

FINANCIAL STATEMENTS

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DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 60 to 142 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Dr Cheo Tong Choon @ Lee Tong Choon
Ms Michelle Cheo Hui Ning
Ms Bianca Cheo Hui Hsin
Dr Foo Say Mui (Bill)
Mr Robert Loke Tan Cheng
Tan Sri Datuk Dr Ong Soon Hock
Datuk Dr Fawzia Binti Abdullah

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

	No. of ordinary shares			
	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2019	At 1.1.2019	At 31.12.2019	At 1.1.2019
Mewah International Inc				
Dr Cheo Tong Choon @ Lee Tong Choon	-	-	720,060,120	725,965,320
Ms Michelle Cheo Hui Ning	2,163,600	2,163,600	698,278,620	710,833,820
Ms Bianca Cheo Hui Hsin	2,460,100	2,460,100	699,804,620	712,359,820
Ms Wong Lai Wan	224,000	224,000	-	-
Tan Sri Datuk Dr Ong Soon Hock	30,000	30,000	-	-

- (b) The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

AUDIT COMMITTEE

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

Mr Robert Loke Tan Cheng (Chairman)
Tan Sri Datuk Dr Ong Soon Hock
Datuk Dr Fawzia Binti Abdullah

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

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

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors.

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

INDEPENDENT AUDITOR

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

On behalf of the directors

Dr Cheo Tong Choon @ Lee Tong Choon
Director

Ms Michelle Cheo Hui Ning
Director

6 March 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc.

OUR OPINION

In our opinion, the accompanying consolidated financial statements of Mewah International Inc. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with Singapore Financial Reporting Standards (International) ["SFRS(I)"] so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the financial year ended 31 December 2019;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the balance sheet of the Group as at 31 December 2019;
- the balance sheet of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority 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.

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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 for the financial year ended 31 December 2019. 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc. (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of commodities forward contracts	
<p>At 31 December 2019, the Group has recognised the following fair values of derivative financial assets/(liabilities) as disclosed in Note 16 to the financial statements:</p> <ul style="list-style-type: none"> • Commodities forward contracts included within current assets: US\$68,340,000 • Commodities forward contracts included within current liabilities: US\$93,705,000 <p>As these commodities forward contracts are not traded in an active market, the related fair values are estimated using a level 2 valuation technique as described in Note 34(e) to the financial statements.</p> <p>We focused on the valuation of the Group's commodities forward contracts because of the critical accounting estimates involved in determining the indicative market prices which are used in the valuation of these contracts, as disclosed in Note 3(a) to the financial statements.</p>	<p>We held discussions with management to understand the determination of the fair values of these commodities forward contracts.</p> <p>With the assistance of our internal valuation specialists, we assessed the appropriateness of the level 2 valuation technique adopted by management by evaluating the appropriateness of the valuation methodology and the basis of indicative market prices used by management. We also independently verified these indicative market prices to external sources.</p> <p>On a sample basis, we tested management's computation of the fair values of derivative financial assets/(liabilities).</p> <p>Based on the work performed, we found the valuation methodology to be appropriate and the indicative market prices used by management to be within acceptable range.</p>

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc. (continued)

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of financial statements in accordance with SFRS(I) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the members of Mewah International Inc. (continued)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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.

The engagement partner on the audit resulting in this independent auditor's report is Tan Bee Nah.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 6 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Revenue	4	2,817,255	2,946,818
Cost of sales		(2,693,366)	(2,812,107)
Gross profit		123,889	134,711
Other income	5	5,301	4,195
Other gains/losses	6	8,500	880
Reversal of expected credit losses		672	8,149
Expenses			
- Selling and distribution		(38,808)	(31,759)
- Administrative		(81,411)	(88,802)
- Finance	9	(15,093)	(15,414)
Share of profit of associated company	23	71	68
Profit before tax		3,121	12,028
Income tax credit	10(a)	8,443	2,672
Profit after tax		11,564	14,700
Profit after tax attributable to:			
Equity holders of the Company		11,646	14,788
Non-controlling interests		(82)	(88)
		11,564	14,700
Earnings per share attributable to equity holders of the Company (expressed in US cents per share)			
- Basic and diluted	12	0.78	0.99

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Profit after tax		11,564	14,700
Other comprehensive income/(loss)			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from foreign subsidiaries			
- Gains/(losses)		1,074	(5,155)
Other comprehensive income/(loss), net of tax		1,074	(5,155)
Total comprehensive income		12,638	9,545
Total comprehensive income attributable to:			
Equity holders of the Company		12,772	9,961
Non-controlling interests		(134)	(416)
		12,638	9,545

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

BALANCE SHEET - GROUP

As at 31 December 2019

		31 December	
	Note	2019 US\$'000	2018 US\$'000 (restated)
ASSETS			
Current assets			
Inventories	13	323,190	401,675
Trade receivables	14	243,785	221,592
Other receivables	15	77,973	91,980
Current income tax recoverable	11	4,961	6,966
Derivative financial instruments	16(a)	71,797	61,679
Cash and bank balances	17	61,814	48,611
		783,520	832,503
Non-current assets			
Intangible asset	18	970	970
Property, plant and equipment	19	464,829	417,333
Investment in associated company	23	569	491
Deferred income tax assets	27	2,864	3,457
Derivative financial instruments	16(b)	33	894
		469,265	423,145
Total assets		1,252,785	1,255,648
LIABILITIES			
Current liabilities			
Trade payables	24	125,034	142,154
Other payables	25	50,579	64,029
Contract liabilities	4(b)	6,808	10,182
Lease liabilities	20(e)	521	-
Current income tax liabilities	11	1,701	3,289
Derivative financial instruments	16(a)	118,784	34,071
Borrowings	26	373,748	404,555
		677,175	658,280
Non-current liabilities			
Lease liabilities	20(e)	7,206	-
Deferred income tax liabilities	27	18,688	30,762
Borrowings	26	27,149	46,310
		53,043	77,072
Total liabilities		730,218	735,352
NET ASSETS		522,567	520,296

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

BALANCE SHEET - GROUP

As at 31 December 2019

		31 December	
	Note	2019	2018
		US\$'000	US\$'000 (restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	28	1,501	1,501
Share premium	28	180,012	180,012
Other reserves	29	(37,955)	(39,081)
Retained profits	30(a)	378,700	377,094
		522,258	519,526
Non-controlling interests		309	770
Total equity		522,567	520,296

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

BALANCE SHEET - COMPANY

As at 31 December 2019

	Note	31 December	
		2019	2018
		US\$'000	US\$'000
ASSETS			
Current assets			
Other receivables	15	300,731	283,443
Cash and bank balances	17	86	590
		300,817	284,033
Non-current assets			
Investments in subsidiaries	22	849	849
Derivative financial instruments	16(a)	29	-
		878	849
Total assets		301,695	284,882
LIABILITIES			
Current liabilities			
Other payables	25	305	265
Current income tax liabilities	11	329	314
Derivative financial instruments	16(a)	-	28
		634	607
Non-current liabilities			
Deferred income tax liabilities	27	1,806	1,029
Total liabilities		2,440	1,636
NET ASSETS		299,255	283,246
EQUITY			
Capital and reserves attributable to equity holders of the Company:			
Share capital	28	1,501	1,501
Share premium	28	180,012	180,012
Other reserves	29	3,509	3,509
Retained profits	30(b)	114,233	98,224
Total equity		299,255	283,246

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	Attributable to equity holders of the Company						
	Share capital	Share premium	Share redemption	Capital reserve	General reserve	Retained profits	Non-controlling interests
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
2019							
Balance at 1 January 2019							
As previously reported	1,501	180,012	3,509	(53,005)	(720)	11,135	679
Acquisition of subsidiaries	37	-	-	-	-	-	91
As restated	1,501	180,012	3,509	(53,005)	(720)	11,135	770
Profit for the year	-	-	-	-	-	11,646	(82)
Other comprehensive income for the year	-	-	-	-	-	1,126	(52)
Total comprehensive income for the year	-	-	-	-	-	12,772	(134)
Dividends	31	-	-	-	-	(10,040)	(327)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(10,040)	(327)
Balance at 31 December 2019	1,501	180,012	3,509	(53,005)	(720)	12,261	309
2018 (restated)							
Balance at 1 January 2018	1,501	180,012	3,509	(53,005)	(720)	15,962	1,133
Profit for the year	-	-	-	-	-	14,788	(88)
Other comprehensive loss for the year	-	-	-	-	-	(4,827)	(328)
Total comprehensive income for the year	-	-	-	-	-	(4,827)	(416)
Acquisition of subsidiaries	-	-	-	-	-	-	244
Dividends	31	-	-	-	-	(6,958)	(191)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	(6,958)	53
Balance at 31 December 2018	1,501	180,012	3,509	(53,005)	(720)	11,135	770

