AR 2017

FIRST
RESOURCES
LIMITED

CONTENTS

CORPORATE PROFILE

210,001 HECTARES

OF OIL PALM PLANTATIONS

15

PALM OIL MILLS

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 more than forty 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.

KEY MILESTONES

1992
Established and started oil palm plantation operations

1998
Commissioned 1st palm oil mill

2007
Listed on the Mainboard of Singapore Exchange

2008
Acquired over 90,000 hectares of land bank in West Kalimantan

2010
Commissioned refinery, fractionation and biodiesel plants

2011

Acquired over 100,000 hectares of land bank in East Kalimantan

2012

Commenced 1st rubber planting

2013

Completion of Integrated Processing Complex with 600,000 tonnes annual refining capacity

2015

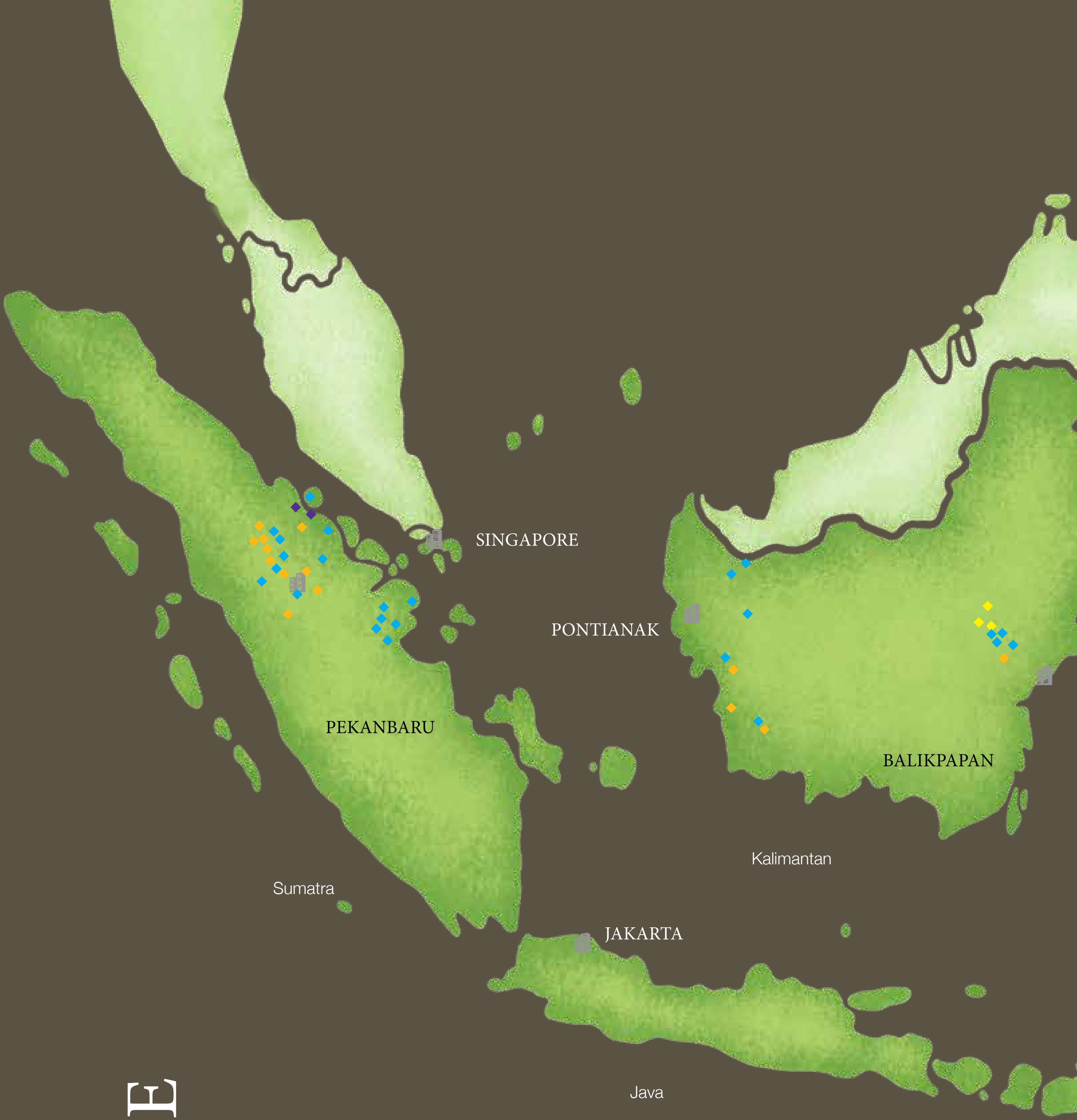
Launched No Deforestation, No Peat and No Exploitation policy

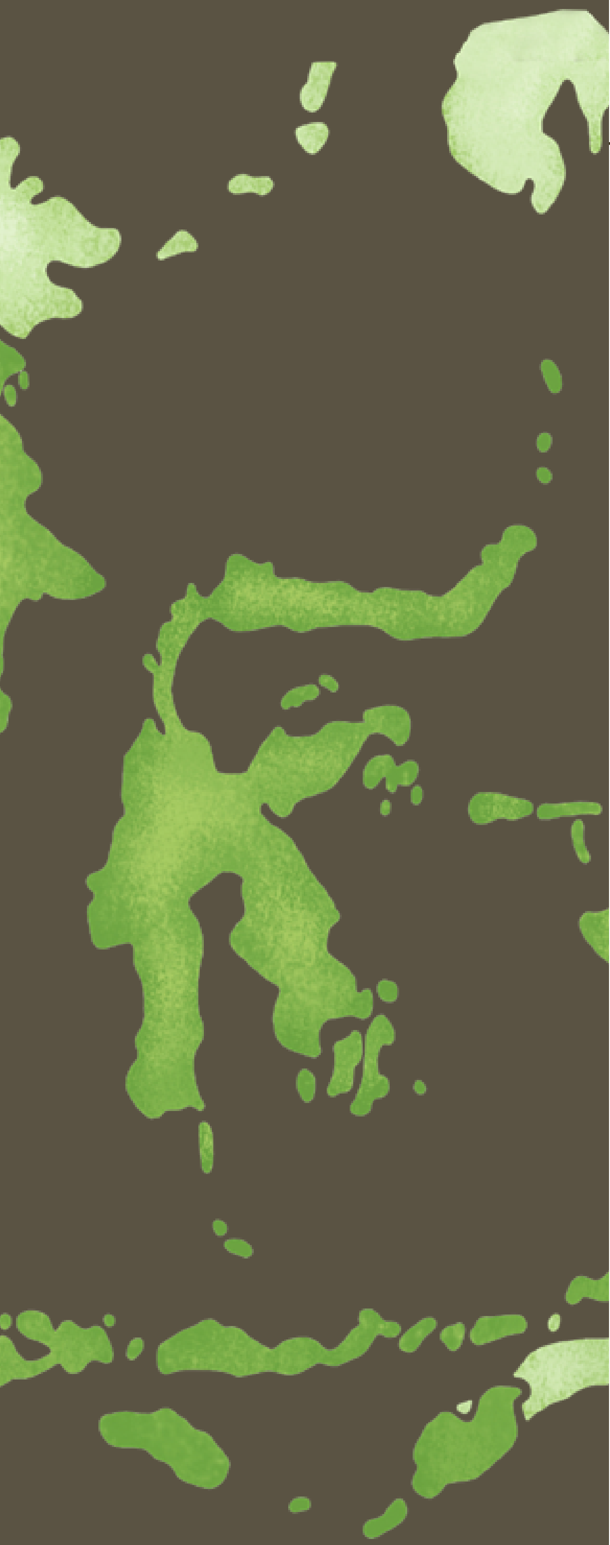
25

2017

25 years since establishment

OUR PRESENCE





◆ Rubber Plantation / Land Bank

OUR PRESENCE

210,001
hectares of oil palm plantations

15
Palm oil mills

6,319
hectares of rubber plantations

2
Processing plants

Refining & Biodiesel combined capacity of
850,000
tonnes per annum

Kernel crushing capacity of
210,000
tonnes per annum

BUSINESS FLOW CHART

01

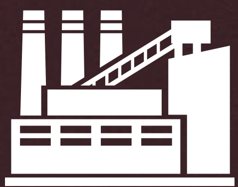
NURSERY CULTIVATION

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.

02

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.



05

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.

06

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.

03

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.

04

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.

07

SALES TO CUSTOMERS

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

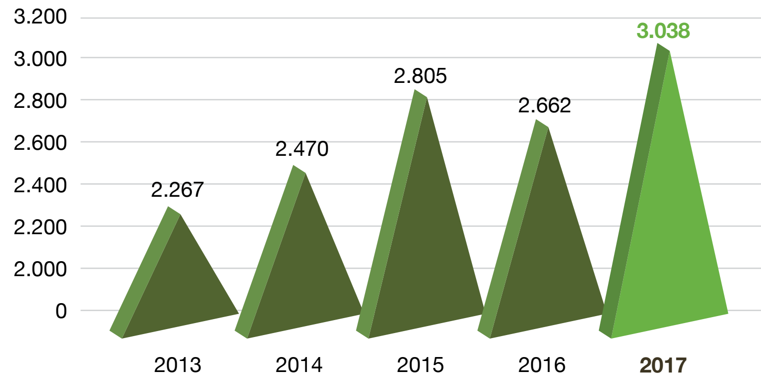
- Crude Palm Oil
- Refined Palm Oil Products
- Biodiesel
- Palm Kernel Products

OPERATIONAL HIGHLIGHTS

FINANCIAL YEAR	2013	2014	2015	2016	2017
OIL PALM PLANTATION AREA (Hectares)					
Total Planted Area	**170,596**	**194,567**	**207,575**	**208,691**	**210,001**
Mature	120,978	132,220	147,905	158,597	173,409
Immature	49,618	62,347	59,670	50,094	36,592
Nucleus Planted Area	**148,727**	**165,936**	**178,338**	**179,398**	**179,521**
Mature	104,493	114,377	128,042	136,798	147,377
Immature	44,234	51,559	50,296	42,600	32,144
Plasma Planted Area	**21,869**	**28,631**	**29,237**	**29,293**	**30,480**
Mature	16,485	17,843	19,863	21,799	26,032
Immature	5,384	10,788	9,374	7,494	4,448
PRODUCTION VOLUME (Tonnes)					
Total Fresh Fruit Bunches	**2,266,866**	**2,469,884**	**2,804,606**	**2,661,554**	**3,037,842**
Nucleus	2,049,095	2,212,006	2,530,357	2,367,767	2,682,944
Plasma	217,771	257,878	274,249	293,787	354,898
Crude Palm Oil	**588,792**	**630,988**	**687,248**	**634,941**	**702,368**
Palm Kernel	**135,462**	**145,811**	**160,021**	**148,270**	**170,664**
PRODUCTIVITY					
FFB Yield per Mature Hectare (tonnes)	**18.7**	**18.7**	**19.0**	**16.8**	**17.5**
CPO Yield per Mature Hectare (tonnes)	**4.3**	**4.3**	**4.3**	**3.8**	**3.9**
CPO Extraction Rate (%)	**23.1**	**22.8**	**22.7**	**22.5**	**22.2**
PK Extraction Rate (%)	**5.3**	**5.3**	**5.3**	**5.3**	**5.4**

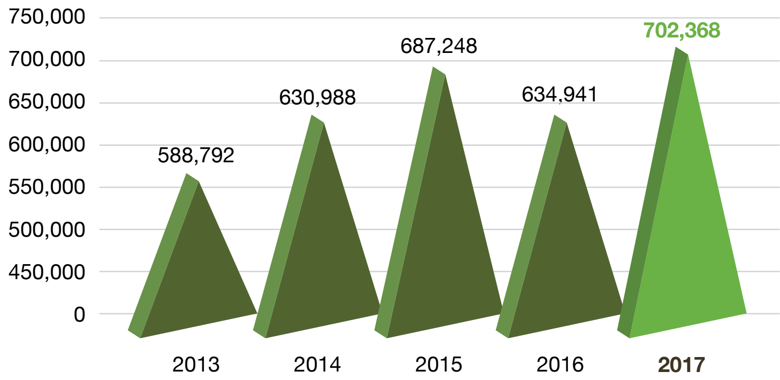
FRESH FRUIT BUNCHES PRODUCTION
(million tonnes)

CAGR
8%



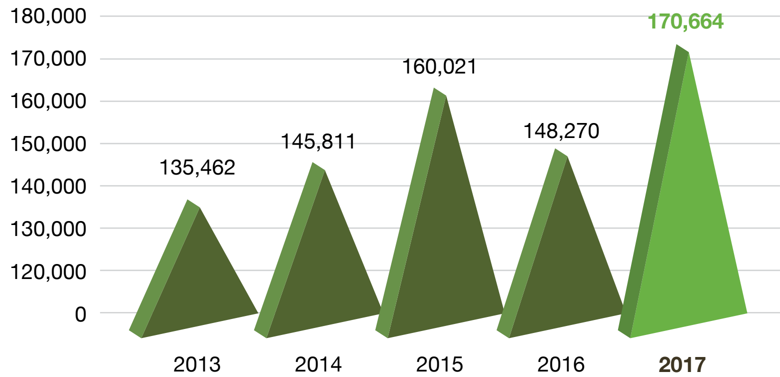
CRUDE PALM OIL PRODUCTION
(tonnes)

CAGR
5%

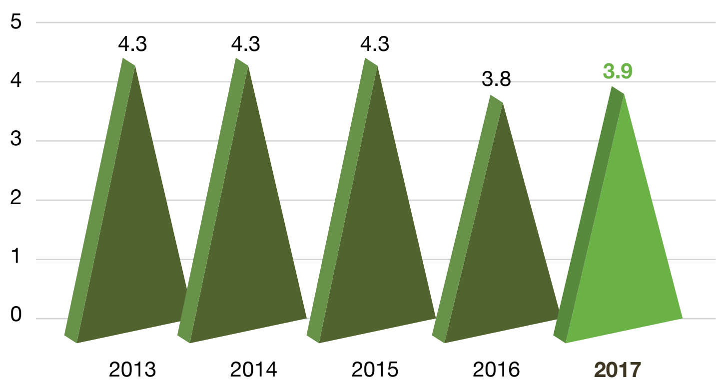


PALM KERNEL PRODUCTION
(tonnes)

CAGR
6%



CPO YIELD
(tonnes/mature hectare)



Note:
CAGR = Compounded Annual Growth Rate

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR	2013 [9]	2014 [9]	2015	2016	2017
INCOME STATEMENT (US$'000)					
Sales	626,498	615,524	453,674	575,234	**646,989**
Gross profit	381,743	323,399	231,713	267,263	**306,691**
Gains/(losses) arising from changes in fair value of biological assets	29,564	1,940	689	13,184	**(2,382)**
Profit from operations	340,834	270,993	169,821	207,705	**226,923**
EBITDA [1]	338,916	299,748	219,115	251,345	**292,130**
Profit before tax	313,564	251,945	144,833	183,072	**208,879**
Net profit attributable to owners of the Company	238,242	173,409	95,653	125,373	**137,700**
Underlying net profit [2]	216,958	171,640	95,135	115,486	**139,487**
BALANCE SHEET (US$'000)					
Total assets	1,780,274	1,997,855	1,568,215	1,699,551	**1,730,995**
Total liabilities	740,149	882,105	793,824	773,368	**708,803**
Total equity	1,040,125	1,115,750	774,391	926,183	**1,022,192**
Equity attributable to owners of the Company	993,479	1,063,189	736,071	881,173	**971,905**
FINANCIAL STATISTICS					
EBITDA margin (%)	54.1	48.7	48.3	43.7	**45.2**
Basic earnings per share (US cents) [3]	15.04	10.95	6.04	7.91	**8.69**
Net debt to equity (times) [4]	0.21	0.21	0.37	0.20	**0.21**
EBITDA to interest coverage (times) [5]	16.5	15.5	9.0	10.1	**12.9**
Net asset value per share (US$) [6]	0.63	0.67	0.46	0.56	**0.61**
Return on assets (%) [7]	13.3	9.6	6.3	8.1	**8.5**
Return on equity (%) [8]	22.7	16.9	12.5	15.5	**14.9**

Notes:

(1) EBITDA = Profit from operations before depreciation, amortisation and gains/(losses) 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/(losses) 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 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

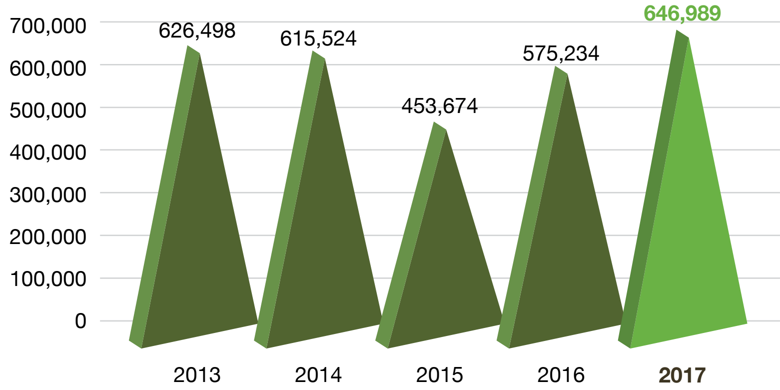
(6) Net asset value per share = Equity attributable to owners of the Company / Number of ordinary shares in issue at end of the financial year

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

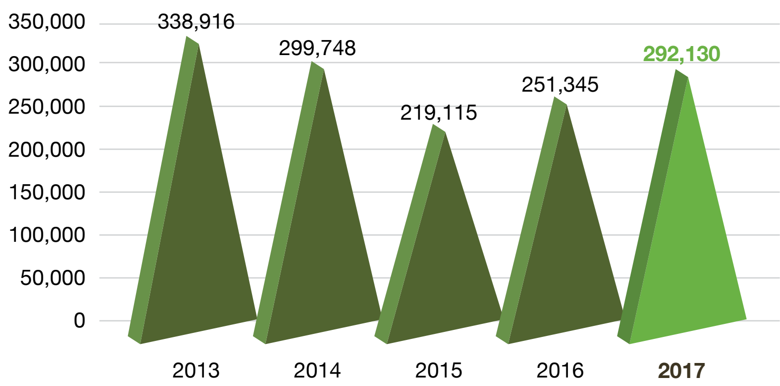
(8) Return on equity = Net profit attributable to owners of the Company / Average equity attributable to owners of the Company

(9) Figures have not been adjusted 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*.

