Golden Agri-Resources Ltd
Listed on the Singapore Exchange

# DRIVING CHANGE DELIVERING VALUE

ANNUAL REPORT 2016

## VISION

Be the best, fully-integrated, global agribusiness and consumer product company – the partner of choice

## MISSION

We efficiently provide sustainable and superior quality agribusiness and consumer products, solutions and services to create value for all our stakeholders

## CONTENTS

# CORPORATE PROFILE

LISTED ON THE SINGAPORE EXCHANGE SINCE 1999, GOLDEN AGRI-RESOURCES LTD AND ITS SUBSIDIARIES ("GAR" OR THE "COMPANY") FORM ONE OF THE LEADING INTEGRATED PALM OIL PLANTATION COMPANIES IN THE WORLD WITH TOTAL REVENUE OF MORE THAN US$7.2 BILLION AND UNDERLYING PROFIT OF US$186 MILLION IN 2016.

GAR's primary activities range from cultivating and harvesting oil palm trees, processing fresh fruit bunches ("FFB") into crude palm oil ("CPO") and palm kernel ("PK"), to refining CPO into industrial and consumer products such as cooking oil, margarine, shortening and biodiesel, as well as merchandising palm products throughout the world.

GAR is focused on sustainable palm oil production. GAR cultivates 488,252 hectares of oil palm plantations in Indonesia, including plasma smallholders. Our 45 mills extract CPO and PK from FFB, with a total capacity of 12.8 million tonnes per annum. Part of our CPO is processed further into value-added bulk, industrial and branded products through our own refineries with a total capacity of 4.7 million tonnes per annum. The PK is crushed in our kernel crushing plants which have an annual capacity of 1.4 million tonnes, producing higher-value palm kernel oil and palm kernel meal.

GAR also has presences in China and India, where it operates a deep-sea port, oilseeds crushing plants, production capabilities for refined edible oil products as well as other food products such as noodles.

GAR's products are sold globally to a diversified customer base by leveraging its extensive distribution network, strong merchandising, branding, and destination marketing. Our shipping and logistics capabilities are bolstered by our ownership of vessels, sea ports, jetties, warehouses and bulking facilities in strategic locations.

**169**

oil palm estates under care

**>488k ha**

oil palm plantation area under management

**19.04 MT/ha**

Fresh Fruit Bunch yield

# LEADING IN SCALE AND OPERATIONAL EXCELLENCE

The large scale and integrated nature of our palm oil operations allow us to promote efficiency, productivity, quality and sustainable growth across the entire value chain. Our strong expertise is supported by a comprehensive management system and an internationally recognised research and development centre. We aim to build on our competitive strengths to grow our palm product output.

**22.18%**

oil extraction rate

**>2.5mil MT**

of palm products

**US$379mil**

of upstream EBITDA

# CHAIRMAN'S STATEMENT

*"We are focusing our business transformation efforts to enter a new age of efficiency, sustainability and innovation throughout our vertically integrated value chain to grow profitability, as the partner of choice."*

**Franky Oesman Widjaja**
*Chairman and Chief Executive Officer*

## DEAR SHAREHOLDERS,

We are delighted to have concluded 2016 with excellent performance. During this challenging year, we witnessed one of our largest declines in plantation output ever due to severe El Niño conditions in 2015. As an integrated player, however, Golden Agri-Resources Ltd and its subsidiaries ("GAR" or the "Company") successfully "weathered the storm" due to the protection provided by our expanded and strengthened integrated business model.

The impact of El Niño started easing in the last quarter of 2016 and production recovery began. We also saw a recovery in prices thanks to the low palm oil supply and low stock levels in the large consuming countries. The Indonesian government's commitment towards its biodiesel policy has increased overall demand for palm oil, and this provided further support for crude palm oil ("CPO") prices.

## STRONG RESULTS DESPITE SOFTER PLANTATION OUTPUT

During the year, we recorded 11 percent growth in revenue to US$7.21 billion and a six percent increase in EBITDA to US$572 million. These results were delivered on the back of enhanced performance of our integrated business model and the appreciation of CPO prices offsetting weaker palm product output.

The severe El Niño in 2015 dragged down palm oil production during the reporting period, impacting EBITDA margin for the upstream business. The expected production recovery in the upcoming quarters will lift our 2017 performance.

In line with our expectations, the palm and lauric business consistently delivered improvement throughout the year, stemming from continued focus on enhancing margins across the value chain. This segment has provided a progressively larger contribution to consolidated EBITDA in the past two years, and we expect this to continue as we further streamline the value chain integration. Our new biodiesel facility commenced operations in the second quarter of the year and has also generated a satisfactory margin.

Amidst uncertain China market conditions, our prudent management allowed the oilseeds business to maintain its positive contribution. We continue to explore strategic options to improve profitability of this segment.

The Company's balance sheet remained healthy with improving gearing ratios. During 2016, we maintained sound liquidity and focused on refinancing, extending our loan profile and achieving further cost efficiency. We believe that GAR is on track to enhancing its financial position with a view to potential deleveraging when cash flows strengthen.

Delivering high value to our shareholders is our main objective. In appreciation of our shareholders, we propose a final cash dividend of 0.635 Singapore cents per share. This is at the top end of the range in our dividend policy, which is to distribute up to 30 percent of underlying profit.