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Cash flows from operating activities			
Profit after tax		11,564	14,700
Adjustments for:			
- Income tax credit	10(a)	(8,443)	(2,672)
- Depreciation of property, plant and equipment	19	21,420	19,430
- Losses/(gains) on disposal of property, plant and equipment	6	88	(2,226)
- Property, plant and equipment written off	6	51	71
- Reversal of impairment loss on property, plant and equipment	6	(3,376)	-
- Interest income	5	(2,558)	(1,465)
- Interest expense	9	15,093	15,414
- Share of profit of associated company	23	(71)	(68)
Operating cash flows before working capital changes		33,768	43,184
Changes in operating assets and liabilities:			
- Inventories		81,139	(41,594)
- Trade and other receivables		(14,644)	36,553
- Contract liabilities		(3,374)	(496)
- Trade and other payables		(29,148)	(28,231)
- Derivative financial instruments		71,679	27,159
Cash flows from operations		139,420	36,575
Interest received		2,013	894
Interest paid		(15,093)	(15,414)
Income tax paid	11	(2,809)	(4,036)
Decrease in restricted short term deposit		-	2,623
Net cash flows from operating activities		123,531	20,642
Cash flows from investing activities			
Acquisition of subsidiaries	37	-	(8,404)
Decrease/(increase) in other receivables		4,960	(1,203)
Additions to property, plant and equipment		(53,201)	(79,723)
Proceeds from disposal of property, plant and equipment		180	7,495
Net cash flows used in investing activities		(48,061)	(81,835)
Cash flows from financing activities			
Decrease/(increase) in restricted short term deposit		333	787
Proceeds from long term borrowings		3,438	51,149
Repayment of long term borrowings		(15,623)	(23,892)
Net (repayments)/proceeds from short term borrowings		(39,846)	23,398
Repayment of lease liabilities		(496)	-
Interest received		545	571
Dividends paid to equity holders of the Company	31	(10,040)	(6,958)
Dividends paid to non-controlling interests		(327)	(191)
Net cash flows (used in)/from financing activities		(62,016)	44,864
Net change in cash and cash equivalents		13,454	(16,329)
Cash and cash equivalents at beginning of financial year		48,278	65,850
Effect of changes in exchange rate on cash and cash equivalents		82	(1,243)
Cash and cash equivalents at end of financial year	17	61,814	48,278

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	1 January 2019	Proceeds from borrowings	Principal payments	Adoption of SFRS(I)16	Non-cash changes Foreign exchange movement	31 December 2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	450,865	3,438	(55,469)	-	2,063	400,897
Lease liabilities	-	-	(496)	8,223	-	7,727

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

1. GENERAL INFORMATION

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

The principal activity of the Company is that of investment holding. The principal activities of its significant subsidiaries are disclosed in Note 41 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) (“INT SFRS(I)”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases.

Adoption of SFRS(I) 16 Leases

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group’s accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.14.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases (continued)

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

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- (i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and
- (ii) On a lease-by-lease basis, the Group has:
 - (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
 - (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
 - (c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
 - (d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
 - (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- (i) On a lease-by-lease basis, the Group chose to measure its ROU assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition (i.e. 1 January 2019).
- (ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
- (iii) The difference between the carrying amount of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.
- (iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of SFRS(I) 16 Leases (continued)

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

(c) When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset.

On 1 January 2019, the Group has reassessed the classification of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, none of the subleases of office space is reassessed as finance lease.

The accounting policy for subleases are disclosed in Note 2.14.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase US\$'000
Property, plant and equipment	8,223
Lease liabilities	<u>8,223</u>

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	US\$'000
Operating lease commitment disclosed as at 31 December 2018	13,334
Less: Short-term leases	(539)
Less: Low-value leases, except for those under a sublease arrangement	(252)
Less: Discounting effect using weighted average incremental borrowing rate of 4.33%	<u>(4,320)</u>
Lease liabilities recognised as at 1 January 2019	<u>8,223</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue

(a) Sale of goods

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

(b) Shipping services

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

(c) Charter income

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

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

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

Demurrage is included if a claim is considered probable.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Rental income

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

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

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

(ii) Acquisitions

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

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

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

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

(iii) Disposals

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

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

Please refer to Note 2.5 for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(b) Transactions with non-controlling interests

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

(c) Associated company

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

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

(i) Acquisitions

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

(ii) Equity method of accounting

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) Associated company (continued)

(iii) Disposals

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

Please refer to Note 2.5 for the accounting policy on investment in associated company in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

All property, plant and equipment including mature plants are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Mature plants are living plants used in the production or supply of agricultural produce that are expected to bear produce for more than one period, covering activities that are necessary to cultivate the mature plants before they are in the location and condition necessary to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs).

(b) Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(b) Depreciation (continued)

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

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains/losses". Any amount in asset revaluation reserve relating to that asset is transferred to retained profits directly.

2.5 Investments in subsidiaries and associated company

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

2.6 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Impairment of non-financial assets (continued)

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

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

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

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

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

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

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

2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets

(a) Classification and measurement

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

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

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

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

At initial recognition

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

At subsequent measurement

(i) Debt instruments

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

Financial assets of the Group are subsequently measured as follows:

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

(b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the Group determines whether there has been a significant increase in credit risk.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(c) Recognition and derecognition

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

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

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

(d) Offsetting of financial instruments

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

2.9 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

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

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

2.10 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

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

2.12 Derivative financial instruments

Derivative financial instruments comprise mainly of crude palm oil and palm oil products forward contracts, futures contracts and currency forward contracts.

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss within "cost of sales" when the changes arise.

Derivative financial instruments are reported in the financial statements on a net basis where legal right of setoff exists. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

2.13 Fair value estimation of financial assets and liabilities

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

The Group's commodities forward contracts are not traded in an active market and hence their fair values are estimated using a valuation technique as described in Note 34(e).

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

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

2.14 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

(i) When the Group is the lessee:

- Lessee - Operating leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

(a) The accounting policy for leases before 1 January 2019 are as follows: (continued)

(ii) When the Group is the lessor:

- *Lessor - Operating leases*

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

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

(b) The accounting policy for leases from 1 January 2019 are as follows:

(i) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- *Right-of-use assets*

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(i) When the Group is the lessee: (continued)

- *Lease liabilities*

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- *Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for a sublease arrangement. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

(b) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(iii) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.15 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on the weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.16 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Income taxes (continued)

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

Deferred income tax is measured:

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

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

The Group accounts for investment tax credits similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

2.17 Provisions

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

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

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

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollar ("US\$") ("presentation currency"), which is the functional currency of the Company.

(b) Transactions and balances

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

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

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

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

(c) Translation of Group entities' financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Segment reporting

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

2.21 Cash and cash equivalents

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

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

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share premium account.

2.23 Dividends to Company's shareholders

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

2.24 Government grants

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

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

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

2.25 Intangible assets

(a) Goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Valuation of commodities forward contracts

The Group is exposed to fluctuations in the prices of agri-commodities it deals in, including crude palm oil and palm oil products. The Group minimises the risk arising from such fluctuations by entering into commodities forward contracts and futures contracts (Note 16). As the Group has not adopted hedge accounting, the fair value changes on these derivative financial instruments are recognised in the profit or loss when the changes arise.

The Group's commodities forward contracts are not traded in an active market and hence their fair values are estimated using a valuation technique as described in Note 34(e).

If the commodities forward prices had been higher or lower by 5% from the management's estimates and other variables remain constant, the Group's profit after tax would have been lower or higher by US\$8,432,000 (2018: lower or higher by US\$11,679,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

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

Management reviews its trade receivables on a regular basis to identify specific trade receivables that are credit impaired and recognises a loss allowance equal to lifetime expected credit loss in respect of these receivables. For the remaining trade receivables, they are grouped based on similar risk characteristics and days past due to determine the expected credit loss rate to be applied. In calculating the expected credit loss rates, management considers historical loss rates and adjusts to reflect current and forward looking macro economic factors affecting the ability of the customers to settle the receivables. Further details are disclosed in Note 34(b) to the financial statements.

