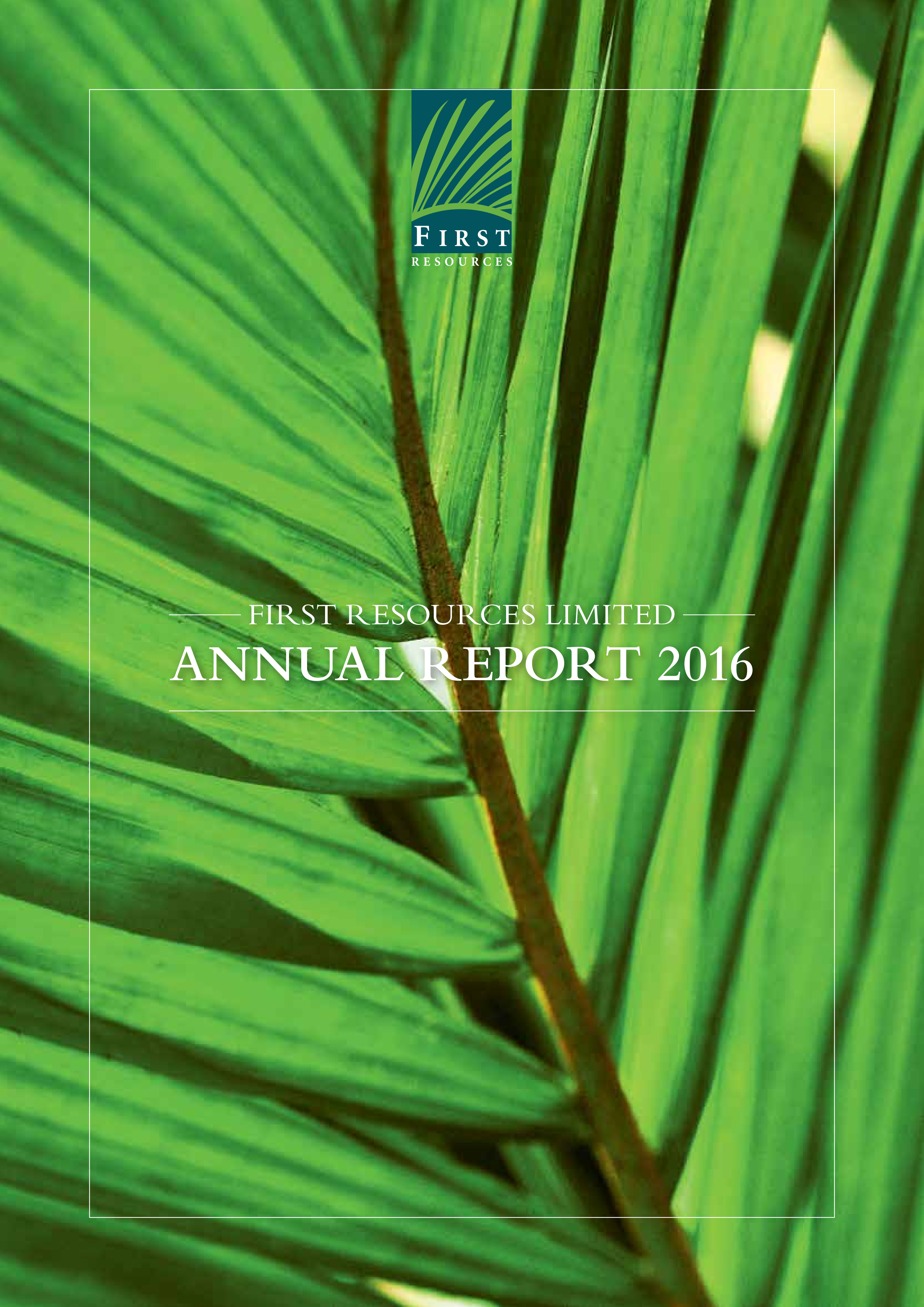


FIRST
RESOURCES

FIRST RESOURCES LIMITED

ANNUAL REPORT 2016

CONTENTS

CORPORATE PROFILE

Established in 1992 and listed on the Singapore Exchange since 2007, First Resources is one of the leading palm oil producers in the region, managing over 200,000 hectares of oil palm plantations across the Riau, East Kalimantan and West Kalimantan provinces of Indonesia.

Our core business activities include cultivating oil palms, harvesting the fresh fruit bunches ("FFB") and milling them into crude palm oil ("CPO") and palm kernel ("PK"). In addition to plantations and palm oil mills, the Group through its refinery, fractionation, biodiesel and kernel crushing plants, processes its CPO and PK into higher value palm based products such as biodiesel, refined, bleached and deodorised ("RBD") olein, RBD stearin, palm kernel oil and palm kernel expeller. This enables the Group to extract maximum value out of our upstream plantation assets. Our products are sold to both local and international markets.

The Group has a young plantation age profile, with fifty percent of our plantations either in their young or immature ages. This favourable age profile positions the Group well for strong production growth over the next few years as these plantations mature into prime-yielding ages.

First Resources is committed to the production of sustainable palm oil. Our sustainability strategy is centered upon maximising output while minimising adverse environmental and social impact from our operations. We will constantly strengthen our sustainability framework through regular benchmarking against industry standards and best practices.

OUR FOUNDATION

Our plantations are our core assets and the cornerstone of our business. To unlock the potential of our trees, we invest substantially in the early years of their development and ongoing maintenance to ensure they are in optimal condition to deliver the best output. The success of the Group is built upon the foundation of these meticulously cultivated quality plantations. Our young plantation profile will also fuel our growth as these assets mature over time and rise in production yields.

OUR PRESENCE

OIL PALM PLANTATIONS

TOTAL PLANTED AREA

208,691

hectares

PALM OIL MILLS

NUMBER OF MILLS

14

PROCESSING PLANTS

REFINING & BIODIESEL COMBINED CAPACITY

850,000

tonnes/annum

KERNEL CRUSHING CAPACITY

135,000

tonnes/annum

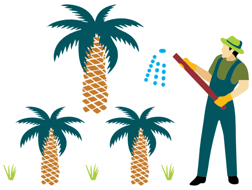
BUSINESS FLOW CHART

NURSERY CULTIVATION

Our palm oil seeds are produced in our dedicated seed garden. The seeds are cultivated in our pre-nurseries before they are transferred to our open field nurseries. Seedling development is closely supervised and a stringent culling process is observed.

FIELD PLANTING

After a year in the open field nurseries, seedlings in their best conditions are transplanted to the estates and are classified as immature palms.

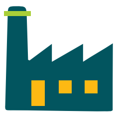


UPKEEP

For the first three years, immature palms undergo an intensive upkeep programme which involves fertilisation and weeding. The upkeep programme for mature palms is largely similar except for the lower frequency of certain upkeep work. Our research station provides specific agronomy recommendations based on trials and tests done on each block of plantation.

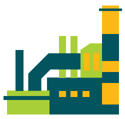
HARVESTING

Harvesting of FFB from the palms begin only when an appropriate number of fruitlets start detaching from the FFB, indicating optimal ripeness. Optimal ripeness is critical in maximising CPO output and yield.



MILLING

Harvested FFB are transported to our mills within a tight 24-hour window for milling. This ensures that the FFB is milled with minimal spoilage, another key control for maximising CPO output and yield. The milling process involves the separation of the fruitlets from the bunches and the crushing of the fruitlets to obtain CPO and PK.



PROCESSING

Through our refinery, fractionation, biodiesel and kernel crushing plants, the CPO and PK are processed into higher value palm-based products. This vertical integration enables the Group to extract maximum value out of our plantation assets.

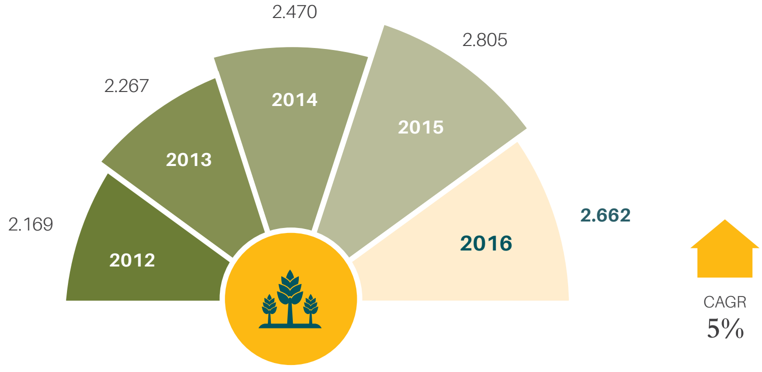
SALES TO CUSTOMERS

Our products are sold to both local and international markets. Our product offerings are:

- Crude Palm Oil
- Refined Palm Oil Products
- Biodiesel
- Palm Kernel Products

OPERATIONAL HIGHLIGHTS

FINANCIAL YEAR	2012	2013	2014	2015	2016
OIL PALM PLANTATION AREA (Hectares)					
Total Planted Area	**146,403**	**170,596**	**194,567**	**207,575**	**208,691**
Mature	98,181	120,978	132,220	147,905	158,597
Immature	48,222	49,618	62,347	59,670	50,094
Nucleus Planted Area	**125,805**	**148,727**	**165,936**	**178,338**	**179,398**
Mature	85,888	104,493	114,377	128,042	136,798
Immature	39,917	44,234	51,559	50,296	42,600
Plasma Planted Area	**20,598**	**21,869**	**28,631**	**29,237**	**29,293**
Mature	12,293	16,485	17,843	19,863	21,799
Immature	8,305	5,384	10,788	9,374	7,494
PRODUCTION VOLUME (Tonnes)					
Total Fresh Fruit Bunches (“FFB”)	**2,168,983**	**2,266,866**	**2,469,884**	**2,804,606**	**2,661,554**
Nucleus	1,924,743	2,049,095	2,212,006	2,530,357	2,367,767
Plasma	244,240	217,771	257,878	274,249	293,787
Crude Palm Oil (“CPO”)	**525,831**	**588,792**	**630,988**	**687,248**	**634,941**
Palm Kernel (“PK”)	**123,129**	**135,462**	**145,811**	**160,021**	**148,270**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**23.0**	**18.7**	**18.7**	**19.0**	**16.8**
CPO Yield per Mature Hectare (tonnes)	**5.4**	**4.3**	**4.3**	**4.3**	**3.8**
CPO Extraction Rate (%)	**23.3**	**23.1**	**22.8**	**22.7**	**22.5**
PK Extraction Rate (%)	**5.5**	**5.3**	**5.3**	**5.3**	**5.3**

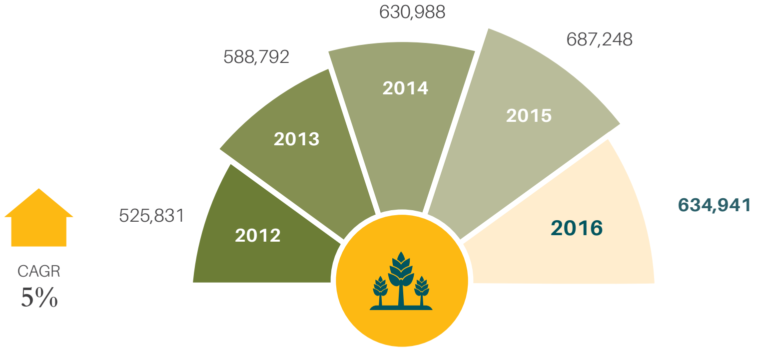


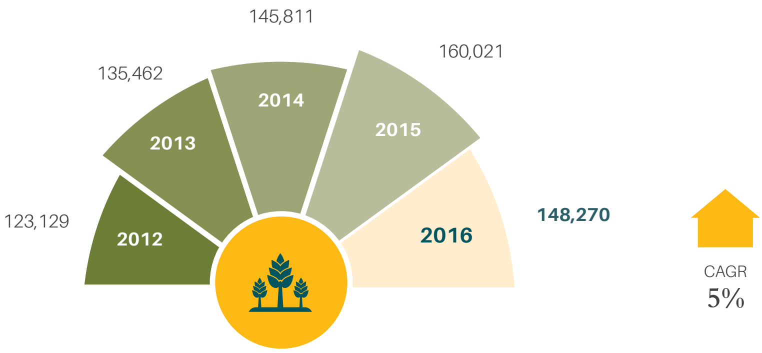
FRESH FRUIT BUNCHES PRODUCTION

(million tonnes)

CRUDE PALM OIL PRODUCTION

(tonnes)



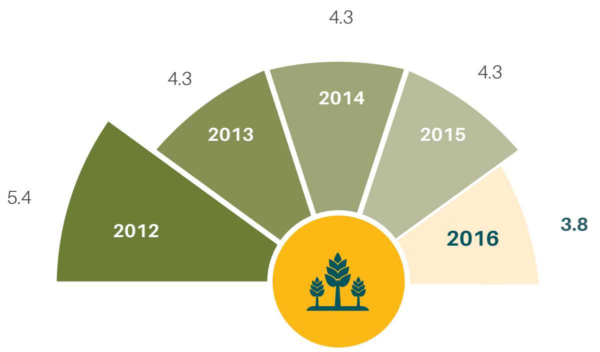


PALM KERNEL PRODUCTION

(tonnes)

CPO YIELD

(tonnes/mature hectare)



Note:

CAGR = Compounded Annual Growth Rate

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR	2012	2013	2014	2015 [9]	2016
INCOME STATEMENT (US$'000)					
Sales	603,429	626,498	615,524	453,674	**575,234**
Gross profit	382,240	381,743	323,399	231,713	**267,263**
Gains arising from changes in fair value of biological assets	35,795	29,564	1,940	689	**13,184**
Profit from operations	333,528	340,834	270,993	169,821	**207,705**
EBITDA [1]	322,750	338,916	299,748	219,115	**251,345**
Profit before tax	326,327	313,564	251,945	144,833	**183,072**
Net profit attributable to owners of the Company	237,060	238,242	173,409	95,653	**125,373**
Underlying net profit [2]	211,301	216,958	171,640	95,135	**115,486**
BALANCE SHEET (US$'000)					
Total assets	1,930,900	1,780,274	1,997,855	1,568,215	**1,699,551**
Total liabilities	773,328	740,149	882,105	793,824	**773,368**
Total equity	1,157,572	1,040,125	1,115,750	774,391	**926,183**
Equity attributable to owners of the Company	1,106,392	993,479	1,063,189	736,071	**881,173**
FINANCIAL STATISTICS					
EBITDA margin (%)	53.5	54.1	48.7	48.3	**43.7**
Basic earnings per share (US Cents) [3]	15.29	15.04	10.95	6.04	**7.91**
Net debt to equity (times) [4]	0.12	0.21	0.21	0.37	**0.20**
EBITDA to interest coverage (times) [5]	12.5	16.5	15.5	9.0	**10.1**
Net asset value per share (US$) [6]	0.70	0.63	0.67	0.46	**0.56**
Return on assets (%) [7]	14.5	13.3	9.6	5.6	**8.1**
Return on equity (%) [8]	23.8	22.7	16.9	10.6	**15.5**

Notes:

(1) EBITDA = Profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets

(2) Underlying net profit = Net profit attributable to owners of the Company adjusted to exclude net gains arising from changes in fair value of biological assets

(3) Basic earnings per share = Net profit attributable to owners of the Company / Weighted average number of ordinary shares (excluding treasury shares) in issue during the financial year

(4) Net debt to equity = Borrowings and debt securities less cash and bank balances / Total equity

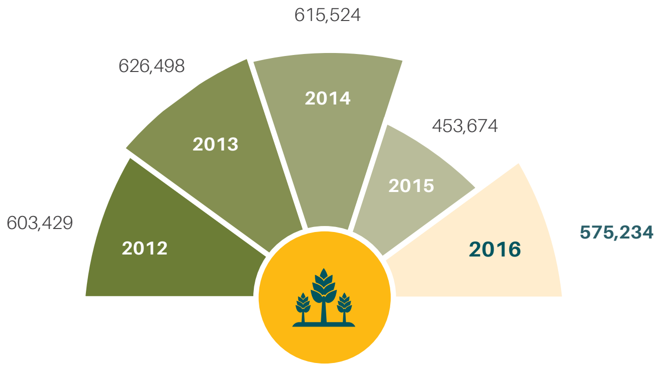
(5) EBITDA to interest coverage = EBITDA / Total interest and profit distribution paid or payable on borrowings and debt securities

(6) Net asset value per share = Equity attributable to owners of the Company / Number of ordinary shares (excluding treasury shares) in issue at end of the financial year

(7) Return on assets = Net profit for the year / Average total assets

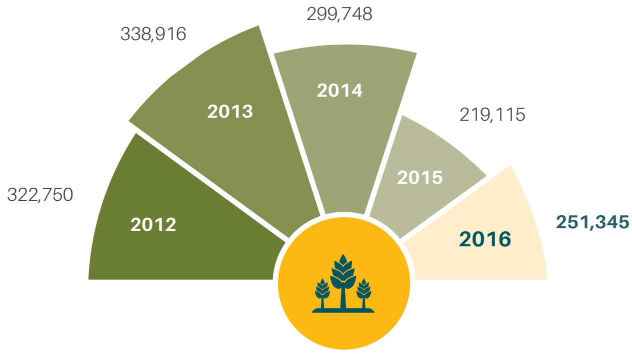
(8) Return on equity = Net profit attributable to owners of the Company / Average equity attributable to owners of the Company

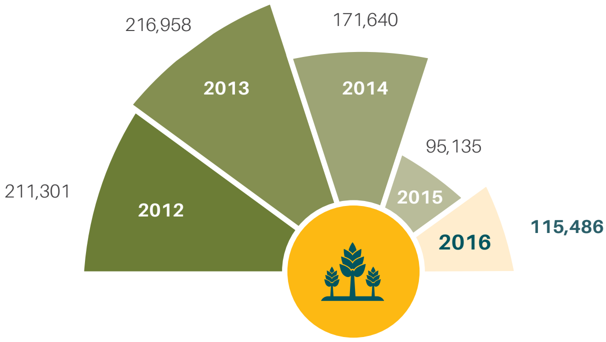
(9) Restated to take into account the effects from the adoption of the amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer Plants*. Please refer to Note 2.2 in the Financial Statements for further details.



SALES
(US$'000)

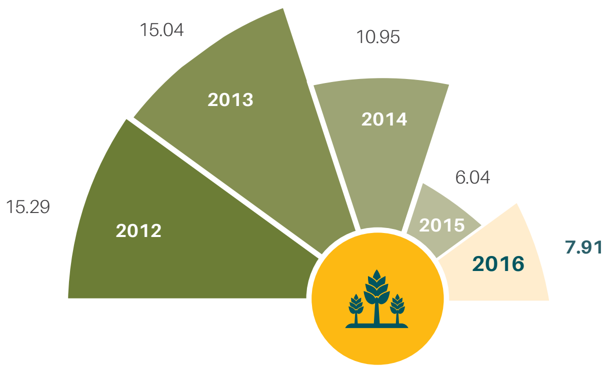
EBITDA
(US$'000)





UNDERLYING NET PROFIT
(US$'000)

BASIC EARNINGS PER SHARE
(US Cents)



OUR FOCUS

As a commodity producer, we are subjected to externalities such as price volatility, weather changes, market developments as well as global macroeconomic conditions. Strategically, we are focused on achieving the best production yields in our upstream business and creating value in our downstream business so that we can harness the best opportunities and remain resilient through different market cycles.

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

2016 was indeed an interesting year that was not short of surprises. Brexit and Trump's win in the United States presidential election must be the two most noteworthy ones, both of which had caused market to be nervous and kept uncertainties in global economies brewing.

The palm oil industry was not spared, as it was hit by headwinds coming from lacklustre demand from major importing countries, namely China and India, as well as a distinctive decline in production caused by prolonged dry weather brought about by the El Nino phenomenon in 2015.

Throughout 2016, the detrimental effects of the past year's El Nino, the strongest since 1997-98, continued to make its presence felt. Its harshest impact was between January and September, during which many industry players saw their production decline by more than 15%, a rarity in an industry that is used to seeing year-on-year increases.

As expected, palm oil prices had a good run in the first quarter of 2016 on heightened worries over weather-driven disruption in supply, coupled with positive developments in Indonesia's biodiesel mandate that drove domestic demand higher. As the year progressed, the positive price impact began to fade away as China was destocking its excess aged rapeseed oil through weekly auction exercises, cannibalising import demand for edible oils as a whole. Additionally, India's demonetisation exercise in late 2016 negatively impacted general trade flows, stagnating overall demand for palm oil.

Despite the disappointments from both major importing countries, the Indonesian government once again undoubtedly became the white knight for the industry in 2016. Its biodiesel mandate was the single biggest demand driver for palm oil which successfully injected an incremental demand of approximately 1.7 million tonnes for the year.

Against this backdrop, crude palm oil ("CPO") prices (FOB Indonesia basis) were rather volatile throughout 2016, opening the year at humble levels of US$506 per tonne and closing the year at US$745 per tonne. The average CPO price for 2016 came in at approximately US$667 per tonne, a decent recovery from approximately US$570 per tonne the year before. In addition, upstream players were also pleasantly surprised by the impressive rally in palm kernel ("PK") prices. Due to supply tightness of crude palm kernel oil and coconut oil, PK prices (local Indonesia basis) rallied from US$355 per tonne at the beginning of the year to US$647 per tonne at the end of the year.

Performance Review

Production-wise, it was a unique year for the industry as well as First Resources, wherein we experienced for the first time in the Group's history, a decline in production volumes. Our production declined sharply from the start of 2016 up to August, before signs of recovery in September. Production then took a dramatic turn in the fourth quarter of 2016. With the extraordinary recovery in the fourth quarter, our total Fresh Fruit Bunches ("FFB") production volumes for 2016 declined by 5.1% to 2.7 million tonnes.

In terms of productivity, the Group's FFB yield for the year declined in tandem with the fall in production volume, from 19.0 tonnes per hectare in FY2015 to 16.8 tonnes per hectare in FY2016. Meanwhile, CPO extraction rate stood relatively flat at 22.5% in FY2016 as compared to 22.7% in FY2015.

The Group's financial performance recovered strongly in FY2016. Flattered by higher CPO and PK prices, both sales and net profit hit strong double digit growth. Net profit attributable to owners of the Company rose 31.1% to US$125.4 million while underlying net profit, which excludes the net gains arising from changes in fair value of our biological assets, increased 21.4% to US$115.5 million. The Group's EBITDA rose in tandem with the higher average selling prices, increasing 14.7% to US$251.3 million.

