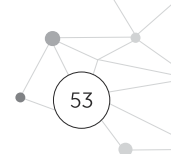


FINANCIAL STATEMENTS

45	Directors' Statement
49	Independent Auditor's Report
53	Consolidated Income Statement
54	Consolidated Statement of Comprehensive Income
55	Balance Sheet – Group
57	Balance Sheet – Company
58	Consolidated Statement of Changes in Equity
59	Consolidated Statement of Cash Flows
61	Notes to the Financial Statements



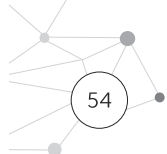


CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Revenue	4	2,946,818	2,926,657
Cost of sales		(2,812,107)	(2,785,954)
Gross profit		134,711	140,703
Other income	5	4,195	4,619
Other gains	6	880	35,076
Reversal of expected credit losses		8,149	2,279
Expenses			
- Selling and distribution		(31,759)	(36,281)
- Administrative		(88,802)	(79,162)
- Finance	9	(15,414)	(10,067)
Share of profit of associated company	21	68	46
Profit before tax		12,028	57,213
Income tax credit/(expense)	10(a)	2,672	(25,370)
Profit after tax		14,700	31,843
Profit after tax attributable to:			
Equity holders of the Company		14,788	32,053
Non-controlling interests		(88)	(210)
		14,700	31,843
Earnings per share attributable to equity holders of the Company (expressed in US cents per share)			
- Basic and diluted	12	0.99	2.14

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Profit after tax		14,700	31,843
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from foreign subsidiaries			
- (Losses)/gains		(5,155)	16,143
Other comprehensive (loss)/income, net of tax		(5,155)	16,143
Total comprehensive income		9,545	47,986
Total comprehensive income attributable to:			
Equity holders of the Company		9,961	48,015
Non-controlling interests		(416)	(29)
		9,545	47,986

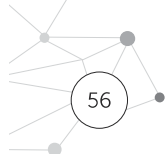
The accompanying notes form an integral part of these financial statements.

BALANCE SHEET - GROUP

As at 31 December 2018

	Note	31 December		1 January
		2018	2017	2017
		US\$'000	US\$'000	US\$'000
ASSETS				
Current assets				
Inventories	13	401,675	367,840	222,629
Trade receivables	14	221,592	252,427	256,413
Other receivables	15	91,980	85,498	51,457
Current income tax recoverable	11	6,966	7,092	6,535
Derivative financial instruments	16(a)	61,679	65,969	49,654
Cash and cash equivalents	17	48,611	69,593	50,034
		832,503	848,419	636,722
Non-current assets				
Intangible asset	18	5,496	-	-
Property, plant and equipment	19	412,229	365,645	326,953
Investment in associated company	21	491	435	348
Deferred income tax assets	25	3,457	2,914	9,735
Derivative financial instruments	16(b)	894	7,443	3,234
		422,567	376,437	340,270
Total assets		1,255,070	1,224,856	976,992
LIABILITIES				
Current liabilities				
Trade payables	22	142,154	146,642	123,968
Other payables	23	64,051	82,686	68,857
Contract liabilities	4(b)	10,182	10,678	8,118
Current income tax liabilities	11	3,289	3,331	4,320
Derivative financial instruments	16(a)	34,071	22,351	32,629
Borrowings	24	404,555	385,413	194,882
		658,302	651,101	432,774
Non-current liabilities				
Deferred income tax liabilities	25	30,253	37,035	27,186
Borrowings	24	46,310	19,064	30,983
		76,563	56,099	58,169
Total liabilities		734,865	707,200	490,943
NET ASSETS		520,205	517,656	486,049

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



BALANCE SHEET - GROUP

As at 31 December 2018

		31 December	1 January
	Note	2018	2017
		US\$'000	US\$'000
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	26	1,501	1,501
Share premium	26	180,012	180,012
Other reserves	27	(39,081)	(51,991)
Retained profits	28(a)	377,094	359,238
		519,526	488,760
Non-controlling interests		679	(2,711)
Total equity		520,205	486,049

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

BALANCE SHEET - COMPANY

As at 31 December 2018

	Note	31 December 2018 US\$'000	2017 US\$'000	1 January 2017 US\$'000
ASSETS				
Current assets				
Other receivables	15	283,443	250,668	275,685
Derivative financial instruments	16(a)	-	-	124
Cash and cash equivalents	17	590	155	85
		284,033	250,823	275,894
Non-current assets				
Investments in subsidiaries	20	849	849	849
Total assets		284,882	251,672	276,743
LIABILITIES				
Current liabilities				
Other payables	23	265	168	173
Current income tax liabilities	11	314	768	137
Derivative financial instruments	16(a)	28	41	-
		607	977	310
Non-current liabilities				
Deferred income tax liabilities	25	1,029	319	657
Total liabilities		1,636	1,296	967
NET ASSETS		283,246	250,376	275,776
EQUITY				
Capital and reserves attributable to equity holders of the Company:				
Share capital	26	1,501	1,501	1,501
Share premium	26	180,012	180,012	180,012
Other reserves	27	3,509	3,509	3,509
Retained profits	28(b)	98,224	65,354	90,754
Total equity		283,246	250,376	275,776

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Note	Attributable to equity holders of the Company						
	Share capital	Share premium	Share redemption	Capital reserve	General reserve	Currency translation reserve	Non-controlling interests
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2018							
Balance at 1 January 2018	1,501	180,012	3,509	(53,005)	(720)	15,962	1,133
Profit for the year	-	-	-	-	-	14,788	(88)
Other comprehensive loss for the year	-	-	-	-	-	(4,827)	(328)
Total comprehensive (loss)/income for the year	-	-	-	-	(4,827)	14,788	(416)
Acquisition of subsidiaries	-	-	-	-	-	-	153
Dividends	-	-	-	-	-	(6,958)	(191)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(6,958)	(38)
Balance at 31 December 2018	1,501	180,012	3,509	(53,005)	(720)	11,135	679
2017							
Balance at 1 January 2017	1,501	180,012	3,509	(53,005)	(2,495)	-	(2,711)
Profit for the year	-	-	-	-	-	32,053	(210)
Other comprehensive income for the year	-	-	-	-	-	15,962	181
Total comprehensive income for the year	-	-	-	-	-	32,053	(29)
Transfer from general reserve	-	-	-	-	1,775	(1,775)	-
Liquidation of subsidiaries	-	-	-	-	-	-	4,073
Dividends	-	-	-	-	-	(20,252)	(200)
Total transactions with owners, recognised directly in equity	-	-	-	-	1,775	(22,027)	3,873
Balance at 31 December 2017	1,501	180,012	3,509	(53,005)	(720)	15,962	1,133

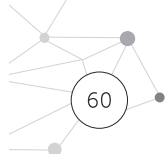
The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 US\$'000	2017 US\$'000
Cash flows from operating activities			
Profit after tax		14,700	31,843
Adjustments for:			
- Income tax (credit)/expense	10(a)	(2,672)	25,370
- Loss on liquidation of subsidiaries	6	-	3,876
- Depreciation of property, plant and equipment	19	19,430	17,427
- Gains on disposal of property, plant and equipment	6	(2,226)	(5,111)
- Property, plant and equipment written off	6	71	93
- Impairment losses on property, plant and equipment	6	-	2,976
- Interest income	5	(1,465)	(2,913)
- Interest expense	9	15,414	10,067
- Share of profit of associated company	21	(68)	(46)
Operating cash flows before working capital changes		43,184	83,582
Changes in operating assets and liabilities:			
- Inventories		(41,594)	(118,630)
- Trade and other receivables		36,553	(39,216)
- Contract liabilities		(496)	2,560
- Trade and other payables		(28,231)	40,999
- Derivative financial instruments		27,159	(43,066)
Cash flows from/(used in) operations		36,575	(73,771)
Interest received		894	2,170
Interest paid		(15,414)	(10,067)
Income tax paid	11	(4,036)	(12,584)
Decrease/(increase) in restricted short term deposit		2,623	(2,623)
Net cash flows from/(used in) operating activities		20,642	(96,875)
Cash flows from investing activities			
Acquisition of subsidiaries	35	(8,404)	-
Increase in other receivables		(1,203)	(2,000)
Additions to property, plant and equipment		(79,723)	(29,708)
Proceeds from disposal of property, plant and equipment		7,495	7,503
Net cash flows used in investing activities		(81,835)	(24,205)
Cash flows from financing activities			
Decrease/(increase) in restricted short term deposit		787	(1,120)
Proceeds from long term borrowings		51,149	945
Repayment of long term borrowings		(23,892)	(21,892)
Net proceeds from short term borrowings		23,398	176,283
Interest received		571	743
Dividends paid to equity holders of the Company	29	(6,958)	(20,252)
Dividends paid to non-controlling interests		(191)	(200)
Net cash flows from financing activities		44,864	134,507
Net change in cash and cash equivalents		(16,329)	13,427
Cash and cash equivalents at beginning of financial year		65,850	49,845
Effect of changes in exchange rate on cash and cash equivalents		(1,243)	2,578
Cash and cash equivalents at end of financial year	17	48,278	65,850

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



CONSOLIDATED STATEMENT OF CASH FLOWS

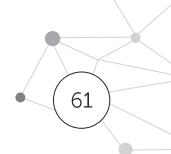
For the financial year ended 31 December 2018

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	1 January 2017 US\$'000	Proceeds from borrowings US\$'000	Principal payments US\$'000	Non-cash changes Foreign exchange movement US\$'000	31 December 2017 US\$'000
Borrowings	225,865	177,228	(21,892)	23,276	404,477

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

Mewah International Inc. (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in the Cayman Islands. The address of its registered office is Harbour Place, 2nd Floor, 103 South Church Street, P.O. Box 472, George Town, Grand Cayman, KY1-1106, Cayman Islands. The principal place of business of the Company is at 5, International Business Park, #05-00, Mewah Building, Singapore 609914.