Based on the assessment performed by management at 31 December 2019, the loss allowance recognised for specific trade receivables that are credit impaired amounted to US\$21,609,000 (Note 14). For the remaining trade receivables, management has assessed that the associated credit risks are insignificant.

(c) Impairment assessment of the Group's property, plant and equipment

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

Based on the reviews performed by management at 31 December 2019, management has not identified any indications of impairment in relation to the PPE of the Group.

(d) Uncertain tax position of the Group

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

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

	Group		
	At a point in time	Over time	Total
	US\$'000	US\$'000	US\$'000
2019			
Sale of palm based products in bulk	1,955,926	-	1,955,926
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	784,557	-	784,557
Shipping services*	-	71,976	71,976
Charter income	-	4,796	4,796
Total	2,740,483	76,772	2,817,255
2018			
Sale of palm based products in bulk	1,995,968	-	1,995,968
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	874,101	-	874,101
Shipping services*	-	72,299	72,299
Charter income	-	4,450	4,450
Total	2,870,069	76,749	2,946,818

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

Included in the sale of palm based products in bulk is the subsidy received from the Malaysian government under the cooking oil price stabilisation scheme amounting to US\$2,221,000 (2018: US\$3,102,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) Contract liabilities

	Group	
	31 December	1 January
	2019	2018
	US\$'000	US\$'000
<i>Contract liabilities</i>		
- Sale of goods contracts	6,808	10,182
Total contract liabilities	6,808	8,118

(i) Revenue recognised in relation to contract liabilities

	Group	
	2019	2018
	US\$'000	US\$'000
<i>Revenue recognised in current period that was included in the contract liability balance at the beginning of the period</i>		
- Sale of goods contracts	7,810	6,058

(ii) Unsatisfied performance obligations

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less is not disclosed.

(c) Trade receivables from contracts with customers

	Group	
	31 December	1 January
	2019	2018
	US\$'000	US\$'000
Trade receivables from contracts with customers	265,394	286,641
Less: Allowance for expected credit losses	(21,609)	(34,214)
Trade receivables (net)	243,785	252,427

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

5. OTHER INCOME

	Group	
	2019	2018
	US\$'000	US\$'000
Interest income on bank deposits and others	545	571
Late interest charged on trade receivables	2,013	894
	2,558	1,465
Rental income	211	413
Commission income	45	47
Insurance claims	221	149
Other miscellaneous income	2,266	2,121
	5,301	4,195

Other miscellaneous income mainly comprise sales of scrap and waste.

6. OTHER GAINS (NET)

	Group	
	2019	2018
	US\$'000	US\$'000
Foreign exchange gains/(losses) - net	5,370	(1,025)
Loss allowance on other receivables	(107)	(250)
Reversal of impairment loss on property, plant and equipment (Note 19)	3,376	-
Property, plant and equipment written off	(51)	(71)
(Losses)/gains on disposal of property, plant and equipment	(88)	2,226
	8,500	880

The Group carried out a review of the recoverable amount of certain property, plant and equipment at 31 December 2019 and assessed that there are indications that the impairment loss recognised in the prior financial years relating to these property, plant and equipment no longer exists at 31 December 2019. Accordingly, the management of the Group has estimated the recoverable amount of these property, plant and equipment at 31 December 2019 and recorded a reversal of impairment loss of US\$3,376,000 in the consolidated income statement for the financial year ended 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

7. EXPENSES BY NATURE

	Group	
	2019	2018
	US\$'000	US\$'000
Purchases of inventories	2,393,403	2,744,079
Changes in inventories	77,459	(41,594)
Losses from derivative financial instruments	97,428	2,905
Freight charges	67,579	61,350
Consultation fees	3,117	3,059
Transportation	24,800	21,598
Export duties	174	879
Insurance	6,078	4,869
Utilities	13,495	13,161
Rental on operating leases	1,347	2,485
Repair and maintenance	8,097	6,777
Employee compensation (Note 8)	63,592	66,116
Depreciation of property, plant and equipment (Note 19)*	21,420	19,430
Bank charges	4,002	4,012
Inventories written down/(Reversal of inventories written down)	3,680	(1,738)
Audit fees		
- Auditors of the Company	371	364
- Other auditors**	255	226
Non-audit fees		
- Auditors of the Company	92	120
- Other auditors**	111	110
Others	27,085	24,460
Total cost of sales, selling and distribution and administrative expenses	2,813,585	2,932,668

* Includes depreciation arising from adoption of SFRS(I) 16 amounting to US\$787,000 (Note 19)

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

For the financial year ended 31 December 2019, the inventories written down mainly relate to inventories which were slow-moving. For the financial year ended 31 December 2018, the reversal of inventories written down mainly relate to inventories previously written down that were sold above their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. EMPLOYEE COMPENSATION

	Group	
	2019	2018
	US\$'000	US\$'000
Salaries	56,819	59,680
Employer's contributions to defined contribution plans	4,409	4,251
Other staff benefits	2,364	2,185
	63,592	66,116

9. FINANCE EXPENSES

	Group	
	2019	2018
	US\$'000	US\$'000
Interest expenses:		
- Bank borrowings and others	15,093	15,414

10. INCOME TAXES

(a) Income tax credit

	Group	
	2019	2018
	US\$'000	US\$'000
Tax expense attributable to profit was made up of:		
Current income tax		
- Singapore	2,000	2,470
- Foreign	5,010	3,390
	7,010	5,860
Deferred income tax	(10,676)	(6,636)
	(3,666)	(776)
Over provision in prior financial years		
- Current income tax (Note 11)	(3,746)	(1,870)
- Deferred income tax	(1,031)	(26)
	(4,777)	(1,896)
Income tax credit	(8,443)	(2,672)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. INCOME TAXES (continued)

(a) Income tax credit (continued)

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

	Group	
	2019	2018
	US\$'000	US\$'000
Profit before tax	3,121	12,028
Tax calculated at domestic rates applicable to profits in the respective countries	(1,017)	855
Effects of:		
- Tax incentives	(6,234)	(6,624)
- Expenses not deductible for tax purposes	1,224	5,354
- Income not subject to tax	(1,148)	(84)
- Deferred tax benefits not recognised	3,351	-
- Utilisation of previously unrecognised tax losses	-	(236)
- Over provision of tax in prior financial years	(4,777)	(1,896)
- Others	158	(41)
	(8,443)	(2,672)

Singapore and Malaysia, two of the Group's main tax jurisdictions, had headline corporate tax rates of 17% and 24% (2018: 17% and 24%) respectively. The Group enjoys certain tax incentives such as concessionary tax rate on qualifying income under the Global Trader Programme of International Enterprise Singapore, concessionary tax rate on qualifying income under the Pioneer Status in Malaysia and other various schemes for qualifying capital investments in Malaysia.

Over provision in prior financial years

For the financial year ended 31 December 2019, the over provision of current income tax in respect of prior financial years resulted from the final settlement of the notice of additional tax of a wholly-owned subsidiary during the current financial year. The notice of additional tax was raised by a local tax authority to a wholly-owned subsidiary of the Group during the financial year ended 31 December 2017 and was paid and provided during that financial year. The wholly-owned subsidiary had filed an objection to this additional tax assessment and the matter was under arbitration as at 31 December 2018.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. CURRENT INCOME TAXES RECOVERABLE/(LIABILITIES)

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of the year	3,677	3,761	(314)	(768)
Currency translation differences	38	(130)	(5)	(18)
Income tax paid	2,809	4,036	1,137	1,060
Tax expense (Note 10)	(7,010)	(5,860)	(1,176)	(870)
Over provision in prior financial years (Note 10)	3,746	1,870	29	282
End of the financial year	3,260	3,677	(329)	(314)
Represented by:				
At 31 December				
- Current income tax recoverable	4,961	6,966	-	-
- Current income tax liabilities	(1,701)	(3,289)	(329)	(314)

12. EARNINGS PER SHARE

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

	Group	
	2019	2018
	US\$'000	US\$'000
Net profit attributable to equity holders of the Company (US\$'000)	11,646	14,788
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,500,667	1,500,667
Basic earnings per share (US cents per share)	0.78	0.99

Diluted earnings per share was the same as the basic earnings per share for the financial years ended 31 December 2019 and 2018 as there were no potential dilutive ordinary shares outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

13. INVENTORIES

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
Raw materials	153,240	152,501
Finished goods	162,993	242,693
Stores, spares and consumables	6,957	6,481
	323,190	401,675

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US\$2,474,542,000 (2018: US\$2,700,747,000).