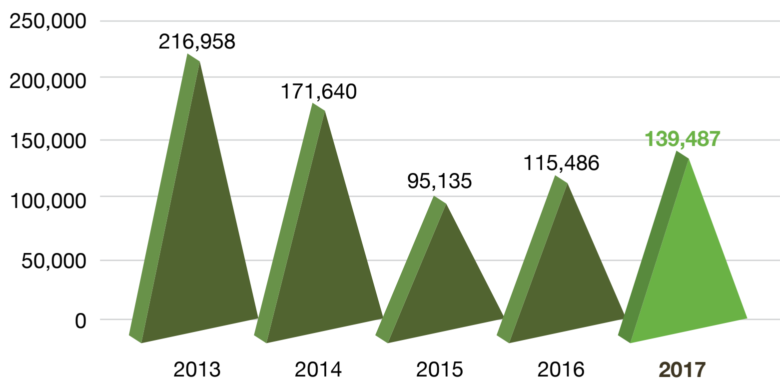
SALES
(US$'000)



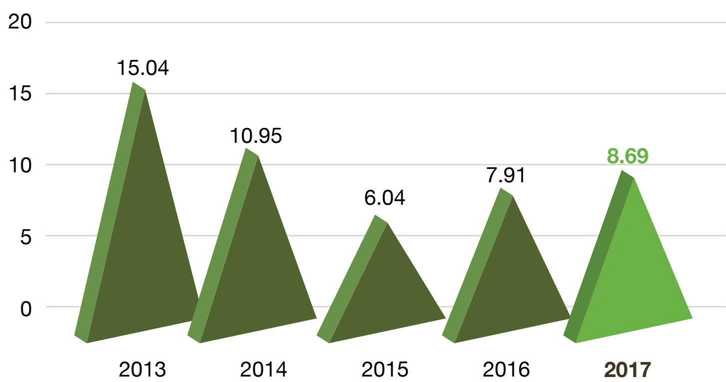
EBITDA
(US$'000)



UNDERLYING NET PROFIT
(US$'000)



BASIC EARNINGS PER SHARE
(US cents)



MESSAGE TO SHAREHOLDERS

"In celebration of the important milestones, the Board of Directors is also recommending a special dividend of 3.40 Singapore cents per share as a show of our appreciation to shareholders."

MESSAGE TO SHAREHOLDERS

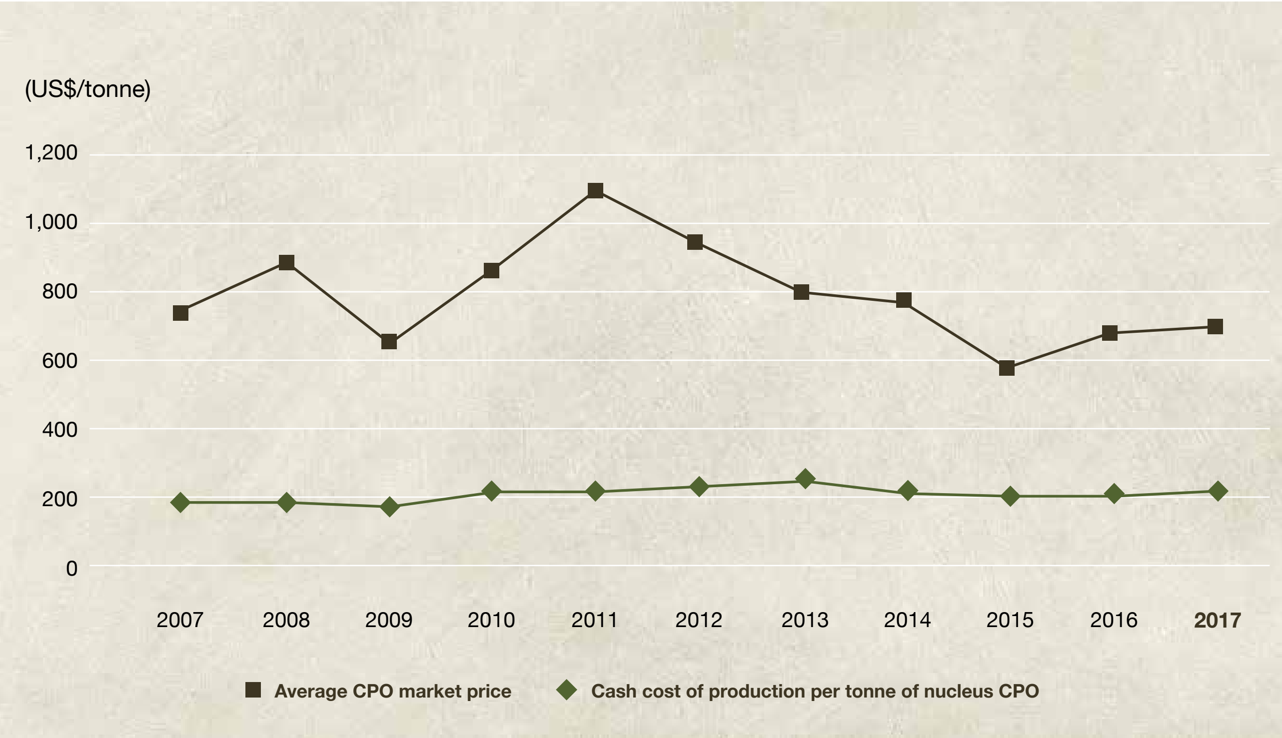
Dear Shareholders,

2017 was an especially significant milestone in the history of First Resources as it marks the confluence of two landmark occasions – the 10th anniversary of our Mainboard listing on the Singapore Exchange and the 25th year since the Group's establishment in 1992.

Looking back to 2007, when First Resources was listed on the SGX, we only managed over 80,000 hectares of oil palm plantations and seven palm oil mills in the Riau province of Indonesia. In a short span of 10 years, we have diversified and expanded our footprint. Today, our operations are strategically located in the Riau, East Kalimantan and West Kalimantan provinces of Indonesia, spanning more than 200,000 hectares of oil palm plantations, 15 palm oil mills and two mid-stream processing facilities. Correspondingly, our crude palm oil ("CPO") production has grown from 278,340 tonnes in FY2007 to 702,368 tonnes in FY2017, which represents a CAGR of 10%.

Through these 10 years, the Group has weathered many storms and challenges. Shortly after our listing, we encountered the 2008-2009 financial crisis, which was arguably the worst financial crisis since the Great Depression in the 1930s. Although we saw a precipitous drop in CPO prices during this period, the sharp recovery in CPO prices thereafter was just as notable. This experience vindicated many of our beliefs and confidence in palm oil. Like all food commodities, the underlying demand drivers are more stable and resilient than other industrial commodities whose demand are more correlated to economic activity and market sentiments. In other words, palm oil consumption and usage cannot be deferred much, as people have to consume whether in good times or bad. Moreover, our unrelenting focus on productivity and low cost enabled us to tide through this period of low prices.

MESSAGE TO SHAREHOLDERS

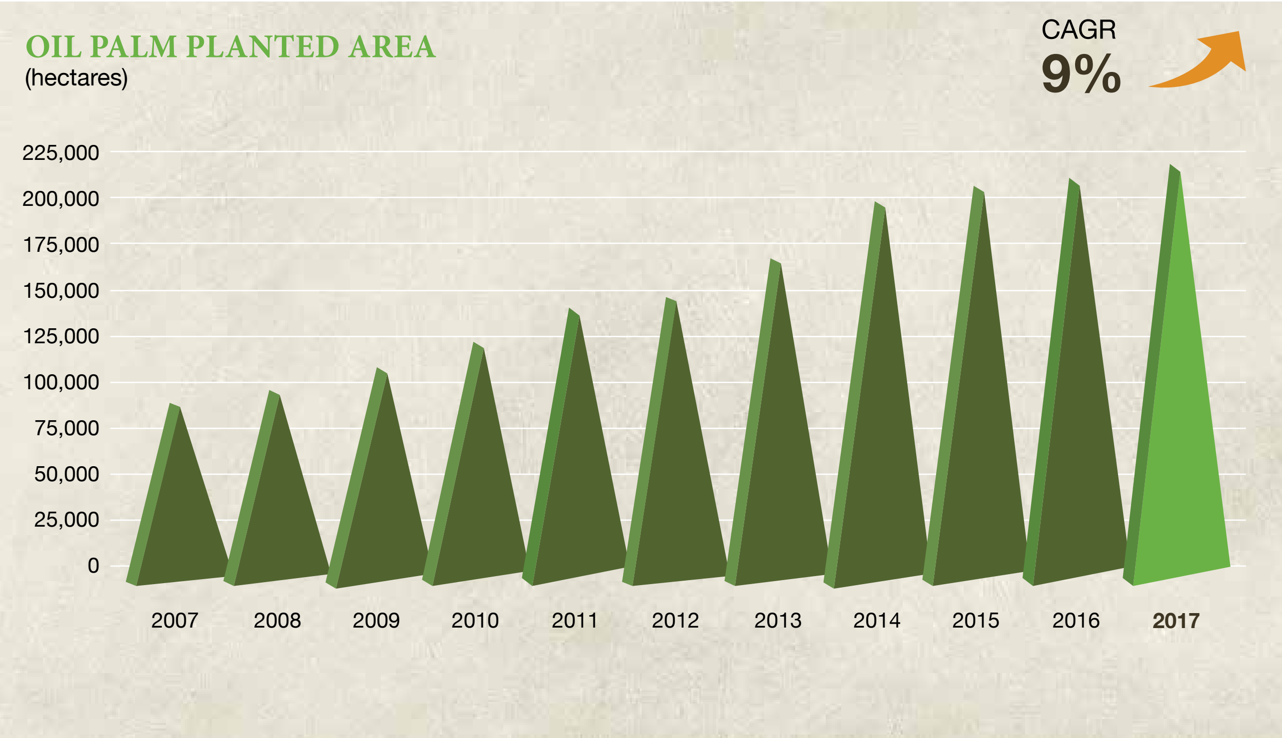


Another notable challenge through these past years have been the frequency and severity of weather disruptions, the worst of which would be the 2015 El Nino phenomenon, the strongest El Nino since 1998. Apart from impacting agricultural production over a protracted period of time, the forest fires and the ensuing air pollution threatened the lives and livelihoods of many Indonesians and Southeast Asians. This bitter experience has left an indelible mark on society, government and business alike, and we are confident that the united response since taken will prevent such large scale, man-made catastrophes from being repeated in this region.

Related to this development, observers of the palm industry would have also noticed the increased awareness, understanding and efforts towards sustainability. Our best practices in plantation management have been modified to reflect higher environmental awareness and also greater accountability towards all stakeholders, from the local communities living around our estates, to our customers, as well as all other interest groups. These sustainability efforts culminated in the adoption of our Sustainability Policy in July 2015 as a cornerstone to steer the Group towards even greater adoption and integration of best practices into our operations to achieve sustainable growth. The Group is also committed to providing stakeholders greater transparency on our operations.

While weather and palm oil prices are elements beyond our control, the Group has done reasonably well over the past two and a half decades to focus on factors within our control. We will continue to develop and maintain high-quality plantation assets, and ensure optimal milling capacity in line with our fresh fruit bunches ("FFB") production growth. We believe that increase in productivity is even more crucial to address future demand growth, given the sharply reduced pace of new plantings.

We will also continue to maintain our low-cost structure as we believe this is the best inoculation for upstream natural resource producers. As the chart above demonstrates, our cash cost of production per tonne of nucleus CPO (ex-mill basis) have largely stayed flat over the past 10 years and we are particularly proud of this achievement. As an upstream palm oil producer, our largest inputs are labour and fertilisers. Despite the 33% CAGR in Indonesian minimum wages over these past 10 years, we have successfully limited cash-cost increases through productivity growth as well as being a beneficiary of Indonesian Rupiah depreciation over this period. We will continue to sharpen our operational efficiency and unceasing stringent cost management, so that we can continue to reap superior margins and enjoy greater resilience to price cycles by being at the low end of the industry cost curve.



The Group will continue to be watchful of emerging trends and threats and respond nimbly to changes that may affect us as we look forward to another 25 good years!

PERFORMANCE REVIEW

FY2017 was a good year for oil palm growers with favourable production volumes as the industry shook off much of the debilitating 2015 El Nino effects.

Meanwhile, decent demand from importing nations replenishing their stocks as well as domestic demand in Indonesia driven by its biodiesel mandate helped to shore up CPO prices during the year. Average CPO price recorded in FY2017 was US$686 per tonne, slightly higher than the US$667 per tonne recorded in the previous year.

The Group's production strengthened year-on-year for all four quarters in FY2017, peaking in the fourth quarter in terms of production volume. While Riau remained the backbone of our production, the contribution from West Kalimantan increased to 21% and East Kalimantan contributed 2% to total production in FY2017 as plantings that took place in 2012 and 2013 came into fruition. Full year production volume was 14.1% higher at 3.0 million tonnes.

In terms of productivity, the Group's FFB yield for the year rose in tandem with the increase in production volume, from 16.8 tonnes per hectare in FY2016 to 17.5 tonnes per hectare in FY2017. Meanwhile, CPO extraction rate held steady at 22.2% in FY2017 as compared to 22.5% in FY2016.

Aided by higher CPO prices as well as higher sales volumes, the Group's financial performance improved over the year before, with sales and net profit attributable to owners of the Company rising 12.5% and 9.8% to US$647.0 million and US$137.7 million respectively while underlying net profit, which excludes the net losses arising from changes in fair value of our biological assets, increased 20.8% to US$139.5 million. The Group's EBITDA rose in tandem with the higher average selling prices, increasing 16.2% to US$292.1 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$1,846 of EBITDA per hectare in FY2017 as compared to US$1,878 of EBITDA per hectare achieved in FY2016. Despite the slight dip, 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.

MESSAGE TO SHAREHOLDERS

Aided by higher CPO prices as well as higher sales volumes, the Group's financial performance improved over the year before, with sales and net profit attributable to owners of the Company rising 12.5% and 9.8% to US$647.0 million and US$137.7 million respectively...

Cash cost of production is another important determinant of EBITDA and net profit. With higher production volumes and better yields, each tonne of nucleus CPO on an ex-mill basis cost us approximately US$217 in FY2017, which was largely flat versus FY2016 and sets us at the lower end of the industry cost curve.

INVESTMENTS EXPECTED IN 2018

During the year, the Group added 1,310 hectares of oil palms in the form of organic new plantings. In FY2018, we will continue to invest in upstream plantation growth and maintenance, as well as property, plant and equipment and other infrastructure needed for plantation management.

In terms of additions to milling assets, we have commenced construction of our 16th and 17th mills in West and East Kalimantan. We will also be investing in the upgrading and maintenance of our CPO mills.

The estimated total capital expenditure for FY2018 is US$85 million.

SUSTAINABILITY REVIEW

In 2017, sustainability continued to play a vital role in our business. We strengthened our sustainability framework through regular engagement with stakeholders and by keeping ourselves abreast of evolving industry standards. We dedicated a substantial amount of resources and time to implement our sustainability strategies and to engage with stakeholders.

During the year, we completed our final High Carbon Stock assessments on our development land bank and established a peat task force focusing on carrying out best plantation practices on peat land. Training on fire monitoring and management as well as wildlife protection was also provided to the team to improve their competencies.

In keeping with our commitment to update our shareholders and the market on our progress in the sustainability front, we will be publishing our fourth sustainability report in May 2018.

PROSPECTS

The Group anticipates its production volume growth to extend into 2018 from continued yield recovery and contribution from newly mature plantations. With approximately 16,000 more nucleus hectares expected to come into maturity, we expect our young plantations to continue supporting our production growth.

