



ANNUAL
REPORT
2016



**GLOBAL PALM RESOURCES
HOLDINGS LIMITED**

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GLOBAL PALM RESOURCES HOLDINGS LIMITED

ANNUAL REPORT 2016

**CREATING
OPPORTUNITIES**



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ABOUT OUR LOGO

Our corporate logo features a circular formation of five symbols in different colours, each representing the natural resources and gifts that we depend on for the growth of our oil palms.

Starting at the top, the golden symbol represents sunshine, which is freely given to us. The sun's light, beaming down on our oil palms over time, produces the photosynthesis that allows them to grow from a small seed to a giant, fruit-bearing tree.

To the left, the blue symbol represents the natural watering of our plants that occur through the abundant rainfall our plantation receives each year.

The third symbol, in green, serves to depict the natural environment around our plantation. Lush with life and resplendent with the ability to produce healthy vegetation, it is in this environment that our oil palms thrive and bear fruit.

The red symbol represents the nutrient-rich soil that we inherit with the land. With the capacity to fertilise and serve as a catalyst for growth, this soil is yet another reminder of how strategically located our oil palm operations are in Indonesia.

Each of these natural resources, freely provided to us, contributes to the success of our business. This success is displayed by the last golden symbol which not only represents our golden palm oil but also alludes to our core value of excellence.



To whom much is given, much is required. We aim to be responsible with all that has been entrusted to us. We see ourselves as stewards of these articles, and believe that it is our duty to act on them in an excellent, responsible and sustainable way; producing maximum fruit. This final symbol, completing the cycle with gold, represents the role that Global Palm Resources is committed to play.

Though small in comparison to the generosity given to us, the role we aspire to play is just as critical. We are firmly committed to take what we have and manage it in an efficient, environmentally and socially responsible way. In the process, we aim to deliver long-term sustainable value to our investors and stakeholders.

Inspired to humility by the external generosity of the entire process, we are committed to leave the land and its inhabitants better off than we found them.

Global Palm Resources Holdings Limited – Benefiting People and the Planet.



CORPORATE PROFILE



Listed on the Mainboard of the Singapore Exchange on 29 April 2010, Global Palm Resources Holdings Limited (“Global Palm Resources”) is an Indonesia-based oil palm producer. The Group is involved in the cultivation, harvesting and processing of oil palm fruit into crude palm oil (“CPO”) and palm kernel for sale.

Global Palm Resources’ plantation and mill is strategically located in West Kalimantan, a region where the climatic conditions are highly suitable for oil palm cultivation. Since its founding in 1991, it has a land bank of 16,079 hectare (“ha”) of which about 83.8% is under cultivation. As at 31 December 2016, approximately 92.8% of the Group’s oil palms are in mature production stage.

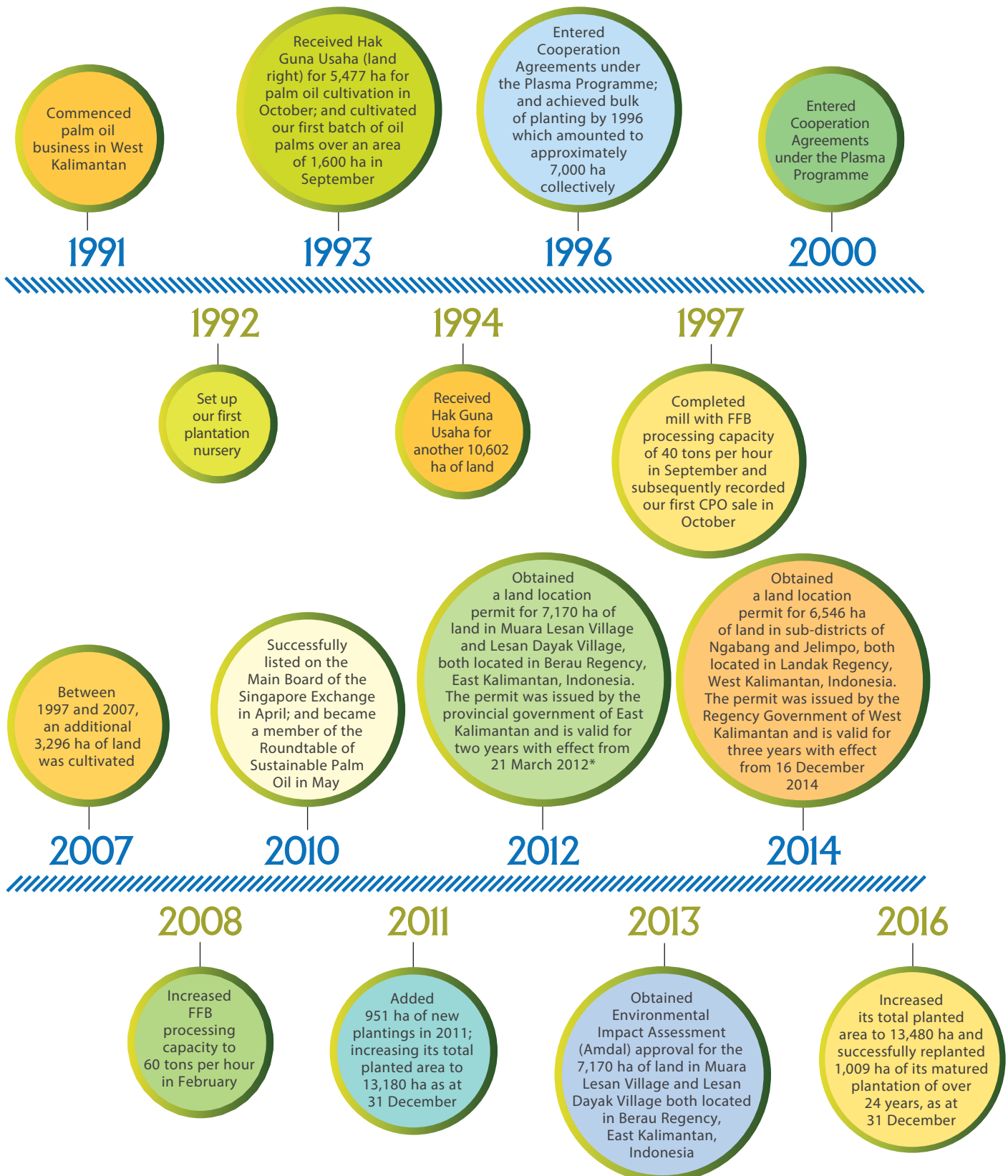
Sustainable development is an integral part of our business and it is embedded in the way we operate. We are dedicated to improving the living conditions as well as quality of life of the local communities around us, and also actively contributing in the areas of education, social, and cultural welfare.

With the view to conserve and preserve the natural environment, we adopt a “zero burning” policy for oil palm cultivation, using chainsaws and machinery, rather than fire, to clear land for cultivation which causes air pollution and risks forest fires.

The Group also has a ‘zero waste management’ for our CPO production with our co-composting plant generating organic fertilisers by co-composting empty palm fruit bunches (“EFB”) and palm oil mill effluent (“POME”). This is a major step towards the further greening of our operations as this co-composting process significantly reduces the amount of methane gases released into the environment compared with traditional methods of disposal. In addition, it also reduces our reliance and expenditures on commercial fertilisers, which is in line with our direction of positioning as a low cost producer.

Since 26 May 2010, the Group became a member of the Roundtable of Sustainable Palm Oil, a not-for-profit association which promotes the production and use of palm oil in a sustainable manner.

CORPORATE MILESTONES



* We are in the process of renewing the permit

MESSAGE FROM OUR CHAIRMAN AND CEO



We are encouraged by the performance of our 5 to 6 year old palms. They demonstrated good yields as they enter their peak production years. Due to this, we look forward to even better yields from our newly planted palms.

DEAR SHAREHOLDERS,

2016 was a year of feast and famine. The year began with CPO prices at a low of MYR 2,309 and fluctuated unpredictably for the first three quarters. In Q4, CPO prices finally recovered, fluctuating upwards until it reached MYR 3,175 in December. Despite having replanted close to 1,009 hectares of our plantation during the year, we saw record-breaking production in the last three months of 2016. We are encouraged by the performance of our 5 to 6 year old palms. They demonstrated good yields as they enter their peak production years. Due to this, we look forward to even better yields from our newly planted palms.

During the first three quarters, GPR managed to tenaciously reduce costs and improve mill processes. We then successfully switched gears in Q4 to take advantage of the unprecedented production of Fresh Fruit Bunches. We are proud of our staffs' adaptability and constant commitment to improving the efficiency of our processes and quality of our product. 2016 proved that GPR will continue to perform in both adverse and advantageous market conditions. With our strong foundations, cash balance, and low debt, we will continue delivering strong value and returns for our stakeholders in 2017 and onwards.

FINANCIAL PERFORMANCE

The Group's net profit attributable to shareholders was Rp46.4 billion (S\$5.0 million) for the year ended 31 December 2016 ("FY2016"), compared to a net profit attributable to shareholders of Rp26.5 billion (S\$2.7 million) for the year ended 31 December 2015.



The Group's revenue for FY2016 increased 20% year-on-year to Rp385.7 billion (S\$41.5 million). This was contributed mainly by higher CPO sales volume and higher CPO average selling prices, as well as higher PK sales volume and higher PK average selling prices.

Gross profit increased to Rp91.7 billion (S\$9.9 million) or 72% from Rp53.4 billion (S\$5.5 million) in FY2015. Gross profit margin improved 7.2% to 23.8% in FY2016, from 16.6% in FY2015.

During FY2016, the Group net cash from operating activities was at Rp105.0 billion (S\$11.3 million) as compared with a net cash used in operating activities of Rp43.3 billion (S\$4.4 million) in the previous year. The Group remains financially strong with cash resources amounting to Rp372.9 billion (S\$40.1 million) as at 31 December 2016.

OUTLOOK AND STRATEGY

We predict 2017 will be a mirrored reflection of last year. We have seen strong CPO prices in Q1 up to time of writing, but anticipate the price to deteriorate pushed by strong supply forces from Indonesia and Malaysia. We do not see prices falling to 2016 levels due to a natural price adjustment effect caused by the Indonesian government's biodiesel program. The increased buying of CPO during low price periods provides a natural price floor for the commodity. To further mitigate this price risk, GPR has also begun a hedging program through Malaysian CPO futures.

The Company also realizes that staying at the cutting edge of agritech is vital for our long term sustainability. In Q1 2017, we have engaged with a number of Agritech

companies, both regionally and internationally, to further strengthen our cost management and yield optimization.

APPRECIATION

In FY2017, we plan to give out a dividend of S\$0.0301 per share. The book closure and payable dates will be announced at a later date.

I would like to thank our shareholders for your continued confidence in us.

To our Board of Directors, management team and employees – your hard work, loyalty, and dedication to improvement are deserving of praise.

To our customers and business partners – thank you for your unwavering support and trust in us. We look forward to many more years of partnership with you.

To all other stakeholders – we greatly appreciate your confidence and support over the years.

Dr Tan Hong Kiat @ Suparno Adijanto
Executive Chairman and CEO



BOARD OF DIRECTORS



DR TAN HONG KIAT @ SUPARNO ADIJANTO

Executive Chairman and CEO

Appointed to our Board on 13 November 2009, Dr Suparno Adijanto is responsible for the overall operations of the Global Palm Resources Group. Since 1992, he is one of the managing directors of the Bumi Raya Group and is in charge of the plantation division. Prior to this appointment, Dr Suparno Adijanto held several positions in the Bumi Raya Group, as a Manager in charge of finance and business development from 1990 to 1992, and as a management trainee from 1989 to 1990. From 1987 to 1989, Dr Suparno Adijanto was the President of Westpont International Trading Company, a US trading company that deals in commodities between S.E.A and the USA. From 1994 to 2006, he was the non-executive director of Australia-listed Energy World Corporation Limited. From 1993 to 2010, Dr Suparno Adijanto was also a Commissioner for Indonesia listed company, PT Resource Alam Indonesia Tbk, where his responsibilities relate mainly to the supervision of its directors in ensuring that the company's mission, vision and objectives are met. Dr Suparno Adijanto graduated with a Bachelor of Science, Economics (Honours) from the University College London, University of London. He holds a Masters in Business Administration from the Bradford Management Centre, University of Bradford, England and a Doctor of Philosophy from the College of Business Administration, Georgia State University, USA.



IVAN SWANDONO

Chief Operating Officer

Mr Swandono was appointed to our Board as an executive director on 12 May 2016. Mr Swandono joined our Group in September 2011 and was officially promoted to Director of PT Prakarsa Tani Sejati, our subsidiary in Indonesia, in December 2012. In February 2013, he was appointed as our Group's Acting Chief Operating Officer and promoted to our Group's Chief Operating Officer with effect from 10 November 2014. His duties involve overseeing the cultivation of our palm oil plantation and the daily operations of our palm oil mill. He graduated from Purdue University in Indiana, USA with a Bachelor's degree in Mechanical Engineering.



YEE KIT HONG

Lead Independent Director

Mr Yee was appointed to our Board on 16 March 2010. He is an auditor by profession and has been an audit partner with Kit Yee & Co, a firm of certified public accountants providing audit, accountancy and taxation services since 1989.

From 1982 to 1989, Mr Yee was an audit/tax manager with Ernst & Young in Singapore, where he was responsible for the audit and taxation for small and medium size enterprises. In 2003, Mr Yee was awarded the Public Service Medal by the President of the Republic of Singapore. Mr Yee graduated with a Bachelor in Accountancy from the National University of Singapore and is a member of the Institute of Chartered Accountants, England & Wales and a fellow member of the Institute of Singapore Chartered Accountants. He is also currently a full member of the Singapore Institute of Directors. Mr Yee also sits on the Board of three other listed companies in Singapore.

M. RAJARAM*Independent Director*

Mr Rajaram was appointed to our Board on 16 March 2010. He is a lawyer by profession and is currently the Senior Director of Straits Law Practice LLC, where he heads the banking and corporate finance department and the India practice group. Mr Rajaram is an Advocate and Solicitor of the Supreme Court of Singapore, a Solicitor of England and Wales and a Fellow in the Singapore Institute of Arbitrators and the Chartered Institute of Arbitrators. From 2004 to 2008, he was the Chairman of the Singapore Indian Chamber of Commerce and Industry. In 2009, Mr Rajaram was awarded the Public Service Medal by the President of the Republic of Singapore. He has been the Honorary Consul of the Republic of Mali in Singapore since 1999. Mr Rajaram graduated with a Bachelor of Laws (LLB) (Honours) from the National University of Singapore in 1978 and obtained a Masters in Business Administration from the Maastricht School of Management in 1998. He also sits on the Board of another listed company in Singapore.

**GUOK CHIN HUAT SAMUEL***Independent Director*

Mr Guok was appointed to our Board on 16 March 2010. He has been a director of Starhealth Pte. Ltd – a Singapore based importer and distributor of health and medical products – since 1995 and currently sits on the board of three other public-listed companies, Bukit Sembawang Estates Limited, Datapulse Technology Limited and Redwood Group Ltd. He has over 20 years of experience in investment banking, venture capital and private equity businesses.

Mr Guok holds a Bachelor of Science degree in Business Administration from Boston University with Majors in Finance and International Economics, Minor in Chemistry.



EXECUTIVE OFFICERS



GE LUIYANTO YAMIN

Chief Financial Officer

Mr Luiyanto joined our Group as CFO in January 2008. With over 30 years of experience in finance and accounting work, he oversees the internal control, project management, human resources, strategic planning and advisory-related matters of our Group's Indonesian operations. Mr Luiyanto was the Group Finance Manager of the Bumi Raya Group from 2000 to 2010 and the Finance Director and Corporate Secretary of PT Resource Alam Indonesia Tbk from 2007 to 2010. He also has accumulated extensive experience in finance and accounting from his past appointments, as director of operation in PT Nusadana Investama from 1997 to 1998, as director of finance in PT Jakartabarbaru Cosmopolitan in 1997, and as director of finance and administration in PT Asia Perintis Contindo from 1993 to 1997. From 1984 to 1993, he held several appointments within the Dharmala Group and subsequently took on the position of assistant financial controller of Dharmala's listed subsidiary PT Dharmala Sakti Sejahtera Tbk. Mr Luiyanto graduated from the Faculty of Economics, University of Indonesia with a Bachelor's degree (Sarjana Ekonomi) in Accounting. He also holds a Master of Science (Administrative Science) from the Faculty of Social and Political Science, University of Indonesia.

LIM ARDI DHARMA

Head of Project Development

Mr Lim joined our Group in 2008 and is in charge of the identification, planning and execution of the effective development and implementation of projects relating to our Group's growth and expansion. Prior to his current role, Mr Lim joined the Bumi Raya Group in 1991 as a general manager in PT Bumiraya Utama Wood Industries and was responsible for its operations which included liaising with Indonesian governmental authorities for application

for various licenses necessary for its business. From 1989 to 1991, Mr Lim was the vice-president of Thai Cane Paper Co Bangkok, where his responsibilities included overseeing the papermill's finance and administrative-related matters. From 1977 to 1989, Mr Lim worked as a branch manager of PT Bir Banjarmasin, a company which held logging concessions. From 1975 to 1976, he had worked as a rice distributor with PT Daya Kapuas Pontianak. Mr Lim graduated from the Secondary Economic School in 1975 where he specialised in book keeping. From 1982 to 1984, Mr Lim studied economics at the Lampung Mangkurat University.

BERLINO MAHENDRA

Head of General Affairs

Mr Mahendra joined our Group in 1991 and is in charge of human resources, coordination of our plasma programme, administration and licensing issues in PT Prakarsa Tani Sejati as well as liaising and maintaining good relations with Indonesian governmental authorities. Prior to joining our Group, Mr Mahendra worked in the industrial timber estate of PT Sinar Kalbar Raya as a coordinator from 1989 to 1991, where he was responsible for licensing matters. Mr Mahendra studied Forestry at the Bogor Agricultural University from 1984 to 1988, and graduated with a Bachelor's degree in Forest Management. Mr Mahendra was officially promoted to Director of PT Prakarsa Tani Sejati, our subsidiary in Indonesia, with effect from 25 February 2015.

HENDRIK VIRGILIUS

Head of Plantation Estate

Mr Virgilius was appointed in September 2011 as the Group's Head of Plantation Estate. As part of his duties, he is in charge of overseeing the cultivation of the Group's oil palm plantation, palm field maintenance and maintenance of FFB yields. Prior to his appointment as

the Group's Head of Plantation Estate, Mr Virgilius was the Field General Manager of PT Prakarsa Tani Sejati. He has over 30 years of experience in the Indonesian palm oil industry and has held managerial roles at PT Inti Salim Corpora (Salim Group) in Singkawang, West Kalimantan, Indonesia from 1994 to 2008 and at PT Bumi Raya Utama Group in Palembang, Sumatera, Indonesia from 1988 to 1993. Mr Virgilius holds a Bachelor Degree in Agronomy from University of Sriwijaya, Palembang, Indonesia and a Master Degree in Agronomy from Bogor Agricultural University, Bogor, Indonesia.

WONG KIM POH

Financial Controller of Plantation Division

Mr Wong joined our Group in 1996. He is in charge of the finance, accounting and administration of the plantation division. With over 40 years of experience in finance and accounting works, he oversees the implementation of effective internal control systems, operation procedures and budgetary control of the plantation. Mr Wong started his career in 1975 with Kilang Gula Felde Perlis Sdn Bhd – a Kuok Group company in Malaysia in the sugar manufacturing and plantation and subsequently held the post of Assistant Accountant. Prior to joining the Group, Mr Wong held several executive appointments and also served as a Licensed Company Secretary under the Registrar of Company of Malaysia to various companies in Malaysia. He holds a Diploma in Management from the Malaysia Institute of Management and Higher Stage Certificate in Accounting and Costing from London Chamber of Commerce and Industry of United Kingdom. He also obtained a certificate in Computer Programming and Information Processing from City and Guilds of London Institute.

OUR SUSTAINABILITY PHILOSOPHY



INTRODUCTION

In today's world of technology start-ups and venture capital, in certain circles five years into the future is considered "the long term." This is not the case for Global Palm Resources. For us, an oil palm only enters peak production seven years after planting and remains productive for more than twenty years. Generating excellent profits in a sustainable manner is therefore of utmost importance to us. It is only possible to consider the long view when our business does right by the environment and the communities impacted by our operations.

OUR PHILOSOPHY

Our drive for sustainability is reflected in our strategic processes, aligning all aspects of operations with our purpose, which is:

To achieve maximum profitability without compromising our commitment to grow with our stakeholders, while leaving the planet better off than we found it.

By our commitment to low footprint operations and uplifting the community, Global Palm Resources lives out its four core values of Stewardship, Partnership, Community, and Commitment. We only consider ourselves successful when we achieve excellent financial performance without sacrificing our

values. Our commitment in following the spirit and regulations of the RSPO and ISPO is a testament to our vision and purpose.

ENVIRONMENTAL POLICY

At Global Palm Resources, we recognise the importance of being a responsible steward of the land we manage. With this in mind, it is our privilege to leave the land and its inhabitants better off than we found them.

SUSTAINABLE DEVELOPMENT IS OUR ONLY OPTION

Our ongoing Environmental Policy commits us to the following:

1) **"Zero Burning" for cultivating and planting of new oil palms:** We strictly adhere to our policy to never use burning to clear land being prepared for oil palm cultivation. We clear trees and vegetation using chain saws and machinery instead of the traditional "slash-and-burn" methods that cause air pollution and risk forest fires.

2) **"Zero waste management" on CPO production waste:**

The production of crude palm oil (CPO) naturally leaves behind empty fruit bunches (EFB) and palm oil mill effluent (POME). EFB left to decompose in landfills can produce environmentally damaging methane gases. POME is typically treated, then released into local rivers and streams. Neither of the above is ideal for an environmentally conscious company like Global

Palm Resources. With our co-composting plant, Global Palm Resources is moving towards "Zero Waste Management" by turning wastes into natural organic fertilizers. Apart from cost savings, we are also doing our part for the environment by reducing emissions.