14. TRADE RECEIVABLES

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
Trade receivables		
- Related parties [Note 35(a)]	12,699	20,947
- Non-related parties	252,695	223,701
	265,394	244,648
Less: Allowance for expected credit losses		
- Non-related parties [Note 34(b)]	(21,609)	(23,056)
Trade receivables - net	243,785	221,592

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

15. OTHER RECEIVABLES

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Loans to subsidiaries	-	-	331,148	322,983
Less: Allowance for expected credit losses	-	-	(30,434)	(39,556)
	-	-	300,714	283,427
Non-trade receivables	13,023	49,998	-	-
Deposits	59,403	37,148	-	-
Prepayments	5,547	4,834	17	16
	77,973	91,980	300,731	283,443

Group

As at 31 December 2019, non-trade receivables included US\$1,454,000 (2018: US\$37,464,000) refundable Goods and Service Tax, US\$1,702,000 (2018: US\$64,000) relating to subsidy receivable for cooking oil price stabilisation scheme and US\$5,013,000 (2018: US\$9,973,000) being advance payments towards capital expenditure.

As at 31 December 2019, deposits included US\$8,201,000 (2018: US\$8,472,000) of advance payments for the purchase of raw materials and US\$49,424,000 (2018: US\$27,732,000) paid to Bursa Malaysia Derivatives Clearing Bhd for commodity trading initial and variation margin payment.

Company

Loans to subsidiaries bear interests from 0.6% to 8.4% (2018: 1.2% to 10.1%) per annum. The loans are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

(a) Current portion

	Contract notional amount	Group Fair values	
	US\$'000	Asset US\$'000	Liability US\$'000
31 December 2019			
Currency forward contracts [Note 34(e)]	560,431	3,457	(5,023)
Commodities forward contracts [Note 34(e)]	869,993	68,340	(93,705)
Futures contracts on commodity exchange [Note 34(e)]	855,772	-	(20,056)
Total		71,797	(118,784)
31 December 2018			
Currency forward contracts [Note 34(e)]	667,408	4,568	(3,251)
Commodities forward contracts [Note 34(e)]	1,006,930	51,640	(16,039)
Futures contracts on commodity exchange [Note 34(e)]	979,113	5,471	(14,781)
Total		61,679	(34,071)
	Contract notional amount	Company Fair values	
	US\$'000	Asset US\$'000	Liability US\$'000
31 December 2019			
Currency forward contracts [Note 34(e)]	995	29	-
31 December 2018			
Currency forward contracts [Note 34(e)]	5,293	-	(28)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(b) Non-current portion

	Contract notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
31 December 2019			
Futures contracts on commodity exchange [Note 34(e)]	4,226	33	-
31 December 2018			
Commodities forward contracts [Note 34(e)]	2,508	483	-
Futures contracts on commodity exchange [Note 34(e)]	138,467	411	-
Total		894	-

17. CASH AND BANK BALANCES

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	50,050	42,590	82	586
Short-term bank deposits	11,764	6,021	4	4
	61,814	48,611	86	590

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

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
Cash and bank balances (as above)	61,814	48,611
Less: Restricted short term bank deposits	-	(333)
Cash and cash equivalents per consolidated statement of cash flows	61,814	48,278

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. INTANGIBLE ASSET

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
		(restated)
Goodwill arising from acquisition of subsidiaries	970	970
Beginning of financial year	970	-
Acquisition of subsidiaries	-	970
End of financial year	970	970

The goodwill arises from the Group's acquisition of 95% of the issued equity of PT Angso Duo Sawit and PT Jambi Batanghari Plantation ("jointly as Jambi business"), and are involved primarily in milling and palm oil plantation businesses respectively. These companies are incorporated in Indonesia. Further details relating to this acquisition is in Note 37.

Impairment tests for goodwill

Goodwill arising from business combination have been allocated to the cash-generating unit ("CGU") – Jambi business, for impairment testing.

The recoverable amount of the CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

Discount rate	12.66%
Terminal growth rate	4.97%

The terminal growth rate used is consistent with the forecast included in industry reports and did not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used was pre-tax and reflected specific risks relevant to the CGU.

Based on the recoverable amount determined by management, no impairment for the goodwill was deemed necessary as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Vessels	Mature plants	Capital expenditure in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group 2019									
<i>Cost</i>									
Beginning of financial year	22,944	124,761	345,862	21,507	7,776	11,070	-	61,899	595,819
As previously reported	-	2,286	1,692	-	-	-	3,162	(2,036)	5,104
Acquisition of subsidiaries (Note 37)									
As restated	22,944	127,047	347,554	21,507	7,776	11,070	3,162	59,863	600,923
Adoption of SFRS(I) 16 (Note 2.1)	-	8,129	40	-	54	-	-	-	8,223
Currency translation differences	251	1,320	4,078	118	30	3	84	576	6,460
Additions	144	1,264	6,070	1,804	880	301	465	42,273	53,201
Disposals	-	(165)	(991)	(345)	(236)	-	-	-	(1,737)
Write off	-	-	(844)	(179)	-	-	-	-	(1,023)
Reclassification	-	6,459	29,873	174	-	132	173	(36,811)	-
End of financial year	23,339	144,054	385,780	23,079	8,504	11,506	3,884	65,901	666,047
<i>Accumulated depreciation</i>									
Beginning of financial year	2,122	25,696	128,661	16,653	4,714	696	-	-	178,542
As previously reported	-	-	(68)	-	-	-	68	-	-
Acquisition of subsidiaries (Note 37)									
As restated	2,122	25,696	128,593	16,653	4,714	696	68	-	178,542
Currency translation differences	27	391	1,478	82	21	-	26	-	2,025
Depreciation charge (Note 7)	488	2,898	14,268	1,622	1,126	918	100	-	21,420
Disposals	-	(134)	(786)	(340)	(209)	-	-	-	(1,469)
Write off	-	-	(797)	(175)	-	-	-	-	(972)
Reclassification	-	2,119	(2,177)	7	11	-	40	-	-
End of financial year	2,637	30,970	140,579	17,849	5,663	1,614	234	-	199,546
<i>Accumulated impairment losses</i>									
Beginning of financial year	-	4,280	17	247	66	-	-	438	5,048
Reversal of impairment losses	-	(3,376)	-	-	-	-	-	-	(3,376)
End of financial year	-	904	17	247	66	-	-	438	1,672
<i>Net book value</i>									
End of financial year	20,702	112,180	245,184	4,983	2,775	9,892	3,650	65,463	464,829

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Furniture, fixtures and office equipment	Motor vehicles	Vessels	Mature plants	Capital expenditure in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
2018 (restated)									
<i>Cost</i>									
Beginning of financial year	28,148	123,262	333,482	20,233	7,967	1,972	-	21,138	536,202
Currency translation differences	(774)	(2,830)	(7,601)	(241)	(97)	-	-	(1,856)	(13,399)
Additions	136	2,981	2,033	1,719	1,508	9,337	-	62,009	79,723
Acquisition of subsidiaries	-	3,415	1,740	-	12	-	3,162	5	8,334
Disposals	(5,311)	(21)	(862)	(107)	(1,606)	-	-	-	(7,907)
Write off	-	-	(1,654)	(129)	(8)	(239)	-	-	(2,030)
Reclassification	745	240	20,416	32	-	-	-	(21,433)	-
End of financial year	22,944	127,047	347,554	21,507	7,776	11,070	3,162	59,863	600,923
<i>Accumulated depreciation</i>									
Beginning of financial year	1,948	23,484	119,023	15,642	5,337	75	-	-	165,509
Currency translation differences	(59)	(414)	(2,733)	(169)	(58)	-	-	-	(3,433)
Depreciation charge (Note 7)	518	2,631	13,085	1,407	983	806	-	-	19,430
Acquisition of subsidiaries	-	-	(68)	-	-	-	68	-	-
Disposals	(285)	(5)	(698)	(102)	(1,548)	-	-	-	(2,638)
Write off	-	-	(16)	(125)	-	(185)	-	-	(326)
End of financial year	2,122	25,696	128,593	16,653	4,714	696	68	-	178,542
<i>Accumulated impairment losses</i>									
Beginning and end of financial year	-	4,280	17	247	66	-	-	438	5,048
<i>Net book value</i>									
End of financial year	20,822	97,071	218,944	4,607	2,996	10,374	3,094	59,425	417,333

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) Right-of-use ("ROU") assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 20(a).
- (b) As at 31 December 2019, bank borrowings (Note 26) are secured on property, plant and equipment of the Group with carrying amounts of US\$116,752,000 (2018: US\$160,760,000).
- (c) In the previous financial year, property, plant and equipment written off totalling US\$1,633,000 were fully recovered from the insurance claims made.
- (d) Interest capitalised within capital expenditure in progress amounted to US\$1,344,000 (2018: US\$120,000) for the financial year ended 31 December 2019.