## STRATEGIC FOCUS TO ACHIEVE VISION

In realising our vision to become the best, fully-integrated, global agribusiness and consumer product company, we are building a greater GAR – GAR 4.0. We are focusing our business transformation efforts to enter a new age of efficiency, sustainability and innovation throughout our vertically integrated value chain to grow profitability, as the partner of choice.

GAR is working to maintain its position as a leading sustainable upstream player through best agronomic practices. Our precision agriculture, with ability to closely monitor plantation performance in detail, breaking each concession into 30-ha block levels, is unparalleled in the sector. We are also leveraging technology and science-driven solutions to further improve efficiencies and productivity. Initiatives around operational excellence are ongoing, including production of best planting materials and setting up infrastructure for mechanisation and automation.

Our end-to-end downstream assets have created additional margin to the plantation output by converting CPO into quality end products and delivering them to the customers globally. It also unlocks the premium value of our sustainable palm products with its traceable capability. For 2017, we expect another biodiesel facility to be completed and to become operational in the first semester. Our focus for this year is to continue perfecting the downstream integration and capability in order to sell higher-value products and services, achieve greater efficiencies and ultimately optimise profitability. This will be achieved through quality assurance of products produced by our state-of-the-art processing facilities, leveraging our research capability to produce a broad range of products in accordance with customer requests, and enhancing destination sales capability.

GAR's unique combination of a leadership in the upstream business and increasingly competitive downstream business position enables the Company to take advantage of any positive market developments while also providing a protective buffer if the market moves in other direction. This competitive advantage is built on the principle of sustainable palm oil production.

## REALISING SUSTAINABILITY POLICY IN PRACTICE

In 2016, we continued to carry out initiatives in line with our belief that economic growth can go hand-in-hand with social and environmental protection.

The World Economic Forum has called for new models of rural development at the forest frontier to be developed as global demand for agricultural and forestry products continues to rise. Our innovative programmes on forest conservation partnerships with communities are part of this new model, allowing us to implement our commitments under the GAR Social and Environmental Policy (GSEP).

Having identified an area nearly as big as Singapore for conservation across our concessions, we are now working with communities to make forest conservation a practical reality while taking into account their needs and aspirations. These efforts involve intensive engagement and consultation with them to map areas for food security, village boundaries and potential conservation areas through Participatory Mapping. This lays the foundation for consultations on forest conservation through our Participatory Conservation Planning process.

We are complementing our community conservation partnerships with community-based fire prevention programmes in areas that have been identified as fire-prone. We piloted our fire prevention programme, Desa Siaga Api, in 2016, in 17 villages in West Kalimantan and Jambi. At the end of the first year of the programme, all the villages met the targets for fire prevention and qualified for community infrastructure support. Building on this success, the pilot will now evolve into an expanded programme called Desa Makmur Peduli Api, which will centre on three elements: fire prevention, forest conservation and food security.

In addition to working with local communities, we have continued to deepen dialogue and engagement with our suppliers. Bringing our supply chain along with us on our sustainability journey is essential if we are to ensure that the palm oil industry adopts and strengthens responsible

# CHAIRMAN'S STATEMENT


practices. The launch of our Traceability to the Plantation (TTP) exercise in 2016 is enabling us to reach a greater number of our suppliers including middlemen and smallholders. Through a SMART SEED workshop for our suppliers, we encourage and educate them to be more sustainable by offering an avenue to meet government, civil society organisations and other experts on critical issues such as obtaining Indonesian Sustainable Palm Oil (ISPO) certification. Our programme of supplier mill visits also enables us to paint a complete picture of where our suppliers stand with regards to responsible practices, and what help they need to address the gaps. These efforts will ultimately help build a more resilient supply chain and industry and bring us all closer to responsible palm oil production.

## OUTLOOK CONTINUES TO BE ROBUST

We, in GAR, are excited about the future of palm oil as our core business. Although prices will remain volatile as a commodity, the fundamentals continue to be robust in the long term. As the most economical vegetable oil with the highest yield and widest range of uses, palm oil will remain customers' number one choice to fulfil both food and non-food needs. GAR will continue to invest for the long-term development of this industry in the areas of research and development, technology and sustainability.

## DRIVING CHANGE, DELIVERING VALUE

On behalf of the Board, I would like to convey our utmost gratitude to our employees, shareholders and all stakeholders, for their indefatigable support and enthusiasm in working with us. We have laid a solid foundation for our continued partnership.

We believe that the only constant is change. We are driving change internally and externally, executing transformational solutions, with collaboration and engagement, to achieve our vision and deliver value to all our stakeholders.

