgium	Trading and investment holding	Belgium	**70**	70
Ngo Chew Hong Edible Oil Limited [l] [o] (90% equity held by Moi Foods Belgium N.V. and 10% equity held by Mewah Commodities Pte Ltd)	Nigeria	Dormant	Nigeria	**100**	-
MOI Foods Nigeria Limited [l] [n] (90% equity held by Moi Foods Belgium N.V. and 10% equity held by Mewah Commodities Pte Ltd)	Nigeria	Dormant	Nigeria	**100**	-
Subsidiary of Molly Foods bvba					
Bloom Land Enterprises Limited [f]	Hong Kong	Providing commodity brokerage service	Hong Kong	**70**	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

38. LISTING OF COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2012	2011
				%	%
Subsidiary of Bloom Land Enterprises Limited					
BeCe S.à.r.l. [d]	Togo	Trading	Togo	**70**	70
Subsidiaries of Padat Gaya Sdn Bhd					
Mewaholeo Industries Sdn Bhd [c]	Malaysia	Refining and selling of palm oil products	Malaysia	**100**	100
Mewah Datu Sdn Bhd [c]	Malaysia	Refining and selling of palm oil products	Malaysia	**100**	100
Subsidiaries of Agri Kurnia Sdn Bhd					
Mewah Dairies Sdn Bhd [b] (formerly known as Nilam Tekad Sdn Bhd)	Malaysia	Dormant	Malaysia	**100**	100
G & U Logistic (M) Sdn Bhd [k] [o]	Malaysia	Freight forwarding, transportation, warehousing and logistic services for chemical and chemical related industries	Malaysia	**100**	-
Subsidiary of MOI (International) Australia Pty Ltd					
Frycycle Pty Ltd [e]	Australia	Dormant	Australia	**83.4**	83.4
Directly held by the Company					
Pandan Loop International Inc. [l]	Cayman Islands	Investment holding	Cayman Islands	**100**	100
Subsidiaries of Pandan Loop International Inc.					
Ngo Chew Hong Oleo (S) Pte Ltd [a]	Singapore	Dormant	Singapore	**100**	100
PT Seengatta Palm [m]	Indonesia	Dormant	Indonesia	**95**	95

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

38. LISTING OF COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2012	2011
				%	%
Subsidiaries of Ngo Chew Hong Oleo (S) Pte Ltd					
MOI Foods (Shanghai) Co. Ltd. [g]	People's Republic of China	Trading	People's Republic of China	**100**	100
Mewah Oils (ZJG) Co. Ltd. [h]	People's Republic of China	Trading	People's Republic of China	**100**	100
Mewah Oils (Tianjin) Co. Ltd. [i]	People's Republic of China	Trading	People's Republic of China	**100**	100
Directly held by the Company					
Cavenagh House International Inc. [l]	Cayman Islands	Investment holding	Singapore	**100**	100
Subsidiaries of Cavenagh House International Inc.					
Cavenagh Oleo (S) Pte Ltd [a]	Singapore	Investment holding	Singapore	**100**	100
Subsidiaries of Cavenagh Oleo (S) Pte Ltd					
PT Agro Murni [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Timuran Agro [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Agro Indah [m] (95% equity held by Cavenagh Oleo (S) Pte Ltd and 5% equity held by Cavenagh House International Inc.)	Indonesia	Dormant	Indonesia	**100**	100
PT Utara Agro [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Agro Perkasa [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Agro Harapan [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Mas Sejahtera [m] (95% equity held by Cavenagh Oleo (S) Pte Ltd and 5% equity held by Cavenagh House International Inc.)	Indonesia	Dormant	Indonesia	**100**	95
PT Makmur Bestari [m]	Indonesia	Dormant	Indonesia	**95**	95

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

38. LISTING OF COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2012	2011
				%	%
Subsidiaries of Cavenagh Oleo (S) Pte Ltd (continued)					
PT Mas Bestari [m] (95% equity held by Cavenagh Oleo (S) Pte Ltd and 5% equity held by Cavenagh House International Inc.)	Indonesia	Dormant	Indonesia	**100**	95
PT Fajar Bestari [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Sawit Bestari [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Mas Mewah [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Harapan Bestari [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Agro Baiduri [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Usaha Bestari [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Usaha Lestari [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Nilam Surya Harapan [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Usaha Surya [m] (95% equity held by Cavenagh Oleo (S) Pte Ltd and 5% equity held by Cavenagh House International Inc.)	Indonesia	Dormant	Indonesia	**100**	95
PT Nilam Surya Perkasa [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Nilam Surya Jaya [m]	Indonesia	Dormant	Indonesia	**95**	95
PT Nilam Harapan Gemilang [m] [n] (90% equity held by Cavenagh Oleo (S) Pte Ltd and 10% equity held by Cavenagh House International Inc.)	Indonesia	Dormant	Indonesia	**100**	-
PT Nilam Lestari [m] [n] (90% equity held by Cavenagh Oleo (S) Pte Ltd and 10% equity held by Cavenagh House International Inc.)	Indonesia	Dormant	Indonesia	**100**	-

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38. LISTING OF COMPANIES IN THE GROUP (CONTINUED)

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Equity holding	
				2012	2011
				%	%
Directly held by the Company					
Hua Guan Inc. [l]	British Virgin Islands	Investment holding	Cayman Islands	**100**	100
Subsidiary of Hua Guan Inc.					
Hua Guan Oleo (S) Pte Ltd [a]	Singapore	Investment holding	Singapore	**100**	100
Subsidiaries of Hua Guan Oleo (S) Pte Ltd					
Mewah Oils India Pvt Ltd [j] (90% equity held by Hua Guan Oleo (S) Pte Ltd and 10% equity held by Hua Guan Inc.)	India	Trading	India	**100**	100
Mewah Oils FZE [l] [n]	United Arab Emirates	Dormant	United Arab Emirates	**100**	-
Directly held by the Company					
Moi International Inc. [l]	Mauritius	Dormant	Mauritius	**100**	100
Semenyih Inc. [l] [n]	Cayman Islands	Investment holding	Cayman Islands	**100**	-
Mewah (HK) Limited [n] [p]	Hong Kong	Investment holding	Hong Kong	**100**	-

[a] Audited by PricewaterhouseCoopers LLP, Singapore
[b] Audited by PricewaterhouseCoopers, Kuala Lumpur
[c] Audited by PricewaterhouseCoopers, Johor Bahru
[d] Not required to be audited under the laws of the country of incorporation. For the audit of consolidated financial statements of the Company, PricewaterhouseCoopers, Ivory Coast was engaged to perform an audit of BeCe S.à.r.l for the consolidation purposes.
[e] Audited by BDO Kendalls (QLD) Pty Ltd, Australia
[f] Audited by Yeung, Chan & Associate CPA Limited, Hong Kong
[g] Audited by Shanghai Shen Zhou Da Tong Certified Public Accountants Company Limited, People's Republic of China
[h] Audited by Suzhou Qinye Union Certified Public Accountants, People's Republic of China
[i] Audited by Tianjin Beiyang CPAs Co., Ltd., People's Republic of China
[j] Audited by Mehul D Chheda & Co, India
[k] Audited by HALS & Associates, Malaysia
[l] Not required to be audited under the laws of the country of incorporation
[m] Exempted from filing audited accounts under the laws of the country of incorporation
[n] Incorporated during the financial year 2012
[o] Acquired through common control during the financial year 2012
[p] In the process of appointing auditor