The principal activity of the Company is that of investment holding. The principal activities of its significant subsidiaries are disclosed in Note 38 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

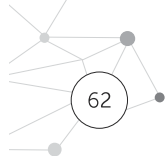
These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

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

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the financial year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group’s previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”).

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Deemed cost

The Group has elected to regard the carrying amount of certain property, plant and equipment as their deemed cost at the date of transition to SFRS(I) on 1 January 2017.

(ii) Cumulative translation differences

The Group has elected to deem the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017.

(iii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	Reported under SFRS US\$'000	Effects of applying SFRS(I) 1 US\$'000	Effects of applying SFRS(I) 15 US\$'000	Reported under SFRS(I) US\$'000
EQUITY				
Capital and reserves attributable to equity holders of the Company:				
Share capital	1,501	-	-	1,501
Share premium	180,012	-	-	180,012
Other reserves	(85,133)	33,142	-	(51,991)
Retained profits	392,380	(33,142)	-	359,238
	488,760	-	-	488,760
Non-controlling interests	(2,711)	-	-	(2,711)
Total equity	486,049	-	-	486,049

As at 31 December 2017

EQUITY				
Capital and reserves attributable to equity holders of the Company:				
Share capital	1,501	-	-	1,501
Share premium	180,012	-	-	180,012
Other reserves	(68,974)	34,720	-	(34,254)
Retained profits	403,984	(34,720)	-	369,264
	516,523	-	-	516,523
Non-controlling interests	1,133	-	-	1,133
Total equity	517,656	-	-	517,656

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

2017	Reported under SFRS US\$'000	Effects of applying SFRS(I) 1 US\$'000	Effects of applying SFRS(I) 1-1 US\$'000	Effects of applying SFRS(I) 15 US\$'000	Reported under SFRS(I) US\$'000
Income statement					
Cost of sales	(2,733,072)	-	-	(52,882)	(2,785,954)
Gross profit	193,585	-	-	(52,882)	140,703
Other gains	36,654	(1,578)	-	-	35,076
Reversal of expected credit losses	-	-	2,279	-	2,279
Selling and distribution expenses	(86,884)	-	(2,279)	52,882	(36,281)
Other comprehensive income/(loss):					
Item that may be reclassified subsequently to profit or loss:					
Currency translation differences arising from foreign subsidiaries					
- Reclassification	(1,578)	1,578	-	-	-

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the optional exemptions provided for under SFRS(I) 1 and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

A. Optional exemptions

As disclosed in Note 2.2(a), the Group has applied certain exemptions in preparing this first set of financial statements in accordance with SFRS(I). The exemptions that resulted in adjustments to the previously issued SFRS financial statements are as follows:

A1. Carrying amount as deemed costs on property, plant and equipment

As disclosed in Note 2.2(a)(i), the Group has elected to regard the carrying amount of certain property, plant and equipment as their deemed cost at the date of transition to SFRS(I) on 1 January 2017.

As a result, the Group's asset revaluation reserve was reclassified directly into retained profits on the date of initial adoption and other reserves and retained profits as at 1 January 2017 and 1 January 2018 were reduced/increased by US\$8,518,000 respectively.

A2. Cumulative translation differences

As disclosed in Note 2.2(a)(ii), the Group has elected to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and retained profits as at 1 January 2017 and 1 January 2018 were increased/reduced by US\$41,660,000 and US\$43,238,000 respectively.

B. Adoption of SFRS(I) 15

B1. Presentation of cost of sales

The Group has changed the presentation of certain amounts in the consolidated income statement for the financial year ended 31 December 2017 on adopting SFRS(I) 15:

- (i) Freight costs and marine insurance of US\$52,882,000 which were previously included in "selling and distribution expenses" under SFRS are now included in "cost of sales".

B2. Presentation of contract liabilities

The Group has changed the presentation of certain amounts in the balance sheet as at 31 December 2017 on adopting SFRS(I) 15:

- (i) Advances from customers which were previously presented as "non-trade payables to non-related parties" of US\$10,678,000 (1 January 2017: US\$8,118,000) under SFRS are now presented as "contract liabilities".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

C. Adoption of SFRS(I) 9

C1. Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. No reclassification is required to be made based on management's assessment.

C2. Measurement of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- (i) Trade receivables recognised under SFRS(I) 15
- (ii) Other receivables at amortised cost

2.3 Revenue

(a) Sale of goods

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

(b) Shipping services

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

(c) Charter income

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

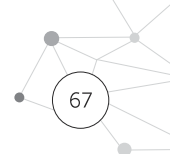
Revenue from voyage charter is recognised rateably over the estimated length of the voyage within the reporting period and ends in subsequent reporting period.

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

Demurrage is included if a claim is considered probable.

(d) Interest income

Interest income is recognised using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Revenue (continued)

(e) Rental income

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

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

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

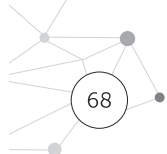
The acquisition method of accounting is used to account for business combinations entered into by the Group, except for business combination under common control.

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

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

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

- The financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control.
- The assets and liabilities are brought into the financial statements at their existing carrying amounts from the perspective of the controlling party.
- The income statement includes the results of the acquired entities since the earliest date the entities are under common control.
- The comparative figures of the Group represent the income statement, statement of comprehensive income, balance sheet, statement of cash flows and statement of changes in equity and have been prepared as if the combination had occurred from the date when the combining entities or businesses first came under common control.
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration.
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to merger reserve. Cash paid/payable arising from the acquisition under common control is also taken to the merger reserve.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in general reserve within equity attributable to the equity holders of the Company.

(c) Associated company

Associated company is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

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

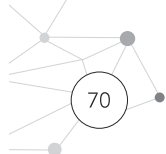
(i) Acquisitions

Investment in associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated company represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investment.

(ii) Equity method of accounting

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Group accounting (continued)

(c) Associated company (continued)

(iii) Disposals

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

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

2.5 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.

(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 (refer to Note 2.8 on borrowing costs).

(b) Depreciation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 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 within "Other gains/losses". Any amount in asset revaluation reserve relating to that asset is transferred to retained profits directly.

2.6 Investments in subsidiaries and associated company

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

2.7 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 company

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Impairment of non-financial assets (continued)

(b) Property, plant and equipment

Investments in subsidiaries and associated company (continued)

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at deemed cost, in which case, such impairment loss is treated as a decrease to the asset revaluation reserve to the extent of the asset revaluation reserve relating to these assets.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.8 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 construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to the acquisition, construction or production of qualifying assets that are financed by general borrowings.

2.9 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

(a) Classification

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(a) Classification (continued)

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

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(iii) *Loans and receivables*

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

(b) Recognition and derecognition

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

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

(c) Initial measurement

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

(d) Subsequent measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(e) Impairment

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

(i) Loans and receivables

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.

The accounting for financial assets from 1 January 2018 are as follows:

(f) Classification and measurement

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

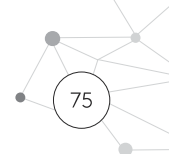
The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

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

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

At initial recognition

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(f) Classification and measurement (continued)

At subsequent measurement

(i) Debt instruments

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

Financial assets of the Group are subsequently measured as follows:

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

(g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 32 details how the Group determines whether there has been a significant increase in credit risk.

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

(h) Recognition and derecognition

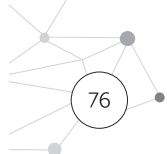
Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

(i) Offsetting of financial instruments

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Intra-group transactions are eliminated on consolidation.

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

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

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 balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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). Otherwise, they are presented as non-current liabilities.

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

2.13 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Fair value estimation of financial assets and liabilities

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

The Group's commodities forward contracts are not traded in an active market and hence their fair values are estimated using a valuation technique as described in Note 32(e).

The fair values of currency forward contracts are determined using actively quoted forward exchange rates.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) When the Group is the lessee:

Lessee - Operating leases

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

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

(b) When the Group is the lessor:

Lessor - Operating leases

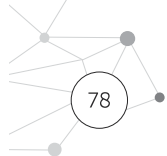
Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

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. 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.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

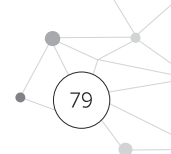
Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.18 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the profit or loss as finance expense.

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 balance sheet date.

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 the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities.

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

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

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Currency translation (continued)

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

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

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 consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

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

2.23 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 the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Government grants relating to assets are presented on the balance sheet under other payables as deferred income.

2.26 Intangible assets

(a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Valuation of commodities forward contracts

The Group is exposed to fluctuations in the prices of agri-commodities it deals in, including crude palm oil and palm oil products. The Group minimises the risk arising from such fluctuations by entering into commodities forward contracts and futures contracts. As the Group has not adopted hedge accounting, the fair value changes on these derivative financial instruments are recognised in the profit or loss when the changes arise.

The Group's commodities forward contracts are not traded in an active market and hence their fair values are estimated using a valuation technique as described in Note 32(e).

If the commodities forward prices had been higher or lower by 5% from the management's estimates and other variables remain constant, the Group's profit after tax would have been lower or higher by US\$11,679,000 (2017: lower or higher by US\$15,645,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

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

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

As at 31 December 2018, management has identified indications of impairment relating to PPE of a manufacturing plant of the Group. The total net book value of the PPE relating to this manufacturing plant that was recognised on the balance sheet amounted to approximately US\$13,442,000 as at 31 December 2018.

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

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

Discount rate	9.9%
Terminal growth rate	3.0%
Operating margin	5.8%

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

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

Based on the recoverable amount determined by management, no impairment for the PPE of this manufacturing plant was deemed necessary as at 31 December 2018.