While higher industry production and competition from other edible oils are expected to influence palm oil prices, improving crude oil prices and potential domestic demand growth from Indonesia's biodiesel mandate may lend some support to CPO prices.

In the longer term, we believe that the fundamentals of the palm oil industry remains favourable, underpinned by expected demand growth from the rising consumption of vegetable oils in emerging markets and biofuel usage, while the much talked about sharp reduction in pace of new plantings in recent years will lead to an eventual slow-down in global supply growth.

The typical life-cycle of an oil palm tree is acknowledged to be 25 years. Metaphorically speaking, First Resources have completed its first planting cycle and is now entering our second cycle. We have grown and learned much in the first 25 years, and we look forward to the next 25 years with excitement!

ACKNOWLEDGMENTS AND APPRECIATION

The Board is pleased to propose a final dividend of 2.15 Singapore cents per share, bringing full-year ordinary dividend for FY2017 to 3.40 Singapore cents per share. This is a 13% growth from the 3.00 Singapore cents per share paid for FY2016 and translates to a dividend payout ratio of 29% of underlying net profit. In celebration of the important milestones, the Board of Directors is also recommending a special dividend of 3.40 Singapore cents per share as a show of our appreciation to shareholders.

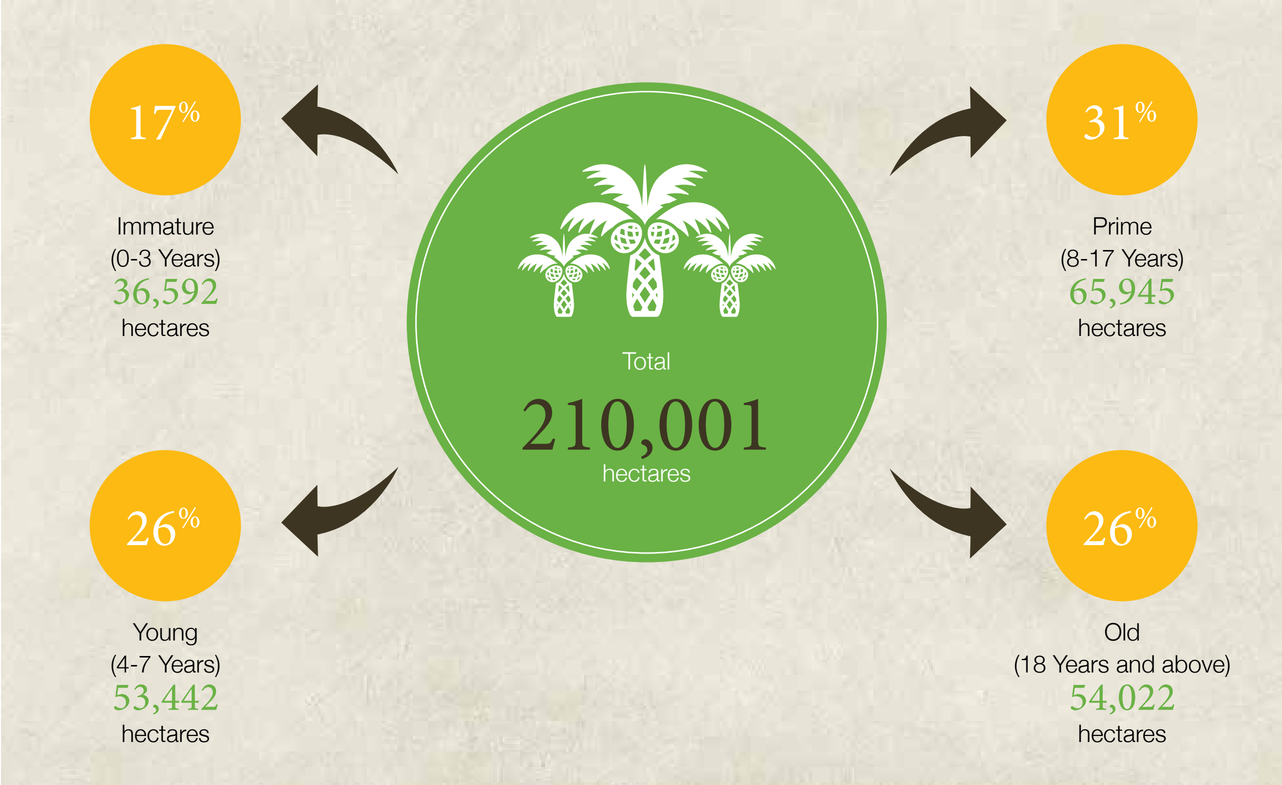
We would like to thank our fellow directors on the Board for their guidance during the year. In particular, we express our sincere gratitude to Mr Hee Theng Fong who is resigning from the Board, after having served on our Board, Audit Committee and Remuneration Committee for the last 10 years. We also want to thank our business partners and customers, as well as our shareholders for your support. Last but not least, we want to convey our appreciation to our staff and management team for their dedication and perseverance in these past 25 years.

LIM MING SEONG
Chairman and Independent Director

CILIANDRA FANGIONO
Executive Director and Chief Executive Officer

OPERATIONAL REVIEW

Oil Palm Plantation Age Profile (% of total)



PLANTATIONS AND PALM OIL MILLS

In FY2017, industry palm oil production staged a broad based recovery from the severe El Nino experienced in 2015 which had impacted production. Coupled with a sizeable increase in mature hectarage, the Group delivered a strong 14.1% growth in production, harvesting a total of 3,037,842 tonnes of FFB in FY2017 compared to 2,661,554 tonnes in FY2016. This marked the Group's highest annual production volume achieved since our listing 10 years ago.

The Group's nucleus estates produced a total of 2,682,944 tonnes of FFB in FY2017, a gain of 13.3% over the preceding year, while our plasma estates registered a 20.8% year-on-year jump in FFB production to 354,898 tonnes. Our Riau plantations continued to be our core production contributor, accounting for 77% of the Group's total FFB nucleus production, while our West and East Kalimantan plantations accounted for the remaining 23%.

We also saw improvements in yields during FY2017, with total FFB blended yield per mature hectare improving to 17.5 tonnes per hectare compared to 16.8 tonnes per hectare achieved in FY2016. Our nucleus estates achieved better FFB yield of 18.2 tonnes per hectare (FY2016: 17.3 tonnes per hectare), while our plasma estates registered a FFB yield of 13.6 tonnes per hectare (FY2016: 13.5 tonnes per hectare). Overall yields continued to be impacted by lower-yielding mature plantations mainly from past acquisitions and dilutive effect from higher newly mature plantations.

CPO production grew by 10.6% to 702,368 tonnes, a smaller magnitude as compared to the 14.1% increase in the Group's total FFB production, contributed by the declines in FFB purchases from third parties and oil extraction rate. CPO extraction rate came in at 22.2% with CPO yield per mature hectare at 3.9 tonnes, as compared to 22.5% and 3.8 tonnes per hectare respectively in FY2016. Our palm kernel ("PK") registered a 15.1% increase in production volume to 170,664 tonnes, with extraction rate of 5.4%, up slightly as compared to the 5.3% in the last few years.

The Group's cash cost of production per tonne of nucleus CPO, on an ex-mill basis, remained low at US$217 per tonne, a marginal 0.9% increase from the US$215 per tonne registered in FY2016.

REFINERY AND PROCESSING

In FY2017, a total of 900,577 tonnes of our processed products, which include biodiesel, refined, bleached and deodorised ("RBD") palm oil, RBD palm olein, RBD stearin, palm fatty acid distillate, crude glycerine, palm kernel oil and palm kernel expeller, were sold to both the domestic and international markets. This was an increase of 13.6% from a year ago, reflecting the higher utilisation of our processing plants, which mainly process the Group's own CPO and PK production.

UPSTREAM ASSETS

The Group added 1,310 hectares of oil palms during the year, increasing our total plantation under management to 210,001 hectares. The sharp slowdown in new planting pace is in line with the rest of the industry, as companies focus on improving efficiencies in plantation management while adhering to more stringent sustainability policies and practices.

With our plantations in East Kalimantan starting to come into maturity, we completed our first palm oil mill in this region, bringing the Group's total number of mills to 15. The Group has also started construction of our 16th and 17th mills in West and East Kalimantan respectively.

As at 31 December 2017, our plantation profile remained young at a weighted average age of 10 years with more than forty percent of our plantations in their immature or young age. With our relatively young age profile, the Group is well-positioned for steady production growth in the next few years as these plantations grow into prime-yielding ages.

FFB harvested

3,037,842

tonnes

CPO Production

702,368

tonnes

We are expecting approximately 16,000 hectares of our nucleus plantations to come into maturity in 2018, which will further contribute to the Group's production growth for the year. Besides focusing on maintenance of immature plantations as well as enhancing the infrastructure within our plantations, the Group will also adopt a disciplined approach in rejuvenating its older plantations. For a start, the Group will replant approximately 800 hectares of oil palm estates in 2018.

EBITDA
US$292.1 million

EBITDA Margin
45.2%

First Resources capped off 2017 with a good set of results, with its improved performance largely boosted by stronger sales volumes and higher average selling prices for both its crude and processed products.

Average CPO prices (FOB Indonesia basis) in 2017 gained 2.8% to US$686 per tonne, compared to US$667 per tonne the year before. On the back of the improvements in both sales volumes and prices, the Group's sales for the year grew 12.5% to US$647.0 million while net profit increased 9.8% to US$137.7 million. Excluding the net losses arising from changes in fair value of biological assets, underlying net profit jumped 20.8% to US$139.5 million.

SALES, COST OF SALES AND GROSS PROFIT

Driven by the robust production growth during the year, sales of CPO and PK under the Plantations and Palm Oil Mills segment grew 7.1% and 10.3% to 708,213 tonnes and 166,813 tonnes respectively. Correspondingly, sales volumes from the Refinery and Processing segment rose 13.6% to 900,577 tonnes from the higher utilisation of the Group's processing plants. Overall, the Group's sales volumes for the year also included the effects of a net inventory drawdown of 28,000 tonnes. Combining the improved sales volumes with the higher average selling prices for both segments, the Group was able to achieve a 12.5% growth in sales for FY2017.

Cost of sales increased by 10.5% to US$340.3 million in FY2017 from US$308.0 million in FY2016, mainly due to higher operating costs from the Group's increased mature plantation hectarage. 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.

In tandem with the higher sales volumes and average selling prices, gross profit for the year grew 14.8% to US$306.7 million, with gross profit margin coming in at 47.4% as compared to 46.5% in FY2016.

CHANGES IN FAIR VALUE OF BIOLOGICAL ASSETS

The fair value of the Group's biological assets as at 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 losses arising from changes in fair value of biological assets amounting to US$2.4 million in FY2017 as compared to gains of US$13.2 million in FY2016. The fair value losses recorded in FY2017 was mainly due to the lower FFB price, partially offset by the higher projected harvest quantities used in the valuation as compared to the previous year.

OPERATING EXPENSES

Total operating expenses increased 6.4% to US$77.4 million in FY2017, mainly due to the higher freight charges and export taxes incurred.

NET FINANCIAL EXPENSES

The Group registered lower net financial expenses of US$20.7 million in FY2017 compared to US$24.3 million in FY2016. This was mainly due to a reduction in interest expenses from the repayment of the Islamic medium term notes ("IMTN") in July and December 2017 which were partially refinanced using bank loans, as well as higher interest income earned on cash and bank balances.

EBITDA

Driven by the higher average selling prices and production volumes, EBITDA rose 16.2% to US$292.1 million in FY2017 from US$251.3 million in FY2016, with the Plantations and Palm Oil Mills segment remaining as the main earnings driver for the Group.

BALANCE SHEET

The Group's total assets edged up 1.9% to US$1,731.0 million as at 31 December 2017. Non-current assets increased 2.7% to US$1,298.9 million, mainly contributed by the Group's capital expenditure on oil palm plantations, palm oil mills, other property, plant and equipment and land use rights. Current assets declined marginally by 0.6% to US$432.1 million as at 31 December 2017.

Total liabilities declined 8.3% to US$708.8 million as at 31 December 2017, largely due to the repayment of IMTN amounting to US$319.7 million which also contributed to the US$293.6 million reduction in current liabilities. The IMTN was partially refinanced by US$247.4 million of proceeds from drawdown of bank loans, leading to a US$229.1 million increase in non-current liabilities.

Gross borrowings increased by US$48.4 million to US$496.3 million as at 31 December 2017, reflecting the effects from foreign currency revaluation of the Ringgit-denominated IMTN and drawdown of bank loans, partially offset by the repayment of IMTN during the year.

The Group continued to maintain its healthy financial position with a low net gearing ratio of 0.2 times and cash and bank balances of US$278.9 million as at 31 December 2017.

CASH FLOWS

On the back of higher average selling prices and sales volumes, the Group generated net cash from operating activities of US$231.7 million in FY2017 as compared to US$186.6 million in the preceding year.

Net cash used in investing activities amounted to US$93.0 million in FY2017, primarily relating to the Group's continued capital expenditure on oil palm plantations, palm oil mills, other property, plant and equipment and land use rights.

The Group used US$12.3 million in financing activities in FY2017 as compared to US$59.8 million in FY2016. The lower cash used in financing activities in FY2017 was mainly due to the proceeds from bank loans and decrease in restricted cash balances, partially offset by the repayment of IMTN during the year.

Overall, the Group registered an increase in cash and cash equivalents of US$126.3 million during the year, bringing total cash and bank balances to US$278.9 million as at 31 December 2017.

> First Resources capped off 2017 with a good set of results, with its improved performance largely boosted by stronger sales volumes and higher average selling prices for both its crude and processed products.

BOARD OF DIRECTORS

01/ Lim Ming Seong, 02/ Ciliandra Fangiono, 03/ Fang Zhixiang, 04/ Tan Seow Kheng, 05/ Teng Cheong Kwee, 06/ Hee Theng Fong, 07/ Ong Beng Kee, 08/ Ng Shin Ein

01

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, Starhub Ltd

Principal Commitments
Nil

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

02

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 2017. 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

03

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 of 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

BOARD OF DIRECTORS

04

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 2017. His other appointments include serving as the General Manager of EWIS Development Pte Ltd, a company focused on 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

05

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

06

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 2017. 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
YHI International Limited, Tye Soon Limited, Straco Corporation Limited, China Jinjiang Environment Holdings Company Limited, APAC Realty Limited and Yanlord Land Group Limited

Principal Commitments
Eversheds Harry Elias LLP

Past Directorships / Chairmanship in Other Listed Companies Held Over the Preceding 3 Years
Datapulse Technology Limited and Delong Holdings Limited

07

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

08

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. Ms Ng brings with her a rare blend of legal, business, financial and diplomatic experience.

Ms Ng Shin Ein was admitted as an advocate and solicitor of the Singapore Supreme Court and practiced as a corporate lawyer in Messrs Lee & Lee. Whilst at Messrs Lee & Lee, she advised clients on joint ventures, mergers and acquisitions and fundraising exercises.

Subsequent to legal practice, 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 is presently the founding partner of Gryphus Capital, a pan-Asian private equity investment firm. She invests actively and leads a network of family offices and other private equity firms to provide strategic capital for companies. For these investments, she engages with portfolio companies, focusing on strategy and business development. She also advises ETPL, the commercialisation arm of Singapore's Agency for Science, Technology and Research (A*STAR).

Ms Ng sits on the boards of other companies listed on the mainboard of the Singapore Exchange, and was appointed the youngest ever director of Fairprice, Singapore's largest supermarket operator.

Apart from corporate boards, Ms Ng serves on boards of Singapore International Foundation and the Middle East Institute, National University of Singapore. She is also Singapore's Non-Resident Ambassador to the Republic of 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

SUSTAINABILITY REVIEW

> ...being sustainable strengthens our business foundations and supports our vision to be a leading oil palm-focused agribusiness...

SUSTAINABILITY REVIEW

Over our 25-year history, we have witnessed many changes in the industry, one of the most notable being the increasing level of industry effort towards sustainability. In the early days, the concerns were mostly about environmental protection but this has since evolved and expanded to encompass a whole host of other factors including labour rights, community engagement, and supply chain management.

As a company, we believe our efforts in this area will translate to a more sustainable future for the business. In July 2015, we established a Sustainability Policy ("Policy"), which spells out our core principles, including our commitments to no deforestation and peatland development, amongst others. The Policy has since served as our own sustainability benchmark, as well as a foundation that we build our initiatives upon. We have also extended the Policy to cover our third party suppliers, with the objective of delinking our supply chain from deforestation and exploitation risks, while encouraging other players in the industry to embrace the same sustainability aspirations.

We have had to integrate the goals and objectives of our Policy throughout our organisation and operations and this impacted our growth strategy, which had to be recalibrated. Despite the impact, we strongly believe the change was necessary as being sustainable strengthens our business foundations and supports our vision to be a leading oil palm-focused agribusiness known for its excellence.

We will be publishing a separate Sustainability Report in May 2018 where we present our strategies, targets and progress updates on our Policy. In the meantime, we have outlined some of our key sustainability initiatives in this review.

