

Financial Statements

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Directors' Statement

For the financial year ended 31 December 2020

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2020 and the balance sheet of the Company as at 31 December 2020.

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 61 to 133 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 2020 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
Tan Sri Dato' A Ghani Bin Othman (Appointed on 24 February 2021)

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 2020

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 31.12.2020	At 1.1.2020	At 31.12.2020	At 1.1.2020
Mewah International Inc				
Dr Cheo Tong Choon @ Lee Tong Choon	-	-	720,060,120	720,060,120
Ms Michelle Cheo Hui Ning	2,163,600	2,163,600	698,278,620	698,278,620
Ms Bianca Cheo Hui Hsin	2,460,100	2,460,100	699,804,620	699,804,620
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 2021 were the same as those as at 31 December 2020.

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 2020 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 2020

INDEPENDENT AUDITOR

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

On behalf of the directors

Dr Cheo Tong Choon @ Lee Tong Choon
Director

Ms Michelle Cheo Hui Ning
Director

8 March 2021

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 2020 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 2020;
- 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 2020;
- the balance sheet of the Company as at 31 December 2020;
- 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 2020. 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

At 31 December 2020, the Group has recognised the following fair values of derivative financial assets/(liabilities) as disclosed in Note 16 to the financial statements:

- Commodities forward contracts included within current assets: US\$57,643,000
- Commodities forward contracts included within current liabilities: US\$106,374,000

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.

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.

We held discussions with management to understand the determination of the fair values of these commodities forward contracts.

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.

On a sample basis, we tested management's computation of the fair values of derivative financial assets/(liabilities).

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.

Impairment assessment of manufacturing plants and a plantation of the Group

At 31 December 2020, management has identified indications of impairment relating to a manufacturing plant, a manufacturing plant in progress and an immature plantation with net book values of US\$67,281,000, US\$22,617,000 and US\$15,705,000 respectively as disclosed in Note 3(c) to the financial statements.

Accordingly, an assessment of the recoverable amount of the related property, plant and equipment ("PPE") was carried out using value-in-use calculations, as disclosed in Note 3(c) to the financial statements. An impairment charge of US\$16,400,000 and US\$4,300,000 was recognised in relation to the manufacturing plant in progress and the immature plantation respectively in the financial statements.

We focused on the impairment assessment of the PPE where indications of the impairment were identified because of the critical accounting estimates involved in estimating the revenue, discount rate, terminal growth rate and operating margin, which are the key assumptions used in the computation of the recoverable amount of the related PPE.

We held discussions with management to understand the basis of the assumptions used.

We assessed the appropriateness of the valuation methodology used.

We assessed the appropriateness of the key assumptions based on our knowledge of the business and industry and with involvement of our valuation specialist.

We tested management's source data to supporting evidence such as available market information, historical trends of other similar asset of the Group and considered the reasonableness of the cash flow projections.

We evaluated management's sensitivity analysis to assess the impact on the recoverable amount of the related PPE by reasonable possible changes to the key assumptions.

Based on the work performed, we found management's assessment to be appropriate.

Independent Auditor's Report

To the members of Mewah International Inc. (continued)

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.

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.

Independent Auditor's Report

To the members of Mewah International Inc. (continued)

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

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.

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 Rebekah Khan.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 8 March 2021

Consolidated Income Statement

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Revenue	4	3,445,853	2,817,255
Cost of sales		(3,175,174)	(2,693,366)
Gross profit		270,679	123,889
Other income	5	5,782	5,301
Other expenses and other gains (net)			
- (Impairment losses)/Reversal of impairment loss on property, plant and equipment, and provision	6	(27,035)	3,376
- Other gains (net)	6	610	5,124
(Provision)/Reversal of expected credit losses		(6,360)	672
Expenses			
- Selling and distribution		(40,764)	(38,808)
- Administrative		(81,686)	(81,411)
- Finance	9	(8,810)	(15,093)
Share of profit of associated company	23	50	71
Profit before tax		112,466	3,121
Income tax (expense)/credit	10(a)	(26,325)	8,443
Profit after tax		86,141	11,564
Profit after tax attributable to:			
Equity holders of the Company		86,540	11,646
Non-controlling interests		(399)	(82)
		86,141	11,564
Earnings per share attributable to equity holders of the Company (expressed in US cents per share)			
- Basic and diluted	12	5.77	0.78

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Profit after tax		86,141	11,564
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from foreign subsidiaries			
- Gains		4,879	1,074
Other comprehensive income, net of tax		4,879	1,074
Total comprehensive income		91,020	12,638
Total comprehensive income attributable to:			
Equity holders of the Company		91,291	12,772
Non-controlling interests		(271)	(134)
		91,020	12,638

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

Balance Sheet - Group

As at 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
ASSETS			
Current assets			
Inventories	13	295,506	323,190
Trade receivables	14	282,875	243,785
Other receivables	15	64,425	77,973
Current income tax recoverable	11	3,008	4,961
Derivative financial instruments	16(a)	110,238	71,797
Cash and bank balances	17	78,169	61,814
		834,221	783,520
Non-current assets			
Intangible asset	18	970	970
Property, plant and equipment	19	447,824	464,829
Investment in associated company	23	667	569
Deferred income tax assets	27	503	2,864
Derivative financial instruments	16(b)	-	33
		449,964	469,265
Total assets		1,284,185	1,252,785
LIABILITIES			
Current liabilities			
Trade payables	24	141,486	125,034
Other payables	25	70,000	50,579
Contract liabilities	4(b)	13,962	6,808
Lease liabilities	20(e)	460	521
Current income tax liabilities	11	6,906	1,701
Derivative financial instruments	16(a)	119,479	118,784
Borrowings	26	248,703	373,748
		600,996	677,175
Non-current liabilities			
Lease liabilities	20(e)	5,971	7,206
Deferred income tax liabilities	27	31,413	18,688
Borrowings	26	35,476	27,149
		72,860	53,043
Total liabilities		673,856	730,218
NET ASSETS		610,329	522,567

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

Balance Sheet - Group

As at 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
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	(33,909)	(37,955)
Retained profits		463,593	378,700
		611,197	522,258
Non-controlling interests		(868)	309
Total equity		610,329	522,567

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

Balance Sheet - Company

As at 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
ASSETS			
Current assets			
Other receivables	15	302,476	300,731
Cash and bank balances	17	83	86
		302,559	300,817
Non-current assets			
Investments in subsidiaries	22	849	849
Derivative financial instruments	16(a)	-	29
		849	878
Total assets		303,408	301,695
LIABILITIES			
Current liabilities			
Other payables	25	232	305
Current income tax liabilities	11	102	329
Derivative financial instruments	16(a)	25	-
		359	634
Non-current liabilities			
Deferred income tax liabilities	27	2,150	1,806
Total liabilities		2,509	2,440
NET ASSETS		300,899	299,255
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	115,877	114,233
Total equity		300,899	299,255