20. LEASES – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Property

The Group leases office space, warehouse for the purpose of back office operations, refining and selling palm oil products and dairy-based products.

Leasehold land

The Group also makes monthly lease payments for leasehold land. The right-of-use of the land are recognised within property, plant and equipment (Note 19).

There are no externally imposed covenant on these lease arrangements.

Equipment and vehicles

The Group leases motor vehicles and equipment to render logistic services. The lease arrangements prohibit the Group from subleasing the equipment to third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. LEASES – THE GROUP AS A LESSEE (continued)

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	31 December 2019 US\$'000	1 January 2019 US\$'000
Group		
Leasehold land*	73,578	72,163
Plant and equipment**	30	40
Motor vehicles**	34	54
Total	73,642	72,257

* Financial effects arising from adoption of SFRS(I) 16 amounted to US\$7,372,000 (1 January 2019: USD\$8,129,000).

** Arising from adoption of SFRS(I)16

(b) Depreciation charge during the year

	2019 US\$'000
Group	
Leasehold land*	2,027
Plant and equipment**	10
Motor vehicles**	20
Total	2,057

* Financial effects arising from adoption of SFRS(I) 16 amounted to US\$757,000

** Arising from adoption of SFRS(I)16

(c) Interest expense

	2019 US\$'000
Group	
Interest expense on lease liabilities	347

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. LEASES – THE GROUP AS A LESSEE (continued)

(d) Lease expense not capitalised in lease liabilities

	2019 US\$'000
Group	
Lease expense – short-term leases	539
Lease expense – low-value leases	808
Total (Note 7)	<u>1,347</u>

(e) Lease liabilities

	2019 US\$'000
Group	
<i>Current</i>	
Lease liabilities	<u>521</u>
<i>Non-current</i>	
Lease liabilities	<u>7,206</u>

(f) Total cash outflow for all the leases in 2019 was US\$2,190,000.

(g) Addition of ROU assets during the financial year 2019 was US\$Nil.

(h) Future cash outflow which are not capitalised in lease liabilities:

Extension options

- i. Extension option exercisable by the Group

The lease for certain asset contains extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise the extension option. The Group negotiates extension option to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension option is exercisable by the Group and not by the lessor.

- ii. Extension options subject to terms and conditions

The lease for certain asset contain extension period, for which the related lease payments had not been included in lease liabilities as the option to extend is subject to the approval of the lessor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

21. LEASES – THE GROUP AS A LESSOR

Nature of the Group's leasing activities – Group as a lessor

The Group has leased out office space under its leasehold buildings to non-related parties for monthly lease payments. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from leasing of office space is disclosed in Note 5.

Nature of the Group's leasing activities – Group as an intermediate lessor

Subleases – classified as operating leases

The Group acts as an intermediate lessor under arrangement in which it sub-leases out office space to third parties for monthly lease payments.

Income from subleasing recognised during the financial year 2019 was US\$95,000 (2018: US\$59,000).

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	31 December 2019 US\$'000	1 January 2019 US\$'000
Less than one year	193	123
One to five years	174	84
Total undiscounted lease payment	367	207

22. INVESTMENTS IN SUBSIDIARIES

	Company 2019 US\$'000	2018 US\$'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	849	849

Details of the significant subsidiaries are included in Note 41. There are no subsidiaries with non-controlling interest that are material to the Group as at 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. INVESTMENTS IN ASSOCIATED COMPANY

	Group	
	2019	2018
	US\$'000	US\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	491	435
Share of profits	71	68
Currency translation differences	7	(12)
End of financial year	569	491

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

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
Assets	1,458	1,402
Liabilities	(298)	(399)
Carrying value of associated company	1,160	1,003
Effective interest rate of the Group in associated company	49%	49%
Carrying value of group's interest in associated company	569	491

	Group	
	2019	2018
	US\$'000	US\$'000
Revenue	4,374	4,954
Net profit and total comprehensive income	146	138
Effective interest rate of the Group in associated company	49%	49%
Share of profit of associated company	71	68

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. TRADE PAYABLES

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
Trade payables		
- Related parties [Note 35(a)]	906	1,006
- Non-related parties	124,128	141,148
	125,034	142,154

25. OTHER PAYABLES

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
		(restated)		
Non-trade payables				
- Related parties [Note 35(a)]	2	7	-	-
- Associated company	260	136	-	-
- Non-related parties	19,448	22,427	-	-
	19,710	22,570	-	-
Deferred income	3,830	3,877	-	-
Accrual for operating expenses	27,039	37,582	305	265
	50,579	64,029	305	265

Non-trade amounts due to associated company and related parties relate mainly to forwarding services and rental of premises, and are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. BORROWINGS

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
<i>Current</i>		
Bank borrowings:		
- Trade financing	326,643	378,059
- Revolving credit	24,545	11,000
- Hire purchase	417	-
- Term loans	22,143	15,496
	373,748	404,555
<i>Non-current</i>		
Bank borrowings:		
- Hire purchase	2,949	-
- Term loans	24,200	46,310
	27,149	46,310
Total borrowings	400,897	450,865

(a) Securities granted

Total borrowings include secured liabilities of US\$25,710,000 (2018: US\$31,806,000). The borrowings of the Group are secured by certain property, plant and equipment as disclosed in Note 19(b) and corporate guarantees by the Company as disclosed in Note 32.

(b) Fair value of non-current borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. DEFERRED INCOME TAXES

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

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
		(restated)		
Deferred income tax assets	2,864	3,457	-	-
Deferred income tax liabilities	(18,688)	(30,762)	(1,806)	(1,029)

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

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
		(restated)		
Beginning of financial year	(27,305)	(34,121)	(1,029)	(319)
Currency translation differences	(226)	663	-	-
Tax credited/(charged) to				
- Profit or loss	11,707	6,662	(777)	(710)
Acquisition of subsidiaries (Note 37)	-	(509)	-	-
End of financial year	(15,824)	(27,305)	(1,806)	(1,029)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. DEFERRED INCOME TAXES (continued)

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

Group

Deferred income tax liabilities

	Accelerated tax depreciation US\$'000	Revaluation of property, plant and equipment US\$'000	Unremitted foreign income US\$'000	Unrealised gains on derivative financial instruments US\$'000	Others US\$'000	Total US\$'000
2019						
At 1 January 2019						
- As previously reported	(26,038)	(557)	(1,468)	(6,352)	-	(34,415)
- Acquisition of subsidiaries (Note 37)	-	-	-	-	(509)	(509)
- As restated	(26,038)	(557)	(1,468)	(6,352)	(509)	(34,924)
Currency translation differences (Charged)/credited to	(299)	-	-	6	-	(293)
- Profit or loss	(2,074)	-	(489)	6,346	-	3,783
End of financial year	(28,411)	(557)	(1,957)	-	(509)	(31,434)
2018 (restated)						
Beginning of financial year	(26,859)	(557)	(415)	(14,255)	-	(42,086)
Currency translation differences (Charged)/credited to	543	-	-	122	-	665
- Profit or loss	278	-	(1,053)	7,781	-	7,006
Acquisition of subsidiaries (Note 37)	-	-	-	-	(509)	(509)
End of financial year (restated)	(26,038)	(557)	(1,468)	(6,352)	(509)	(34,924)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. DEFERRED INCOME TAXES (continued)

Group (continued)

Deferred income tax assets

	Unutilised tax losses US\$'000	Unutilised reinvestment allowance US\$'000	Unrealised losses on derivative financial instruments US\$'000	Provision and others US\$'000	Total US\$'000
2019					
Beginning of financial year	93	3,135	-	4,391	7,619
Currency translation differences	-	33	-	34	67
(Charged)/credited to					
- Profit or loss	(80)	24	8,259	(279)	7,924
End of financial year	13	3,192	8,259	4,146	15,610
2018					
Beginning of financial year	1,969	1,036	-	4,960	7,965
Currency translation differences	3	(74)	-	69	(2)
(Charged)/credited to					
- Profit or loss	(1,879)	2,173	-	(638)	(344)
End of financial year	93	3,135	-	4,391	7,619