CPO PRODUCTION

634,941

tonnes

UNDERLYING NET PROFIT

US$115.5

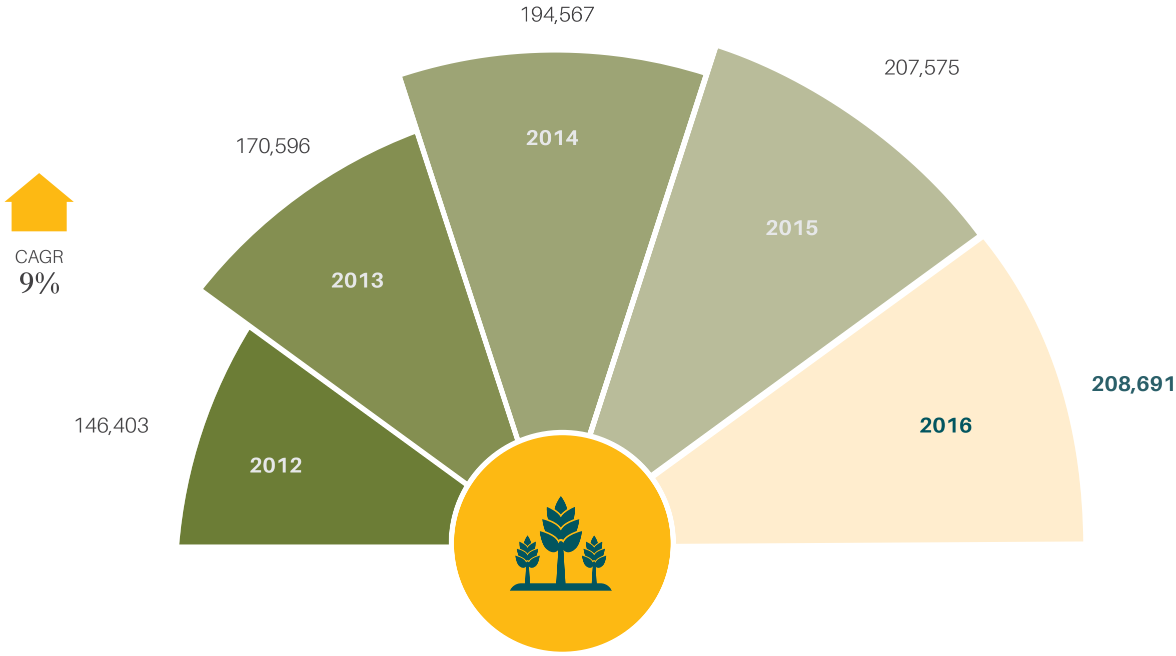
million

EBITDA per hectare of mature nucleus remains our favoured performance metric because it represents the cash earnings generated by each productive nucleus hectare that we worked on. Based on this measure, our plantations contributed US$1,878 of EBITDA per hectare in FY2016 as compared to US$1,612 achieved in FY2015. Although a significant distance from our record level of US$3,601 per hectare achieved in FY2012, it is still considered an accomplishment given the challenging market and production conditions. Moreover, when compared against the current replacement cost of US$5,000 to US$6,000 per hectare and keeping in mind that the oil palms have an economic lifespan of 25 years or more, the upstream oil palm business clearly remains a lucrative one.

Cash cost of production is another important determinant of EBITDA and net profit. In FY2016, each tonne of nucleus CPO on ex-mill basis cost us approximately US$215, which remains low despite it being a small increase vis-à-vis FY2015.

OIL PALM PLANTED AREA

(hectares)



Investment Updates in 2016 and Beyond

During the year, the Group added 1,116 hectares of oil palms in the form of new plantings. Meanwhile, we also grew our rubber assets via new plantings from 6,144 hectares to 6,312 hectares.

The budgeted capital expenditure for FY2017 is approximately US$80 million, which will be invested in new plantation development, albeit at a significantly slower planting pace, maintenance of immature plantation assets and continued expansion in our milling capacity. We will also be investing in property, plant and equipment and other related infrastructure needed for plantation management.

In terms of milling, we expect to complete our 15th mill in East Kalimantan this year and will also commence construction of our 16th mill in West Kalimantan at the same time.

Sustainability Review

In 2016, sustainability played a much bigger role in almost all aspects of our business. Since the launch of our sustainability policy in 2015, our approach has evolved and been transformative for our Group. To meet our ambitious aspirations to achieve the highest standards, our core operational management has been integrated with sustainability work plans to ensure greater effectiveness and adherence to the policy.

During the year, among a variety of sustainability initiatives, we reinforced our fire management system, completed more third-party High Carbon Stock verifications, started reforestation efforts in selected High Conservation Value areas and stepped up our engagement efforts with various stakeholder groups. The Group will continue to dedicate our time and resources in strengthening our sustainability policies and to stay abreast of evolving environmental and social issues.

Prospects

Looking ahead, palm oil prices will continue to be influenced by its relative pricing against other competing edible oils such as soy bean oil as well as crude oil. Developments on macroeconomic policies, especially the United States' biofuel policy, will continue to cause knee jerk reactions to palm oil prices.

With market participants generally anticipating a strong recovery in production in 2017, especially in the second half of the year, palm oil prices have moderated. The low inventories in both producing and importing countries should continue to provide some support to prices. Restocking activities taking place in China and India as well as the anticipated rising demand from Indonesia's biodiesel mandate should also provide some support to palm oil prices in 2017.

In the longer term, we believe that supply growth will slow significantly even before the end of this decade because of the aging maturity profile in Indonesia and limited hectarage expansion in recent years.

It is foreseeable that demand growth will start to outstrip supply growth in the medium to long term and we expect to see firm long-term CPO prices. The Group's commitment to establish strong foundations and build up our basic fundamentals since our inception will put us in a good position to capitalise on such long-term trends.

Acknowledgments and Appreciation

In FY2016, we declared an interim dividend of 0.625 Singapore cents per ordinary share, which was paid out in September 2016. In line with our good FY2016 performance, the Board has proposed a final dividend of 2.375 Singapore cents per ordinary share, which if approved by shareholders at the upcoming Annual General Meeting, will bring the total dividend for the financial year to three Singapore cents per ordinary share. This represents 29% of our underlying net profit for the year.

> "Flattered by higher prices, both sales and net profit hit strong double digit growth."

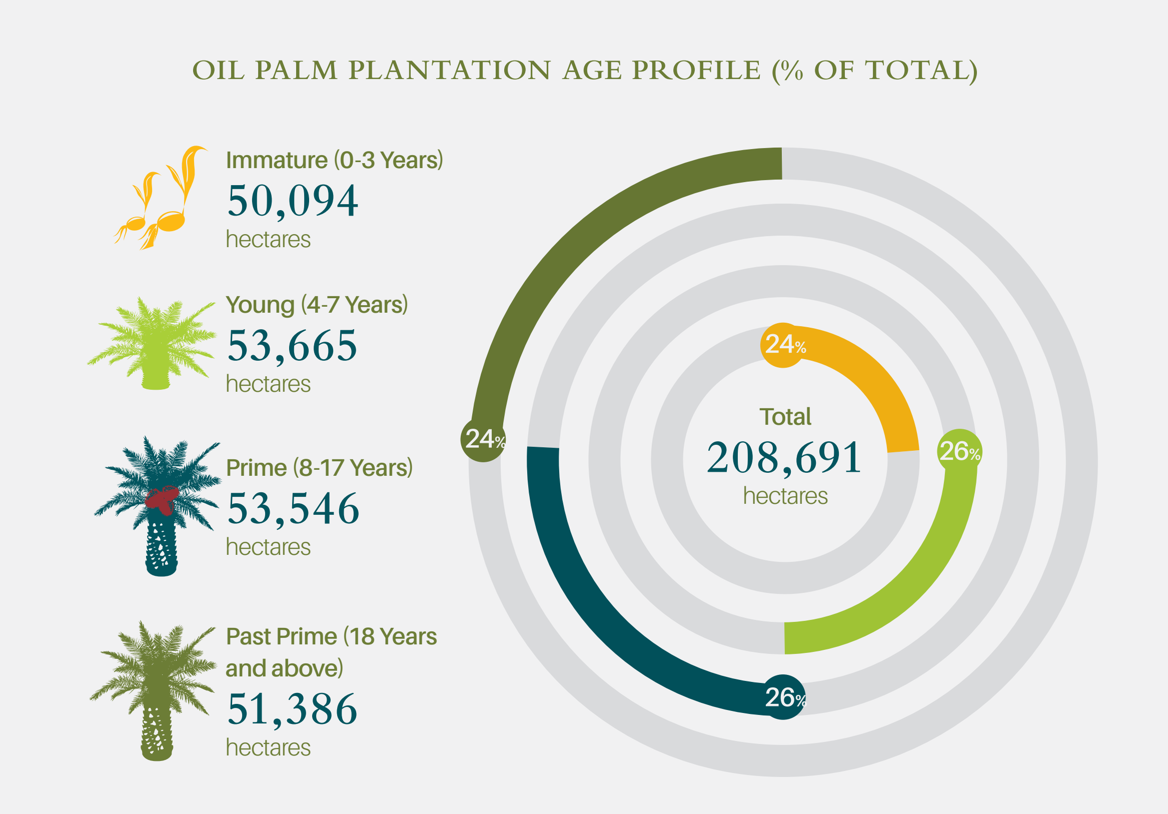
In closing, we would like to thank our fellow directors on the Board for their guidance during the year and to the team for steering and executing our strategies for long-term growth. Their hard work made it possible for First Resources to be named one of Singapore's Best Managed Companies by the FinanceAsia magazine in 2016. This award affirms the hard work that the team has put in and we could not be more proud.

Lastly, we want to convey our gratitude to business partners, loyal customers as well as our shareholders for your continuous support through a challenging year and to show our appreciation to all our staff for their dedication to the Group and the hard work they had put in to propel the improvement in our performance in FY2016 despite tough conditions.

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Executive Director and Chief Executive Officer

OPERATIONAL REVIEW



Plantations and Palm Oil Mills

2016 was a particularly challenging year, where the Group recorded a year-on-year production decline, a first in the history of the Group. The severe El Nino experienced in 2015 had caused a lagged impact on production, resulting in a steep decline in the Group's production in the first nine months of 2016. Production and yields were most severely impacted in the first two quarters of 2016, where our yields were the lowest recorded since 2008. We started to see signs of recovery and improvements in yields in the third quarter and this took a dramatic turnaround in the fourth quarter of 2016, where a positive growth was recorded. Considering the difficult climatic conditions that the industry faced, the Group had an overall satisfactory full year operational performance, largely supported by the favourable age profile of our plantations.

The Group harvested a total of 2,661,554 tonnes of FFB in FY2016, a 5.1% decline from the 2,804,606 tonnes in FY2015. Riau plantations continued to make up the Group's core production, contributing approximately 82% to the Group's total FFB nucleus production while our West and East Kalimantan plantations contributed the remaining 18%. Overall, our nucleus estates turned in a 6.4% decline in FFB production to 2,367,767 tonnes, while our plasma estates improved their production by 7.1% to 293,787 tonnes.

Correspondingly, our efficiency also took a beating, with total FFB blended yield per mature hectare for the year weakening to 16.8 tonnes per hectare compared to 19.0 tonnes per hectare achieved in FY2015. FFB yield from our nucleus estates came in at 17.3 tonnes per hectare compared to 19.8 tonnes per hectare in FY2015. Overall, yields were severely impacted by the adverse El Nino conditions in 2015.

In line with the overall decline in production from the industry, the Group reduced its FFB purchases from third parties, which registered a 13% drop to 253,148 tonnes in FY2016. With the lower FFB production from our estates and purchases from third parties, overall CPO production declined by 7.6% to 634,941 tonnes compared to the 687,248 tonnes achieved in FY2015. Oil extraction rate edged down to 22.5% with CPO yield per mature hectare at 3.8 tonnes, as compared to 22.7% and 4.3 tonnes respectively in the previous year. Our palm kernel registered a 7.3% decline in production volumes to 148,270 tonnes, with a stable extraction rate at 5.3%.

The Group's unit cash cost of nucleus CPO production in FY2016 rose marginally by 5.4% to US$215 per tonne on an ex-mill basis from US$204 in FY2015. The increase was primarily due to lower yields from our plantations as well as continued inflationary pressures from the annual minimum wage increases in Indonesia. Despite the increase, our unit cash cost remained one of the lowest in the industry.

Refinery and Processing

The Group sold a total of 792,415 tonnes of processed products to both domestic and international markets during the year, a surge of 55.6% over FY2015. Sales of our processed products included palm methyl ester (biodiesel), refined, bleached and deodorised ("RBD") palm oil, RBD stearin, RBD palm olein, palm fatty acid distillate, crude glycerine, palm kernel oil and palm kernel expeller. The increase in sales volumes of processed products was a reflection of the higher utilisation of our processing plants, especially in the fourth quarter of 2016, as well as an increase in purchases from third parties of approximately 84,000 tonnes over FY2015.

Upstream Assets

During the year, the Group added 1,116 hectares of oil palms and 168 hectares of rubber, bringing our oil palm and rubber plantations under management to 208,691 hectares and 6,312 hectares respectively. The slower new planting pace for the Group is also in line with the rest of the industry, as companies adopt and implement more stringent sustainability policies and land development criteria, in particular to high carbon stock land.

FFB HARVESTED

2,661,554

tonnes

In 2016, the Group commissioned our 14th CPO mill in West Kalimantan and started construction of our 15th mill in East Kalimantan. With clear signs of recovery across our plantations in 2017 coupled with strong FFB production growth expected in the next few years, we will also be commencing construction of our 16th mill in West Kalimantan.

With the Group's stringent maintenance of our high quality assets and focused planting programme in the past years, we have managed to keep our plantation profile young at a weighted average age of 10 years, with fifty percent of our plantations in their immature or young ages. To this end, the Group is well-positioned for steady production growth in the next few years as these plantations grow into prime-yielding ages.

In 2017, the Group intends to focus on maintenance of its immature oil palm and rubber plantations, as well as enhancing the infrastructure of its plantations. There are no replanting plans until 2018, wherein a small proportion of our older trees will be replanted.

FINANCIAL REVIEW

Despite the unprecedented decline in the Group's production in 2016, First Resources recorded a satisfactory set of results, mainly from the higher average selling prices achieved for CPO and PK. During the year, average CPO prices (FOB Indonesia basis) increased by 17% to US$667 per tonne as compared to US$570 per tonne the year before. The stronger palm oil prices contributed to the Group's double-digit growth in both top and bottom lines for FY2016, with sales up 26.8% to US$575.2 million while net profit increased 31.1% to US$125.4 million. Underlying net profit, excluding net gains arising from changes in fair value of the Group's biological assets, rose 21.4% to US$115.5 million.

EBITDA

US$251.3

million

EBITDA Margin

43.7%

Sales, Cost of Sales and Gross Profit

Sales volumes of CPO and PK under the Plantations and Palm Oil Mills segment declined 1.3% and 5.2% to 660,994 tonnes and 151,300 tonnes respectively, impacted by lower production volumes and yields during the year. On the other hand, sales volumes from the Refinery and Processing segment surged by 55.6% to 792,415 tonnes, reflecting higher utilisation of the Group's processing plants. Combining this with the improved average selling prices, the Group was able to achieve robust overall revenue growth of 26.8% for FY2016.

With higher purchases of palm oil products from third parties in FY2016, cost of sales rose 38.8% to US$308.0 million. The Group's cost of sales comprise mainly harvesting costs, plantation maintenance costs, plantation general expenses and processing costs, as well as purchases of FFB and other palm oil products from third parties, including plasma farmers.

Driven mainly by stronger average selling prices, gross profit for the year grew 15.3% to US$267.3 million, while gross profit margin stood at 46.5% as compared to 51.1% in FY2015. The Group's lower margin in FY2016 was mainly due to increased purchases from third parties, which typically results in a lower margin contribution.

Changes in Fair Value of Biological Assets

The Group adopted the amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer Plants* with effect from 1 January 2016. Under the amendments, biological assets that meet the definition of bearer plants are no longer within the scope of FRS 41. Instead, bearer plants are measured under FRS 16 using the cost model, with mature plantation assets depreciated over their estimated useful lives. The amendments also require agricultural produce growing on bearer plants to remain within the scope of FRS 41, to be measured at fair value less costs to sell. These amendments have been applied retrospectively by the Group, with the 2015 comparatives restated.

The fair value of the Group's biological assets as at the balance sheet date is determined based on the expected net cash inflows of the agricultural produce (i.e. FFB) growing on bearer plants. Any resultant gains or losses arising from changes in fair value are recognised in the income statement.

The Group recognised gains arising from changes in fair value of biological assets amounting to US$13.2 million in FY2016 as compared to US$0.7 million in FY2015. The higher fair value gains recorded in FY2016 was mainly due to the higher FFB price and projected harvest quantities used in the valuation as compared to the previous year.

Operating Expenses

Total operating expenses increased 16.2% to US$72.7 million in FY2016, mainly due to the higher export taxes incurred from the imposition of the palm oil export levy from July 2015.

Net Financial Expenses

The Group's net financial expenses increased 12.2% to US$24.3 million in FY2016, mainly due to the increase in interest expenses from working capital loans as well as the lower interest income earned on cash and bank balances.

EBITDA

Driven by the higher average selling prices, EBITDA grew 14.7% to US$251.3 million in FY2016 from US$219.1 million in FY2015, with the Plantations and Palm Oil Mills segment remaining as the main earnings driver for the Group.

Balance Sheet

The Group's total assets rose to US$1,699.6 million as at 31 December 2016 on the back of a US$68.0 million increase in non-current assets and a US$63.4 million increase in current assets, mainly contributed by the capital expenditure on bearer plants and property, plant and equipment, and the higher cash and bank balances respectively.

Total liabilities declined by 2.6% to US$773.4 million as at 31 December 2016 from US$793.8 million a year ago.

The repayment of working capital loans, as well as the decline in carrying value of the Ringgit-denominated Islamic medium term notes ("IMTN") from foreign currency revaluation, led to the fall in gross borrowings from US$495.0 million as at 31 December 2015 to US$447.9 million as at 31 December 2016. The decline in carrying value of the IMTN was broadly offset by the change in fair value of the cross currency swaps entered into with financial institutions to swap the Ringgit-denominated IMTN indebtedness effectively into USD liabilities.

The Group continued to maintain its healthy financial position with a low net gearing ratio at 0.2 times and net borrowings of US$189.6 million as at 31 December 2016.

Subsequent to the year end, the Group has obtained committed unsecured credit facilities of US$200.0 million, which may be utilised for the refinancing the IMTN which is partially due in 2017 as well as the Group's general corporate purposes.

Cash Flows

On the back of higher average selling prices, the Group generated net cash from operating activities of US$186.6 million in FY2016 as compared to US$70.8 million in the preceding year.

Net cash used in investing activities amounted to US$81.0 million in FY2016, lower than the US$188.7 million used in the preceding year. This was primarily due to the Group's lower capital expenditure on oil palm plantations, palm oil mills and other property, plant and equipment, as well as an absence of net cash outflow on acquisition of subsidiaries as compared to FY2015.

The Group used US$59.8 million in financing activities in FY2016 as compared to US$109.5 million used in FY2015, mainly due to a smaller increase in restricted cash balances during the year.

Overall, the Group registered an increase in cash and cash equivalents of US$45.8 million during the year, bringing total cash and bank balances to US$258.2 million as at 31 December 2016.

BOARD OF DIRECTORS

LIM MING SEONG
Chairman and Independent Director

Mr Lim Ming Seong was appointed to the Board in October 2007 and was last re-elected as a Director in April 2016. Mr Lim is also the Chairman of CSE Global Ltd and sits on the board of StarHub Ltd. Mr Lim was with the Singapore Technologies group from 1986 through 2002, where he held various senior management positions and was Group Director when he left. Prior to joining Singapore Technologies, Mr Lim was with the Singapore Ministry of Defence.

Mr Lim holds a Bachelor of Applied Science (Honours) in Mechanical Engineering from the University of Toronto and a Diploma in Business Administration from the former University of Singapore. Mr Lim also participated in the Advance Management Programs conducted by INSEAD and Harvard Business School.

Present Directorship / Chairmanship in Listed Companies
CSE Global Ltd and Starhub Ltd

Principal Commitments
Nil

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years
Nil

CILIANDRA FANGIONO
Executive Director and Chief Executive Officer

Mr Ciliandra Fangiono was appointed to the Board in April 2007 and was last re-elected as a Director in April 2015. He has been with the Group for more than a decade, playing a key role in charting the Group's strategic directions. Under his leadership, the Group has expanded its plantation assets rapidly and has grown into an integrated player with its own processing capabilities. Prior to joining the Group, Mr Fangiono was at the Investment Banking Division of Merrill Lynch, Singapore, where he worked on mergers, acquisitions and fund-raising exercises by corporates in the region.

Mr Fangiono holds a Bachelor and a Masters of Arts (Economics) from Cambridge University, United Kingdom. At Cambridge, he was a Senior Scholar in Economics and was awarded the PriceWaterhouse Book Prize.

Present Directorship / Chairmanship in Listed Companies
Nil

Principal Commitments
First Resources Limited

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years
Nil

FANG ZHIXIANG

Executive Director and Deputy Chief Executive Officer

Mr Fang Zhixiang (Sigih Fangiono) was appointed to the Board in November 2014 and was re-elected as Director in April 2015. He has joined the Group since 2002 and has held the position as Deputy Chief Executive Officer since 2007. As Deputy Chief Executive Officer, he is jointly responsible for the day-to-day management of the Group. In particular, he focuses on the expansion of plantations and palm oil mills, and manages the Group's corporate affairs. He began his career at PT Surya Dumai Industri Tbk as an Assistant Production Director.

Mr Fang graduated from Bronte College, Toronto, Canada.

Present Directorship / Chairmanship in Listed Companies

Nil

Principal Commitments

First Resources Limited

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

Nil

TENG CHEONG KWEE

Independent Director

Mr Teng Cheong Kwee was appointed to the Board in October 2007 and was last re-elected as a Director in April 2016. He also serves as independent director of several other listed companies. Mr Teng was previously with the Singapore Exchange for more than 10 years, where he was Executive Vice President and Head of its Risk Management and Regulatory Division when he left. From 1985 to 1989, he served as assistant director and later a deputy director in the Monetary Authority of Singapore. During that period, he was also concurrently Secretary to the Securities Industry Council.

Mr Teng holds a Bachelor of Engineering (Industrial) with first class honours and a Bachelor of Commerce from the University of Newcastle, Australia.

Present Directorship / Chairmanship in Listed Companies

AEI Corporation Ltd., Techcomp (Holdings) Limited, Memtech International Ltd. and AVIC International Maritime Holdings Limited

Principal Commitments

Nil

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years

STATSChipPAC Ltd. and Junma Tyre Cord Company Limited

BOARD OF DIRECTORS

NG SHIN EIN
Independent Director

Ms Ng Shin Ein was appointed to the Board in October 2007 and was last re-elected as a Director in April 2016. She is the Managing Partner of Gryphus Capital, a pan-Asian private equity investment firm. Ms Ng also leads a network of investors to take proprietary stakes in companies and co-invests with other family offices and private equity firms. Pursuant to such investments, she engages actively with portfolio companies, focusing on strategic development and innovation. Prior to Gryphus Capital, Ms Ng spent a number of years at the Singapore Exchange, where she was responsible for developing Singapore's capital market and bringing foreign companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee, where she contributed industry perspectives and also acted as a conduit between the marketplace and regulators. Ms Ng sits on the Board of NTUC Fairprice and is its youngest ever director. Additionally, she serves on other Mainboard listed companies and also the Board of the Singapore International Foundation. Admitted as an advocate and solicitor of the Singapore Supreme Court, Ms Ng started her career as a corporate lawyer in Messrs Lee & Lee. Whilst at Lee & Lee, she advised clients on joint ventures, mergers & acquisitions and fund raising exercises. Ms Ng is Singapore's Non Resident Ambassador to Hungary.

Present Directorship / Chairmanship in Listed Companies
Yanlord Land Group Limited and UPP Holdings Limited

Principal Commitments
Gryphus Capital

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years
Eu Yan Sang International Ltd and Sabana Real Estate Investment Management Pte Ltd

HEE THENG FONG
Independent Director

Mr Hee Theng Fong was appointed to the Board in October 2007 and was last re-elected as a Director in April 2015. He is a consultant in a law firm, with more than 30 years of experience in legal practice. He is on the panel of arbitrators for many international arbitral institutions including Singapore International Arbitration Centre (SIAC), China International Economic and Trade Arbitration Commission (CIETAC), Shanghai International Arbitration Centre (SHIAC), Kuala Lumpur Regional Centre for Arbitration (KLRCA) and Hong Kong International Arbitration Centre (HKIAC).

Mr Hee is an independent director of several public listed companies. He is frequently invited to speak on Directors' Duties and Corporate Governance in seminars organised by the Singapore Institute of Directors and the Singapore Exchange.