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

Management reviews its trade receivables on a regular basis to identify specific trade receivables that are credit impaired and recognises a loss allowance equal to lifetime expected credit loss in respect of these receivables. For the remaining trade receivables, they are grouped based on similar risk characteristics and days past due to determine the expected credit loss rate to be applied. In calculating the expected credit loss rates, management considers historical loss rates and adjusts to reflect current and forward looking macro economic factors affecting the ability of the customers to settle the receivables. Further details are disclosed in Note 32(b) to the financial statements.

Based on the assessment performed by management at 31 December 2018, the loss allowance recognised for specific trade receivables that are credit impaired amounted to US\$23,056,000 (Note 14). For the remaining trade receivables, management has assessed that the associated credit risks are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

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

	Group		
	At a point in time US\$'000	Over time US\$'000	Total US\$'000
2018			
Sale of palm based products in bulk	1,995,968	-	1,995,968
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	874,101	-	874,101
Shipping services*	-	72,299	72,299
Charter income	-	4,450	4,450
Total	2,870,069	76,749	2,946,818
2017			
Sale of palm based products in bulk	1,952,257	-	1,952,257
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	903,979	-	903,979
Shipping services*	-	68,917	68,917
Charter income	-	1,504	1,504
Total	2,856,236	70,421	2,926,657

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

Included in the sale of palm based products in bulk is the subsidy received from the Malaysian government under the cooking oil price stabilisation scheme amounting to US\$3,102,000 (2017: US\$16,097,000).

(b) Contract liabilities

	Group		
	31 December 2018 US\$'000	2017 US\$'000	1 January 2017 US\$'000
<i>Contract liabilities</i>			
- Sale of goods contracts	10,182	10,678	8,118
Total contract liabilities	10,182	10,678	8,118

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) Contract liabilities (continued)

(i) Revenue recognised in relation to contract liabilities

	Group	
	2018	2017
	US\$'000	US\$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Sale of goods contracts	6,058	4,722

(ii) Unsatisfied performance obligations

As at 31 December 2018, 31 December 2017 and 1 January 2017, there are no unsatisfied contracts exceeding one year. As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less is not disclosed.

5. OTHER INCOME

	Group	
	2018	2017
	US\$'000	US\$'000
Interest income on bank deposits and others	571	743
Late interest charged on trade receivables	894	2,170
	1,465	2,913
Rental income	413	144
Commission income	47	50
Insurance claims	149	280
Other miscellaneous income	2,121	1,232
	4,195	4,619

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6. OTHER GAINS (NET)

	Group	
	2018	2017
	US\$'000	US\$'000
Foreign exchange (losses)/gains - net	(1,025)	33,050
Reversal of provision for legal claim [Note 6(i)]	-	3,641
(Loss allowance)/reversal of loss allowance on other receivables	(250)	218
Impairment losses on property, plant and equipment (Note 19)	-	(2,976)
Property, plant and equipment written off	(71)	(93)
Gains on disposal of property, plant and equipment	2,226	5,111
Loss on liquidation of subsidiaries (Note 17)	-	(3,876)
Others	-	1
	880	35,076

(i) Provision for legal claims

In the previous financial year ended 31 December 2017, the Group recognised a reversal of provision for legal claims amounting to US\$3,641,000. This legal claim was in relation to a civil action that was filed by Lushing Traders Pte Ltd, a Company registered in the Republic of Singapore, in the Malaysian High Court against Mewah-Oils Sdn Bhd ("MOSB"), a wholly-owned subsidiary of the Group. In 2016, the Court of Appeal dismissed MOSB's appeal and management made full provision for the claims as at 31 December 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. EXPENSES BY NATURE

	Group	
	2018	2017
	US\$'000	US\$'000
Purchases of inventories	2,744,079	2,818,739
Changes in inventories	(41,594)	(118,630)
Losses/(gains) from derivative financial instruments	2,905	(9,027)
Freight charges	61,350	50,392
Consultation fees	3,059	2,669
Transportation	21,598	22,095
Export duties	879	7,594
Insurance	4,869	5,701
Utilities	13,161	11,038
Rental on operating leases	2,485	1,871
Repair and maintenance	6,777	5,694
Employee compensation (Note 8)	66,116	60,876
Depreciation of property, plant and equipment (Note 19)	19,430	17,427
Bank charges	4,012	2,902
(Writeback of)/inventories written down	(1,738)	3,887
Audit fees		
- Auditors of the Company	364	340
- Other auditors*	226	182
Non-audit fees		
- Auditors of the Company	120	67
- Other auditors*	110	96
Others	24,460	17,484
Total cost of sales, selling and distribution and administrative expenses	2,932,668	2,901,397

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

For the financial year ended 31 December 2018, the writeback of inventories mainly relate to inventories previously written down that were sold above their carrying amounts. For the financial year ended 31 December 2017, the inventories written down mainly relate to inventories which were slow-moving.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. EMPLOYEE COMPENSATION

	Group	
	2018	2017
	US\$'000	US\$'000
Salaries	59,680	53,247
Employer's contributions to defined contribution plans	4,251	4,914
Other staff benefits	2,185	2,715
	66,116	60,876

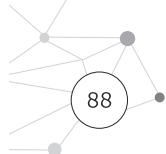
9. FINANCE EXPENSES

	Group	
	2018	2017
	US\$'000	US\$'000
Interest expenses:		
- Bank borrowings	15,414	10,067
Finance expenses recognised in profit or loss	15,414	10,067

10. INCOME TAXES

(a) Income tax (credit)/expense

	Group	
	2018	2017
	US\$'000	US\$'000
Tax expense attributable to profit was made up of:		
Current income tax		
- Singapore	2,470	1,744
- Foreign	3,390	6,612
	5,860	8,356
Deferred income tax	(6,636)	7,387
	(776)	15,743
(Over)/under provision in prior financial years		
- Current income tax (Note 11)	(1,870)	3,247
- Deferred income tax	(26)	6,380
	(1,896)	9,627
Income tax (credit)/expense	(2,672)	25,370



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. INCOME TAXES (continued)

(a) Income tax (credit)/expense (continued)

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

	Group	
	2018	2017
	US\$'000	US\$'000
Profit before tax	12,028	57,213
Tax calculated at domestic rates applicable to profits in the respective countries	855	13,922
Effects of:		
- Tax incentives	(6,624)	(563)
- Expenses not deductible for tax purposes	5,354	4,075
- Income not subject to tax	(84)	(1,177)
- Utilisation of previously unrecognised tax losses	(236)	(512)
- (Over)/under provision of tax in prior financial years	(1,896)	9,627
- Others	(41)	(2)
	(2,672)	25,370

Singapore and Malaysia, two of the Group's main tax jurisdictions, had headline corporate tax rates of 17% and 24% (2017: 17% and 24%) respectively. The Group enjoys certain tax incentives such as concessionary tax rate on qualifying income under the Global Trader Programme of International Enterprise Singapore, 0% tax rate on qualifying income under the Pioneer Status in Malaysia and other various schemes for qualifying capital investments in Malaysia.

(Over)/under provision in prior financial years

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

For the financial year ended 31 December 2017, the under provision of current income tax in respect of prior financial years mainly relates to a notice of additional tax, which was raised by a local tax authority to a wholly-owned subsidiary of the Group and was paid during the financial year. The wholly-owned subsidiary has filed an objection to this additional tax assessment and the matter is currently under arbitration.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. INCOME TAXES (continued)

(a) Income tax (credit)/expense (continued)

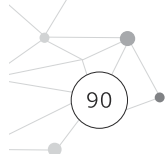
(Over)/under provision in prior financial years (continued)

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

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

11. CURRENT INCOME TAXES RECOVERABLE/(LIABILITIES)

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of the year	3,761	2,215	(768)	(137)
Currency translation differences	(130)	565	(18)	(7)
Income tax paid	4,036	12,584	1,060	486
Tax expense (Note 10)	(5,860)	(8,356)	(870)	(1,149)
Over/(under) provision in prior financial years (Note 10)	1,870	(3,247)	282	39
End of the financial year	3,677	3,761	(314)	(768)
Represented by:				
At 31 December				
- Current income tax recoverable	6,966	7,092	-	-
- Current income tax liabilities	(3,289)	(3,331)	(314)	(768)
At 1 January				
- Current income tax recoverable	7,092	6,535	-	-
- Current income tax liabilities	(3,331)	(4,320)	(768)	(137)



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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	
	2018	2017
Net profit attributable to equity holders of the Company (US\$'000)	14,788	32,053
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,500,667	1,500,667
Basic earnings per share (US cents per share)	0.99	2.14

Diluted earnings per share was the same as the basic earnings per share for the financial years ended 31 December 2018 and 2017 as there were no potential dilutive ordinary shares outstanding.

13. INVENTORIES

	Group		
	31 December	1 January	
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
Raw materials	152,501	166,206	89,260
Finished goods	242,693	195,833	127,117
Stores, spares and consumables	6,481	5,801	6,252
	401,675	367,840	222,629

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US\$2,700,747,000 (2017: US\$2,703,996,000).