High Carbon Stock ("HCS") verifications, peatland management, supply chain monitoring and resolution of outstanding RSPO complaint were some of our key work done in 2017. During the year, through our engagement with suppliers, we also managed to achieve 100% traceability of our CPO and PK to palm oil mills.

> In July 2015, we established a Sustainability Policy, which spells out our core principles, including our commitments to no deforestation and peatland development...

HCS FORESTS

Since the launch of our Policy, we have dedicated significant resources and time to ensure HCS assessments are completed and verified by independent HCS assessors. Working together with these HCS consultants, we have carried out a total of 15 HCS assessments, covering more than 100,000 hectares of our development land bank.

The extensive work to identify and map the HCS areas in our land bank included conducting ground truthing, patch analysis and initial consultation with local communities.

Approximately 20,000 hectares of development land bank were identified to be unsuited for development as these are areas with HCS, HCV or peat content. Besides deliberately excluding these No-Go Areas from our development plans, we have also set up internal control procedures to mitigate the risks of accidental clearances.

HIGH CONSERVATION VALUE AREAS ("HCV")

It has been approximately two years since our first collaboration with a local stakeholder specialist to jointly monitor and manage our HCV areas in Ketapang, West Kalimantan. In the collaboration, we have formed specialised taskforces at two of our concessions, focusing on conducting daily patrols and documenting observations of wildlife species on a regular basis. The conservation taskforces have been equipped with various trainings on monitoring of HCV areas, handling of orangutans and other wildlife species, and use of conservation software tools and camera traps installed.

Such regular monitoring helps discourage illegal activities like logging, encroachment and hunting in our HCV areas. It also enables us to study the populations of wildlife species in the area and therefore review the effectiveness of our conservation efforts.

PEAT MANAGEMENT

The forest fires and ensuing air pollution experienced in 2015 had left an indelible mark on all affected Southeast Asian countries. To prevent such man-made catastrophes from being repeated, the Indonesian Government has since stepped up its efforts to mitigate the risk of fires from carbon-rich peatlands across the archipelago.

To support the government's initiatives and as part of our own fire prevention and management strategy on peat land, we have established a specialised peat taskforce. Led by the Research and Development team, the peat taskforce's emphasis includes identifying peat characteristics, soil quality, peat drainage, flood characteristics, proportion of peat material and pyrite existence. Results of their peat surveys were used to enhance our water management plans in peat plantations.

SUPPLY CHAIN MONITORING

In the past year, there has been greater scrutiny by non-governmental organisations on companies further up the supply chain, whose operations allegedly did not comply with industry standards for No Deforestation, No Peat and No Exploitation ("NDPE").

The objective is to create greater awareness, so that industry buyers can monitor their supply chain and ensure that they are not unknowingly supporting deforestation and exploitation activities.

To support this objective, industry buyers have started to make available more information about their suppliers, traceability information and grievance cases through their palm oil dashboards. In line with the industry trend for greater transparency, we are also working on providing more information about our suppliers to stakeholders.

We rely on the reports and grievances provided by these non-governmental organisations and other stakeholders to detect potential risks in our supply chain. Besides these, we have also stepped up our supplier engagement efforts. By maintaining a constant dialogue with our suppliers, especially the smaller plantations, we hope to build rapport and trust so that we can better understand the challenges they face in meeting new sustainability standards. This will enable us to more effectively support them in their efforts without compromising our own policies.

LABOUR ISSUES AND CONCERNS

Labour and human rights issues in the palm oil supply chain have been an increasing concern and remain an industry-wide challenge. We too have been reviewing our labour practices in line with the current focus on these issues.

During the year, a pilot study was conducted independently by one of our buyers to review our general labour practices and identify areas for improvement. In the pilot audit, interviews were conducted to gauge work practices and implementation of labour related standard operating procedures, including health and safety issues. The results of audit will be reviewed and we will have in place plans to continuously improve our standards on labour practices.

Aside from the pilot study, we have implemented improvements to create more conducive living conditions in our estates. Some of these include building more schools, day-care facilities, housing and ensuring that clinics are well-stocked with medical supplies.

100%
TRACEABILITY TO PALM OIL MILLS

Key Highlights for 2017

76,690 HECTARES
ISPO-CERTIFIED PLANTATIONS

48,344 HECTARES
ISCC-CERTIFIED PLANTATIONS

30,480 HECTARES
PLASMA PLANTATIONS SUPPORTED

COMPLETED HCS ASSESSMENTS FOR OVER
100,000 HECTARES

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

Teng Cheong Kwee
Independent Director

Ong Beng Kee
Independent Director

Hee Theng Fong
Independent Director

Ng Shin Ein
Independent Director

Tan Seow Kheng
Non-Executive Non-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

Lai Kuan Loong, Victor

REGISTERED ADDRESS

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

PLACE & DATE OF INCORPORATION

Singapore, 9 December 2004

COMPANY REGISTRATION NUMBER

200415931M

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

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-In-Charge: **Philip Ling**
(Appointed since financial year ended 31 December 2017)

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 corporate governance processes and practices with reference to the principles of the 2012 CG Code. 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 continually reviews and refines the Company's corporate governance processes and practices in light of best practices, consistent with the needs and circumstances of the Group.

BOARD MATTERS

Principle 1: 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.

In addition to its statutory responsibilities, the principal functions of the Board include:

(a) providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including the safeguarding of shareholders' interests and the Company's assets;

(c) reviewing Management's performance;

(d) identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;

(e) setting the Company's values and standards (including ethical standards);

(f) ensuring that obligations to shareholders and other stakeholders are understood and met; and

(g) considering sustainability issues such as environmental and social factors, as part of its strategic formulation.

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 and are each chaired by an Independent Director.

The Board and the various Board 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	–	–

CORPORATE GOVERNANCE

All Directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Company. This is one of the performance criteria for the assessment of the effectiveness of the individual Directors.

The Board conducts regular scheduled meetings on a quarterly basis. Such meetings are typically scheduled before the start of each year in consultation with the Directors. Ad-hoc meetings may also be 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 (including Independent Directors) without the presence of Management.

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

	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	Number of Meetings							
Name	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	–	–	3	3
Ong Beng Kee	5	5	4	4	–	–	–	–
Hee Theng Fong	5	5	4	4	–	–	3	3
Ng Shin Ein	5	5	–	–	1	1	3	3
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 Board is also updated on any significant developments and matters relating to environmental, social or other sustainability issues and risks affecting the Group.

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.

In addition to the formal Board meetings, the Board also organises Board strategy meetings periodically for in-depth discussions on strategic issues and direction of the Group, wherein due consideration is also given to key material environmental, social and governance factors identified for the Group. Such Board strategy meetings, which may be held offsite, include presentations by key executives on the Group's key business focus and growth plans going forward, as well as strategic issues relating to specific business areas. In November 2017, a Board strategy meeting was held in the Company's corporate office in Singapore. From time to time, the Company also organises site visits for the Directors to better apprise them of the Group's business. Such visits also provide the Non-Executive Directors with an opportunity to interact and engage with the key executives of the Group.

Principle 2: 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 30 April 2018:

(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 Mr Lim Ming Seong and Ms Ng Shin Ein abstaining from reviewing his/her own independence), 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.

As part of the process of renewing the Board progressively, Mr Hee Theng Fong, who has served as an Independent Director for more than nine years since the date of his initial appointment on 1 October 2007, will be vacating his office with effect from 1 May 2018. Consequent to Mr Hee Theng Fong's resignation as an Independent Director, he will also cease to be a member of the Audit Committee and Remuneration Committee. Mr Lim Ming Seong will thereafter be appointed as a member of the Remuneration Committee with effect from 1 May 2018.

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. Although the Board does not have a written policy with regards to diversity in identifying director nominees, it will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age and other relevant factors.

New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Non-Executive and Independent Directors contribute to the board process by monitoring and reviewing Management's performance. For the financial year under review, the Non-Executive and Independent Directors have constructively challenged Management's proposals and decisions and reviewed Management's performance. They have unrestricted access to Management for any information that they may require to discharge their oversight function effectively. As Non-Executive and Independent Directors constitute a majority of the Board, objectivity on such deliberations is assured.

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 24 to 27 of this Annual Report.

Principle 3: 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 a Non-Executive Director, is not related to the CEO. As the Chairman, he bears primary responsibility for leading the Board to ensure its effectiveness on all aspects of its role including setting the agenda for Board meetings with input from Management. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board and Management to encourage constructive relations within the Board and between the Board and Management. To promote a culture of openness and debate at the Board, he ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and also facilitates the effective contribution of the Non-Executive Directors. At the AGM and other shareholder meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management. The Chairman also promotes high standards of corporate governance for the Company, with the support of the Board, Company Secretary and Management.

The CEO, Mr Ciliandra Fangiono, drives the business strategies of the Company as set by the Board and manages the day-to-day business operations together with the other executive officers of the Company.

Given that the roles of the Chairman and CEO are separate and the Chairman is independent, no lead independent director is required to be appointed.

Principle 4: 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 met once during the financial year under review.

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;

(d) Determining annually if a Director is independent pursuant to the guidelines set forth in the 2012 CG Code;

(e) Evaluating if a Director is able to and has been adequately carrying out his or her duties as a Director when the Director concerned holds multiple board representations; 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 Board and Nominating Committee are satisfied that all Directors have discharged their duties adequately for the financial year ended 31 December 2017.

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 Lim Ming Seong, Mr Teng Cheong Kwee and Mr Fang Zhixiang 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 2017
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 2017
Ng Shin Ein	1 October 2007	27 April 2016
Tan Seow Kheng	1 November 2014	28 April 2017

Principle 5: Board Performance

The Nominating Committee undertakes a process to assess the effectiveness of the Board and its Board Committees. Directors are requested to complete a Board Evaluation Questionnaire to assess the overall effectiveness of the Board and the Board Committees. To ensure confidentiality, the Company Secretary compiles the Directors' responses to the Board Evaluation Questionnaire on a collective basis and present the results to the Nominating Committee. 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 Board Chairman, who is also the Chairman of the Nominating Committee, will act on the results of the performance evaluation and in consultation with the Nominating Committee propose, where appropriate, new members to be appointed to the Board or seek the resignation of existing members. The evaluation for the financial year ended 31 December 2017 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 Questionnaire. The performance of the Board was reviewed as a whole, focusing 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.

The Board believes that evaluation of individual Director's performance is a continuous process. For the financial year under review, the Nominating Committee took note of each individual Director's attendance at meetings of the Board, Board Committees and at general meetings; participation in discussions at meetings; the individual Director's functional expertise and his or her commitment of time to the Company and took such factors into consideration in the annual process of evaluating the performance of the individual Directors.

Principle 6: 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.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

As at the date of this report, the Remuneration Committee comprises Ms Ng Shin Ein as Chairman, Mr Teng Cheong Kwee and Mr Hee Theng Fong as members. All three members are Independent Directors. The Remuneration Committee met three times during the financial year under review.

Following Mr Hee Theng Fong's resignation as an Independent Director, Mr Lim Ming Seong will be appointed as a member of the Remuneration Committee with effect from 1 May 2018.

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.

The Remuneration Committee, when required, has access to expert advice, both within and outside the Company, on remuneration of directors.

The following table shows the Directors' remuneration paid in the year ended 31 December 2017:

Name	Directors' Fee	Fixed Salary	Variable Bonus	Total Remuneration
Executive Directors:				
Ciliandra Fangiono	–	60%	40%	S$1,417,000
Fang Zhixiang	–	60%	40%	S$1,117,000
Non-Executive Directors:				
Lim Ming Seong	100%	–	–	S$90,000
Teng Cheong Kwee	100%	–	–	S$80,000
Ong Beng Kee	100%	–	–	S$70,000
Hee Theng Fong	100%	–	–	S$75,000
Ng Shin Ein	100%	–	–	S$75,000
Tan Seow Kheng	100%	–	–	S$70,000

The fee structure for the Directors' fees is as follows:

(a) A single base fee of S$60,000 for serving as Non-Executive Director;
(b) Additional fee of S$20,000 for serving as Chairman of the Board of Directors; and
(c) Additional fee for serving as Chairman/Member on the following Board Committees:

Type of Committee	Chairman's Fee	Member's Fee
Audit Committee	S$15,000	S$10,000
Nominating Committee	S$10,000	S$5,000
Remuneration Committee	S$10,000	S$5,000

In determining the quantum of Directors' 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. The Non-Executive Directors are not overcompensated to the extent that their independence is compromised. 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 current remuneration framework for the Non-Executive Directors remains unchanged from that of the previous financial year ended 31 December 2016.

The CEO and Deputy CEO, both being 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 package for the CEO, Deputy CEO and other key executives consists of both fixed and variable components. The variable component in the form of bonus is determined based on the performance of the individual employee and the Group's performance in the relevant financial year. This is to align their interests with those of the shareholders and link rewards to corporate and individual performance. For the purpose of assessing the performance of the Executive Directors and key executives, key performance indicators comprising both quantitative and qualitative factors are set out at the beginning of each year and reviewed at the end of the financial year. The Company does not have any contractual provisions which allow it to reclaim incentive components of remuneration from Executive Directors and key executives as such provisions may have a negative impact on attracting and retaining talent in the Company.

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 2017:

Name	Fixed Salary	Variable Bonus	Remuneration Band
Executive A	75%	25%	S$500,000 – S$750,000
Executive B	68%	32%	S$250,000 – S$500,000
Executive C	62%	38%	S$250,000 – S$500,000
Executive D	58%	42%	S$250,000 – S$500,000
Executive E	87%	13%	S$250,000 – S$500,000

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 2017 amounted to S$1,877,000.

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 2017. In addition, the Remuneration Committee was satisfied that the service contracts with the Executive Directors and key executives do not contain termination clauses that are overly generous.

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options following the expiry of the initial share plans in November 2017.

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 AND AUDIT

Principle 10: 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.

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.

The Company also observes obligations of continuing disclosure under the SGX-ST Listing Manual. The Company has received signed undertakings from all its Directors and executive officers pursuant to Rule 720(1) of the SGX-ST Listing Manual.

Principle 11: Risk Management and Internal Controls
Principle 12: Audit Committee

As at the date of this report, 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 Audit Committee met four times during the financial year under review.

Following Mr Hee Theng Fong's resignation as an Independent Director with effect from 1 May 2018, the composition of the Audit Committee will still be in compliance with the 2012 CG Code.

The majority of the Audit Committee, including the Chairman, has accounting or related financial management expertise or experience. The Board is of the view of that the members of the Audit Committee are appropriately qualified to discharge their responsibilities. 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 keeps abreast of the changes to accounting standards and issues that may have a direct impact on the financial statements by referring to the best practices and guidance in the Guidebook for Audit Committee in Singapore and the reports issued from time to time in relation to the Financial Surveillance Programme administered by the Accounting and Corporate Regulatory Authority. During the year under review, the Audit Committee was also briefed on the changes in 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 pre-tax discount rate, projected crude palm oil price and terminal growth rate. 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 2017.

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 2017.
Recoverability of 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 2017.

Following the review, the Audit Committee recommended to the Board to approve the financial statements for the financial year ended 31 December 2017.

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 put in place a whistle-blowing policy, endorsed by the Audit Committee, which provides for a mechanism by which employees and any other persons may, in confidence, raise concerns about possible unethical conduct and improprieties in financial reporting or other matters. The objective of this policy is to encourage the reporting of such matters in good faith, with the confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal. All information received is treated with confidentiality and anonymous reporting is accepted for protecting the identity and interest of all whistle-blowers.

The Company does not tolerate nor condone any actions taken against any employee in retaliation for raising a compliance or integrity issue, and may institute disciplinary action against any party found to have taken such retaliatory action against whistle-blowers.

All whistle-blowing reports are received by the Internal Audit function on behalf of the Audit Committee. The Internal Audit function will conduct an initial review of the reports received and recommend for remedial, disciplinary or other corrective actions to be taken by the Company. A summary of the investigations conducted is reported to the Audit Committee for its attention on a quarterly basis. Whistle-blowing matters, where substantiated and material, are reported to the Audit Committee immediately.

The Audit Committee ensures that independent investigations and appropriate follow-up actions are carried out, where applicable. Details of the Group's whistle-blowing policy, including the different modes of reporting via an internal compliance hotline and email address, have been disseminated and made available to all employees. On an ongoing basis, the Group's whistle-blowing policy is covered during staff training as part of the Group's efforts to promote awareness of fraud control.

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. Key sustainability risks relating to material environmental and social issues identified for the Group are also included within the risk register. The risk register is maintained and reviewed by Management on a regular basis and the overall findings and recommendations from the risk assessment exercise are 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. As part of the risk management process, material sustainability issues and concerns relating to environmental and social factors are also taken into consideration in the identification of key operational risks for the Group. 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, which also incorporates sustainability risk management.

Some of these risks are discussed in Note 41 "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 2017 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 2017 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.

Principle 13: Internal Audit

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

The IA function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by the Institute of Internal Auditors.

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

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. The annual audit plan also incorporates the audit of key risk areas identified under the Group Risk Management Framework. 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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

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.