Present Directorship / Chairmanship in Listed Companies
Datapulse Technology Limited, YHI International Limited, Delong Holdings Limited, Tye Soon Limited, Straco Corporation Limited and China Jinjang Environment Holdings Company Limited

Principal Commitments
Harry Elias Partnership LLP

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years
Nil

ONG BENG KEE
Independent Director

Mr Ong Beng Kee was appointed to the Board in May 2010 and was last re-elected as a Director in April 2016. He is a retired career-planter with over 40 years of hands-on experience in large-scale plantation development, specifically oil palm, rubber, cocoa and the related processing facilities. Mr Ong served a large part of his career at Kuala Lumpur Kepong Bhd (KLK), a company listed on Bursa Malaysia. As Executive Director and Managing Director (Plantations), he spearheaded KLK's expansion drive into Sabah and Indonesia, overseeing large-scale oil palm cultivation. Upon his retirement, he has taken on an advisory role in KLK as Portfolio Investment Adviser.

Mr Ong was an active council member in various Malaysian plantation associations, particularly as chairman of the plantation wage council. He is an Associate Diploma holder of the Incorporated Society of Planters and has completed the Advanced Management Course at Templeton College, Oxford.

Present Directorship / Chairmanship in Listed Companies
Nil

Principal Commitments
Quarry Lane Sdn Bhd

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years
Nil

TAN SEOW KHENG
Non-Executive Non-Independent Director

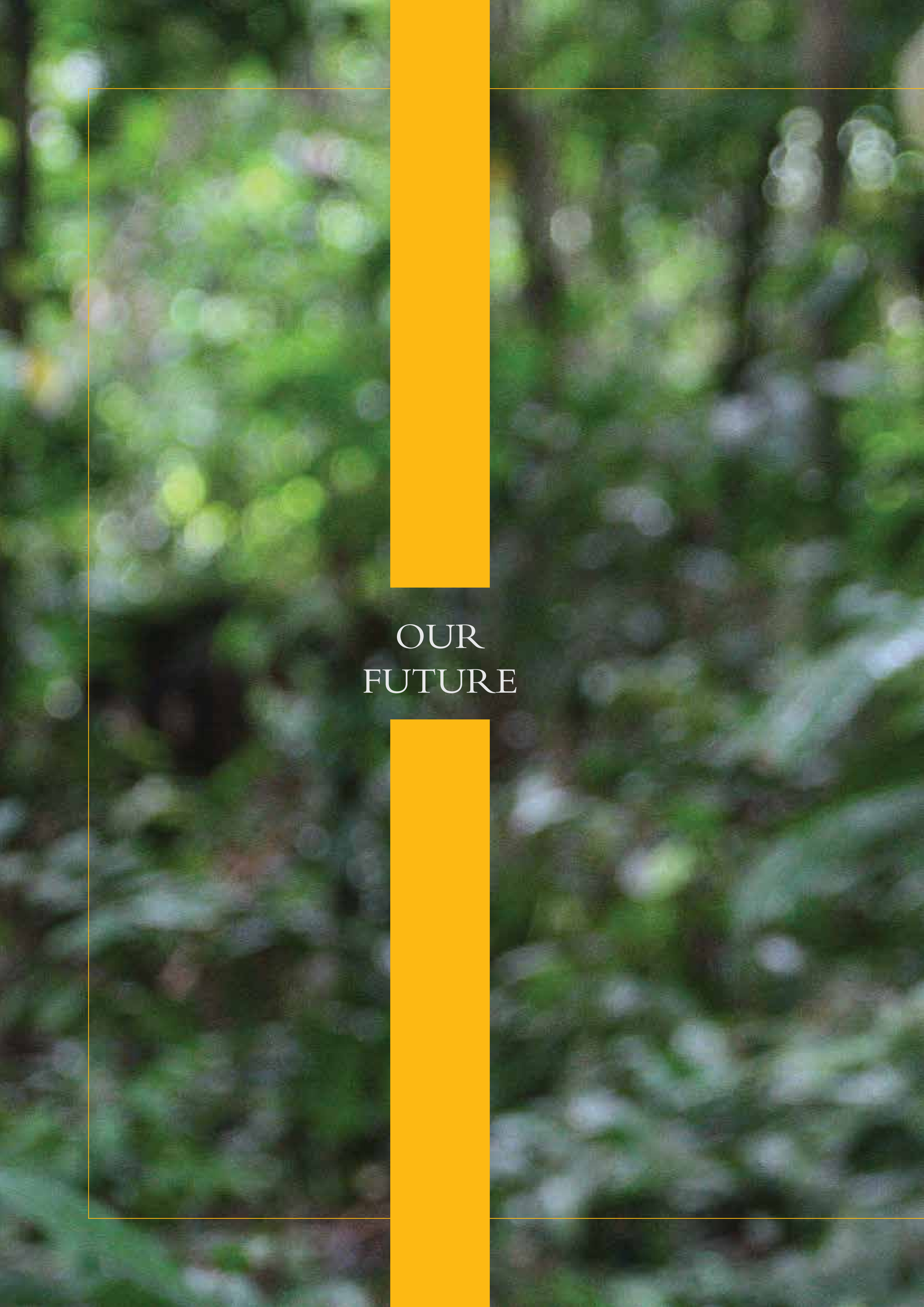
Mr Tan Seow Kheng was appointed to the Board in November 2014 and was last re-elected as a Director in April 2015. His other appointments include serving as the General Manager of EWIS Development Pte Ltd, a company focused in property development in Singapore and Indonesia, as well as an Assistant Vice President of Marketing at Uniseraya Group, an Indonesian-based group principally involved in the timber and oil palm industry.

Mr Tan holds a Bachelor of Business Administration from the University of Wisconsin–Madison and has completed an Executive Diploma in Directorship awarded by Singapore Management University.

Present Directorship / Chairmanship in Listed Companies
Nil

Principal Commitments
EWIS Development Pte Ltd

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years
Sincap Group Limited



OUR FUTURE

In building our business, we aim to deliver long-term profitability, productivity and value to our shareholders. To achieve this, we need to ensure that we continue to make sustainability a critical aspect of our operations. Over the years, we have intensified our efforts in identifying and implementing new and improved initiatives that address a wide range of sustainability concerns that we believe has made us future-ready.

SUSTAINABILITY REVIEW

Deforestation, peatland management, labour rights issues and climate change continued to be the key focus areas for industry players, non-governmental organisation ("NGOs") and other stakeholders in 2016. While First Resources took bold steps to address these concerns through ambitious sustainability commitments made in 2015, it remains a long and challenging journey due to the diverse interests and values of the different stakeholders in our business. It is therefore important for industry players, us included, to continue working in multi-stakeholder partnerships and frameworks to find long-term solutions.

This year, we continued to take meaningful strides in the implementation of our policy. We reinforced our fire management system, completed more High Carbon Stock ("HCS") forest verifications and strengthened management and monitoring efforts in our High Conservation Value ("HCV") areas. As part of our Greenhouse Gases ("GHG") reduction strategy, the Group completed the construction of another two methane capture plants, reducing the GHG emissions from palm oil mill effluent, one of the biggest emitters of our operations.

Engagement is an important cornerstone in ensuring the success of our sustainability policies. We stepped up our efforts in reaching out to employees, suppliers and communities around us, where we shared the rationale behind our policies, instilled the importance of sustainability to our operations, aligned interests and obtained feedback so as to formulate effective solutions. Various channels of engagement were used to effectively communicate our message to these different stakeholders. Sustainability-related key performance indicators were also embedded into our operational staff's appraisals to reflect the unified goals of management and staff.

Fire Management and Monitoring

In 2016, weather in our operating areas had been conducive with good rainfall. This represented a distinct recovery from the previous year's prolonged dry weather, which was a contributing factor to the forest fires and haze.

Given the vast operating areas of our plantations, coupled with the complexity of varying land rights in Indonesia, we operate in an environment where communities are living inside or within close proximity to our existing estates and concessions area. This poses heavy challenges for the Group in exerting full control over our operating areas to prevent fires.

Fire incidents recorded in our operations were significantly lower in 2016. Despite the lower fire risks, we continued to be vigilant in our monitoring efforts and made conscientious effort to scrutinise our existing fire management and monitoring procedures. Over and above the refinements made on our processes, we also sought expertise from third parties to provide effective training to our firefighting team, so as to improve readiness and ensure rapid responses to any fires. Our strategy towards fire management remains unchanged, focusing on early detection and rapid response to extinguish fires.

HCS Forests

Since the launch of our policy, our sustainability work plan has been highly centered on our commitment to not develop on HCS forests, HCV and peat areas. We are pleased to have completed desktop HCS assessments for all our development land bank. For such land bank with nearer term development plans, we have leveraged on the expertise of third parties to verify our HCS assessments. These independent HCS specialists review the desktop assessments and conduct additional ground truthing and patch analysis in accordance with the HCS Approach methodology.

Out of approximately 110,000 hectares of our existing development land bank, approximately 29,000 hectares, or 26% are currently identified as "No-Go Areas". These are areas which contain potential HCS, HCV or peat content, and have therefore been carved out from the Group's development plans. This figure will be refined as we continue with further independent verifications. As for the remaining development land bank, substantial work is still required as we engage with local communities to obtain their free, prior and informed consent before any development can take place.

With much anticipation, we look forward to the convergence of the two HCS identification methodologies that exists today so that industry players may have a consistent and unified approach to conserve forest and peat areas. We will study the newly converged HCS methodology and assess the impact to our existing HCS assessments and our development land bank correspondingly.

HCV Areas

In adherence to our policy as well as RSPO's principles and criteria, identified HCV areas are carved out from development plans. In addition, management and monitoring plans are developed to facilitate our conservation efforts of these HCV areas.

In 2016, the Group started a conservation task force in one of our West Kalimantan estates to better monitor the condition of our HCV areas and deter illegal activities such as illegal logging, encroachment and hunting. With assistance from a local NGO and a local conservation agency *Balai Konservasi Sumber Daya Alam* ("BKSDA"), our task force was also trained to detect, monitor and manage the presence of wildlife in our HCV areas. Pleased with the effectiveness of this task force, we have set up a similar taskforce in another West Kalimantan estate in 1Q2017.

We also began reforestation work in the second half of 2016 in one of our HCV areas that was previously damaged by fires from encroachment activities by local communities. To date, more than 4,500 trees have been planted in this HCV area, covering approximately 12 hectares. We will continue with this reforestation work on the remaining affected areas.

Peat

Since July 2015, the Group has committed not to develop on peatland regardless of peat depth. To improve our management of existing plantations on peatland, we have begun detailed peat studies in 2016 and will continue to conduct more in 2017. Part of our peat management practices include implementing good hydrology systems such as maintaining high water table levels, which reduce the risks of fire ignitions and the spread of fires during dry weather conditions. Peat fires are exceptionally difficult to put out and specialised equipment have also been purchased and kept in the plantations to effectively put out potential fires.

Supply Chain and Traceability

In our effort to ensure that our supply chain does not unintentionally support irresponsible practices, we strive to achieve full traceability of our palm oil supplies to the mills and plantations. In FY2016, approximately 90% of the CPO we processed has been traceable to the mills. Approximately 90% of the FFB processed in our 14 mills is traceable to the plantations as they are supplied from our nucleus and plasma plantations. The remaining FFB intakes were from third parties, namely smallholders, small-medium sized enterprises and FFB aggregating traders.

We have started our engagement with both our external FFB and CPO suppliers and have received supportive feedback and traceability information from most of them. Considering the small percentage of third party purchases and the traceability data we have collected so far, we are confident we will be able to achieve our traceability targets.

Buyers' Engagement

We facilitated mill verification visits at our operations for two buyers, who checked on various sustainability aspects such as traceability of our FFB and CPO, labour practices including health and safety policies, as well as our grievances and our whistle-blowing platforms. Both assessments yielded positive reports and constructive feedback for our management which could be put into our action plans.

Our sustainability team also found the visits insightful as we exchanged feedback and deepened our understanding on new sustainability developments such as traceability frameworks and supply chain audits.

Multi-Stakeholder Partnerships to Preserve High Conservation Values

In 2016, we collaborated with local conservation agency BKSDA and the local communities to conduct detailed studies on the Lemponah forest. The Lemponah forest is located in West Kutai, East Kalimantan, within and in close proximity to one of our plantations. During the early stages of our HCV assessments, the Lemponah forest had been identified as a HCV area and was subsequently carved out from our development plans.

The multi-stakeholder collaboration was part of our ongoing HCV management and monitoring efforts, aimed at educating the Lemponah community of HCV conservation, identifying the existing wildlife in the forest and assessing the condition of the forest.

The results of the study confirmed that the Lemponah forest is rich in biodiversity and still serves as a natural habitat for a diverse range of wildlife and plant species. In addition, the indigenous Lemponah community still relies heavily on natural resources from the Lemponah forest. The resources include herbs and plants used for traditional medicine, fruits as one of their food sources, rattan for weaving baskets, fishing tools and crafts for their daily activities. These practices have been adopted for generations and are entrenched in their lifestyle and culture.

Encouraged by the Indonesian Government to promote ecotourism, the local government has plans to develop a flagship programme that focuses on sustainable travel and environmental preservation. Through ecotourism, it hopes to obtain stable funding to conserve the forest, drive local development and empower the communities in the area. Results of this multi-stakeholder study will be used as a reference by the local government for the development of such programmes. We are glad that we could play a part in preserving and enriching the culture of the Lemponah community through our HCV management efforts.

Transparency and Grievance Procedure

We have adopted a more proactive and systematic approach in our stakeholder communication by providing summarised clarifications to concerns or complaints that have been made known to us either through media reports, stakeholders' feedback, the RSPO complaints mechanism or directly through our own grievance procedure. The aim is to provide factual and transparent information to all our stakeholders, regardless of whether the Group has fallen short and need to address the gaps, or that the concerns are unsubstantiated. For transparency purposes, these summarised clarifications are available on our website.

Given the complexity of sustainability issues, we are cognizant that there will be risks of policy breaches, especially those involving communities and land rights. By tapping on the wider network and ground intelligence of civil society groups and external stakeholders, our grievance procedure is an effective tool in helping us monitor our operations and that of our suppliers. The grievances lodged will be recorded, investigated and handled in a fair and transparent manner.

In 2016, no formal grievances were filed against our operations. However, we did receive feedback from Waxman Consulting (also known as Mighty) that their preliminary research had indicated that one of our suppliers may have potentially breached our sustainability policy. We have since conducted our investigations and posted clarifications on our website. We appreciate every feedback which we take seriously and will work toward addressing stakeholders' concerns.

Moving Forward

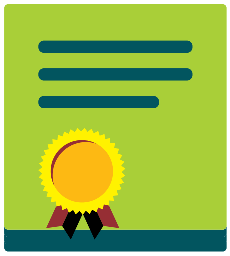
Through our engagement with stakeholders, we recognised that there are areas for improvement and also ways we can contribute to the enhancement of industry standards. In the coming year, some of our key initiatives and targets include the following:

1. Collaborate with selected stakeholders for a landscape HCV conservation project.
2. Complete HCS verifications for our remaining development land bank.
3. Develop plans to phase out the use of paraquat.
4. Engage with stakeholders to better understand concerns on the industry's labour standards and review our current labour practices.
5. Close our outstanding RSPO complaint case and obtain RSPO certifications.

KEY HIGHLIGHTS FOR 2016

76,690 hectares
ISPO-certified plantations

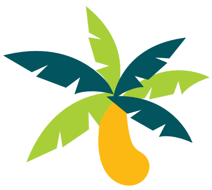
3RD biennial
Sustainability Report published



48,344
hectares
ISCC-certified plantations

90%
FFB processed traceable to plantations

3
methane capture facilities



OUR SUSTAINABLE PALM OIL COMMITMENTS

No development on HCS forests, HCV and peat areas

Respect rights of all our employees

Maintain a strict zero burning policy for land clearances

Respect rights of indigenous and local communities

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Ming Seong
Chairman and Independent Director

Ciliandra Fangiono
Executive Director and Chief Executive Officer

Fang Zhixiang
Executive Director and Deputy Chief Executive Officer

Tan Seow Kheng
Non-Executive Non-Independent Director

Ong Beng Kee
Independent Director

Hee Theng Fong
Independent Director

Ng Shin Ein
Independent Director

Teng Cheong Kwee
Independent Director

AUDIT COMMITTEE

Teng Cheong Kwee (Chairman)
Ong Beng Kee
Hee Theng Fong
Tan Seow Kheng

REMUNERATION COMMITTEE

Ng Shin Ein (Chairman)
Teng Cheong Kwee
Hee Theng Fong

NOMINATING COMMITTEE

Lim Ming Seong (Chairman)
Ciliandra Fangiono
Ng Shin Ein

COMPANY SECRETARY

Lynn Wan Tiew Leng

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-In-Charge: **Low Bek Teng**
(Appointed since financial year ended 31 December 2012)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623
Tel: (+65) 6536 5355
Fax: (+65) 6536 1360

PLACE & DATE OF INCORPORATION

Singapore, 9 December 2004

REGISTERED ADDRESS

8 Temasek Boulevard
#36-02, Suntec Tower Three
Singapore 038988
Tel: (+65) 6602 0200
Fax: (+65) 6333 6711

COMPANY REGISTRATION NUMBER

200415931M

STOCK EXCHANGE LISTING

Singapore Exchange Securities Trading Limited

CORPORATE GOVERNANCE

First Resources Limited (the "Company") is committed to maintaining high standards of corporate governance through transparency and effective disclosures. The Board and Management have used their best endeavours to align the Company's governance framework with the recommendations of the Code of Corporate Governance 2012 (the "2012 CG Code").

This report describes the Company's main corporate governance practices. The Board is pleased to inform that the Company is substantially in compliance with the 2012 CG Code and reasons for any deviation are explained below.

The Board's Conduct of Affairs

The primary function of the Board is to manage the Group in the best interest of shareholders and other stakeholders, and to pursue the continual enhancement of shareholder value.

Apart from its statutory responsibilities, the Board is primarily responsible for:

- reviewing and approving the Group's business strategies, key operational initiatives, annual budget, major investments, divestments and funding proposals;
- ensuring that decisions and investments are consistent with medium and long-term strategic goals;
- providing oversight by identifying the principal risks that may affect the Group's business and ensuring that appropriate systems to manage these risks are in place; and
- the Group's corporate governance practices.

The Board discharges its responsibilities either directly or indirectly through various committees comprising members of the Board. The Board has established three committees: (i) Audit Committee; (ii) Nominating Committee; and (iii) Remuneration Committee. These committees function within clearly defined terms of reference. The Board and the various committees comprise the following members:

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
Lim Ming Seong	Chairman and Independent Director	–	Chairman	–
Ciliandra Fangiono	Executive Director	–	Member	–
Fang Zhixiang	Executive Director	–	–	–
Teng Cheong Kwee	Independent Director	Chairman	–	Member
Ong Beng Kee	Independent Director	Member	–	–
Hee Theng Fong	Independent Director	Member	–	Member
Ng Shin Ein	Independent Director	–	Member	Chairman
Tan Seow Kheng	Non-Executive Non-Independent Director	Member	–	–

The Directors ensure that the decisions made by them are objectively in the interest of the Company.

CORPORATE GOVERNANCE

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened as and when warranted by matters requiring the Board's attention. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under the Company's Constitution. Time is set aside, after each scheduled Board meeting, for discussion amongst the Non-Executive Directors without the presence of Management. The Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2016 is set out as follows:

Name	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Number of Meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lim Ming Seong	5	5	–	–	1	1	–	–
Ciliandra Fangiono	5	5	–	–	1	1	–	–
Fang Zhixiang	5	4	–	–	–	–	–	–
Teng Cheong Kwee	5	5	4	4	–	–	2	2
Ong Beng Kee	5	5	4	4	–	–	–	–
Hee Theng Fong	5	3	4	3	–	–	2	2
Ng Shin Ein	5	4	–	–	1	1	2	2
Tan Seow Kheng	5	5	4	4	–	–	–	–

The Group has adopted a set of internal guidelines setting forth financial authorisation and approval limits for investments, acquisitions, disposals and capital expenditures. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

A formal letter of appointment, which sets out the director's duties and obligations, is provided to each Director upon appointment. Orientation programmes are also organised for newly appointed Directors. Newly appointed Directors who do not have prior experience as a director of a Singapore listed company are either briefed by the Company's legal advisors on their duties and obligations or undergo relevant courses conducted by external parties.

On an on-going basis, the Directors are briefed by the Company Secretary, external auditors and external professionals on updates to relevant regulations and governance requirements, accounting standards and industry regulations. In addition, the Chief Executive Officer ("CEO") regularly updates the Board on the business activities and strategies of the Group during Board meetings. The Directors may also attend other appropriate courses and seminars at the Company's expense. These include programmes conducted by the Singapore Institute of Directors, of which the Company is a corporate member.

From time to time, the Company organises offsite strategy meetings or site visits for the Directors to better apprise them of the Group's business. In January 2016, the Directors visited the Company's corporate office in Jakarta, Indonesia, during which management presentations on the Group's key areas of focus, strategic plans and objectives were conducted to enable the Directors to have an in-depth understanding of the Group's key business focus and growth plans going forward. The visit also provided the Non-Executive Directors with an opportunity to interact and engage with the key executives of the Group on strategic issues and direction of the Group.

Board Composition and Guidance

The Board comprises eight Directors of whom five are Independent Directors. Accordingly, more than half of the Board is made up of Independent Directors. In relation to gender diversity, one out of the eight Directors is a female.

Under the 2012 CG Code, an "independent" director is defined as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. Mr Tan Seow Kheng is a candidate recommended by Infinite Capital Fund Limited ("Infinite Capital"), a substantial shareholder of the Company. Notwithstanding that Infinite Capital is only a 5% shareholder of the Company, the Board also took into consideration (1) Mr Tan Seow Kheng's past and present employment with Infinite Capital's affiliates; and that (2) Infinite Capital's affiliates have palm oil business and operate in the same industry as the Group. Hence, the Board deemed Mr Tan Seow Kheng as a Non-Executive Non-Independent Director.

The independence of each Director is reviewed annually by the Nominating Committee, particularly those who have served more than nine years. The following Directors would have served on the Board for more than nine years as Independent Directors by the forthcoming Annual General Meeting ("AGM") to be held on 28 April 2017:

(a) Mr Lim Ming Seong;
(b) Mr Teng Cheong Kwee;
(c) Mr Hee Theng Fong; and
(d) Ms Ng Shin Ein.

The Nominating Committee rigorously reviewed the independence of these Directors, as recommended by the 2012 CG Code. The Nominating Committee, with the concurrence of the Board, is of the view that all four abovementioned Independent Directors are considered to be independent, notwithstanding that they have served more than nine years. These Directors have continuously demonstrated independence in character and judgement in the discharge of their responsibilities as Directors of the Company. The Board has also observed their participations and deliberations at Board meetings and other occasions and has no reason to doubt their ability to exercise independent judgement in the interest of the Company. Given their combined strength of objectivity, wealth of working experience and professionalism in carrying out their duties, the Board acknowledges and recognises the benefits of the experience and stability brought by these long-serving Independent Directors.

Mr Ong Beng Kee, who was appointed to the Board in 2010, continues to be independent.

Annually, a review of the size and composition of the Board (and Board Committees) is also undertaken by the Company to ensure alignment with the needs of the Group. The Nominating Committee is of the view that the current size and composition of the Board (and Board Committees) is appropriate for the scope and nature of the Group's operations and facilitates effective decision-making.

The Nominating Committee is satisfied that the Board comprises Directors who, collectively, have the core competencies, such as industry knowledge, finance, accounting, legal, business and management experience, necessary to meet the Company's performance targets. In addition, the Directors, as a group, provide an appropriate balance and diversity of skill sets, experience and knowledge. These attributes encourage robust, open and constructive deliberations during Board meetings to challenge Management on its assumptions and proposals, which also mitigate the dominance of any individual or small group of individuals in the Board's decision-making process.

There were no alternate Directors appointed during the year.

Profiles and key information of individual Directors, including their directorships and chairmanships both present and those held over the preceding three years in other listed companies, and other principal commitments, are disclosed on pages 20 to 23 of this Annual Report.