14. TRADE RECEIVABLES

	Group		
	31 December	1 January	
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
Trade receivables			
- Related parties [Note 33(a)]	20,947	31,183	24,671
- Non-related parties	223,701	255,458	270,697
	244,648	286,641	295,368
Less: Allowance for expected credit losses			
- Non-related parties [Note 32(b)]	(23,056)	(34,214)	(38,955)
Trade receivables - net	221,592	252,427	256,413

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

15. OTHER RECEIVABLES

	Group			Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Loans to subsidiaries	-	-	-	322,983	275,024	289,629
Less: Allowance for expected credit losses	-	-	-	(39,556)	(24,389)	(13,957)
	-	-	-	283,427	250,635	275,672
Non-trade receivables	49,998	65,012	37,524	-	-	-
Dividend receivable	-	-	-	-	25	-
Deposits	37,148	17,306	12,091	-	-	-
Prepayments	4,834	3,180	1,842	16	8	13
	91,980	85,498	51,457	283,443	250,668	275,685

Group

As at 31 December 2018, non-trade receivables included US\$37,464,000 (31 December 2017: US\$50,988,000; 1 January 2017: US\$23,418,000) refundable Goods Service Tax, US\$64,000 (31 December 2017: US\$3,089,000; 1 January 2017: US\$4,365,000) relating to subsidy receivable for cooking oil price stabilisation scheme and US\$9,973,000 (31 December 2017: US\$8,948,000; 1 January 2017: US\$6,948,000) being advance payments towards capital expenditure.

As at 31 December 2018, deposits included US\$8,472,000 (31 December 2017: US\$8,945,000; 1 January 2017: US\$1,515,000) of advance payments for the purchase of raw materials and US\$27,732,000 (31 December 2017: US\$7,680,000; 1 January 2017: US\$9,080,000) paid to Bursa Malaysia Derivatives Clearing Bhd for commodity trading initial margin payment.

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

Company

Loans to subsidiaries bear interests from 1.2% to 10.1% (31 December 2017: 1.2% to 9.9%; 1 January 2017: 1.2% to 9.1%) per annum. The loans are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group enters into commodities forward contracts and futures contracts to protect the Group from movements in market prices of crude palm oil and palm oil products by establishing the price at which the products will be sold or purchased.

(a) Current portion

	Contract notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
31 December 2018			
Currency forward contracts [Note 32(e)]	667,408	4,568	(3,251)
Commodities forward contracts [Note 32(e)]	1,006,930	51,640	(16,039)
Futures contracts on commodity exchange [Note 32(e)]	979,113	5,471	(14,781)
Total		61,679	(34,071)
31 December 2017			
Currency forward contracts [Note 32(e)]	825,983	19,053	(9,062)
Commodities forward contracts [Note 32(e)]	863,949	23,109	(12,875)
Futures contracts on commodity exchange [Note 32(e)]	991,625	23,807	(414)
Total		65,969	(22,351)
1 January 2017			
Currency forward contracts [Note 32(e)]	569,644	9,547	(6,433)
Commodities forward contracts [Note 32(e)]	723,064	16,613	(25,186)
Futures contracts on commodity exchange [Note 32(e)]	948,980	23,494	(1,010)
Total		49,654	(32,629)
	Contract notional amount US\$'000	Company Fair values	
		Asset US\$'000	Liability US\$'000
31 December 2018			
Currency forward contracts [Note 32(e)]	5,293	-	(28)
31 December 2017			
Currency forward contracts [Note 32(e)]	3,172	-	(41)
1 January 2017			
Currency forward contracts [Note 32(e)]	3,350	124	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Non-current portion

	Contract notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
31 December 2018			
Commodities forward contracts [Note 32(e)]	2,508	483	-
Futures contracts on commodity exchange [Note 32(e)]	138,467	411	-
Total		894	-
31 December 2017			
Commodities forward contracts [Note 32(e)]	16,313	30	-
Futures contracts on commodity exchange [Note 32(e)]	164,496	7,413	-
Total		7,443	-
1 January 2017			
Commodities forward contracts [Note 32(e)]	1,628	20	-
Futures contracts on commodity exchange [Note 32(e)]	115,066	3,214	-
Total		3,234	-

17. CASH AND CASH EQUIVALENTS

	Group			Company		
	31 December 2018 US\$'000	2017 US\$'000	1 January 2017 US\$'000	31 December 2018 US\$'000	2017 US\$'000	1 January 2017 US\$'000
Cash at bank and on hand	42,590	49,846	34,689	586	151	85
Short-term bank deposits	6,021	19,747	15,345	4	4	-
	48,611	69,593	50,034	590	155	85

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. CASH AND CASH EQUIVALENTS (continued)

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

	Group		
	31 December	1 January	
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
Cash and bank balances (as above)	48,611	69,593	50,034
Less: Restricted short term bank deposits	(333)	(3,743)	-
Less: Bank overdrafts (Note 24)	-	-	(189)
Cash and cash equivalents per consolidated statement of cash flows	48,278	65,850	49,845

In the previous financial year ended 31 December 2017, the Group completed the liquidation of subsidiaries, Molly Foods bvba, Bloom Land Enterprises Limited, and BeCe S.à.r.l, and the net cash flow arising from the liquidation of the subsidiaries, are as follows:

	Group
	2017
	US\$'000
Net liabilities of liquidated subsidiaries	(197)
Less: Non-controlling interests	4,073
	3,876
Loss of liquidation of subsidiaries (Note 6)	(3,876)
Net cash inflow/(outflow)	-

18. INTANGIBLE ASSET

	Group		
	31 December	1 January	
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
Intangible asset arising from acquisition of subsidiaries	5,496	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. INTANGIBLE ASSET (continued)

	Group	
	2018 US\$'000	2017 US\$'000
Beginning of financial year	-	-
Acquisition of subsidiaries (Note 35)	5,496	-
End of financial year	5,496	-

The Group completed the acquisition of 95.0% of the issued equity of PT Angso Duo Sawit ("PTADS") and PT Jambi Batanghari Plantation ("PTJBP"), the companies incorporated in Indonesia involved primarily in milling and palm oil plantation businesses respectively. The acquisition will give the Group a foothold in the upstream part of the value chain. The total purchase consideration was IDR120,394,000,000 or approximately US\$8,404,000.

Intangible asset in relation to the acquisition of PTADS and PTJBP have been determined provisionally as the underlying purchase price allocation is still ongoing. The purchase price allocation to goodwill, intangibles (excluding goodwill) and other assets and liabilities is currently being assessed and is expected to be finalised within 12 months from the date of acquisition and hence the intangibles asset has not been allocated to the relevant cash-generating-units.

Impairment tests for intangible asset

The recoverable amount of this intangible asset was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on discounted cash flow model and requires the Group to make an estimate of the expected future cash flow from the continuing use of the intangible asset.

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

Discount rate	15.0%
Terminal growth rate	5.2%
Operating margin	10.6% - 20.0%

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

Based on the recoverable amount determined by management, no impairment for the goodwill was deemed necessary as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. PROPERTY, PLANT AND EQUIPMENT

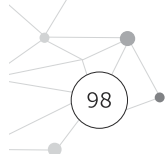
	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Vessels	Capital expenditure in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group								
2018								
<i>Cost</i>								
Beginning of financial year	28,148	115,713	333,482	20,233	7,967	1,972	28,687	536,202
Currency translation differences	(774)	(2,830)	(7,601)	(241)	(97)	-	(1,856)	(13,399)
Additions	136	2,981	2,033	1,719	1,508	9,337	62,009	79,723
Acquisition of subsidiaries (Note 35)	-	1,129	48	-	12	-	2,041	3,230
Disposals	(5,311)	(21)	(862)	(107)	(1,606)	-	-	(7,907)
Write off	-	-	(1,654)	(129)	(8)	(239)	-	(2,030)
Redclassification	745	240	20,416	32	-	-	(21,433)	-
End of financial year	22,944	117,212	345,862	21,507	7,776	11,070	69,448	595,819
<i>Accumulated depreciation</i>								
Beginning of financial year	1,948	23,484	119,023	15,642	5,337	75	-	165,509
Currency translation differences	(59)	(414)	(2,733)	(169)	(58)	-	-	(3,433)
Depreciation charge (Note 7)	518	2,631	13,085	1,407	983	806	-	19,430
Disposals	(285)	(5)	(698)	(102)	(1,548)	-	-	(2,638)
Write off	-	-	(16)	(125)	-	(185)	-	(326)
End of financial year	2,122	25,696	128,661	16,653	4,714	696	-	178,542
<i>Accumulated impairment losses</i>								
Beginning and end of financial year	-	-	17	247	66	-	4,718	5,048
<i>Net book value</i>								
End of financial year	20,822	91,516	217,184	4,607	2,996	10,374	64,730	412,229

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Vessels	Capital expenditure in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group								
2017								
<i>Cost</i>								
Beginning of financial year	20,288	109,721	275,599	18,660	7,470	-	34,926	466,664
Currency translation differences	2,358	8,497	31,171	928	246	-	1,550	44,750
Additions	386	133	6,995	797	1,352	1,972	18,073	29,708
Disposals	-	(3,455)	(66)	(92)	(957)	-	-	(4,570)
Write off	-	-	(139)	(68)	(143)	-	-	(350)
Redclassification	5,116	817	19,922	8	(1)	-	(25,862)	-
End of financial year	28,148	115,713	333,482	20,233	7,967	1,972	28,687	536,202
<i>Accumulated depreciation</i>								
Beginning of financial year	1,262	20,610	96,629	13,764	5,374	-	-	137,639
Currency translation differences	162	1,361	10,542	664	149	-	-	12,878
Depreciation charge (Note 7)	524	2,629	11,942	1,369	888	75	-	17,427
Disposals	-	(1,116)	(40)	(91)	(931)	-	-	(2,178)
Write off	-	-	(50)	(64)	(143)	-	-	(257)
End of financial year	1,948	23,484	119,023	15,642	5,337	75	-	165,509
<i>Accumulated impairment losses</i>								
Beginning of financial year	-	-	17	247	66	-	1,742	2,072
Impairment losses (Note 6)	-	-	-	-	-	-	2,976	2,976
End of financial year	-	-	17	247	66	-	4,718	5,048
<i>Net book value</i>								
End of financial year	26,200	92,229	214,442	4,344	2,564	1,897	23,969	365,645
Beginning of financial year	19,026	89,111	178,953	4,649	2,030	-	33,184	326,953



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

19. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) As at 31 December 2018, bank borrowings (Note 24) are secured on property, plant and equipment of the Group with carrying amounts of US\$160,760,000 (31 December 2017: US\$148,897,000; 1 January 2017: US\$142,221,000).
- (b) In the previous financial year, impairment loss on capital expenditure in progress of US\$2,976,000 was recognised in profit or loss as management has determined that the carrying amount of the capital expenditure incurred in relation to a project in Indonesia as at 31 December 2017 was in excess of the recoverable amount.
- (c) As at 31 December 2018, property, plant and equipment written off totalling US\$1,633,000 were fully recovered from the insurance claims made.

20. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	2017
	US\$'000	US\$'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	849	849

Details of the significant subsidiaries are included in Note 38. There are no subsidiaries with non-controlling interest that are material to the Group as at 31 December 2018 and 2017.

21. INVESTMENTS IN ASSOCIATED COMPANY

	Group	
	2018	2017
	US\$'000	US\$'000
<i>Equity investment at cost</i>		
Beginning of financial year	435	348
Share of profits	68	46
Currency translation differences	(12)	41
End of financial year	491	435

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

21. INVESTMENTS IN ASSOCIATED COMPANY (continued)

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

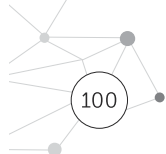
	Group		
	31 December	1 January	
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
Assets	1,402	1,223	1,049
Liabilities	(399)	(336)	(339)
Carrying value of associated company	1,003	887	710
Effective interest rate of the Group in associated company	49%	49%	49%
Carrying value of group's interest in associated company	491	435	348

	Group	
	2018	2017
	US\$'000	US\$'000
Revenue	4,954	5,013
Net profit and total comprehensive income	138	94
Effective interest rate of the Group in associated company	49%	49%
Share of profit of associated company	68	46

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

22. TRADE PAYABLES

	Group		
	31 December	1 January	
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
Trade payables			
- Related parties [Note 33(a)]	1,006	780	939
- Non-related parties	141,148	145,862	123,029
	142,154	146,642	123,968



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. OTHER PAYABLES

	Group			Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-trade payables						
- Related parties [Note 33(a)]	7	2	1	-	-	-
- Associated company	136	54	43	-	-	-
- Non-related parties	22,449	48,012	37,415	-	-	-
	22,592	48,068	37,459	-	-	-
Deferred income	3,877	4,095	1,919	-	-	-
Accrual for operating expenses	37,582	30,523	29,479	265	168	173
	64,051	82,686	68,857	265	168	173

Amounts due to associated company and related parties relate mainly to forwarding services and rental of premises, and are unsecured, interest free and repayable on demand. As at 31 December 2018, non-trade payables from non-related parties included US\$2,186,000 (31 December 2017: US\$30,754,000; 1 January 2017: US\$25,769,000) payable to Bursa Malaysia Derivatives Clearing Bhd ("Bursa") and US\$3,305,000 (31 December 2017: US\$731,000; 1 January 2017: US\$631,000) relating to Goods and Service Tax.

24. BORROWINGS

	Group		
	31 December	1 January	
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
<i>Current</i>			
Bank overdrafts (Note 17)	-	-	189
Bank borrowings:			
Trade financing	378,059	364,860	173,924
Revolving credit	11,000	5,000	-
Term loans	15,496	15,553	20,769
	404,555	385,413	194,882
<i>Non-current</i>			
Bank borrowings:			
Term loans	46,310	19,064	30,983
	46,310	19,064	30,983
Total borrowings	450,865	404,477	225,865

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. BORROWINGS (continued)

(a) Securities granted

Total borrowings include secured liabilities of US\$31,806,000 (31 December 2017: US\$32,222,000; 1 January 2017: US\$45,085,000). The borrowings of the Group are secured by certain property, plant and equipment as disclosed in Note 19(a) and corporate guarantees by the Company as disclosed in Note 30.

(b) Fair value of non-current borrowings

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

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 balance sheet as follows:

	Group			Company		
	31 December	1 January		31 December	1 January	
	2018	2017	2017	2018	2017	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets	3,457	2,914	9,735	-	-	-
Deferred income tax liabilities	(30,253)	(37,035)	(27,186)	(1,029)	(319)	(657)

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

	Group		Company	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of financial year	(34,121)	(17,451)	(319)	(657)
Currency translation differences	663	(2,903)	-	-
Tax credited/(charged) to				
- Profit or loss	6,662	(13,767)	(710)	338
End of financial year	(26,796)	(34,121)	(1,029)	(319)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. DEFERRED INCOME TAXES (continued)

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation US\$'000	Revaluation of property, plant and equipment US\$'000	Unremitted foreign income US\$'000	Unrealised gains on derivative financial instruments US\$'000	Total US\$'000
2018					
Beginning of financial year	(26,859)	(557)	(415)	(14,255)	(42,086)
Currency translation differences	543	-	-	122	665
Credited/(charged) to					
- Profit or loss	278	-	(1,053)	7,781	7,006
End of financial year	(26,038)	(557)	(1,468)	(6,352)	(34,415)
2017					
Beginning of financial year	(23,322)	(2,028)	(1,111)	(4,150)	(30,611)
Currency translation differences	(2,723)	(64)	-	(1,025)	(3,812)
(Charged)/credited to					
- Profit or loss	(814)	1,535	696	(9,080)	(7,663)
End of financial year	(26,859)	(557)	(415)	(14,255)	(42,086)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. DEFERRED INCOME TAXES (continued)

Group (continued)

Deferred income tax assets

	Unutilised tax losses US\$'000	Unutilised reinvestment allowance US\$'000	Provision and others US\$'000	Total US\$'000
2018				
Beginning of financial year	1,969	1,036	4,960	7,965
Currency translation differences	3	(74)	69	(2)
(Charged)/credited to				
- Profit or loss	(1,879)	2,173	(638)	(344)
End of financial year	93	3,135	4,391	7,619
2017				
Beginning of financial year	3,619	6,984	2,557	13,160
Currency translation differences	221	364	324	909
(Charged)/credited to				
- Profit or loss	(1,871)	(6,312)	2,079	(6,104)
End of financial year	1,969	1,036	4,960	7,965

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately US\$722,000 (31 December 2017: US\$1,856,000; 1 January 2017: US\$4,046,000) at the balance sheet date which would expire between 2020 and 2023. These unrecognised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation.

Company

Deferred income tax liabilities

	Unremitted foreign income	
	2018	2017
	US\$'000	US\$'000
Beginning of financial year	(319)	(657)
(Charged)/credited to		
- Profit or loss	(710)	338
End of financial year	(1,029)	(319)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

26. SHARE CAPITAL AND SHARE PREMIUM

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

Group and Company 2018

Beginning and end of financial year, ordinary shares at par value, US\$0.001

30,000,000	1,500,667	30,000	1,501	180,012
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2017

Beginning and end of financial year, ordinary shares at par value, US\$0.001

30,000,000	1,500,667	30,000	1,501	180,012
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All issued ordinary shares were fully paid. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

27. OTHER RESERVES

	Group		
	31 December	2017	1 January
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
(a) Composition:			
Merger reserve	(53,005)	(53,005)	(53,005)
General reserve	(720)	(720)	(2,495)
Currency translation reserve	11,135	15,962	-
Capital redemption reserve	3,509	3,509	3,509
	(39,081)	(34,254)	(51,991)
	Company		
	31 December	2017	1 January
	2018	2017	2017
	US\$'000	US\$'000	US\$'000
Composition:			
Capital redemption reserve	3,509	3,509	3,509

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. OTHER RESERVES (continued)

(a) Composition (continued)

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

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

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

Other reserves are non-distributable.

	Group	
	2018	2017
	US\$'000	US\$'000

(b) Movements

(i) Merger reserve

Beginning and end of financial year	(53,005)	(53,005)
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(ii) General reserve

Beginning of financial year	(720)	(2,495)
Transfer to retained earnings	-	1,775
End of financial year	(720)	(720)

(iii) Currency translation reserve

Beginning of financial year	15,962	-
Net currency translation differences of foreign subsidiaries	(5,155)	16,143
Less: Non-controlling interests	328	(181)
	(4,827)	15,962
End of financial year	11,135	15,962

Group and Company

2018	2017
US\$'000	US\$'000

(iv) Capital redemption reserve

Beginning and end of financial year	3,509	3,509
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 the Group's borrowings.
- (b) Movement in retained profits for the Company was as follows:

	Company	
	2018 US\$'000	2017 US\$'000
Beginning of financial year	65,354	90,754
Dividends (Note 29)	(6,958)	(20,252)
Total comprehensive income/(loss) for the financial year	39,828	(5,148)
End of financial year	98,224	65,354

29. DIVIDENDS

	Group and Company	
	2018 US\$'000	2017 US\$'000

Declared and paid during the financial year:

Dividends on ordinary shares:

- Final exempt one-tier dividend of S\$0.0040 for 2017 (2016: S\$0.0055) per share	4,517	5,908
- Interim exempt one-tier dividend of S\$0.0022 for 2018 (2017: S\$0.0130) per share	2,441	14,344
	6,958	20,252

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 dividend of S\$0.0045 (2017: S\$0.0040) per share	4,957	4,493
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. CONTINGENT LIABILITIES

Company

The Company has issued corporate guarantees to banks for borrowings to certain subsidiaries. As at 31 December 2018, the borrowings under the guarantees amounted to US\$450,865,000 (31 December 2017: US\$400,857,000; 1 January 2017: US\$222,700,000). The financial effects of SFRS(I) 9 relating to the financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised. The management does not expect any loss to arise from the guarantees.