ROUNDTABLE OF SUSTAINABLE PALM OIL (RSPO) MEMBERSHIP

The RSPO is a not-for-profit association whose main purpose is to promote the production and use of palm oil in a sustainable manner. As a member of the RSPO, our land will eventually be certified to produce CSPO (certified sustainable palm oil) and that will also garner a premium for our product (CPO). Public and industry awareness of our commitment to sustainable palm oil development also serve as a positive reinforcement, pushing us further towards sustainable development.

INDONESIAN SUSTAINABLE PALM OIL (ISPO) COMPLIANCE

The ISPO is an Indonesian government initiative to raise the competitiveness and sustainability of palm plantations in Indonesia. Global Palm is on track to obtaining ISPO certification.

COMMUNITY CARE POLICIES AND INITIATIVES

Though caring for the planet is critical, we would be remiss to not demonstrate the same care and concern for the people surrounding our plantation. We believe all who live under our influence should emerge better off from their interactions with us. Be they our employees, neighbours, our small landholders, we believe that they too should benefit from our presence.

It is this philosophy that fuels our commitment to the improvement of the social and economic welfare of local communities. In furtherance of such commitment, we have participated in the Indonesian government-initiated Plasma Programme while simultaneously providing employment opportunities, education, and general welfare (social and cultural) for local communities.

We also subscribe to the idea of responsible giving and community development. Giving support irresponsibly can foster aid dependence and other negative outcomes for our community members. Whenever we can, Global Palm seeks opportunities to improve the living conditions, skills, and capabilities of our neighbours in the local community.

OUR ONGOING COMMUNITY AND SUSTAINABILITY PROGRAMMES

1. Plasma Programme: Out of a desire to encourage partnerships between large plantation companies and their surrounding communities, the Indonesian government initiated the Plasma Programme. This involves the development of new plantations by oil palm plantation companies that will then be operated by local small landholders.

As of 31 December 2016, **4,354** ha of Global Palm Resources' plantation land is cultivated by smallholders under the Plasma Programme. They have been transferred the management of plantation land we developed, have received our training on plantation management practices and oil palm cultivation. Small landholders, through participation in our Plasma Programme, will benefit economically from this partnership.

2. Employment: Local residents greatly benefit from the employment opportunities we create. Locals typically receive priority during staff recruitment. The standard of living for our employees in our palm oil plantation and palm oil mill has also improved.

3. Education, social and cultural welfare: Our contributions in the areas of education and social and cultural welfare have also made positive waves.

Global Palm Resources currently provides kindergarten and primary school education to hundreds of our worker's children. By extending scholarships to local children, we are investing in Indonesia's future. We have also provided clean water, electricity, proper sanitation, medical treatment, housing, community halls, infrastructure for education and religious places of worship as part of our staff benefits. On top of it all, we are thrilled to sponsor and participate in various local cultural and religious celebrations.

WHAT ARE WE DOING NEXT?

1. Renewable Energy: Renewable energy is the way of the future. As part of our dedication to sustainable energy use and keeping to the cutting edge of Agricultural technology, Global Palm Resources is exploring the use of solar power generation as a supplement, and in some cases as a replacement, to existing power sources for our mill and worker dorms.

2. Sustainability Team: We believe a company's sustainability policies are only as good as their abilities to implement them. Hence, GPR is also expanding its environment and sustainability team to hasten and improve policy changes benefiting the environment and our local communities.

3. Replanting: Global Palm Resources will continue our replanting scheme keeping with best environmental practices. The company sees replanting as the opportunity to improve in all aspects of operations: in terms of yield, efficiency, and environmental standards.

STRATEGIC ALIGNMENT

Every year, we continue to improve our strategic planning processes. Sustainability has always been a key part of our strategy and we hope our actions will show our commitment to the triple bottom line of People, Planet, and Profit as well as long-term sustainable growth.

OPERATIONAL HIGHLIGHTS

PLANTATION STATISTICS (ha)

| Financial Year Ended 31 December | FY2016 | FY2015 | FY2014 |
|----------------------------------|--------|--------|--------|
| Total Planted Area | 13,480 | 13,667 | 13,667 |
| Mature | 12,503 | 13,512 | 13,186 |
| Immature | 977 | 155 | 481 |
| Nucleus Planted Area | 9,126 | 9,445 | 10,375 |
| Mature | 8,149 | 9,290 | 9,894 |
| Immature | 977 | 155 | 481 |
| Plasma Planted Area | 4,354 | 4,222 | 3,292 |
| Mature | 4,354 | 4,222 | 3,292 |
| Immature | 0 | 0 | 0 |

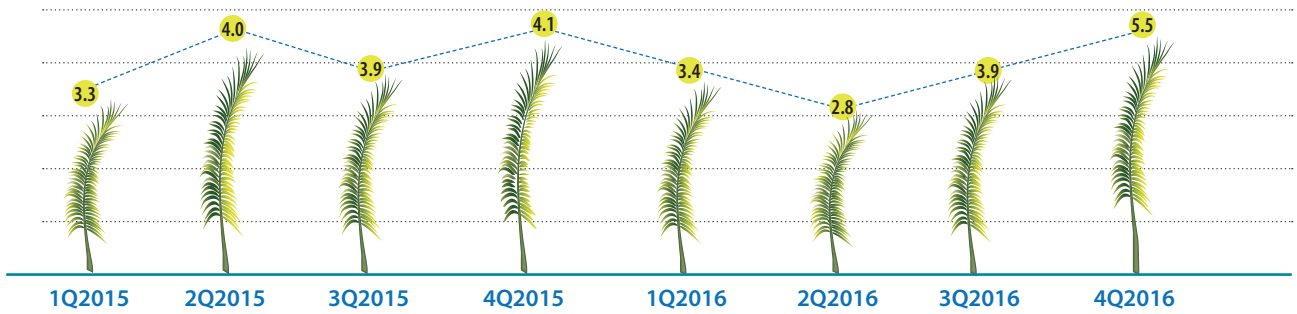
PRODUCTION OUTPUT (tons)

| | FY2016 | FY2015 | FY2014 |
|----------------------------|---------|---------|---------|
| FFB Harvested from Nucleus | 132,631 | 146,650 | 154,201 |
| FFB Harvested from Plasma | 76,580 | 80,497 | 62,335 |
| FFB Processed | 216,378 | 233,341 | 220,965 |
| CPO Production | 46,291 | 49,163 | 47,835 |
| PK Production | 7,754 | 9,846 | 9,595 |



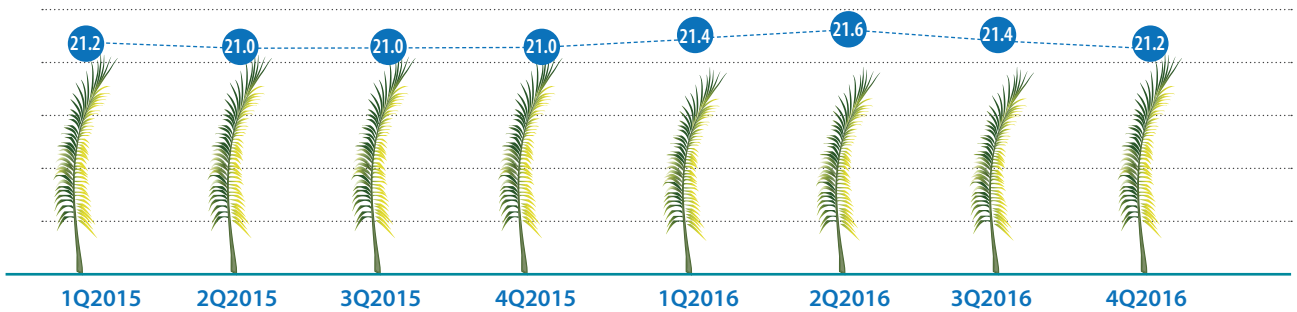
FFB YIELD (tons/ha) – Nucleus

FY2016 YIELD – 16.3
FY2015 YIELD – 15.8



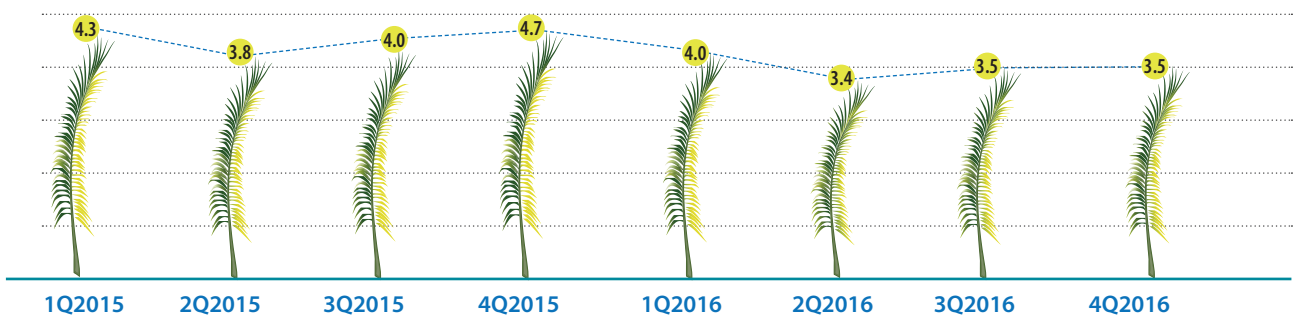
CPO EXTRACTION RATE (%)

FY2016 – 21.4
FY2015 – 21.1



PK EXTRACTION RATE (%)

FY2016 – 3.6
FY2015 – 4.2



FINANCIAL REVIEW

FY2016 FINANCIAL REVIEW

The conversion rates used in this annual report are S\$1:Rp9,299 for FY2016 and S\$1:Rp9,751 for FY2015.

STATEMENT OF COMPREHENSIVE INCOME

For the 12 months ended 31 December 2016 ("FY2016"), Global Palm Resources reported a 20% increase in revenue to Rp385.7 billion (S\$41.5 million). This was contributed mainly by higher Crude Palm Oil ("CPO") sales volume and higher CPO average selling prices, as well as higher Palm Kernels ("PK") sales volume and higher PK average selling prices.

Gross profit increased to Rp91.7 billion (S\$9.9 million) or 72% from Rp53.4 billion (S\$5.5 million) in FY2015. Gross profit margin improved 7.2% to 23.8% in FY2016, from 16.6% in FY2015.

The Group posted a net profit attributable to shareholders of Rp46.4 billion (S\$5.0 million) for FY2016, compared to a net profit attributable to shareholders of Rp26.5 billion (S\$2.7 million) a year ago.

The Group's EBITDA was at Rp72.6 billion (S\$7.8 million) in FY2016, 70% higher than a year ago.

ANNUAL VOLUME SALES BY PRODUCT (TONS)

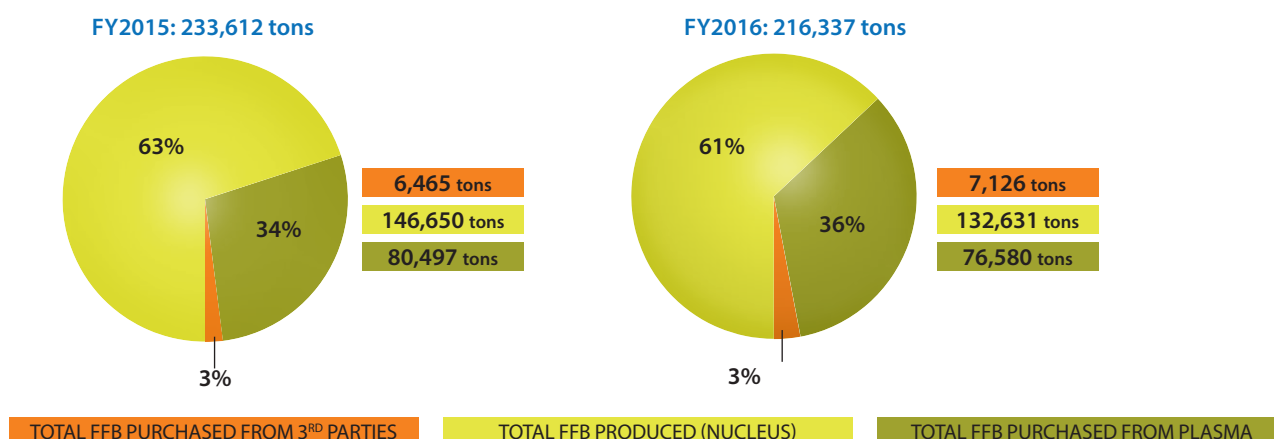
| | FY2014 | FY2015 | FY2016 |
|----------------------------|---------------|---------------|---------------|
| CPO | 48,185 | 45,021 | 46,175 |
| PALM KERNEL | 9,765 | 8,009 | 8,035 |
| REVENUE (Rp' billion) | 428.3 | 321.6 | 385.7 |
| GROSS PROFIT (Rp' billion) | 140.8 | 53.4 | 91.7 |
| GROSS PROFIT MARGIN (%) | 32.9% | 16.6% | 23.8% |
| EBITDA (Rp' billion) | 130.7* | 42.7 | 72.6 |

* Excluding changes in fair value of biological assets

ANNUAL AVERAGE SELLING PRICES BY PRODUCTS (RP/KG)

| | FY2014 | FY2015 | FY2016 |
|-----------------------------------|--------------|--------------|--------------|
| CPO | 8,048 | 6,530 | 7,467 |
| PALM KERNEL | 4,145 | 3,441 | 5,099 |
| ANNUAL EXTRACTION RATE (%) | | | |
| CPO | 21.7 | 21.1 | 21.4 |
| PALM KERNEL | 4.3 | 4.2 | 3.6 |
| ANNUAL FFB YIELD (tons/ha) | 15.6 | 15.8 | 16.3 |



BREAKDOWN OF FFB OUTPUT (tons and %)**SEGMENT ANALYSIS****Revenue**

In FY2016, the Group's revenue from CPO rose by 17% from Rp294.0 billion (S\$30.2 million) in FY2015 to Rp344.8 billion (S\$37.1 million). The Group's revenue from PK rose by 49% from Rp27.6 billion (S\$2.8 million) in FY2015 to Rp41.0 billion (S\$4.4 million) in FY2016.

Sales Volume

The Group sold 46,175 tons of CPO and 8,035 tons of PK in FY2016 compared to 45,021 tons of CPO and 8,009 tons of PK a year ago. This represented a 2.6% rise in sales volume for CPO and a 0.3% increase in sales volume for PK.

Average Selling Price

The average selling price ("ASP") of CPO rose by 14% to Rp7,467/kg (S\$0.80/kg) while the ASP for PK rose 48% to Rp5,099/kg (S\$0.55/kg) in FY2016.

Production Statistics

Total tonnage of FFB processed decreased by 16,963 tons or 7% from 233,341 tons in FY2015 to 216,378 tons in FY2016. Total FFB produced from Nucleus decreased by 14,019 tons or 10% to 132,631 tons in FY2016 as compared to 146,650 tons in FY2015.

Total FFB purchased from Plasma has decreased by 3,917 tons or 5% from 80,497 tons in FY2015 to 76,580 tons in FY2016. Total FFB purchased from 3rd parties increased 661 tons or 10%, from 6,465 tons in FY2015 to 7,126 tons in FY2016. The annual FFB yield has improved by 1% to 16.3 tons/ha in FY2016, as compared to 15.8 tons/ha in FY2015.

Productivity

The CPO extraction rate improved to 21.4% in FY2016 (FY2015: 21.1%) while PK extraction rate declined to 3.6% in FY2016 (FY2015: 4.2%).

FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

| Key Highlights (Rp' billion) | FY2016 | FY2015 (Restated) | Change (%) |
|--|--------|-------------------|------------|
| Total Assets | 764.2 | 720.1 | 6.1 |
| – Bearer plants | 109.1 | 111.6 | (2.2) |
| – Property, plant and equipment | 129.7 | 131.6 | (1.4) |
| – Plasma plantation receivables | 67.0 | 60.6 | 10.6 |
| – Biological assets | 2.4 | 1.5 | 60.0 |
| – Inventories | 48.8 | 50.9 | (4.1) |
| – Cash and cash equivalents | 372.9 | 319.5 | 16.7 |
| Total Liabilities | 108.0 | 72.8 | 48.4 |
| – Trade and other payables | 58.3 | 32.6 | 78.8 |
| – Provision for post-employment benefits | 39.7 | 33.7 | 17.8 |
| Total Equity | 656.2 | 647.4 | 1.4 |

TOTAL ASSETS

As at 31 December 2016, the total assets of the Group increased by 6.1% to Rp764.2 billion (S\$82.2 million). The Group's non-current assets decreased by 3.3% to Rp298.4 billion (S\$32.1 million) in FY2016. The decrease is mainly due to a decrease in biological assets resulting from the write off of mature plantation for replanting purposes, write off of deferred charges, the disposal of property plant and equipment and decrease in receivables from the credit extended to the Plasma farmers for the plots of oil palm plantations transferred under the government. Cash and cash equivalents increased by Rp53.4 billion (S\$5.7 million) and this contributed to the increase in the current assets for the Group, from Rp411.7 billion (S\$42.2 million) in FY2015 to Rp465.8 billion (S\$50.1 million) in FY2016.

TOTAL LIABILITIES

As at 31 December 2016, the total liabilities of the Group increased by 48.4% to Rp108.0 billion (S\$11.6 million). Non-current liabilities for the Group increased by 16.4% to Rp43.0 billion (S\$4.6 million) in FY2016, mainly due to the increase in the provision for post-employment benefits of Rp6.0 billion (S\$0.6 million). Current liabilities for the Group increased by 81.6% to Rp65.0 billion (S\$7.0 million) in FY2016 mainly due to the increase in trade and other payables, resulted from the advances received from customers.

FINANCIAL POSITION

The net asset value ("NAV") of the Group was Rp656.2 billion (S\$70.6 million) as at 31 December 2016. NAV/share improved marginally to Rp3,284/share (S\$0.35/share) in FY2016 from Rp3,180/share (S\$0.33/share).

CASH FLOW

| Key Highlights (Rp' billion) | FY2016 | FY2015 (Restated) |
|--|--------|-------------------|
| Net cash from/(used in) operating activities | 105.0 | (43.3) |
| Net cash used in investing activities | (20.8) | (33.5) |
| Net cash used in financing activities | (19.6) | (33.4) |
| Cash and cash equivalents at the end of the year | 372.9 | 319.5 |

Net cash from operating activities in FY2016 of Rp105.0 billion was mainly due to the cash generated from the decrease in trade and other receivables.

Net cash used in investing activities of Rp20.8 billion comprised mainly the cost of maintaining the immature plantation, land development and nurseries, and purchase of plant and equipment.

Net cash used in financing activities of Rp19.6 billion was mainly due to dividends paid to owners of the parent of Rp7.9 billion and dividends paid to non-controlling interest equity holders of the Company of Rp1.3 billion, and for the buyback of the Company's shares to be held as treasury shares of Rp10.2 billion.

Overall, the Group's cash position remained healthy with an accumulation of cash resources of Rp372.9 billion (S\$40.1 million) as at 31 December 2016.



CORPORATE INFORMATION

COMPANY REGISTRATION NUMBER

200921345M

BOARD OF DIRECTORS

Dr Tan Hong Kiat @ Suparno Adijanto (Executive Chairman and CEO)

Ivan Swandono (Executive Director and Chief Operating Officer)

Yee Kit Hong (Lead Independent Director)

M. Rajaram (Independent Director)

Guok Chin Huat Samuel (Independent Director)

COMPANY SECRETARY

Winston Seow

Leong Chuo Ming

REGISTERED OFFICE

105 Cecil Street

#24-01

The Octagon

Singapore 069534

Tel: (65) 6220 0170

Fax: (65) 6220 4642

Website: www.gprholdings.com

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place

#32-01 Singapore Land Tower

Singapore 048623

INDEPENDENT AUDITORS

BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road

#23-01 Parkview Square

Singapore 188778

Partner-in-charge: William Ng Wee Liang

(Appointed since the financial year ended 31 December 2016)

PRINCIPAL BANKERS

PT Bank UOB Indonesia

PT Bank CIMB Niaga Tbk

Oversea-Chinese Banking Corporation Limited



CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) recognises the importance of corporate transparency and is committed to high standards of corporate governance to protect shareholders’ interests, and enhance shareholders’ value. This report describes the Company’s corporate governance policies and practices with specific reference made to each of the principles of the Code of Corporate Governance which was revised in May 2012 (the “Code”). Unless otherwise stated, these practices were in place for the entire year.

This Report describes the practices the Company has undertaken with respect to each of the principles and guidelines and the extent of its compliance with the Code.

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board’s primary role is to protect and enhance long-term shareholders’ value and returns. The Board meets quarterly and as warranted by particular circumstances, as deemed appropriate by the members of the Board.

The principal functions of the Board are, amongst other things, the following:

- providing entrepreneurial leadership, setting strategic directions, overseeing management effectiveness and ensuring proper conduct and sustainable development of the Group’s business;
- providing the overall strategy of the Group;
- ensuring that policies and processes are in place for evaluating the adequacy of internal controls, financial reporting, financial performance, risk management and compliance; and
- assuming responsibility for the corporate governance framework of the Group.

To assist the Board in the execution of its responsibilities, the Board is supported by 4 Board Committees, namely the Nominating Committee (“NC”), the Remuneration Committee (“RC”), the Audit Committee (“AC”) and the Risk Committee. Each Board Committee has its own terms of reference.

The Company has taken steps to ensure participation of all Directors when selecting Directors to the 4 committees so as to maximise their effectiveness. All Board Committees are headed by Independent Directors.