**Franky Oesman Widjaja**
*Chairman and Chief Executive Officer*
16 March 2017

# FINANCIAL HIGHLIGHTS

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| **Consolidated Income Statement (US$'000)** | | | | |
| Revenue | **7,208,849** | 6,510,051 | 7,619,309 | 6,584,962 |
| Gross profit [1] | **1,014,387** | 1,004,774 | 1,178,261 | 1,236,939 |
| EBITDA [2] | **571,660** | 541,664 | 565,891 | 661,359 |
| Underlying profit [1, 3] | **186,277** | 179,970 | 188,006 | 321,258 |
| Net profit [1, 4] | **399,619** | 10,352 | 84,640 | 191,216 |
| Weighted average number of shares (million shares) | **12,735** | 12,760 | 12,838 | 12,838 |
| Underlying profit [1, 3] per share (US$ cents) | **1.46** | 1.41 | 1.46 | 2.50 |
| Earnings[1] per share (US$ cents) | **3.14** | 0.08 | 0.66 | 1.49 |
| **Consolidated Statement of Financial Position (US$'000)** | | | | |
| Total assets [1] | **8,306,415** | 8,035,710 | 8,055,140 | 7,564,114 |
| Total current assets [1] | **2,776,057** | 2,665,435 | 2,857,023 | 2,629,578 |
| Total current liabilities | **2,715,100** | 2,328,598 | 2,500,566 | 1,884,110 |
| Total non-current liabilities [1] | **1,495,364** | 1,957,714 | 1,761,759 | 1,870,143 |
| Non-controlling interests [1] | **42,201** | 39,544 | 41,221 | 37,302 |
| Equity attributable to owners of the Company [1] | **4,053,750** | 3,709,854 | 3,751,594 | 3,772,559 |
| **Ratios** | | | | |
| Gross profit [1] margin | **14.1%** | 15.4% | 15.5% | 18.8% |
| EBITDA [2] margin | **7.9%** | 8.3% | 7.4% | 10.0% |
| Underlying profit [1, 3] margin | **2.6%** | 2.8% | 2.5% | 4.9% |
| Net profit [1, 4] margin | **5.5%** | 0.2% | 1.1% | 2.9% |
| Return on equity [1, 5] | **4.6%** | 4.9% | 5.0% | 8.5% |
| Return on assets [1, 6] | **2.2%** | 2.2% | 2.3% | 4.2% |
| Current ratio [1] (times) | **1.02** | 1.14 | 1.14 | 1.40 |
| Adjusted net debt to equity [1, 7] (times) | **0.43** | 0.51 | 0.43 | 0.29 |
| Receivable turnover [8] (days) | **26** | 28 | 24 | 24 |
| Inventory turnover [1, 9] (days) | **50** | 53 | 46 | 55 |
| **Other information** | | | | |
| Average CPO market price – FOB Belawan (US$ per tonne) | **664** | 574 | 768 | 797 |

***Notes:***

(1) The comparative 2015, 2014 and 2013 figures have been restated and reclassified to account for restrospective adjustments arising from the adoption of amended IAS 16 and IAS 41.
(2) EBITDA = earnings before tax, non-controlling interests, interest on borrowings, depreciation and amortisation, changes in fair value of biological assets, foreign exchange gain or loss and exceptional items.
(3) Underlying profit = net profit attributable to owners of the Company excluding net effect of net gain or loss from changes in fair value of biological assets and depreciation of bearer plants, exceptional items and other non-operating items (foreign exchange gain or loss, net tax impact from tax-based asset revaluations, and other deferred tax income or expense).
(4) Net profit = net profit attributable to owners of the Company.
(5) Return on equity = underlying profit / equity attributable to owners of the Company.
(6) Return on assets = underlying profit / total assets.
(7) Adjusted net debt to equity = (total borrowings – cash and cash equivalents – short-term investments – liquid working capital) / equity attributable to owners of the Company.
(8) Receivable turnover = average trade receivables / revenue * 365.
(9) Inventory turnover = average inventory / cost of sales * 365.

# PLANTATION HIGHLIGHTS

| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Total planted area (hectares) | | | | |
| Young (4 - 6 years) | **41,296** | 50,522 | 65,666 | 79,912 |
| Prime 1 (7 - 18 years) | **210,269** | 214,554 | 215,802 | 223,438 |
| Prime 2 (19 - 25 years) | **186,377** | 170,829 | 136,825 | 107,079 |
| Old (> 25 years) | **28,498** | 24,431 | 22,285 | 20,282 |
| **Total mature plantations** | **466,440** | 460,336 | 440,578 | 430,711 |
| Immature plantations | **21,812** | 25,270 | 32,259 | 40,389 |
| **Total planted area** | **488,252** | 485,606 | 472,837 | 471,100 |
| Nucleus planted area (hectares) | | | | |
| Young (4 - 6 years) | **35,478** | 41,366 | 54,051 | 69,599 |
| Prime 1 (7 - 18 years) | **179,704** | 179,925 | 175,371 | 172,550 |
| Prime 2 (19 - 25 years) | **130,725** | 120,776 | 93,071 | 76,059 |
| Old (> 25 years) | **21,907** | 20,901 | 22,285 | 20,282 |
| **Total mature plantations** | **367,814** | 362,968 | 344,778 | 338,490 |
| Immature plantations | **18,183** | 21,419 | 27,173 | 32,612 |
| **Total nucleus planted area** | **385,997** | 384,387 | 371,951 | 371,102 |
| Plasma planted area (hectares) | | | | |
| Young (4 - 6 years) | **5,818** | 9,156 | 11,615 | 10,313 |
| Prime 1 (7 - 18 years) | **30,565** | 34,629 | 40,431 | 50,888 |
| Prime 2 (19 - 25 years) | **55,652** | 50,053 | 43,754 | 31,020 |
| Old (> 25 years) | **6,591** | 3,530 | - | - |
| **Total mature plantations** | **98,626** | 97,368 | 95,800 | 92,221 |
| Immature plantations | **3,629** | 3,851 | 5,086 | 7,777 |
| **Total plasma planted area** | **102,255** | 101,219 | 100,886 | 99,998 |
| Production statistics | | | | |
| **FFB harvested (tonnes)** | **8,880,363** | 10,050,625 | 9,729,030 | 9,040,682 |
| Nucleus | **6,904,929** | 7,749,536 | 7,569,932 | 6,997,213 |
| Plasma | **1,975,434** | 2,301,089 | 2,159,098 | 2,043,469 |
| **FFB yield (tonnes per hectare)** | **19.0** | 21.8 | 22.1 | 21.0 |
| **CPO produced (tonnes)** | **2,015,869** | 2,380,047 | 2,386,531 | 2,240,598 |
| **PK produced (tonnes)** | **494,575** | 586,489 | 566,501 | 527,509 |
| **OER (%)** | **22.18** | 22.59 | 22.83 | 22.68 |
| **KER (%)** | **5.44** | 5.57 | 5.42 | 5.34 |
| **Palm product yield (tonnes per hectare)** | **5.26** | 6.15 | 6.25 | 5.88 |
| Plantation location (hectares) | | | | |
| **Sumatra** | **232,283** | 229,147 | 215,951 | 216,127 |
| Nucleus | **155,783** | 153,236 | 140,040 | 140,216 |
| Plasma | **76,500** | 75,911 | 75,911 | 75,911 |
| **Kalimantan** | **242,614** | 243,104 | 243,531 | 241,618 |
| Nucleus | **216,859** | 217,796 | 218,556 | 217,531 |
| Plasma | **25,755** | 25,308 | 24,975 | 24,087 |
| **Papua** | | | | |
| Nucleus | **13,355** | 13,355 | 13,355 | 13,355 |