Chairman and Chief Executive Officer

The Company has a separate Chairman and CEO to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman of the Company is Mr Lim Ming Seong. Mr Lim, who is non-executive, is not related to the CEO. Besides giving guidance on the corporate and business directions of the Company, the role of the Chairman includes chairing Board and shareholders' meetings, and ensuring the quality, clarity and timeliness of information supplied to the Board. The CEO, Mr Ciliandra Fangiono, drives the business strategies of the Company and manages the business operations together with the other executive officers of the Company.

Board Membership

The Nominating Committee comprises Mr Lim Ming Seong as Chairman, Mr Ciliandra Fangiono and Ms Ng Shin Ein as members. The majority of the Nominating Committee, including the Chairman, is independent. The Nominating Committee is guided by its terms of reference which sets out its responsibilities. The terms of reference are in line with the 2012 CG Code. These include:

(a) Reviewing board succession plans for Directors, in particular, the Chairman and for the CEO;

(b) Evaluating the performance of the Board, its Board Committees and proposing objective performance criteria for Board's approval;

(c) Establishing procedures for and making recommendations to the Board on all Board appointments and re-appointments (as well as alternate director, if applicable);

(d) Determining annually if a Director is independent;

(e) Evaluating if a Director has multiple board representations and if he is able to and has been adequately carrying out his duties as a Director; and

(f) Reviewing training and professional development programmes for the Board.

The Nominating Committee has assessed that although some Directors have other board representations, they have devoted sufficient time and attention to their role as Directors and to the affairs of the Group. The Nominating Committee believes that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors should be best assessed through qualitative factors such as their attendance and time commitment to the affairs of the Company. The Nominating Committee would continue to review from time to time the board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Nominating Committee is satisfied that all Directors have discharged their duties adequately for the financial year ended 31 December 2016. The Board unanimously affirms and supports the view of the Nominating Committee.

The Nominating Committee has a process for the selection, appointment and re-appointment of Directors. The Nominating Committee will, on an annual basis, review the size and composition of the Board and will consider the results of the annual appraisal of the Board's performance. It will evaluate the range of skills, knowledge and experience on the Board, and assess whether new competencies are required to improve the Board's competitiveness. When a need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the Nominating Committee will source for new candidates with the desired competencies. External help may be engaged to source for potential candidates if considered necessary. Where required, the Nominating Committee may also tap on its networking contacts to assist with identifying and shortlisting of candidates. Directors and Management may also make recommendations. The Nominating Committee will meet shortlisted candidates for an interview before making recommendation to the Board for consideration and approval.

All Directors are required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years. In recommending a Director for re-election to the Board, the Nominating Committee will consider, amongst other things, the individual's competencies, commitment and contribution to the Board. After assessing the performance of the retiring Directors, the Nominating Committee has recommended the re-election of Mr Ciliandra Fangiono, Mr Hee Theng Fong and Mr Tan Seow Kheng who are retiring by rotation pursuant to Article 93 of the Company's Constitution at the forthcoming AGM. The Board has accepted these recommendations.

The Nominating Committee reviews succession plans for the Board and seeks to ensure that changes in Board membership are carried out progressively and in an orderly manner, for long-term continuity and stability.

Information regarding the Directors of the Company in respect of their dates of first appointment and last re-election/ re-appointment is set out as follows:

Name	Date of initial appointment	Date of last re-election/ re-appointment
Lim Ming Seong	1 October 2007	27 April 2016
Ciliandra Fangiono	18 April 2007	28 April 2015
Fang Zhixiang	1 November 2014	28 April 2015
Teng Cheong Kwee	1 October 2007	27 April 2016
Ong Beng Kee	1 May 2010	27 April 2016
Hee Theng Fong	1 October 2007	28 April 2015
Ng Shin Ein	1 October 2007	27 April 2016
Tan Seow Kheng	1 November 2014	28 April 2015

Board Performance

The Nominating Committee undertakes a process to assess the effectiveness of the Board as a whole. Directors are requested to complete a Board Evaluation Form to assess the overall effectiveness of the Board. The results of the evaluation exercise are considered by the Nominating Committee which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The evaluation for the financial year ended 31 December 2016 confirmed that the Board and its Board Committees were generally functioning effectively during the year.

The Nominating Committee had extracted salient recommendations from the 2012 CG Code and incorporated these recommendations into the Board Evaluation Form. The evaluation process focused on factors such as board composition, board information, board processes, internal controls and risk management, board accountability, communication with top management and standards of conduct. The Nominating Committee also considered whether the Directors have reasonable understanding of the Group's business and the industry as well as the Directors' working relationship with the other members of the Board. These performance criteria shall not change from year to year and where circumstances deem it necessary for any of the criteria to be changed, the Nominating Committee and the Board shall justify its decision for the change.

While the 2012 CG Code recommends that the Directors be assessed individually, the Nominating Committee felt that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each Board member contributes in different ways to the success of the Company. Board decisions are also made on a collective basis.

Access to Information

Management has an on-going obligation to supply the Board with complete, adequate information in a timely manner. The Board is informed of all material events and transactions as and when they occur. The information that is provided by Management to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and internal financial statements. In respect of budgets, any material variances between the projections and actual results are also disclosed and explained. In addition, the Board has separate and independent access to the Company's Management at all times. Request for information from the Board are dealt with promptly by Management.

As a general rule, Board papers are sent to Board members at least five working days before the Board meeting to afford the Directors sufficient time to review the Board papers prior to the meetings. For matters which require the Board's decision outside such meetings, Board papers will be circulated for the Board's consideration, with discussions and clarifications taking place between members of the Board and Management directly, before approval is granted.

The Directors also have separate and independent access to the Company Secretary. The Company Secretary attends all Board and Board Committee meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The Company Secretary assists the Chairman of the Board and the Chairman of each of the Board Committee and Management in the development of agendas for the various Board and Board Committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, need independent professional advice to fulfil their duties, such advice may be obtained from a professional firm, the cost of which will be borne by the Company.

Procedures for Developing Remuneration Policies

The Remuneration Committee comprises Ms Ng Shin Ein as Chairman, Mr Teng Cheong Kwee and Mr Hee Theng Fong as members. All three are Independent Directors.

The Remuneration Committee is guided by its terms of reference that are in line with the 2012 CG Code.

The role of the Remuneration Committee is to review and recommend to the Board remuneration policies and packages for the Directors and key executives of the Group. The aim is to build and retain a capable and committed management team. To ensure that the remuneration package is sufficient and competitive to retain and motivate key executives, the Remuneration Committee also takes into consideration the existing compensation standards of the industry in which the Company operates in. The Remuneration Committee covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in kind.

Level and Mix of Remuneration and Disclosure on Remuneration

The following table shows a breakdown (in percentage) of our Directors' remuneration paid in the year ended 31 December 2016:

Name	Directors' Fee	Fixed Salary	Variable Bonus	Total Remuneration
Executive Directors:				
Ciliandra Fangiono	–	62%	38%	S$1,377,000
Fang Zhixiang	–	62%	38%	S$1,077,000
Non-Executive Directors:				
Lim Ming Seong	100%	–	–	S$90,000
Teng Cheong Kwee	100%	–	–	S$80,000
Ong Beng Kee	100%	–	–	S$65,000
Hee Theng Fong	100%	–	–	S$70,000
Ng Shin Ein	100%	–	–	S$75,000
Tan Seow Kheng	100%	–	–	S$69,000

Non-Executive Directors receive a basic fee and additional fees for serving on any of the Board Committees. The Chairman of the Board and each Board Committee also receive a higher fee compared with the members of the Board and the respective Board Committees in view of the greater responsibility carried by that office. In determining the quantum of such fees, factors such as frequency of meetings, effort and time spent, responsibilities of Directors and the need to pay competitive fees to retain, attract and motivate the Directors, are taken into account. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM. No Director is involved in deciding his or her own remuneration. The CEO and Deputy CEO, both Executive Directors, do not receive Directors' fees and are on service contracts which are subject to annual review by the Remuneration Committee. The contracts do not contain any onerous removal clauses.

The remuneration policy for key executives takes into consideration the Company's performance and the responsibilities and performance of individual executives, as well as the pay and employment conditions within the industry.

The remuneration package for the CEO and other key executives consists of both fixed and variable components. The variable component is determined based on the performance of the individual employee and the Group's performance in the relevant financial year.

The following table shows the remuneration of our top five key executives (who are not Directors or the CEO of the Company) paid in the year ended 31 December 2016:

Name	Fixed Salary	Variable Bonus	Remuneration Band
Executive A	68%	32%	S$250,000 – S$500,000
Executive B	92%	8%	S$250,000 – S$500,000
Executive C	66%	34%	S$250,000 – S$500,000
Executive D	59%	41%	S$250,000 – S$500,000
Executive E	63%	37%	S$0 – S$250,000

The total remuneration of the top five key executives (who are not Directors or the CEO of the Company) paid in the year ended 31 December 2016 amounted to S$1,742,000.

The Company believes that it may not be in the best interest of the Company to disclose the remuneration of key executives on an individually named basis as recommended by the 2012 CG Code, as such disclosure may affect its ability to motivate, retain and nurture employees. In view of the competitive environment and limited talent pool in the industry that the Group operates in, the Company is of the opinion that such disclosure should be on a no-name basis.

There were no termination, retirement and post-employment benefits paid to Directors and the top five key executives in the year ended 31 December 2016.

The Company has in place a share option scheme and a share performance plan known as First Resources Share Option Scheme and First Resources Performance Share Plan (the "Share Plans") respectively, details of which are disclosed in the Directors' Statement. The two schemes are administered by members of the Remuneration and Nominating Committees. During the year, no share options or performance shares were granted to Directors and employees of the Company. The Share Plans will expire in November 2017 and the Board has decided not to adopt any new share plan for the time being.

For transparency, the 2012 CG Code also recommends disclosure of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 during the year. Mr Ciliandra Fangiono and Mr Fang Zhixiang are brothers and their remuneration is set out in the Directors' remuneration table above. Ms Serene Lim is the wife of Mr Ciliandra Fangiono, and her remuneration is between the band of S$50,000 – S$100,000.

Accountability

The Board provides shareholders with a comprehensive and balanced assessment of the Group's performance, position and prospects on a quarterly basis when it releases its results through the SGXNet and the Company's website.

Financial results for the first three quarters are released no later than 45 days from the end of the quarter. Annual financial results for the full year are released within 60 days from the financial year-end.

Other price sensitive information is disseminated to shareholders through announcements via SGXNet, press releases and the Company's website. The Company's Annual Report is also accessible on the Company's website.

CORPORATE GOVERNANCE

Management provides the Board with management accounts on a quarterly basis and as the Board may require from time to time. Such reports enable the Board members to make a balanced and informed assessment of the Group's performance, position and prospects.

Audit Committee

The Audit Committee comprises Mr Teng Cheong Kwee as Chairman, Mr Ong Beng Kee, Mr Hee Theng Fong and Mr Tan Seow Kheng as members, the majority of whom, including the Chairman, are independent. The majority of the Audit Committee, including the Chairman, has accounting or related financial management expertise or experience. None of the Audit Committee members were previous partners or directors of the Company's external auditor, Ernst & Young LLP, within the last 12 months or hold any financial interest in the external auditor.

The Audit Committee is guided by its terms of reference which sets out its responsibilities. The terms of reference are in line with the 2012 CG Code.

The Audit Committee performs the following principal duties:

- assists the Board of Directors in the discharge of its responsibilities on financial and accounting matters;
- reviews the audit plans, scope of work, results and quality of audits carried out by internal and external auditors;
- reviews the co-operation given by Management to the external and internal auditors;
- reviews significant financial reporting issues and judgements relating to financial statements for each financial year, quarterly and annual financial statements and the auditor's report before submission to the Board of Directors for approval;
- reviews the integrity of any financial information presented to our shareholders;
- reviews the adequacy and effectiveness of the Group's system of risk management and internal controls, including financial, operational, compliance and information technology controls via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviews the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommends to the Board of Directors the appointment and re-appointment of external auditors, approves the compensation and terms of engagement of the external auditors;
- meets with the external and internal auditors without the presence of the Company's Management annually;
- reviews the effectiveness of the internal audit function;
- reviews the appointment, remuneration and resignation of the Head of Internal Audit;
- reviews interested person transactions, if any;
- reviews potential conflicts of interest, if any;

- reviews all hedging policies to be implemented, if any;
- investigates any matter within its terms of reference; and
- reviews the risk management structure and any oversight of risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board of Directors.

Apart from the duties listed above, the Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's results of operations and/or financial position. Each member of the Audit Committee shall abstain from voting on any resolution in respect of matters in which he is interested.

The Audit Committee met four times during the financial year under review.

During the year, the Audit Committee was also briefed on the new accounting standards that would impact the Group's consolidated financial statements by the external auditors at the Audit Committee meetings.

In the review of the financial statements, the Audit Committee has considered and reviewed the significant financial reporting issues and judgements relating to financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors and were reviewed by the Audit Committee:

Significant matters	How the Audit Committee reviewed these matters and what decisions were made
Goodwill Impairment	The Audit Committee considered the approach and methodology applied in performing the annual goodwill impairment assessment. It reviewed the key assumptions used in the discounted cash flow model such as discount rate and projected crude palm oil price. Goodwill impairment was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016.
Adoption of Amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer Plants*	The Audit Committee considered the appropriateness of the accounting treatment in relation to the adoption of the amendments to FRS 16 and FRS 41, including the approach for separating bearer plants from their agricultural produce. The Audit Committee also reviewed the impact of the adoption of these amendments, which resulted in material adjustments to certain account balances, including the restatement of comparatives. Adoption of the amendments to FRS 16 and FRS 41 was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016.

Significant matters	How the Audit Committee reviewed these matters and what decisions were made
Valuation of Biological Assets	The Audit Committee considered the approach and methodology applied to the valuation of biological assets, including the reasonableness of the projected harvest quantities used in measuring the fair value of the agricultural produce growing on bearer plants. Valuation of biological assets was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016.
Deferred Tax Assets	The Audit Committee considered the appropriateness of the accounting treatment in relation to the recognition of deferred tax assets, which took into consideration forecast of future profitability in determining recoverability of the deferred tax assets through taxable income in future years. Deferred tax assets was also an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016.

Following the review, the Audit Committee recommended to the Board to approve the financial statements for the financial year ended 31 December 2016.

The Audit Committee has full access to and co-operation of Management. The Audit Committee also has full discretion to invite any Director or executive officer to attend its meetings and has been given adequate resources to discharge its functions. During the year, the Audit Committee met with the external and internal auditors without the presence of Management.

The Audit Committee has undertaken a review of the nature and extent of all non-audit services provided by the external auditors during the financial year and is satisfied that such services has not, in the Audit Committee's opinion, compromised the independence of the external auditors. The aggregate amount and breakdown of the audit and non-audit fees paid/payable to the external auditors is found in Note 7 "General and Administrative Expenses" in the Financial Statements of this Annual Report. The external auditors have also affirmed their independence in their report to the Audit Committee. Accordingly, the Audit Committee has recommended the re-appointment of the external auditors at the AGM of the Company.

The Company is in compliance with the requirements under SGX-ST Listing Manual Rules 712 and 715(1) on the appointment of a same auditing firm in Singapore to audit its accounts and the accounts of its subsidiaries and significant associated companies and Rule 715(2) on the appointment of a suitable auditing firm for its foreign incorporated subsidiaries and associated companies.

The Company has a Code of Conduct which serves as a general guideline for Management and employees in conducting their duties and responsibilities ethically. It outlines corporate values and ethical standards which are in line with the Group's vision and mission. Areas covered under the Code of Conduct include professionalism and work ethics, conflict of interest, political impartiality, anti-corruption and zero tolerance on fraud. All our employees will have to comply with applicable country laws, regulations and legal requirements. Any breach of the Code of Conduct can result in disciplinary action in accordance with the prevailing laws and regulations as well as termination of employment. The Code of Conduct is disseminated to employees, suppliers and other business partners.

CORPORATE GOVERNANCE

The Company has put in place a whistle blowing policy, endorsed by the Audit Committee, which provides for a mechanism by which employees and other persons may, in confidence, raise concerns about possible unethical conduct and improprieties in financial reporting or other matters without fear of reprisal or concerns. All information received will be treated with confidentiality and anonymous reporting is accepted. Concerns raised are objectively assessed and independently investigated and where appropriate, follow-up remedial and corrective actions will be taken. Whistleblowing matters, where substantiated and material, are reported to the Audit Committee. The Audit Committee ensures that independent investigations and any appropriate follow-up actions are carried out. Details of this policy, including the different modes of reporting via an internal compliance hotline and email address, have been disseminated and made available to all employees.

Risk Management

The Board, through the Audit Committee, reviews the adequacy of the Group's risk management process to ensure that robust risk management and internal control systems are in place to manage risks in a way that is aligned with the Group's risk tolerance. The Company has put in place a Group Risk Management Framework to enhance its risk management process. The Framework lays out the processes for the identification of key risks within the business and assessment of the operating effectiveness of the Company's internal controls and also outlines the Group's risk tolerance levels. As part of the Framework, the Company maintains a risk register which identifies the key risks of the Group as well as the corresponding internal controls and action plans in place to manage or mitigate those risks. Risk registers are maintained and reviewed by Management on a regular basis and the overall findings reported to the Audit Committee annually.

The Company has identified and reviewed its key risks to assess the adequacy and effectiveness of the Company's risk management and internal control systems, specifically on financial, operational, compliance and information technology risks. Apart from the Group's risk management process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before the transaction is embarked on. The Board, through the Audit Committee, will continuously identify, review and monitor the key risks, control measures and management actions as part of the risk management process.

Some of these risks are discussed in Note 39 "Financial Risk Management Objectives and Policies" in the Financial Statements of this Annual Report.

Internal Controls

The Company's internal auditors conducts independent reviews of the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls addressing the key risks identified in the overall risk framework of the Group. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the Audit Committee. The Audit Committee also reviews the effectiveness of the actions taken by Management on the recommendations made by the internal auditors in this respect.

In the course of the statutory audit, the Company's external auditors will highlight any material internal control weaknesses which have come to their attention in the course of carrying out their audit procedures, which are designed primarily to enable them to express their opinion on the financial statements. Such material internal control weaknesses noted during their audit, and recommendations, if any, by the external auditors are reported to the Audit Committee.

The Board has received assurance from the CEO and Vice President of Finance:

- that the financial records have been properly maintained and the financial statements for the year ended 31 December 2016 give a true and fair view of the Company's operations and finances; and

- regarding the effectiveness of the Company's risk management and internal control systems.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, as well as the assurance from the CEO and Vice President of Finance, the Board, with the concurrence of the Audit Committee, is of the view that the Company's system of risk management and internal controls were adequate and effective as at 31 December 2016 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

The system of risk management and internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Internal Audit

The Company has established an in-house Internal Audit ("IA") function that is independent of the activities that it audits. The IA function reports to the Audit Committee functionally and to the CEO administratively.

The IA function adopts a risk-based approach in formulating the annual audit plan which aligns its activities to the key risks across the Group's business. The reviews performed by the internal auditors are aimed at assisting the Board in evaluating the adequacy and effectiveness of risk management, controls and governance processes.

During the year, the IA function conducted its audit reviews based on the annual audit plan which was approved by the Audit Committee. Each quarter, the IA function would submit a report to the Audit Committee on the key audit findings and actions to be taken by Management on such findings. Key findings are also highlighted at Audit Committee Meetings for discussion and follow up actions. The Audit Committee monitors the timely and proper implementation of the required corrective, preventive or improvement measures to be undertaken by Management.

To ensure that audits are performed effectively, the Group employs suitably qualified professional staff with the relevant experience. The Audit Committee is satisfied that the IA function is adequately resourced and has the appropriate standing within the Company. The Audit Committee has also reviewed and is satisfied with the adequacy and effectiveness of the IA function.

Communication with Shareholders

The Company is committed to treat all shareholders fairly and equitably, through an open and non-discriminatory communication. The Company keeps its shareholders adequately informed of the changes in its business performance and prospects which may materially affect the price or value of the Company's shares.

CORPORATE GOVERNANCE

We convey material information via the SGXNet on a timely basis. Apart from the SGXNet, the investment community can also access announcements, quarterly results, annual reports, investor presentations, production updates and other corporate information on the dedicated Investor Relations section of our corporate website at www.first-resources.com. Our announcements are also disseminated by electronic mail to our subscribers in the form of news alerts, allowing investors to keep abreast of our latest performance and developments.

The Company has a dedicated investor relations ("IR") team which focuses on maintaining frequent interactions with the investment community in the form of meetings, investor roadshows, conference calls and results briefings. During the year, the IR team engaged close to 150 equity and fixed income investors in meetings and conference calls in Singapore, Malaysia and Hong Kong.

In addition, our IR team attends to queries or concerns from the investment community in a timely manner. Feedback and views received from them are also conveyed to Management by the IR team.

We conduct quarterly results briefings with analysts using the quarterly results materials which are posted on our corporate website. At such briefings, Management, together with the IR team, openly communicates the Group's financial and operational performances, business growth strategies as well as developments and initiatives on the sustainability front.

In recent years, sustainability-related topics have generated much interest from the investment community. The IR team works closely with the Group's Sustainability team to communicate the implementation progress of our Policy on Sustainable Palm Oil, as well as the related developments and new initiatives, to our stakeholders.

All shareholders receive the Annual Report and the notice of AGM. The notice of AGM is also released via SGXNet, published in local newspapers and uploaded on the corporate website. At each AGM, the CEO delivers a presentation to update shareholders on the Group's performance over the past year. Shareholders are given the opportunity to direct questions and concerns to the Directors, Management and external auditors before voting on the proposed resolutions. Shareholders are allowed to vote in person or by proxy if they are unable to attend the AGM. At the AGM, each distinct issue is proposed as a separate resolution.

The Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders.

Voting at general meetings of shareholders were conducted by poll thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis.

In support of greater transparency and a more efficient voting process, voting will be conducted by electronic poll at the forthcoming AGM in April 2017, where the results of all votes for and against each resolution will be instantaneously displayed at the meeting. The voting results will also be announced via SGXNet following the AGM.

Dealing in Securities

The Company has adopted and issued an internal compliance code on securities trading, which provides guidance and internal regulations pertaining to dealings in the Company's securities by its Directors and officers. The Company's internal code prohibits its Directors and officers from dealing in the Company's securities during the "closed period", which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year, and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results. Directors and officers are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group and on short-term considerations.

In addition, Directors are required to report to the Company Secretary whenever they deal in the Company's securities and the latter will make the necessary announcements in accordance with the requirements of SGX-ST.

Interested Person Transactions

The Company has in place procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee for its review.

Details of interested person transactions for the financial year ended 31 December 2016 as required under Rule 907 of the SGX-ST Listing Manual are set out as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
Associates of Eight Capital Inc.	19,296	Not Applicable
Associates of Ciliandra Fangiono	301	Not Applicable

The Audit Committee has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The Audit Committee and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

The Company does not have a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual.

Material Contracts

Save as disclosed, there are no other material contracts entered into by the Company and its subsidiaries involving the interest of the CEO, Director or controlling shareholder, which are either subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2015.

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DIRECTORS' STATEMENT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheets and statements of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

Directors

The directors of the Company in office at the date of this statement are:

Lim Ming Seong
Ciliandra Fangiono
Fang Zhixiang
Teng Cheong Kwee
Ong Beng Kee
Hee Theng Fong
Ng Shin Ein
Tan Seow Kheng

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Lim Ming Seong	100,000	50,000	–	50,000
Ng Shin Ein	38,000	38,000	–	–
Tan Seow Kheng	30,000	30,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Share Option Scheme and Performance Share Plan

The Company has a Share Option Scheme and a Performance Share Plan which are administered by a committee comprising the members of the Remuneration and Nominating Committees (the "Administration Committee"), namely Messrs Lim Ming Seong, Teng Cheong Kwee, Hee Theng Fong, Ng Shin Ein and Ciliandra Fangiono. Details of the Share Option Scheme and Performance Share Plan are as follows:

(a) First Resources Share Option Scheme

(i) The First Resources Share Option Scheme (the "Share Option Scheme") was approved on 14 November 2007. Employees (including executive directors) of the Company and its subsidiaries and associated companies over which the Group has control (the "Participants") are eligible to participate in the Share Option Scheme at the absolute discretion of the Administration Committee.