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2020

Attributable to equity holders of the Company										
Note	Share capital	Share premium	Capital		Currency			Total equity	Non-controlling interests	Total equity
	US\$'000	US\$'000	Share redemption reserve	Merger reserve	General reserve	translation reserve	Retained profits			
2020										
	1,501	180,012	3,509	(53,005)	(720)	12,261	378,700	522,258	309	522,567
Balance at 1 January 2020	-	-	-	-	-	-	86,540	86,540	(399)	86,141
Profit for the year	-	-	-	-	-	4,751	-	4,751	128	4,879
Other comprehensive income for the year										
Total comprehensive income for the year	-	-	-	-	-	4,751	86,540	91,291	(271)	91,020
Acquisition of non-controlling interest	-	-	-	-	(705)	-	-	(705)	(665)	(1,370)
Dividends	-	-	-	-	-	-	(1,647)	(1,647)	(241)	(1,888)
Total transactions with owners, recognised directly in equity	-	-	-	-	(705)	-	(1,647)	(2,352)	(906)	(3,258)
Balance at 31 December 2020	1,501	180,012	3,509	(53,005)	(1,425)	17,012	463,593	611,197	(868)	610,329
2019										
	1,501	180,012	3,509	(53,005)	(720)	11,135	377,094	519,526	770	520,296
Balance at 1 January 2019	-	-	-	-	-	-	11,646	11,646	(82)	11,564
Profit for the year	-	-	-	-	-	1,126	-	1,126	(52)	1,074
Other comprehensive income for the year										
Total comprehensive income for the year	-	-	-	-	-	1,126	11,646	12,772	(134)	12,638
Dividends	-	-	-	-	-	-	(10,040)	(10,040)	(327)	(10,367)
Total transactions with owners, recognised directly in equity	-	-	-	-	-	-	(10,040)	(10,040)	(327)	(10,367)
Balance at 31 December 2019	1,501	180,012	3,509	(53,005)	(720)	12,261	378,700	522,258	309	522,567

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2020

	Note	2020 US\$'000	2019 US\$'000
Cash flows from operating activities			
Profit after tax		86,141	11,564
Adjustments for:			
- Income tax expense/(credit)	10(a)	26,325	(8,443)
- Depreciation of property, plant and equipment	19	23,300	21,420
- Losses on disposal of property, plant and equipment	6	56	88
- Property, plant and equipment written off	6	28	51
- Impairment loss/(Reversal of impairment loss) on property, plant and equipment	6	22,794	(3,376)
- Interest income	5	(1,171)	(2,558)
- Interest expense	9	8,810	15,093
- Share of profit of associated company	23	(50)	(71)
Operating cash flows before working capital changes		166,233	33,768
Changes in operating assets and liabilities:			
- Inventories		34,285	81,139
- Trade and other receivables		(30,910)	(14,644)
- Contract liabilities		7,154	(3,374)
- Trade and other payables		34,246	(29,148)
- Derivative financial instruments		(37,336)	71,679
Cash flows from operations		173,672	139,420
Interest received		1,171	2,558
Interest paid		(8,810)	(15,093)
Income tax paid	11	(4,852)	(2,809)
Net cash flows from operating activities		161,181	124,076
Cash flows from investing activities			
Acquisition of non-controlling interests	29	(1,370)	-
(Increase)/Decrease in other receivables		(1,503)	4,960
Additions to property, plant and equipment		(21,491)	(53,201)
Proceeds from disposal of property, plant and equipment		166	180
Net cash flows used in investing activities		(24,198)	(48,061)
Cash flows from financing activities			
Decrease in restricted short term deposit		-	333
Proceeds from long term borrowings		21,139	3,438
Repayment of long term borrowings		(22,490)	(15,623)
Net repayments of short term borrowings		(117,623)	(39,846)
Repayment of lease liabilities		(537)	(496)
Dividends paid to equity holders of the Company	31	(1,647)	(10,040)
Dividends paid to non-controlling interests		(241)	(327)
Net cash flows used in financing activities		(121,399)	(62,561)
Net change in cash and cash equivalents		15,584	13,454
Cash and cash equivalents at beginning of financial year		61,814	48,278
Effect of changes in exchange rate on cash and cash equivalents		771	82
Cash and cash equivalents at end of financial year	17	78,169	61,814

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2020

Reconciliation of liabilities arising from financing activities

	1 January 2020	Proceeds from borrowings	Principal payments	Non-cash changes Remeasurement of lease liability	Foreign exchange movement	31 December 2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Borrowings	400,897	21,139	(140,113)	-	2,256	284,179
Lease liabilities	7,727	-	(537)	(759)	-	6,431

	1 January 2019	Proceeds from borrowings	Principal payments	Non-cash changes Adoption of SFRS(I) 16	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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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 2020

On 1 January 2020, 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Revenue (continued)

(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.

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

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 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions*

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

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

Acquisition-related costs are expensed as incurred.

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

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

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. Please refer to Note 2.25 for the subsequent accounting policy on goodwill.

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

- The financial statements of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control.
- The assets and liabilities are brought into the financial statements at their existing carrying amounts from the perspective of the controlling party.
- The income statement includes the results of the acquired entities since the earliest date the entities are under common control.
- The comparative figures of the Group represent the income statement, statement of comprehensive income, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(a) *Subsidiaries* (continued)

(ii) *Acquisitions* (continued)

- 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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Group accounting (continued)

(c) *Associated company* (continued)

(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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Property, plant and equipment (continued)

(a) **Measurement** (continued)

(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 and 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%

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 revalued amount, 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 if, and 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 construction or production of qualifying assets that are financed by general borrowings.

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Financial assets (continued)

(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.

(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 and subsequently measured at the higher of:

- (a) amount initially recognised 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases

(a) 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".

- 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 a 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

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

- Lease liabilities (continued)

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 recognised 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 sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(b) *When the Group is the lessor:*

The Group leases office space under operating leases to related and non-related parties.

- Lessor – Operating leases

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

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

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

2.15 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). 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 and considers whether it is probable that a tax authority will accept an uncertain tax treatment. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Income taxes (continued)

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 company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

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

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

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

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

2.20 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 grant relating to job support scheme is presented as a deduction against the related expense which is employee compensation.

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

2.25 Intangible assets

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 company include the carrying amount of goodwill relating to the entity sold.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

(a) Valuation of commodities forward contracts

The Group is exposed to fluctuations in the prices of agri-commodities it deals in, including crude palm oil and palm oil products. The Group minimises the risk arising from such fluctuations by entering into commodities forward contracts and futures contracts (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\$16,376,000 (2019: lower or higher by US\$8,432,000) respectively, arising from the changes in the fair value of the commodities forward contracts.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(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 2020, the loss allowance recognised for specific trade receivables that are credit impaired amounted to US\$13,154,000 (2019: 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.

At 31 December 2020, management has identified indications of impairment relating to a manufacturing plant, a manufacturing plant in progress and an immature plantation of the Group. The net book value of the PPE relating to the manufacturing plant, manufacturing plant in progress and the immature plantation that was recognised on the balance sheet amounted to approximately US\$67,281,000, US\$22,617,000 and US\$15,705,000 as at 31 December 2020 respectively.