# BOARD OF DIRECTORS

**FRANKY OESMAN WIDJAJA**
Chairman and Chief Executive Officer

**MUKTAR WIDJAJA**
Director and President

**FRANKLE (DJAFAR) WIDJAJA**
Director

**RAFAEL BUHAY CONCEPCION, JR.**
Director and Chief Financial Officer

**HONG PIAN TEE**
Lead Independent Director and Chairman of Audit Committee and Nominating Committee

**LEW SYN PAU**
Independent Director and Chairman of Remuneration Committee

**KANEYALALL HAWABHAY**
Independent Director

**JACQUES DESIRE LAVAL ELLIAH**
Independent Director

# BOARD OF DIRECTORS

### FRANKY OESMAN WIDJAJA
*Chairman and Chief Executive Officer*

Mr. Franky Widjaja is the Chairman and Chief Executive Officer of Golden Agri-Resources Ltd ("GAR") and a member of its Nominating Committee and Remuneration Committee. He has been a Director and Chief Executive Officer of GAR since 1996; and Chairman since 2000.

Mr. Franky Widjaja, aged 59, earned his Bachelor's degree in Commerce from Aoyama Gakuin University, Japan in 1979. He has extensive management and operational experience, and since 1982, been involved with different businesses, including pulp and paper, property, chemical, telecommunication, financial services and agriculture.

Mr. Franky Widjaja also sits on the board of directors of Sinarmas Land Limited ("SML") and Bund Center Investment Ltd ("BCI"), both listed on the Official List of the Singapore Exchange Securities Trading Limited. He has been a Director of SML since 1997; the Executive Chairman of SML since 2006; and a Director of BCI since 2009.

Mr. Franky Widjaja is a member of the boards of several subsidiaries of GAR, SML and BCI. Since 2003, he has been the President Commissioner of PT Sinar Mas Agro Resources and Technology Tbk, a subsidiary of GAR listed on the Indonesia Stock Exchange.

Currently, Mr. Franky Widjaja is the Co-Chairman of Partnership for Indonesia Sustainable Agriculture ("PISAgro"); Co-Chair of World Economic Forum ("WEF"): Grow Asia, and he is a member of WEF: Global Agenda Trustee for World Food Security and Agriculture Sector; Vice Chairman of the Indonesian Chamber of Commerce and Industry ("KADIN") for Agribusiness, Food and Forestry Sector; and a member of the Advisory Board of the Indonesian Palm Oil Association ("GAPKI").

Previously, from 2007 to 2015, Mr. Franky Widjaja was Vice President Commissioner of PT Bumi Serpong Damai Tbk and PT Duta Pertiwi Tbk; and he was also Vice President Commissioner of PT Puradelta Lestari Tbk until his resignation in May 2016, all subsidiaries of SML listed on the Indonesia Stock Exchange.

### MUKTAR WIDJAJA
*Director and President*

Mr. Muktar Widjaja is a Non-Executive Director and the President of GAR. He has been a Director since 1999; President since 2000; and Non-Executive Director since December 2006. His last re-election as a Director was in 2015.

Mr. Muktar Widjaja, aged 62, obtained his Bachelor of Commerce in 1976 from the University Concordia, Canada. Since 1983, Mr. Muktar Widjaja has been actively involved in the management and operations of the property, financial services, agriculture, chemical and pulp and paper businesses.

Mr. Muktar Widjaja is a member of the boards of several subsidiaries of GAR and SML. Mr. Muktar Widjaja is Vice President Commissioner of PT Sinar Mas Agro Resources and Technology Tbk, a subsidiary of GAR listed on the Indonesia Stock Exchange. Mr. Muktar Widjaja is a Director and, since December 2006, the Chief Executive Officer of SML which is listed on the Official List of the Singapore Exchange Securities Trading Limited. Mr. Muktar Widjaja is President Commissioner of PT Bumi Serpong Damai Tbk, PT Duta Pertiwi Tbk and PT Puradelta Lestari Tbk, subsidiaries of SML listed on the Indonesia Stock Exchange.