Deferred income tax assets are recognised for unutilised tax losses and unutilised investment allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The unrecognised unutilised tax losses amounted to approximately US\$37,162,000 as at 31 December 2019 (2018: US\$22,695,000) and have no expiry dates except for US\$9,100,000 (2018: US\$6,100,000) which would expire between 2020 to 2024 and US\$23,800,000 (2018: US\$15,200,000) which would expire in 2026. These unrecognised unutilised tax losses can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unutilised tax losses in their respective countries of incorporation. In addition, a foreign subsidiary has unrecognised unutilised investment allowance of US\$54,100,000 as at 31 December 2019 (2018: US\$50,600,000) with no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

27. DEFERRED INCOME TAXES (continued)

Company

Deferred income tax liabilities

	Unremitted foreign income	
	2019	2018
	US\$'000	US\$'000
Beginning of financial year	(1,029)	(319)
Charged to		
- Profit or loss	(777)	(710)
End of financial year	(1,806)	(1,029)

28. SHARE CAPITAL AND SHARE PREMIUM

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

Group and Company

2019

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

30,000,000	1,500,667	30,000	1,501	180,012
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2018

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. OTHER RESERVES

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
(a) Composition:		
Merger reserve	(53,005)	(53,005)
General reserve	(720)	(720)
Currency translation reserve	12,261	11,135
Capital redemption reserve	3,509	3,509
	(37,955)	(39,081)
	Company	
	31 December	
	2019	2018
	US\$'000	US\$'000
Composition:		
Capital redemption reserve	3,509	3,509

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

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

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

Other reserves are non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

29. OTHER RESERVES (continued)

		Group	
		31 December	
		2019	2018
		US\$'000	US\$'000
<hr/>			
(b) Movements:			
(i) Merger reserve			
Beginning and end of financial year		(53,005)	(53,005)
		<hr/>	
(ii) General reserve			
Beginning and end of financial year		(720)	(720)
		<hr/>	
(iii) Currency translation reserve			
Beginning of financial year		11,135	15,962
Net currency translation differences of foreign subsidiaries		1,074	(5,155)
Less: Non-controlling interests		52	328
		1,126	(4,827)
		<hr/>	
End of financial year		12,261	11,135
		<hr/>	
		Group and Company	
		2019	2018
		US\$'000	US\$'000
<hr/>			
(iv) Capital redemption reserve			
Beginning and end of financial year		3,509	3,509
		<hr/>	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

30. RETAINED PROFITS

- (a) Retained profits of the Group are distributable, to the extent that it is in compliance with the local guidelines of the countries in which the subsidiaries operate and the restrictions imposed by the covenant underlying the Group's borrowings.
- (b) Movement in retained profits for the Company was as follows:

	Company	
	2019	2018
	US\$'000	US\$'000
Beginning of financial year	98,224	65,354
Dividends (Note 31)	(10,040)	(6,958)
Total comprehensive income for the financial year	26,049	39,828
End of financial year	114,233	98,224

31. DIVIDENDS

	Group and Company	
	2019	2018
	US\$'000	US\$'000
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
- Final exempt one-tier dividend of S\$0.0045 for 2018 (2017: S\$0.0040) per share	4,964	4,517
- Interim exempt one-tier dividend of S\$0.0046 for 2019 (2018: S\$0.0022) per share	5,076	2,441
	10,040	6,958

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

Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:

- Final exempt one-tier dividend of S\$Nil (2018: S\$0.0045) per share	-	4,957
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

32. CONTINGENT LIABILITIES

Company

The Company has issued unsecured corporate guarantees to banks for borrowings to certain subsidiaries. As at 31 December 2019, the borrowings under the guarantees amounted to US\$400,897,000 (2018: US\$450,865,000). The financial effects of SFRS(I) 9 relating to the financial guarantee contracts issued by the Company are not material to the financial statements of the Company and therefore are not recognised. The management does not expect any loss to arise from the guarantees.

33. COMMITMENTS

(a) Capital commitments

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

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
Property, plant and equipment	26,591	48,847

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

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

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, were as follows:

	Group
	31 December
	2018
	US\$'000
Not later than one year	1,052
Between one and five years	1,946
Later than five years	10,336
	13,334

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

33. COMMITMENTS (continued)

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

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

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

	Group
	31 December
	2018
	US\$'000
<hr/>	
Not later than one year	123
Between one and five years	84
	<hr/>
	207
	<hr/>

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 21.

34. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including currency risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forward contracts, commodities forward and futures contracts of crude palm oil and palm oil products to hedge certain financial risk exposures.

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

(a) Market risk

(i) Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

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

	USD* US\$'000	Ringgit US\$'000	EUR US\$'000	SGD US\$'000	AUD US\$'000	IDR US\$'000	CNY US\$'000
At 31 December 2019							
Financial assets							
Cash and bank balances	938	23,321	20,086	2,195	153	1,257	258
Trade and other receivables	18,807	131,283	25,138	3,964	3,236	3,823	2,832
Intercompany receivables	31,687	206,707	167,881	27	38	19,975	3,280
	51,432	361,311	213,105	6,186	3,427	25,055	6,370
Financial liabilities							
Borrowings	-	(201,983)	-	-	-	-	-
Lease liabilities	-	(713)	-	(5,738)	(833)	-	(198)
Trade and other payables	(5,028)	(113,158)	(11,074)	(9,948)	(696)	(2,391)	(1,836)
Intercompany payables	(186,217)	(206,707)	(167,881)	(27)	(38)	(19,975)	(3,280)
	(191,245)	(522,561)	(178,955)	(15,713)	(1,567)	(22,366)	(5,314)
Net financial (liabilities)/assets	(139,813)	(161,250)	34,150	(9,527)	1,860	2,689	1,056
Add: Firm commitments and highly probable forecast transactions in foreign currencies	41,043	(56,843)	9,688	179	-	-	(13,600)
Less: Currency forward contracts	52,828	1,353	(92,851)	4,260	(9,153)	-	(2,998)
Currency profile	(45,942)	(216,740)	(49,013)	(5,088)	(7,293)	2,689	(15,542)
Financial liabilities/(assets) denominated in the respective entities' functional currencies	-	207,912	28,254	(7)	(1,089)	13,310	18,756
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(45,942)	(8,828)	(20,759)	(5,095)	(8,382)	15,999	3,214

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD US\$'000	AUD US\$'000	CNY US\$'000	EUR US\$'000
At 31 December 2019				
Financial assets				
Cash and bank balances	39	8	-	-
Other receivables	-	-	36	-
	39	8	36	-
Financial liabilities				
Other payables	(305)	-	-	-
Net financial (liabilities)/assets	(266)	8	36	-
Less: Currency forward contracts	408	-	(36)	(542)
Currency profile/currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency	142	8	-	(542)
	SGD US\$'000	AUD US\$'000	CNY US\$'000	
At 31 December 2018				
Financial assets				
Cash and bank balances	46	7	-	-
Other receivables	-	133	-	-
	46	140	-	-
Financial liabilities				
Other payables	(265)	-	-	-
Net financial (liabilities)/assets	(219)	140	-	-
Less: Currency forward contracts	293	-	(5,000)	
Currency profile/currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency	74	140	(5,000)	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If Ringgit, EUR, SGD, AUD, IDR and CNY change by 5% (2018: Ringgit, EUR, SGD, AUD and IDR: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position net of those denominated in the respective entities' functional currencies are as follows:

	Profit after tax	
	Increase/(Decrease)	
	US\$'000	US\$'000
	Strengthened	Weakened
Group		
31 December 2019		
USD against Ringgit	(1,864)	1,864
Ringgit against USD	(960)	960
EUR against USD	(2,257)	2,257
SGD against USD	(554)	554
AUD against USD	(911)	911
IDR against USD	1,740	(1,740)
CNY against USD	349	(349)
31 December 2018		
USD against Ringgit	1,251	(1,251)
Ringgit against USD	205	(205)
EUR against USD	(501)	501
SGD against USD	(668)	668
AUD against USD	(353)	353
IDR against USD	534	(534)
CNY against USD	(280)	280

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If SGD, AUD, CNY and EUR change against USD by 5% (2018: SGD and AUD: 5%) respectively with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position net of those denominated in the respective entities' functional currencies are as follows:

	Profit after tax	
	Increase/(Decrease)	
	US\$'000	US\$'000
	Strengthened	Weakened
Company		
31 December 2019		
SGD against USD	6	(6)
AUD against USD	-	-
CNY against USD	-	-
EUR against USD	(22)	22
31 December 2018		
SGD against USD	3	(3)
AUD against USD	6	(6)
CNY against USD	(208)	208

(ii) Cash flows and fair value interest rate risks

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Commodity price risk

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

The Group's commodities forward contracts are not traded in an active market and hence their fair values are estimated using a valuation technique as described in Note 34(e).