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

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

PPE	(a) Manufacturing plant	(b) Manufacturing plant in progress	(c) Immature Plantation
Revenue	Growth rate 5%	Utilisation growth rate 10% to 16%	Yield/Hectarage growth rate 0.4 to 7.7
Operating margin	11.6% to 14.4%	10% to 11%	28.6% to 57.5%
Discount rate	8.8%	6.8%	11.8%
Terminal growth rate	1.9%	3.8%	5.0%

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

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

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

As the recoverable amount determined by management is less than the net book value of the PPE, the Group has recognised an impairment charge during the financial year amounting to US\$16,400,000 and US\$4,300,000 in relation to the manufacturing plant in progress and the immature plantation respectively.

A reasonable possible change to any of the individual key assumptions as compared to management's estimates as listed above would have increased or decreased the impairment charge on PPE and the Group's profit for the financial year ended 31 December 2020 as follows:

(a) Manufacturing plant

Key assumptions	Change applied to management's estimate	Impact to impairment charge on PPE for the financial year ended 31 December 2020 (increase) US\$'000	Change applied to management's estimate	Impact to impairment charge on PPE for the financial year ended 31 December 2020 (increase) US\$'000
Revenue	1%	*	(1%)	270
Operating margin	1%	*	(1%)	1,360
Discount rate	5%	3,860	(5%)	*
Terminal growth rate	5%	*	(5%)	560

* No impairment charge was recognised in relation to the PPE during the current financial year.

(b) Manufacturing plant in progress

Key assumptions	Change applied to management's estimate	Impact to impairment charge on PPE for the financial year ended 31 December 2020 (increase/ (decrease)) US\$'000	Change applied to management's estimate	Impact to impairment charge on PPE for the financial year ended 31 December 2020 (increase/ (decrease)) US\$'000
Revenue	1%	(1,900)	(1%)	1,500
Operating margin	1%	(1,900)	(1%)	1,500
Discount rate	5%	2,900	(5%)	(4,100)
Terminal growth rate	5%	(2,000)	(5%)	1,400

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

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

A reasonable possible change to any of the individual key assumptions as compared to management's estimates as listed above would have increased or decreased the impairment charge on PPE and the Group's profit for the financial year ended 31 December 2020 as follows: (continued)

(c) Immature plantation

Key assumptions	Change applied to management's estimate	Impact to impairment charge on PPE for the financial year ended 31 December 2020 (increase/ (decrease)) US\$'000	Change applied to management's estimate	Impact to impairment charge on PPE for the financial year ended 31 December 2020 (increase/ (decrease)) US\$'000
Revenue	1%	(440)	(1%)	440
Operating margin	1%	(150)	(1%)	150
Discount rate	5%	1,120	(5%)	(1,340)
Terminal growth rate	5%	(390)	(5%)	420

(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 2020

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
2020			
Sale of palm based products in bulk	2,599,727	-	2,599,727
Sale of consumer products including edible oils and fats, rice and dairy in consumer packs	759,497	-	759,497
Shipping services*	-	83,524	83,524
Charter income	-	3,105	3,105
Total	3,359,224	86,629	3,445,853
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

* 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\$18,423,000 (2019: US\$2,221,000).

(b) Contract liabilities

	Group		
	31 December	1 January	
	2020	2019	2019
	US\$'000	US\$'000	US\$'000
<i>Contract liabilities</i>			
- Sale of goods contracts	13,962	6,808	10,182
Total contract liabilities	13,962	6,808	10,182

Notes to the Financial Statements

For the financial year ended 31 December 2020

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) Contract liabilities (continued)

(i) Revenue recognised in relation to contract liabilities

	Group	
	2020	2019
	US\$'000	US\$'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Sale of goods contracts	3,338	7,810

(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	2019	1 January
	2020	2019	2019
	US\$'000	US\$'000	US\$'000
Trade receivables from contracts with customers	296,029	265,394	244,648
Less: Allowance for expected credit losses	(13,154)	(21,609)	(23,056)
Trade receivables (net)	282,875	243,785	221,592

5. OTHER INCOME

	Group	
	2020	2019
	US\$'000	US\$'000
Interest income on bank deposits and others	741	545
Late interest charged on trade receivables	430	2,013
	1,171	2,558
Rental income	421	211
Commission income	11	45
Insurance claims	2,947	221
Other miscellaneous income	1,232	2,266
	5,782	5,301

Other miscellaneous income mainly comprises sales of scrap and waste.

Notes to the Financial Statements

For the financial year ended 31 December 2020

6. OTHER EXPENSES AND OTHER GAINS (NET)

	Group	
	2020	2019
	US\$'000	US\$'000
Other expenses		
- (Impairment losses)/Reversal of impairment loss on property, plant and equipment (Note 19)	(22,794)	3,376
- Provision for legal claim (Note 25)	(4,241)	-
	(27,035)	3,376
Other gains (net)		
- Foreign exchange gains - net	718	5,370
- Loss allowance on other receivables	(24)	(107)
- Property, plant and equipment written off	(28)	(51)
- Losses on disposal of property, plant and equipment	(56)	(88)
	610	5,124

In the current financial year, the Group carried out a review of the recoverable amount of certain property, plant and equipment at 31 December 2020 and assessed that there are indications of impairment loss. Accordingly, the management of the Group had estimated the recoverable amount of these property, plant and equipment at 31 December 2020 and recorded an impairment loss of US\$22,794,000 in the consolidated income statement for the financial year ended 31 December 2020.

In the prior financial year, 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 had 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 2020

7. EXPENSES BY NATURE

	Group	
	2020	2019
	US\$'000	US\$'000
Purchases of inventories	3,139,490	2,393,403
Changes in inventories	36,893	77,459
(Gains)/Losses from derivative financial instruments	(117,411)	97,428
Freight charges	61,321	67,579
Consultation fees	3,112	3,117
Transportation	25,501	24,800
Export duties	608	174
Insurance	7,055	6,078
Utilities	12,712	13,495
Rental on leases	1,501	1,347
Repair and maintenance	7,188	8,097
Employee compensation (Note 8)	67,274	63,592
Depreciation of property, plant and equipment (Note 19)	23,300	21,420
Bank charges	3,482	4,002
(Reversal of inventories written down)/Inventories written down	(2,608)	3,680
Audit fees		
- Auditors of the Company	374	371
- Other auditors*	304	255
Non-audit fees		
- Auditors of the Company	95	92
- Other auditors*	141	111
Others	27,292	27,085
Total cost of sales, selling and distribution and administrative expenses	3,297,624	2,813,585

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

For the financial year ended 31 December 2020, the reversal of inventories written down mainly relate to inventories previously written down that were sold above their carrying amounts. For the financial year ended 31 December 2019, the inventories written down mainly relate to inventories which were slow-moving.