31. COMMITMENTS

(a) Capital commitments

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

	Group	
	31 December	1 January
	2018	2017
	US\$'000	US\$'000
Property, plant and equipment	48,847	31,531
Acquisition of business*	-	9,120
	48,847	40,651

* The Group had entered into a conditional sale and purchase agreement to acquire 95% of equity shares in a company incorporated in Indonesia engaged in the palm oil business. As at 31 December 2018, the acquisition has been completed as disclosed in Note 18.

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

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

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

	Group	
	31 December	1 January
	2018	2017
	US\$'000	US\$'000
Not later than one year	1,052	527
Between one and five years	1,946	1,850
Later than five years	10,336	11,667
	13,334	14,044

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

31. COMMITMENTS (continued)

(c) Operating lease commitments – where the Group is a lessor

The Group leases out office space under its leasehold buildings to non-related parties under non-cancellable operating leases.

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

	Group	
	31 December	1 January
	2018	2017
	US\$'000	US\$'000
Not later than one year	123	221
Between one and five years	84	76
	207	297

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 uses financial instruments such as currency forward contracts, commodities forward and futures contracts of crude palm oil and palm oil products to hedge certain financial risk exposures.

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

(a) Market risk

(i) Currency risk

The Group's revenue is denominated primarily in United States Dollar ("USD"), the functional and reporting currency of the Company. There are some exposures in other currencies, the most significant of which are the Malaysian Ringgit ("Ringgit"), Singapore Dollar ("SGD"), Australian Dollar ("AUD"), Euro ("EUR"), Indonesian Rupiah ("IDR") and Chinese Yuan ("CNY"). Currency risk arises within entities in the Group when transactions are denominated in currencies other than the entities' functional currencies.

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 2018

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 was as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	USD*	Ringgit	EUR	SGD	AUD	IDR
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2017						
Financial assets						
Cash and cash equivalents	9,792	5,628	8,967	1,823	290	544
Trade and other receivables	27,785	67,331	20,504	4,244	4,120	1,659
Intercompany receivables	136,723	67,155	6,418	-	4,259	658
	174,300	140,114	35,889	6,067	8,669	2,861
Financial liabilities						
Borrowings	-	(152,554)	-	(7,733)	(2,977)	-
Trade and other payables	(9,154)	(137,348)	(2,736)	(9,723)	(606)	(119)
Intercompany payables	(312,595)	(67,155)	(6,418)	-	(4,259)	(658)
	(321,749)	(357,057)	(9,154)	(17,456)	(7,842)	(777)
Net financial (liabilities)/ assets	(147,449)	(216,943)	26,735	(11,389)	827	2,084
Add: Firm commitments and highly probable forecast transactions in foreign currencies	139,821	(64,760)	(11,364)	(11,407)	-	(9,120)
Less: Currency forward contracts	(114,881)	120,998	(17,147)	12,257	(11,883)	9,601
Currency profile	(122,509)	(160,705)	(1,776)	(10,539)	(11,056)	2,565
Financial (assets)/ liabilities denominated in the respective entities' functional currencies	-	160,644	6,359	-	6,856	7,395
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies	(122,509)	(61)	4,583	(10,539)	(4,200)	9,960

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 was as follows:

	SGD US\$'000	AUD US\$'000	CNY US\$'000
At 31 December 2018			
Financial assets			
Cash and cash equivalents	46	7	-
Other receivables	-	133	-
	46	140	-
Financial liabilities			
Other payables	(265)	-	-
Net financial (liabilities)/assets	(219)	140	-
Less: Currency forward contracts	293	-	(5,000)
Currency profile/currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency	74	140	(5,000)
	SGD US\$'000	AUD US\$'000	
At 31 December 2017			
Financial assets			
Cash and cash equivalents	11	7	
Other receivables	-	3,293	
	11	3,300	
Financial liabilities			
Other payables	(168)	-	
Net financial (liabilities)/assets	(157)	3,300	
Less: Currency forward contracts	-	(3,172)	
Currency profile/currency exposure of financial (liabilities)/assets net of those denominated in the Company's functional currency	(157)	128	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD US\$'000	AUD US\$'000
At 1 January 2017		
Financial assets		
Cash and cash equivalents	20	7
Other receivables	-	3,077
	20	3,084
Financial liabilities		
Other payables	(173)	-
Net financial (liabilities)/assets	(153)	3,084
Less: Currency forward contracts	-	(3,350)
Currency profile/currency exposure of financial liabilities net of those denominated in the Company's functional currency	(153)	(266)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If Ringgit, EUR, SGD, AUD, IDR and CNY change by 5% (31 December 2017: Ringgit, EUR, SGD, AUD and IDR: 5%; 1 January 2017: Ringgit, EUR, SGD, AUD and IDR: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position net of those denominated in the respective entities' functional currencies are as follows:

	Profit after tax	
	← (Decrease)/Increase →	
	US\$'000	US\$'000
	Strengthened	Weakened
Group		
31 December 2018		
USD against Ringgit	1,251	(1,251)
Ringgit against USD	205	(205)
EUR against USD	(501)	501
SGD against USD	(668)	668
AUD against USD	(353)	353
IDR against USD	534	(534)
CNY against USD	(280)	280
31 December 2017		
USD against Ringgit	(5,453)	5,453
Ringgit against USD	(29)	29
EUR against USD	(543)	543
SGD against USD	(478)	478
AUD against USD	(233)	233
IDR against USD	324	(324)
1 January 2017		
USD against Ringgit	(3,744)	3,744
Ringgit against USD	(2)	2
EUR against USD	140	(140)
SGD against USD	(321)	321
AUD against USD	(128)	128
IDR against USD	304	(304)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If SGD, AUD and CNY change against USD by 5% (31 December 2017: SGD and AUD: 5%; 1 January 2017: SGD and AUD: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position net of those denominated in the respective entities' functional currencies are as follows:

	Profit after tax	
	← (Decrease)/Increase →	
	US\$'000 Strengthened	US\$'000 Weakened
Company		
31 December 2018		
SGD against USD	3	(3)
AUD against USD	6	(6)
CNY against USD	(208)	208
31 December 2017		
SGD against USD	(7)	7
AUD against USD	5	(5)
1 January 2017		
SGD against USD	(6)	6
AUD against USD	(11)	11

(ii) Cash flows and fair value interest rate risks

Cash flows interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its borrowings and deposits placed with creditworthy licensed banks and financial institutions. However, due to the short duration of these financial instruments, the Group does not expect any changes in market interest rate to have a significant impact on the Group's profit after tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Commodity price risk

The Group is exposed to fluctuations in the prices of agri-commodities it deals in, including crude palm oil and palm oil products. The Group minimises the risk arising from such fluctuations by entering into commodities forward contracts and futures contracts. As the Group has not adopted hedge accounting, the fair value changes on these derivative financial instruments are recognised in the profit or loss when the changes arise.

The Group's commodities forward contracts are not traded in an active market and hence their fair values are estimated using a valuation technique as described in Note 32(e).

If the commodities forward prices had been higher or lower by 5% from the management's estimates and other variables remain constant, the Group's profit after tax would have been lower or higher by US\$11,679,000 (31 December 2017: lower or higher by US\$15,645,000; 1 January 2017: lower or higher by US\$5,440,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group are trade and other receivables, bank deposits, currency forward contracts, commodities forward contracts and futures contracts on commodity exchanges. For trade and other receivables and commodities forward contracts, the Group adopts the policy of dealing only with customers of appropriate credit standing and history or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The Group has a credit risk policy in place to manage credit risk. All new customers are subject to credit worthiness check; counterparties are ranked and assigned a credit limit appropriately. Such credit limit would be approved by the Executive Risk Management Team. In addition, any increase in credit limit requires approval from the Executive Risk Management Team. The Executive Risk Management Team is mandated to monitor the payment ageing profile of the third party receivables, to review all the outstanding receivables regularly and to identify any potential uncollectible for credit loss allowance and/or write-off.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	31 December	1 January
	2018	2017
	US\$'000	US\$'000
Corporate guarantees provided to financial institutions on subsidiaries' borrowings	450,865	222,700

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

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

(i) Cash and cash equivalents and other receivables

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

(ii) Trade receivables

For specific trade receivables identified by the Group to be credit impaired, the Group recognised a loss allowance equal to lifetime expected credit loss of US\$23,056,000 in respect of these receivables, as follows:

	Group	
	31 December 2018	1 January 2018
	US\$'000	US\$'000
Gross amount	31,300	46,360
Less: Allowance for impairment	(23,056)	(34,214)
	8,244	12,146
Beginning of financial year	(34,214)	(38,955)
Currency translation differences	(97)	(412)
Reversal of expected credit losses	8,149	2,279
Allowance utilised	3,106	2,874
End of financial year	(23,056)	(34,214)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Trade receivables (continued)

For the remaining receivables, they are grouped based on similar risk characteristics and days past due, and the Group uses a provision matrix to measure the lifetime expected credit loss allowance for these receivables. These receivables as at 31 December 2018 and 1 January 2018 are set out as follows:

	Group	
	31 December 2018	1 January 2018
	US\$'000	US\$'000
Trade receivables		
Not past due	105,072	142,202
Past due < 3 months	91,797	84,470
Past due 3 to 6 months	3,058	7,827
Past due 6 to 12 months	2,358	231
Past due over 1 year	11,063	5,551
	213,348	240,281

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

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

Based on the above assessment, the Group has concluded that the credit loss from these receivables as at 31 December 2018 is immaterial.

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

(iii) Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables

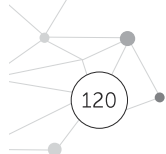
In 2017, the impairment of financial assets was assessed based on the incurred loss impairment model. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired.