(ii) The aggregate number of new shares issued and issuable and/or transferred and transferable in respect of all options granted under the Share Option Scheme, and under any such other share-based incentive schemes of the Company, shall not exceed 15% of the total issued shares (including treasury shares) on the day preceding the date of the relevant grant.

(iii) Options may be granted from time to time during the year when the Share Option Scheme is in force, except that options shall only be granted after the second market day from the date on which an announcement of any matter of an exceptional nature involving unpublished price sensitive information is released.

(iv) No options have been granted to the Participants under the Share Option Scheme since the commencement of the scheme till the end of the financial year ended 31 December 2016.

Share Option Scheme and Performance Share Plan (cont'd)

(b) First Resources Performance Share Plan

(i) The First Resources Performance Share Plan (the "Performance Share Plan") was approved on 14 November 2007. The Company would at its discretion and on a free-of-charge basis, grant awards which represent a specified number of fully paid shares in the share capital of the Company or its equivalent cash value or combinations thereof. The awards will vest only after satisfactory completion of prescribed performance targets and/or time based service conditions. Upon the vesting of an award, the participants may receive any or a combination of the following:

- New ordinary shares credited as fully paid;
- Existing shares repurchased from open market; and/or
- Cash equivalent value of such shares.

(ii) The following persons (collectively known as the "Participants") shall be eligible to participate in the Performance Share Plan subject to the absolute discretion of the Administration Committee:

- Employees (including executive directors) and non-executive directors of the Company and its subsidiaries and associated companies over which the Group has control.

- Controlling shareholders and their associates as defined by the Listing Manual who have contributed to the success and development of the Group, provided that each of their participation and actual number of shares to be awarded to them must be approved by independent shareholders.

(iii) The aggregate number of new shares which may be issued and/or transferred pursuant to awards granted under the Performance Share Plan, when added to the total number of shares issued and issuable and/or transferred and transferable in respect of all options granted under the Share Option Scheme, shall not exceed 15% of the total issued shares (including treasury shares) on the day preceding the date of the relevant award.

The aggregate number of shares available to the controlling shareholders shall not exceed 25% of the shares available under the Performance Share Plan. The number of shares available to each controlling shareholder shall not exceed 10% of the shares available under the Performance Share Plan.

(iv) No awards have been granted to the Participants under the Performance Share Plan since the commencement of the share plan till the end of the financial year ended 31 December 2016.

Audit Committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Act, including the following:

- assists the Board of Directors in the discharge of its responsibilities on financial and accounting matters;

- reviews the audit plans, scope of work, results and quality of audits carried out by internal and external auditors;

- reviews the co-operation given by Management to the external and internal auditors;

Audit Committee (cont'd)

- reviews significant financial reporting issues and judgements relating to financial statements for each financial year, quarterly and annual financial statements and the auditor's report before submission to the Board of Directors for approval;
- reviews the integrity of any financial information presented to our shareholders;
- reviews the adequacy and effectiveness of the Group's system of risk management and internal controls, including financial, operational, compliance and information technology controls via reviews carried out by the internal auditors, and taking into consideration the external auditors' findings arising from their annual audit;
- reviews the nature and extent of non-audit services provided by the external auditors yearly to determine their independence;
- recommends to the Board of Directors the appointment and re-appointment of external auditors, approves the compensation and terms of engagement of the external auditors;
- meets with the external and internal auditors without the presence of the Company's Management annually;
- reviews the effectiveness of the internal audit function;
- reviews the appointment, remuneration and resignation of the Head of Internal Audit;
- reviews interested person transactions, if any;
- reviews potential conflicts of interest, if any;
- reviews all hedging policies to be implemented, if any;
- investigates any matter within its terms of reference; and
- reviews the risk management structure and any oversight of risk management processes and activities to mitigate and manage risk at acceptable levels determined by the Board of Directors.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not compromise the independence of the external auditors. The AC has also conducted a review of interested person transactions.

During the financial year, the AC convened four meetings and had also met with the external and internal auditors without the presence of the Company's Management.

Further details regarding the AC are also disclosed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors,

Lim Ming Seong
Chairman

Ciliandra Fangiono
Chief Executive Officer

Singapore
27 March 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Resources Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (the "FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Goodwill Impairment

As at 31 December 2016, goodwill is carried at US$87.3 million which represents 7% of the total non-current assets and 9% of total equity. As part of the requirement under FRS 36 to assess goodwill impairment annually, management has prepared a discounted cash flow model to determine the recoverable value of the goodwill using the value in use method. The audit procedures over management's annual impairment test were significant to our audit because the assessment process is complex, involved significant management judgement and estimates, and is based on a number of key assumptions as disclosed in Note 16 to the financial statements.

We reviewed the discounted cash flow model to assess the appropriateness of the methodology and reasonableness of assumptions made by management. We compared operational assumptions against historical data to assess their reasonableness. Further, we considered the robustness of management's budgeting process by comparing the actual results versus previously forecasted figures. We also assessed whether the future cash flows were based on the financial budgets approved by the Board of Directors and reviewed management's analysis of the sensitivity of the value in use amounts to changes in the respective assumptions. Given the complexity, we have engaged our internal valuation specialists to assist us in performing some of these procedures which include reviewing certain assumptions used by management such as discount rate and projected CPO price.

We also focused on the adequacy of the note disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The note disclosures on goodwill, key assumptions and sensitivities are included in Note 16 to the financial statements.

Adoption of Amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture – Bearer Plants

Following the amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer Plants* ("Amendments"), biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Under the standard, such bearer plants will be accounted under FRS 16 and has to be measured at accumulated cost (before maturity) using either the cost model or revaluation model (after maturity). Agricultural produce that grows on bearer plants will remain within the scope of FRS 41 and continues to be measured at fair value less costs to sell.

We considered the audit of this adoption to be a key audit matter as the adoption of these amendments resulted in material adjustments to certain account balances, including the restatement of comparatives. Previously, the Group's bearer plants and their agricultural produce were accounted for as a single asset measured at fair value less costs to sell in accordance with FRS 41. Based on the adoption of these amendments on 1 January 2016, the Group's total assets and deferred tax liabilities decreased by US$358.7 million and US$87.7 million respectively, with a corresponding decrease to total equity of US$271.0 million. In addition, the Group has also restated the comparatives as disclosed in Note 2.2 to the financial statements.

We obtained an understanding of management's process for separating bearer plants from their agricultural produce. With respect to bearer plants, we obtained an understanding of management's identification of the costs that can be capitalised and have test-checked the cost of the bearer plants to supporting documents. For the agricultural produce, details of our audit procedures are in the "Valuation of Biological Assets" paragraph below. We assessed whether the adjustments to the respective account balances have been made in accordance with the requirements set out in the Amendments. We also assessed the adequacy of the disclosures related to the adoptions of these Amendments in Note 2.2 to the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Valuation of Biological Assets

As at 31 December 2016, the fair value of biological assets amounted to US$24.6 million. The biological assets are related to agricultural produce growing on bearer plants which are referred to as Fresh Fruit Bunches ("FFB"). The valuation of biological assets is significant to our audit because it involved significant judgment and is dependent on the biological transformation and projected harvest quantities of agricultural produce. As such, we have identified this as a key audit matter.

Our audit procedures included obtaining an understanding of management's fair value methodologies used to measure the fair value of these produce and assessing the reasonableness of the significant assumptions used in the valuation. We compared the projected harvested quantities to historical records and the market price of FFB to available index price set by the local government in Indonesia. We also checked the production data subsequent to year end to assess the reasonableness of the FFB quantities estimated and recorded by management at year-end. In addition, we assessed the adequacy of the disclosures related to valuation of biological assets in Notes 19 and 38(d) to the financial statements.

Deferred Tax Assets

As at 31 December 2016, the Group has recognised deferred tax assets ("DTA") of US$41.2 million. The valuation of the DTA is significant to our audit because of the complexity of the estimation process which involved significant management judgment given that it depends on management's forecast of the future profitability.

Our audit procedures included comparing the consistency of management's profit forecasts with those included in the financial budgets approved by the Board of Directors. We assessed management's assumptions by comparing forecasted results against actual results to determine the probability that DTA will be recovered through taxable income in future years. We corroborated these assumptions with supporting evidence such as comparison with historical trends and developments in the business. We also assessed the adequacy of the disclosures in Note 9 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FIRST RESOURCES LIMITED (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner in this independent auditor's report is Low Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	2016 US$'000	2015 (Restated) US$'000
Sales	4	575,234	453,674
Cost of sales	5	(307,971)	(221,961)
Gross profit		267,263	231,713
Gains arising from changes in fair value of biological assets	19	13,184	689
Selling and distribution costs	6	(41,747)	(31,160)
General and administrative expenses	7	(29,436)	(29,885)
Other operating expenses		(1,559)	(1,536)
Profit from operations		207,705	169,821
Gains/(losses) on foreign exchange		208	(1,718)
Gains on derivative financial instruments		289	79
Net financial expenses	8	(24,345)	(21,700)
Other non-operating expenses		(785)	(1,649)
Profit before tax		183,072	144,833
Tax expense	9	(51,279)	(45,175)
Profit for the year		131,793	99,658
Profit attributable to:			
Owners of the Company		125,373	95,653
Non-controlling interests		6,420	4,005
		131,793	99,658
Earnings per share attributable to owners of the Company (US Cents)			
- Basic	10	7.91	6.04
- Diluted	10	7.91	6.04

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	2016 US$'000	2015 (Restated) US$'000
Profit for the year	131,793	99,658
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Remeasurement (losses)/gains on defined benefits plan	(12)	1,924
Income tax effect	22	(481)
	10	1,443
Items that may be reclassified subsequently to profit or loss		
Fair value losses on cash flow hedges	(8,360)	(107,672)
Fair value losses on cash flow hedges transferred to the income statement	21,866	105,882
Foreign currency translation	31,629	(117,993)
Income tax effect	(2,456)	7,226
	42,679	(112,557)
Other comprehensive income for the year, net of tax	42,689	(111,114)
Total comprehensive income for the year	174,482	(11,456)
Total comprehensive income attributable to:		
Owners of the Company	166,915	(11,395)
Non-controlling interests	7,567	(61)
	174,482	(11,456)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2016

		Group			Company	
		31 Dec 2016	31 Dec 2015 (Restated)	1 Jan 2015 (Restated)	31 Dec 2016	31 Dec 2015
	Note	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current assets						
Bearer plants	11	623,176	599,264	569,157	–	–
Plasma plantation receivables	12	80,159	59,832	59,206	–	–
Property, plant and equipment	13	328,618	325,111	338,415	6,758	7,978
Land use rights	14	40,584	40,153	46,139	–	–
Investment in subsidiaries	15	–	–	–	523,527	523,527
Goodwill	16	87,313	85,041	60,994	–	–
Other intangible assets	17	22,564	22,301	24,932	15	171
Tax recoverable		40,586	37,626	13,431	–	–
Deferred tax assets	9	41,207	26,409	16,652	19	–
Other non-current assets		432	941	2,094	–	–
Total non-current assets		1,264,639	1,196,678	1,131,020	530,319	531,676
Current assets						
Biological assets	19	24,556	11,199	11,678	–	–
Inventories	20	78,203	67,903	48,563	–	–
Trade receivables	21	23,613	29,317	29,769	–	2,839
Other receivables	22	11,986	10,502	9,312	1,869	4,717
Derivative financial assets	18	1,933	79	–	–	–
Advances for purchase of property, plant and equipment	23	9,662	3,353	4,235	–	–
Other advances and prepayments	23	3,130	4,108	2,188	379	315
Prepaid taxes		23,584	39,660	29,926	–	–
Restricted cash balances	24	150,312	143,491	59,460	149,367	142,757
Cash and cash equivalents	24	107,933	61,925	291,456	377,504	373,022
Total current assets		434,912	371,537	486,587	529,119	523,650
Total assets		1,699,551	1,568,215	1,617,607	1,059,438	1,055,326

BALANCE SHEETS

As at 31 December 2016

	Note	Group 31 Dec 2016 US$'000	Group 31 Dec 2015 (Restated) US$'000	Group 1 Jan 2015 (Restated) US$'000	Company 31 Dec 2016 US$'000	Company 31 Dec 2015 US$'000
Current liabilities						
Trade payables	25	26,056	24,965	20,075	60	16
Other payables and accruals	26	30,912	25,763	36,884	8,634	8,405
Advances from customers	27	660	232	2,071	–	–
Loans and borrowings from financial institutions	28	1,672	28,667	10,946	–	–
Islamic medium term notes	29	222,542	–	–	222,542	–
Derivative financial liabilities	18	101,329	–	–	99,294	–
Provision for tax		18,122	11,718	18,315	499	164
Total current liabilities		401,293	91,345	88,291	331,029	8,585
Non-current liabilities						
Loans and borrowings from financial institutions	28	1,346	2,038	2,740	–	–
Islamic medium term notes	29	222,291	464,344	569,433	222,291	464,344
Derivative financial liabilities	18	109,430	199,955	91,198	109,430	199,955
Provision for post-employment benefits	30	16,537	13,649	13,413	–	–
Deferred tax liabilities	9	22,471	22,493	24,160	–	349
Total non-current liabilities		372,075	702,479	700,944	331,721	664,648
Total liabilities		773,368	793,824	789,235	662,750	673,233
Net assets		926,183	774,391	828,372	396,688	382,093
Equity						
Share capital	31	394,913	394,913	394,913	394,913	394,913
Differences arising from restructuring transactions involving entities under common control	32	35,016	35,016	35,016	–	–
Other reserves	33	(382,271)	(423,798)	(315,356)	(2,595)	(14,513)
Retained earnings		833,515	729,940	674,245	4,370	1,693
Equity attributable to owners of the Company		881,173	736,071	788,818	396,688	382,093
Non-controlling interests		45,010	38,320	39,554	–	–
Total equity		926,183	774,391	828,372	396,688	382,093

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital US$'000 (Note 31)	Differences arising from restructuring transactions involving entities under common control US$'000 (Note 32)	Other reserves US$'000 (Note 33)	Retained earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
Group							
2016							
At 1 January 2016 (As previously reported)	394,913	35,016	(532,116)	1,097,570	995,383	50,033	1,045,416
Cumulative effect of adopting amendments to FRS 16 & FRS 41 (Note 2.2)	–	–	108,318	(367,630)	(259,312)	(11,713)	(271,025)
At 1 January 2016 (As restated)	394,913	35,016	(423,798)	729,940	736,071	38,320	774,391
Profit for the year	–	–	–	125,373	125,373	6,420	131,793
Other comprehensive income							
Remeasurement gains/ (losses) on defined benefits plan	–	–	–	15	15	(5)	10
Net change in fair value of cash flow hedges	–	–	13,344	–	13,344	–	13,344
Foreign currency translation	–	–	28,183	–	28,183	1,152	29,335
Other comprehensive income for the year, net of tax	–	–	41,527	15	41,542	1,147	42,689
Total comprehensive income for the year	–	–	41,527	125,388	166,915	7,567	174,482
Distributions to owners							
Dividends paid	–	–	–	(21,813)	(21,813)	(877)	(22,690)
Total transactions with owners in their capacity as owners	–	–	–	(21,813)	(21,813)	(877)	(22,690)
At 31 December 2016	394,913	35,016	(382,271)	833,515	881,173	45,010	926,183

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital	Differences arising from restructuring transactions involving entities under common control	Other reserves	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	US$'000 (Note 31)	US$'000 (Note 32)	US$'000 (Note 33)	US$'000	US$'000	US$'000	US$'000
Group							
2015							
At 1 January 2015 (As previously reported)	394,913	35,016	(396,366)	1,029,626	1,063,189	52,561	1,115,750
Cumulative effect of adopting amendments to FRS 16 & FRS 41 (Note 2.2)	–	–	81,010	(355,381)	(274,371)	(13,007)	(287,378)
At 1 January 2015 (As restated)	394,913	35,016	(315,356)	674,245	788,818	39,554	828,372
Profit for the year	–	–	–	95,653	95,653	4,005	99,658
Other comprehensive income							
Remeasurement gains on defined benefits plan	–	–	–	1,394	1,394	49	1,443
Net change in fair value of cash flow hedges	–	–	(1,790)	–	(1,790)	–	(1,790)
Foreign currency translation	–	–	(106,652)	–	(106,652)	(4,115)	(110,767)
Other comprehensive income for the year, net of tax	–	–	(108,442)	1,394	(107,048)	(4,066)	(111,114)
Total comprehensive income for the year	–	–	(108,442)	97,047	(11,395)	(61)	(11,456)
Distributions to owners							
Dividends paid	–	–	–	(41,352)	(41,352)	(1,173)	(42,525)
Total transactions with owners in their capacity as owners	–	–	–	(41,352)	(41,352)	(1,173)	(42,525)
At 31 December 2015	394,913	35,016	(423,798)	729,940	736,071	38,320	774,391

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Share capital US$'000 (Note 31)	Other reserves US$'000 (Note 33)	Retained earnings US$'000	Total equity US$'000
Company				
2016				
At 1 January 2016	394,913	(14,513)	1,693	382,093
Profit for the year	–	–	24,490	24,490
Other comprehensive income				
Net change in fair value of cash flow hedges	–	11,918	–	11,918
Total comprehensive income for the year	–	11,918	24,490	36,408
Distributions to owners				
Dividends paid (Note 42)	–	–	(21,813)	(21,813)
Total transactions with owners in their capacity as owners	–	–	(21,813)	(21,813)
At 31 December 2016	394,913	(2,595)	4,370	396,688
2015				
At 1 January 2015	394,913	(12,723)	3,115	385,305
Profit for the year	–	–	39,930	39,930
Other comprehensive income				
Net change in fair value of cash flow hedges	–	(1,790)	–	(1,790)
Total comprehensive income for the year	–	(1,790)	39,930	38,140
Distributions to owners				
Dividends paid (Note 42)	–	–	(41,352)	(41,352)
Total transactions with owners in their capacity as owners	–	–	(41,352)	(41,352)
At 31 December 2015	394,913	(14,513)	1,693	382,093

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	2016 US$'000	2015 (Restated) US$'000
Cash flows from operating activities		
Profit before tax	183,072	144,833
Adjustments for:		
Depreciation of bearer plants and property, plant and equipment	54,958	48,087
Amortisation of land use rights and intangible assets	1,866	1,896
Gains on disposal of bearer plants and property, plant and equipment	(1,211)	(184)
Financial expenses	25,868	25,266
Interest income	(1,523)	(3,566)
Gains on derivative financial instruments	(289)	(79)
Gains arising from changes in fair value of biological assets	(13,184)	(689)
Operating cash flows before changes in working capital	249,557	215,564
Changes in working capital:		
Inventories	(8,390)	(25,391)
Receivables and other assets	10,719	(18,086)
Payables and other liabilities	10,094	(7,036)
Unrealised translation differences	(609)	1,667
Cash flows generated from operations	261,371	166,718
Financial expenses paid	(27,079)	(24,409)
Interest income received	1,458	3,358
Tax paid	(49,134)	(74,839)
Net cash generated from operating activities	186,616	70,828

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	2016 US$'000	2015 (Restated) US$'000
Cash flows from investing activities		
Capital expenditure on bearer plants	(44,070)	(73,452)
Capital expenditure on property, plant and equipment	(24,618)	(39,396)
Payment of advances for purchase of property, plant and equipment	(9,756)	(3,449)
Development costs on plasma plantations	(7,357)	(1,087)
Proceeds from plasma plantation receivables	3,977	240
Acquisition of land use rights	(893)	(38)
Acquisition of other intangible assets	(28)	(137)
Proceeds from disposal of bearer plants and property, plant and equipment	1,729	368
Net cash outflow on acquisition of subsidiaries	–	(71,706)
Net cash used in investing activities	(81,016)	(188,657)
Cash flows from financing activities		
Proceeds from bank loans	–	27,537
Repayment of bank loans	(27,677)	(7,467)
Payment of obligations under finance leases	(2,576)	(3,047)
Increase in restricted cash balances	(6,821)	(84,031)
Dividends paid	(22,690)	(42,525)
Net cash used in financing activities	(59,764)	(109,533)
Net increase/(decrease) in cash and cash equivalents	45,836	(227,362)
Effect of exchange rate changes on cash and cash equivalents	172	(2,169)
Cash and cash equivalents at 1 January	61,925	291,456
Cash and cash equivalents at 31 December (Note 24)	107,933	61,925

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. GENERAL

(a) *Corporate information*

First Resources Limited (the "Company") is a limited liability company, which is incorporated and domiciled in the Republic of Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's immediate and ultimate holding company is Eight Capital Inc., which is incorporated in the British Virgin Islands.

The registered office and principal place of business of the Company is located at 8 Temasek Boulevard, #36-02, Suntec Tower Three, Singapore 038988.

The principal activities of the Company are those of investment holding, general trading and the provision of technical assistance to its subsidiaries. The principal activities of the subsidiaries are as disclosed in Note 1(b).