### FRANKLE (DJAFAR) WIDJAJA
*Director*

Mr. Frankle Widjaja is a Non-Executive Director of GAR since December 2006. He was first appointed as a Director in May 1999 and his last re-election as a Director was in 2016.

Mr. Frankle Widjaja, aged 60, graduated from the University of California, Berkeley, USA, with a degree of Bachelor of Science in 1978. Since 1979, he has been involved in the management and operations of the pulp and paper, financial services, food and agriculture and real estate businesses.

Mr. Frankle Widjaja is the Executive Chairman and Chief Executive Officer of BCI, and presently sits on the boards of several subsidiaries of GAR, BCI and SML.

### RAFAEL BUHAY CONCEPCION, JR.
*Director and Chief Financial Officer*

Mr. Rafael Buhay Concepcion, Jr. is an Executive Director and the Chief Financial Officer of GAR. He was appointed as a Director of GAR in August 2002 and as its Chief Financial Officer in January 2013. His last re-election as a Director was in 2016.

Mr. Concepcion, aged 50, studied at the University of the Philippines where he obtained a Bachelor of Science in Economics in 1988. He later obtained a Master in Business Management from the Asian Institute of Management, Philippines in 1992 with scholarship from SGV Philippines.

Mr. Concepcion worked on regional projects and has extensive experience in corporate and financial planning. After 5 years with Pilipinas Shell Petroleum Corporation, Mr. Concepcion joined PT Sinar Mas Agro Resources and Technology Tbk, and now holds the position of Commissioner. Mr. Concepcion also sits on the boards of several subsidiaries of GAR.

### HONG PIAN TEE

*Lead Independent Director and*
*Chairman of Audit Committee and Nominating Committee*

Mr. Hong Pian Tee is the Lead Independent Director, Chairman of both the Audit Committee and Nominating Committee, and member of the Remuneration Committee of GAR. He was first appointed as a Director in November 2001, and his last re-appointment as a Director was in 2016.

Mr. Hong, aged 72, was a partner of PricewaterhouseCoopers from 1985 to 1999 prior to retiring from professional practice.

Mr. Hong's experience and expertise are in corporate advisory, financial reconstruction and corporate insolvencies since 1977. He has been a corporate/financial advisor to clients with businesses in Singapore and Indonesia and in addition was engaged to restructure companies with operations in Taiwan, Indonesia and Malaysia.

Mr. Hong is Chairman of Pei Hwa Foundation Limited and he sits on the boards of several companies listed on the Official List of the Singapore Exchange Securities Trading Limited, namely, as Lead Independent Director of XMH Holdings Ltd, Non-Executive Chairman and Independent Director of AsiaPhos Limited and Independent Director of Memstar Technology Ltd.

### LEW SYN PAU

*Independent Director and*
*Chairman of Remuneration Committee*

Mr. Lew is an Independent Director of GAR, Chairman of its Remuneration Committee, and member of its Audit Committee and Nominating Committee. He re-joined GAR's Board of Directors in December 2007. Prior to that, Mr. Lew was a Director of the Company from 1999 to May 2007. His last re-election as a Director was in 2014.

Mr. Lew, aged 63, obtained a Master in Engineering from Cambridge University, UK and a Master of Business Administration from Stanford University, USA. Mr Lew was a Singapore Government scholar.

Mr. Lew is a Director of Capital Connections Pte Ltd. Mr. Lew also sits on the boards of several companies listed on the Official List of the Singapore Exchange Securities Trading Limited, namely, Poh Tiong Choon Logistics Ltd, SUTL Enterprise Limited (formerly known as Achieva Ltd), Food Empire Holdings Ltd, Broadway Industrial Group Ltd and Golden Energy and Resources Limited.

Mr. Lew was Senior Country Officer and General Manager for Banque Indosuez Singapore, where he worked from 1994 to 1997. He was General Manager and subsequently, Managing Director of NTUC Comfort from 1987 to 1993 and Executive Director of NTUC Fairprice from 1993 to 1994. Mr. Lew served as a Member of Parliament from 1988 to 2001. He was President of The Singapore Manufacturers' Federation from July 2002 to June 2006. Mr. Lew was a Director of Lafe Corporation Limited until his retirement in April 2014.

### KANEYALALL HAWABHAY

*Independent Director*

Mr. Kaneyalall Hawabhay is an Independent Director of GAR and member of its Audit Committee. He was appointed as a Director of GAR in May 2003 and his last re-election as a Director was in 2015.

Mr. Hawabhay, aged 69, is a Fellow of the Institute of Chartered Accountants in England and Wales.

Presently, Mr. Hawabhay is Partner (ABAS) of BDO & Co, Mauritius.

He has been a Partner (Assurance and Business Advisory Services ("ABAS")) of De Chazal du Mée & Co, Mauritius from 1987 to June 2002, and a Director of Multiconsult Limited from July 2002 to 2005.

### JACQUES DESIRE LAVAL ELLIAH

*Independent Director*

Mr. Jacques Desire Laval Elliah is an Independent Director of GAR. He was appointed as a Director of GAR in December 2010, and last re-elected as a Director in 2014.

Mr. Elliah, aged 53, is a Fellow of the Association of Chartered and Certified Accountants since 1990.