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. EMPLOYEE COMPENSATION

	Group	
	2020	2019
	US\$'000	US\$'000
Salaries	62,603	56,819
Employer's contributions to defined contribution plans	4,590	4,409
Other staff benefits	2,302	2,364
Less: Government grant	(2,221)	-
	67,274	63,592

Government grant of US\$2,221,000 (2019: US\$Nil) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

9. FINANCE EXPENSES

	Group	
	2020	2019
	US\$'000	US\$'000
Interest expenses:		
- Bank borrowings	8,810	15,093

10. INCOME TAXES

(a) Income tax expense/(credit)

	Group	
	2020	2019
	US\$'000	US\$'000
Tax expense/(credit) attributable to profit was made up of:		
Current income tax		
- Singapore	4,317	2,000
- Foreign	7,205	5,010
	11,522	7,010
Deferred income tax	13,715	(10,676)
	25,237	(3,666)
Under/(Over) provision in prior financial years		
- Current income tax (Note 11)	618	(3,746)
- Deferred income tax	470	(1,031)
	1,088	(4,777)
Income tax expense/(credit)	26,325	(8,443)

Notes to the Financial Statements

For the financial year ended 31 December 2020

10. INCOME TAXES (continued)

(a) Income tax expense/(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	
	2020	2019
	US\$'000	US\$'000
Profit before tax	112,466	3,121
Tax calculated at domestic rates applicable to profits in the respective countries	21,673	(1,017)
Effects of:		
- Tax incentives	(8,621)	(6,234)
- Expenses not deductible for tax purposes	11,220	1,224
- Income not subject to tax	(659)	(1,148)
- Deferred tax benefits not recognised	2,268	3,351
- Utilisation of previously unrecognised tax losses	(611)	-
- Under/(Over) provision of tax in prior financial years	1,088	(4,777)
- Others	(33)	158
	26,325	(8,443)

Singapore and Malaysia, two of the Group's main tax jurisdictions, had headline corporate tax rates of 17% and 24% (2019: 17% and 24%) respectively. The Group enjoys certain tax incentives such as concessionary tax rate on qualifying income under the Global Trader Programme of Enterprise Singapore, concessionary tax rate on qualifying income under the Pioneer Status in Malaysia and other various schemes for qualifying capital investments in Malaysia.

Under/(Over) provision in prior financial years

For the financial year ended 31 December 2020, the under provision of current income tax in respect of prior financial years mainly relates to tax settlement for prior years revised tax assessments which were initiated and concluded in the current financial year by a subsidiary with the local tax authority.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

11. CURRENT INCOME TAXES (LIABILITIES)/RECOVERABLE

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of the year	3,260	3,677	(329)	(314)
Currency translation differences	130	38	(2)	(5)
Income tax paid	4,852	2,809	814	1,137
Tax expense (Note 10)	(11,522)	(7,010)	(602)	(1,176)
(Under)/Over provision in prior financial years (Note 10)	(618)	3,746	17	29
End of the financial year	(3,898)	3,260	(102)	(329)
Represented by:				
At 31 December				
- Current income tax recoverable	3,008	4,961	-	-
- Current income tax liabilities	(6,906)	(1,701)	(102)	(329)

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	
	2020	2019
Net profit attributable to equity holders of the Company (US\$'000)	86,540	11,646
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)	5.77	0.78

Diluted earnings per share was the same as the basic earnings per share for the financial years ended 31 December 2020 and 2019 as there were no potential dilutive ordinary shares outstanding.

13. INVENTORIES

	Group	
	2020	2019
	US\$'000	US\$'000
Raw materials	94,393	153,240
Finished goods	192,917	162,993
Stores, spares and consumables	8,196	6,957
	295,506	323,190

The cost of inventories recognised as an expense and included in "cost of sales" amounts to US\$3,173,775,000 (2019: US\$2,474,542,000).

Notes to the Financial Statements

For the financial year ended 31 December 2020

14. TRADE RECEIVABLES

	Group	
	2020	2019
	US\$'000	US\$'000
Trade receivables		
- Related parties [Note 35(a)]	15,399	12,699
- Non-related parties	280,630	252,695
	296,029	265,394
Less: Allowance for expected credit losses		
- Non-related parties [Note 34(b)]	(13,154)	(21,609)
Trade receivables - net	282,875	243,785

15. OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Loans to subsidiaries	-	-	342,184	331,148
Less: Allowance for expected credit losses	-	-	(56,222)	(30,434)
	-	-	285,962	300,714
Non-trade receivables	21,015	8,010	16,500	-
Deposits	15,158	51,202	-	-
Prepayments	28,252	18,761	14	17
	64,425	77,973	302,476	300,731

Group

As at 31 December 2020, non-trade receivables included US\$4,768,000 (2019: US\$1,454,000) refundable Goods and Service Tax, US\$9,568,000 (2019: US\$1,702,000) relating to subsidy receivable for cooking oil price stabilisation scheme.

As at 31 December 2020, deposits included US\$13,760,000 (2019: US\$49,424,000) paid to Bursa Malaysia Derivatives Clearing Bhd for commodity trading initial and variation margin payment.

Company

Loans to subsidiaries bear interests from 0.4% to 7.7% (2019: 0.6% to 8.4%) per annum. The loans are unsecured and repayable on demand.

As at 31 December 2020, non-trade receivables relate to US\$16,500,000 (2019: US\$Nil) dividend receivable from the Company's wholly-owned subsidiary.

Notes to the Financial Statements

For the financial year ended 31 December 2020

16. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

(a) Current portion

	Contract notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
31 December 2020			
Currency forward contracts [Note 34(e)]	990,571	9,069	(13,105)
Commodities forward contracts [Note 34(e)]	1,129,652	57,643	(106,374)
Futures contracts on commodity exchange [Note 34(e)]	508,856	43,526	-
Total		110,238	(119,479)
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)
	Contract notional amount US\$'000	Company Fair values	
		Asset US\$'000	Liability US\$'000
31 December 2020			
Currency forward contracts [Note 34(e)]	609	-	(25)
31 December 2019			
Currency forward contracts [Note 34(e)]	995	29	-

(b) Non-current portion

	Contract notional amount US\$'000	Group Fair values	
		Asset US\$'000	Liability US\$'000
31 December 2020			
Futures contracts on commodity exchange [Note 34(e)]	-	-	-
31 December 2019			
Futures contracts on commodity exchange [Note 34(e)]	4,226	33	-

Notes to the Financial Statements

For the financial year ended 31 December 2020

17. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Cash at bank and on hand	75,403	50,050	79	82
Short-term bank deposits	2,766	11,764	4	4
	78,169	61,814	83	86

18. INTANGIBLE ASSET

	Group	
	2020	2019
	US\$'000	US\$'000
Goodwill arising from acquisition of subsidiaries	970	970
Beginning and end of financial year	970	970

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	11.4%
Terminal growth rate	3.1%

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 2020.