CORPORATE GOVERNANCE REPORT

The number of Board and Board Committee meetings held and attended by each Board member for the financial year ended 31 December 2016 is set out as follows:

| Meetings Directors | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|--|---------------|-------------------|-----------------|-------------------|----------------------|-------------------|------------------------|-------------------|
| | Meetings Held | Meetings Attended | Meetings Held | Meetings Attended | Meetings Held | Meetings Attended | Meetings Held | Meetings Attended |
| Dr Tan Hong Kiat @ Suparno Adijanto | 4 | 4 | 4 | *4 | 1 | 1 | 1 | *1 |
| Ivan Swandono** | 4 | 4 | 4 | *4 | 1 | *1 | 1 | *1 |
| Yee Kit Hong | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| M. Rajaram | 4 | 3 | 4 | 3 | 1 | – | 1 | – |
| Guok Chin Huat Samuel | 4 | 3 | 4 | 3 | 1 | 1 | 1 | 1 |

* By invitation.

** Appointed as Executive Director on 12.05.2016

The Company's Articles of Association provide for the Directors to participate in Board and Board Committee meetings by means of telephone conference, video conference or in such manner as the Board may determine.

The Board has received relevant training to familiarise themselves with the roles and responsibilities of a Director of a public listed company in Singapore. In addition, the Directors may also attend other appropriate or relevant courses, conferences and seminars. Management would conduct briefings and orientation programmes to familiarise newly appointed Directors with the various businesses and operations of the Group, including site visits to the Group's plants in Indonesia.

The Board has identified the following areas for which the Board has direct responsibility for decision making within the Group:–

- Approval of corporate strategies;
- Approval of material acquisitions and disposals of assets*;
- Approval of any major borrowing and corporate guarantees in relation to borrowings*;
- Approval of issuance of shares and declaration of dividends*;
- Approval of the annual report and audited financial statements;
- Convening of general meetings;
- Approval of the Group's quarterly and full year financial result announcements for release to the Singapore Exchange Securities Trading Limited ("SGX-ST");
- Approval of announcements and press releases concerning the Group to the SGX-ST; and
- Approval of any agreement that is not in the ordinary course of business*.

* Where appropriate and subject to shareholders' approval.

CORPORATE GOVERNANCE REPORT

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises 5 members, the majority of whom are Independent Directors.

Executive Directors

Dr Tan Hong Kiat @ Suparno Adijanto (Chairman and Chief Executive Officer)

Ivan Swandono (Executive Director and Chief Operating Officer) (Appointed on 12.05.2016)

Independent Directors

Yee Kit Hong

M. Rajaram

Guok Chin Huat Samuel

The Board considers a Director "independent" if he has no relationship with the Company, its related corporations, its 10% shareholders (as defined in the Code) or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The independence of each Director will be reviewed annually by the Nominating Committee in accordance with the Code's definition of independence. Each Independent Director is required to complete a 'Confirmation of Independence' to confirm his independence. The said confirmation, which was drawn up based on the definitions and guidelines set forth in Guideline 2.3 in the Code and the Guidebook for Audit Committees in Singapore issued by Audit Committee Guidance Committee ("Guidebook") in October 2008, requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code.

The NC noted that pursuant to Guideline 2.2 of the Code, the Independent Directors should make up at least half of the Board where the Chairman of the Board and the Chief Executive Officer ("CEO") is the same person. Accordingly, the NC has reviewed the forms completed by each Director and is satisfied that at least half of the Board comprises of Independent Directors.

None of the directors have served the Company for a period exceeding nine years. As and when directors serve beyond nine years, the Nominating Committee performs a particularly rigorous review to assess the independence of the relevant directors.

The Board regularly examines its size and take into account the scope and nature of the Group's operations, the diversified background, knowledge and experience of the Directors who collectively possess the necessary core competencies to function effectively and make informed decisions in overseeing the Company's business. The Board is satisfied that it is on an appropriate size to facilitate effective deliberations and decision making.

CORPORATE GOVERNANCE REPORT

Role of Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman and CEO are the same person. The Board is of the view that there are sufficient safeguards in place to ensure that the Management is accountable to the Board as a whole.

The Chairman and CEO of the Group is Dr Tan Hong Kiat @ Suparno Adijanto. As the Chairman, he is responsible for leading the Board to ensure its effectiveness on all aspects of its role. He sets the agenda for Board meetings, ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He promotes a culture of openness and debate at the Board and encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of Non-Executive Directors, and ensures effective communication with shareholders. He takes a lead role in promoting high standards of corporate governance.

Although the roles and responsibilities of the Chairman and CEO are vested in Dr Tan Hong Kiat @ Suparno Adijanto, major decisions are made in consultation with the Board, the majority of whom are Independent Directors. The Board is of the opinion that the process of decision making by the Board was independent and based on collective decisions without any individual or small group of individuals dominating the Board's decision making.

In line with Guideline 3.3 of the Code, the Company appointed Mr Yee Kit Hong as its Lead Independent Director with effect from 16 March 2010. The Lead Independent Director will lead and coordinate the activities of the Independent Directors and serve as a principal liaison on Board issues between the Independent Directors and the Chairman of the Board. The Lead Independent Director is available to shareholders who have concerns which contact through the normal channels of the Chairman, CEO, Executive Directors or Chief Financial Officer ("CFO") have failed to resolve or for which such contact is inappropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises 3 Independent Directors and an Executive Director. The members of the NC are:

M. Rajaram (Chairman)
Yee Kit Hong
Guok Chin Huat Samuel
Dr Tan Hong Kiat @ Suparno Adijanto

The NC is governed by its terms of reference. In accordance with the requirement of the Code, the Chairman of the NC is an Independent Director and the Lead Independent Director is also a member of the NC.

The NC makes recommendation to the Board on relevant matters relating to the review of board succession plans for Directors, in particular, the Chairman and for the CEO; the development of the process for evaluation of the performance of the Board, its Board Committees and Directors, the review of training and professional development programs for the Board; and the appointment and re-appointment of Directors.

CORPORATE GOVERNANCE REPORT

It ascertains the independence of Directors and evaluates the Board's performance as a whole. The NC assesses the independence of Directors, based on the guidelines set out in the Code, the Guidebook and any other salient factors.

Following its annual review, the NC has affirmed the independence of Mr M. Rajaram, Mr Yee Kit Hong and Mr Guok Chin Huat Samuel. The NC, in recommending the nomination of any Director for a re-election, considers the contribution of the Director, which includes his attendance record, overall participation, expertise, strategic vision, business judgment and sense of accountability.

The NC ensures that the Board and the Board Committee members are best suited for their respective appointments and able to discharge their responsibilities as such members of the Board and/or Board Committees. In addition, the selection of Directors requires careful assessment to ensure there is an equitable distribution of responsibilities amongst the Directors.

In the nomination and selection process, the NC reviews the composition of the Board by taking into consideration the mix of expertise, skills and attributes of existing Board members, to identify desirable competencies for a particular appointment. In doing so, it strives to source for candidates who possess the skills and experience that will further strengthen the Board, and are able to contribute to the Company in relevant strategic business areas, in line with the growth and development of the Group.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations. Nevertheless, in line with the Code, the Board has adopted the general rule that each Director should hold no more than 4 Board appointments.

Pursuant to the Company's Articles of Association, every Director (other than a Director holding office as Managing Director) must retire from office at least once every 3 years by rotation. Directors who retire are eligible to offer themselves for re-election. The CEO, as a Director, is subject to the same retirement-by-rotation provisions as the other Directors and such provisions will not be subject to any contractual terms that he may have entered into with the Company. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance, independence or re-appointment as a Director.

Dr Tan Hong Kiat @ Suparno Adijanto, Mr Ivan Swandono and Mr Guok Chin Huat Samuel will be retiring at the forthcoming annual general meeting to be held on 25 April 2017 ("AGM"). The NC has reviewed and recommended the re-election of the abovementioned Directors at the forthcoming AGM. The Board has accepted the recommendation and Dr Tan Hong Kiat @ Suparno Adijanto, Mr Ivan Swandono and Mr Guok Chin Huat Samuel will be offering themselves for re-election.

CORPORATE GOVERNANCE REPORT

Key information regarding the Directors is set out below:

| Director | Date of First Appointment | Date of Last Re-election | Present Directorships and Chairmanships in Other Listed Companies and Major Appointments/other principal commitments | Past 3 Years Directorships and Chairmanships in Other Listed Companies and Major Appointments |
|-------------------------------------|---------------------------|--------------------------|--|---|
| Dr Tan Hong Kiat @ Suparno Adijanto | 13 November 2009 | 23 April 2015 | Nil | Nil |
| Mr Ivan Swandono | 12 May 2016 | Nil | Nil | Nil |
| Yee Kit Hong | 16 March 2010 | 25 April 2016 | Listed Companies 1. Nam Cheong Limited as Independent Director 2. CMC Infocomm Limited as Independent Director 3. Acromec Limited as Independent Director | Listed Companies 1. Scorpio East Holdings Ltd as Independent Director |
| M. Rajaram | 16 March 2010 | 25 April 2016 | Listed Companies 1. Hiap Seng Engineering Ltd as Independent Director | Listed Companies 1. United Fiber System Limited as Non-Executive Chairman |
| Guok Chin Huat Samuel | 16 March 2010 | 23 April 2015 | Listed Companies 1. Bukit Sembawang Estates Limited as Chairman and Independent Director 2. Datapulse Technology Limited as Independent Non-Executive Director 3. Redwood Group Ltd as Independent Director | Nil |

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board.

With the approval of the Board, the NC had implemented and continued with an annual performance evaluation process to assess the effectiveness of the Board as a whole. The purpose of the evaluation is to increase the overall effectiveness of the Board. The NC has decided unanimously, that the Directors will not be evaluated individually but factors taken into consideration for their re-appointment are amongst other things, the attendance record at meetings, the intensity of participation in the proceedings at meetings and quality of contribution in the proceedings of the meetings.

Each Director is requested to complete evaluation forms to assess the overall effectiveness of the Board as a whole. The appraisal process focused on the evaluation of factors such as the size and composition of the Board, the Board's access to information, Board processes and accountability, communication with Management and Directors' standards of conduct. The results of the evaluation are used constructively by the NC to identify areas of improvements and to recommend to the Board the appropriate action.

Individual Director's performance is evaluated annually and informally on a continual basis by the NC and the Chairman. The criteria taken into consideration by the NC and the Chairman include whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties).

Access to Information

Principle 6: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfil its responsibilities, the Board is provided with management reports containing complete, adequate and timely information prior to Board meetings and on an on-going basis. The Directors are given separate and independent access to the Group's Management and the Company Secretary to address any enquiries at all times.

The Company Secretary and/or his representatives attends Board and Board Committees meetings and is responsible for ensuring that proper Board procedures at such meetings are followed. He, together with the Company's legal advisors, auditors and other professionals, are responsible for advising the Company on the requirements of the Singapore Companies Act, the Listing Manual of the SGX-ST and other rules and regulations that are applicable to the Company; and the Management is responsible for ensuring that the Company complies with the same. The Directors may seek professional advice in the furtherance of their duties and the costs will be borne by the Company.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee ("RC") comprises 3 Independent Directors, namely:

Guok Chin Huat Samuel (Chairman)
Yee Kit Hong
M. Rajaram

The RC is governed by its terms of reference. In accordance with the requirement of the Code, all members of the RC are Non-Executive Directors. The RC will review the framework of remuneration for the Directors and key management personnel, and determine specific remuneration packages for the CEO and Executive Directors. The recommendations of the RC are submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. The RC is also empowered to review human resource management policies and the policies governing the compensation of key management personnel.

The total remuneration of the employees who are related to our Directors will be reviewed annually by the RC to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. In the event that a member of the RC is related to the employee under review, he will abstain from voting on the matter.

In structuring and reviewing the Directors' remuneration packages, a significant and appropriate proportion of Executive Director's and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. The RC seeks to align such performance related remuneration with the interest of shareholders and promote the long-term success of the Company. The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The objective is to ensure competitive compensation is in place to build and retain capable and committed Management. The RC did not engage any external professional advice on matters relating to remuneration for the financial year ended 2016.

The RC will ensure that existing relationships, if any, between the Company and such professional advisers, should they be appointed, will not affect the independence and objectivity of the professional advisers.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 8: The level of remuneration should be align with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC will take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages would take into account the Group's relative performance and the performance of individual Director.

Executive Directors do not receive Directors' fees. The remuneration for Executive Directors comprise basic salary component and variable component, namely the annual incentive bonus. The latter is based on the performance of the Group as a whole and their individual performance.

The Company entered into service agreement with Dr Tan Hong Kiat @ Suparno Adijanto as Executive Director. The service agreement is for an initial period of 3 years commencing from the date of the listing of the Company on the SGX-ST, subject to an automatic renewal for a 3-year term on the same terms and conditions upon the expiry thereof. During the initial period of 3 years, the parties may terminate the service agreement by either party giving not less than 6 months' notice in writing to the other. The agreement currently provide for performance-related elements of remuneration.

Non-Executive Directors are paid Directors' fees, appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, subject to shareholders' approval at AGM.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Remuneration of Directors

A breakdown of each Director's remuneration for the financial year ended 31 December 2016 is set out below:

| Remuneration Band | Number of Directors | |
|--------------------------------|---------------------|------|
| | 2016 | 2015 |
| S\$250,000 to below S\$500,000 | 1 | 1 |
| Below S\$150,000 | 4 | 3 |

CORPORATE GOVERNANCE REPORT

| Directors | Fees | Salary/ Allowance | Bonus/Benefit | Total |
|-------------------------------------|-----------------|------------------------------|----------------------|-----------------|
| | S\$ '000 | S\$ '000 | S\$ '000 | S\$ '000 |
| Dr Tan Hong Kiat @ Suparno Adijanto | – | 259* | 43 | 302* |
| Ivan Swandono** | – | 89* | 18* | 107* |
| Yee Kit Hong | 65 | – | – | 65 |
| M. Rajaram | 60 | – | – | 60 |
| Guok Chin Huat Samuel | 60 | – | – | 60 |

* Based on conversion rate of S\$1: Rp9,299 for FY2016.

** Mr Ivan Swandono is the nephew of Dr Tan Hong Kiat @ Suparno Adijanto, the Executive Chairman and CEO, and the son of Tan Hong Whan @ Swandono Adijanto (Dr Tan Hong Kiat @ Suparno Adijanto's brother).

Remuneration of Top Five Key Executives

The remuneration of the top five key management personnel for the financial year ended 31 December 2016 are as follows:–

| Remuneration Band | Number of Executives FY2016 | Number of Executives FY2015 |
|--------------------------|--|--|
| Below S\$250,000* | 5 | 5 |

| Name of Executives | Fees | Salary/ Allowance | Bonus/Benefit | Total |
|---------------------------|-------------|------------------------------|----------------------|--------------|
| | % | % | % | % |
| Below S\$250,000 | | | | |
| Ge Luyanto Yamin* | – | 83 | 17 | 100 |
| Lim Ardi Dharma* | – | 79 | 21 | 100 |
| Berlino Mahendra* | – | 84 | 16 | 100 |
| Hendrik Virgilius* | – | 93 | 7 | 100 |
| Wong Kim Poh* | – | 84 | 16 | 100 |

The aggregate total remuneration paid to the top five key management personnel (who are not Directors or the CEO) for the financial year ended 31 December 2016 is S\$414,986*.

* Based on conversion rate of S\$1: Rp9,299 for FY2016.

CORPORATE GOVERNANCE REPORT

Remuneration of Immediate Family Members of CEO and Executive Directors

Information on the remuneration of employees who are immediate family of the CEO and Executive Directors is as follows:-

| Remuneration Band/ Name of employees | Fees | Salary/ Allowance | Bonus/Benefit | Total |
|--|------|----------------------|---------------|-------|
| Below S\$50,000 | % | % | % | % |
| Tan Hung Hwie @ Winoto Adijanto* | - | - | - | - |
| Tan Ying Mei | - | 100 | - | 100 |
| S\$50,001 to S\$100,000 | | | | |
| Tan Hong Pheng @ Pintarso Adijanto* | - | 89 | 11 | 100 |
| S\$100,001 to S\$150,000 | | | | |
| Tan Hong Swan @ Tan Hong Whan @ Swandono Adijanto*/** | - | 90 | 10 | 100 |

* Based on conversion rate of S\$1: Rp9,299 for FY2016.

** Mr Tan Hong Pheng @ Pintarso Adijanto, Mr Tan Hong Swan @ Tan Hong Whan @ Swandono Adijanto and Mr Tan Hung Hwie @ Winoto Adijanto are the brothers of Dr Tan Hong Kiat @ Suparno Adijanto, the Executive Chairman and CEO.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the remuneration packages are adequate but not excessive.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board understands its accountability to the shareholders on the Group's financial position and performance. In this respect, in the discharge of its duties to the shareholders, the Board, when presenting the annual audited financial statements and quarterly results announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with relevant information on the Group's performance, financial position and prospects on a regular basis.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extend of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board recognises that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, human error, fraud or other irregularities. In order to control, manage and mitigate these risks, the Company has formed the Risk Committee (the "Risk Committee") on 8 May 2013.

CORPORATE GOVERNANCE REPORT

The Risk Committee comprises 2 Independent Directors and an Executive Director, namely:

Guok Chin Huat Samuel (Chairman)
M. Rajaram
Dr Tan Hong Kiat @ Suparno Adijanto

The Risk Committee is governed by its terms of reference. The primary role of the Risk Committee is to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies.

The Risk Committee determines the Company's levels of risk tolerance and risk policies, and oversees the Management in the design and implementation of a framework for the monitoring of risk management. It regularly reviews the risks and controls of the Group's business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Risk Committee. The Risk Committee reviews, at least annually, the adequacy and effectiveness of the Company's risk management and internal control systems, of which includes the financial, operational, compliance and information technology controls.

Based on the framework of risk management control and the internal controls established and maintained by the Company, work performed by the internal and external auditors, reviews performed by the Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that, the system of internal controls that has been maintained by the Management was adequate to address the financial, operational and compliance risks of the Company.

The Board has received assurances from the CEO and the CFO that:-

- (a) the financial records of the Group for the financial year ended 31 December 2016 have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances in accordance with the applicable financial reporting framework that are free from material misstatement; and
- (b) the system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee ("AC") comprises 3 Independent Directors, namely:

Yee Kit Hong (Chairman)
M. Rajaram
Guok Chin Huat Samuel

In accordance with the requirement of the Code, all members of the AC are Non-Executive Directors. The members of the AC are appropriately qualified, having the necessary experience in business management, finance, audit and law to discharge their responsibilities. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions.

CORPORATE GOVERNANCE REPORT

The AC is governed by its terms of reference. The terms of reference of the AC, where appropriate, adopts relevant best practices set out in the Guidebook, which will be used as a reference to assist the AC in discharging its responsibilities and duties.

The AC performs the functions set out in the Code and, amongst other things, assists the Board in discharging its responsibility to safeguard the Group's assets, maintains adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group. The AC will provide a channel of communication between the Board, the Management and the external auditors on matters relating to audit.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or key management personnel to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC has, within its terms of reference, the authority to obtain independent professional advice at the Company's expense as and when the need arises.

The AC will meet at least 4 times a year and its principal duties include:

- (a) review the audit plans of the external auditors and internal auditors, including the results of the external and internal auditors' review and evaluation of the system of internal accounting controls;
- (b) review the annual consolidated financial statements and the external auditors' report on such financial statements, and discuss the Key Audit Matters included in the Auditor's Report, any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of the Management, where necessary, before submission to the Board for approval;
- (c) review the scope and results of the internal audit procedures;
- (d) consider the appointment or re-appointment of the external and internal auditors and matters relating to resignation or dismissal of the auditors;
- (e) review the cooperation given by the officers to external and internal auditors;
- (f) review and approve any Interested Person Transactions, Related Person Transactions and/or potential conflicts of interest;
- (g) monitor the undertakings described in the section entitled "Interested Person Transactions and Conflicts of Interest", if any;
- (h) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (i) generally undertake such other functions and duties as may be required by law or the Listing Manual, or by such amendments as may be made thereto from time to time.

CORPORATE GOVERNANCE REPORT

In July 2010, the Singapore Exchange Limited and Accounting and Corporate Regulatory Authority had launched the Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors (“Guidance”) which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC has evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance.

The AC has undertaken a review of the independence and objectivity of the external auditors. The AC has also undertaken a review of non-audit services provided by the auditor and they would not, in the opinion of the AC’s opinion, affect their independence. The Company has the following aggregate amount of fees paid/payable to Messrs BDO LLP, the external auditors, for the financial year ended 31 December 2016:–

| Services | Amount (Rp’000) |
|-----------------|------------------------|
| Audit Fees | 792,309 |
| Non-audit Fees | – |
| Total | 792,309 |

Save for professional fees and miscellaneous expenses incurred for audit services, the Company have not paid any non-audit fees, to the external auditors for the financial year ended 31 December 2016.

The AC is satisfied that the external auditors are independent and the external auditors had also provided a confirmation of their independence to the AC. Having assessed the external auditors based on factors such as performance and quality of their audit and their independence, the AC has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM. The Group has complied with Rule 712 and Rule 715 of the Listing Manual issued by the SGX-ST.

The AC has direct access to the internal and external auditors and met with them without the presence of Management for the financial year ended 31 December 2016.

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

- (i) independent investigations are carried out in an appropriate and timely manner;
- (ii) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (iii) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balanced and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

To-date, no report has been received through the whistle-blowing mechanism.

The AC has reviewed all Interested Person Transactions during the financial year ended 31 December 2016 and is of the opinion that Chapter 9 of the Listing Manual of the SGX-ST has been complied with.

CORPORATE GOVERNANCE REPORT

In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from participating in the proceedings in relation to that particular transaction and voting on that particular resolution.

Internal Audit

Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The Company has outsourced the internal audit functions of the Group to Baker Tilly Consultancy (Singapore) Pte Ltd. The internal auditors will report directly to the AC. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. To ensure the adequacy and effectiveness of the internal audit function, the AC will review and approve the internal audit plan and assess the effectiveness of the internal audit by examining the scope of the internal auditor's work and its independence, the internal auditor's reports and its relationship with the external auditors on an annual basis. The AC will ensure that the internal auditors meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors provide adequate staffing with relevant qualifications and experience to conduct the internal audits.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuous disclosure obligations of the Company pursuant to the Listing Manual of SGX-ST, the Company is committed to ensure that all shareholders should be equally informed of all major developments of the Company which would be likely to materially affect the price or value of the Company's shares.