Mr. Elliah is currently the Chief Financial Officer of Lux Island Resorts Ltd, a company listed on the Stock Exchange of Mauritius, a position which he held since March 2003.

Previously, Mr. Elliah was a Partner in the Assurance and Business Advisory Services of De Chazal du Mée & Co, Mauritius, now BDO, from 1998 to February 2003.


FP-048
FP-110


**9mil MT**
of palm products handled

**▲33%**
growth in sales of palm based refined products

**>30**
consumer brands

# OPTIMISING MARGIN ACROSS THE VALUE CHAIN

Our vertically integrated agri-business model allows us to control every aspect of production, operations and supply chain management. With our international presence, GAR is well-positioned to grow a global, diversified customer base through strong distribution, branding, merchandising, destination processing, shipping and logistics.

**76%**
of export volume are destination sales

**70 countries**
buying our products

**US$181mil**
of downstream EBITDA

# OPERATIONS REVIEW

## PLANTATION AND PALM OIL MILLS

### 2016 Operational Performance

Leading oil palm plantation group in Indonesia with favourable age profile

Golden Agri-Resources Ltd and its subsidiaries ("GAR" or the "Company") maintains its position as the leading oil palm plantation group in Indonesia with its estates spanning from east to west across the archipelago. The Company manages 169 oil palm estates with a total area of 488,252 hectares. As at end 2016, the planted area consists of estates owned by GAR (called 'nucleus') totalling 385,997 hectares and estates owned by smallholders (called 'plasma') amounting to 102,255 hectares. The additional planted area compared to the previous year came from the consolidation of plantation assets acquired, offset by old estates prepared for replanting. During the year, GAR successfully replanted of 7,300 hectares of old estates.

The age profile of our estates remains favourable, averaged at approximately 15 years and provides a solid foundation for GAR's near to medium term growth. Of the 488,252 hectares, 96 percent is mature and 4 percent is immature. 85 percent of the mature estates is at the prime age of 7 to 25 years that produces the highest yields, whilst 9 percent is still at the young age of 4 to 6 years, securing production growth in the coming years. The replanting activities and younger estates use newer-generation, higher-yielding planting materials that will further boost the growth of GAR's production in the future.

## Best-in-class estate management supporting leading productivity

GAR's leading productivity and cost efficiency result from having among the largest and best managed plantations in the industry. Our large-scale operations are well supported by our advanced information technology system and world-class oil palm research and development centre (SMART Research Institute or "SMARTRI").

In managing a vast plantation area, our one-stop, multi-function monitoring and management control centre provides up-to-date and comprehensive information on operations, industry and general market conditions. This state-of-the-art system enables management to make decisions with complete factual input in a timely manner and to gather information in great detail as if on-site at each of our plantations.

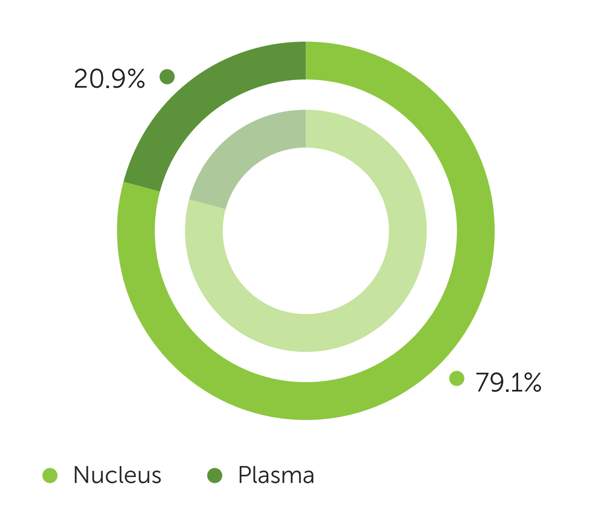
SMARTRI plays an essential role in sustaining our high productivity by employing scientists and agronomists who relentlessly search for innovative solutions and provide recommendations for continual improvement in productivity, efficiency and environmental sustainability. SMARTRI has been accredited with ISO 9001 for quality management and ISO 17025 for excellent implementation of general requirements for testing and calibrating laboratories.

Severe El Ninõ weather condition experienced in Indonesia in 2015 led to a 12 percent decrease in fresh fruit bunches ("FFB") production in 2016 to approximately 8.88 million tonnes with average yield of 19.04 tonnes per hectare.