Notes to the Financial Statements

For the financial year ended 31 December 2020

19. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings US\$'000	Leasehold land and buildings US\$'000	Plant and equipment US\$'000	Furniture, fixtures and office equipment US\$'000	Motor vehicles US\$'000	Vessels US\$'000	Mature plants US\$'000	Capital expenditure in progress US\$'000	Total US\$'000
Group 2020									
<i>Cost</i>									
Beginning of financial year	23,339	144,054	385,780	23,079	8,504	11,506	3,884	65,901	666,047
Currency translation differences	474	1,765	7,501	1,037	(108)	(15)	(126)	2,226	12,754
Additions	62	403	4,073	1,617	568	643	2,093	12,032	21,491
Remeasurement of lease liability	-	(759)	-	-	-	-	-	-	(759)
Disposals	-	(41)	(556)	(782)	(538)	(1)	-	-	(1,918)
Write off	-	-	(70)	(176)	(55)	-	-	-	(301)
Reclassification	-	1,393	5,353	78	-	21	70	(6,915)	-
End of financial year	23,875	146,815	402,081	24,853	8,371	12,154	5,921	73,244	697,314
<i>Accumulated depreciation</i>									
Beginning of financial year	2,637	30,970	140,579	17,849	5,663	1,614	234	-	199,546
Currency translation differences	79	582	3,249	190	54	-	(7)	-	4,147
Depreciation charge (Note 7)	480	2,893	16,337	1,471	929	1,113	77	-	23,300
Disposals	-	(7)	(440)	(764)	(484)	(1)	-	-	(1,696)
Write off	-	-	(49)	(173)	(51)	-	-	-	(273)
Reclassification	-	36	20	18	(74)	-	-	-	-
End of financial year	3,196	34,474	159,696	18,591	6,037	2,726	304	-	225,024
<i>Accumulated impairment losses</i>									
Beginning of financial year	-	904	17	247	66	-	-	438	1,672
Impairment losses (Note 6)	-	357	4	-	-	-	-	22,433	22,794
End of financial year	-	1,261	21	247	66	-	-	22,871	24,466
<i>Net book value</i>									
End of financial year	20,679	111,080	242,364	6,015	2,268	9,428	5,617	50,373	447,824

Notes to the Financial Statements

For the financial year ended 31 December 2020

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 2019									
<i>Cost</i>									
Beginning of financial year	22,944	135,176	347,594	21,507	7,830	11,070	3,162	59,863	609,146
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	128,593	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 2020

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 2020, bank borrowings (Note 26) are secured on property, plant and equipment of the Group with carrying amounts of US\$103,214,000 (2019: US\$116,752,000).
- (c) Interest capitalised within capital expenditure in progress amounted to US\$638,000 (2019: US\$1,344,000) for the financial year ended 31 December 2020.

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.

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	2020 US\$'000	2019 US\$'000
Group		
Leasehold land and buildings	71,444	73,578
Plant and equipment	20	30
Motor vehicles	11	34
Total	71,475	73,642

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(b) Depreciation charge during the year

	2020 US\$'000	2019 US\$'000
Group		
Leasehold land and buildings	1,527	2,027
Plant and equipment	10	10
Motor vehicles	23	20
Total	1,560	2,057

(c) Interest expense

	2020 US\$'000	2019 US\$'000
Group		
Interest expense on lease liabilities	296	347

(d) Lease expense not capitalised in lease liabilities

	2020 US\$'000	2019 US\$'000
Group		
Lease expense – short-term leases	1,339	539
Lease expense – low-value leases	162	808
Total (Note 7)	1,501	1,347

(e) Lease liabilities

	2020 US\$'000	2019 US\$'000
Group		
<i>Current</i>		
Lease liabilities	460	521
<i>Non-current</i>		
Lease liabilities	5,971	7,206

(f) Total cash outflow for all the leases in 2020 was US\$2,334,000 (2019: US\$2,190,000).

(g) Addition of ROU assets during the financial year 2020 was US\$218,700 (2019: US\$Nil).

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(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 period, 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 option subject to terms and conditions

The lease for certain asset contains 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.

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 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.

Maturity analysis of lease payments – Group as a lessor

The table below discloses the undiscounted lease payments to be received by the Group for its leases after the reporting date as follows:

	2020 US\$'000	2019 US\$'000
Less than one year	170	193
One to two years	89	113
Two to three years	-	61
Total undiscounted lease payment	259	367

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For the financial year ended 31 December 2020

22. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	2019
	US\$'000	US\$'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	849	849

Details of the significant subsidiaries are included in Note 41. There are no subsidiaries with non-controlling interest that are material to the Group as at 31 December 2020 and 2019.

23. INVESTMENTS IN ASSOCIATED COMPANY

	Group	
	2020	2019
	US\$'000	US\$'000
<i>Equity investment at cost</i>		
Beginning of financial year	569	491
Share of profits	50	71
Currency translation differences	48	7
End of financial year	667	569

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

	Group	
	2020	2019
	US\$'000	US\$'000
Assets	1,693	1,458
Liabilities	(332)	(298)
Carrying value of associated company	1,361	1,160
Effective interest rate of the Group in associated company	49%	49%
Carrying value of group's interest in associated company	667	569
	Group	
	2020	2019
	US\$'000	US\$'000
Revenue	2,971	4,374
Net profit and total comprehensive income	102	146
Effective interest rate of the Group in associated company	49%	49%
Share of profit of associated company	50	71

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 2020

24. TRADE PAYABLES

	Group	
	2020	2019
	US\$'000	US\$'000
Trade payables		
- Related parties [Note 35(a)]	326	906
- Non-related parties	141,160	124,128
	141,486	125,034

25. OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Non-trade payables				
- Related parties [Note 35(a)]	-	2	-	-
- Associated company	277	260	-	-
- Non-related parties	26,249	19,448	-	-
	26,526	19,710	-	-
Deferred income	4,975	3,830	-	-
Accrual for operating expenses	34,258	27,039	232	305
Provision for legal claim	4,241	-	-	-
	70,000	50,579	232	305

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.

Provision for legal claim relates to a legal claim in relation to certain project construction contractual disputes between its wholly-owned subsidiary, and a contractor. The legal proceedings are still ongoing as at 31 December 2020.

26. BORROWINGS

	Group	
	2020	2019
	US\$'000	US\$'000
<i>Current</i>		
Bank borrowings:		
- Trade financing	227,819	326,643
- Revolving credit	7,233	24,545
- Hire purchase	477	417
- Term loans	13,174	22,143
	248,703	373,748
<i>Non-current</i>		
Bank borrowings:		
- Hire purchase	2,692	2,949
- Term loans	32,784	24,200
	35,476	27,149
Total borrowings	284,179	400,897

Notes to the Financial Statements

For the financial year ended 31 December 2020

26. BORROWINGS (continued)

(a) Securities granted

Total borrowings include secured liabilities of US\$36,343,000 (2019: US\$25,710,000). The borrowings of the Group are secured by certain property, plant and equipment as disclosed in Note 19(b).

(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.