The Board of Directors of the Company, including the Chairpersons of the AC, RC, NC and Risk Committee will be present at the general meetings to address any questions or concerns that the shareholders may have. The external auditors are usually present at the AGM to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company does not practice selective disclosure and strives to engage in regular and effective communication with shareholders. It is the Board's policy that shareholders be informed of all major developments that may have an impact on the Group. Information is communicated to shareholders on a timely basis and is made through:

- (i) annual reports that are prepared and issued to all shareholders;
- (ii) quarterly results announcements;

CORPORATE GOVERNANCE REPORT

- (iii) media meetings;
- (iv) press releases;
- (v) corporate website at <http://www.gprholdings.com/>; and
- (vi) disclosures via SGXNET.

The Group understands the increasing global attention towards issues of environmental protection and social responsibility. In this respect, the Group continues its commitment towards sustainable development of palm oil as part of the Group's corporate social responsibility. The Company is also a member of Roundtable of Sustainable Palm Oil ("RSPO"), a not-for-profit association which main purpose is to promote the production and use of palm oil in a sustainable manner. Further, the Company voluntarily practices sustainability reporting on an annual basis as contained in its Annual Report so as to provide stakeholders with an additional dimension beyond financial performance of the Group.

The Company does not have a policy on payment of dividends. The issue of payment of dividend is deliberated by the Board annually having regards to various factors.

Greater Shareholders Participation

Principle 16: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The shareholders are encouraged to attend the general meetings of the Company to ensure a high level of accountability by the Board and Management and to stay informed of the Group's strategies and growth plans. All shareholders are given the opportunity to participate, voice their views or opinions and to raise questions regarding the Company. The Chairpersons and/or members of the Board, AC, RC, NC and Risk Committee will be available at the AGM to address any relevant queries from the shareholders. The external auditors will also be present at the AGM to address shareholders' queries about the conduct of the audit and the preparation and content of the auditors' report.

Separate resolutions are proposed for substantially separate issues at general meetings. In addition, each item of special business included in the notice of the general meetings will be accompanied by an explanation of the effects of a proposed resolution. The Company's Articles of Association allow each shareholder to appoint up to 2 proxies to vote on his/her behalf at the general meeting.

DEALING IN SECURITIES

The Company is guided by Rule 1207(19) of the Listing Manual of the SGX-ST in relation to the dealings in the securities of the Company. The Company and its officers are not allowed to deal in the Company's shares (i) during the period commencing 2 weeks before the announcement of the Company's financial results for each of the first 3 quarters of its financial year and 1 month before the Company's full financial year results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, Directors and employees are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

CORPORATE GOVERNANCE REPORT

MATERIAL CONTRACTS

There is no material contract entered into by the Company or any of its subsidiaries involving the interest of any Director or controlling shareholder during the year under review.

INTERESTED PERSON TRANSACTIONS (“IPT”S)

The Company has, in its Prospectus dated 21 April 2010, set out procedures for review and approval of the Group’s IPTs. To ensure compliance with the relevant rules under Chapter 9 of the Listing Manual, the Board and AC regularly reviews if the Group will be entering into any IPT and if it does, to ensure that the Group complies with the requisite rules under Chapter 9 in that all the IPTs are conducted at arm’s length and on normal commercial terms and ensuring that it will not be prejudicial to the interest of the Company and its minority shareholders.

The aggregate values of IPTs for the financial year ended 31 December 2016 is:

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) (Rp’million) | Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (Rp’million) |
|---------------------------|---|---|
| PT Bumiraya Utama Lines | 2,425 | NIL |
| PT Cemar Lestari | 1,940 | NIL |

UPDATE OF THE UTILIZATION OF THE INITIAL PUBLIC OFFERING (“IPO”) PROCEEDS OF S\$50.6 MILLION

As at 31 January 2017, the use of net proceeds from the IPO are as follows:

| Use of net proceeds | Amount allocated (S\$’million) | Amount utilised (S\$’million) | Balance (S\$’million) |
|---|--------------------------------|-------------------------------|-----------------------|
| Development of existing uncultivated land banks into oil palm plantations | 15.61 | 13.34 ⁽¹⁾ | 2.27 |
| Acquisition of other oil palm plantations and land banks | 15.00 | 1.08 ⁽²⁾ | 13.92 ⁽³⁾ |
| Repayment of the loans to PT Bank CIMB Niaga Tbk (“Bank Niaga”) | 5.00 | 5.00 | – |
| Construction of the co-composting plant | 2.00 | 1.49 | 0.51 |
| Working capital | 9.50 | 9.50 | – |
| Invitation expenses | 3.49 | 3.49 | – |
| Total | 50.60 | 33.90 | 16.70 |

CORPORATE GOVERNANCE REPORT

Notes:-

- (1) Out of the S\$13.34 million utilized for the development of existing uncultivated land banks into oil palm plantations, approximately S\$11.12 million were used for land clearing and new planting purposes.
- (2) The S\$1.08 million utilized for the acquisition of other oil palm plantations and land banks are expenses of S\$0.46 million incurred for the land location permit for 7,170 hectares of land in Muara Lesan Village and Lesan Dayak Village, both located in Berau Regency, East Kalimantan and expenses of S\$0.62 million incurred for the land location permit for 6,546 hectares of land in sub-districts of Ngabang and Jelimpo, both located in Landak Regency, West Kalimantan.
- (3) The Company has the option to acquire PT Cemar, an Indonesian-incorporated company which holds Hak Guna Usaha to approximately 6,429 ha of oil palm plantation land in the Landak Regency in West Kalimantan. The acquisition is subject to the fulfillment of conditions such as the conduct of legal and financial due diligence on PT Cemar as well as approvals required by the Indonesian authorities.

As at 31 January 2017, the use of net proceeds from the IPO working capital are as follows:-

| | Indonesia Office (S\$'million) | Singapore Office (S\$'million) | Amount utilised (S\$'million) |
|----------------------------|---|---|--|
| Plantation & Mill Expenses | 1.26 | - | 1.26 |
| Purchase of FFB | 1.76 | - | 1.76 |
| Transport & Freight | 0.36 | - | 0.36 |
| Fertilizers | 1.57 | - | 1.57 |
| Purchase of Fuel | 0.35 | - | 0.35 |
| Suppliers | 0.65 | - | 0.65 |
| Administration Expenses | 0.49 | 1.00 | 1.49 |
| Bank Interest | 0.11 | - | 0.11 |
| Leasing | 0.09 | - | 0.09 |
| Tax Payment | 1.86 | - | 1.86 |
| Total | 8.50 | 1.00 | 9.50 |

The Board is of the view that the above utilisation is in accordance with the disclosure in page 35 of the Prospectus dated 21 April 2010.

The Company will make further announcements via SGXNET as and when the balance of the IPO proceeds are materially disbursed in accordance with Rule 704(30) of the Listing Manual of the SGX-ST.

DIRECTORS' STATEMENT

The Directors of Global Palm Resources Holdings Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") and the statement of changes in equity of the Company for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. OPINION OF THE DIRECTORS

In the opinion of the Board of Directors,

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

2. DIRECTORS

The Directors of the Company in office at the date of this statement are as follows:

Tan Hong Kiat @ Suparno Adijanto
 Yee Kit Hong
 M. Rajaram
 Guok Chin Huat Samuel
 Ivan Swandono (Appointed on 12 May 2016)

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR 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.

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as follows:

| | Shareholdings registered in name of Director | |
|--|---|-----------------------------|
| | Balance as at 1.1.2016 | Balance as at 31.12.2016 |
| Ultimate holding company | Number of ordinary shares of US\$1 each | |
| <i>GPR Investment Holdings Limited</i> | | |
| Tan Hong Kiat @ Suparno Adijanto | 2,856 | 2,856 |

DIRECTORS' STATEMENT

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interests as at 21 January 2017 in the shares of the Company have not changed from those disclosed as at 31 December 2016.

5. SHARE OPTIONS

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. AUDIT COMMITTEE

The audit committee ("AC") of the Company is chaired by Yee Kit Hong, a Lead Independent Director, and includes M. Rajaram and Guok Chin Huat Samuel, who are both Independent Directors. The audit committee has met four times since the last Annual General Meeting ("AGM") and has carried out its functions in accordance with Section 201B(5), including reviewing the following, where relevant, with the Executive Directors and external and internal auditors of the Company:

- (a) the external auditor's proposed audit scope and approach and ensure no restrictions or limitations have been placed on the scope;
- (b) the independence of the external auditor, including reviewing the range of services provided in the context of all non-audit services provided to the Company, seeking to balance maintenance of objectivity and value for money;
- (c) the audit plans and results of the internal auditors examination and evaluation of the Group's systems of internal controls;
- (d) the Group's financial and operating results and accounting policies;
- (e) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (f) the quarterly, half yearly and full year financial announcements, as well as the related press releases of the Company and the Group;
- (g) the co-operation and assistance given by the management to the Company's external and internal auditors; and
- (h) the re-appointment of the external and internal auditors of the Company.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE (CONTINUED)

The AC has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. INDEPENDENT AUDITOR

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

On behalf of the Board of Directors

Tan Hong Kiat @ Suparno Adijanto
Director

Ivan Swandono
Director

30 March 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Global Palm Resources Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Global Palm Resources Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 45 to 105, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

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

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 are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Global Palm Resources Holdings Limited

Report on the Audit of the Financial Statements

Key Audit Matters

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

KEY AUDIT MATTER

AUDIT RESPONSE

1 Adoption of the Amendments to FRS 16 and FRS 41

Prior to 1 January 2016, the Group had accounted for oil palm plantations as biological assets.

On 1 January 2016, the Group adopted the Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants retrospectively in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Following the adoption, the Group has accounted for oil palm plantations separately as bearer plants while fresh fruit bunches ("FFB") continue to be accounted for as biological assets.

FFB is stated at fair value less estimated point-of-sale costs and bearer plant is measured using the cost model.

Consequently, the Group has restated the comparative figures for the financial year ended 31 December 2015.

The adoption of the Amendments to FRS 16 and FRS 41 was of most significance in our audit due to the significant judgement involved in determining the accounting policy and accounting for the bearer plants and FFB separately.

We performed the following audit procedures, amongst others:

We had extensive discussions with the management on the change in accounting policy as a result of adopting the Amendments to FRS 16 and FRS 41.

We reviewed the management's basis and method of separating the oil palm plantations and FFB accounted as bearer plants and biological assets respectively.

We evaluated the appropriateness and accuracy of the restatement of comparative figures by assessing the management's determination of the cost and accumulated depreciation of the bearer plants.

We reviewed the adequacy of the Group's disclosures, in particular the disclosures required by FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors for the change in accounting policy as a result of adopting the revised standards.

Refer to Notes 2.1, 2.6, 12 and 37 of the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Global Palm Resources Holdings Limited

Report on the Audit of the Financial Statements

| KEY AUDIT MATTER | AUDIT RESPONSE |
|--|--|
| <p>2 Valuation of biological assets (fresh fruit bunches)</p> | |
| <p>Biological assets, which comprise FFB growing on bearer plants, are stated at fair value less estimated point-of-sale costs.</p> | <p>We performed the following audit procedures, amongst others:</p> |
| <p>The Group's biological assets amounted to approximately Rp2.4 billion as at 31 December 2016.</p> | <p>We assessed the professional competency, capabilities and the objectivity of the independent valuer.</p> |
| <p>The fair value of biological assets is determined by an independent valuer, with certain input data provided by the management, using the market approach method.</p> | <p>We read the valuation report and discussed with the independent valuer and the management on the significant assumptions made.</p> |
| <p>The valuation of biological assets was of most significance in our audit due to the significant judgement involved in determining the underlying assumptions made in the calculation of the fair value of the biological assets. These assumptions include the FFB production yield, market selling price of FFB and transportation and harvesting costs.</p> | <p>With the assistance of our internal valuation specialist, we evaluated the reasonableness of the valuation approach used and the assumptions made by the independent valuer by:</p> <ul style="list-style-type: none"> ■ reviewing the input data provided by management to the independent valuer to estimate the FFB production yield and comparing these data to the relevant supporting documents such as daily harvesting/production records; ■ tracing the market selling price of FFB used in the valuation to the published price by the plantation authority of West Kalimantan Province; and ■ performing reasonableness tests on the harvesting cost and transportation cost. |
| <p>Refer to Notes 2.7, 19 and 35(d) of the accompanying financial statements.</p> | <p>We also considered the adequacy of the disclosures in the financial statements relating to fair value measurement of biological assets.</p> |

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Global Palm Resources Holdings Limited

Report on the Audit of the Financial Statements

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Global Palm Resources Holdings Limited

Report on the Audit of the Financial Statements

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

- 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.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is William Ng Wee Liang.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

| | Note | Group 2016 Rp'000 | 2015 (Restated) Rp'000 |
|--|------|-------------------------|------------------------------|
| Revenue | 4 | 385,737,762 | 321,556,351 |
| Cost of sales | 5 | (294,047,690) | (268,186,859) |
| Gross profit | | 91,690,072 | 53,369,492 |
| <i>Other items of income</i> | | | |
| Interest income | 6 | 14,364,629 | 11,564,390 |
| Changes in fair value less estimated point-of-sale costs of biological assets | 19 | 845,339 | (244,058) |
| Other income | 7 | 14,844,398 | 19,023,158 |
| <i>Other items of expense</i> | | | |
| Distribution expenses | | (1,332,224) | (658,542) |
| Administrative expenses | | (40,978,805) | (41,071,272) |
| Finance cost | 8 | (13,032) | (7,910) |
| Other expenses | | (9,544,828) | (6,249,110) |
| Profit before income tax | 9 | 69,875,549 | 35,726,148 |
| Income tax expense | 10 | (21,381,416) | (7,856,463) |
| Profit for the financial year | | 48,494,133 | 27,869,685 |
| Other comprehensive income: | | | |
| <u>Items that will not be reclassified subsequently to profit or loss:</u> | | | |
| Remeasurement of post-employment benefits | 26 | 105,646 | 3,487,009 |
| Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss | 10 | (26,412) | (871,752) |
| <u>Items that may be reclassified subsequently to profit or loss:</u> | | | |
| Currency translation differences | | (18,194,027) | 12,576,103 |
| Other comprehensive income for the financial year, net of tax | | (18,114,793) | 15,191,360 |
| Total comprehensive income for the financial year | | 30,379,340 | 43,061,045 |
| Profit attributable to: | | | |
| Owners of the parent | | 46,423,255 | 26,509,329 |
| Non-controlling interest | | 2,070,878 | 1,360,356 |
| | | 48,494,133 | 27,869,685 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | 28,304,501 | 41,569,926 |
| Non-controlling interest | | 2,074,839 | 1,491,119 |
| | | 30,379,340 | 43,061,045 |
| | | Rp | Rp (Restated) |
| Earnings per share | | | |
| – Basic and diluted | 11 | 230 | 130 |

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

| | Note | Group | | | Company | |
|---|------|----------------------|------------------------------------|-----------------------------------|----------------------|----------------------|
| | | 31.12.2016 Rp'000 | 31.12.2015 (Restated) Rp'000 | 1.12.2015 (Restated) Rp'000 | 31.12.2016 Rp'000 | 31.12.2015 Rp'000 |
| Non-current assets | | | | | | |
| Bearer plants | 12 | 109,105,613 | 111,565,719 | 139,924,339 | – | – |
| Property, plant and equipment | 13 | 129,735,933 | 131,573,879 | 121,082,835 | 37,688 | 91,854 |
| Investments in subsidiaries | 14 | – | – | – | 631,820,942 | 562,482,402 |
| Plasma plantation receivables | 15 | 52,456,380 | 54,019,176 | – | – | – |
| Operating use rights | 16 | 606,081 | 650,242 | 694,403 | – | – |
| Club memberships | 17 | 604,430 | 1,238,401 | 1,196,608 | 604,430 | 1,238,401 |
| Deferred charges | 18 | 5,882,977 | 9,397,977 | 7,967,977 | – | – |
| | | 298,391,414 | 308,445,394 | 270,866,162 | 632,463,060 | 563,812,657 |
| Current assets | | | | | | |
| Biological assets | 19 | 2,373,420 | 1,528,081 | 1,772,139 | – | – |
| Inventories | 20 | 48,808,518 | 50,865,985 | 25,970,734 | – | – |
| Trade and other receivables | 21 | 26,647,493 | 24,910,730 | 26,360,904 | 164,345,834 | 409,674,606 |
| Current income tax recoverable | | 14,387,248 | 14,287,493 | – | – | – |
| Dividend receivable | | – | – | – | 57,833,614 | 25,313,151 |
| Prepayments | | 459,954 | 515,901 | 1,345,150 | 211,529 | 273,260 |
| Financial assets at fair value through profit or loss | 22 | 189,000 | 52,920 | 126,630 | – | – |
| Cash and cash equivalents | 23 | 372,943,082 | 319,506,506 | 412,722,129 | 158,744,236 | 13,497,296 |
| | | 465,808,715 | 411,667,616 | 468,297,686 | 381,135,213 | 448,758,313 |
| Less: | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 24 | 58,325,862 | 32,623,009 | 45,891,123 | 1,217,056 | 1,284,232 |
| Dividend payable to non-controlling interest | | 2,847,500 | 1,062,500 | 1,405,688 | – | – |
| Finance lease payable | 25 | 64,544 | 58,243 | – | – | – |
| Current income tax payable | | 3,753,622 | 2,038,985 | 18,416,620 | 520,173 | 97,512 |
| | | 64,991,528 | 35,782,737 | 65,713,431 | 1,737,229 | 1,381,744 |
| Net current assets | | 400,817,187 | 375,884,879 | 402,584,255 | 379,397,984 | 447,376,569 |
| Less: | | | | | | |
| Non-current liabilities | | | | | | |
| Finance lease payable | 25 | 95,891 | – | – | – | – |
| Provision for post-employment benefits | 26 | 39,669,527 | 33,676,272 | 32,306,575 | – | – |
| Deferred tax liabilities | 27 | 3,253,001 | 3,295,835 | 3,660,675 | – | – |
| | | 43,018,419 | 36,972,107 | 35,967,250 | – | – |
| Net assets | | 656,190,182 | 647,358,166 | 637,483,167 | 1,011,861,044 | 1,011,189,226 |
| Capital and reserves | | | | | | |
| Share capital | 28 | 660,381,631 | 670,628,551 | 674,562,922 | 660,381,631 | 670,628,551 |
| Foreign currency translation reserve | 29 | 81,461,691 | 99,655,718 | 87,079,615 | 275,365,297 | 324,289,093 |
| Accumulated (losses)/profits | | (99,484,996) | (138,033,120) | (139,025,268) | 76,114,116 | 16,271,582 |
| Equity attributable to owners of the parent | | 642,358,326 | 632,251,149 | 622,617,269 | 1,011,861,044 | 1,011,189,226 |
| Non-controlling interest | | 13,831,856 | 15,107,017 | 14,865,898 | – | – |
| Total equity | | 656,190,182 | 647,358,166 | 637,483,167 | 1,011,861,044 | 1,011,189,226 |

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

| | Note | Share capital Rp'000 | Foreign currency translation reserve Rp'000 | Accumulated profits/ (losses) Rp'000 | Equity attributable to owners of the parent Rp'000 | Non- controlling interest Rp'000 | Total equity Rp'000 |
|--|------|-------------------------|---|---|--|---|---------------------------|
| Group | | | | | | | |
| Balance as at 1.1.2016 | | 670,628,551 | 99,655,718 | 92,985,804 | 863,270,073 | 27,265,908 | 890,535,981 |
| Adoption of the Amendments to FRS 16 and FRS 41 | | - | - | (231,018,924) | (231,018,924) | (12,158,891) | (243,177,815) |
| Balance as at 1.1.2016 (Restated) | | 670,628,551 | 99,655,718 | (138,033,120) | 632,251,149 | 15,107,017 | 647,358,166 |
| Profit for the financial year | | - | - | 46,423,255 | 46,423,255 | 2,070,878 | 48,494,133 |
| Other comprehensive income for the financial year: | | | | | | | |
| Remeasurement of post-employment benefits | | - | - | 100,364 | 100,364 | 5,282 | 105,646 |
| Currency translation differences | | - | (18,194,027) | - | (18,194,027) | - | (18,194,027) |
| Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss | | - | - | (25,091) | (25,091) | (1,321) | (26,412) |
| Total comprehensive income for the financial year | | - | (18,194,027) | 46,498,528 | 28,304,501 | 2,074,839 | 30,379,340 |
| Contribution by and distribution to owners of the parent: | | | | | | | |
| Shares buy back held in treasury | 28 | (10,246,920) | - | - | (10,246,920) | - | (10,246,920) |
| Dividend to owners of the parent | 30 | - | - | (7,950,404) | (7,950,404) | - | (7,950,404) |
| Total transactions with owners of the parent, recognised directly in equity | | (10,246,920) | - | (7,950,404) | (18,197,324) | - | (18,197,324) |
| Dividend to non-controlling interest | | - | - | - | - | (3,350,000) | (3,350,000) |
| Balance as at 31.12.2016 | | 660,381,631 | 81,461,691 | (99,484,996) | 642,358,326 | 13,831,856 | 656,190,182 |
| Group | | | | | | | |
| Balance as at 1.1.2015 | | 674,562,922 | 87,079,615 | 215,164,476 | 976,807,013 | 33,507,463 | 1,010,314,476 |
| Adoption of the Amendments to FRS 16 and FRS 41 | | - | - | (354,189,744) | (354,189,744) | (18,641,565) | (372,831,309) |
| Balance as at 1.1.2015 (Restated) | | 674,562,922 | 87,079,615 | (139,025,268) | 622,617,269 | 14,865,898 | 637,483,167 |
| Profit for the financial year (Restated) | | - | - | 26,509,329 | 26,509,329 | 1,360,356 | 27,869,685 |
| Other comprehensive income for the financial year: | | | | | | | |
| Remeasurement of post-employment benefits | | - | - | 3,312,659 | 3,312,659 | 174,350 | 3,487,009 |
| Currency translation differences | | - | 12,576,103 | - | 12,576,103 | - | 12,576,103 |
| Income tax relating to components of other comprehensive income that will not be reclassified subsequently to profit or loss | | - | - | (828,165) | (828,165) | (43,587) | (871,752) |
| Total comprehensive income for the financial year | | - | 12,576,103 | 28,993,823 | 41,569,926 | 1,491,119 | 43,061,045 |
| Contribution by and distribution to owners of the parent: | | | | | | | |
| Shares buy back held in treasury | 28 | (3,934,371) | - | - | (3,934,371) | - | (3,934,371) |
| Dividend to owners of the parent | 30 | - | - | (28,001,675) | (28,001,675) | - | (28,001,675) |
| Total transactions with owners of the parent, recognised directly in equity | | (3,934,371) | - | (28,001,675) | (31,936,046) | - | (31,936,046) |
| Dividend to non-controlling interest | | - | - | - | - | (1,250,000) | (1,250,000) |
| Balance as at 31.12.2015 (Restated) | | 670,628,551 | 99,655,718 | (138,033,120) | 632,251,149 | 15,107,017 | 647,358,166 |