The Company ensures that all material and price sensitive information which may affect the price or value of the Company's shares is promptly disseminated to the public on a comprehensive, accurate and timely basis via SGXNet and is not selectively disclosed. On the rare occasion when such information is inadvertently disclosed to a select group, the Company will make the same disclosure publicly to all others as soon as practicable.

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 100 equity and fixed income investors in conference calls and meetings in Singapore 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. The IR team is contactable at investor@first-resources.com.

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. The IR team also provides regular updates to the Board and Management on analysts' consensus estimates.

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 encouraged to communicate their views and discuss with the Board and Management on matters affecting the Company. They are also 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 in absentia by mail, facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent.

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

The Company conducts electronic poll voting for all the resolutions to be passed at general meetings for greater transparency in the voting process. An independent scrutineer firm is also present to validate the votes at each general meeting. The results of all votes for and against each resolution is tallied and instantaneously displayed at the meeting. The voting results are announced via SGXNet following each general meeting.

The Company Secretary prepares minutes of general meetings, which incorporate substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon their request.

The Company strives to provide sustainable dividend payments to our shareholders, while remaining committed to an optimal capital structure and maintaining flexibility to pursue growth. In considering the level of dividend payments, the Board takes into consideration of the Company's cash flow, capital expenditure plan, working capital requirements, general financial condition and other factors deemed relevant by the Board. Whilst interim dividends are declared and approved by the Board at each half-year, final dividends are recommended by the Board at each year-end for shareholders' approval at the AGM. For the financial year ended 31 December 2017, the Board has proposed a final dividend of 2.15 Singapore cents per share, which brings the full-year ordinary dividend to 3.40 Singapore cents per share, translating to an annual dividend payout ratio of 29% of the Group's underlying net profit. In addition, the Board has also recommended a special dividend of 3.40 Singapore cents per share to commemorate the 10th anniversary of the Company's listing and 25 years since the Group's establishment in 1992.

Code of Conduct

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.

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 to adhere to the following rules at all times:

(a) observe insider trading laws and avoid potential conflict of interests when dealing in securities;

(b) not to deal in the securities when they are in possession of any unpublished material price-sensitive information of the Group; and

(c) not to deal in the Company's shares on short-term considerations.

In addition, Directors are required to report to the Company Secretary within two business days 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 2017 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.	21,090	Not Applicable
Associates of Ciliandra Fangiono & Fang Zhixiang	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 did not have a shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual during the financial year ended 31 December 2017. At the forthcoming AGM, the Company will seek shareholders' approval for the Company, its subsidiaries and associated companies to enter into transactions falling within the categories of interested person transactions described in the Company's circular to shareholders dated 6 April 2018 with any party who is of the class or classes of interested persons described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular.

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 2016.

FINANCIAL STATEMENTS

CONTENTS

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 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement 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 2017 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' 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	50,000	50,000	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 2018.

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's share option scheme and performance share plan (the "Share Plans") have expired in November 2017 (the "Expiry Date"). No options or awards have been granted to the participants under the Share Plans since commencement of the Share Plans till the Expiry Date.

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;
- 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;

AUDIT COMMITTEE (CONT'D)

- 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.

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
23 March 2018

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 2017, 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 2017 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.

Goodwill Impairment

As at 31 December 2017, goodwill is carried at US$86.6 million which represents 7% of the total non-current assets and 8% 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.

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 (cont'd)

Given the complexity, we have engaged our internal valuation specialists to assist us in reviewing the appropriateness of the methodology and the reasonableness of certain assumptions used by management such as pre-tax discount rate, projected crude palm oil ("CPO") price, terminal growth rate and forecasted exchange rate. We also compared operational assumptions, such as projected capital expenditures, fresh fruit bunches yield and cost of production, against historical data to assess their reasonableness. We considered the robustness of management's budgeting process by comparing the actual results versus previously forecasted figures. Further, we 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 projected CPO price. We also performed sensitivity analysis on the value-in-use amounts to changes in pre-tax discount rate and terminal growth rate.

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.

Valuation of Biological Assets

As at 31 December 2017, the fair value of biological assets amounted to US$22.0 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 judgement 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 cost 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 harvest 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 21 and 40(d) to the financial statements.

Recoverability of Deferred Tax Assets

As at 31 December 2017, the Group has recognised deferred tax assets ("DTA") of US$49.0 million. The valuation of the DTA is significant to our audit because of the complexity of the estimation process which depends on management's forecast of the future profitability and whether the deferred tax assets can be fully recovered in the future years.

As part of our assessment of management's forecast of the future profitability, we compared management's operational assumptions used in preparing the profit forecast such as FFB yield and cost of production against historical data and trend to assess their reasonableness. We also engaged the assistance of our internal valuation specialists to assess the reasonableness of certain key predictive assumptions. In addition, we assessed the adequacy of the disclosures in Note 9(c) to the financial statements.

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

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.

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.

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)

- 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.

- 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 have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ling.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
23 March 2018

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2017

	Note	2017 US$'000	2016 US$'000
Sales	4	646,989	575,234
Cost of sales	5	(340,298)	(307,971)
Gross profit		306,691	267,263
(Losses)/gains arising from changes in fair value of biological assets	21	(2,382)	13,184
Selling and distribution costs	6	(47,627)	(41,747)
General and administrative expenses	7	(28,202)	(29,436)
Other operating expenses		(1,557)	(1,559)
Profit from operations		226,923	207,705
Gains on foreign exchange		4,845	208
Gains on derivative financial instruments		139	289
Net financial expenses	8	(20,689)	(24,345)
Other non-operating expenses		(2,339)	(785)
Profit before tax		208,879	183,072
Tax expense	9	(63,645)	(51,279)
Profit for the year		145,234	131,793
Profit attributable to:			
Owners of the Company		137,700	125,373
Non-controlling interests		7,534	6,420
		145,234	131,793
Earnings per share attributable to owners of the Company (US cents)			
- Basic	10	8.69	7.91
- Diluted	10	8.69	7.91

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 2017

	Note	2017 US$'000	2016 US$'000
Profit for the year		145,234	131,793
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement losses on defined benefits plan		(2,081)	(12)
Income tax effect	9	520	22
		(1,561)	10
Items that may be reclassified subsequently to profit or loss			
Fair value gains/(losses) on cash flow hedges		46,358	(8,522)
Fair value (gains)/losses on cash flow hedges transferred to the income statement		(36,856)	21,866
Foreign currency translation		(14,234)	29,335
		(4,732)	42,679
Other comprehensive income for the year, net of tax		(6,293)	42,689
Total comprehensive income for the year		138,941	174,482
Total comprehensive income attributable to:			
Owners of the Company		132,016	166,915
Non-controlling interests		6,925	7,567
		138,941	174,482

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

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	US$'000	US$'000	US$'000	US$'000
Non-current assets					
Bearer plants	11	612,970	623,176	–	–
Plasma assets	12	96,459	80,159	–	–
Property, plant and equipment	13	337,478	328,618	5,487	6,758
Land use rights	14	49,947	40,584	–	–
Investment in subsidiaries	15	–	–	523,527	523,527
Goodwill	16	86,592	87,313	–	–
Other intangible assets	17	22,211	22,564	–	15
Available-for-sale unquoted investment	18	5,775	–	5,775	–
Derivative financial assets	19	1,290	–	1,290	–
Tax recoverable		36,820	40,586	–	–
Deferred tax assets	9	48,955	41,207	–	19
Loan to subsidiary	20	–	–	370,000	–
Other non-current assets		395	432	–	–
Total non-current assets		1,298,892	1,264,639	906,079	530,319
Current assets					
Biological assets	21	22,000	24,556	–	–
Inventories	22	66,908	78,203	–	–
Trade receivables	23	31,804	23,613	–	–
Other receivables	24	3,152	11,986	125	1,869
Derivative financial assets	19	4,327	1,933	–	–
Advances for purchase of property, plant and equipment	25	647	9,662	21	–
Other advances and prepayments	25	1,927	3,130	290	379
Prepaid taxes		22,447	23,584	–	–
Restricted cash balances	26	44,569	150,312	44,068	149,367
Cash and cash equivalents	26	234,322	107,933	34,654	377,504
Total current assets		432,103	434,912	79,158	529,119
Total assets		1,730,995	1,699,551	985,237	1,059,438

BALANCE SHEETS

As at 31 December 2017

		Group		Company	
		2017	2016	2017	2016
	Note	US$'000	US$'000	US$'000	US$'000
Current liabilities					
Trade payables	27	28,428	26,056	49	60
Other payables and accruals	28	33,551	30,912	5,923	8,634
Advances from customers	29	1,424	660	–	–
Loans and borrowings from financial institutions	30	20,970	1,672	19,277	–
Islamic medium term notes	31	–	222,542	–	222,542
Derivative financial liabilities	19	1,799	101,329	75	99,294
Provision for tax		21,496	18,122	1,733	499
Total current liabilities		107,668	401,293	27,057	331,029
Non-current liabilities					
Loans and borrowings from financial institutions	30	229,536	1,346	227,484	–
Islamic medium term notes	31	245,785	222,291	245,785	222,291
Derivative financial liabilities	19	81,286	109,430	81,286	109,430
Provision for post-employment benefits	32	22,473	16,537	–	–
Deferred tax liabilities	9	22,055	22,471	795	–
Total non-current liabilities		601,135	372,075	555,350	331,721
Total liabilities		708,803	773,368	582,407	662,750
Net assets		1,022,192	926,183	402,830	396,688
Equity					
Share capital	33	394,913	394,913	394,913	394,913
Differences arising from restructuring transactions involving entities under common control	34	35,016	35,016	–	–
Other reserves	35	(386,582)	(382,271)	5,286	(2,595)
Retained earnings		928,558	833,515	2,631	4,370
Equity attributable to owners of the Company		971,905	881,173	402,830	396,688
Non-controlling interests		50,287	45,010	–	–
Total equity		1,022,192	926,183	402,830	396,688

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 2017

	Attributable to owners of the Company						
Group	Share capital US$'000 (Note 33)	Differences arising from restructuring transactions involving entities under common control US$'000 (Note 34)	Other reserves US$'000 (Note 35)	Retained earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
2017							
At 1 January 2017	394,913	35,016	(382,271)	833,515	881,173	45,010	926,183
Profit for the year	–	–	–	137,700	137,700	7,534	145,234
<u>Other comprehensive income</u>							
Remeasurement losses on defined benefits plan	–	–	–	(1,373)	(1,373)	(188)	(1,561)
Net change in fair value of cash flow hedges	–	–	9,502	–	9,502	–	9,502
Foreign currency translation	–	–	(13,813)	–	(13,813)	(421)	(14,234)
Other comprehensive income for the year, net of tax	–	–	(4,311)	(1,373)	(5,684)	(609)	(6,293)
Total comprehensive income for the year	–	–	(4,311)	136,327	132,016	6,925	138,941
<u>Distributions to owners</u>							
Dividends paid	–	–	–	(41,284)	(41,284)	(1,648)	(42,932)
Total transactions with owners in their capacity as owners	–	–	–	(41,284)	(41,284)	(1,648)	(42,932)
At 31 December 2017	394,913	35,016	(386,582)	928,558	971,905	50,287	1,022,192

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

Group	Share capital US$'000 (Note 33)	Differences arising from restructuring transactions involving entities under common control US$'000 (Note 34)	Other reserves US$'000 (Note 35)	Retained earnings US$'000	Equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
	Attributable to owners of the Company						
2016							
At 1 January 2016	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 2017

Company	Share capital US$'000 (Note 33)	Other reserves US$'000 (Note 35)	Retained earnings US$'000	Total equity US$'000
2017				
At 1 January 2017	394,913	(2,595)	4,370	396,688
Profit for the year	–	–	39,545	39,545
Other comprehensive income				
Net change in fair value of cash flow hedges	–	7,881	–	7,881
Total comprehensive income for the year	–	7,881	39,545	47,426
Distributions to owners				
Dividends paid (Note 44)	–	–	(41,284)	(41,284)
Total transactions with owners in their capacity as owners	–	–	(41,284)	(41,284)
At 31 December 2017	394,913	5,286	2,631	402,830
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 44)	–	–	(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

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 2017

	2017 US$'000	2016 US$'000
Cash flows from operating activities		
Profit before tax	208,879	183,072
Adjustments for:		
Depreciation of bearer plants and property, plant and equipment	61,099	54,958
Amortisation of land use rights and intangible assets	1,726	1,866
Losses/(gains) on disposal of bearer plants and property, plant and equipment	2,879	(1,211)
Financial expenses	23,389	25,868
Interest income	(2,700)	(1,523)
Gains on derivative financial instruments	(139)	(289)
Losses/(gains) arising from changes in fair value of biological assets	2,382	(13,184)
Operating cash flows before changes in working capital	297,515	249,557
Changes in working capital:		
Inventories	10,724	(8,390)
Receivables and other assets	4,304	10,719
Payables and other liabilities	10,912	10,094
Unrealised translation differences	(5,225)	(609)
Cash flows generated from operations	318,230	261,371
Financial expenses paid	(24,577)	(27,079)
Interest income received	3,474	1,458
Tax paid	(65,437)	(49,134)
Net cash generated from operating activities	231,690	186,616
Cash flows from investing activities		
Capital expenditure on bearer plants	(37,466)	(44,070)
Capital expenditure on property, plant and equipment	(37,670)	(24,618)
Payment of advances for purchase of property, plant and equipment	(655)	(9,756)
Development costs on plasma assets	(10,032)	(7,357)
Proceeds from plasma assets	9,034	3,977
Acquisition of land use rights	(11,348)	(893)
Acquisition of other intangible assets	–	(28)
Acquisition of available-for-sale unquoted investment	(5,775)	–
Proceeds from disposal of bearer plants and property, plant and equipment	901	1,729
Net cash used in investing activities	(93,011)	(81,016)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	2017 US$'000	2016 US$'000
Cash flows from financing activities		
Proceeds from bank loans	247,428	–
Repayment of bank loans	(833)	(27,677)
Payment of obligations under finance leases	(2,086)	(2,576)
Decrease/(increase) in restricted cash balances	105,743	(6,821)
Dividends paid	(42,932)	(22,690)
Repayment of Islamic medium term notes	(319,655)	–
Net cash used in financing activities	(12,335)	(59,764)
Net increase in cash and cash equivalents	126,344	45,836
Effect of exchange rate changes on cash and cash equivalents	45	172
Cash and cash equivalents at 1 January	107,933	61,925
Cash and cash equivalents at 31 December (Note 26)	234,322	107,933

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

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 2017 %	2016 %
Direct Ownership:				
PT Ciliandra Perkasa ("PT CLP") [9]	Indonesia	Oil palm plantation	95.51	95.51
PT Meridan Sejati Surya Plantation ("PT MSSP") [9]	Indonesia	Oil palm plantation	93.56 [1]	93.56 [1]
PT Borneo Ketapang Permai ("PT BKP") [9]	Indonesia	Oil palm plantation	99.76 [2]	99.76 [2]
PT Adhitya Seraya Korita ("PT ASK") [9]	Indonesia	Palm oil refining and palm kernel crushing	95.00	95.00
First Resources Trading Pte.Ltd. ("FRTPL") [8]	Singapore	Marketing and distribution of palm oil products	100.00	100.00
Lynhurst Investment Pte. Ltd. ("Lynhurst") [8]	Singapore	Investment holding	100.00	100.00
Pacific Agri Resources Pte. Ltd. ("PAR") [8]	Singapore	Investment holding	– [12]	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 2017 %	2016 %
Indirect Ownership:				
Subsidiaries of PT CLP				
PT Pancasurya Agrindo ("PT PSA") (9)	Indonesia	Oil palm plantation	95.32 (4)	95.32 (4)
PT Surya Intisari Raya ("PT SIR") (9)	Indonesia	Oil palm plantation	95.50	95.50
PT Perdana Intisawit Perkasa ("PT PISP") (9)	Indonesia	Oil palm plantation	95.50	95.50
PT Bumi Sawit Perkasa ("PT BSP") (9)	Indonesia	Oil palm plantation	95.44	95.44
PT Priatama Riau ("PT PTR") (9)	Indonesia	Oil palm plantation	95.46	95.44
PT Surya Dumai Agrindo ("PT SDA") (9)	Indonesia	Oil palm plantation	95.50	95.50
PT Panca Surya Garden ("PT PSG") (9)	Indonesia	Oil palm seed breeding	94.32	94.32
PT Wahana Prima Sejati ("PT WPS") (11)	Indonesia	Land ownership	94.71	–
Subsidiaries of PT PSA				
PT Pancasurya Binasejahtera ("PT PSBS") (9)	Indonesia	Investment holding	95.31	95.31
PT Muriniwood Indah Industry ("PT MII") (9)	Indonesia	Oil palm plantation	95.31	95.31
PT Kalimantan Green Persada ("PT KGP") (10)	Indonesia	Investment holding	95.31	95.23
PT Gerbang Sawit Indah ("PT GSI") (9)	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 2017 %	2016 %
Indirect Ownership (cont'd):				
Subsidiaries of PT PSA (cont'd)				
PT Matthew Air Nusantara ("PT MAN") [9]	Indonesia	Aircraft ownership and management	95.41 [5]	95.41 [5]
PT Setia Agrindo Jaya ("PT SAJ") [9]	Indonesia	Investment holding	46.70	46.70
PT Karya Tama Bakti Mulia ("PT KTBM") [11]	Indonesia	Oil palm plantation	95.31	95.31
Subsidiaries of PT PSBS				
PT Subur Arummakmur ("PT SAM") [9]	Indonesia	Oil palm plantation	95.30	95.30
PT Arindo Trisejahtera ("PT ATS") [9]	Indonesia	Oil palm plantation	95.30	95.30
Subsidiaries of PT BKP				
PT Limpah Sejahtera ("PT LS") [9]	Indonesia	Oil palm plantation	95.92	95.92
PT Mitra Karya Sentosa ("PT MKS") [9]	Indonesia	Oil palm plantation	98.77	98.77
PT Umekah Saripratama ("PT USP") [9]	Indonesia	Oil palm plantation	98.07	98.07
PT Pulau Tiga Lestari Jaya ("PTLJ") [9]	Indonesia	Oil palm plantation	98.27	98.27
Subsidiaries of PT KGP				
PT Ketapang Agro Lestari ("PT KAL") [10]	Indonesia	Oil palm plantation	95.30	95.22
PT Borneo Persada Energy Jaya ("PT BPEJ") [10]	Indonesia	Oil palm plantation	95.30	95.22