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	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred income tax assets	503	2,864	-	-
Deferred income tax liabilities	(31,413)	(18,688)	(2,150)	(1,806)

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

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Beginning of financial year	(15,824)	(27,305)	(1,806)	(1,029)
Currency translation differences	(901)	(226)	-	-
Tax (charged)/credited to				
- Profit or loss	(14,185)	11,707	(344)	(777)
End of financial year	(30,910)	(15,824)	(2,150)	(1,806)

Notes to the Financial Statements

For the financial year ended 31 December 2020

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
2020						
At 1 January 2020	(28,411)	(557)	(1,957)	-	(509)	(31,434)
Currency translation differences	(804)	-	-	-	-	(804)
Charged to						
- Profit or loss	(5,744)	-	(344)	-	-	(6,088)
End of financial year	(34,959)	(557)	(2,301)	-	(509)	(38,326)
2019						
At 1 January 2019	(26,038)	(557)	(1,468)	(6,352)	(509)	(34,924)
Currency translation differences	(299)	-	-	6	-	(293)
(Charged)/credited to						
- Profit or loss	(2,074)	-	(489)	6,346	-	3,783
End of financial year	(28,411)	(557)	(1,957)	-	(509)	(31,434)

Notes to the Financial Statements

For the financial year ended 31 December 2020

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
2020					
Beginning of financial year	13	3,192	8,259	4,146	15,610
Currency translation differences	-	5	(133)	31	(97)
Charged to					
- Profit or loss	(13)	(1,187)	(6,218)	(679)	(8,097)
End of financial year	-	2,010	1,908	3,498	7,416
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

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\$34,651,000 as at 31 December 2020 (2019: US\$37,162,000) and have no expiry dates except for US\$9,947,000 (2019: US\$9,100,000) which would expire between 2021 to 2025 and US\$23,463,000 (2019: US\$23,800,000) 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\$53,014,000 as at 31 December 2020 (2019: US\$54,100,000) with no expiry date.

Company

Deferred income tax liabilities

	Unremitted foreign income	
	2020	2019
	US\$'000	US\$'000
Beginning of financial year	(1,806)	(1,029)
Charged to		
- Profit or loss	(344)	(777)
End of financial year	(2,150)	(1,806)

Notes to the Financial Statements

For the financial year ended 31 December 2020

28. SHARE CAPITAL AND SHARE PREMIUM

	No. of ordinary shares		Amount		
	Authorised share capital at par value of US\$0.001 '000	Issued share capital at par value of US\$0.001 '000	Authorised share capital at par value of US\$0.001 US\$'000	Share capital at par value of US\$0.001 US\$'000	Share premium US\$'000
Group and Company					
2020					
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
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

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.

29. OTHER RESERVES

	Group	
	2020 US\$'000	2019 US\$'000
(a) Composition:		
Merger reserve	(53,005)	(53,005)
General reserve	(1,425)	(720)
Currency translation reserve	17,012	12,261
Capital redemption reserve	3,509	3,509
	(33,909)	(37,955)
	Company	
	2020 US\$'000	2019 US\$'000
Composition:		
Capital redemption reserve	3,509	3,509

Merger reserve represents the difference between the cost of investment (equivalent to the net asset value) 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

29. OTHER RESERVES (continued)

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.

	Note	Group	
		2020 US\$'000	2019 US\$'000
(b) Movements			
(i) Merger reserve			
Beginning and end of financial year		(53,005)	(53,005)
(ii) General reserve			
Beginning of financial year		(720)	(720)
Acquisition of non-controlling interests*		(705)	-
End of financial year		(1,425)	(720)
(iii) Currency translation reserve			
Beginning of financial year		12,261	11,135
Net currency translation differences of foreign subsidiaries		4,879	1,074
Less: Non-controlling interests		(128)	52
		4,751	1,126
End of financial year		17,012	12,261
Group and Company			
		2020	2019
		US\$'000	US\$'000
(iv) Capital redemption reserve			
Beginning and end of financial year		3,509	3,509

* During the financial year ended 31 December 2020, the Group acquired 10% shares of MOI International (Australia) Pty Ltd, through its wholly-owned subsidiary, One Marthoma (CI) Inc., from its non-controlling shareholder, Trupps Pty Ltd as trustee of the Trupps Family Trust at a consideration of AUD2,000,000 (US\$1,370,000). The carrying amount of the non-controlling interest amounted to US\$665,000, resulting in a US\$705,000 increase in general reserve. This transaction increased the shareholding of the Group to 86%.

Notes to the Financial Statements

For the financial year ended 31 December 2020

30. RETAINED PROFITS

Movement in retained profits for the Company was as follows:

	Company	
	2020	2019
	US\$'000	US\$'000
Beginning of financial year	114,233	98,224
Total comprehensive income for the financial year	3,291	26,049
Dividends (Note 31)	(1,647)	(10,040)
End of financial year	115,877	114,233

31. DIVIDENDS

	Group and Company	
	2020	2019
	US\$'000	US\$'000

Declared and paid during the financial year:

Dividends on ordinary shares:

- Final exempt one-tier dividend of S\$Nil for 2019 (2018: S\$0.0045) per share
- Interim exempt one-tier dividend of S\$0.0015 for 2020 (2019: S\$0.0046) per share

-	4,964
1,647	5,076
1,647	10,040

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\$0.0060 (2019: S\$ Nil) per share

6,813	-
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32. CONTINGENT LIABILITIES

Company

The Company has issued unsecured corporate guarantees to banks for borrowings to certain subsidiaries. As at 31 December 2020, the borrowings under the guarantees amounted to US\$284,179,000 (2019: US\$400,897,000). 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

33. COMMITMENTS

Capital commitments

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

	Group	
	2020 US\$'000	2019 US\$'000
Property, plant and equipment	16,144	26,591

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.

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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:

	USD* US\$'000	Ringgit US\$'000	EUR US\$'000	SGD US\$'000	AUD US\$'000	IDR US\$'000	CNY US\$'000
At 31 December 2020							
Financial assets							
Cash and bank balances	2,893	13,269	5,688	3,235	129	2,329	187
Trade and other receivables	9,735	115,609	33,359	4,812	3,501	1,837	158
Intercompany receivables	145,517	161,742	121,835	29	20	22,343	2,182
	158,145	290,620	160,882	8,076	3,650	26,509	2,527
Financial liabilities							
Borrowings	-	(170,507)	-	(3,784)	-	-	-
Lease liabilities	-	(680)	-	(4,776)	(695)	-	(99)
Trade and other payables	(22,795)	(148,418)	(11,927)	(9,842)	(353)	(1,552)	(2,297)
Intercompany payables	(336,186)	(161,742)	(121,835)	(29)	(20)	(22,342)	(2,182)
	(358,981)	(481,347)	(133,762)	(18,431)	(1,068)	(23,894)	(4,578)
Net financial (liabilities)/assets	(200,836)	(190,727)	27,120	(10,355)	2,582	2,615	(2,051)
Add: Firm commitments and highly probable forecast transactions in foreign currencies	250,865	(293,494)	113,515	339	-	-	(7,244)
Less: Currency forward contracts	(125,220)	276,834	(251,766)	7,937	(13,908)	-	(6,741)
Currency profile	(75,191)	(207,387)	(111,131)	(2,079)	(11,326)	2,615	(16,036)
Financial liabilities/ (assets) denominated in the respective entities' functional currencies	-	212,760	55,218	(9)	(722)	17,944	14,282
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies	(75,191)	5,373	(55,913)	(2,088)	(12,048)	20,559	(1,754)

* 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 2020

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* 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	118,069	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	348,097	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)	(174,464)	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)	(229,954)	(49,013)	(5,088)	(7,293)	2,689	(15,542)
Financial liabilities/ (assets) denominated in the respective entities' functional currencies	-	221,126	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.