If the commodities forward prices had been higher or lower by 5% from the management's estimates and other variables remain constant, the Group's profit after tax would have been lower or higher by US\$8,432,000 (2018: lower or higher by US\$11,679,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

(b) Credit risk

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

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

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

	Company	
	31 December	
	2019	2018
	US\$'000	US\$'000
Corporate guarantees provided to financial institutions on subsidiaries' borrowings	400,897	450,865

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

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

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

(i) Cash and bank balances and other receivables

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

(ii) Trade receivables

For specific trade receivables identified by the Group to be credit impaired, the Group recognised a loss allowance equal to lifetime expected credit loss of US\$21,609,000 in respect of these receivables, as follows:

	Group	
	31 December 2019 US\$'000	31 December 2018 US\$'000
Gross amount	30,742	31,300
Less: Allowance for expected credit losses	(21,609)	(23,056)
	9,133	8,244
Beginning of financial year	(23,056)	(34,214)
Currency translation differences	(644)	(97)
Reversal of expected credit losses	672	8,149
Allowance utilised	1,419	3,106
End of financial year	(21,609)	(23,056)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(ii) Trade receivables (continued)

For the remaining receivables, they are grouped based on similar risk characteristics and days past due, and the Group uses a provision matrix to measure the lifetime expected credit loss allowance for these receivables. These receivables as at 31 December 2019 and 31 December 2018 are set out as follows:

	Group	
	31 December 2019	31 December 2018
	US\$'000	US\$'000
Trade receivables		
Not past due	137,263	105,072
Past due < 3 months	77,199	91,797
Past due 3 to 6 months	8,639	3,058
Past due 6 to 12 months	1,155	2,358
Past due over 1 year	10,396	11,063
	234,652	213,348

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

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

Based on the above assessment, the Group has concluded that the credit loss from these receivables as at 31 December 2019 is immaterial.

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

(iii) Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

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

	Less than 1 year US\$'000	Between 1 and 2 years US\$'000	Between 2 and 5 years US\$'000	Over 5 years US\$'000	Total US\$'000
Group					
At 31 December 2019					
Trade and other payables	(171,191)	-	-	-	(171,191)
Borrowings	(378,496)	(14,341)	(13,682)	(1,031)	(407,550)
Lease liabilities	(848)	(762)	(1,678)	(10,192)	(13,480)
	(550,535)	(15,103)	(15,360)	(11,223)	(592,221)
Gross-settled currency forward contracts					
- Receipts	306,840	-	-	-	306,840
- Payments	(253,591)	-	-	-	(253,591)
	53,249	-	-	-	53,249
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	977,193	798	-	-	977,991
- Payments	(748,572)	(3,428)	-	-	(752,000)
	228,621	(2,630)	-	-	225,991
At 31 December 2018					
Trade and other payables	(199,023)	-	-	-	(199,023)
Borrowings	(408,533)	(32,563)	(13,183)	(3,260)	(457,539)
	(607,556)	(32,563)	(13,183)	(3,260)	(656,562)
Gross-settled currency forward contracts					
- Receipts	379,840	-	-	-	379,840
- Payments	(287,568)	-	-	-	(287,568)
	92,272	-	-	-	92,272
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	1,130,883	140,975	-	-	1,271,858
- Payments	(855,160)	-	-	-	(855,160)
	275,723	140,975	-	-	416,698

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

	Less than 1 year US\$'000
<hr/>	
Company	
At 31 December 2019	
Other payables	<u>(305)</u>
Gross-settled currency forward contracts	
- Receipts	397
- Payments	<u>(598)</u>
	<u>(201)</u>
At 31 December 2018	
Other payables	<u>(265)</u>
Gross-settled currency forward contracts	
- Receipts	293
- Payments	<u>(5,000)</u>
	<u>(4,707)</u>

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

	Less than 1 year US\$'000
<hr/>	
Company	
At 31 December 2019	
Financial guarantee contracts	<u>(400,897)</u>
At 31 December 2018	
Financial guarantee contracts	<u>(450,865)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital risk

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

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

No changes were made to the objectives, policies or processes of managing capital during the financial years ended 31 December 2019 and 31 December 2018.

	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
		(restated)
Net assets	522,567	520,296
Debt-equity ratio		
Gross debt*	400,897	450,865
Less: Cash and bank balances	(61,814)	(48,611)
Net debt	339,083	402,254
Total equity	522,567	520,296
Gross debt-equity ratio	0.77	0.87
Net debt-equity ratio	0.65	0.77

* Gross debt is calculated as total borrowings as disclosed in Note 26.

The Group and the Company were in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements

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

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

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
Group			
31 December 2019			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	3,457	3,457
- Commodities forward contracts	-	68,340	68,340
- Futures contracts on commodity exchange	33	-	33
As at 31 December 2019	33	71,797	71,830
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(5,023)	(5,023)
- Commodities forward contracts	-	(93,705)	(93,705)
- Futures contracts on commodity exchange	(20,056)	-	(20,056)
As at 31 December 2019	(20,056)	(98,728)	(118,784)
31 December 2018			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	4,568	4,568
- Commodities forward contracts	-	52,123	52,123
- Futures contracts on commodity exchange	5,882	-	5,882
As at 31 December 2018	5,882	56,691	62,573
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(3,251)	(3,251)
- Commodities forward contracts	-	(16,039)	(16,039)
- Futures contracts on commodity exchange	(14,781)	-	(14,781)
As at 31 December 2018	(14,781)	(19,290)	(34,071)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
Company			
31 December 2019			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	29	29
31 December 2018			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(28)	(28)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(f) Financial instruments by category

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

	Group		Company	
	31 December		31 December	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
		(restated)		
Financial assets at fair value through profit or loss	71,830	62,573	29	-
Financial liabilities at fair value through profit or loss	(118,784)	(34,071)	-	(28)
Financial assets at amortised cost	363,357	301,440	300,714	284,017
Financial liabilities at amortised cost	(579,815)	(649,866)	(305)	(265)

(g) Offsetting financial assets and liabilities

Group

(i) Financial assets subject to offsetting

	(a)	(b)	(c) = (a)-(b)
	Gross amounts of financial assets	Gross amount of financial liabilities set off on balance sheet	Net amounts of financial assets presented on balance sheet
Description	US\$'000	US\$'000	US\$'000
31 December 2019			
Commodities forward contracts	82,247	(13,907)	68,340
31 December 2018			
Commodities forward contracts	57,623	(5,500)	52,123

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. FINANCIAL RISK MANAGEMENT (continued)

(g) Offsetting financial assets and liabilities (continued)

Group (continued)

(ii) Financial liabilities subject to offsetting

Description	(a) Gross amounts of financial liabilities US\$'000	(b) Gross amount of financial assets set off on balance sheet US\$'000	(c) = (a)-(b) Net amounts of financial liabilities presented on balance sheet US\$'000
31 December 2019			
Commodities forward contracts	(107,612)	13,907	(93,705)
31 December 2018			
Commodities forward contracts	(21,539)	5,500	(16,039)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services and other transactions

	Group	
	2019	2018
	US\$'000	US\$'000
Sales of finished goods to related parties	11,408	19,429
Purchases of raw materials from related parties	858	565
(Losses)/gains from derivative financial instruments from related parties	(51)	46
Rental received/receivable		
- Associated company	3	4
- Related party	41	42
Interest income from related parties	3	31
Service fee income received/receivable		
- Associated company	25	38
- Related party	-	9
Services paid/payable		
- Transportation and forwarding		
- Associated company	3,445	3,465
- Related party	213	177
- Packing material to related parties	874	1,173
- Consultation fees to related parties	1,551	1,601
- Travelling expenses to related parties	246	262

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

Outstanding balances at 31 December 2019 and 2018 arising from the above transactions are set out in Notes 14, 15, 24 and 25.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

35. RELATED PARTY TRANSACTIONS (continued)

(b) Key management personnel compensation

Key management personnel compensation was as follows:

	Group	
	2019	2018
	US\$'000	US\$'000
Wages, salaries and other short-term employee benefits	6,756	7,173
Employer's contribution to defined contribution plans	141	147
	6,897	7,320

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

36. SEGMENT INFORMATION

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

The Mancom considers the business from two segments:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

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

The segment information provided to the Mancom for the reportable segments for the financial year ended 31 December 2019 was as follows:

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group			
Revenue			
Total segment sales	2,281,521	843,342	3,124,863
Inter-segment sales	(290,071)	(17,537)	(307,608)
Revenue from external parties	1,991,450	825,805	2,817,255
Operating margin	45,693	59,690	105,383
Other income excluding interest income	2,216	527	2,743
Interest income	2,165	393	2,558
Administrative expenses, excluding depreciation	(35,462)	(38,789)	(74,251)
Other gains excluding foreign exchange gains/(losses)	957	2,173	3,130
Adjusted EBITDA	15,569	23,994	39,563
Depreciation	(15,211)	(6,209)	(21,420)
Finance expense	(10,491)	(4,602)	(15,093)
Segment results	(10,133)	13,183	3,050
Unallocated			
Income tax credit			8,443
Share of profit of an associate			71
Profit after tax			11,564
Total segment assets	974,284	269,137	1,243,421
Unallocated			
Current income tax recoverable			4,961
Intangible asset			970
Investment in associated company			569
Deferred income tax assets			2,864
Total assets			1,252,785
Total assets include:			
Additions to:			
- Property, plant and equipment	34,029	19,172	53,201
Total segment liabilities	(561,652)	(148,177)	(709,829)
Unallocated			
Current income tax liabilities			(1,701)
Deferred income tax liabilities			(18,688)
Total liabilities			(730,218)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

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

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group Revenue			
Total segment sales	2,053,512	1,445,379	3,498,891
Inter-segment sales	(22,876)	(529,197)	(552,073)
Revenue from external parties	2,030,636	916,182	2,946,818
Operating margin	70,162	52,641	122,803
Other income excluding interest income	2,028	702	2,730
Interest income	1,165	300	1,465
Administrative expenses, excluding depreciation	(38,427)	(43,672)	(82,099)
Other gains excluding foreign exchange gains/(losses)	335	1,570	1,905
Adjusted EBITDA	35,263	11,541	46,804
Depreciation	(13,299)	(6,131)	(19,430)
Finance expense	(11,265)	(4,149)	(15,414)
Segment results	10,699	1,261	11,960
Unallocated			
Income tax credit			2,672
Share of profit of an associate			68
Profit after tax			14,700
Total segment assets	944,670	299,094	1,243,764
Unallocated (restated)			
Current income tax recoverable			6,966
Intangible asset			970
Investment in associated company			491
Deferred income tax assets			3,457
Total assets			1,255,648
Total assets include:			
Additions to:			
- Property, plant and equipment	51,977	27,746	79,723
Total segment liabilities (restated)	(564,719)	(136,582)	(701,301)
Unallocated (restated)			
Current income tax liabilities			(3,289)
Deferred income tax liabilities			(30,762)
Total liabilities			(735,352)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

Geographical information

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

	Group	
	2019	2018
	US\$'000	US\$'000
Revenue by geography		
Malaysia	897,431	955,968
Singapore	534,189	562,591
	1,431,620	1,518,559
Other geographical areas		
- Rest of Asia	484,067	361,761
- Africa	285,351	333,290
- Middle East	265,034	392,338
- Europe	224,758	207,047
- Pacific Oceania	58,833	62,673
- America	67,592	71,150
	1,385,635	1,428,259
	2,817,255	2,946,818
	Group	
	31 December	
	2019	2018
	US\$'000	US\$'000
Non-current assets by geography		
Singapore	17,996	19,463
Malaysia	365,357	331,557
Other countries	82,045	61,700
	465,398	412,720

There is no transaction with a single external customer amounting to 10 per cent or more of the Group's revenues for the financial years ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

36. SEGMENT INFORMATION (continued)

Changes in accounting policy

- (i) The adoption of the new leasing standard described in Note 2.1 had the following impact on the adjusted EBITDA in the current year:

	Adjusted EBITDA before adoption of SFRS(I) 16 US\$'000	Rental expenses under SFRS(I) 1-17, when the Group is a lessee US\$'000	Adjusted EBITDA after adoption of SFRS(I) 16 US\$'000
Bulk	15,330	239	15,569
Consumer pack	23,390	604	23,994
	38,720	843	39,563

- (ii) The adoption of the new leasing standard resulted in the recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follows:

	Segment Assets US\$'000	Segment Liabilities US\$'000
Bulk	1,128	1,144
Consumer pack	6,308	6,583
	7,436	7,727

- (iii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

	Depreciation US\$'000	Finance Expense US\$'000
Bulk	198	58
Consumer pack	589	289
	787	347

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. BUSINESS COMBINATIONS

Business combinations under “acquisition method”

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

In accordance with SFRS(I) 3 Business Combinations, the fair value of the identifiable assets, liabilities and contingent liabilities was determined provisionally for the acquisition of PTADS and PTJBP as at 30 June 2018. Additional information was obtained as part of the process of finalising the purchase price allocation (“PPA”) during the 12-month period allowed under SFRS(I) 3. This resulted in certain aspects of the purchase price allocation being revisited to reflect finalisation of the allocation process which was completed during the financial year ended 31 December 2019. The impact of the revision is disclosed in Note 38.

The effects of the acquisition are as follows:

	US\$'000
(i) <i>Purchase consideration</i>	
Total purchase consideration	8,404
(ii) <i>Effect on cash flows of the Group</i>	
Cash paid (as above)	(8,404)
Less: Cash and bank balances in subsidiaries acquired	-
Cash outflow on acquisition	(8,404)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

37. BUSINESS COMBINATIONS (continued)

Business combinations under “acquisition method” (continued)

The effects of the acquisition are as follows (continued):

	At fair value US\$'000
<i>(iii) Identifiable assets acquired and liabilities assumed</i>	
Property, plant and equipment (Note 19)	8,334
Total assets	<u>8,334</u>
Other payables	(147)
Deferred income tax liabilities	(509)
Total liabilities	<u>(656)</u>
Total identifiable net assets	7,678
Less: Non-controlling interests at fair value [Note (v) below]	(244)
Add: Intangible asset (Note 18)	970
Consideration transferred for the business	<u>8,404</u>

(iv) Fair values and intangible asset

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

(v) Non-controlling interests

The Group has recognised the non-controlling interests of US\$244,000.

(vi) Revenue and profit contribution

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

38. COMPARATIVE FIGURES

During the financial year, the balance sheet of the Group has been changed from the previous year due to the finalisation of the purchase price allocation to goodwill, other assets and liabilities associated with the acquisition of PTADS and PTJBP (see Note 37).

The changes in the comparative balance sheet of the Group were as follows:

	As previously reported	Adjustments	As restated
	US\$'000	US\$'000	US\$'000
Group			
At 31 December 2018			
Intangible asset	5,496	(4,526)	970
Property, plant and equipment	412,229	5,104	417,333
Other payables	(64,051)	22	(64,029)
Deferred income tax liabilities	(30,253)	(509)	(30,762)
Non-controlling interests	(679)	(91)	(770)

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

40. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mewah International Inc. on 6 March 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

41. LISTING OF SIGNIFICANT SUBSIDIARIES OF THE GROUP

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Group's equity holding	
				31 December 2019 %	2018 %
Mewah-Oils Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of palm oil products	Malaysia	100	100
Ngo Chew Hong Oils & Fats (M) Sdn Bhd ^(b)	Malaysia	Refining and selling of palm oil products	Malaysia	100	100
Mewaholeo Industries Sdn Bhd ^(b)	Malaysia	Refining and selling of palm oil products	Malaysia	100	100
Mewah Datu Sdn Bhd ^(b)	Malaysia	Refining and selling of palm oil products	Malaysia	100	100
MOI Foods Malaysia Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of downstream palm oil products	Malaysia	100	100
Mewah Dairies Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of dairy-based products	Malaysia	100	100
Bremfield Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of palm oil products	Malaysia	100	100
Mewah Oils & Fats Pte Ltd ^(a)	Singapore	Trading of edible oils and providing commodity brokerage service	Singapore	100	100
Ngo Chew Hong Edible Oil Pte Ltd ^(a)	Singapore	Packaging and trading of edible oil	Singapore	100	100
MOI International (Singapore) Pte Ltd ^(a)	Singapore	Trading of edible oil products	Singapore	100	100
Mewah Marketing Pte Ltd (formerly known as Ngo Chew Hong Oleo (S) Pte Ltd) ^(a)	Singapore	Trading of edible oil products	Singapore	100	100

^(a) Audited by PricewaterhouseCoopers LLP, Singapore

^(b) Audited by PricewaterhouseCoopers, Malaysia