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

| | Note | Share capital Rp'000 | Foreign currency translation reserve Rp'000 | Accumulated profits Rp'000 | Total equity Rp'000 |
|--|------|-------------------------|---|----------------------------------|---------------------------|
| Company | | | | | |
| Balance as at 1.1.2016 | | 670,628,551 | 324,289,093 | 16,271,582 | 1,011,189,226 |
| Profit for the financial year | | - | - | 67,792,938 | 67,792,938 |
| Other comprehensive income for the financial year: | | | | | |
| Currency translation differences | | - | (48,923,796) | - | (48,923,796) |
| Total comprehensive income for the financial year | | - | (48,923,796) | 67,792,938 | 18,869,142 |
| Contribution by and distribution to owners of the parent: | | | | | |
| Shares buy back held in treasury | 28 | (10,246,920) | - | - | (10,246,920) |
| Dividend to owners of the parent | 30 | - | - | (7,950,404) | (7,950,404) |
| Total transactions with owners of the parent, recognised directly in equity | | (10,246,920) | - | (7,950,404) | (18,197,324) |
| Balance as at 31.12.2016 | | 660,381,631 | 275,365,297 | 76,114,116 | 1,011,861,044 |
| Company | | | | | |
| Balance as at 1.1.2015 | | 674,562,922 | 289,353,443 | 31,894,545 | 995,810,910 |
| Profit for the financial year | | - | - | 12,378,712 | 12,378,712 |
| Other comprehensive income for the financial year: | | | | | |
| Currency translation differences | | - | 34,935,650 | - | 34,935,650 |
| Total comprehensive income for the financial year | | - | 34,935,650 | 12,378,712 | 47,314,362 |
| Contribution by and distribution to owners of the parent: | | | | | |
| Shares buy back held in treasury | 28 | (3,934,371) | - | - | (3,934,371) |
| Dividend to owners of the parent | 30 | - | - | (28,001,675) | (28,001,675) |
| Total transactions with owners of the parent, recognised directly in equity | | (3,934,371) | - | (28,001,675) | (31,936,046) |
| Balance as at 31.12.2015 | | 670,628,551 | 324,289,093 | 16,271,582 | 1,011,189,226 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

| | Group | |
|--|--------------|----------------------|
| | 2016 | 2015 |
| | Rp'000 | (Restated) Rp'000 |
| Cash flows from operating activities | | |
| Profit before income tax | 69,875,549 | 35,726,148 |
| Adjustments for: | | |
| Amortisation of operating use rights | 44,161 | 44,161 |
| Changes in fair value less estimated point-of-sale costs of biological assets | (845,339) | 244,058 |
| Changes in fair value of financial assets at fair value through profit or loss | (136,080) | 73,710 |
| Depreciation of property, plant and equipment | 11,134,134 | 10,900,689 |
| Depreciation of bearer plants | 6,788,617 | 7,379,323 |
| Impairment of club memberships | 599,928 | – |
| Gain on disposal of bearer plants | (2,226,679) | (14,377,253) |
| (Gain)/Loss on disposal of property, plant and equipment | (380,776) | 129,858 |
| Property, plant and equipment written off | – | 379,105 |
| Bearer plants written off | 3,436,741 | – |
| Deferred charges written off | 3,628,500 | – |
| Interest expense | 13,032 | 7,910 |
| Interest income | (14,364,629) | (11,564,390) |
| Provision for post-employment benefits | 6,164,094 | 5,264,288 |
| Unrealised currency translation gain | (6,945,952) | (4,649,735) |
| Operating cash flows before working capital changes | 76,785,301 | 29,557,872 |
| Working capital changes: | | |
| Inventories | 2,057,467 | (24,895,251) |
| Trade and other receivables | 10,976,975 | (13,182,982) |
| Prepayments | 45,264 | 859,476 |
| Trade and other payables | 25,567,704 | (8,575,605) |
| Provision for post-employment benefits | (65,193) | (407,582) |
| Cash generated from/(used in) from operations | 115,367,518 | (16,644,072) |
| Interest received | 7,062,895 | 9,953,932 |
| Income tax paid | (17,453,568) | (36,638,462) |
| Net cash from/(used in) operating activities | 104,976,845 | (43,328,602) |
| Cash flows from investing activities | | |
| Capital expenditure on bearer plants | (12,010,995) | (10,244,600) |
| Purchases of property, plant and equipment | (9,318,799) | (23,486,219) |
| Proceeds from disposal of property, plant and equipment | 602,965 | 1,709,554 |
| Payments for deferred charges arising from acquisition of land location permit | (113,500) | (1,430,000) |
| Net cash used in investing activities | (20,840,329) | (33,451,265) |
| Cash flows from financing activities | | |
| Dividend paid to owners of the parent | (7,950,404) | (28,001,675) |
| Dividend paid to non-controlling interest | (1,250,000) | (1,405,688) |
| Shares buy back held in treasury | (10,246,920) | (3,934,371) |
| Finance lease interest paid | (13,032) | (7,910) |
| Repayments of obligations under finance lease | (99,622) | (53,584) |
| Net cash used in financing activities | (19,559,978) | (33,403,228) |
| Net change in cash and cash equivalents | 64,576,538 | (110,183,095) |
| Cash and cash equivalents at the beginning of the financial year | 319,506,506 | 412,722,129 |
| Effects of currency translation on cash and cash equivalents | (11,139,962) | 16,967,472 |
| Cash and cash equivalents at the end of the financial year (Note 23) | 372,943,082 | 319,506,506 |

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

1. GENERAL CORPORATE INFORMATION

Global Palm Resources Holdings Limited (the “Company”) is a public company limited by shares, incorporated and domiciled in the Republic of Singapore. The Company’s registered office and principal place of business is at 105 Cecil Street, #24-01 The Octagon, Singapore 069534. The Company’s registration number is 200921345M. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Company is a subsidiary of GPR Investment Holdings Limited, a Seychelles-domiciled company, which is also its ultimate holding company. GPR Investment Holdings Limited is wholly-owned by the Adjianto Family.

The principal activity of the Company is that of an investment holding company and provision of management services. The principal activities of the subsidiaries are set out in Note 14 to the financial statements.

The consolidated financial statements of the Group, and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue in accordance with a Directors’ resolution dated 30 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”) including related Interpretations of FRS (“INT FRS”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent to IFRS 1 First-time Adoption of International Financial Reporting Standards to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and IFRS 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements of the Company are measured in Singapore dollar, the functional currency of the Company. The consolidated financial statements of the Group, the statement of financial position and statement of changes in equity of the Company are presented in Indonesian rupiah which is the presentation currency for the consolidated financial statements as the Group mainly operates in Indonesia. All values presented are rounded to the nearest thousand (“Rp’000”), unless otherwise stated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to their operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years, except as detailed below.

FRS 16 and FRS 41 (Amendments) – Agriculture: Bearer Plants

On 1 January 2016, the Group adopted the Amendments to FRS 16 and FRS 41 – Agriculture: Bearer Plants that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the amendments.

The amendments extend the scope of FRS 16 Property, Plant and Equipment to include bearer plants and define a bearer plant as a living plant that:

- is used in the production process of agricultural produce;
- is expected to bear produce for more than one period; and
- has a remote likelihood of being sold (except incidental scrap sales).

The changes made result in bearer plants being accounted for in accordance with FRS 16 using either:

- the cost model; or
- the revaluation model.

The agricultural produce growing on bearer plants remains within the scope of FRS 41 Agriculture.

On adoption of these amendments, the Group has accounted for the fresh fruit bunches that can be harvested as biological assets at fair value less estimated point-of-sale costs and has classified oil palm plantations as bearer plants and has elected to account for them using the cost model. Previously, oil palm plantations were accounted for as part of biological assets under FRS 41.

The change in accounting policy has been applied retrospectively in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and comparatives have been restated accordingly, as disclosed in Note 37 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

| | | Effective date (annual periods beginning on or after) |
|----------------------|--|--|
| FRS 7 (Amendments) | : Disclosure Initiative | 1 January 2017 |
| FRS 12 (Amendments) | : Recognition of Deferred Tax Assets for Unrealised Losses | 1 January 2017 |
| FRS 109 | : Financial Instruments | 1 January 2018 |
| FRS 115 | : Revenue from Contracts with Customers | 1 January 2018 |
| FRS 115 (Amendments) | : Clarifications to FRS 115 Revenue from Contracts with Customers | 1 January 2018 |
| FRS 116 | : Leases | 1 January 2019 |

Consequential amendments were also made to various standards as a result of these new/revised standards.

Except as disclosed below, management anticipates that the adoption of the above FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Classification and measurement (Continued)

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

The Group has completed its preliminary assessment of the classification and measurement of its financial assets, and anticipates that there will be no change in the current classification and measurement of its financial assets.

The financial assets held by the Group include debt instruments, which are classified as loans and receivables and measured at amortised cost, appear to meet the conditions for classification at amortised cost under FRS 109. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

Impairment

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year.

FRS 109 also requires additional financial statements disclosures which the Group will include in its financial statements in the financial year when FRS 109 is adopted.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has completed its preliminary assessment of the impact on the timing and profile of revenue recognition of the Group on initial adoption of this standard. As the Group enters into separate contracts with customers for each sale and delivery of crude palm oil and/or palm kernels, each revenue stream accounted for in accordance to FRS 18 will be identified as a separate performance obligation under FRS 115. The Group anticipates that there will be no change to the timing and profile of revenue recognition upon adoption of FRS 115.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 Leases

FRS 116 supersedes FRS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets.

Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 116 Leases (Continued)

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group, as lessee, currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premises and other office facilities on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. As at the reporting date, the Group and the Company have non-cancellable operating lease commitments of Rp786,301,000 and Rp666,301,000 respectively (Note 31.2). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Acquisition under common control

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholders' financial statements. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and net assets acquired is recognised directly to equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Non-controlling interests

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the separate financial statements of the Company, investments in subsidiaries are carried at cost, less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated sales related taxes.

Sale of goods

Revenue from the sale of goods (crude palm oil and palm kernels) is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Normally these criteria are met when the goods are delivered to and accepted by the buyer.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.4 Employee benefits

(i) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution plans are recognised in profit or loss in the same financial year as the employment that gives rise to such contributions.

(ii) *Defined benefit plans*

The Group also provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labour Law No. 13/2003 (the "Labour Law"). The said additional provisions, which are unfunded, are estimated using actuarial calculations based on the report prepared by an independent firm of actuaries.

Actuarial gains or losses are charged or credited to equity in other comprehensive income in the period in which they arise.

All past service costs, including unvested past service costs previously recognised over the average vesting period, are recognised immediately in profit or loss when incurred.

Current service costs and interest costs are recognised immediately in profit or loss when incurred.

The related estimated liability for employee benefit represents the aggregate of the present value of the defined benefit obligation at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Employee benefits (Continued)

(iii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.5 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Taxes (Continued)

Deferred tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.6 Bearer plants

Bearer plants comprise land preparation cost, nurseries, immature and mature oil palm plantations. Land preparation cost represents the cost incurred to clear the land and to ensure that the plantations are in a state for ready planting of seedlings (which are grown in nurseries).

Land preparation cost, nurseries and immature oil palm plantations are stated at cost and are not depreciated. These consists mainly of the accumulated costs of planting (which include land preparation cost and costs incurred at the stage of nurseries), fertilising and maintaining the plantation. Immature oil palm plantations have a lifespan of 3 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Bearer plants (Continued)

Mature oil palm plantations are stated at cost at the time of reclassification from immature oil palm plantations and are depreciated using the straight-line method over 25 years of estimated productive years of oil palm plantations.

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

An item of bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal of an item of bearer plant is determined as the difference between the sales consideration and the carrying amount of the asset and is recognised in profit or loss.

2.7 Biological assets

Biological assets (bearer fruit) representing fresh fruit bunches ("FFB"), which is the agricultural produce growing on the bearer plants, are stated at fair value less estimated point-of-sale costs.

Gains or losses arising on initial recognition of biological assets (bearer fruit) at fair value less estimated point-of-sale costs and from the change in fair value less estimated point-of-sale costs of biological assets (bearer fruit) at the end of each financial year are included in profit or loss in the financial year in which they arise.

2.8 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs 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. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Property, plant and equipment (Continued)

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

| | Years |
|---|----------|
| Buildings and infrastructure | 25 |
| Machinery and equipment | 10 to 25 |
| Transportation equipment and motor vehicles | 5 to 10 |
| Office equipment | 3 to 10 |

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.9 Plasma plantation receivables

Plasma is a government of Indonesia's policy in connection with the development of plantations (the "Plasma" programme). The Group, being part of this Plasma project, is required to train project personnel and control the Plasma programme, as well as purchase Plasma plantation crops. The Group has been developing Plasma plantations (included within bearer plants) under "Kredit Koperasi Primer untuk Anggotanya" ("KKPA") scheme.

In the KKPA scheme, the investment credit agreements are signed by the Plasma farmers through local cooperatives Koperasi Unit Desa ("KUD") as their representatives. When the Plasma plantations are mature and meet certain criteria required by the government, the Plasma plantations will be handed over to the Plasma farmers ("hand-over of Plasma plantations"). The hand-over value is generally determined at the inception of the cooperation agreement for a total amount of funding agreed by the government and the Plasma farmers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Plasma plantation receivables (Continued)

Plasma plantation receivables, as presented on the statement of financial position, represent the hand-over value for the transfer of the Plasma plantations in accordance to the Plasma programme. The difference between the accumulated Plasma plantation development costs (costs incurred for Plasma plantation development which include costs for Plasma plantations funded by the Group) and their hand-over value is charged to profit or loss. The Plasma plantation receivables are assessed for impairment in accordance with Note 2.15.

After the hand-over of the Plasma plantations, the Plasma farmers are obliged to sell their crops (FFB) to the Group. The Plasma plantation receivables will be repaid through certain percentage of the amounts withheld by the Group on the related purchases of FFB from the Plasma farmers.

2.10 Operating use rights

Operating use rights represent deferred expenses incurred related to the legal arrangement of land rights and are stated at cost less accumulated amortisation and accumulated impairment losses. The right is amortised on a straight-line basis over the estimated useful life, being the legal age of land rights, and amortisation method are reviewed at each financial year-end, with the effect of any changes in estimates being accounted for on a prospective basis.

2.11 Club memberships

Club memberships are stated at cost less any impairment loss.

2.12 Deferred charges

Deferred charges represent legal and professional fees and other incidental costs incurred in the process of completing the legal arrangement of obtaining land rights. Deferred charges are stated at cost and will be subsequently reclassified to operating use rights (Note 2.10) once the land rights are legally and successfully obtained.

Deferred charges relating to land location permit that has expired are written off and recognised in profit or loss in the period in which such land location permit has expired.

2.13 Impairment of non-financial assets

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of non-financial assets (Continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.15 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets as financial assets at fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

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

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held-for-trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument.

A financial asset which is not classified as held-for-trading may be designated as FVTPL upon initial recognition if the financial asset is managed as part of a group of financial instruments, with its performance being evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

(ii) *Loans and receivables*

Non derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The loans and receivables in the statements of financial position comprise Plasma plantations receivables, trade and other receivables, dividend receivable and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the accumulated profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

The Group classifies its financial liabilities as other financial liabilities.

Other financial liabilities

Trade and other payables and dividend payable to non-controlling interest

Trade and other payables and dividend payable to non-controlling interest are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash and fixed deposits with banks and financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subjected to an insignificant risk of changes in value.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

2.18 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as finance lease payable. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (Continued)

Operating Leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.19 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company (including comparatives) are expressed in Indonesian rupiah using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's and the Company's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

(i) Impairment of investments in subsidiaries

The Company follows the guidance of FRS 36 in determining when an investment in a subsidiary is impaired. This determination requires significant judgement. The Company evaluates, among other factors, the duration and extent to which the recoverable amount of investment in a subsidiary is less than its carrying amount and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ii) Determination of functional currency

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Biological assets

The Group's biological assets are stated at fair value less estimated point-of-sale costs. The fair value of the Group's biological assets are determined using the market approach method. The key inputs to the market approach method are derived based on certain significant assumptions made and such details are disclosed in Note 19 to the financial statements. While the Group believes that its assumptions are reasonable and appropriate, significant differences between the actual and estimated volume of the valuation object (the significant assumption used) and price may materially affect the fair value of its biological assets. The carrying amount of the Group's biological assets as at 31 December 2016 was Rp2,373,420,000 (2015 restated: Rp1,528,081,000).

(ii) Useful life of bearer plants and property, plant and equipment

The Group depreciates the bearer plants and property, plant and equipment, using the straight-line method, over their estimated useful lives. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's bearer plants and property, plant and equipment. Changes in the soil, weather and climate conditions could affect the FFB production yield of the bearer plants which could then consequentially impact future depreciation charges. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of property, plant and equipment which could then consequentially impact future depreciation charges.

The carrying amount of the Group's bearer plants as at 31 December 2016 was Rp109,105,613,000 (2015 restated: Rp111,565,719,000). The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 December 2016 were Rp129,735,933,000 (2015: Rp131,573,879,000) and Rp37,688,000 (2015: Rp91,854,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(iii) Pension and employee benefits

The determination of the Group's obligations and cost for pension and employee benefits liability is dependent on its selection of certain assumptions used by the independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, wages and salary increase, retirement age and mortality rate. Actual results that differ from the Group's assumptions are recognised immediately in profit or loss as and when they occur. While the Group believes that its assumptions are reasonable and appropriate, significant differences in the Group's actual experience or significant changes in the Group's assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of the Group's estimated liabilities for post employment benefits as at 31 December 2016 was Rp39,669,527,000 (2015: Rp33,676,272,000).