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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 2020				
Financial assets				
Cash and bank balances	10	8	-	-
Other receivables	1	-	40	-
	11	8	40	-
Financial liabilities				
Other payables	(232)	-	-	-
Net financial (liabilities)/assets	(221)	8	40	-
Less: Currency forward contracts	-	-	(36)	(572)
Currency profile/currency exposure of financial (liabilities)/assets net of those denominated in the Company's functional currency	(221)	8	4	(572)
	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)

Notes to the Financial Statements

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34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If Ringgit, EUR, SGD, AUD, IDR and CNY change by 5% (2019: Ringgit, EUR, SGD, AUD, IDR and CNY: 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 2020		
USD against Ringgit	(2,880)	2,880
Ringgit against USD	206	(206)
EUR against USD	(2,141)	2,141
SGD against USD	(81)	81
AUD against USD	(461)	461
IDR against USD	787	(787)
CNY against USD	(67)	67
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)

Notes to the Financial Statements

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34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If SGD, AUD, CNY and EUR change against USD by 5% (2019: SGD, AUD, CNY and EUR: 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 2020		
SGD against USD	(8)	8
AUD against USD	-	-
CNY against USD	-	-
EUR against USD	(22)	22
31 December 2019		
SGD against USD	6	(6)
AUD against USD	-	-
CNY against USD	-	-
EUR against USD	(22)	22

(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.

(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).

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iii) Commodity price risk (continued)

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\$16,376,000 (2019: lower or higher by US\$8,432,000) 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	
	2020	2019
	US\$'000	US\$'000
Corporate guarantees provided to financial institutions on subsidiaries' borrowings	284,179	400,897

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 and the Company held cash and bank balances of US\$78,169,000 and US\$83,000 respectively (2019: US\$61,814,000 and US\$86,000) with banks which have good credit-ratings and considered to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(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\$13,154,000 (2019: US\$21,609,000) in respect of these receivables, as follows:

	Group	
	2020	2019
	US\$'000	US\$'000
Gross amount	18,531	30,742
Less: Allowance for expected credit losses	(13,154)	(21,609)
	5,377	9,133
Beginning of financial year	(21,609)	(23,056)
Currency translation differences	(133)	(644)
(Provision)/Reversal of expected credit losses	(6,360)	672
Allowance utilised	14,948	1,419
End of financial year	(13,154)	(21,609)

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 2020 and 31 December 2019 are set out as follows:

	Group	
	2020	2019
	US\$'000	US\$'000
Trade receivables		
Not past due	223,669	137,263
Past due < 3 months	39,924	77,199
Past due 3 to 6 months	9,611	8,639
Past due 6 to 12 months	927	1,155
Past due over 1 year	3,367	10,396
	277,498	234,652

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. FINANCIAL RISK MANAGEMENT (continued)

(b) *Credit risk* (continued)

(ii) *Trade receivables* (continued)

For the purpose of ascertaining the credit loss to be provided, the Group takes into consideration any deposits and payables to these customers, where there is a right of offset, 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 2020 and 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) *Loan to subsidiaries*

The Company monitors the credit risk of the subsidiaries to assess if there is any significant increase in credit risk.

For loans to subsidiaries identified by the Company to be credit impaired, the Company recognised credit loss of US\$56,222,000 (2019: US\$30,434,000). The remaining loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

(iv) *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 2020

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 2020					
Trade and other payables	(218,898)	-	-	-	(218,898)
Borrowings	(252,242)	(9,782)	(21,750)	(5,128)	(288,902)
Lease liabilities	(734)	(1,070)	(1,241)	(8,342)	(11,387)
	(471,874)	(10,852)	(22,991)	(13,470)	(519,187)
Gross-settled currency forward contracts					
- Receipts	681,204	-	-	-	681,204
- Payments	(309,367)	-	-	-	(309,367)
	371,837	-	-	-	371,837
Gross-settled commodities futures contracts and forward sales and purchase contracts					
- Receipts	798,383	-	-	-	798,383
- Payments	(840,124)	-	-	-	(840,124)
	(41,741)	-	-	-	(41,741)
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

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. FINANCIAL RISK MANAGEMENT (continued)

(c) *Liquidity risk* (continued)

	Less than 1 year US\$'000
Company	
At 31 December 2020	
Other payables	<u>(232)</u>
Gross-settled currency forward contracts	
- Receipts	-
- Payments	<u>(609)</u>
	<u>(609)</u>
At 31 December 2019	
Other payables	<u>(305)</u>
Gross-settled currency forward contracts	
- Receipts	397
- Payments	<u>(598)</u>
	<u>(201)</u>

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

	Less than 1 year US\$'000
Company	
At 31 December 2020	
Financial guarantee contracts	<u>(284,179)</u>
At 31 December 2019	
Financial guarantee contracts	<u>(400,897)</u>

Notes to the Financial Statements

For the financial year ended 31 December 2020

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 2020 and 31 December 2019.

	Group	
	31 December	
	2020	2019
	US\$'000	US\$'000
Debt-equity ratio		
Gross debt*	284,179	400,897
Less: Cash and bank balances	(78,169)	(61,814)
Net debt	206,010	339,083
Total equity	610,329	522,567
Gross debt-equity ratio	0.47	0.77
Net debt-equity ratio	0.34	0.65

* 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 2020 and 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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 2020			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	9,069	9,069
- Commodities forward contracts	-	57,643	57,643
- Futures contracts on commodity exchange	43,526	-	43,526
	43,526	66,712	110,238
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(13,105)	(13,105)
- Commodities forward contracts	-	(106,374)	(106,374)
	-	(119,479)	(119,479)
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
	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)
	(20,056)	(98,728)	(118,784)

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair value measurements (continued)

	Level 1 US\$'000	Level 2 US\$'000	Total US\$'000
Company			
31 December 2020			
Financial Liabilities			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	(25)	(25)
31 December 2019			
Financial Assets			
Derivative financial instruments (Note 16)			
- Currency forward contracts	-	29	29

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 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.

(f) Financial instruments by category

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

	Group		Company	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets at fair value through profit or loss	110,238	71,830	-	29
Financial liabilities at fair value through profit or loss	(119,479)	(118,784)	(25)	-
Financial assets at amortised cost	392,449	363,357	302,462	300,714
Financial liabilities at amortised cost	(496,432)	(579,815)	(232)	(305)

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. FINANCIAL RISK MANAGEMENT (continued)

(g) Offsetting financial assets and liabilities

Group

(i) Financial assets subject to offsetting

Description	(a) Gross amounts of financial assets US\$'000	(b) Gross amount of financial liabilities set off on balance sheet US\$'000	(c) = (a)-(b) Net amounts of financial assets presented on balance sheet US\$'000
31 December 2020			
Commodities forward contracts	63,930	(6,287)	57,643
31 December 2019			
Commodities forward contracts	82,247	(13,907)	68,340

(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 2020			
Commodities forward contracts	(112,661)	6,287	(106,374)
31 December 2019			
Commodities forward contracts	(107,612)	13,907	(93,705)

Notes to the Financial Statements

For the financial year ended 31 December 2020

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	
	2020	2019
	US\$'000	US\$'000
Sales of finished goods to related parties	14,458	11,408
Purchases of raw materials from related parties	926	858
Losses from derivative financial instruments from related parties	(267)	(51)
Rental received/receivable		
- Associated company	3	3
- Related party	33	41
Interest income from related parties	-	3
Service fee income received/receivable		
- Associated company	42	25
Services paid/payable		
- Transportation and forwarding		
- Associated company	2,473	3,445
- Related party	183	213
- Packing material to related parties	629	874
- Consultation fees to related parties	1,514	1,551
- Travelling expenses to related parties	17	246

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 2020 and 2019 arising from the above transactions are set out in Notes 14, 15, 24 and 25.