(b) *Subsidiaries*

The details of the Group's subsidiaries are as follows:

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest	
			2016 %	2015 %
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP") [8]	Indonesia	Oil palm plantation	95.51	95.51
PT Meridan Sejati Surya Plantation ("PT MSSP") [8]	Indonesia	Oil palm plantation	93.56 [1]	93.56 [1]
PT Borneo Ketapang Permai ("PT BKP") [8]	Indonesia	Oil palm plantation	99.76 [2]	99.76 [2]
PT Adhitya Seraya Korita ("PT ASK") [8]	Indonesia	Palm oil refining and palm kernel crushing	95.00	95.00
First Resources Trading Pte. Ltd. ("FRTPL")	Singapore	Marketing and distribution of palm oil products	100.00	100.00
Lynhurst Investment Pte. Ltd. ("Lynhurst")	Singapore	Investment holding	100.00	100.00
Pacific Agri Resources Pte. Ltd. ("PAR")	Singapore	Investment holding	100.00	100.00
PT Falcon Agri Persada ("PT FAPE") [10]	Indonesia	Oil palm plantation	99.77 [3]	99.77 [3]

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2016 %	Effective group equity interest 2015 %
Indirect Ownership:				
Subsidiaries of PT CLP				
PT Pancasurya Agrindo ("PT PSA") [8]	Indonesia	Oil palm plantation	95.32 [4]	95.32 [4]
PT Surya Intisari Raya ("PT SIR") [8]	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP") [8]	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP") [8]	Indonesia	Oil palm plantation	95.44	95.44
PT Priatama Riau ("PT PTR") [8]	Indonesia	Oil palm plantation	95.44	95.44
PT Surya Dumai Agrindo ("PT SDA") [8]	Indonesia	Oil palm plantation	95.50	95.50
PT Panca Surya Garden ("PT PSG") [8]	Indonesia	Oil palm seed breeding	94.32	94.32
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") [8]	Indonesia	Investment holding	95.31	95.31
PT Muriniwood Indah Industry ("PT MII") [8]	Indonesia	Oil palm plantation	95.31	95.31
PT Kalimantan Green Persada ("PT KGP") [10]	Indonesia	Investment holding	95.23	95.23
PT Gerbang Sawit Indah ("PT GSI") [8]	Indonesia	Oil palm plantation	95.31	95.31
PT Matthew Air Nusantara ("PT MAN") [8]	Indonesia	Aircraft ownership and management	95.41 [5]	95.41 [5]
PT Setia Agrindo Jaya ("PT SAJ") [9]	Indonesia	Oil palm plantation	46.70	46.70
PT Karya Tama Bakti Mulia ("PT KTBM") [10]	Indonesia	Oil palm plantation	95.31	95.31

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2016 %	Effective group equity interest 2015 %
Indirect Ownership (cont'd):				
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM") (8)	Indonesia	Oil palm plantation	95.30	95.30
PT Arindo Trisejahtera ("PT ATS") (8)	Indonesia	Oil palm plantation	95.30	95.30
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") (8)	Indonesia	Oil palm plantation	95.92	95.92
PT Mitra Karya Sentosa ("PT MKS") (8)	Indonesia	Oil palm plantation	98.77	98.77
PT Umekah Saripratama ("PT USP") (8)	Indonesia	Oil palm plantation	98.07	98.07
PT Pulau Tiga Lestari Jaya ("PTLJ") (8)	Indonesia	Oil palm plantation	98.27	98.27
Subsidiaries of PT KGP				
PT Ketapang Agro Lestari ("PT KAL") (10)	Indonesia	Oil palm plantation	95.22	95.22
PT Borneo Persada Energy Jaya ("PT BPEJ") (10)	Indonesia	Oil palm plantation	95.22	95.22
PT Borneo Surya Mining Jaya ("PT BSMJ") (10)	Indonesia	Oil palm plantation	95.22	95.22
PT Borneo Damai Lestari ("PT BDL") (10)	Indonesia	Rubber plantation	95.22	95.22
PT Citra Agro Kencana ("PT CAK") (10)	Indonesia	Oil palm plantation	95.22	95.22
PT Borneo Persada Prima Jaya ("PT BPPJ") (10)	Indonesia	Rubber plantation	95.22	95.22
PT Maha Karya Bersama ("PT MKB") (10)	Indonesia	Oil palm plantation	95.22	95.22
PT Borneo Damai Lestari Raya ("PT BDLR") (10)	Indonesia	Rubber plantation	95.23 (6)	95.23 (6)

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2016 %	Effective group equity interest 2015 %
Indirect Ownership (cont'd):				
Subsidiaries of PT SAJ				
PT Citra Palma Kencana ("PT CPK") [9]	Indonesia	Oil palm plantation	46.70	46.70
PT Indo Manis Lestari ("PT IML") [9]	Indonesia	Oil palm plantation	46.70	46.70
PT Indogreen Jaya Abadi ("PT IJA") [9]	Indonesia	Oil palm plantation	46.70	46.70
PT Setia Agrindo Lestari ("PT SAL") [9]	Indonesia	Oil palm plantation	46.70	46.70
PT Setia Agrindo Mandiri ("PT SAGM") [9]	Indonesia	Oil palm plantation	46.70	46.70
Subsidiary of Lynhurst				
PT Swadaya Mukti Prakarsa ("PT SMP") [8]	Indonesia	Oil palm plantation	99.77 [7]	99.77 [7]

Notes:

(1) PT MSSP is 63.00% held by the Company and 32.00% held by PT CLP.
(2) PT BKP is 95.00% held by the Company and 5.00% held by PT SAM.
(3) PT FAPE is 95.00% held by the Company and 5.00% held by PT PSA.
(4) PT PSA is 62.00% held by PT CLP and 38.00% held by PT ASK.
(5) PT MAN is 51.00% held by PT PSA and 49.00% held by PT CLP.
(6) PT BDLR is 99.99% held by PT KGP and 0.01% held by PT BDL.
(7) PT SMP is 95.00% held by Lynhurst and 5.00% held by PT PSA.
(8) Audited by member firm of Ernst & Young Global in Indonesia.
(9) Audited by KAP Selamat Sinuraya & Rekan in Indonesia.
(10) Audited by KAP Johan Malonda in Indonesia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar ("USD" or "US$") and all values are rounded to the nearest thousand ("US$'000") except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company, except for amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer Plants* as indicated below.

Amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer Plants*

The Group adopted the amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer Plants* with effect from 1 January 2016. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) using the cost model (after maturity). The amendments also require that agricultural produce growing on bearer plants will remain within the scope of FRS 41 to be measured at fair value less costs to sell. We have applied these amendments retrospectively.

The effects of the amendments on the balance sheet of the Group are as follows:

Consolidated balance sheet:

	31 Dec 2015 (As previously reported)	31 Dec 2015 (Restated)	31 Dec 2014 (As previously reported)	1 Jan 2015 (Restated)
Bearer plants	–	599,264	–	569,157
Biological assets	969,196	11,199	961,083	11,678
Deferred tax liabilities	110,201	22,493	117,030	24,160
Total equity	1,045,416	774,391	1,115,750	828,372

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an investor and its Associate or Joint Venture*	Date to be determined

Management expects that the adoption of the above standards will have no material impact to the financial statements in the period of initial application, except for FRS 109 and FRS 116 as described below.

<u>FRS 109 *Financial Instruments*</u>

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Hedge accounting

The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect any significant impact on its equity.

The Group plans to adopt the new standard on the required effective date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to similar transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations

Other than business combinations involving entities under common control, business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.12(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations involving entities under common control

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as "Differences arising from restructuring transactions involving entities under common control". The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency

The financial statements are presented in USD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss of the Group.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss of the Group.

2.7 Biological assets

Biological assets relate to agricultural produce growing on bearer plants which is referred to as Fresh Fruit Bunches ("FFB") and are stated at fair value less costs to sell. Gains or losses arising from the changes in fair value less estimated costs to sell of FFB at each reporting date are included in profit or loss for the period in which they arise.

The fair value of biological assets is estimated by reference to the projected harvest quantities and market price of FFB as at the balance sheet date, net of maintenance and harvesting costs and estimated cost to sell.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold buildings and improvements	-	5 to 20 years
Machinery and installations	-	5 to 15 years
Farming and transportation equipment	-	5 to 20 years
Furniture, fittings, office equipment and others	-	3 to 5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 Bearer plants

Bearer plants primarily comprise of oil palm plantations and are measured at accumulated cost (before maturity) and at cost, less any subsequent accumulated depreciation and impairment losses (after maturity).

Upon maturity, bearer plants are depreciated on a straight-line basis over the estimated useful life of 20 years.

The carrying values of the bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate. Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the bearer plant is included in profit or loss in the year the asset is derecognised.

Cultivation of seedling is stated at cost. The accumulated cost will be reclassified to immature plantations at the time of planting.

Bearer plants also include land preparation costs which is the cost incurred to clear the land and to ensure that the plantations are in a state ready for the planting of seedlings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Land use rights

Hak Guna Usaha ("HGU") or *Right to Cultivate* and *Hak Guna Bangunan* ("HGB") or *Right to Build* are land rights that grant the registered holders of such rights use of the land for terms of 25 to 35 years, which can be extended for a further period of 25 years subject to agreement with the Government of Indonesia and payment of premium.

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over their terms of 25 to 35 years.

2.11 Plasma plantation receivables

In support of the Indonesian Government policy, the Group develops plasma plantations under the schemes of *Perkebunan Inti Rakyat Transmigrasi* ("PIR") and *Kredit Koperasi Primer untuk Anggotanya* ("KKPA") for farmers who are members of rural cooperatives unit, *Koperasi Unit Desa* ("KUD").

The Group assumes responsibility for developing oil palm plantations to the productive stage. When the plantation is at its productive stage, it is considered to be completed and is transferred to the plasma farmers (conversion of plasma plantations). All costs incurred will be reviewed by the relevant authorities and the Group will be reimbursed for all approved costs which are financed by KUD or a bank. Conversion value refers to the value reimbursed to the Group upon conversion of the plasma plantations.

The plasma farmers sell all harvest to the Group at a price determined by the Government, which approximates the market price. Part of the proceeds will be retained by the Group and used to pay KUD or the bank for the loan taken by the plasma farmers. In situations where the sales proceeds are insufficient to meet the repayment obligations to the banks, the Group also provides temporary funding to the plasma farmers.

Accumulated development costs net of reimbursements are presented in the balance sheet as "plasma plantation receivables". Any difference between the accumulated development costs of plasma plantations and their conversion value is charged to profit or loss. The plasma plantation receivables are assessed for impairment in accordance with Note 2.14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and adjusted prospectively.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement (cont'd)

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets when, and only when, there is a currently enforceable legal right to set off the recognised amounts and an intention to either settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.16 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost of palm based products, inventories for fertiliser, chemicals, spare parts and other consumables is determined using the weighted average method.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.19 Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

2.20 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2016 and 2015.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.24 Issuance costs on borrowings

Transaction costs directly attributable to the issuance of borrowings are deducted from the proceeds in the balance sheet as discounts and amortised over the maturity period using the effective interest method.

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.26 Treasury shares

The Company's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively.

2.27 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Defined benefit plans

The Group provides employee benefits as required under the Indonesian Labor Law No.13/2003. The cost of providing such benefits is determined using the projected unit credit actuarial valuation method, based on the report prepared by an independent firm of actuaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the defined benefit liability is the change during the period in the defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the defined benefit liability. Net interest on the defined benefit liability is recognised as expense in profit or loss.

Remeasurements comprising actuarial gains and losses (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.28 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Leases (cont'd)

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.29 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sales arising from physical delivery of palm based products is recognised when significant risks and rewards of ownership of goods are transferred to the customer, which generally coincide with their delivery and acceptance. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.30 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.30 Taxes (cont'd)

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax or Value-Added Tax ("VAT") except:

- where the sales tax or VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax or VAT included.

The net amount of sales tax or VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the balance sheet.

2.31 Segment reporting

For management purposes, the Group is organised into operating segments based on their products. Management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 41, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.32 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Capitalisation of borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. In determining the amount of borrowing costs to be capitalised, if any, judgement is required to determine the amount of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, judgement is also required to determine the extent of expenditure on that asset financed via general borrowings and those funded via cash generated from operating activities. The Group manages its cash and bank balances and liquidity requirements on a pooled basis, which includes the cash generated from operating activities during the year as well as the cash and bank balances available at the beginning of the year. During the financial years ended 31 December 2016 and 2015, borrowing costs incurred by the Group were not capitalised as part of bearer plants as they were assessed to be not directly attributable to the costs incurred for the development of oil palm plantations. In addition, as the development of oil palm plantations forms part of the pooled liquidity requirements of the Group, management has also applied judgement to estimate the extent of such development costs that may have been financed via general borrowings and concluded that the magnitude of general borrowing costs that may be capitalised as part of bearer plants is assessed to be not material to the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Biological assets

The Group carries its biological assets at fair value, with changes in fair value being recognised in profit or loss. The determination of the fair value of the biological assets requires the use of estimates on the projected harvest quantities and market price of FFB as at the balance sheet date. The carrying amount and key assumptions used to determine the fair value of the biological assets are further disclosed in Note 19 and Note 38(d) respectively.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other intangible assets with indefinite useful lives are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The value in use calculation is based on a discounted cash flow model. Management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 16.

The carrying amounts of the non-financial assets are disclosed in Notes 12, 13, 14, 15, 16 and 17 respectively.

(c) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the loans and receivables is disclosed in Note 37.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

The carrying amount of provision for tax as at 31 December 2016 is US$18.1 million (2015: US$11.7 million).

The carrying amounts of deferred tax assets and liabilities are disclosed in Note 9(c).

(e) Defined benefit plan

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, mortality rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is based on the yields of government bonds in the specific country with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases are based on management's projections, taking into consideration expected future inflation rates for the specific country.

The carrying amount of the provision for post-employment benefits, together with further details about the assumptions, is disclosed in Note 30.

4. SALES

	Group	
	2016 US$'000	2015 US$'000
Crude palm oil	57,471	146,176
Palm kernel	8,352	11,963
Fresh fruit bunches	10,998	6,351
Processed palm based products	498,413	289,184
	575,234	453,674

5. COST OF SALES

	Group	
	2016 US$'000	2015 (Restated) US$'000
Cost of inventories recognised as an expense	175,929	95,959
Depreciation of property, plant and equipment (Note 13)	50,974	43,965
Net employee benefit expense relating to defined benefit plans (Note 30)	2,640	1,999
Plantation, milling and processing costs	78,428	80,038
	307,971	221,961

6. SELLING AND DISTRIBUTION COSTS

	Group	
	2016 US$'000	2015 US$'000
Export taxes	19,838	11,640
Freight charges	18,172	14,829
Depreciation of property, plant and equipment (Note 13)	797	892
Others	2,940	3,799
	41,747	31,160

7. GENERAL AND ADMINISTRATIVE EXPENSES

The following items have been included in arriving at general and administrative expenses:

	Group	
	2016 US$'000	2015 US$'000
Audit fees paid to:		
- Auditors of the Company	152	170
- Other auditors	324	305
Non-audit fees paid to:		
- Auditors of the Company	138	146
- Other auditors	7	–
Salaries, bonuses and other benefits (including Central Provident Fund contributions)	17,000	15,165
Net employee benefit expense relating to defined benefit plans (Note 30)	876	1,954
Operating lease rental (Note 36(b))	526	547
Depreciation of property, plant and equipment (Note 13)	3,187	3,230
Amortisation of intangible assets (Note 13)	307	360
Directors' fees	333	327
Transaction costs incurred on acquisition of subsidiaries	–	57

8. NET FINANCIAL EXPENSES

	Group	
	2016 US$'000	2015 US$'000
Interest expenses and amortisation on loans and borrowings from financial institutions	1,828	1,292
Profit distribution and amortisation on Islamic medium term notes	24,040	23,974
	25,868	25,266
Interest income	(1,523)	(3,566)
	24,345	21,700

9. TAX EXPENSE

(a) *Major components of tax expense*

The major components of tax expense for the financial years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Income statement:		
Current income tax		
- Current year	62,276	50,988
- Under provision in respect of previous years	780	1,085
Deferred income tax		
- Origination and reversal of temporary differences	(20,151)	(11,221)
- Under provision in respect of previous years	5,084	–
Withholding tax	3,290	4,323
	51,279	45,175
Income tax related to other comprehensive income:		
Actuarial movements on defined benefits plan	(22)	481
Foreign currency translation	2,456	(7,226)
	2,434	(6,745)

(b) *Relationship between tax expense and accounting profit*

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Profit before tax	183,072	144,833
Tax expense at domestic rate applicable to profits in the countries where the Group operates	45,130	34,201
Adjustments:		
Non-deductible expenses	9,190	7,725
Income not subject to tax	(1,947)	(611)
Deferred tax assets not recognised	836	676
Benefits from previously unrecognised tax losses	(789)	–
Effect of tax incentives	(8,837)	(1,468)
Under provision in respect of previous years	5,864	1,085
Withholding tax, net	2,009	3,545
Others	(177)	22
Tax expense recognised in profit or loss	51,279	45,175

The corporate tax rate for companies in Singapore and Indonesia is 17% and 25% (2015: 17% and 25%) respectively.

9. TAX EXPENSE (CONT'D)

(c) *Deferred tax assets and liabilities*

Deferred 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 taxes relate to the same taxable entity and the same tax authority. The following amounts, determined after appropriate offsetting, were shown in the balance sheets:

	Group			Company	
	31 Dec 2016	31 Dec 2015 (Restated)	1 Jan 2015 (Restated)	31 Dec 2016	31 Dec 2015
	US$'000	US$'000	US$'000	US$'000	US$'000
Deferred tax assets	41,207	26,409	16,652	19	–
Deferred tax liabilities	(22,471)	(22,493)	(24,160)	–	(349)

Deferred tax assets and liabilities (prior to offsetting) comprise the following:

	Consolidated balance sheet			Consolidated income statement	
	31 Dec 2016	31 Dec 2015 (Restated)	1 Jan 2015 (Restated)	2016	2015 (Restated)
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
Deferred tax assets:					
Unutilised tax losses	26,213	26,879	16,560	1,398	(12,252)
Provisions	1,925	1,384	2,234	(541)	828
Post-employment benefits	3,553	2,960	2,909	(496)	(843)
Bearer plants	18,160	–	–	(18,336)	–
Others	3,934	2,372	2,563	(1,680)	106
	53,785	33,595	24,266		
Deferred tax liabilities:					
Biological assets	(6,139)	(2,800)	(2,919)	3,296	172
Differences in depreciation for tax purposes	(8,658)	(7,447)	(7,532)	1,190	666
Obligations under finance leases	(730)	(527)	(511)	191	60
Fair value adjustments on acquisition of subsidiaries	(17,022)	(16,579)	(18,384)	–	–
Others	(2,500)	(2,326)	(2,428)	(89)	42
	(35,049)	(29,679)	(31,774)		
Net deferred tax assets/(liabilities)	18,736	3,916	(7,508)		
Deferred income tax				(15,067)	(11,221)

9. TAX EXPENSE (CONT'D)

(c) *Deferred tax assets and liabilities (cont'd)*

	Balance sheet	
	2016 US$'000	2015 US$'000
Company		
Deferred tax assets:		
Provisions	198	179
	198	179
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(179)	(389)
Others	–	(139)
	(179)	(528)
Net deferred tax assets/(liabilities)	19	(349)

Unrecognised tax losses and tax credits

As at 31 December 2016, the Group has unrecognised tax losses and tax credits of US$7.3 million (2015: US$15.2 million) and US$357.7 million (2015: Nil) respectively. The related deferred tax assets of US$1.8 million (2015: US$3.8 million) and US$89.4 million (2015: Nil) attributable to such tax losses and tax credits respectively were not recognised due to uncertainty of their recoverability, especially the tax credits which can only be claimed over an extended number of years, subject to agreement of the tax authorities and compliance with certain provisions of the tax legislation of the country in which the companies operate. The tax losses will expire between 2017 and 2021 (2015: between 2016 and 2020).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2016 and 2015, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of these subsidiaries will not be distributed in the foreseeable future and such temporary differences for which no deferred tax liability has been recognised aggregate to US$1,125.2 million (2015: US$978.8 million). The related deferred tax liability is estimated to be US$112.5 million (2015: US$97.9 million).

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year after adjustment for the effects of all dilutive potential ordinary shares.

10. EARNINGS PER SHARE (CONT'D)

	Group	
	2016	2015 (Restated)
Profit for the year attributable to owners of the Company (US$'000)	125,373	95,653
Weighted average number of ordinary shares ('000)	1,584,073	1,584,073
Basic earnings per share (US Cents)	7.91	6.04

There are no dilutive potential ordinary shares as at 31 December 2016 and 2015.

11. BEARER PLANTS

Bearer plants primarily comprise of oil palm plantations.

	Group	
	2016 US$'000	2015 (Restated) US$'000
Cost		
At 1 January	717,597	679,318
Acquisition of subsidiaries	–	36,432
Additions	47,634	77,172
Disposals	(288)	–
Reclassification to plasma plantation receivables (Note 12)	(15,529)	(5,789)
Exchange differences	18,631	(69,536)
At 31 December	768,045	717,597
Accumulated depreciation		
At 1 January	118,333	110,161
Charge for the year (Note 13)	23,977	19,533
Disposals	(133)	–
Exchange differences	2,692	(11,361)
At 31 December	144,869	118,333
Net carrying amount	623,176	599,264

11. BEARER PLANTS (CONT'D)

	Group	
	2016	2015
Nucleus production volume (tonnes)		
FFB	2,367,767	2,530,357
Nucleus planted area (hectares)		
Mature	136,798	128,042
Immature*	47,565	55,127
	184,363	183,169

* *Immature planted area includes rubber plantations.*

The plantations have not been insured against the risks of fire, diseases and other possible risks.

	Group	
	2016 US$'000	2015 US$'000
Capital expenditure on bearer plants using cash	44,070	73,452
Capitalisation of depreciation on property, plant and equipment (Note 13)	3,564	3,720
	47,634	77,172

Assets pledged as security

As at 31 December 2016 and 2015, certain subsidiaries' bearer plants are pledged to secure loan facilities from banks in Indonesia (Note 28).

12. PLASMA PLANTATION RECEIVABLES

Movements in plasma plantation receivables during the reporting period are as follows:

	Group	
	2016 US$'000	2015 US$'000
At 1 January	59,832	59,206
Additional development costs	7,357	1,087
Payment of self-financing of receivables from plasma plantation	(3,977)	(240)
Reclassification from bearer plants (Note 11)	15,529	5,789
Exchange differences	1,418	(6,010)
At 31 December	80,159	59,832

Reclassification from bearer plants to plasma plantation receivables relates to costs incurred for development of plasma plantations previously capitalised under bearer plants, so as to be in line with the Indonesian Government's Ministry of Agriculture Regulation for plantation companies to develop plasma plantations for farmers in the local community who are members of rural cooperatives unit KUD.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and improvements US$'000	Machinery and installations US$'000	Farming and transportation equipment US$'000	Furniture, fittings, office equipment and others US$'000	Assets under construction US$'000	Total US$'000
Group						
Cost						
At 1 January 2015	194,939	170,556	61,101	8,886	47,064	482,546
Acquisition of subsidiaries	5,945	71	961	25	173	7,175
Additions	6,209	2,476	3,690	1,317	31,289	44,981
Disposals	–	(126)	(1,374)	(1)	(37)	(1,538)
Reclassifications	17,021	13,179	73	111	(30,384)	–
Exchange differences	(20,111)	(17,292)	(4,740)	(891)	(4,630)	(47,664)
At 31 December 2015 and 1 January 2016	204,003	168,864	59,711	9,447	43,475	485,500
Additions	4,430	855	3,445	839	19,536	29,105
Disposals	–	–	(1,050)	–	(37)	(1,087)
Reclassifications	28,933	15,860	23	192	(45,008)	–
Exchange differences	5,238	4,369	1,213	236	2,044	13,100
At 31 December 2016	242,604	189,948	63,342	10,714	20,010	526,618
Accumulated depreciation						
At 1 January 2015	54,521	53,766	30,967	4,877	–	144,131
Charge for the year	13,076	11,372	6,396	1,430	–	32,274
Disposals	–	(154)	(1,200)	–	–	(1,354)
Exchange differences	(5,783)	(5,789)	(2,623)	(467)	–	(14,662)
At 31 December 2015 and 1 January 2016	61,814	59,195	33,540	5,840	–	160,389
Charge for the year	14,228	12,312	6,498	1,507	–	34,545
Disposals	–	–	(724)	–	–	(724)
Exchange differences	1,461	1,615	557	157	–	3,790
At 31 December 2016	77,503	73,122	39,871	7,504	–	198,000
Net carrying amount						
At 31 December 2016	165,101	116,826	23,471	3,210	20,010	328,618
At 31 December 2015	142,189	109,669	26,171	3,607	43,475	325,111

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Transportation equipment	Furniture, fittings, office equipment and others	Total
	US$'000	US$'000	US$'000
Company			
Cost			
At 1 January 2015	13,606	217	13,823
Additions	–	33	33
Disposals	(154)	–	(154)
At 31 December 2015 and 1 January 2016	13,452	250	13,702
Additions	–	66	66
At 31 December 2016	13,452	316	13,768
Accumulated depreciation			
At 1 January 2015	4,337	190	4,527
Charge for the year	1,289	21	1,310
Disposals	(113)	–	(113)
At 31 December 2015 and 1 January 2016	5,513	211	5,724
Charge for the year	1,263	23	1,286
At 31 December 2016	6,776	234	7,010
Net carrying amount			
At 31 December 2016	6,676	82	6,758
At 31 December 2015	7,939	39	7,978

Additions to property, plant and equipment consist of:

	Group	
	2016 US$'000	2015 US$'000
Capital expenditure on property, plant and equipment using cash	24,618	39,396
Reclassification from advances for purchase of property, plant and equipment	3,476	3,934
Obligations under finance leases	1,011	1,651
	29,105	44,981

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets under construction

As at 31 December 2016 and 2015, the Group's assets under construction relate primarily to buildings and infrastructure, as well as machinery and installations.

Assets held under finance leases

As at 31 December 2016, the net carrying amount of property, plant and equipment held under obligations under finance leases amounted to US$4.1 million (2015: US$4.9 million).

Assets pledged as security

As at 31 December 2016 and 2015, certain subsidiaries' property, plant and equipment are pledged to secure loan facilities from banks in Indonesia (Note 28).