1. GENERAL (CONT'D)

(b) *Subsidiaries (cont'd)*

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2017 %	2016 %
Indirect Ownership (cont'd):				
Subsidiaries of PT KGP (cont'd)				
PT Borneo Surya Mining Jaya ("PT BSMJ") [10]	Indonesia	Oil palm plantation	95.30	95.22
PT Borneo Damai Lestari ("PT BDL") [10]	Indonesia	Rubber plantation	95.30	95.22
PT Citra Agro Kencana ("PT CAK") [10]	Indonesia	Oil palm plantation	95.30	95.22
PT Borneo Persada Prima Jaya ("PT BPPJ") [10]	Indonesia	Rubber plantation	95.30	95.22
PT Maha Karya Bersama ("PT MKB") [10]	Indonesia	Oil palm plantation	95.30	95.22
PT Borneo Damai Lestari Raya ("PT BDLR") [10]	Indonesia	Rubber plantation	95.31 [6]	95.23 [6]
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	Non-operating	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

1. GENERAL (CONT'D)

(b) Subsidiaries (cont'd)

Subsidiaries	Country of incorporation	Principal activities	Effective group equity interest 2017 %	2016 %
Indirect Ownership (cont'd):				
Subsidiary of Lynhurst				
PT Swadaya Mukti Prakarsa ("PT SMP") [9]	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 Ernst & Young LLP, Singapore.
(9) Audited by member firm of Ernst & Young Global in Indonesia.
(10) Audited by KAP Johan Malonda in Indonesia.
(11) Audited by KAP Selamat Sinuraya & Rekan in Indonesia.
(12) PAR has been struck off during the year.

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.

Convergence with International Financial Reporting Standards

The Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange shall apply a new Singapore financial reporting framework identical to the International Financial Reporting Standards for annual periods beginning on or after 1 January 2018. In December 2017, the ASC issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"), which the Group will adopt on 1 January 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation (cont'd)

Convergence with International Financial Reporting Standards (cont'd)

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of US$352.3 million of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the adoption of the new standards that are effective on 1 January 2018, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The impact of adopting the new standards that are effective on 1 January 2018 is as disclosed in Note 2.3.

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 2017, including the amendment to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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**
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvement to FRSs (December 2016)	
- Amendments to FRS 28 *Investment in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	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

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

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

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

Except for SFRS(I) 9 and SFRS(I) 16, Management expects that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The impact on adoption of SFRS(I) 9 and SFRS(I) 16 will be similar to that of FRS 109 and FRS 116 as described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting and is effective for annual periods beginning on or after 1 January 2018. 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.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

(a) Classification and measurement

The Group's debt instruments under current assets are expected to give rise to cash flows representing solely payments of principal and interest. The Group intends to hold its debt instruments currently classified as loans and receivables under current assets amounting to US$313.8 million to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. The Group is currently assessing the contractual cash flow characteristics of the loans and receivables under non-current assets amounting to US$49.9 million.

For equity instruments, the Group will measure its currently available-for-sale unquoted investment of US$5.8 million at fair value through profit or loss.

The Group does not expect any significant impact arising from these changes.

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, 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 a significant impact on its equity.

The Company expects to apply the full approach and record 12-month expected credit losses on its loan to subsidiary. Upon application of the expected credit loss model, the Company expects a US$2.5 million reduction in its equity.

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 exemptions 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.

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

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

FRS 116 *Leases* (cont'd)

The Group plans to adopt the new standard on the required effective date by applying FRS 116 using the modified retrospective approach with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will have no significant impact to the financial statements in the year of initial application.

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.

(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.

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

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

(b) Business combinations (cont'd)

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.

2.6 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.

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

2.6 Foreign currency (cont'd)

(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.

2.8 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

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

2.8 Property, plant and equipment (cont'd)

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.

2.10 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 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").

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

2.11 Plasma receivables (cont'd)

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. Any difference between the accumulated development costs of plasma plantations and their conversion value is charged to profit or loss. The plasma receivables are assessed for impairment in accordance with Note 2.17.

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.

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

2.12 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

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.

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

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.

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.

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

(iii) Available-for-sale financial assets (cont'd)

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.

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.

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

2.15 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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.

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

2.17 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.

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.

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

2.17 Impairment of financial assets (cont'd)

(b) Available-for-sale financial assets (cont'd)

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.

2.18 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.

2.19 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.

2.20 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.

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

2.21 Provisions (cont'd)

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.

2.22 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 2017 and 2016.

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.

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.

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

2.27 Employee benefits (cont'd)

(b) Defined benefit plans (cont'd)

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.

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

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 reporting 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 43, 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

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 2017 and 2016, 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.

3.2 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 21 and Note 40(d) respectively.

(b) Fair value of unquoted available-for-sale financial assets

The fair value of the unquoted investment is determined by reference to the prices of recent transactions. The carrying amount of the available-for-sale unquoted investment as at 31 December 2017 is US$5.8 million (2016: Nil).

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) 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 11, 12, 13, 14, 15, 16 and 17 respectively.

(d) 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 39.

(e) 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 and recoverables already recorded. The Group establishes tax provisions and recoverables, 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 and recoverables are 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 amounts of provision for tax and tax recoverable as at 31 December 2017 are US$21.5 million (2016: US$18.1 million) and US$36.8 million (2016: US$40.6 million) respectively.

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

3.2 Key sources of estimation uncertainty (cont'd)

(f) Deferred taxes

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying amounts of deferred tax assets and liabilities are disclosed in Note 9(c).

(g) 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 32.

4. SALES

	Group	
	2017	**2016**
	US$'000	**US$'000**
Crude palm oil	28,884	57,471
Palm kernel	3,502	8,352
Fresh fruit bunches	14,338	10,998
Processed palm based products	600,265	498,413
	646,989	575,234

5. COST OF SALES

	Group	
	2017	2016
	US$'000	US$'000
Cost of inventories recognised as an expense	182,584	175,929
Depreciation of bearer plants and property, plant and equipment (Note 13)	57,668	50,974
Net employee benefit expense relating to defined benefit plans (Note 32)	3,114	2,640
Plantation, milling and processing costs	96,932	78,428
	340,298	307,971

6. SELLING AND DISTRIBUTION COSTS

	Group	
	2017	2016
	US$'000	US$'000
Export taxes	21,900	19,838
Freight charges	21,266	18,172
Depreciation of property, plant and equipment (Note 13)	696	797
Others	3,765	2,940
	47,627	41,747

7. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Group	
	2017	2016
	US$'000	US$'000
Audit fees paid to:		
- Auditors of the Company	158	152
- Affiliates of auditors of the Company	316	283
- Other auditors	39	41
Non-audit fees paid to:		
- Auditors of the Company	55	138
- Affiliates of auditors of the Company	119	7
Salaries, bonuses and other benefits (including Central Provident Fund contributions)	15,932	17,000
Net employee benefit expense relating to defined benefit plans (Note 32)	1,634	876
Operating lease rental (Note 38(b))	526	526
Depreciation of property, plant and equipment (Note 13)	2,735	3,187
Amortisation of intangible assets (Note 13)	169	307
Directors' fees	333	333

8. NET FINANCIAL EXPENSES

	Group	
	2017	2016
	US$'000	US$'000
Interest expenses and amortisation on loans and borrowings from financial institutions	2,908	1,828
Profit distribution and amortisation on Islamic medium term notes	20,481	24,040
	23,389	25,868
Interest income	(2,700)	(1,523)
	20,689	24,345

9. TAX EXPENSE

(a) Major components of tax expense

The major components of tax expense for the financial years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017	2016
	US$'000	US$'000
Income statement:		
Current income tax		
- Current year	63,013	63,557
- Under provision in respect of previous years	4,724	780
Deferred income tax		
- Origination and reversal of temporary differences	(5,562)	(20,151)
- (Over)/under provision in respect of previous years	(2,458)	5,084
Withholding tax	3,928	2,009
	63,645	51,279
Income tax related to other comprehensive income:		
Actuarial movements on defined benefits plan	(520)	(22)
Net change in fair value of cash flow hedges	177	162
Foreign currency translation	(1,439)	2,294
	(1,782)	2,434

9. TAX EXPENSE (CONT'D)

(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 2017 and 2016 is as follows:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Profit before tax	208,879	183,072
Tax expense at domestic rate applicable to profits in the countries where the Group operates	51,823	45,130
Adjustments:		
Non-deductible expenses	9,050	9,190
Income not subject to tax	(1,127)	(1,947)
Deferred tax assets not recognised	1,195	836
Benefits from previously unrecognised tax losses	–	(789)
Effect of tax incentives	(3,434)	(8,837)
Under provision in respect of previous years	2,266	5,864
Withholding tax	3,928	2,009
Others	(56)	(177)
Tax expense recognised in profit or loss	63,645	51,279

The corporate tax rate for companies in Singapore and Indonesia is 17% and 25% (2016: 17% and 25%) respectively.

(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	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Deferred tax assets	48,955	41,207	–	19
Deferred tax liabilities	(22,055)	(22,471)	(795)	–

9. TAX EXPENSE (CONT'D)

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

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

	Consolidated balance sheet		Consolidated income statement	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Group				
Deferred tax assets:				
Unutilised tax losses	27,716	26,213	(1,742)	1,398
Provisions	2,825	1,925	(906)	(541)
Post-employment benefits	5,181	3,553	(1,139)	(496)
Bearer plants	17,052	18,160	970	(18,336)
Others	3,601	3,934	322	(1,680)
	56,375	53,785		
Deferred tax liabilities:				
Biological assets	(5,500)	(6,139)	(595)	3,296
Differences in depreciation for tax purposes	(5,102)	(8,658)	(3,547)	1,190
Obligations under finance leases	(864)	(730)	142	191
Fair value adjustments on acquisition of subsidiaries	(16,881)	(17,022)	–	–
Others	(1,128)	(2,500)	(1,525)	(89)
	(29,475)	(35,049)		
Net deferred tax assets	26,900	18,736		
Deferred income tax			(8,020)	(15,067)

	Balance sheet	
	2017	2016
	US$'000	US$'000
Company		
Deferred tax assets:		
Provisions	275	198
	275	198
Deferred tax liabilities:		
Differences in depreciation for tax purposes	(866)	(179)
Others	(204)	–
	(1,070)	(179)
Net deferred tax (liabilities)/assets	(795)	19

9. TAX EXPENSE (CONT'D)

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

Unrecognised tax losses and tax credits

As at 31 December 2017, the Group has unrecognised tax losses and tax credits of US$8.3 million (2016: US$7.3 million) and US$332.7 million (2016: US$357.7 million) respectively. The related deferred tax assets of US$2.1million (2016: US$1.8 million) and US$83.2 million (2016: US$89.4 million) 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 2018 and 2022 (2016: between 2017 and 2021).

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2017 and 2016, 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$1,263.6 million (2016: US$1,125.2 million). The related deferred tax liability is estimated to be US$126.4 million (2016: US$112.5 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.

	Group	
	2017	**2016**
Profit for the year attributable to owners of the Company (US$'000)	137,700	125,373
Weighted average number of ordinary shares ('000)	1,584,073	1,584,073
Basic earnings per share (US cents)	8.69	7.91

There are no dilutive potential ordinary shares as at 31 December 2017 and 2016.

11. BEARER PLANTS

Bearer plants primarily comprise of oil palm plantations.

	Group 2017 US$'000	Group 2016 US$'000
Cost		
At 1 January	768,045	717,597
Additions	41,899	47,634
Disposals	(3,636)	(288)
Reclassification to plasma assets (Note 12)	(18,896)	(15,529)
Exchange differences	(6,583)	18,631
At 31 December	780,829	768,045
Accumulated depreciation		
At 1 January	144,869	118,333
Charge for the year (Note 13)	27,930	23,977
Disposals	(288)	(133)
Reclassification to plasma assets (Note 12)	(3,214)	–
Exchange differences	(1,438)	2,692
At 31 December	167,859	144,869
Net carrying amount	612,970	623,176

	Group 2017	Group 2016
Nucleus production volume (tonnes)		
FFB	2,682,944	2,367,767
Nucleus planted area (hectares)		
Mature	147,377	136,798
Immature*	37,115	47,565
	184,492	184,363

* *Immature planted area includes rubber plantations.*

11. BEARER PLANTS (CONT'D)

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

	Group 2017 US$'000	Group 2016 US$'000
Capital expenditure on bearer plants using cash	37,466	44,070
Capitalisation of depreciation on property, plant and equipment (Note 13)	4,433	3,564
	41,899	47,634

Assets pledged as security

As at 31 December 2017 and 2016, certain of the Group's bearer plants are pledged to secure facilities from financial institutions (Note 30).

12. PLASMA ASSETS

Movements in plasma assets during the reporting period are as follows:

	Group 2017 US$'000	Group 2016 US$'000
At 1 January	80,159	59,832
Additional development costs	10,523	7,357
Proceeds received	(9,034)	(3,977)
Reclassification from bearer plants (Note 11)	15,682	15,529
Exchange differences	(871)	1,418
At 31 December	96,459	80,159

Reclassification from bearer plants to plasma assets relates to costs incurred for development of plasma assets 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.

	Group 2017 US$'000	Group 2016 US$'000
Capital expenditure on plasma assets using cash	10,032	7,357
Capitalisation of depreciation on property, plant and equipment (Note 13)	491	–
	10,523	7,357

12. PLASMA ASSETS (CONT'D)

As at the end of the reporting period, plasma assets comprise the following:

	Group 2017	Group 2016
	US$'000	US$'000
Plasma receivables	49,931	42,708
Plasma investments	46,528	37,451
	96,459	80,159

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and improvements	Machinery and installations	Farming and transportation equipment	Furniture, fittings, office equipment and others	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group						
Cost						
At 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 and 1 January 2017	242,604	189,948	63,342	10,714	20,010	526,618
Additions	16,095	13,042	4,896	1,025	15,159	50,217
Disposals	(304)	(2)	(1,897)	(50)	(407)	(2,660)
Reclassifications	15,341	2,082	4	–	(17,427)	–
Exchange differences	(2,387)	(1,759)	(448)	(97)	(128)	(4,819)
At 31 December 2017	271,349	203,311	65,897	11,592	17,207	569,356

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

	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						
Accumulated depreciation						
At 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 and 1 January 2017	77,503	73,122	39,871	7,504	–	198,000
Charge for the year	17,449	13,376	5,968	1,300	–	38,093
Disposals	(286)	(2)	(1,892)	(48)	–	(2,228)
Exchange differences	(838)	(765)	(309)	(75)	–	(1,987)
At 31 December 2017	93,828	85,731	43,638	8,681	–	231,878
Net carrying amount						
At 31 December 2017	177,521	117,580	22,259	2,911	17,207	337,478
At 31 December 2016	165,101	116,826	23,471	3,210	20,010	328,618

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

	Transportation equipment US$'000	Furniture, fittings, office equipment and others US$'000	Total US$'000
Company			
Cost			
At 1 January 2016	13,452	250	13,702
Additions	–	66	66
At 31 December 2016 and 1 January 2017	13,452	316	13,768
Additions	–	16	16
At 31 December 2017	13,452	332	13,784
Accumulated depreciation			
At 1 January 2016	5,513	211	5,724
Charge for the year	1,263	23	1,286
At 31 December 2016 and 1 January 2017	6,776	234	7,010
Charge for the year	1,264	23	1,287
At 31 December 2017	8,040	257	8,297
Net carrying amount			
At 31 December 2017	5,412	75	5,487
At 31 December 2016	6,676	82	6,758

Additions to property, plant and equipment consist of:

	Group 2017 US$'000	Group 2016 US$'000
Capital expenditure on property, plant and equipment using cash	37,670	24,618
Reclassification from advances for purchase of property, plant and equipment	9,700	3,476
Obligations under finance leases	2,847	1,011
	50,217	29,105

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

Assets under construction

As at 31 December 2017 and 2016, 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 2017, the net carrying amount of property, plant and equipment held under obligations under finance leases amounted to US$4.2 million (2016: US$4.1 million).