(b) Key management personnel compensation

Key management personnel compensation was as follows:

	Group	
	2020	2019
	US\$'000	US\$'000
Wages, salaries and other short-term employee benefits	6,658	6,756
Employer's contribution to defined contribution plans	132	141
	6,790	6,897

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

36. SEGMENT INFORMATION (continued)

The segment information provided to the Mancom for the reportable segments for the financial year ended 31 December 2020 was as follows:

	Bulk US\$'000	Consumer Pack US\$'000	Total US\$'000
Group Revenue			
Total segment sales	2,921,478	808,184	3,729,662
Inter-segment sales	(274,166)	(9,643)	(283,809)
Revenue from external parties	2,647,312	798,541	3,445,853
Operating margin	160,540	79,997	240,537
Other income excluding interest income	4,052	559	4,611
Interest income	934	237	1,171
Administrative expenses, excluding depreciation	(37,310)	(37,340)	(74,650)
Other losses excluding foreign exchange gains and impairment of assets	(121)	(4,228)	(4,349)
Adjusted EBITDA	128,095	39,225	167,320
Depreciation	(16,513)	(6,787)	(23,300)
Finance expense	(5,950)	(2,860)	(8,810)
Impairment of assets	(6,038)	(16,756)	(22,794)
Segment results	99,594	12,822	112,416
Unallocated			
Income tax expense			(26,325)
Share of profit of an associate			50
Profit after tax			86,141
Total segment assets	990,327	288,710	1,279,037
Unallocated			
Current income tax recoverable			3,008
Intangible asset			970
Investment in associated company			667
Deferred income tax assets			503
Total assets			1,284,185
Total assets include:			
Additions to:			
- Property, plant and equipment	15,350	6,141	21,491
Total segment liabilities	(484,092)	(151,445)	(635,537)
Unallocated			
Current income tax liabilities			(6,906)
Deferred income tax liabilities			(31,413)
Total liabilities			(673,856)

Notes to the Financial Statements

For the financial year ended 31 December 2020

36. SEGMENT INFORMATION (continued)

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	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 2020

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	
	2020	2019
	US\$'000	US\$'000
Revenue by geography		
Malaysia	1,074,318	897,431
Singapore	743,183	534,189
	1,817,501	1,431,620
Other geographical areas		
- Rest of Asia	823,254	484,067
- Africa	354,651	285,351
- Middle East	200,750	265,034
- Europe	129,585	224,758
- Pacific Oceania	66,864	58,833
- America	53,248	67,592
	1,628,352	1,385,635
	3,445,853	2,817,255
	Group	
	2020	2019
	US\$'000	US\$'000
Non-current assets by geography		
Singapore	15,533	17,996
Malaysia	347,607	365,357
Other countries	85,351	82,045
	448,491	465,398

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 2020 and 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2020

37. IMPACT OF COVID-19

The COVID-19 pandemic has affected almost all countries of the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measures imposed by the various governments.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the year ended 31 December 2020:

- i. The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.
- ii. In 2020, as the Group's significant operations in Singapore and Malaysia were mainly classified under essential services, they continued operating within the set of local regulations and guidelines under respective governments' movement control measures.
- iii. The Group has considered the market conditions (including the impact of COVID-19) as at the balance sheet date, in making estimates and judgements on the recoverability of assets as at 31 December 2020. The significant estimates and judgement applied on impairment of trade receivables, and property, plant and equipment are disclosed in Notes 3(b) and 3(c) respectively.

As the global COVID-19 situation remains very fluid as at the date these financial statements were authorised for issuance, the Group cannot completely ascertain the full extent of the probable impact of the COVID- 19 disruptions on its operating and financial performance for the financial year ending 31 December 2021. As at the date of this financial statement, the Group is not aware of any further material impact expected on the Group's performance in the subsequent financial periods. However, the Group is closely monitoring the development of Covid-19 outbreaks and if the situation weakens beyond management's current expectations, the Group's assets may be subject to further impairment assessment in the subsequent financial periods.

38. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 1 Mar 2021, the Company's wholly-owned subsidiary, Ngo Chew Hong Investment Pte Ltd acquired 68.4% equity interest in Mega Agro Pte. Ltd. ("MAPL") a company registered in Singapore. MAPL holds 95% equity interest in PT Able Commodities Indonesia ("PTACI"), a company registered in Indonesia. PTACI owns and operates facilities to refine and pack palm oil and its derivatives. The acquisition consideration of US\$17,100,000 is a combination of share purchase price for 68.4% equity interest in MAPL and takeover of proportionate shareholders loan in PTACI.

Notes to the Financial Statements

For the financial year ended 31 December 2020

39. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2021 and which the Group has not early adopted.

Amendments to SFRS(I) 1-1 Presentation of Financial Statements:

Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

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

Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022)

The amendment to SFRS(I) 1-16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

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

Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022)

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the costs of fulfilling it and any compensation or penalties arising from failure to fulfil it. The amendment to SFRS(I) 1-37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts.

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 8 March 2021.

Notes to the Financial Statements

For the financial year ended 31 December 2020

41. LISTING OF SIGNIFICANT SUBSIDIARIES OF THE GROUP

Name of companies	Country of incorporation	Principal activities	Principal country of operation	Group's equity holding	
				2020 %	2019 %
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	Manufacturing and selling of palm oil products	Malaysia	100	100
Mewaholeo Industries Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of palm oil products	Malaysia	100	100
Mewah Datu Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of palm oil products	Malaysia	100	100
MOI Foods Malaysia Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of downstream vegetable oil based food and personal care products	Malaysia	100	100
Mewah Dairies Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of dairy related products	Malaysia	100	100
Bremfield Sdn Bhd ^(b)	Malaysia	Manufacturing and selling of biodiesel related products	Malaysia	100	100
Mewah Oils & Fats Pte Ltd ^(a)	Singapore	Trading of edible oils, fats and related products	Singapore	100	100
Ngo Chew Hong Edible Oil Pte Ltd ^(a)	Singapore	Packaging and trading of dairy and edible oils	Singapore	100	100
MOI International (Singapore) Pte Ltd ^(a)	Singapore	Trading of dairy, food products and agricultural raw materials	Singapore	100	100
Mewah Marketing Pte Ltd ^(a)	Singapore	Trading of edible oils, fats and related products	Singapore	100	100

^(a) Audited by PricewaterhouseCoopers LLP, Singapore

^(b) Audited by PricewaterhouseCoopers, Malaysia