Depreciation and amortisation

The depreciation and amortisation charges for the financial years ended 31 December 2016 and 2015 are as follows:

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Depreciation of bearer plants (Note 11)	23,977	19,533
Depreciation of property, plant and equipment (Note 13)	34,545	32,274
Amortisation of land use rights (Note 14)	1,559	1,536
Amortisation of intangible assets (Note 17)	307	360
	60,388	53,703
Depreciation included in cost of sales (Note 5)	50,974	43,965
Depreciation included in selling and distribution costs (Note 6)	797	892
Depreciation included in general and administrative expenses (Note 7)	3,187	3,230
Amortisation included in general and administrative expenses (Note 7)	307	360
Amortisation included in other operating expenses	1,559	1,536
Depreciation capitalised in bearer plants (Note 11)	3,564	3,720
	60,388	53,703

14. LAND USE RIGHTS

	Group	
	2016 US$'000	2015 US$'000
Cost		
At 1 January	50,055	55,492
Additions	893	38
Exchange differences	1,346	(5,475)
At 31 December	52,294	50,055
Accumulated amortisation		
At 1 January	9,902	9,353
Amortisation charge for the year (Note 13)	1,559	1,536
Exchange differences	249	(987)
At 31 December	11,710	9,902
Net carrying amount	40,584	40,153
Amount to be amortised		
- Not later than one year	1,559	1,536
- Later than one year but not more than five years	6,236	6,144
- Later than five years	32,789	32,473
	40,584	40,153

Land use rights are in respect of:

(a) land premiums representing the cost of land rights owned by the Group which are amortised on a straight-line basis over their terms of 25 to 35 years. The terms can be extended for a further period of 25 years subject to agreement with the Government of Indonesia and payment of premium; and

(b) deferred land rights acquisition costs representing the cost associated with the legal transfer or renewal for titles of land rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Such costs are also deferred and amortised on a straight-line basis over the terms of the related land rights of 25 to 35 years.

As at 31 December 2016, the Group's land use rights cover a total land area of 203,354 hectares (2015: 172,668 hectares), representing HGU and HGB. The legal terms of the existing land use rights of the Group expire on various dates between 2020 and 2051.

Assets pledged as security

As at 31 December 2016 and 2015, certain subsidiaries' land use rights are pledged to secure loan facilities from banks in Indonesia (Note 28).

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 US$'000	2015 US$'000
Unquoted equity shares, at cost	523,527	523,527
At 1 January	523,527	452,291
Acquisition of subsidiaries	–	71,236
At 31 December	523,527	523,527

(a) *Composition of the Group*

The full list of subsidiaries is presented in Note 1(b).

(b) *Interest in subsidiaries with material non-controlling interest ("NCI")*

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interests	Profit allocated to NCI during the reporting period US$'000	Accumulated NCI at the end of reporting period US$'000	Dividends paid to NCI during the reporting period US$'000
31 December 2016:					
PT CLP	Indonesia	4.49%	5,974	33,774	345
31 December 2015:					
PT CLP	Indonesia	4.49%	4,172	28,219	–

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

	PT CLP Group	
	2016 US$'000	2015 (Restated) US$'000
Summarised balance sheets		
Non-current		
Assets	864,056	812,371
Liabilities	(25,263)	(100,351)
Net non-current assets	838,793	712,020
Current		
Assets	214,534	245,492
Liabilities	(301,133)	(329,023)
Net current liabilities	(86,599)	(83,531)
Net assets	752,194	628,489
Summarised statement of comprehensive income		
Sales	465,795	315,983
Profit before tax	171,189	132,845
Tax expense	(38,133)	(39,928)
Profit for the year	133,056	92,917
Other comprehensive income	15,789	(79,261)
Total comprehensive income	148,845	13,656
Other summarised information		
Net cash generated from/(used in) operating activities	172,187	(27,546)
Net cash used in investing activities	(44,575)	(74,338)
Net cash used in financing activities	(27,103)	(191,578)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Acquisition of subsidiaries

(i) The Group has acquired the entire equity interest of Pacific Agri Resources Pte. Ltd. ("PAR") and PT Falcon Agri Persada ("PT FAPE") during the financial year ended 31 December 2015. PT FAPE is incorporated in Indonesia and principally engaged in the oil palm plantation business in West Kalimantan. The rationale for the acquisition is to increase the Company's plantation assets for the development of new oil palm plantations. Upon the acquisition, PAR and PT FAPE became subsidiaries of the Group.

The fair value of the identifiable assets and liabilities of the above subsidiaries and the effect thereof as at the acquisition date were as follows:

	Fair value recognised on acquisition US$'000
Assets	
Bearer plants	34,169
Property, plant and equipment	6,901
Inventories	260
Trade and other receivables	245
Advances for purchase of property, plant and equipment	4
Prepaid taxes	3,882
Cash and cash equivalents	285
	45,746
Liabilities	
Trade and other payables	(4,893)
Provision for tax	(7)
	(4,900)
Total identifiable net assets at fair value	40,846
Goodwill arising from acquisition (Note 16)	30,736
	71,582
Consideration for the acquisition	
Consideration for the purchase of shares	29,047
Settlement of amount owing to previous shareholder	42,535
	71,582

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Acquisition of subsidiaries (cont'd)

	Fair value recognised on acquisition US$'000
Effect of the acquisition of the subsidiaries on cash flows	
Total consideration for acquisition	71,582
Less: Retention sums payable	(1,000)
	70,582
Less: Cash and cash equivalents of subsidiaries acquired	(285)
Net cash outflow on acquisition of subsidiaries	70,297

Transaction costs

Transaction costs of US$56,000 relating to the acquisition have been recognised in the "General and administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2015.

Goodwill arising from acquisition

The goodwill of US$30.7 million is mainly attributable to the synergies that is expected to arise from the acquisition. None of the goodwill recognised is expected to be deductible for tax purposes.

Impact of acquisition on profit or loss

From the acquisition date, the acquired subsidiaries have contributed losses of US$2.7 million to the Group's result for the financial year ended 31 December 2015. If the acquisition had occurred on 1 January 2015, the Group's consolidated profit for the year would have been lower by US$520,000.

(ii) During the financial year ended 31 December 2015, the Group also acquired PT Karya Tama Bakti Mulia ("PT KTBM") for a consideration of US$1.4 million.

16. GOODWILL

	Group	
	2016 US$'000	2015 US$'000
Cost		
At 1 January	85,041	60,994
Acquisition of subsidiaries (Note 15(d))	–	30,736
Exchange differences	2,272	(6,689)
At 31 December	87,313	85,041

Impairment testing of goodwill

Goodwill arising from business combinations is allocated to individual cash-generating units ("CGU") for the purpose of impairment testing. The carrying amounts of goodwill allocated to each CGU are as follows:

	Group	
	2016 US$'000	2015 US$'000
PT Borneo Ketapang Permai Group	4,944	4,815
PT Kalimantan Green Persada Group	9,665	9,414
PT Gerbang Sawit Indah	8,658	8,433
Lynhurst Group	33,175	32,312
PT Falcon Agri Persada	30,841	30,038
Others	30	29
	87,313	85,041

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management.

Key assumptions used for value in use calculations:

	2016	2015
Terminal growth rate	3%	3%
Pre-tax discount rate	10%	12%
Projected CPO price	US$743/tonne	US$660/tonne

The value in use calculations use a discounted cash flow model based on cash flow projections covering a period of 10 years, and projected CPO price of US$743 per tonne (2015: US$660 per tonne).

Cash flows beyond the projected periods are extrapolated using the estimated terminal growth rate indicated above. The terminal growth rate used does not exceed the long-term average growth rates in the industry.

16. GOODWILL (CONT'D)

The discount rate applied to the cash flow projections is pre-tax and derived from the weighted average cost of capital ("WACC") of the Group. The WACC takes into account both the cost of debt and the cost of equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service.

Based on the above analysis, management has assessed that the goodwill is not impaired as at 31 December 2016 and 2015.

Changes to the assumptions used by management to determine the recoverable amounts can have an impact on the results of the assessment. Management is of the opinion that no reasonably possible change in any of the key assumptions stated above would cause the carrying amount of the goodwill for each of the CGU to materially exceed their recoverable amount.

17. OTHER INTANGIBLE ASSETS

	Land permits US$'000	Software US$'000	Total US$'000
Group			
Cost			
At 1 January 2015	23,808	2,364	26,172
Additions	–	137	137
Exchange differences	(2,338)	(171)	(2,509)
At 31 December 2015 and 1 January 2016	21,470	2,330	23,800
Additions	–	28	28
Exchange differences	574	(3)	571
At 31 December 2016	22,044	2,355	24,399
Accumulated amortisation			
At 1 January 2015	–	1,240	1,240
Amortisation charge during the year (Note 13)	–	360	360
Exchange differences	–	(101)	(101)
At 31 December 2015 and 1 January 2016	–	1,499	1,499
Amortisation charge during the year (Note 13)	–	307	307
Exchange differences	–	29	29
At 31 December 2016	–	1,835	1,835
Net carrying amount			
At 31 December 2016	22,044	520	22,564
At 31 December 2015	21,470	831	22,301

17. OTHER INTANGIBLE ASSETS (CONT'D)

	Software US$'000
Company	
Cost	
At 1 January 2015	472
Additions	3
At 31 December 2015 and 1 January 2016	475
Additions	–
At 31 December 2016	475
Accumulated amortisation	
At 1 January 2015	149
Amortisation charge during the year	155
At 31 December 2015 and 1 January 2016	304
Amortisation charge during the year	156
At 31 December 2016	460
Net carrying amount	
At 31 December 2016	15
At 31 December 2015	171

Land permits are not amortised. Amortisation will only commence upon reclassification from land permits to land use rights when HGU title has been obtained.

Software costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three to five years.

18. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2016		2015	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Group				
Cross currency swaps	–	208,390	–	199,955
Commodity futures, options and swap contracts	1,642	2,035	79	–
Foreign currency options and forward contracts	291	334	–	–
	1,933	210,759	79	199,955
Current	1,933	101,329	79	–
Non-current	–	109,430	–	199,955
	1,933	210,759	79	199,955
Company				
Cross currency swaps	–	208,390	–	199,955
Foreign currency options and forward contracts	–	334	–	–
	–	208,724	–	199,955
Current	–	99,294	–	–
Non-current	–	109,430	–	199,955
	–	208,724	–	199,955

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss, except for certain derivatives designated as cash flow hedges, wherein hedge accounting has been applied.

Cross currency swaps

The Company has entered into cross currency swap agreements with financial institutions to swap its Ringgit-denominated Islamic medium term notes indebtedness effectively into USD liabilities. Based on the agreements, the financial institutions will swap the principal as well as the profit distribution amounts of the Company's Islamic medium term notes from Malaysian Ringgit into USD. Cash flow hedge accounting has been applied to these cross currency swap agreements as they are considered to be highly effective hedging instruments. A net fair value gain of US$11.9 million (2015: loss of US$1.8 million) has been included in other comprehensive income in respect of these contracts.

Commodity futures, options and swap contracts

The Group enters into certain commodity futures, options and swap contracts in order to hedge the commodity price risk related to the sale and purchase of palm based products. Cash flow hedge accounting may be applied to some of these derivatives as they are considered to be highly effective hedging instruments. A net fair value gain of US$1.3 million (2015: Nil), with a related deferred tax charge of US$0.1 million (2015: Nil), has been included in other comprehensive income in respect of these contracts. Other commodity futures, options and swap contracts entered into by the Group are accounted for at fair value through profit or loss.

18. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONT'D)

Foreign currency options and forward contracts

The Group enters into certain foreign currency options and forward contracts in order to hedge the foreign currency risk related to the purchase of palm based products as well as the Company's forecasted dividend payments. Cash flow hedge accounting may be applied to some of these derivatives as they are considered to be highly effective hedging instruments. A net fair value gain of US$0.3 million (2015: Nil), with a related deferred tax charge of US$29,000 (2015: Nil), has been included in other comprehensive income in respect of these contracts. Other foreign currency options and forward contracts entered into by the Group are accounted for at fair value through profit or loss.

19. BIOLOGICAL ASSETS

Biological assets relate to agricultural produce growing on bearer plants, which is referred to as FFB, with the following movements in carrying value:

	Group	
	2016 US$'000	2015 (Restated) US$'000
Fair value		
At 1 January	11,199	11,678
Gains arising from changes in fair value of biological assets	13,184	689
Exchange differences	173	(1,168)
At 31 December	24,556	11,199

20. INVENTORIES

	Group	
	2016 US$'000	2015 US$'000
Palm based products	53,147	45,552
Fertilisers and chemicals	13,522	11,207
Spare parts and other consumables	11,037	10,633
Goods in transit	497	511
	78,203	67,903

21. TRADE RECEIVABLES

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Trade receivables from:				
- Third parties	22,919	29,218	–	–
- Subsidiaries	–	–	–	2,839
- Related parties	694	99	–	–
	23,613	29,317	–	2,839

Trade receivables are non-interest bearing and generally due within 30 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables are denominated in the following currencies:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesian Rupiah	11,111	8,143	–	–
United States Dollar	12,502	21,174	–	2,839
	23,613	29,317	–	2,839

Receivables that are past due but not impaired

An analysis of trade receivables that are past due but not impaired as at the end of the reporting period is as follows:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Trade receivables past due:				
Lesser than 30 days	653	796	–	–
30 to 60 days	519	36	–	–
More than 60 days	431	228	–	–
	1,603	1,060	–	–

There are no trade receivables which are impaired either individually or collectively as at the end of the reporting period.

22. OTHER RECEIVABLES

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Interest receivable	1,029	933	1,833	123
Amounts due from subsidiaries	–	–	–	4,505
Amounts due from related parties	301	3	–	–
Sundry receivables	10,656	9,566	36	89
	11,986	10,502	1,869	4,717

The amounts due from subsidiaries and related parties are non-trade related, unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

Other receivables are denominated in the following currencies:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesian Rupiah	10,185	10,183	–	–
United States Dollar	1,791	287	1,859	4,687
Singapore Dollar	10	32	10	30
	11,986	10,502	1,869	4,717

23. ADVANCES AND PREPAYMENTS

Advances for purchase of property, plant and equipment

Advances for purchase of property, plant and equipment represent advance payments made to suppliers and contractors in relation to the following items:

	Group	
	2016 US$'000	2015 US$'000
Leasehold buildings and improvements	4,117	2,712
Machinery and installations	5,027	309
Others	518	332
	9,662	3,353

Other advances and prepayments

Other advances and prepayments relate mainly to payments made for purchase of inventories and other miscellaneous items. These payments are non-interest bearing, unsecured and expected to be fulfilled within the next 12 months.

24. CASH AND BANK BALANCES

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Cash at banks and on hand	91,023	61,737	377,504	373,022
Time deposits	16,910	188	–	–
Cash and cash equivalents	107,933	61,925	377,504	373,022
Restricted cash balances	150,312	143,491	149,367	142,757
	258,245	205,416	526,871	515,779

Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one month to three months (2015: one month to three months) depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates, which range between 1.25% and 8.50% (2015: 1.10% and 9.50%) per annum.

As at 31 December 2016, the Group has cash at bank amounting to US$516.9 million (2015: US$425.5 million) which have been netted against bank overdrafts as the Group has the legal rights to set off the cash at bank against the overdrafts, which are with the same bank.

Restricted cash balances relate to cash deposits maintained with brokers and banks which are not freely remissible for use by the Group.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesian Rupiah	21,725	11,075	–	–
United States Dollar	235,530	192,978	526,291	515,358
Singapore Dollar	938	1,177	566	414
Others	52	186	14	7
	258,245	205,416	526,871	515,779

25. TRADE PAYABLES

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Trade payables to:				
- Third parties	24,919	22,808	60	16
- Related parties	1,137	2,157	–	–
	26,056	24,965	60	16

Trade payables are non-interest bearing and generally due within 30 to 90 days.

Trade payables are denominated in the following currencies:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesian Rupiah	24,734	22,881	–	–
United States Dollar	1,317	2,084	55	16
Others	5	–	5	–
	26,056	24,965	60	16

26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Accrued employee costs	14,451	12,556	1,530	1,416
Accrued financial expenses	4,156	4,093	4,027	4,041
Accrued contractor fees and retention sums	5,954	6,532	–	–
Others	6,351	2,582	3,077	2,948
	30,912	25,763	8,634	8,405

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesian Rupiah	17,847	12,109	–	–
United States Dollar	7,470	11,897	6,979	6,896
Singapore Dollar	5,595	1,757	1,655	1,509
	30,912	25,763	8,634	8,405

27. ADVANCES FROM CUSTOMERS

Advances from customers represent advance payments relating to the sale of palm based products. These payments are trade related, unsecured, non-interest bearing and the obligations to the customers are expected to be fulfilled within the next 12 months.

28. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

	Group	
	2016 US$'000	2015 US$'000
Current		
Bank loans	–	26,489
Obligations under finance leases	1,672	2,178
	1,672	28,667
Non-current		
Obligations under finance leases	1,346	2,038
	1,346	2,038
	3,018	30,705

Bank loans

The Group's bank loans as at 31 December 2015 comprised the following:

(i) loans from banks in Indonesia obtained by certain subsidiaries for working capital purposes. The facilities were secured over certain of the subsidiaries' assets and bore interest at Jakarta Interbank Offer Rate plus 3.42% per annum. These loans were repayable up till 12 May 2016, with an amount of US$21.0 million outstanding as at 31 December 2015; and

(ii) loans from banks in Singapore obtained by a subsidiary for working capital purposes. The facilities were unsecured and bore interest at 1.40% to 1.69% per annum. These loans were expected to be settled within the next 12 months, with an amount of US$5.5 million outstanding as at 31 December 2015.

There are no outstanding bank loans as at 31 December 2016 following the repayment of the bank loans by the Group during the year.

As at 31 December 2016, the Group has bank loans and bank deposits amounting to US$300.0 million (2015: US$200.0 million) respectively, which have been netted against each other as the Group has the legal rights to set off the deposits against the loans. Both the loans and deposits have the same maturity terms of less than one year from the end of the reporting period and are with the same bank.

Subsequent to 31 December 2016, the Group has obtained committed unsecured credit facilities of US$200.0 million, which may be utilised for the refinancing of the Islamic medium term notes which is partially due in 2017 as well as the Group's general corporate purposes.

28. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS (CONT'D)

Obligations under finance leases

The Group entered into capital lease agreements for purchase of farming equipment and motor vehicles incidental to the ordinary course of the business. These capital leases expire within the next three years. The interest rates of these capital leases range from 2.2% to 16.0% (2015: 2.6% to 16.0%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are disclosed in Note 36(c).

Loans and borrowings from financial institutions are denominated in the following currencies:

	Group	
	2016 US$'000	2015 US$'000
Indonesian Rupiah	3,018	25,205
United States Dollar	–	5,500
	3,018	30,705

29. ISLAMIC MEDIUM TERM NOTES

	Maturity date	Distribution rate (per annum)	Group and Company	
			2016 US$'000	2015 US$'000
First issuance	31 July 2017	4.45%	133,770	139,863
Second issuance	8 December 2017	4.30%	89,180	93,242
Third issuance	5 June 2020	4.35%	133,770	139,863
Fourth issuance	27 October 2021	4.85%	89,180	93,242
			445,900	466,210
Less:				
Issuance costs			4,330	4,330
Accumulated amortisation			(3,263)	(2,464)
			1,067	1,866
Islamic medium term notes, net			444,833	464,344
Current			222,542	–
Non-current			222,291	464,344
			444,833	464,344

On 18 June 2012, the Company was granted approval by the Securities Commission of Malaysia to establish a Ringgit-denominated Islamic medium term note programme ("Programme") of up to MYR 2.0 billion under the laws of Malaysia. The tenure of the Programme shall be up to 10 years from the date of the first issuance being 31 July 2012.

29. ISLAMIC MEDIUM TERM NOTES (CONT'D)

Under the Programme, the Company may issue Islamic medium term notes from time to time in Malaysian Ringgit in various amounts and tenors of more than a year and up to a maximum tenor of 10 years. The Islamic medium term notes are unsecured, bear periodic distribution rates payable semi-annually in arrears, and will not be listed on any stock exchange.

30. PROVISION FOR POST-EMPLOYMENT BENEFITS

The Group recognised employment benefits for all its permanent employees in Indonesia pursuant to Indonesian Labor Law No. 13/2003. The provision for employment benefits is based on the calculation of an independent actuary, using the "Projected Unit Credit" method. No fund was provided for such liability for employment benefits.

The assumptions used in determining the provision for post-employment benefits are as follows:

	2016	2015
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	8.30%	9.10%
Mortality Rate	Table Mortality Indonesia 2011	Table Mortality Indonesia 2011
Disability Rate	1% of mortality rate	1% of mortality rate
Resignation Rate	0% to 1%	0% to 1%
Valuation Method	Projected Unit Credit	Projected Unit Credit

Changes in the present value of defined benefit obligation are as follows:

	Group	
	2016 US$'000	2015 US$'000
At 1 January	13,649	13,413
Net employee benefit expense charged to profit or loss (Note 34)	4,360	4,390
Remeasurement losses/(gains)		
- Actuarial losses/(gains) arising from changes in financial assumptions	12	(1,924)
Benefits paid	(1,825)	(865)
Exchange differences	341	(1,365)
At 31 December	16,537	13,649

30. PROVISION FOR POST-EMPLOYMENT BENEFITS (CONT'D)

The following summarises the components of net employee benefit expense relating to defined benefit plans recognised in profit or loss as follows:

	Group	
	2016 US$'000	2015 US$'000
Interest cost on benefit obligation	976	849
Current service cost	3,330	3,458
Past service cost	54	83
	4,360	4,390

The breakdown of net employee benefit expense relating to defined benefit plans is as follows:

	Group	
	2016 US$'000	2015 US$'000
Cost of sales (Note 5)	2,640	1,999
General and administrative expenses (Note 7)	876	1,954
Others	844	437
	4,360	4,390

The sensitivity analysis below has been determined based on reasonable possible changes of each significant assumption on the defined benefits obligation as of the end of the reporting period, assuming if all the other assumptions were held constant.

		Group	
		Change in present value of defined benefit obligation	
	Increase/ (decrease)	2016 US$'000	2015 US$'000
Discount rate	1% increase	(1,713)	(1,588)
	1% decrease	2,034	1,285
Future salary growth	1% increase	2,093	1,346
	1% decrease	(1,789)	(1,659)

31. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	1,584,073	394,913	1,584,073	394,913

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. Each ordinary share carries one vote per share without restriction. The ordinary shares have no par value.

32. DIFFERENCES ARISING FROM RESTRUCTURING TRANSACTIONS INVOLVING ENTITIES UNDER COMMON CONTROL

This represents the difference between the consideration paid and the share capital of the "acquired" entities.

33. OTHER RESERVES

The composition of other reserves is as follows:

	Group		Company	
	2016	2015 (Restated)	2016	2015
	US$'000	US$'000	US$'000	US$'000
Capital reserve	(29,096)	(29,096)	–	–
Revaluation reserve	279	279	–	–
Gain on sale of treasury shares	10,322	10,322	10,322	10,322
Hedging reserve	(11,884)	(25,228)	(13,310)	(25,228)
Foreign translation reserve	(351,892)	(380,075)	393	393
	(382,271)	(423,798)	(2,595)	(14,513)

Capital reserve

Capital reserve represents the premium paid for the acquisition of non-controlling interests over the fair value of the identifiable assets and liabilities of a subsidiary.

Revaluation reserve

Revaluation reserve represents increases in the fair value of property, plant and equipment, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

33. OTHER RESERVES (CONT'D)

Gain on sale of treasury shares

This represents the gain arising from sale of treasury shares. No dividend may be paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to members on a winding up) may be made in respect of this reserve.

Hedging reserve

Hedging reserve represents the cumulative fair value changes, net of tax, of the derivative financial instruments designated as cash flow hedges.