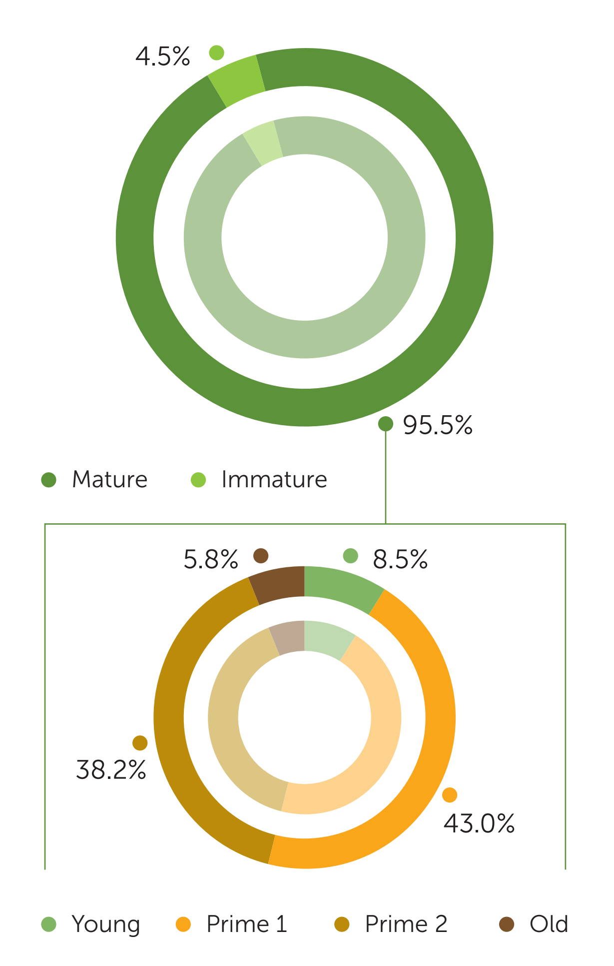
The harvested FFB are processed in owned milling facilities which are strategically located near the plantations, to produce crude palm oil ("CPO") and palm kernel ("PK"). GAR has 45 mills with a combined installed annual capacity of 12.81 million tonnes, expanded from 12.21 million tonnes in the previous year.

During the year, our mills produced 2.02 million tonnes of CPO and 494 thousand tonnes of PK. This palm product output was 15 percent lower as compared to last year. In 2016, the oil extraction and kernel extraction rates stood at 22.18 percent and 5.44 percent, respectively, remaining well above the industry average.

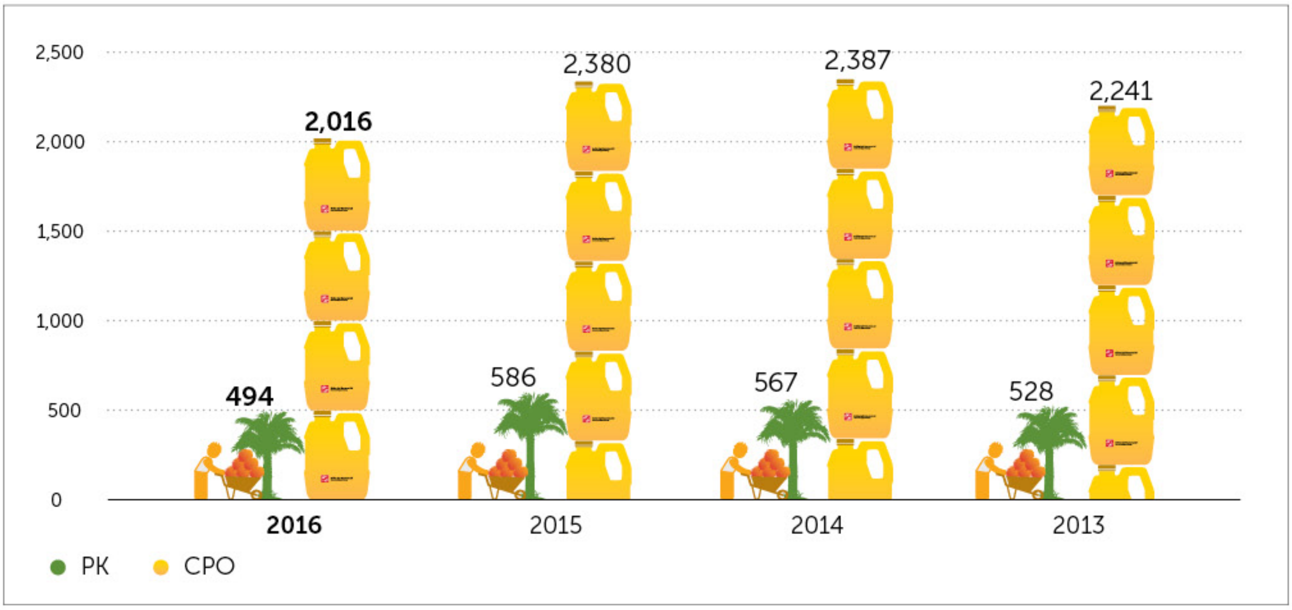
### Plantation Ownership Profile




### Age Profile (Nucleus and Plasma)



**Annual CPO and PK Production**
'000 Tonnes




## Business Strategy

### Achieving sustainable growth through operational excellence, yield improvement and cost efficiency

We continuously add value to our operations, by relentlessly enhancing operational excellence to be at the cutting edge of the palm oil industry. Our research and development division plays a vital role in supporting the sustainable growth of GAR, through innovation, developing best practices, and an enhanced oil palm breeding programme. We constantly invest in research and development to invent new technologies that will improve productivity of our oil palm operations in a sustainable way. Our research institute has integrated research activities in developing practical field applications with the latest technology. The institute also undertakes research in plant breeding and biotechnology, and producing tissue culture planting materials besides the existing high-yielding Dami Mas DxP seeds.

We consistently seek to sustain our cost leadership through continuous improvement by relentlessly exploring options in the areas of precision agriculture as well as technology and science driven solutions, such as mechanisation and automation, to further enhance the efficiency of our operations. We enforce our operational excellences all the way through our nucleus and plasma estates, in terms of planting, fertilising and harvesting techniques, transportation and processing efficiencies. Above all, micro supervision is essential to ensure that high level breakthroughs are put into operation precisely and thereby resulting in the highest outcomes.