Assets pledged as security

As at 31 December 2017 and 2016, certain subsidiaries' property, plant and equipment are pledged to secure facilities from financial institutions (Note 30).

Depreciation and amortisation

The depreciation and amortisation charges for the financial years ended 31 December 2017 and 2016 are as follows:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Depreciation of bearer plants (Note 11)	27,930	23,977
Depreciation of property, plant and equipment (Note 13)	38,093	34,545
Amortisation of land use rights (Note 14)	1,557	1,559
Amortisation of intangible assets (Note 17)	169	307
	67,749	60,388
Depreciation included in cost of sales (Note 5)	57,668	50,974
Depreciation included in selling and distribution costs (Note 6)	696	797
Depreciation included in general and administrative expenses (Note 7)	2,735	3,187
Amortisation included in general and administrative expenses (Note 7)	169	307
Amortisation included in other operating expenses	1,557	1,559
Depreciation capitalised in bearer plants (Note 11)	4,433	3,564
Depreciation capitalised in plasma assets (Note 12)	491	–
	67,749	60,388

14. LAND USE RIGHTS

	Group	
	2017	2016
	US$'000	US$'000
Cost		
At 1 January	52,294	50,055
Additions	11,348	893
Exchange differences	(571)	1,346
At 31 December	63,071	52,294
Accumulated amortisation		
At 1 January	11,710	9,902
Amortisation charge for the year (Note 13)	1,557	1,559
Exchange differences	(143)	249
At 31 December	13,124	11,710
Net carrying amount	49,947	40,584
Amount to be amortised		
- Not later than one year	1,557	1,559
- Later than one year but not more than five years	6,228	6,236
- Later than five years	42,162	32,789
	49,947	40,584

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 2017, the Group's land use rights cover a total land area of 213,909 hectares (2016: 203,354 hectares), representing HGU and HGB. The legal terms of the existing land use rights of the Group expire on various dates between 2020 and 2052.

Assets pledged as security

As at 31 December 2017 and 2016, certain of the Group's land use rights are pledged to secure facilities from financial institutions (Note 30).

15. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	2016
	US$'000	US$'000
Unquoted equity shares, at cost	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 2017:					
PT CLP	Indonesia	4.49%	6,381	37,381	1,648
31 December 2016:					
PT CLP	Indonesia	4.49%	5,974	33,774	345

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	
	2017	**2016**
	US$'000	**US$'000**
Summarised balance sheets		
Non-current		
Assets	1,010,808	864,056
Liabilities	(423,080)	(25,263)
Net non-current assets	587,728	838,793
Current		
Assets	292,864	214,534
Liabilities	(48,056)	(301,133)
Net current assets/(liabilities)	244,808	(86,599)
Net assets	832,536	752,194
Summarised statement of comprehensive income		
Sales	435,692	465,795
Profit before tax	190,675	171,189
Tax expense	(48,561)	(38,133)
Profit for the year	142,114	133,056
Other comprehensive income	(12,732)	15,789
Total comprehensive income	129,382	148,845
Other summarised information		
Net cash generated from operating activities	180,203	172,187
Net cash used in investing activities	(54,486)	(44,575)
Net cash generated from/(used in) financing activities	217,956	(27,103)

15. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) *Subscription of shares in PT Wahana Prima Sejati*

In December 2017, PT Wahana Prima Sejati ("PT WPS") has become an indirect subsidiary of the Company through the subscription of 99.16% equity interest by PT Ciliandra Perkasa, a direct subsidiary of the Company. PT WPS is incorporated in Indonesia and holds a parcel of land in the East Kalimantan province of Indonesia, which is intended to be used for the Group's future palm oil processing business in the region. The subscription consideration amounting to approximately US$8.1 million was arrived at after arm's length negotiations on a willing buyer and willing seller basis.

16. GOODWILL

	Group	
	2017	**2016**
	US$'000	**US$'000**
Cost		
At 1 January	87,313	85,041
Exchange differences	(721)	2,272
At 31 December	86,592	87,313

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	
	2017	**2016**
	US$'000	**US$'000**
PT Borneo Ketapang Permai Group	4,903	4,944
PT Kalimantan Green Persada Group	9,585	9,665
PT Gerbang Sawit Indah	8,587	8,658
Lynhurst Group	32,901	33,175
PT Falcon Agri Persada	30,586	30,841
Others	30	30
	86,592	87,313

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.

16. GOODWILL (CONT'D)

Key assumptions used for value in use calculations:

	2017	2016
Terminal growth rate	3%	3%
Pre-tax discount rate	10%	10%
Projected CPO price	US$772/tonne	US$743/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$772 per tonne (2016: US$743 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.

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 2017 and 2016.

Sensitivity to changes in assumptions

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 2016	21,470	2,330	23,800
Additions	–	28	28
Exchange differences	574	(3)	571
At 31 December 2016 and 1 January 2017	22,044	2,355	24,399
Additions	–	–	–
Exchange differences	(182)	(14)	(196)
At 31 December 2017	21,862	2,341	24,203
Accumulated amortisation			
At 1 January 2016	–	1,499	1,499
Amortisation charge during the year (Note 13)	–	307	307
Exchange differences	–	29	29
At 31 December 2016 and 1 January 2017	–	1,835	1,835
Amortisation charge during the year (Note 13)	–	169	169
Exchange differences	–	(12)	(12)
At 31 December 2017	–	1,992	1,992
Net carrying amount			
At 31 December 2017	21,862	349	22,211
At 31 December 2016	22,044	520	22,564

17. OTHER INTANGIBLE ASSETS (CONT'D)

	Software US$'000
Company	
Cost	
At 1 January 2016	475
Additions	–
At 31 December 2016 and 1 January 2017	475
Additions	–
At 31 December 2017	475
Accumulated amortisation	
At 1 January 2016	304
Amortisation charge during the year	156
At 31 December 2016 and 1 January 2017	460
Amortisation charge during the year	15
At 31 December 2017	475
Net carrying amount	
At 31 December 2017	–
At 31 December 2016	15

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. AVAILABLE-FOR-SALE UNQUOTED INVESTMENT

	Group and Company	
	2017 US$'000	2016 US$'000
Fair value		
At 1 January	–	–
Additions	5,775	–
At 31 December	5,775	–

The available-for-sales unquoted investment relates to a 50% interest in a limited partnership which the Group does not retain control or significant influence over. The investment is measured at fair value, with any gains or losses from changes in fair value recognised in other comprehensive income. The fair value of the unquoted investment is determined by reference to the prices of recent transactions.

19. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	2017		2016	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Group				
Cross currency swaps	–	81,286	–	208,390
Commodity futures, options and swap contracts	4,327	1,724	1,642	2,035
Foreign currency options and forward contracts	–	–	291	334
Interest rate swaps	1,290	75	–	–
At 31 December	5,617	83,085	1,933	210,759
Current	4,327	1,799	1,933	101,329
Non-current	1,290	81,286	–	109,430
	5,617	83,085	1,933	210,759
Company				
Cross currency swaps	–	81,286	–	208,390
Foreign currency options and forward contracts	–	–	–	334
Interest rate swaps	1,290	75	–	–
At 31 December	1,290	81,361	–	208,724
Current	–	75	–	99,294
Non-current	1,290	81,286	–	109,430
	1,290	81,361	–	208,724

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$6.6 million (2016: loss of US$11.9 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$2.1 million (2016: US$1.3 million), with a related deferred tax charge of US$0.2 million (2016: US$0.1 million), 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.

19. 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 loss of US$0.3 million (2016: net fair value gain of US$0.3 million), with a related deferred tax credit of US$29,000 (2016: deferred tax charge of US$29,000), 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.

Interest rate swaps

The Group enters into interest rate swap agreements in order to manage the interest rate risk arising from floating rate debts, mitigating the risk of changes in the interest rate market. The Group has used interest rate swaps to hedge part of its floating rate bank loans. A net fair value gain of US$1.3 million (2016: Nil) has been included in other comprehensive income in respect of these contracts.

20. LOAN TO SUBSIDIARY

The loan to subsidiary is denominated in USD, unsecured, bears interest at 5.50% per annum and is repayable on 31 December 2021 or may be extended upon mutual agreement. The Company does not have the intention of demanding for the settlement of the loan in the foreseeable future as the amount forms, in substance, a part of the Company's net investment in subsidiaries.

21. 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	
	2017	**2016**
	US$'000	**US$'000**
Fair value		
At 1 January	24,556	11,199
(Losses)/gains arising from changes in fair value of biological assets	(2,382)	13,184
Exchange differences	(174)	173
At 31 December	22,000	24,556

22. INVENTORIES

	Group	
	2017	2016
	US$'000	US$'000
Palm based products	42,458	53,147
Fertilisers and chemicals	12,091	13,522
Spare parts and other consumables	11,560	11,037
Goods in transit	799	497
	66,908	78,203

23. TRADE RECEIVABLES

	Group	
	2017	2016
	US$'000	US$'000
Trade receivables from:		
- Third parties	30,979	22,919
- Related parties	825	694
	31,804	23,613

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	
	2017	2016
	US$'000	US$'000
Indonesian Rupiah	7,584	11,111
United States Dollar	24,220	12,502
	31,804	23,613

23. TRADE RECEIVABLES (CONT'D)

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	
	2017	**2016**
	US$'000	**US$'000**
Trade receivables past due:		
Lesser than 30 days	185	653
30 to 60 days	95	519
More than 60 days	436	431
	716	1,603

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

24. OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Interest receivable	261	1,029	92	1,833
Amounts due from related parties	496	301	–	–
Sundry receivables	2,395	10,656	33	36
	3,152	11,986	125	1,869

The amounts due from 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	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Indonesian Rupiah	2,762	10,185	–	–
United States Dollar	377	1,791	117	1,859
Singapore Dollar	13	10	8	10
	3,152	11,986	125	1,869

25. 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		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Leasehold buildings and improvements	16	4,117	–	–
Machinery and installations	194	5,027	–	–
Others	437	518	21	–
	647	9,662	21	–

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.

26. CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Cash at banks and on hand	111,322	91,023	34,654	377,504
Time deposits	123,000	16,910	–	–
Cash and cash equivalents	234,322	107,933	34,654	377,504
Restricted cash balances	44,569	150,312	44,068	149,367
	278,891	258,245	78,722	526,871

As at the end of the reporting period, the Group has the following bank overdrafts which have been netted against cash at banks as the Group has the legal rights to set off the overdrafts against the cash at banks, which are with the same banks:

	Group	
	2017	**2016**
	US$'000	**US$'000**
Cash at banks and on hand (Gross carrying amounts prior to offsetting)	166,473	607,943
Bank overdrafts (Gross amounts offset in the balance sheet)	(55,151)	(516,920)
Cash at banks and on hand (Net amounts in the balance sheet)	111,322	91,023

Cash at banks earn interest at floating rates based on daily bank deposit rates. Time deposits are made for periods of one month (2016: 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 2.00% and 2.10% (2016: 1.25% and 8.50%) per annum.

26. CASH AND BANK BALANCES (CONT'D)

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	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Indonesian Rupiah	11,083	21,725	–	–
United States Dollar	265,824	235,530	77,746	526,291
Singapore Dollar	1,475	938	968	566
Others	509	52	8	14
	278,891	258,245	78,722	526,871

27. TRADE PAYABLES

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Trade payables to:				
- Third parties	28,426	24,919	49	60
- Related parties	2	1,137	–	–
	28,428	26,056	49	60

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

Trade payables are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Indonesian Rupiah	27,466	24,734	–	–
United States Dollar	961	1,317	48	55
Others	1	5	1	5
	28,428	26,056	49	60

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Accrued employee costs	17,593	14,451	1,793	1,530
Accrued financial expenses	2,234	4,156	2,133	4,027
Accrued contractor fees	7,075	5,954	–	–
Others	6,649	6,351	1,997	3,077
	33,551	30,912	5,923	8,634

Other payables and accruals are denominated in the following currencies:

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Indonesian Rupiah	26,777	21,538	–	–
United States Dollar	4,500	7,470	4,013	6,979
Singapore Dollar	2,274	1,904	1,910	1,655
	33,551	30,912	5,923	8,634

29. 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.

30. LOANS AND BORROWINGS FROM FINANCIAL INSTITUTIONS

		Interest rate (per annum)		Group		Company	
		2017	2016	2017	2016	2017	2016
	Maturity	%	%	US$'000	US$'000	US$'000	US$'000
Current							
Bank loans	2018	2.5-3.0	–	19,277	–	19,277	–
Obligations under finance leases	2018	2.6-16.0	2.2-16.0	1,693	1,672	–	–
				20,970	1,672	19,277	–
Non-current							
Bank loans	2019-2022	2.5-3.0	–	227,484	–	227,484	–
Obligations under finance leases	2019-2020	2.6-16.0	2.2-16.0	2,052	1,346	–	–
				229,536	1,346	227,484	–
				250,506	3,018	246,761	–

Bank loans

The Group's bank loans as at end of the reporting period comprise of unsecured term loan facilities from banks in Singapore.

As at 31 December 2017, the Group has undrawn committed unsecured credit facilities available of US$50.0 million (2016: Nil), which may be utilised for the Group's general corporate purposes.

As at 31 December 2016, the Group had bank loans and bank deposits amounting to US$300.0 million respectively, which had been netted against each other as the Group had the legal rights to set off the deposits against the loans. Both the loans and deposits had the same maturity terms of less than one year from the end of the reporting period and were with the same bank. There are no such loans and deposits outstanding as at 31 December 2017.

Obligations under finance leases

The Group entered into capital lease agreements for the purchase of farming equipment and motor vehicles incidental to the ordinary course of its business.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are disclosed in Note 38(c).

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

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

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Indonesian Rupiah	3,745	3,018	–	–
United States Dollar	246,761	–	246,761	–
	250,506	3,018	246,761	–

A reconciliation of liabilities arising from financing activities is as follows:

				Non-cash changes			
	2016	Cash inflows	Cash outflows	Foreign exchange	Amortisation of issuance costs	Others	2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Bank loans							
- current	–	9,845	(833)	–	11	10,254	19,277
- non-current	–	237,583	–	–	155	(10,254)	227,484
Obligations under finance leases							
- current	1,672	–	(2,086)	(15)	–	2,122	1,693
- non-current	1,346	–	–	(19)	–	725	2,052
Islamic medium term notes (Note 31)							
- current	222,542	–	(319,655)	15,739	408	80,966	–
- non-current	222,291	–	–	23,325	169	–	245,785
	447,851	247,428	(322,574)	39,030	743	83,813	496,291

The 'others' column relates to reclassification of non-current portion of loans and borrowings due to passage of time, new finance leases entered into for acquisition of property, plant and equipment and settlement of cross currency swaps upon maturity of the Islamic medium term notes.

31. ISLAMIC MEDIUM TERM NOTES

	Maturity date	Distribution rate (per annum)	Group and Company 2017 US$'000	2016 US$'000
First issuance	31 July 2017	4.45%	–	133,770
Second issuance	8 December 2017	4.30%	–	89,180
Third issuance	5 June 2020	4.35%	147,765	133,770
Fourth issuance	27 October 2021	4.85%	98,510	89,180
			246,275	445,900
Less:				
Issuance costs			1,183	4,330
Accumulated amortisation			(693)	(3,263)
			490	1,067
Islamic medium term notes, net			245,785	444,833
Current			–	222,542
Non-current			245,785	222,291
			245,785	444,833

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.

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.

The Company has repaid the first and second issuances of the Islamic medium term notes on 31 July 2017 and 8 December 2017 respectively.

32. 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:

	2017	2016
Normal Pension Age	55 Years	55 Years
Salary Increment Rate per annum	8%	8%
Discount Rate per annum	7.10%	8.30%
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	
	2017	2016
	US$'000	US$'000
At 1 January	16,537	13,649
Net employee benefit expense charged to profit or loss (Note 36)	5,447	4,360
Remeasurement losses		
- Actuarial losses arising from changes in financial assumptions	2,081	12
Benefits paid	(1,487)	(1,825)
Exchange differences	(105)	341
At 31 December	22,473	16,537

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

	Group	
	2017	2016
	US$'000	US$'000
Interest cost on benefit obligation	967	976
Current service cost	4,480	3,330
Past service cost	–	54
	5,447	4,360

32. PROVISION FOR POST-EMPLOYMENT BENEFITS

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

	Group	
	2017	2016
	US$'000	US$'000
Cost of sales (Note 5)	3,114	2,640
General and administrative expenses (Note 7)	1,634	876
Others	699	844
	5,447	4,360

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)	2017 US$'000	2016 US$'000
Discount rate	1% increase	(2,405)	(1,713)
	1% decrease	2,867	2,034
Future salary growth	1% increase	2,913	2,093
	1% decrease	(2,485)	(1,789)

33. SHARE CAPITAL

	Group and Company			
	2017		2016	
	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.