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
At 1 January	(25,228)	(23,438)	(25,228)	(23,438)
Fair value losses on cash flow hedges, net of tax and non-controlling interests	(8,522)	(107,672)	(9,948)	(108,026)
Reclassification to profit or loss				
- Sales	–	(354)	–	–
- Losses on foreign exchange	20,310	105,888	20,310	105,888
- Net financial expenses	1,556	348	1,556	348
At 31 December	(11,884)	(25,228)	(13,310)	(25,228)

Foreign translation reserve

The foreign translation reserve represents exchange differences arising from the translation of the financial statements of companies in the Group whose functional currencies are different from that of the Group's presentation currency.

	Group		Company	
	2016 US$'000	2015 (Restated) US$'000	2016 US$'000	2015 US$'000
At 1 January	(380,075)	(273,423)	393	393
Foreign currency translation adjustments	28,183	(106,652)	–	–
At 31 December	(351,892)	(380,075)	393	393

34. EMPLOYEE BENEFITS

	Group	
	2016 US$'000	2015 US$'000
Salaries, bonuses and other benefits	63,984	60,953
Net employee benefit expense relating to defined benefit plans (Note 30)	4,360	4,390
Central Provident Fund contributions	262	236
	68,606	65,579

35. RELATED PARTY DISCLOSURES

(a) *Transactions with related parties*

In addition to those related party information provided elsewhere in the relevant notes to the consolidated financial statements, the following significant transactions between the Group and related parties (who are not members of the Group) took place during the financial year at terms agreed between the parties:

	Group	
	2016 US$'000	2015 US$'000
Office lease rental	658	666
Net settlement for purchases of goods	18,939	6,586

(b) *Compensation of key management personnel*

	Group	
	2016 US$'000	2015 US$'000
Salaries, bonuses and other benefits	6,111	6,551
Directors' fees	325	300
Net employee benefit expense relating to defined benefit plans	308	292
Central Provident Fund contributions	50	56
	6,794	7,199
Comprise amounts paid to:		
- Directors of the Company	2,103	2,507
- Other key management personnel	4,691	4,692
	6,794	7,199

36. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitments*

Significant capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2016 US$'000	2015 US$'000
Capital commitments in respect of property, plant and equipment	19,218	3,113

(b) *Operating lease commitments*

As lessee

In addition to the land use rights disclosed in Note 14, the Group has entered into commercial leases to lease land and buildings. These non-cancellable operating leases have remaining lease terms of between one to three years. There are no restrictions placed upon the lessee by entering into these leases. Operating lease payments recognised in profit or loss amounted to US$526,000 (2015: US$547,000) (Note 7).

Future minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2016 US$'000	2015 US$'000
Within one year	241	59
After one year but not more than five years	299	–
	540	59

(c) *Finance lease commitments*

As lessee

The Group has finance leases for certain property, plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

36. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) *Finance lease commitments (cont'd)*

As lessee (cont'd)

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2016		2015	
	Minimum lease payments US$'000	Present value of minimum lease payments (Note 28) US$'000	Minimum lease payments US$'000	Present value of minimum lease payments (Note 28) US$'000
Group				
Not later than one year	1,996	1,672	2,563	2,178
Later than one year but not more than five years	1,533	1,346	2,268	2,038
Total minimum lease payments	3,529	3,018	4,831	4,216
Less: Amount representing finance charges	(511)	–	(615)	–
Present value of minimum lease payments	3,018	3,018	4,216	4,216

(d) *Contingent liabilities*

The Company has provided corporate guarantees to certain external parties in the ordinary course of business, guaranteeing the obligations of a subsidiary in the event of any non-performance by the subsidiary in respect of its contracts with these external parties. As at 31 December 2016, the Company's contingent liabilities arising from these corporate guarantees amounted to US$1.5 million (2015: Nil).

Certain subsidiaries have guaranteed US$0.3 million (2015: US$0.9 million) in respect of plasma farmers' loans repayable to a bank at the time when the plasma plantations are converted. These loans are being repaid by the plasma farmers on an instalment basis through a withholding mechanism on sales of the plasma crops to the Group.

37. CLASSES OF FINANCIAL ASSETS AND LIABILITIES

As at the end of the reporting period, the following are the different classes of financial assets and liabilities:

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Assets				
Loans and receivables				
Trade receivables	23,613	29,317	–	2,839
Other receivables	11,986	10,502	1,869	4,717
Restricted cash balances	150,312	143,491	149,367	142,757
Cash and cash equivalents	107,933	61,925	377,504	373,022
	293,844	245,235	528,740	523,335
Cash flow hedges				
Derivative financial assets	789	–	–	–
At fair value through profit or loss				
Derivative financial assets	1,144	79	–	–
Liabilities				
At amortised cost				
Trade payables	26,056	24,965	60	16
Other payables and accruals	30,912	25,763	8,634	8,405
Loans and borrowings from financial institutions	3,018	30,705	–	–
Islamic medium term notes	444,833	464,344	444,833	464,344
	504,819	545,777	453,527	472,765
Cash flow hedges				
Derivative financial liabilities	208,723	199,955	208,390	199,955
At fair value through profit or loss				
Derivative financial liabilities	2,036	–	334	–

38. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

2016	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Group				
Assets measured at fair value:				
Non-financial assets				
Biological assets	–	–	24,556	24,556
Financial assets				
Derivative financial assets	–	1,933	–	1,933
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	210,759	–	210,759
Company				
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	208,724	–	208,724

38. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value (cont'd)

2015	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Group				
Assets measured at fair value:				
Non-financial assets				
Biological assets	–	–	11,199	11,199
Financial assets				
Derivative financial assets	79	–	–	79
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	199,955	–	199,955
Company				
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	199,955	–	199,955

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivative financial assets/liabilities

Commodity options and swap contracts

Commodity options and swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and Black-Scholes models, using present value calculations. The models incorporate various inputs including commodity spot and forward rates, commodity volatility prices based on broker quotes and forward rate curves.

38. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) Level 2 fair value measurements (cont'd)

Cross currency swaps

Cross currency swap contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including foreign exchange spot and forward rates, interest rate curves and forward rate curves.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2016 US$'000	Valuation techniques	Unobservable inputs	Range
Biological assets	24,556	Income approach	Projected harvest quantities	218,000 tonnes
			Market price of FFB	US$119/tonne - US$166/tonne

Description	Fair value at 31 December 2015 US$'000	Valuation techniques	Unobservable inputs	Range
Biological assets	11,199	Income approach	Projected harvest quantities	149,000 tonnes
			Market price of FFB	US$75/tonne - US$115/tonne

For biological assets, changes in projected harvest quantities and market price of FFB will result in directionally similar changes in fair value measurement.

(ii) Movements in Level 3 assets measured at fair value

The movements in biological assets measured at fair value are disclosed in Note 19.

38. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures

To determine the fair value of biological assets, the income approach has been adopted by the Group as being the most appropriate valuation technique. Under the income approach, the expected cash flows from the agricultural produce on the bearer plants are estimated based on the projected harvest quantities and the market price of FFB, net of maintenance and harvesting costs and estimated cost to sell. The price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel.

Management reviews the appropriateness of the fair valuation methodologies and assumptions adopted and also evaluate the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

(e) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the assets and liabilities not measured at fair value but for which fair value is disclosed:

2016	Fair value measurements at the end of the reporting period using				Carrying amount US$'000
	Quoted prices in active market for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000	
Group and Company					
Liabilities					
Islamic medium term notes	–	445,758	–	445,758	444,833

38. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(e) Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)

2015	Fair value measurements at the end of the reporting period using				
	Quoted prices in active market for identical instruments (Level 1) US$'000	Significant other observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000	Carrying amount US$'000
Group and Company					
Liabilities					
Islamic medium term notes	–	466,375	–	466,375	464,344

Determination of fair value

Islamic medium term notes

The fair values as disclosed in the table above are estimated by reference to the latest transacted prices during 2016 and 2015.

(f) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2016		2015	
	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Group and Company				
Financial liabilities				
Islamic medium term notes	444,833	445,758	464,344	466,375

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, market risk (including foreign currency risk and commodity price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its floating rate bank loans and deposits with financial institutions.

The Group monitors its interest rate risk closely and may use credit and interest rate swap contracts to manage interest rate risk arising from floating rate debt.

Sensitivity analysis for interest rate risk

At the end of the reporting period, had the interest rates of the Group's floating rate bank loans and deposits with financial institutions been 50 basis points (2015: 50 basis points) higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2016 would have been US$1.3 million (2015: US$0.9 million) higher/lower accordingly.

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily Indonesian Rupiah ("IDR") and USD. The foreign currencies in which these transactions are denominated are mainly USD, Singapore Dollar ("SGD") and Malaysian Ringgit ("MYR"). To the extent that the foreign denominated sales and purchases of the Group are not evenly matched in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group is also exposed to currency translation risk arising from its financial assets and liabilities that are denominated in currencies other than the respective functional currencies of the Group's entities.

The Group does not have any formal hedging policy for foreign exchange exposure. However, it may enter into foreign currency options and swap contracts to hedge against volatility in exchange rates.

The Group's foreign currency exposures are highlighted in Notes 21, 22, 24, 25, 26, 28 and 29 respectively.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax and equity to a reasonably possible change in the IDR, SGD and MYR exchange rates against the USD as at the end of the reporting period, ceteris paribus.

	2016		2015	
	Profit before tax US$'000	Equity US$'000	Profit before tax US$'000	Equity US$'000
Group				
IDR against USD				
- strengthened 10% (2015: 10%)	(3,572)	116,159	2,970	106,611
- weakened 10% (2015: 10%)	4,366	(120,765)	(3,630)	(112,412)
SGD against USD				
- strengthened 5% (2015: 5%)	278	231	(28)	(21)
- weakened 5% (2015: 5%)	(443)	(368)	28	21
MYR against USD				
- strengthened 10% (2015: 10%)	5	1,909	26	2,134
- weakened 10% (2015: 10%)	(5)	(1,909)	(26)	(2,134)

(c) Commodity price risk

The Group's exposure to commodity price risk arises primarily from its purchases of raw materials and sales of palm based products. Prices of raw materials and palm based products may fluctuate significantly depending on the market situation and factors such as weather, government policy, level of demand and supply in the market and the global economic environment. During periods of unfavourable price volatility, the Group may enter into forward physical contracts with our suppliers and customers or use commodity futures, options and swap contracts in the conduct of business to manage our price risk.

Sensitivity analysis for commodity price risk

During the reporting period, had the average selling prices of palm based products been 10% higher/lower, ceteris paribus, profit before tax for the financial year ended 31 December 2016 would have been US$45.4 million (2015: US$39.2 million) higher/lower.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Commodity price risk (cont'd)*

Sensitivity analysis for commodity price risk (cont'd)

At the end of the reporting period, had the market price of palm based products been 10% higher/lower, ceteris paribus, the Group's profit before tax and equity would have (decreased)/increased by the amounts shown below, as a result of changes in fair value of commodity futures, options and swap contracts:

	2016		2015	
	Profit before tax US$'000	Equity US$'000	Profit before tax US$'000	Equity US$'000
Group				
Increase in prices of palm based products	(2,179)	(8,818)	367	330
Decrease in prices of palm based products	654	7,445	(367)	(330)

(d) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables.

The Group trades only with recognised and creditworthy third parties and conducts business by requiring payment in advance, letter of credit, cash on delivery or may grant customers credit terms, where appropriate. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For other financial assets (including cash and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- an amount of US$0.3 million (2015: US$0.9 million) relating to financial guarantees provided by certain subsidiaries for repayment of plasma farmers' loans to a bank.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring individual customers' outstanding balances on an ongoing basis.

At the end of the reporting period, 83.6% (2015: 80.1%) of the Group's trade receivables were due from three (2015: four) customers.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group. Cash and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 21.

(e) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting obligations due to shortage of funds. The Group monitors its liquidity risk by actively managing its operating cash flows, debt maturity profile and availability of funding.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2016				
Trade and other payables	56,968	–	–	56,968
Loans and borrowings from financial institutions	1,996	1,533	–	3,529
Islamic medium term notes	242,862	254,803	–	497,665
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(242,862)	(254,803)	–	(497,665)
- Cross currency swaps (gross payments)	342,816	358,243	–	701,059
- Other derivatives	2,383	–	–	2,383
	404,163	359,776	–	763,939

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	One year or less US$'000	One to five years US$'000	Over five years US$'000	Total US$'000
Group				
2015				
Trade and other payables	50,728	–	–	50,728
Loans and borrowings from financial institutions	29,052	2,268	–	31,320
Islamic medium term notes	20,879	422,569	97,765	541,213
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(20,879)	(422,569)	(97,765)	(541,213)
- Cross currency swaps (gross payments)	23,214	573,322	127,738	724,274
	102,994	575,590	127,738	806,322
Company				
2016				
Trade and other payables	8,694	–	–	8,694
Islamic medium term notes	242,862	254,803	–	497,665
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(242,862)	(254,803)	–	(497,665)
- Cross currency swaps (gross payments)	342,816	358,243	–	701,059
- Other derivatives	335	–	–	335
	351,845	358,243	–	710,088
2015				
Trade and other payables	8,421	–	–	8,421
Islamic medium term notes	20,879	422,569	97,765	541,213
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(20,879)	(422,569)	(97,765)	(541,213)
- Cross currency swaps (gross payments)	23,214	573,322	127,738	724,274
	31,635	573,322	127,738	732,695

40. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2016 and 2015.

The Group monitors capital through its Debt/EBITDA ratio, which is gross debt divided by profit from operations before depreciation, amortisation and gains arising from changes in fair value of biological assets ("EBITDA"). The Group's policy is to maintain a Debt/EBITDA ratio of no more than 3.75 times.

	Group	
	2016 US$'000	2015 US$'000
Loans and borrowings from financial institutions (Note 28)	3,018	30,705
Islamic medium term notes (Note 29)	444,833	464,344
Gross debt	447,851	495,049
EBITDA	251,345	219,115
Debt/EBITDA	1.78 times	2.26 times

41. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products, and has two reportable segments as follows:

(a) Plantations and Palm Oil Mills

Plantations and palm oil mills segment is principally involved in the cultivation and maintenance of oil palm plantations and operation of palm oil mills.

(b) Refinery and Processing

Refinery and processing segment markets and sells processed palm based products produced from the refinery, fractionation and biodiesel plants and other downstream processing facilities.

41. SEGMENT INFORMATION (CONT'D)

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA, which is not measured differently from EBITDA computed using the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Plantations and Palm Oil Mills US$'000	Refinery and Processing US$'000	Elimination US$'000	Total US$'000
2016				
Sales:				
External customers	76,821	498,413	–	575,234
Inter-segment	397,090	–	(397,090)	–
Total sales	473,911	498,413	(397,090)	575,234
Results:				
EBITDA	256,850	(1,336)	(4,169)	251,345
Depreciation and amortisation	(48,559)	(8,265)	–	(56,824)
Gains arising from changes in fair value of biological assets	13,184	–	–	13,184
Profit/(loss) from operations	221,475	(9,601)	(4,169)	207,705
Gains on foreign exchange				208
Gains on derivative financial instruments				289
Net financial expenses				(24,345)
Other non-operating expenses				(785)
Profit before tax				183,072

41. SEGMENT INFORMATION (CONT'D)

	Plantations and Palm Oil Mills (Restated) US$'000	Refinery and Processing US$'000	Elimination US$'000	Total (Restated) US$'000
2015				
Sales:				
External customers	164,490	289,184	–	453,674
Inter-segment	257,010	–	(257,010)	–
Total sales	421,500	289,184	(257,010)	453,674
Results:				
EBITDA	206,348	14,598	(1,831)	219,115
Depreciation and amortisation	(41,822)	(8,161)	–	(49,983)
Gains arising from changes in fair value of biological assets	689	–	–	689
Profit from operations	165,215	6,437	(1,831)	169,821
Losses on foreign exchange				(1,718)
Gains on derivative financial instruments				79
Net financial expenses				(21,700)
Other non-operating expenses				(1,649)
Profit before tax				144,833

Geographical information

The Group operates primarily in Singapore and Indonesia. In presenting information on the basis of geographical segments, segment sales is based on the countries from which the customers are invoiced. Segment assets are based on the geographical location of the assets.

	Sales		Non-current assets	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 (Restated) US$'000
Singapore	404,496	365,472	75,813	75,392
Indonesia	170,738	88,202	1,107,033	1,057,251
	575,234	453,674	1,182,846	1,132,643

Non-current assets information presented above consist of bearer plants, plasma plantation receivables, property, plant and equipment, land use rights, goodwill, other intangible assets and other non-current assets.

41. SEGMENT INFORMATION (CONT'D)

Information about major customers

Sales to two major customers amounted to US$149.2 million from the refinery and processing segment (2015: US$67.8 million from the refinery and processing segment and US$24.3 million from the plantations and palm oil mills segment).

42. DIVIDENDS

	Group and Company	
	2016 US$'000	2015 US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2015: 1.25 Singapore Cents (2014: 2.30 Singapore Cents) per share	14,531	27,338
- Interim tax exempt (one-tier) dividend for 2016: 0.625 Singapore Cents (2015: 1.25 Singapore Cents) per share	7,282	14,014
	21,813	41,352
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final tax exempt (one-tier) dividend for 2016: 2.375 Singapore Cents (2015: 1.25 Singapore Cents) per share	26,034*	14,531

* *Based on USD/SGD exchange rate of 1.4451.*

43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 27 March 2017.

STATISTICS OF SHAREHOLDING

As at 14 March 2017

SHAREHOLDERS' INFORMATION

Number of issued shares	:	1,584,072,969
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

The Company does not have any treasury shares as at 14 March 2017.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	10	0.52	243	0.00
100 – 1,000	227	11.85	213,477	0.01
1,001 – 10,000	1,289	67.31	6,872,814	0.44
10,001 – 1,000,000	373	19.48	18,528,755	1.17
1,000,001 and above	16	0.84	1,558,457,680	98.38
	1,915	100.00	1,584,072,969	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Citibank Nominees Singapore Pte Ltd	454,365,842	28.68
2.	Eight Capital Inc.	331,800,130	20.95
3.	HSBC (Singapore) Nominees Pte Ltd	319,969,799	20.20
4.	Raffles Nominees (Pte) Limited	112,230,900	7.08
5.	DB Nominees (Singapore) Pte Ltd	93,092,058	5.88
6.	DBSN Services Pte. Ltd.	75,208,764	4.75
7.	DBS Nominees (Private) Limited	73,707,215	4.65
8.	ABN Amro Nominees Singapore Pte Ltd	40,000,000	2.53
9.	United Overseas Bank Nominees (Private) Limited	18,848,600	1.19
10.	BNP Paribas Securities Services Singapore Branch	15,063,003	0.95
11.	Advance Synergy Capital Ltd	8,199,400	0.52
12.	DBS Vickers Securities (Singapore) Pte Ltd	7,108,100	0.45
13.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,640,949	0.29
14.	Maybank Kim Eng Securities Pte. Ltd.	1,832,382	0.12
15.	CIMB Securities (Singapore) Pte. Ltd.	1,288,538	0.08
16.	UOB Kay Hian Private Limited	1,102,000	0.07
17.	BNP Paribas Nominees Singapore Pte Ltd	863,400	0.05
18.	Quarry Lane Sdn Bhd	750,000	0.05
19.	Phillip Securities Pte Ltd	645,600	0.04
20.	Lim & Tan Securities Pte Ltd	594,100	0.04
		1,561,310,780	98.57

STATISTICS OF SHAREHOLDING

As at 14 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders, as at 14 March 2017)

	Direct Interest	%	Deemed Interest	%
Eight Capital Inc.	1,020,982,030	64.45	–	–
Eight Capital Trustees Pte Ltd	–	–	1,020,982,030 (1)	64.45
Equity Trust (Jersey) Ltd	–	–	1,020,982,030 (2)	64.45
Infinite Capital Fund Limited	88,000,000	5.56	–	–
King Fortune International Inc.	–	–	88,000,000 (3)	5.56
DB International Trust (Singapore) Limited	–	–	88,000,000 (4)	5.56

Notes:

(1) Eight Capital Trustees Pte Ltd ("ECTPL") holds the entire share capital of Eight Capital Inc. ("Eight Capital") as trustee of the Eight Capital Trust II (the "Trust"), which is a discretionary family trust, and subject to the terms of the Trust. Eight Capital is the investment holding vehicle of the Trust and ECTPL is deemed interested in the shares held by Eight Capital.

(2) Equity Trust (Jersey) Ltd is the trustee of Eight Cap Purpose Trust (the "Purpose Trust"). Pursuant to the Purpose Trust, Equity Trust (Jersey) Ltd is the sole shareholder of ECTPL and it is therefore deemed interested in the shares held by Eight Capital.

(3) King Fortune International Inc. ("King Fortune") holds the entire issued and paid-up share capital of Infinite Capital Fund Limited and is deemed to be interested in the shares held by Infinite Capital Fund Limited.

(4) DB International Trust (Singapore) Limited (the "Trustee") is the sole shareholder of King Fortune and the trustee of the King Fortune Trust, a discretionary family trust. The shares held indirectly by King Fortune are property that is subject to the King Fortune Trust. Distribution of the income and capital of the King Fortune Trust to the beneficiaries of the King Fortune Trust are at the discretion of the Trustee.

PERCENTAGE OF SHARES HELD BY THE PUBLIC

Approximately 29.98% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of First Resources Limited (the "Company") will be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Level 3, Room 308, Suntec City, Singapore 039593 on Friday, 28 April 2017 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a final dividend of 2.375 Singapore cents (S$0.02375) (one-tier, tax-exempt) per ordinary share for the year ended 31 December 2016 (2015: S$0.0125). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring by rotation pursuant to Article 93 of the Constitution of the Company:

   Mr Ciliandra Fangiono **(Resolution 3)**
   Mr Hee Theng Fong **(Resolution 4)**
   Mr Tan Seow Kheng **(Resolution 5)**

   [See Explanatory Note (i)]

   Mr Ciliandra Fangiono will, upon re-election as a Director of the Company, remain as member of the Nominating Committee and will be considered non-independent.

   Mr Hee Theng Fong will, upon re-election as a Director of the Company, remain as member of the Audit and Remuneration Committees and will be considered independent.

   Mr Tan Seow Kheng will, upon re-election as a Director of the Company, remain as member of the Audit Committee and will be considered non-independent.

4. To approve the payment of Directors' fees of S$460,000 for the year ended 31 December 2016 (2015: S$449,167). **(Resolution 6)**

5. To re-appoint Messrs Ernst & Young LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 8)**

By Order of the Board

Lynn Wan Tiew Leng
Company Secretary

Singapore
12 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) For further information on the Directors submitted for re-election, please refer to the Board of Directors and Corporate Governance sections in the Annual Report 2016.

(ii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A Member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting (the "Meeting").

2. A Member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

3. A proxy need not be a Member of the Company.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Temasek Boulevard #36-02, Suntec Tower Three, Singapore 038988 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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PROXY FORM

(Please see notes overleaf before completing this Form)

FIRST RESOURCES LIMITED

(Company Registration No. 200415931M)
(Incorporated In the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ____________________

of ____________________

being a member/members of First Resources Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Level 3, Room 308, Suntec City, Singapore 039593 on 28 April 2017 at 2.30 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	Resolutions relating to:	Number of Votes For[1]	Number of Votes Against[1]
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2.	Payment of proposed final dividend		
3.	Re-election of Mr Ciliandra Fangiono as a Director		
4.	Re-election of Mr Hee Theng Fong as a Director		
5.	Re-election of Mr Tan Seow Kheng as a Director		
6.	Approval of Directors' fees amounting to S$460,000		
7.	Re-appointment of Messrs Ernst & Young LLP as Auditor		
8.	Authority to issue new shares		

[1] *If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of __________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy shall be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Temasek Boulevard #36-02, Suntec Tower Three, Singapore 038988 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

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