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

	Group	
	31 December 2017	1 January 2017
	US\$'000	US\$'000
Trade receivables (net of allowance)		
<u>By geographical areas</u>		
- Asia		
Malaysia	81,057	89,059
Singapore	29,883	34,216
Rest of Asia	18,737	20,336
- Africa	29,676	45,198
- Middle East	31,177	26,557
- Europe	42,947	28,735
- Pacific Oceania	9,249	5,057
- Americas	9,701	7,255
	<u>252,427</u>	<u>256,413</u>

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

Bank deposits that were neither past due nor impaired are entered into with banks with high credit-ratings. Trade and non-trade receivables that were neither past due nor impaired were substantially companies with a good collection track record with the Group.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Previous accounting policy for impairment of trade receivables (continued)

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

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

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

	Group	
	31 December 2017	1 January 2017
	US\$'000	US\$'000
Trade receivables		
Past due < 3 months	84,470	60,905
Past due 3 to 6 months	7,827	16,826
Past due 6 to 12 months	231	7,788
Past due over 1 year	5,551	9,987
	<u>98,079</u>	<u>95,506</u>

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

	Group	
	31 December 2017	1 January 2017
	US\$'000	US\$'000
Gross amount	46,360	46,852
Less: Allowance for impairment	(34,214)	(38,955)
	<u>12,146</u>	<u>7,897</u>
Beginning of financial year	(38,955)	(21,059)
Currency translation differences	(412)	356
Allowance written back/(made)	2,279	(18,317)
Allowance utilised	2,874	65
End of financial year	<u>(34,214)</u>	<u>(38,955)</u>

The remaining amount of US\$12,146,000 (1 January 2017: US\$7,897,000) was not deemed to be impaired further to the deposits and subsequent collections from these customers.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

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

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Group					
At 31 December 2018					
Trade and other payables	(206,207)	-	-	-	(206,207)
Borrowings	(408,533)	(32,563)	(13,183)	(3,260)	(457,539)
	(614,740)	(32,563)	(13,183)	(3,260)	(663,746)
Gross-settled currency forward contracts					
- Receipts	379,840	-	-	-	379,840
- Payments	(287,568)	-	-	-	(287,568)
	92,272	-	-	-	92,272
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	1,130,883	140,975	-	-	1,271,858
- Payments	(855,160)	-	-	-	(855,160)
	275,723	140,975	-	-	416,698
At 31 December 2017					
Trade and other payables	(224,502)	-	-	-	(224,502)
Borrowings	(388,373)	(15,257)	(4,477)	-	(408,107)
	(612,875)	(15,257)	(4,477)	-	(632,609)
Gross-settled currency forward contracts					
- Receipts	593,467	-	-	-	593,467
- Payments	(232,516)	-	-	-	(232,516)
	360,951	-	-	-	360,951
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	972,783	170,944	-	-	1,143,727
- Payments	(882,791)	(9,865)	-	-	(892,656)
	89,992	161,079	-	-	251,071

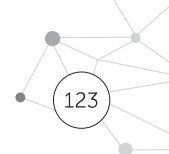
NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Group					
At 1 January 2017					
Trade and other payables	(190,275)	-	-	-	(190,275)
Borrowings	(197,350)	(17,474)	(15,377)	-	(230,201)
	<u>(387,625)</u>	<u>(17,474)</u>	<u>(15,377)</u>	<u>-</u>	<u>(420,476)</u>
Gross-settled currency forward contracts					
- Receipts	347,710	-	-	-	347,710
- Payments	(221,934)	-	-	-	(221,934)
	<u>125,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,776</u>
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	833,228	116,580	-	-	949,808
- Payments	(838,816)	(114)	-	-	(838,930)
	<u>(5,588)</u>	<u>116,466</u>	<u>-</u>	<u>-</u>	<u>110,878</u>
				Less than 1 year US\$'000	
Company					
At 31 December 2018					
Other payables					<u>(265)</u>
Gross-settled currency forward contracts					
- Receipts					293
- Payments					<u>(5,000)</u>
					<u>(4,707)</u>
At 31 December 2017					
Other payables					<u>(168)</u>
Gross-settled currency forward contracts					
- Payments					<u>(3,172)</u>
At 1 January 2017					
Other payables					<u>(173)</u>
Gross-settled currency forward contracts					
- Payments					<u>(3,350)</u>



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

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

	Less than 1 year US\$'000
Company	
At 31 December 2018	
Financial guarantee contracts	<u>(450,865)</u>
At 31 December 2017	
Financial guarantee contracts	<u>(400,857)</u>
At 1 January 2017	
Financial guarantee contracts	<u>(222,700)</u>

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payments, obtain new borrowings or sell assets to reduce borrowings.

Management manages capital based on net assets of the Group and a number of key ratios including gross debt-equity ratio and net debt-equity ratio. The Group is required by the banks to maintain a certain amount of minimum net worth and gross debt-equity ratio. The gross debt-equity ratio is defined as total interest-bearing debts ("gross debt") to total equity. Net debt-equity ratio is defined as total interest-bearing debts less cash and cash equivalents ("net debt") to total equity.

No changes were made to the objectives, policies or processes of managing capital during the financial years ended 31 December 2018 and 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk (continued)

	Group		
	31 December	1 January	
	2018 US\$'000	2017 US\$'000	2017 US\$'000
Net assets	520,205	517,656	486,049
Debt-equity ratio			
Gross debt	450,865	404,477	225,865
Less: Cash and cash equivalents	(48,611)	(69,593)	(50,034)
Net debt	402,254	334,884	175,831
 Total equity	 520,205	 517,656	 486,049
 Gross debt-equity ratio	 0.87	 0.78	 0.46
Net debt-equity ratio	0.77	0.65	0.36

The Group and the Company were in compliance with all externally imposed capital requirements for the financial years ended 31 December 2018 and 2017.

(e) Fair value measurements

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

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
Group			
31 December 2018			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	4,568	4,568
- Commodities forward contracts	-	52,123	52,123
- Futures contracts on commodity exchange	5,882	-	5,882
As at 31 December 2018	5,882	56,691	62,573
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(3,251)	(3,251)
- Commodities forward contracts	-	(16,039)	(16,039)
- Futures contracts on commodity exchange	(14,781)	-	(14,781)
As at 31 December 2018	(14,781)	(19,290)	(34,071)
31 December 2017			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	19,053	19,053
- Commodities forward contracts	-	23,139	23,139
- Futures contracts on commodity exchange	31,220	-	31,220
As at 31 December 2017	31,220	42,192	73,412
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(9,062)	(9,062)
- Commodities forward contracts	-	(12,875)	(12,875)
- Futures contracts on commodity exchange	(414)	-	(414)
As at 31 December 2017	(414)	(21,937)	(22,351)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
Group			
1 January 2017			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	9,547	9,547
- Commodities forward contracts	-	16,633	16,633
- Futures contracts on commodity exchange	26,708	-	26,708
As at 1 January 2017	26,708	26,180	52,888
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(6,433)	(6,433)
- Commodities forward contracts	-	(25,186)	(25,186)
- Futures contracts on commodity exchange	(1,010)	-	(1,010)
As at 1 January 2017	(1,010)	(31,619)	(32,629)
Company			
31 December 2018			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(28)	(28)
31 December 2017			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(41)	(41)
1 January 2017			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	124	124

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

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

The Group's commodities forward contracts are not traded in an active market. Their fair values are estimated by a valuation technique that takes into consideration various sources of indicative market prices. The sources of indicative market prices include prices listed on the Malaysian Palm Oil Board (MPOB), prices obtained from an international news agency, quotes obtained from brokers and actual contracted prices entered into at the balance sheet date. The fair values of currency forward contracts are determined using quoted forward exchange rates at the balance sheet date. These instruments are included in Level 2.

The carrying value less allowance for expected credit losses of trade and other receivables and payables are assumed to approximate their fair value. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

(f) Financial instruments by category

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

	Group			Company		
	31 December 2018 US\$'000	2017 US\$'000	1 January 2017 US\$'000	31 December 2018 US\$'000	2017 US\$'000	1 January 2017 US\$'000
Financial assets at fair value through profit or loss	62,573	73,412	52,888	-	-	124
Financial liabilities at fair value through profit or loss	(34,071)	(22,351)	(32,629)	(28)	(41)	-
Financial assets at amortised cost	301,440	335,457	324,181	284,017	250,815	275,757
Financial liabilities at amortised cost	(649,888)	(628,979)	(416,140)	(265)	(168)	(173)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. FINANCIAL RISK MANAGEMENT (continued)

(g) Offsetting financial assets and liabilities

Group

(i) Financial assets subject to offsetting

Description	(a) Gross amounts of financial assets US\$'000	(b) Gross amount of financial liabilities set off on balance sheet US\$'000	(c) = (a)-(b) Net amounts of financial assets presented on balance sheet US\$'000
31 December 2018			
Commodities forward contracts	57,623	(5,500)	52,123
31 December 2017			
Commodities forward contracts	26,585	(3,446)	23,139
1 January 2017			
Commodities forward contracts	18,717	(2,084)	16,633

(ii) Financial liabilities subject to offsetting

Description	(a) Gross amounts of financial assets US\$'000	(b) Gross amount of financial liabilities set off on balance sheet US\$'000	(c) = (a)-(b) Net amounts of financial assets presented on balance sheet US\$'000
31 December 2018			
Commodities forward contracts	(21,539)	5,500	16,039
31 December 2017			
Commodities forward contracts	(16,321)	3,446	(12,875)
1 January 2017			
Commodities forward contracts	(27,270)	2,084	(25,186)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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	
	2018	2017
	US\$'000	US\$'000
Sales of finished goods to related parties	19,429	29,368
Purchases of raw materials from related parties	565	420
Gains from derivative financial instruments from related parties	46	425
Rental received/receivable		
- Associated company	4	3
- Related party	42	41
Interest income from related parties	31	40
Service fee income received/receivable		
- Associated company	38	35
- Related party	9	16
Services paid/payable		
- Transportation and forwarding		
- Associated company	3,465	3,112
- Related party	177	111
- Packing material to related parties	1,173	1,481
- Consultation fees to related parties	1,601	1,564
- Travelling expenses to related parties	262	187

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

Outstanding balances at 31 December 2018 and 2017 arising from the above transactions are set out in Notes 14, 15, 22 and 23 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

33. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management personnel compensation was as follows:

	Group	
	2018	2017
	US\$'000	US\$'000
Wages, salaries and other short-term employee benefits	7,173	7,683
Employer's contribution to defined contribution plans	147	144
	7,320	7,827

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

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, allocate resources, and assess performance. The Exco is the Group's chief operating decision-maker and comprises the Chief Executive Officer, the Chief Financial Officer, and the department heads of each business within each segment.