4. REVENUE

| | Group | |
|----------------|--------------------|--------------------|
| | 2016 | 2015 |
| | Rp'000 | Rp'000 |
| Crude palm oil | 344,768,609 | 294,001,995 |
| Palm kernels | 40,969,153 | 27,554,356 |
| | 385,737,762 | 321,556,351 |

5. COST OF SALES

| | Group | |
|--|--------------------|----------------------|
| | 2016 | 2015 |
| | Rp'000 | (Restated) Rp'000 |
| Cost of inventories recognised as expense | 294,047,690 | 268,186,859 |
| The above comprised the following: | | |
| Changes in inventories of finished goods and fresh fruit bunches | 135,075,927 | 96,186,904 |
| Employee benefits expense – Direct labour | 40,018,118 | 36,993,556 |
| Depreciation of property, plant and equipment | 10,161,099 | 9,670,979 |
| Depreciation of bearer plants | 6,788,617 | 7,379,323 |
| Amortisation of operating use rights | 44,161 | 44,161 |
| Direct overheads | 101,959,768 | 117,911,936 |
| | 294,047,690 | 268,186,859 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

6. INTEREST INCOME

| | Group | |
|---|-------------------|------------|
| | 2016 | 2015 |
| | Rp'000 | Rp'000 |
| Interest income from: | | |
| – bank balances and short-term deposits | 7,406,908 | 9,939,907 |
| – Plasma plantation receivables | 6,957,721 | 1,624,483 |
| | 14,364,629 | 11,564,390 |

7. OTHER INCOME

| | Group | |
|--|-------------------|----------------------|
| | 2016 | 2015 |
| | Rp'000 | (Restated) Rp'000 |
| Changes in fair value of financial assets at fair value through profit or loss | 136,080 | (73,710) |
| Gain on disposal of property, plant and equipment | 380,776 | – |
| Gain on disposal of bearer plants | 2,226,679 | 14,377,253 |
| Sundry income from sale of sludge and kernel shells | 5,764,847 | 3,086,913 |
| Government grant | 19,130 | 154,750 |
| Foreign exchange gain, net | 5,523,474 | – |
| Sundry income | 793,412 | 1,477,952 |
| | 14,844,398 | 19,023,158 |

8. FINANCE COST

| | Group | |
|-------------------------------------|--------|--------|
| | 2016 | 2015 |
| | Rp'000 | Rp'000 |
| Interest expense from finance lease | 13,032 | 7,910 |

9. PROFIT BEFORE INCOME TAX

The above is arrived at after charging:

| | Group | |
|----------------------------------|---------|---------|
| | 2016 | 2015 |
| | Rp'000 | Rp'000 |
| Distribution expenses | | |
| Claims for sales | – | 5,374 |
| Freight and stevedoring expenses | 937,807 | 323,822 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9. PROFIT BEFORE INCOME TAX (CONTINUED)

| | Group | |
|---|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| <u>Administrative expenses</u> | | |
| Bank charges | 51,384 | 67,876 |
| Depreciation of property, plant and equipment | 973,035 | 1,229,710 |
| Employee benefits expense ⁽¹⁾ | | |
| – Salaries, wages and bonuses | 23,078,686 | 22,525,507 |
| – Post-employment benefits | 6,164,094 | 5,264,288 |
| Audit fees | | |
| – Auditors of the Company | 792,309 | 648,126 |
| – Other auditors ⁽²⁾ | 236,000 | 296,000 |
| Non-audit fees | | |
| – Auditors of the Company | – | 175,310 |
| – Other auditors ⁽²⁾ | – | – |
| Operating lease expense – office premises and other office facilities | 1,129,850 | 1,357,490 |
| Professional fees | 2,524,707 | 3,258,667 |
| Entertainment expenses | 549,086 | 622,628 |
| Transportation, travelling and accommodation expenses | 941,170 | 1,175,330 |
| <u>Other expenses</u> | | |
| Bearer plants written off | 3,436,741 | – |
| Deferred charges written off | 3,628,500 | – |
| Impairment of club memberships | 599,928 | – |
| Loss on disposal of property, plant and equipment | – | 129,858 |
| Property, plant and equipment written off | – | 379,105 |
| Foreign exchange loss, net | – | 3,592,389 |

(1) Employee benefits expense includes key management personnel remuneration as disclosed in Note 32 to the financial statements

(2) Other auditors refer to a member firm of BDO International Limited

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. INCOME TAX EXPENSE

| | Group | |
|--|-------------------|----------------------|
| | 2016 | 2015 |
| | Rp'000 | (Restated) Rp'000 |
| <u>Income tax recognised in profit or loss</u> | | |
| Current income tax | | |
| – current financial year | 14,020,606 | 6,121,905 |
| – under/(over) provision in prior financial years | 82,844 | (218,358) |
| – withholding tax on interest and dividend income | 7,347,212 | 3,189,508 |
| | 21,450,662 | 9,093,055 |
| Deferred income tax | | |
| – current financial year | (69,246) | (1,236,592) |
| Total income tax expense recognised in profit or loss | 21,381,416 | 7,856,463 |

Reconciliation of effective tax rate

Domestic income tax is calculated at 25% of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expense varied from the amount of income tax expense determined by applying the domestic income tax rate of 25% to profit before income tax as a result of the following differences:

| | Group | |
|---|-------------|----------------------|
| | 2016 | 2015 |
| | Rp'000 | (Restated) Rp'000 |
| Profit before income tax | 69,875,549 | 35,726,148 |
| Income tax calculated at domestic income tax rate of 25% | 17,468,887 | 8,931,537 |
| Tax effect of income not subject to tax | (7,502,159) | (4,808,074) |
| Tax effect of expenses not deductible | 2,266,242 | 2,622,960 |
| Tax effect of tax-exempt income | (250,857) | (252,495) |
| Under/(over) provision of current income tax in prior financial years | 82,844 | (218,358) |
| Withholding tax on interest and dividend income | 7,347,212 | 3,189,508 |
| Effect of different income tax rate of entities operating in other jurisdiction | 3,848,603 | (1,256,233) |
| Tax rebate | (1,645,961) | (281,351) |
| Others | (233,395) | (71,031) |
| | 21,381,416 | 7,856,463 |

Income tax recognised in other comprehensive income

| | Group | | | | | |
|---|------------|-------------|------------|------------|-------------|------------|
| | 2016 | | 2015 | | | |
| | Rp'000 | Rp'000 | Rp'000 | Rp'000 | Rp'000 | Rp'000 |
| | Before tax | Tax expense | Net of tax | Before tax | Tax expense | Net of tax |
| Remeasurement of post-employment benefits | 105,646 | (26,412) | 79,234 | 3,487,009 | (871,752) | 2,615,257 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11. EARNINGS PER SHARE

The calculation for basic earnings per share is based on the profit attributable to owners of the parent for the financial year by the weighted average (2015: weighted average) number of ordinary shares in issue after share consolidation during the financial year. As the Group has no dilutive potential ordinary shares, the diluted earnings per share are equivalent to basic earnings per share.

| | Group 2016 | 2015 (Restated) |
|--|---------------|--------------------|
| The calculation of basic and diluted earnings per share is based on: | | |
| Profit for the financial year attributable to owners of the parent (Rp'000) | 46,423,255 | 26,509,329 |
| Weighted average (2015: weighted average) number of ordinary shares after share consolidation ('000) | 202,123 | 204,031 |

12. BEARER PLANTS

| | Mature oil palm plantations Rp'000 | Immature oil palm plantations Rp'000 | Land preparation cost Rp'000 | Nurseries Rp'000 | Total Rp'000 |
|-------------------------------------|---|---|---------------------------------------|---------------------|-----------------|
| Group | | | | | |
| Cost | | | | | |
| Balance as at 1.1.2016 | 174,289,392 | 7,358,914 | – | 4,302,761 | 185,951,067 |
| Additions | – | 1,873,300 | 3,601,299 | 6,536,396 | 12,010,995 |
| Disposals | (4,838,513) | – | – | – | (4,838,513) |
| Reclassification | 515,045 | 5,950,108 | (3,124,144) | (3,341,009) | – |
| Write off | (14,319,753) | – | – | – | (14,319,753) |
| Balance as at 31.12.2016 | 155,646,171 | 15,182,322 | 477,155 | 7,498,148 | 178,803,796 |
| Accumulated depreciation | | | | | |
| Balance as at 1.1.2016 | 74,385,348 | – | – | – | 74,385,348 |
| Depreciation for the financial year | 6,788,617 | – | – | – | 6,788,617 |
| Disposals | (592,770) | – | – | – | (592,770) |
| Write off | (10,883,012) | – | – | – | (10,883,012) |
| Balance as at 31.12.2016 | 69,698,183 | – | – | – | 69,698,183 |
| Carrying amount | | | | | |
| Balance as at 31.12.2016 | 85,947,988 | 15,182,322 | 477,155 | 7,498,148 | 109,105,613 |

During the financial year, the Group has cleared off certain plots of mature oil palm plantations that have reached the age of 23 years old for re-planting with better yield seedlings. This led to the write off of bearer plants of Rp3,436,741,000 (2015: Nil) that has been recognised in profit or loss, and included within "Other expenses" in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12. BEARER PLANTS (CONTINUED)

| | Mature oil palm plantations (Restated) Rp'000 | Immature oil palm plantations (Restated) Rp'000 | Land preparation cost (Restated) Rp'000 | Nurseries (Restated) Rp'000 | Total (Restated) Rp'000 |
|--|---|---|---|-----------------------------------|-------------------------------|
| Group | | | | | |
| Cost | | | | | |
| Balance as at 1.1.2015 | 190,966,329 | 17,853,297 | 581,777 | 209,527 | 209,610,930 |
| Additions | – | 4,171,036 | – | 6,073,564 | 10,244,600 |
| Disposals | (33,904,463) | – | – | – | (33,904,463) |
| Reclassification | 17,227,526 | (14,665,419) | (581,777) | (1,980,330) | – |
| Balance as at 31.12.2015 | 174,289,392 | 7,358,914 | – | 4,302,761 | 185,951,067 |
| Accumulated depreciation | | | | | |
| Balance as at 1.1.2015 | 69,686,591 | – | – | – | 69,686,591 |
| Depreciation for the financial year | 7,379,323 | – | – | – | 7,379,323 |
| Disposals | (2,680,566) | – | – | – | (2,680,566) |
| Balance as at 31.12.2015 | 74,385,348 | – | – | – | 74,385,348 |
| Carrying amount | | | | | |
| Balance as at 31.12.2015 | 99,904,044 | 7,358,914 | – | 4,302,761 | 111,565,719 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT

| | Buildings and infrastructure Rp'000 | Machinery and equipment Rp'000 | Transportation equipment and motor vehicles Rp'000 | Office equipment Rp'000 | Construction- in-progress Rp'000 | Total Rp'000 |
|--|--|---|--|-------------------------------|--|-----------------|
| Group | | | | | | |
| Cost | | | | | | |
| Balance as at 1.1.2016 | 84,247,010 | 74,039,253 | 55,732,712 | 3,186,240 | 989,896 | 218,195,111 |
| Additions | – | 1,016,000 | 4,263,355 | 276,950 | 3,964,308 | 9,520,613 |
| Disposals | – | – | (3,499,166) | – | – | (3,499,166) |
| Reclassification | 3,831,755 | 1,122,449 | – | – | (4,954,204) | – |
| Currency translation differences | – | – | (79,120) | (74,674) | – | (153,794) |
| Balance as at 31.12.2016 | 88,078,765 | 76,177,702 | 56,417,781 | 3,388,516 | – | 224,062,764 |
| Accumulated depreciation | | | | | | |
| Balance as at 1.1.2016 | 21,975,542 | 29,972,366 | 32,358,634 | 2,314,690 | – | 86,621,232 |
| Depreciation for the financial year | 3,488,215 | 2,968,698 | 4,486,671 | 190,550 | – | 11,134,134 |
| Disposals | – | – | (3,276,977) | – | – | (3,276,977) |
| Currency translation differences | – | – | (79,120) | (72,438) | – | (151,558) |
| Balance as at 31.12.2016 | 25,463,757 | 32,941,064 | 33,489,208 | 2,432,802 | – | 94,326,831 |
| Carrying amount | | | | | | |
| Balance as at 31.12.2016 | 62,615,008 | 43,236,638 | 22,928,573 | 955,714 | – | 129,735,933 |
| Cost | | | | | | |
| Balance as at 1.1.2015 | 65,774,203 | 70,588,553 | 59,211,424 | 2,863,046 | 3,420,145 | 201,857,371 |
| Additions | 176,633 | 467,700 | 3,116,456 | 198,354 | 19,638,903 | 23,598,046 |
| Disposals | – | – | (6,652,737) | – | – | (6,652,737) |
| Write off | (719,468) | – | – | – | – | (719,468) |
| Reclassification | 19,015,642 | 2,983,000 | – | 70,510 | (22,069,152) | – |
| Currency translation differences | – | – | 57,569 | 54,330 | – | 111,899 |
| Balance as at 31.12.2015 | 84,247,010 | 74,039,253 | 55,732,712 | 3,186,240 | 989,896 | 218,195,111 |
| Accumulated depreciation | | | | | | |
| Balance as at 1.1.2015 | 19,383,024 | 27,121,356 | 32,162,190 | 2,107,966 | – | 80,774,536 |
| Depreciation for the financial year | 2,932,881 | 2,851,010 | 4,959,601 | 157,197 | – | 10,900,689 |
| Disposals | – | – | (4,813,325) | – | – | (4,813,325) |
| Write off | (340,363) | – | – | – | – | (340,363) |
| Currency translation differences | – | – | 50,168 | 49,527 | – | 99,695 |
| Balance as at 31.12.2015 | 21,975,542 | 29,972,366 | 32,358,634 | 2,314,690 | – | 86,621,232 |
| Carrying amount | | | | | | |
| Balance as at 31.12.2015 | 62,271,468 | 44,066,887 | 23,374,078 | 871,550 | 989,896 | 131,573,879 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Office equipment Rp'000 | Motor vehicles Rp'000 | Total Rp'000 |
|-------------------------------------|-------------------------------|-----------------------------|-----------------|
| Company | | | |
| Cost | | | |
| Balance as at 1.1.2016 | 1,610,004 | 1,705,863 | 3,315,867 |
| Currency translation differences | (74,674) | (79,120) | (153,794) |
| Balance as at 31.12.2016 | 1,535,330 | 1,626,743 | 3,162,073 |
| Accumulated depreciation | | | |
| Balance as at 1.1.2016 | 1,518,150 | 1,705,863 | 3,224,013 |
| Depreciation for the financial year | 51,930 | – | 51,930 |
| Currency translation differences | (72,438) | (79,120) | (151,558) |
| Balance as at 31.12.2016 | 1,497,642 | 1,626,743 | 3,124,385 |
| Carrying amount | | | |
| Balance as at 31.12.2016 | 37,688 | – | 37,688 |
| Cost | | | |
| Balance as at 1.1.2015 | 1,555,674 | 1,648,294 | 3,203,968 |
| Currency translation differences | 54,330 | 57,569 | 111,899 |
| Balance as at 31.12.2015 | 1,610,004 | 1,705,863 | 3,315,867 |
| Accumulated depreciation | | | |
| Balance as at 1.1.2015 | 1,416,355 | 1,428,521 | 2,844,876 |
| Depreciation for the financial year | 52,268 | 227,174 | 279,442 |
| Currency translation differences | 49,527 | 50,168 | 99,695 |
| Balance as at 31.12.2015 | 1,518,150 | 1,705,863 | 3,224,013 |
| Carrying amount | | | |
| Balance as at 31.12.2015 | 91,854 | – | 91,854 |

Transportation equipment and motor vehicles of the Group with carrying amount of Rp244,364,000 (2015: Rp140,883,000) were acquired under finance lease arrangement (Note 25).

During the financial year, the Group acquired property, plant and equipment for an aggregate of Rp9,520,613,000 (2015: Rp23,598,046,000) of which Rp201,814,000 (2015: Rp111,827,000) was acquired under finance lease.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|--|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| <i>Unquoted equity shares in corporations, at cost</i> | | |
| Balance as at the beginning of the financial year | 562,482,402 | 543,499,928 |
| Currency translation differences | (26,088,500) | 18,982,474 |
| Balance as at the end of the financial year | 536,393,902 | 562,482,402 |
| Amount due from a subsidiary | 95,427,040 | – |
| | 631,820,942 | 562,482,402 |

Details of the subsidiaries are as follows:

| Name of subsidiaries (Country of incorporation and principal place of business) | Principal activities | Proportion of ownership interest held by the Group | | Proportion of ownership interest held by non-controlling interest | |
|---|---|--|------|---|------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | % | % | % | % |
| Held by the Company | | | | | |
| Global Palm Resources Private Limited ⁽¹⁾ (Singapore) | Investment holding company | 100 | 100 | – | – |
| Ecogreen Resources Investments Limited ⁽²⁾ (Cayman Islands) | Dormant | 100 | 100 | – | – |
| Held by Global Palm Resources Private Limited | | | | | |
| PT Prakarsa Tani Sejati ⁽³⁾ (Indonesia) | Oil palm plantations and manufacturing of plantation products (crude palm oil and palm kernels) | 95 | 95 | 5 | 5 |

(1) Audited by BDO LLP, Singapore, a member firm of BDO International Limited

(2) Not required to be audited

(3) Audited by KAP Tanubrata Sutanto Fahmi Bambang & Rekan, Indonesia, a member firm of BDO International Limited

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Non-controlling interest

Summarised financial information in relation to the subsidiary that has non-controlling interest (“NCI”) that is material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

| | PT Prakarsa Tani Sejati | |
|---|-------------------------|--------------------|
| | 2016 | 2015 (Restated) |
| | Rp'000 | Rp'000 |
| Revenue | 385,737,762 | 321,556,351 |
| Profit before income tax | 54,885,100 | 32,049,574 |
| Income tax expense | (13,467,547) | (4,842,442) |
| Profit for the financial year | 41,417,553 | 27,207,132 |
| Profit allocated to NCI | 2,070,878 | 1,360,356 |
| Other comprehensive income allocated to NCI | 3,961 | 130,763 |
| Total comprehensive income allocated to NCI | 2,074,839 | 1,491,119 |
| Dividend to NCI | 3,350,000 | 1,250,000 |
| Cash flows used in operating activities | (38,733,171) | (41,014,640) |
| Cash flows used in investing activities | (20,840,328) | (33,451,265) |
| Cash flows used in financing activities | (25,112,654) | (1,467,182) |
| Net cash outflows | (84,686,153) | (75,933,087) |
| Assets: | | |
| Current assets | 303,383,812 | 393,710,152 |
| Non-current assets | 297,749,297 | 307,115,140 |
| Liabilities: | | |
| Current liabilities | 281,477,556 | 361,712,838 |
| Non-current liabilities | 43,018,419 | 36,972,107 |
| Net assets | 276,637,134 | 302,140,347 |
| Accumulated non-controlling interests | 13,831,856 | 15,107,017 |

15. PLASMA PLANTATION RECEIVABLES

| | Group | |
|---------------------------------|--------------|-------------|
| | 2016 | 2015 |
| | Rp'000 | Rp'000 |
| Plasma plantation receivables | 66,968,014 | 60,606,168 |
| Less: current portion (Note 21) | (14,511,634) | (6,586,992) |
| Non-current portion | 52,456,380 | 54,019,176 |

Plasma plantation receivables are unsecured and bear interest at 11% per annum (2015: 11% per annum), with no fixed repayment term and will be repaid through certain percentage of the amounts withheld by the Group on the related purchase of FFB from the Plasma farmers.

Plasma plantation receivables are denominated in Indonesian rupiah.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16. OPERATING USE RIGHTS

| | Group 2016 Rp'000 | 2015 Rp'000 |
|---|-------------------------|----------------|
| Cost | | |
| Balance as at the beginning and end of the financial year | 1,400,873 | 1,400,873 |
| Accumulated amortisation | | |
| Balance as at the beginning of the financial year | 750,631 | 706,470 |
| Amortisation for the financial year | 44,161 | 44,161 |
| Balance as at the end of the financial year | 794,792 | 750,631 |
| Carrying amount | | |
| Balance as at the end of the financial year | 606,081 | 650,242 |

The remaining amortisation period for operating use rights is as follows:

| | Group 2016 Years | 2015 Years |
|-------------------------------|------------------------|---------------|
| Remaining amortisation period | 13 | 14 |

17. CLUB MEMBERSHIPS

| | Group and Company | |
|----------------------------------|-------------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Club memberships, at cost | 888,112 | 888,112 |
| Impairment of club memberships | (599,928) | - |
| Currency translation differences | 316,246 | 350,289 |
| | 604,430 | 1,238,401 |

Club memberships comprise memberships for golf club in Singapore. During the financial year, the Group carried out a review of the recoverable amount of its club memberships due to the potential closure of these golf club following the announcement made by the local government authority that it would be acquiring the land on which the golf clubs reside for public transport development purposes. The review led to the recognition of an impairment loss of Rp599,928,000 (2015: Nil) that has been recognised in profit or loss, and included within "Other expenses" in the statement of comprehensive income. The recoverable amount of Rp604,430,000 (equivalent to S\$65,000) has been determined based on the prevailing market selling price of the club memberships at the time of the review.

18. DEFERRED CHARGES

Deferred charges represent legal and professional fees and other incidental costs incurred in the process of completing the legal arrangement of obtaining land rights. Deferred charges are stated at cost and will be subsequently reclassified to operating use rights once the land rights are legally and successfully obtained.

During the financial year, deferred charges of Rp3,628,500,000 (2015: Nil) has been written off and recognised in profit or loss (included within "Other expenses" in the statement of comprehensive income) as the related land location permit has expired in October 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19. BIOLOGICAL ASSETS

| | Group | |
|--|------------------|--------------------|
| | 2016 | 2015 (Restated) |
| | Rp'000 | Rp'000 |
| At fair value | | |
| Balance as at the beginning of the financial year | 1,528,081 | 1,772,139 |
| Changes in fair value less estimated point-of-sale costs | 845,339 | (244,058) |
| Balance as at the end of the financial year | 2,373,420 | 1,528,081 |

Biological assets comprise fresh fruit bunches ("FFB") growing on mature oil palm trees. Mature oil palm trees produce FFB, which are used to produce crude palm oil ("CPO") and palm kernels ("PK").

During the financial year, the Group harvested approximately 132,631 (2015: 146,650) tonnes of FFB.

As at the end of the financial year, the Group has estimated the quantity of biological assets, based on the FFB production yield, to be approximately 1,434.41 tonnes (2015: 1,763.19 tonnes; 2014: 1,341.62 tonnes) of FFB. The fair value of FFB was determined with reference to their market prices.

The fair value of FFB was determined by an independent valuer having appropriate recognised professional qualification using the market approach method. The market approach method is a valuation method based on the comparison of data from similar biological assets and with adjustments over the factors that affect the market value of biological assets as at the end of the financial year. This involves applying market selling prices of FFB to estimated quantities of FFB and making adjustments for estimated point-of-sale costs.

Assumptions made in determining the fair values of biological assets are as follows:

- (i) FFB production yield from the respective stages of maturity of the mature oil palm plantations used to estimate the quantity of FFB;
- (ii) the market selling prices of FFB as at the end of the financial year, issued by the plantation authority of West Kalimantan Province; and
- (iii) the transportation costs and the cost of harvesting (estimated point-of-sale costs).

The resulting fair values of biological assets are considered level 3 recurring fair value measurements.

20. INVENTORIES

| | Group | |
|---------------------|-------------------|------------|
| | 2016 | 2015 |
| | Rp'000 | Rp'000 |
| Finished goods | 38,373,775 | 37,513,442 |
| Production supplies | 10,164,700 | 13,061,947 |
| Fresh fruit bunches | 270,043 | 290,596 |
| | 48,808,518 | 50,865,985 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| Trade receivables – third parties | 5,374,350 | 5,211,854 | – | – |
| Other receivables | | | | |
| – subsidiaries | – | – | 3,256,128 | 11,651,979 |
| – third parties | 18,578,077 | 12,941,961 | 407,359 | 20,583 |
| – loans to a subsidiary | – | – | 158,153,565 | 394,592,664 |
| | 18,578,077 | 12,941,961 | 161,817,052 | 406,265,226 |
| Other taxes receivable | – | 2,530,977 | – | – |
| Value added taxes | – | 650,260 | – | – |
| Refundable deposits | 2,695,066 | 3,575,678 | 2,528,782 | 3,409,380 |
| | 26,647,493 | 24,910,730 | 164,345,834 | 409,674,606 |

Trade receivables are unsecured, non-interest bearing and generally on 30 days' credit terms.

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Included within the Group's other receivable from third parties as at 31 December 2016 is Plasma plantation receivables of Rp14,511,634,000 (2015: Rp6,586,992,000) for the Group's hand-over of Plasma plantations in accordance to the Plasma programme and such balance is determined based on the estimated repayment through certain percentage of the amounts withheld by the Group on the related future purchases of FFB from the Plasma farmers within the next financial year.