34. 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.

35. OTHER RESERVES

The composition of other reserves is as follows:

	Group		Company	
	2017	2016	2017	2016
	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	(2,382)	(11,884)	(5,429)	(13,310)
Foreign translation reserve	(365,705)	(351,892)	393	393
	(386,582)	(382,271)	5,286	(2,595)

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.

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.

35. OTHER RESERVES (CONT'D)

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	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
At 1 January	(11,884)	(25,228)	(13,310)	(25,228)
Fair value gains/(losses) on cash flow hedges, net of tax and non-controlling interests	46,358	(8,522)	44,706	(9,948)
Reclassification to profit or loss				
- Sales	(31)	–	–	–
- (Gains)/losses on foreign exchange	(39,063)	20,310	(39,063)	20,310
- Net financial expenses	2,238	1,556	2,238	1,556
At 31 December	(2,382)	(11,884)	(5,429)	(13,310)

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 and a loan to subsidiary which forms part of the Company's net investment in subsidiaries.

	Group		Company	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
At 1 January	(351,892)	(380,075)	393	393
Foreign currency translation adjustments	(13,813)	28,183	–	–
At 31 December	(365,705)	(351,892)	393	393

36. EMPLOYEE BENEFITS

	Group	
	2017	2016
	US$'000	US$'000
Salaries, bonuses and other benefits	73,786	63,984
Net employee benefit expense relating to defined benefit plans (Note 32)	5,447	4,360
Central Provident Fund contributions	268	262
	79,501	68,606

37. 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	
	2017	**2016**
	US$'000	**US$'000**
Office lease rental	638	658
Purchases of goods	20,678	18,939
Net settlement for commodity swap contracts	75	–

(b) *Compensation of key management personnel*

	Group	
	2017	**2016**
	US$'000	**US$'000**
Salaries, bonuses and other benefits	5,815	6,111
Directors' fees	333	325
Net employee benefit expense relating to defined benefit plans	326	308
Central Provident Fund contributions	51	50
	6,525	6,794
Comprise amounts paid to:		
- Directors of the Company	2,168	2,103
- Other key management personnel	4,357	4,691
	6,525	6,794

38. 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	
	2017	**2016**
	US$'000	**US$'000**
Capital commitments in respect of property, plant and equipment	1,452	19,218

38. COMMITMENTS AND CONTINGENCIES (CONT'D)

(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 (2016: US$526,000) (Note 7).

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

	Group	
	2017	**2016**
	US$'000	**US$'000**
Within one year	580	241
After one year but not more than five years	87	299
	667	540

(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.

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

	2017		**2016**	
	Minimum lease payments US$'000	**Present value of minimum lease payments (Note 30) US$'000**	**Minimum lease payments US$'000**	**Present value of minimum lease payments (Note 30) US$'000**
Group				
Not later than one year	2,109	1,693	1,996	1,672
Later than one year but not more than five years	2,231	2,052	1,533	1,346
Total minimum lease payments	4,340	3,745	3,529	3,018
Less: Amount representing finance charges	(595)	–	(511)	–
Present value of minimum lease payments	3,745	3,745	3,018	3,018

38. COMMITMENTS AND CONTINGENCIES (CONT'D)

(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 2017, the Company's contingent liabilities arising from these corporate guarantees amounted to US$0.5 million (2016: US$1.5 million).

Certain subsidiaries have guaranteed US$0.3 million (2016: US$0.3 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.

39. 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	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Assets				
Loans and receivables				
Plasma receivables	49,931	42,708	–	–
Trade receivables	31,804	23,613	–	–
Other receivables	3,152	11,986	125	1,869
Loan to subsidiary	–	–	370,000	–
Restricted cash balances	44,569	150,312	44,068	149,367
Cash and cash equivalents	234,322	107,933	34,654	377,504
	363,778	336,552	448,847	528,740
Available-for-sale				
Available-for-sale unquoted investment	5,775	–	5,775	–
Cash flow hedges				
Derivative financial assets	4,676	789	1,290	–
At fair value through profit or loss				
Derivative financial assets	941	1,144	–	–

39. CLASSES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Liabilities				
At amortised cost				
Trade payables	28,428	26,056	49	60
Other payables and accruals	33,551	30,912	5,923	8,634
Loans and borrowings from financial institutions	250,506	3,018	246,761	–
Islamic medium term notes	245,785	444,833	245,785	444,833
	558,270	504,819	498,518	453,527
Cash flow hedges				
Derivative financial liabilities	81,361	208,723	81,361	208,390
At fair value through profit or loss				
Derivative financial liabilities	1,724	2,036	–	334

40. 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.

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

(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:

	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
2017				
Group				
Assets measured at fair value:				
Non-financial assets				
Biological assets	–	–	22,000	22,000
Financial assets				
Derivative financial assets	2,352	3,265	–	5,617
Available-for-sale unquoted investment	–	–	5,775	5,775
	2,352	3,265	5,775	11,392
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	83,085	–	83,085
Company				
Assets measured at fair value:				
Financial assets				
Derivative financial assets	–	1,290	–	1,290
Available-for-sale unquoted investment	–	–	5,775	5,775
	–	1,290	5,775	7,065
Liabilities measured at fair value:				
Financial liabilities				
Derivative financial liabilities	–	81,361	–	81,361

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

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

	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
2016				
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

(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.

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

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

Derivative financial assets/liabilities (cont'd)

Cross currency swaps and interest rate swaps

Cross currency swap and interest rate 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 US$'000	Valuation techniques	Unobservable inputs	Range
2017				
Biological assets	22,000	Income approach	Projected harvest quantities	253,000 tonnes
			Market price of FFB	US$95/tonne – US$136/tonne
2016				
Biological assets	24,556	Income approach	Projected harvest quantities	218,000 tonnes
			Market price of FFB	US$119/tonne – US$166/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 available-for-sale unquoted investment and biological assets measured at fair value are disclosed in Note 18 and Note 21 respectively.

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

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

(iii) Valuation policies and procedures

Fair value of biological assets

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.

Fair value of unquoted investment

The fair value of the unquoted investment is determined by reference to the prices of recent transactions.

(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:

	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					
2017					
Liabilities					
Islamic medium term notes	–	246,605	–	246,605	245,785
2016					
Liabilities					
Islamic medium term notes	–	445,758	–	445,758	444,833

40. 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)

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 2017 and 2016.

(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:

	2017		2016	
	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	245,785	246,605	444,833	445,758

41. 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 on the 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.

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

(a) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, had the interest rates been 50 basis points (2016: 50 basis points) higher/lower, ceteris paribus, the Group's profit before tax would have increased/(decreased) by US$0.9 million (2016: US$1.3 million), arising mainly as a result of higher interest income from deposits with financial institutions partially offset by higher interest expense on floating rate bank loans, and the Group's hedging reserve in other comprehensive income would have been US$2.0 million (2016: Nil) higher/lower, arising from changes in fair value of interest rate swap contracts.

(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 23, 24, 26, 27, 28, 30 and 31 respectively.

41. 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.

	2017		2016	
	Profit before tax US$'000	Equity US$'000	Profit before tax US$'000	Equity US$'000
Group				
IDR against USD				
- strengthened 10% (2016: 10%)	(12,944)	122,679	(3,572)	116,159
- weakened 10% (2016: 10%)	15,821	(126,197)	4,366	(120,765)
SGD against USD				
- strengthened 5% (2016: 5%)	(40)	(32)	278	231
- weakened 5% (2016: 5%)	40	32	(443)	(368)
MYR against USD				
- strengthened 10% (2016: 10%)	51	1,060	5	1,909
- weakened 10% (2016: 10%)	(51)	(1,060)	(5)	(1,909)

(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.

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

(c) Commodity price risk (cont'd)

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 2017 would have been US$52.9 million (2016: US$45.4 million) higher/lower.

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:

	2017		2016	
	Profit before tax US$'000	Equity US$'000	Profit before tax US$'000	Equity US$'000
Group				
Increase in prices of palm based products	(2,144)	(4,500)	(2,179)	(4,340)
Decrease in prices of palm based products	1,151	3,606	654	2,967

(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 (2016: US$0.3 million) relating to financial guarantees provided by certain subsidiaries for repayment of plasma farmers' loans to a bank.

41. 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, 81.1% (2016: 83.6%) of the Group's trade receivables were due from three (2016: three) 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 23.

(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				
2017				
Trade and other payables	61,979	–	–	61,979
Loans and borrowings from financial institutions	29,507	246,665	–	276,172
Islamic medium term notes	11,232	270,228	–	281,460
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(11,232)	(270,228)	–	(281,460)
- Cross currency swaps (gross payments)	12,013	346,231	–	358,244
- Interest rate swaps (settled net)	256	244	–	500
- Other derivatives	1,748	–	–	1,748
	105,503	593,140	–	698,643

41. 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				
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
Company				
2017				
Trade and other payables	5,972	–	–	5,972
Loans and borrowings from financial institutions	27,398	244,434	–	271,832
Islamic medium term notes	11,232	270,228	–	281,460
Derivative financial liabilities:				
- Cross currency swaps (gross receipts)	(11,232)	(270,228)	–	(281,460)
- Cross currency swaps (gross payments)	12,013	346,231	–	358,244
- Interest rate swaps (settled net)	256	244	–	500
	45,639	590,909	–	636,548
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

42. 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 2017 and 2016.

The Group monitors capital through its Debt/EBITDA ratio, which is gross debt divided by profit from operations before depreciation, amortisation and losses/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	
	2017	**2016**
	US$'000	**US$'000**
Loans and borrowings from financial institutions (Note 30)	250,506	3,018
Islamic medium term notes (Note 31)	245,785	444,833
Gross debt	496,291	447,851
EBITDA	292,130	251,345
Debt/EBITDA	1.70 times	1.78 times

43. SEGMENT INFORMATION

For management reporting 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.

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.

43. SEGMENT INFORMATION (CONT'D)

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
2017				
Sales:				
External customers	46,724	600,265	–	646,989
Inter-segment	478,158	–	(478,158)	–
Total sales	524,882	600,265	(478,158)	646,989
Results:				
EBITDA	272,040	18,621	1,469	292,130
Depreciation and amortisation	(55,134)	(7,691)	–	(62,825)
Losses arising from changes in fair value of biological assets	(2,382)	–	–	(2,382)
Profit from operations	214,524	10,930	1,469	226,923
Gains on foreign exchange				4,845
Gains on derivative financial instruments				139
Net financial expenses				(20,689)
Other non-operating expenses				(2,339)
Profit before tax				208,879
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

43. SEGMENT INFORMATION (CONT'D)

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	
	2017	2016	2017	2016
	US$'000	US$'000	US$'000	US$'000
Singapore	495,069	404,496	73,918	75,813
Indonesia	151,920	170,738	1,082,203	1,064,325
	646,989	575,234	1,156,121	1,140,138

Non-current assets information presented above consist of bearer plants, plasma investments, property, plant and equipment, land use rights, goodwill, other intangible assets and other non-current assets.

Information about major customers

Sales to two major customers amounted to US$185.1 million from the refinery and processing segment (2016: US$149.2 million from the refinery and processing segment).

44. DIVIDENDS

	Group and Company	
	2017	2016
	US$'000	US$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2016: 2.375 Singapore cents (2015: 1.25 Singapore cents) per share	26,669	14,531
- Interim tax exempt (one-tier) dividend for 2017: 1.25 Singapore cents (2016: 0.625 Singapore cents) per share	14,615	7,282
	41,284	21,813
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 2017: 2.15 Singapore cents (2016: 2.375 Singapore cents) per share	25,473*	26,669
- Special tax exempt (one-tier) dividend for 2017: 3.40 Singapore cents (2016: Nil) per share	40,283*	–

* *Based on USD/SGD exchange rate of 1.3370.*

45. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 23 March 2018.

STATISTICS OF SHAREHOLDING

As at 14 March 2018

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 and subsidiary holdings as at 14 March 2018.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	10	0.52	243	0.00
100 – 1,000	225	11.64	206,377	0.01
1,001 – 10,000	1,291	66.75	6,921,014	0.44
10,001 – 1,000,000	394	20.37	18,755,938	1.18
1,000,001 and above	14	0.72	1,558,189,397	98.37
	1,934	100.00	1,584,072,969	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Citibank Nominees Singapore Pte Ltd	533,767,433	33.70
2	HSBC (Singapore) Nominees Pte Ltd	308,357,954	19.47
3	Eight Capital Inc.	302,400,130	19.09
4	Raffles Nominees (Pte) Limited	127,558,915	8.05
5	DBS Nominees (Private) Limited	109,873,483	6.94
6	DB Nominees (Singapore) Pte Ltd	91,358,675	5.77
7	DBSN Services Pte. Ltd.	56,933,246	3.59
8	United Overseas Bank Nominees (Private) Limited	7,659,900	0.48
9	DBS Vickers Securities (Singapore) Pte Ltd	6,664,100	0.42
10	BPSS Nominees Singapore (Pte.) Ltd.	6,592,403	0.42
11	Advance Synergy Capital Ltd	2,900,000	0.18
12	Morgan Stanley Asia (Singapore) Securities Pte Ltd	1,885,542	0.12
13	UOB Kay Hian Private Limited	1,160,400	0.07
14	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,077,216	0.07
15	BNP Paribas Nominees Singapore Pte Ltd	947,400	0.06
16	Phillip Securities Pte Ltd	858,600	0.05
17	Lim & Tan Securities Pte Ltd	704,200	0.04
18	Maybank Kim Eng Securities Pte. Ltd.	570,965	0.04
19	Teng Nam Seng	510,000	0.03
20	Teh Li Li	355,000	0.02
		1,562,135,562	98.61

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders, as at 14 March 2018)

	Direct Interest	%	Deemed Interest	%
Eight Capital Inc.	1,025,166,230	64.72	–	–
Eight Capital Trustees Pte Ltd	–	–	1,025,166,230 [1]	64.72
Equity Trust (Jersey) Ltd	–	–	1,025,166,230 [2]	64.72
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
FIL Limited	–	–	102,644,500 [5]	6.48
FIL Asia Holdings Pte Limited	–	–	94,890,700 [6]	5.99
Pandanus Partners L.P.	–	–	102,644,500 [7]	6.48
Pandanus Associates Inc.	–	–	102,644,500 [8]	6.48

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.

(5) FIL Limited's interests in the securities of First Resources Limited are currently entirely comprised as deemed interests. FIL Limited is deemed to have interests in the securities of First Resources Limited because such securities are held by funds and/or accounts managed by one or more of FIL Limited's direct and indirect subsidiaries, which are fund managers.

(6) FIL Asia Holdings Pte Limited is deemed interested in the shares in its capacity as investment advisor of various funds and accounts. FIL Asia Holdings Pte Limited is a wholly-owned subsidiary of FIL Limited.

(7) Pandanus Partners L.P. is deemed to have interests in the securities of First Resources Limited through its interest in the voting shares of FIL Limited, pursuant to Section 4(5) of the Securities and Futures Act.

(8) Pandanus Associates Inc. is deemed to have interests in the securities of First Resources Limited through its interest in the voting shares of Pandanus Partners L.P., pursuant to Section 4(5) of the Securities and Futures Act.

PERCENTAGE OF SHARES HELD BY THE PUBLIC

Approximately 23.24% of the Company's shares are held in the hands of 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 Monday, 30 April 2018 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 2017 together with the Auditor's Report thereon.

   (Resolution 1)

2. To declare the following tax exempt (one-tier) dividends for the year ended 31 December 2017:

   (a) A final dividend of 2.15 Singapore cents (S$0.0215) per ordinary share; and
   (b) A special dividend of 3.40 Singapore cents (S$0.0340) per ordinary share.

   (2016: Final tax exempt (one-tier) dividend of 2.375 Singapore cents (S$0.02375) per ordinary share).

   (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 Lim Ming Seong **(Resolution 3)**
   Mr Teng Cheong Kwee **(Resolution 4)**
   Mr Fang Zhixiang **(Resolution 5)**

   [See Explanatory Note (i)]

   Mr Lim Ming Seong will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and will be considered independent.

   Mr Teng Cheong Kwee will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, member of the Remuneration Committee and will be considered independent.

4. To approve the payment of Directors' fees of S$460,000 for the year ended 31 December 2017 (2016: S$460,000).

   (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 and subsidiary holdings) 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 and subsidiary holdings) 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 and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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

Lai Kuan Loong, Victor
Company Secretary

Singapore, 6 April 2018

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 2017.

(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 and subsidiary holdings) 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 and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) 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.

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 30 April 2018 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 2017		
2	Payment of proposed final and special dividends		
3	Re-election of Mr Lim Ming Seong as a Director		
4	Re-election of Mr Teng Cheong Kwee as a Director		
5	Re-election of Mr Fang Zhixiang 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 ______________ 2018

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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 6 April 2018.

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First Resources Limited is committed to responsible corporate citizenship. This annual report has been produced by a printer certified by the Forest Stewardship Council™ (FSC™) and has been printed on Green Forest paper and Ozone paper, which are certified to be environmentally friendly according to the FSC™ standard.

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