The Exco considers the business from two segments:

- (i) The bulk segment which sources, manufactures and sells edible oils and specialty fats and oils in bulk for a variety of end uses; and
- (ii) The consumer pack segment which manufactures and sells edible oils and bakery fats and rice to consumers in packaged form.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. SEGMENT INFORMATION (continued)

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

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group Sales			
Total segment sales	2,053,512	1,445,379	3,498,891
Inter-segment sales	(22,876)	(529,197)	(552,073)
Sales to external parties	2,030,636	916,182	2,946,818
Operating margin	70,162	52,641	122,803
Other income excluding interest income	2,028	702	2,730
Interest income	1,165	300	1,465
Administrative expenses, excluding depreciation	(38,427)	(43,672)	(82,099)
Other gains excluding foreign exchange gains/(losses)	335	1,570	1,905
Adjusted EBITDA	35,263	11,541	46,804
Depreciation	(13,299)	(6,131)	(19,430)
Finance expense	(11,265)	(4,149)	(15,414)
Segment results	10,699	1,261	11,960
Unallocated			
Income tax credit			2,672
Share of profit of an associate			68
Profit after tax			14,700
Total segment assets	939,566	299,094	1,238,660
Unallocated			
Current income tax recoverable			6,966
Intangible asset			5,496
Investment in associated company			491
Deferred income tax assets			3,457
Total assets			1,255,070
Total assets include:			
Additions to:			
- Property, plant and equipment	51,977	27,746	79,723
Total segment liabilities	(564,741)	(136,582)	(701,323)
Unallocated			
Current income tax liabilities			(3,289)
Deferred income tax liabilities			(30,253)
Total liabilities			(734,865)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. SEGMENT INFORMATION (continued)

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

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group			
Sales			
Total segment sales	1,999,792	1,501,619	3,501,411
Inter-segment sales	(20,058)	(554,696)	(574,754)
Sales to external parties	1,979,734	946,923	2,926,657
Operating margin	85,875	65,130	151,005
Other income excluding interest income	742	964	1,706
Interest income	2,147	766	2,913
Administrative expenses, excluding depreciation	(30,664)	(42,325)	(72,989)
Other gains excluding foreign exchange gains/(losses)	4,532	(2,506)	2,026
Adjusted EBITDA	62,632	22,029	84,661
Depreciation	(11,595)	(5,832)	(17,427)
Finance expense	(6,711)	(3,356)	(10,067)
Segment results	44,326	12,841	57,167
Unallocated			
Income tax expense			(25,370)
Share of profit of an associate			46
Profit after tax			31,843
As at 31 December 2017			
Total segment assets	933,446	280,969	1,214,415
Unallocated			
Current income tax recoverable			7,092
Investment in associated company			435
Deferred income tax assets			2,914
Total assets			1,224,856
Total assets include:			
Additions to:			
- Property, plant and equipment	17,984	11,724	29,708
Total segment liabilities	(551,724)	(115,110)	(666,834)
Unallocated			
Current income tax liabilities			(3,331)
Deferred income tax liabilities			(37,035)
Total liabilities			(707,200)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. SEGMENT INFORMATION (continued)

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group			
As at 1 January 2017			
Total segment assets	769,754	190,620	960,374
Unallocated			
Current income tax recoverable			6,535
Investment in associated company			348
Deferred income tax assets			9,735
Total assets			976,992
Total assets include:			
Additions to:			
- Property, plant and equipment	19,804	11,534	31,338
Total segment liabilities	(381,401)	(78,036)	(459,437)
Unallocated			
Current income tax liabilities			(4,320)
Deferred income tax liabilities			(27,186)
Total liabilities			(490,943)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

34. SEGMENT INFORMATION (continued)

Geographical information

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

	Group	
	2018 US\$'000	2017 US\$'000
Revenue by geography		
Malaysia	955,968	1,033,726
Singapore	562,591	507,688
	1,518,559	1,541,414
Other geographical areas		
- Rest of Asia	361,761	283,967
- Africa	333,290	369,686
- Middle East	392,338	343,329
- Europe	207,047	219,279
- Pacific Oceania	62,673	70,755
- America	71,150	98,227
	1,428,259	1,385,243
	2,946,818	2,926,657

	Group		
	31 December 2018 US\$'000	2017 US\$'000	1 January 2017 US\$'000
Non-current assets by geography			
Singapore	19,463	10,754	9,207
Malaysia	331,557	311,360	272,814
Other countries	61,700	43,966	45,280
	412,720	366,080	327,301

There is no transaction with a single external customer amounting to 10 per cent or more of the Group's revenues for the financial years ended 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. BUSINESS COMBINATIONS

(a) Business combinations under “acquisition method”

On 30 June 2018, the Group completed the acquisition of 95.0% of the issued equity of PT Angso Duo Sawit (“PTADS”) and PT Jambi Batanghari Plantation (“PTJBP”), the companies incorporated in Indonesia, through its wholly owned subsidiary, PT Nilam Surya Jaya, a company incorporated in Indonesia, involved primarily in milling and palm oil plantation businesses respectively. The acquisition will give the Group a foothold in the upstream part of the value chain. The total purchase consideration was IDR120,394,000,000 or approximately US\$8,404,000.

The effects of the acquisition are as follows:

	US\$'000
<i>(i) Purchase consideration</i>	
Total purchase consideration	8,404
<i>(ii) Effect on cash flows of the Group</i>	
Cash paid (as above)	(8,404)
Less: Cash and cash equivalents in subsidiaries acquired	-
Cash outflow on acquisition	(8,404)
	At fair value
	US\$'000
<i>(iii) Identifiable assets acquired and liabilities assumed</i>	
Property, plant and equipment (Note 19)	3,230
Other receivables	2,779
Total assets	6,009
Other payables	(2,948)
Total liabilities	(2,948)
Total identifiable net assets	3,061
Less: Non-controlling interests at fair value [Note (v) below]	(153)
Add: Intangible asset (Note 18)	5,496
Consideration transferred for the business	8,404

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

35. BUSINESS COMBINATIONS (continued)

(a) Business combinations under “acquisition method” (continued)

(iv) Fair values and intangible asset

The purchase price allocation to goodwill, intangibles (excluding goodwill) and other assets and liabilities is currently being assessed and is expected to be finalised within 12 months from the date of acquisition and hence the intangibles asset has not been allocated to the relevant cash-generating-units.

(v) Non-controlling interests

The Group has recognised the 5.0% non-controlling interests of US\$153,000.

(vi) Revenue and profit contribution

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

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

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 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of US\$13,334,000 [Note 31(b)]. Of these commitments, approximately US\$500,000 relate to short-term leases and low value leases which will be recognised on a straight-line basis as expense in profit and loss.

For the remaining commitments, the Group expects to recognise right-of-use assets and lease liabilities of approximately US\$7,400,000 on 1 January 2019. Overall there will be no impact to the net assets and net current assets will be approximately US\$300,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will decrease by approximately US\$200,000 for 2019 as a result of adopting the new rules.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019) (continued)

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

(b) SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- (i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- (ii) that the entity should assume a tax authority will examine, the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored
- (iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment,
- (iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- (v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

37. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mewah International Inc. on 1 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

38. LISTING OF SIGNIFICANT SUBSIDIARIES OF THE GROUP

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Group's equity holding		
				31 December	1 January	
				2018	2017	2017
				%	%	%
Mewah-Oils Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of palm oil products	Malaysia	100	100	100
Ngo Chew Hong Oils & Fats (M) Sdn Bhd ^(b)	Malaysia	Refining and selling of palm oil products	Malaysia	100	100	100
Mewaholeo Industries Sdn Bhd ^(b)	Malaysia	Refining and selling of palm oil products	Malaysia	100	100	100
Mewah Datu Sdn Bhd ^(b)	Malaysia	Refining and selling of palm oil products	Malaysia	100	100	100
MOI Foods Malaysia Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of downstream palm oil products	Malaysia	100	100	100
Mewah Dairies Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of dairy-based products	Malaysia	100	100	100
Bremfield Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of palm oil products	Malaysia	100	100	100
Mewah Oils & Fats Pte Ltd ^(a)	Singapore	Trading of edible oils and providing commodity brokerage service	Singapore	100	100	100
Ngo Chew Hong Edible Oil Pte Ltd ^(a)	Singapore	Packaging and trading of edible oil	Singapore	100	100	100
MOI International (Singapore) Pte Ltd ^(a)	Singapore	Trading of edible oil products	Singapore	100	100	100
MOI International (Australia) Pty Ltd ^(c)	Australia	Trading	Australia	76	76	76

^(a) Audited by PricewaterhouseCoopers LLP, Singapore

^(b) Audited by PricewaterhouseCoopers, Malaysia

^(c) Audited by BDO Kendalls (QLD) Pty Ltd, Australia