As at 31 December 2016, the Company's loans to a subsidiary are unsecured, repayable on demand and earns interest at 1.5% to 2.5% above SIBOR per annum.

As at 31 December 2015, the Company's loans to a subsidiary are unsecured and repayable on demand, out of which an amount of Rp100,068,306,000 is non-interest bearing and Rp294,524,358,000 earns interest at 1.5% to 2.5% above SIBOR per annum.

As at 31 December 2015, amount due from a subsidiary is non-trade in nature, unsecured and non-interest bearing. The balance is repayable on demand and expected to be settled in cash. The balance is neither past due nor impaired at the reporting date.

During the current financial year, there is a change in the repayment term for this amount due from a subsidiary such that repayment will be made only when the subsidiary's resources permit which is not likely to occur in the next 12 months. Consequently, management considered that the amount forms part of the net investment in the subsidiary and accordingly, the amount was re-classified from current assets to non-current assets (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables (excluding other taxes receivable and value added taxes) are denominated in the following currencies:

| | Group | | Company | |
|-------------------|-------------------|----------------|--------------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| Indonesian rupiah | 23,711,067 | 18,299,232 | 85,911,787 | 131,951,846 |
| Singapore dollar | 2,936,426 | 3,430,261 | 78,434,047 | 277,722,760 |
| | 26,647,493 | 21,729,493 | 164,345,834 | 409,674,606 |

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | |
|--|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Balance as at the beginning of the financial year | 52,920 | 126,630 |
| Changes in fair value during the financial year (Note 7) | 136,080 | (73,710) |
| Balance as at the end of the financial year | 189,000 | 52,920 |
| Comprising: | | |
| Listed securities: | | |
| Equity securities – Indonesia | 189,000 | 52,920 |

The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

The resulting fair values of financial assets at fair value through profit or loss are considered level 1 recurring fair value measurements.

The quoted equity securities are denominated in Indonesian rupiah.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---------------------------|--------------------|--------------------|--------------------|-------------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| Cash and bank balances | 55,719,040 | 117,919,701 | 1,545,389 | 4,654,495 |
| Fixed deposits with banks | 317,224,042 | 201,586,805 | 157,198,847 | 8,842,801 |
| | 372,943,082 | 319,506,506 | 158,744,236 | 13,497,296 |

Fixed deposits mature on varying dates ranging between 3 days to 88 days (2015: 1 day to 89 days) from the end of the financial year. The effective interest rates on the fixed deposits range from 0.5% to 7.5% (2015: 0.25% to 9%) per annum.

Cash and cash equivalents are denominated in the following currencies:

| | Group | | Company | |
|----------------------|--------------------|--------------------|--------------------|-------------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| Indonesian rupiah | 139,412,571 | 79,193,190 | 45,521,135 | – |
| Singapore dollar | 169,673,159 | 89,308,286 | 80,573,252 | 13,497,296 |
| United States dollar | 63,857,352 | 151,005,030 | 32,649,849 | – |
| | 372,943,082 | 319,506,506 | 158,744,236 | 13,497,296 |

24. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--------------------------------|-------------------|-------------------|------------------|------------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| Trade payables | | | | |
| – related parties | 1,130,945 | 68,520 | – | – |
| – third parties | 21,828,297 | 16,181,974 | – | – |
| | 22,959,242 | 16,250,494 | – | – |
| Other payables – third parties | 797,925 | 1,300,770 | – | – |
| Value added taxes | 1,138,219 | – | – | – |
| Other taxes payable | 7,585,938 | 3,731,291 | – | – |
| Accrued operating expenses | 10,067,538 | 9,304,090 | 1,217,056 | 1,284,232 |
| Advances from customers | 15,777,000 | 2,036,364 | – | – |
| | 58,325,862 | 32,623,009 | 1,217,056 | 1,284,232 |

Trade payables are unsecured, non-interest bearing and are normally settled within 30 to 60 (2015: 30) days.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

24. TRADE AND OTHER PAYABLES (CONTINUED)

Trade and other payables (excluding value added taxes, other taxes payable and advances from customers) are denominated in the following currencies:

| | Group | | Company | |
|-------------------|-------------------|----------------|------------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| Indonesian rupiah | 32,499,242 | 25,461,909 | – | – |
| Singapore dollar | 1,325,463 | 1,393,445 | 1,217,056 | 1,284,232 |
| | 33,824,705 | 26,855,354 | 1,217,056 | 1,284,232 |

25. FINANCE LEASE PAYABLE

| | Minimum lease payments Rp'000 | Future finance charges Rp'000 | Present value of minimum lease payments Rp'000 |
|---|-------------------------------------|-------------------------------------|---|
| Group | | | |
| 2016 | | | |
| Current liabilities | | | |
| Not later than one year | 76,740 | (12,196) | 64,544 |
| Non-current liabilities | | | |
| Later than one year and not later than five years | 103,320 | (7,429) | 95,891 |
| | 180,060 | (19,625) | 160,435 |
| 2015 | | | |
| Current liabilities | | | |
| Not later than one year | 61,494 | (3,251) | 58,243 |

Finance lease payable is denominated in Indonesian rupiah.

The finance lease term for the finance lease payable as at 31 December 2016 was 3 years (2015: 2 years).

The effective interest rate charged during the financial year is 9.29% (2015: 4.99%) per annum.

Interest rates were fixed at contract date. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The obligation under finance lease was secured by the leased asset.

As at the end of the financial year, the fair value of the Group's finance lease obligation approximates its carrying amount as the contractual interest rate is similar to the market interest rate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. PROVISION FOR POST-EMPLOYMENT BENEFITS

The Group recognises provision for post-employment benefits for all its permanent employees in accordance with Indonesian Labour Law No. 13/2003 dated 25 March 2003. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method".

The provision for post-employment benefits recognised by the Group as at 31 December 2016 amounted to approximately Rp39,669,527,000 (2015: Rp33,676,272,000). The related expense recognised in the current financial year was approximately Rp6,164,094,000 (2015: Rp5,264,288,000).

The estimated liabilities for post-employment benefits based on the actuary report has been determined using the following assumptions:

| | 2016 | 2015 |
|------------------------------|------------------------------|-----------------------|
| Discount rate | 8.40% per annum | 9.10% per annum |
| Wages and salary growth rate | 8% per annum | 8% per annum |
| Mortality rate | TMI 2011 | TMI 2011 |
| Retirement age | 55 years of age | 55 years of age |
| Method | Projected unit credit | Projected unit credit |

Reconciliation of post-employment benefits

| | Group | |
|--|--------------------|-------------|
| | 2016 | 2015 |
| | Rp'000 | Rp'000 |
| Balance, representing present value of obligation, as at the beginning of the financial year | 33,676,272 | 32,306,575 |
| Included in profit or loss | | |
| Current service costs | 2,853,161 | 2,242,063 |
| Interest costs | 3,061,574 | 2,632,428 |
| Past service cost | 249,359 | 389,797 |
| | 6,164,094 | 5,264,288 |
| Provision utilised during the financial year | (65,193) | (407,582) |
| Included in other comprehensive income | | |
| Remeasurement of post-employment benefits from: | | |
| – Demographic assumptions | – | – |
| – Financial assumptions | 1,542,690 | (1,888,512) |
| – Experience losses | (1,648,336) | (1,598,497) |
| | (105,646) | (3,487,009) |
| Balance, representing present value of obligation, as at the end of the financial year | 39,669,527 | 33,676,272 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26. PROVISION FOR POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, is presented in the table below:

| Actuarial assumption | Change in actuarial assumption | Defined benefit obligation | |
|------------------------------|--------------------------------|----------------------------|--------------------|
| | | Increase Rp'000 | Decrease Rp'000 |
| 2016 | | | |
| Discount rate | 1% | 37,071,266 | 42,663,638 |
| Wages and salary growth rate | 1% | 43,010,350 | 36,761,572 |
| Mortality rate | 1% | 39,665,910 | 39,673,146 |
| 2015 | | | |
| Discount rate | 1% | 31,531,264 | 36,142,377 |
| Wages and salary growth rate | 1% | 36,452,870 | 31,249,785 |
| Mortality rate | 1% | 33,678,278 | 33,674,266 |

The average duration of the post-employment benefits at the end of the financial year is 16.34 years (2015: 16.37 years).

27. DEFERRED TAX LIABILITIES

| | Group | |
|---|----------------|------------------------------|
| | 2016 Rp'000 | 2015 (Restated) Rp'000 |
| Balance as at the beginning of the financial year | 3,295,835 | 3,660,675 |
| Credited to profit or loss | (69,246) | (1,236,592) |
| Charged to other comprehensive income | 26,412 | 871,752 |
| Balance as at the end of the financial year | 3,253,001 | 3,295,835 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27. DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities arise as a result of temporary differences between the tax written down values and carrying amounts of the following computed at domestic income tax rate:

| | Biological assets (Restated) Rp'000 | Property, plant and equipment Rp'000 | Bearer plants and Operating use rights (Restated) Rp'000 | Provision for post- employment benefits Rp'000 | Total Rp'000 |
|---|--|---|---|--|-----------------|
| Group | | | | | |
| Balance as at 1.1.2015 (restated) | 443,035 | 12,830,463 | (1,536,181) | (8,076,642) | 3,660,675 |
| (Credited)/Charged to profit or loss | (61,015) | (600,227) | 638,826 | (1,214,176) | (1,236,592) |
| Charged to other comprehensive income | – | – | – | 871,752 | 871,752 |
| Balance as at 31.12.2015 and 1.1.2016 (restated) | 382,020 | 12,230,236 | (897,355) | (8,419,066) | 3,295,835 |
| Charged/(Credited) to profit or loss | 211,335 | 592,206 | 651,938 | (1,524,725) | (69,246) |
| Charged to other comprehensive income | – | – | – | 26,412 | 26,412 |
| Balance as at 31.12.2016 | 593,355 | 12,822,442 | (245,417) | (9,917,379) | 3,253,001 |

The Group has recognised withholding tax of Rp7,347,212,000 (2015: Rp3,189,508,000) relating to the dividends and interest received from a subsidiary during the financial year. Temporary differences on the remaining undistributed earnings for which no withholding tax liability has been recognised amounted to approximately Rp246,356,452,000 (2015 restated: Rp510,318,162,000) as the Group does not expect to distribute such earnings in the foreseeable future. Such withholding tax liability is estimated to be Rp24,635,645,000 (2015 restated: Rp51,031,816,000).

28. SHARE CAPITAL

| | Group and Company | | | |
|--|---|--------------|----------------|----------------|
| | 2016 Number of ordinary shares '000 | 2015 '000 | 2016 Rp'000 | 2015 Rp'000 |
| Issued and paid up | | | | |
| Balance as at the beginning of the financial year | 206,484 | 412,968 | 681,817,047 | 681,817,047 |
| Share consolidation | – | (206,484) | – | – |
| Balance as at the end of the financial year | 206,484 | 206,484 | 681,817,047 | 681,817,047 |
| Treasury shares | | | | |
| Balance as at the beginning of the financial year | 2,914 | 3,510 | 11,188,496 | 7,254,125 |
| Shares re-acquired and held as treasury shares | 3,786 | 2,319 | 10,246,920 | 3,934,371 |
| Share consolidation | – | (2,915) | – | – |
| Balance as at the end of the financial year | 6,700 | 2,914 | 21,435,416 | 11,188,496 |
| Balance as at the end of the financial year (excluding treasury shares) | 199,784 | 203,570 | 660,381,631 | 670,628,551 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group and the Company. All ordinary shares have no par value and carry one vote per share without restriction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28. SHARE CAPITAL (CONTINUED)

Treasury shares

Treasury shares relate to ordinary shares of the Company that were re-acquired and held by the Company. The Company acquired 3,786,600 (2015: 2,319,000) of its ordinary shares in the open market during the financial year. The total amount paid to acquire these shares was Rp10,246,920,000 (2015: Rp3,934,371,000) and this was presented as a component within shareholders' equity.

Share consolidation

During the previous financial year, the Company has completed its share consolidation to meet the minimum trading price requirement, as required by the Monetary Authority of Singapore and the Singapore Exchange Securities Trading Limited, and every two existing issued ordinary shares registered in the name of each shareholder has been consolidated to constitute one Consolidated Share.

29. FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve comprises mainly foreign exchange differences arising from the translation of the financial statements of the Company whose functional currency is different from that of the Group's presentation currency and is non-distributable.

30. DIVIDEND

| | Group and Company | |
|--|-------------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Final tax-exempt dividend of S\$0.004 (approximately Rp39.22) [2015: S\$0.007 (approximately Rp68.63)] per ordinary share in respect of financial year ended 31 December 2015 (2015: 31 December 2014) | 7,950,404 | 28,001,675 |

The Board of Directors of the Company recommend a final tax-exempt dividend of S\$0.0301 per ordinary share amounting to an estimated net dividend of S\$6,013,000 (approximately Rp55,919,494,000) in respect of the current financial year, based on the number of issued shares as at 31 December 2016. This final dividend has not been recognised as a liability at the end of the financial year as it is subject to approval at the Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

31. COMMITMENTS

31.1 Capital commitments

At the end of the financial year, the Group had the following capital expenditure contracted for but not recognised in the financial statements as follows:

| | Group and Company | |
|-------------------------------|-------------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Property, plant and equipment | 2,672,495 | 2,962,630 |

31.2 Operating lease commitments

At the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premises and other office facilities are as follows:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| <i>Future minimum lease payments payable:</i> | | | | |
| Not later than one year | 754,471 | 773,591 | 634,471 | 684,913 |
| Later than one year and not later than five years | 31,830 | 52,452 | 31,830 | 52,452 |
| | 786,301 | 826,043 | 666,301 | 737,365 |

Leases initially run for an initial period of 2 to 5 years, with an option to renew for another 2 years, with no contingent rentals payments.

31.3 Commitment for sales contracts

The Group had the following contractual amounts of the committed contracts with fixed pricing terms that were outstanding at the end of the financial year.

| | Group | |
|-------|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Sales | 17,530,000 | 23,056,364 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

During the financial year, in addition to the information disclosed elsewhere in these financial statements, the Group entities entered into the following transactions with related parties at rates and terms agreed between the parties:

| | Group | |
|--|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| <u>Related parties</u> | | |
| Purchase of spare parts from related parties | 241,670 | 364,493 |
| Services received from related parties | 300,000 | 640,095 |
| Transportation charged by related parties | 2,424,483 | 2,555,042 |
| Purchase of property, plant and equipment from related parties | 2,840,400 | – |
| Rental of premises charged by related parties | 164,339 | 377,943 |

Related parties refer to entities, of which Mr. Tan Hong Kiat @ Suparno Adijanto, Director of the Company, has joint control.

Key management personnel remuneration

The remuneration of the Directors of the Company and other key management of the Group for the financial years ended 31 December 2016 and 2015 were as follows:

| | Group | |
|--------------------------------|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Short-term benefits | 11,052,153 | 10,685,041 |
| <i>Analysed into:</i> | | |
| Directors of the Company | 5,526,564 | 5,418,818 |
| Directors of the subsidiary | 1,666,670 | 2,422,324 |
| Other key management personnel | 3,858,919 | 2,843,899 |
| | 11,052,153 | 10,685,041 |
| Directors' fees | 1,720,300 | 1,803,970 |

33. SEGMENT REPORTING

The Group operates only in one business segment, which is the plantation segment and in one geographical location, Indonesia. Accordingly, no segmental information is prepared based on business segment or on geographical distribution as it is not meaningful.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

34.1 Financial instruments

The following sets out the financial instruments at the end of financial year:

| | Group | | Company | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2016 Rp'000 | 2015 Rp'000 | 2016 Rp'000 | 2015 Rp'000 |
| <u>Financial assets</u> | | | | |
| Plasma plantation receivables ¹ | 52,456,380 | 54,019,176 | – | – |
| Trade and other receivables ² | 26,647,493 | 21,729,493 | 164,345,834 | 409,674,606 |
| Cash and cash equivalents | 372,943,082 | 319,506,506 | 158,744,236 | 13,497,296 |
| Dividend receivable | – | – | 57,833,614 | 25,313,151 |
| Loans and receivables | 452,046,955 | 395,255,175 | 380,923,684 | 448,485,053 |
| Financial assets at fair value through profit or loss | 189,000 | 52,920 | – | – |
| | 452,235,955 | 395,308,095 | 380,923,684 | 448,485,053 |
| <u>Financial liabilities</u> | | | | |
| Trade and other payables ³ | 33,824,705 | 26,855,354 | 1,217,056 | 1,284,232 |
| Finance lease payable | 160,435 | 58,243 | – | – |
| Dividend payable to non- controlling interest | 2,847,500 | 1,062,500 | – | – |
| Other financial liabilities at amortised cost | 36,832,640 | 27,976,097 | 1,217,056 | 1,284,232 |

1 This represents the amount classified as non-current assets.

2 This excludes other taxes receivable and value added taxes.

3 This excludes value added taxes, other taxes payable and advances from customers.

34.2 Financial risks

The Group's and the Company's activities expose them to credit risks, market risks (including foreign currency risks, interest rate risks and price risks) and liquidity risks. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The management continually monitors the Group's and the Company's financial risk management process to ensure that an appropriate balance between risk and control is achieved.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risk. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

34.2 Financial risks (Continued)

(a) Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics, except for the Plasma plantation receivables amounting to Rp66,968,014,000 (2015: Rp60,606,168,000).

The Company has no significant concentration of credit risk except for the amounts due from subsidiaries amounting to approximately Rp161,409,693,000 (2015: Rp406,244,643,000) which represented 98.2% (2015: 99.2%) of total trade and other receivables, and dividend receivable amounting to Rp57,833,614,000 (2015: Rp25,313,151,000).

At the end of the financial year, the Group's and the Company's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statements of financial position.

The Group's and the Company's major classes of financial assets are financial assets at fair value through profit or loss, cash and cash equivalents, trade and other receivables, Plasma plantation receivables and dividend receivable. These financial assets are neither past due nor impaired at the end of the financial year.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Trade receivables that are neither past due nor impaired are substantially entities with good payment track record with the Group.

(b) Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's and the Company's income or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

34.2 Financial risks (Continued)

(b) Market risks (Continued)

(i) Foreign currency risks

Foreign currency risk arises from transactions denominated in currencies other than the functional currencies of the respective companies in the Group. The currencies that give rise to this risk of the Group are primarily Singapore dollar ("SGD"), United States dollar ("USD") and Indonesian rupiah ("IDR"). The currency that gives rise to this risk of the Company is primarily Indonesian rupiah ("IDR") and United States dollar ("USD").

The Group and the Company have not entered into any currency forward exchange contracts as at the end of the financial year.

The Group's currency exposure is as follows:

| | SGD Rp'000 | USD Rp'000 | IDR Rp'000 | Total Rp'000 |
|--|---------------|---------------|---------------|-----------------|
| Group | | | | |
| 2016 | | | | |
| Total financial assets | 306,152,743 | 63,857,352 | 358,965,814 | 728,975,909 |
| Total financial liabilities | (230,295,678) | – | (178,703,956) | (408,999,634) |
| Net financial assets | 75,857,065 | 63,857,352 | 180,261,858 | 319,976,275 |
| Less: | | | | |
| Net financial (assets)/liabilities denominated in the respective entities' functional currencies | (157,790,242) | – | (48,828,936) | (206,619,178) |
| Currency exposure of financial assets net of those denominated in the respective entities' functional currencies | (81,933,177) | 63,857,352 | 131,432,922 | 113,357,097 |
| 2015 | | | | |
| Total financial assets | 367,253,284 | 151,005,030 | 330,204,515 | 848,462,829 |
| Total financial liabilities | (275,908,182) | – | (205,222,649) | (481,130,831) |
| Net financial assets | 91,345,102 | 151,005,030 | 124,981,866 | 367,331,998 |
| Less: | | | | |
| Net financial (assets)/liabilities denominated in the respective entities' functional currencies | (289,935,824) | – | 32,283,131 | (257,652,693) |
| Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies | (198,590,722) | 151,005,030 | 157,264,997 | 109,679,305 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

34.2 Financial risks (Continued)

(b) Market risks (Continued)

(i) Foreign currency risks (Continued)

The Company's currency exposure is as follows:

| | USD Rp'000 | IDR Rp'000 |
|---|---------------|---------------|
| Company | | |
| 2016 | | |
| Total financial assets | 32,649,849 | 131,432,922 |
| Total financial liabilities | – | – |
| Net currency exposure of financial assets | 32,649,849 | 131,432,922 |
| 2015 | | |
| Total financial assets | – | 157,264,997 |
| Total financial liabilities | – | – |
| Net currency exposure of financial assets | – | 157,264,997 |

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 3% (2015: 5%) change in Singapore dollar, United States dollar and Indonesian rupiah against the Group entities' respective functional currency and the Company's sensitivity to a 3% (2015: 5%) change in United States dollar and Indonesian rupiah against the Company's functional currency (Singapore dollar). The sensitivity analysis assumes an instantaneous 3% (2015: 5%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in Singapore dollar, United States dollar and Indonesian rupiah are included in the analysis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

34.2 Financial risks (Continued)

(b) Market risks (Continued)

(i) Foreign currency risks (Continued)

Foreign currency sensitivity analysis (Continued)

| | (Decrease)/Increase profit or loss | |
|--|------------------------------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Group | | |
| <u>Singapore dollar</u> | | |
| Strengthened against Indonesian rupiah | (2,457,995) | (9,929,536) |
| Weakened against Indonesian rupiah | 2,457,995 | 9,929,536 |
| <u>United States dollar</u> | | |
| Strengthened against Indonesian rupiah | 1,915,721 | 7,550,251 |
| Weakened against Indonesian rupiah | (1,915,721) | (7,550,251) |
| <u>Indonesian rupiah</u> | | |
| Strengthened against Singapore dollar | 3,942,988 | 7,863,250 |
| Weakened against Singapore dollar | (3,942,988) | (7,863,250) |
| Company | | |
| <u>United States dollar</u> | | |
| Strengthened against Singapore dollar | 979,495 | – |
| Weakened against Singapore dollar | (979,495) | – |
| <u>Indonesian rupiah</u> | | |
| Strengthened against Singapore dollar | 3,942,988 | 7,863,250 |
| Weakened against Singapore dollar | (3,942,988) | (7,863,250) |

The potential impact of foreign exchange rate fluctuation in profit or loss as described in the sensitivity analysis above is attributable mainly to foreign exchange rate fluctuations of the Group's and the Company's foreign exchange exposure on foreign currency denominated cash and cash equivalents, receivables and payables at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

34.2 Financial risks (Continued)

(b) Market risks (Continued)

(ii) Interest rate risks

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

The Group's exposure to market risk for changes in interest rates relates primarily to interest-bearing cash and cash equivalents as shown in Note 23 to the financial statements. The Group's profit or loss and equity are not affected by the changes in interest rates of Plasma plantation receivables and finance lease payable as they carry fixed interest and are measured at amortised cost. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings. The Company's exposure to market risk for changes in interest rates relates primarily to fixed deposits and loans to a subsidiary.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial assets and liabilities at the end of the financial year. For variable rate financial assets, the analysis is prepared assuming the amount of financial assets outstanding at the end of the financial year was outstanding for the whole financial year. The sensitivity analysis assumes an instantaneous 50 basis point (2015: 50 basis point) change in the interest rates from the end of the financial year, with all variables held constant.

If the interest rate increases or decreases by 50 basis point (2015: 50 basis point), profit before income tax of the Group, will increase or decrease by:

| | Group | |
|--|----------------|----------------|
| | 2016 Rp'000 | 2015 Rp'000 |
| Interest-bearing cash and cash equivalents | 1,586,120 | 1,007,934 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

34.2 Financial risks (Continued)

(b) *Market risks (Continued)*

(iii) Price risks

The Group's exposure to price risk arises from its:

- purchase of raw materials and sales of crude palm oil and palm kernel; and
- investments in equity securities which are classified on the statement of financial position as financial assets at fair value through profit or loss.

Prices of raw materials and end products may fluctuate significantly depending on the market situation and factors such as weather, government policy, level of demand and supply in the market and the global economic environment. During periods of unfavourable price volatility, the Group may enter into forward physical contracts with its suppliers and customers or use derivative contracts in the conduct of business to manage its price risk.

Price risk sensitivity analysis

At the end of the financial year, had the crude palm oil and palm kernel average selling prices and prices for equity securities listed in Indonesia been 44% (2015: 25%) higher or lower, with all variables held constant, profit before income tax would have been higher or lower by approximately Rp169,807,775,000 (2015: Rp80,402,318,000).

(c) *Liquidity risks*

Liquidity risks refer to the risks in which the Group and the Company encounter difficulties in meeting short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company manage their debt maturity profile, operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of the overall prudent liquidity management, the Group and the Company minimise liquidity risk by ensuring availability of funding through an adequate amount of committed credit facilities from financial institutions and maintain sufficient levels of cash and cash equivalents to meet their working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONTINUED)

34.2 Financial risks (Continued)

(c) Liquidity risks (Continued)

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

| | Effective interest rate % | Within one financial year Rp'000 | Between two to five financial years Rp'000 |
|--|---------------------------------|--|---|
| Group | | | |
| Financial Liabilities | | | |
| 2016 | | | |
| Trade and other payables* | – | 33,824,705 | – |
| Finance lease payable | 9.29% | 76,740 | 103,320 |
| Dividend payable to non-controlling interest | – | 2,847,500 | – |
| | | 36,748,945 | 103,320 |
| 2015 | | | |
| Trade and other payables* | – | 26,855,354 | – |
| Finance lease payable | 4.99% | 61,494 | – |
| Dividend payable to non-controlling interest | – | 1,062,500 | – |
| | | 27,979,348 | – |

* This excludes value added taxes, other taxes payable and advances from customers.

| | Effective interest rate % | Within one financial year Rp'000 |
|------------------------------|---------------------------------|--|
| Company | | |
| Financial liabilities | | |
| 2016 | | |
| Trade and other payables | – | 1,217,056 |
| 2015 | | |
| Trade and other payables | – | 1,284,232 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35. FAIR VALUE OF ASSETS AND LIABILITIES

The carrying amounts of the Group's and the Company's current financial assets and financial liabilities approximate their respective fair values as at the end of the financial year due to the relative short term maturity of these financial instruments.

The fair value of non-current Plasma plantation receivables is calculated based on discounted expected future principal and interest cash flows. The discount rate used is based on market rate for similar instrument at the end of the financial year. As at the end of the financial year, the fair value of the non-current Plasma plantation receivables approximates its carrying amount, as the discount rate approximates the contractual interest rate.

(a) Fair value hierarchy

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

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

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

(b) Assets and liabilities measured at fair value

Assets carried at fair value classified by level of fair value hierarchy are as follows:

| | Fair value measurement using: | | |
|---|-------------------------------|-------------------|-------------------|
| | Level 1 Rp'000 | Level 2 Rp'000 | Level 3 Rp'000 |
| Group | | | |
| 2016 | | | |
| Assets | | | |
| Financial assets at fair value through profit or loss | 189,000 | – | – |
| Biological assets | – | – | 2,373,420 |
| 2015 | | | |
| Assets | | | |
| Financial assets at fair value through profit or loss | 52,920 | – | – |
| Biological assets (restated) | – | – | 1,528,081 |

(c) Level 1 fair value measurements

The financial instruments included in level 1 are traded in active markets and their fair values are based on quoted market prices at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

35. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(d) Level 3 fair value measurements

(i) *Movements in Level 3 assets measured at fair value*

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

(ii) *Valuation policies and procedures*

To determine the fair value of biological assets, the Group engages external valuation experts to perform the valuation. The group finance team is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 Fair Value Measurement guidance.

The group finance team reviews the appropriateness of the valuation methodologies and assumptions adopted by the external valuation experts. The group finance team also evaluates the appropriateness and reliability of the inputs used in the valuations.

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

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

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

| Description | Fair value at 31 December 2016 Rp'000 | Valuation technique used | Significant unobservable input | Quantitative information | Relationship of significant unobservable input to fair value |
|-------------------|--|--------------------------------|--------------------------------------|--|---|
| Biological assets | 2,373,420 (2015 restated: 1,528,081; 2014 restated: 1,772,139) | Market Approach | FFB production yield | 1,434.41 tons (2015: 1,763.19 tons; 2014: 1,341.62 tons) | The higher the FFB production yield used to estimate the quantity of biological assets, the higher the fair value |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

36. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concern and maintain an optimal capital structure so as to maximise shareholders' values.

The management constantly reviews the capital structure to ensure that the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. The capital structure of the Group and the Company comprises the share capital, foreign currency translation reserve and accumulated profits which are shown in the statements of financial position. The Group's and the Company's overall strategy remains unchanged from the previous financial year.

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

37. COMPARATIVE FIGURES

As disclosed in Note 2.1 to the financial statements, on 1 January 2016, the Group adopted the Amendments to FRS 16 and FRS 41 – Agriculture: Bearer Plants that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the amendments.

The change in accounting policy has been applied retrospectively in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors, and comparative figures have been restated accordingly.

This resulted in a reduction in the Group's equity by Rp243,177,815,000. The following details comparative figures as at 1 January 2015 and 31 December 2015 which have been restated as a result of the above restatement.

| | 2015 (as previously reported) Rp'000 | 2015 (as restated) Rp'000 |
|---|---|---------------------------------|
| Group | | |
| Consolidated statement of comprehensive income | | |
| Cost of sales | (260,807,536) | (268,186,859) |
| Gross profit | 60,748,815 | 53,369,492 |
| Changes in fair value less estimated point-of-sale costs of biological assets | (185,223,062) | (244,058) |
| Other income | 16,342,592 | 19,023,158 |
| (Loss)/profit before income tax | (144,554,099) | 35,726,148 |
| Income tax credit/(expense) | 42,770,290 | (7,856,463) |
| (Loss)/profit for the financial year | (101,783,809) | 27,869,685 |
| Total comprehensive income for the financial year | (86,592,449) | 43,061,045 |
| (Loss)/profit attributable to: | | |
| Owners of the parent | (96,661,491) | 26,509,329 |
| Non-controlling interest | (5,122,318) | 1,360,356 |
| Total | (101,783,809) | 27,869,685 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | (81,600,894) | 41,569,926 |
| Non-controlling interest | (4,991,555) | 1,491,119 |
| Total | (86,592,449) | 43,061,045 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. COMPARATIVE FIGURES (CONTINUED)

| | | | Rp (as previously reported) | Rp (as restated) |
|---|--|--|---|---|
| (Loss)/earnings per share | | | | |
| | | | (474) | 130 |
| | | | | |
| | As at 31.12.2015 (as previously reported) Rp'000 | As at 31.12.2015 (as restated) Rp'000 | As at 1.1.2015 (as previously reported) Rp'000 | As at 1.1.2015 (as restated) Rp'000 |
| Group | | | | |
| Statement of financial position | | | | |
| Non-current assets | | | | |
| Bearer plants | – | 111,565,719 | – | 139,924,339 |
| Biological assets | 429,061,675 | – | 637,944,601 | – |
| Total non-current assets | 625,941,350 | 308,445,394 | 768,886,424 | 270,866,162 |
| Current assets | | | | |
| Biological assets | – | 1,528,081 | – | 1,772,139 |
| Total current assets | 410,139,535 | 411,667,616 | 466,525,547 | 468,297,686 |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 76,085,895 | 3,295,835 | 127,077,489 | 3,660,675 |
| Total non-current liabilities | 109,762,167 | 36,972,107 | 159,384,064 | 35,967,250 |
| Net assets | 890,535,981 | 647,358,166 | 1,010,314,476 | 637,483,167 |
| Capital and reserve | | | | |
| Accumulated profits | 92,985,804 | (138,033,120) | 215,164,476 | (139,025,268) |
| Equity attributable to owners of the parent | 863,270,073 | 632,251,149 | 976,807,013 | 622,617,269 |
| Non-controlling interests | 27,265,908 | 15,107,017 | 33,507,463 | 14,865,898 |
| Total equity | 890,535,981 | 647,358,166 | 1,010,314,476 | 637,483,167 |

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

37. COMPARATIVE FIGURES (CONTINUED)

| | Group | |
|---|-----------------------------|---------------|
| | 2015 | 2015 |
| | (As previously reported) | (As restated) |
| | Rp'000 | Rp'000 |
| Consolidated Statement of Cash Flows | | |
| Cash flows from operating activities | | |
| (Loss)/profit before income tax | (144,554,099) | 35,726,148 |
| Adjustments for: | | |
| Changes in fair value less estimated point-of-sale costs of biological assets | 185,223,062 | 244,058 |
| Depreciation of bearer plants | – | 7,379,323 |
| Gain on disposal of bearer plants, net | – | (14,377,253) |
| Gain on disposal of biological assets, net | (11,696,687) | – |

STATISTICS OF SHAREHOLDINGS

As at 13 March 2017

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | | NO. OF SHARES | |
|-----------------------|---------------------|---------------|--------------------|---------------|
| | | % | | % |
| 1 – 99 | 5 | 0.25 | 250 | 0.00 |
| 100 – 1,000 | 192 | 9.63 | 167,000 | 0.08 |
| 1,001 – 10,000 | 1,194 | 59.91 | 5,830,100 | 2.93 |
| 10,001 – 1,000,000 | 597 | 29.96 | 32,134,850 | 16.14 |
| 1,000,001 AND ABOVE | 5 | 0.25 | 160,984,200 | 80.85 |
| TOTAL | 1,993 | 100.00 | 199,116,400 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|-----|---|--------------------|--------------|
| 1 | GPR INVESTMENT HOLDINGS LIMITED | 151,740,000 | 76.21 |
| 2 | OCBC SECURITIES PRIVATE LIMITED | 2,972,500 | 1.49 |
| 3 | DBS NOMINEES (PRIVATE) LIMITED | 2,638,050 | 1.32 |
| 4 | RAFFLES NOMINEES (PTE) LIMITED | 2,092,950 | 1.05 |
| 5 | LEE IN CHUN | 1,540,700 | 0.77 |
| 6 | LIM KUI TENG | 1,000,000 | 0.50 |
| 7 | NOMURA SINGAPORE LIMITED | 882,000 | 0.44 |
| 8 | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 840,050 | 0.42 |
| 9 | SENG SOON HIANG | 733,500 | 0.37 |
| 10 | CITIBANK NOMINEES SINGAPORE PTE LTD | 708,000 | 0.36 |
| 11 | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 500,000 | 0.25 |
| 12 | LIM CHYE HUAT @ BOBBY LIM CHYE HUAT | 500,000 | 0.25 |
| 13 | SEE MENG HONG | 400,000 | 0.20 |
| 14 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 363,000 | 0.18 |
| 15 | CHONG YEN CHAN | 360,000 | 0.18 |
| 16 | GAN TIAM SIANG | 347,900 | 0.17 |
| 17 | NG TONG HUAT | 314,100 | 0.16 |
| 18 | PHILLIP SECURITIES PTE LTD | 260,500 | 0.13 |
| 19 | LIM CHOON THYE | 260,000 | 0.13 |
| 20 | CHIA LEE MENG RAYMOND | 250,000 | 0.13 |
| | TOTAL | 168,703,250 | 84.71 |

| | | |
|---|-------------|-------|
| No. of issued shares: | 206,484,000 | |
| No. of issued shares (excluding Treasury Shares): | 199,116,400 | |
| No./Percentage of treasury shares: | 7,367,600 | 3.57% |
| Number of shareholders: | 1,994 | |

| | |
|--|-------------------|
| Class of shares: | Ordinary shares |
| Voting Rights (excluding Treasury Shares): | 1 vote per share* |

STATISTICS OF SHAREHOLDINGS

As at 13 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | %** | Deemed Interest | % |
|------------------------------------|-----------------|--------|-----------------|---|
| GPR Investment Holdings Limited*** | 151,740,000 | 76.21% | – | – |

Notes:

- * Ordinary shares purchased and held as treasury shares by the Company will have no voting rights.
- ** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the Company as of 13 March 2017, excluding 7,367,600 ordinary shares held as treasury shares as at that date.
- *** GPR Investment Holdings Limited ("GPR Investment"), a Seychelles-domiciled company, is the private investment vehicle of the Adjianto Family Shareholders (which includes our Executive Chairman and CEO, Dr Suparno Adjianto) through which they hold interests in our Company. GPR Investment is wholly-owned by the Adjianto Family Shareholders, and none of them exercises control over GPR Investment or dominates decision-making, whether directly or indirectly, in relation to the financial and operating policies of GPR Investment. GPR Investment's board of directors comprises entirely of all of the Adjianto Siblings, each of whom has an equal vote.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 13 March 2017, approximately 23.79% of the Company's shares listed on the Singapore Exchange Securities Trading Limited were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of GLOBAL PALM RESOURCES HOLDINGS LIMITED (“the Company”) will be held on 25 April 2017 at 2.00 p.m. at Room 330, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:

| | |
|---|-----------------------|
| Mr Ivan Swandono (Retiring under Article 88) | (Resolution 2) |
| Dr Tan Hong Kiat @ Suparno Adijanto (Retiring under Article 89) | (Resolution 3) |
| Mr Guok Chin Huat Samuel (Retiring under Article 89) | (Resolution 4) |

[See Explanatory Note (i), (ii) and (iii)]
3. To approve the payment of Directors’ fees of S\$185,000 for the financial year ending 31 December 2017 to be paid quarterly in arrears. (2016: S\$185,000) **(Resolution 5)**
4. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
5. To declare first and final tax exempt (one-tier) dividend of S\$0.0301 per ordinary share for the financial year ended 31 December 2016. **(Resolution 7)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force

(the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (iv)]

(Resolution 8)

8. **Renewal of Share Buyback Mandate**

- (a) That for the purposes of the Companies Act, Cap. 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the Shares (excluding treasury shares) not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

NOTICE OF ANNUAL GENERAL MEETING

- (i) on-market share buy-back, transacted on the SGX-ST or as the case may be, other stock exchange for the time being on which the Shares may be listed or quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose (the **"On-Market Share Buy-Back"**); and/or
- (ii) off-market share buy-back (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Manual (the **"Off-Market Share Buy-Back"**)

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being as applicable, be and is hereby authorised and approved generally and unconditionally.

(the **"Share Buyback Mandate"**)

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this resolution and expiring on the earlier of:
 - (i) the conclusion of the next AGM or the date by which such AGM is required by law to be held;
 - (ii) the date on which the purchases or acquisitions of the Shares by the Company pursuant to the proposed Share Buy-Back Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained by the proposed Share Buy-Back Mandate is varied or revoked by ordinary resolution of the Company in general meeting;
- (c) In this Resolution:

"Prescribed Limit" means the number of Shares representing 10% of the total issued share capital of the Company (excluding treasury shares) as at the date of the passing of this resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued share capital of the Company (excluding treasury shares) shall be taken to be the amount of the issued share capital of the Company as altered (excluding treasury shares that may be held by the Company from time to time);

"Relevant Period" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, or the date on which the purchases of the Shares are carried out to the full extent mandated, whichever is earlier, unless prior to that, it is varied or revoked by resolution of the shareholders of the Company in general meeting; and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of an On-Market Share Buy-Back, 105% of the Average Closing Price;
- (ii) in the case of an Off-Market Share Buy-Back, 120% of the Average Closing Price,

NOTICE OF ANNUAL GENERAL MEETING

where “**Average Closing Price**” means the average of the closing market prices of a Share over the last 5 Market Days (the “**Market Day**” being a day on which the SGX-ST is open for securities trading), on which transactions in the Shares were recorded, immediately preceding the date of making the On-Market Share Buy-Back or, as the case may be, the date of making an announcement for an offer pursuant to the Off-Market Share Buy-Back, and deemed to be adjusted for any corporate action that occurs after the relevant five 5-day period; and

- (d) the Directors and any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they/he/she may consider expedient, necessary, desirable, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this resolution.

[See Explanatory Note (v)]

(Resolution 9)

By Order of the Board

Dr Tan Hong Kiat @ Suparno Adijanto
Executive Chairman and Chief Executive Officer
Singapore, 10 April 2017

Explanatory Notes:

- (i) Mr Ivan Swandono will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Operating Officer of the Board.
- (ii) Dr Tan Hong Kiat @ Suparno Adijanto will, upon re-election as a Director of the Company, remain as the Executive Chairman and Chief Executive Officer of the Board and Member of the Nominating Committee.
- (iii) Mr Guok Chin Huat Samuel will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and Member of the Audit and Nominating Committees. Mr Guok Chin Huat Samuel will be considered independent.
- (iv) Resolution 8, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares), of which up to 20% may be issued other than on a *pro-rata* basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares will be calculated based on the total number of issued shares (excluding treasury shares) at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

- (v) Resolution 9, if passed, will empower the Directors of the Company from the date of the above meeting until the earliest of (i) the date of which the next AGM of the Company or the date by which the next AGM of the Company is held or required by law to be held; (ii) the date on which the share buybacks are carried out to the full extent mandated, or (iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Company in general meeting, to repurchase ordinary shares of the Company by way of on-market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company as at the date of the AGM at which this Ordinary Resolution is passed. The rationale for, the authority and limitation on, the sources of the funds to be used for the purchase or acquisition, including the amount of financing and financial effects of the purchase or acquisition of the ordinary shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2016 are set out in greater detail in the Letter to Shareholders dated 10 April 2017 attached to this Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member shall not be entitled to appoint more than 2 proxies to attend and vote at the Annual General Meeting ("AGM"), provided that if the Member is a Depositor, the Company shall be entitled and bound:
 - (a) to reject any instrument of proxy lodged if the Depositor, is not shown, to have any shares entered against his name in the Depository Register as at 48 hours before the time of the AGM as certified by The Central Depository (Pte) Limited ("CDP") to the Company; and
 - (b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered into against the name of that Depositor in the Depository Register as at 48 hours before the time of the AGM as certified by CDP to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

Where a Member appoints more than one proxy, the Member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

A proxy need not be a Member of the Company.

2. An instrument appointing a proxy must be left at the registered office, 105 Cecil Street #24-01 The Octagon, Singapore 069534, not less than 48 hours before the time appointed for the holding of the AGM or adjourned meeting.

GLOBAL PALM RESOURCES HOLDINGS LIMITED

(Company Registration No. 200921345M)
(Incorporated In the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Global Palm Resources Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____ (Name) NRIC/Passport No.* _____

of _____ (Address)

being a member/members* of Global Palm Resources Holdings Limited (the "Company"), hereby appoint:

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Shareholdings | |
|---------|-------------------|-----------------------------|---|
| | | No. of Shares | % |
| Address | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy/proxies* to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 25 April 2017 at 2.00 p.m. at Room 330, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593, and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her* discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

| No. | Resolutions relating to: | For | Against |
|-----|--|-----|---------|
| 1. | Directors' Report and Audited Accounts for the financial year ended 31 December 2016 | | |
| 2. | Re-election of Mr Ivan Swandono as a Director | | |
| 3. | Re-election of Dr Tan Hong Kiat @ Suparno Adijanto as a Director | | |
| 4. | Re-election of Mr Guok Chin Huat Samuel as a Director | | |
| 5. | Approval of Directors' fees amounting to S\$185,000 for financial year ending 31 December 2017 to be paid quarterly in arrears | | |
| 6. | Re-appointment of Messrs BDO LLP as Auditors | | |
| 7. | First and final tax exempt (one-tier) dividend of S\$0.0301 per ordinary share for the financial year ended 31 December 2016 | | |
| 8. | Authority to issue new shares | | |
| 9. | Renewal of Share Buyback Mandate | | |

Dated this _____ day of _____ 2017

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

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

*Delete where inapplicable



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified. If the proportion of shareholding is not specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the office of the Company's registered office address at 105 Cecil Street #24-01 The Octagon, Singapore 069534 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.