We also extend our efforts to replant our old estates in order to maintain a favourable age profile and further enhance long-term yields. Newer estates are developed using the latest techniques and higher-yielding planting materials, and are designed to accommodate necessary infrastructure for mechanisation.

### Exploring any strategic opportunities for growth

Whilst we are mindful in sustainable utilisation of our land resources, at the same time, we will keep exploring any strategic opportunities to acquire well-positioned and high quality oil palm estates and landbank, specifically in Indonesia.

To sustain our long-term growth, we continue to study the potential for oil palm plantations in other countries. We are investing in Africa through The Verdant Fund LP, a private equity fund that owns Golden Veroleum (Liberia) Inc ("GVL"). The Liberian government has granted GVL a concession for development of oil palm plantations in Liberia. GVL follows sustainable development practices and is a member of the Roundtable of Sustainable Palm oil ("RSPO"). It also adheres to the High Carbon Stock approach to environmental protection. GVL will be a supplier of RSPO-certified sustainable palm oil.

As of 31 December 2016, GVL's planted area stood at approximately 15,000 hectares. We closely monitor the development of this project as well as provide technical expertise to ensure the quality and sustainability of the estates being developed.

## PALM AND LAURICS

### 2016 Operational Performance

Well-established downstream operations with efficient large-volume sourcing and end-to-end processing facilities

Part of the CPO and PK produced are further processed in GAR's refineries and kernel crushing plants, which employ state-of-the-art technology and are strategically located in Indonesia; close to ports, consumer markets, and our plantations.

GAR has six refineries with combined annual installed capacity of 4.68 million tonnes, of which five are accredited with ISO 22000 certification, an international recognition that our refined products (including cooking oil, margarine and shortening) meet stringent international food safety standards. GAR also owns nine kernel crushing plants with total capacity of 1.43 million tonnes of PK per annum and a 240 thousand tonnes per annum oleochemical plant. Our fatty acid and glycerine produced from the oleochemical plant have been acknowledged domestically and internationally, and accredited by many certifications such as ISO 22000, OHSAS 18001, KOSHER, GMP+B2, FDA registration and RSPO. Furthermore, our joint venture with CEPSA Quimica, S.A. continues to progress well. Our new fatty alcohol plant in Riau has achieved full mechanical completion and commercial start up is slated for the second quarter of 2017.

Offering customer solutions through broad product portfolio and destination shipments

By offering an extensive portfolio of refined products in terms of specifications, quality and sustainability certification, we are able to meet different requirements of customers. Our research and development has an important role in developing new product alternatives to meet increasing customer demand. We are extending our capabilities and shifting the product mix to higher value-added products including specialty fats and

oleochemicals. We market our products in bulk, industrial and branded form, domestically as well as in international markets.

In the local Indonesia market, we are consolidating our efforts to better position our branded products; predominantly cooking oil and margarine. The distribution and market penetration of our products in Indonesia is progressively improving since the acquisition of a well-established nationwide distributor of fast-moving consumer goods in 2014. The distribution company has a strong presence in all primary and secondary cities across Indonesia.


In the international markets, we brought our products to more than 70 countries with particular emphasis on the growing markets in Europe, China, India, Pakistan, the Middle East, and Africa. We mostly sold in bulk, in addition to industrial and branded products.

Our joint ventures with global transportation players Stena Weco and Stena Bulk AB have played a significant role in extending our distribution and logistics capabilities to supply our products to consumers worldwide. This initiative provides a holistic solution to GAR's international transportation by securing greater and more flexible access to large shipping capacities. We have sufficient owned fleet and efficient logistic and distribution infrastructure, which includes strategically-located bulking stations, warehouses as well as owned jetty and port facilities. During 2016, our destination sales continued to grow and contributed 76 percent of our export volume.

We also have destination processing in India, the third largest edible oil market, through our subsidiary, Gemini Edibles & Fats India Private Limited, which is engaged in the business of manufacturing and marketing edible oils and fats in the country. It owns refinery plants with a total annual capacity of 315 thousand tonnes and an established brand in the eastern part of India, supported by an extensive distribution system. This asset enables us to participate in the high-growth branded cooking oil and specialty fat industries in India, and also to bring our products closer to the greater European and Middle East markets.

In support of the Indonesian Government's biodiesel policy, GAR has built its first biodiesel plant in South Kalimantan with annual capacity of 300 thousand tonnes. The plant commenced operations in the first half of 2016 and has participated in Pertamina's biodiesel sourcing in growing volumes for consecutive periods. Our second biodiesel plant near Jakarta is under construction and targeted to commence operations in the first half of 2017.

### Business Strategy

#### Optimising our vertically integrated operations

Our downstream capacity has enabled us to cover our upstream production and capture the merchandising opportunity that is unique to GAR given our close access to third party plantations, and growing our global diversified customer base. In 2015, we successfully completed our multi-year downstream refining capacity expansion in our main producing country, Indonesia. While we are constantly exploring growth opportunities in other underserved destination countries, our focus in the short term is to leverage our refining capacity, logistic efficiencies, marketing presence, and plantation relationships to serve and focus on the most profitable market segments. We will optimise margins by providing a broad product portfolio and an expanding geographical mix.

We are strengthening our penetration in existing markets and broadening it to other potential domestic and international markets. To cater to our growing production flows and destination business, we are optimising and leveraging available distribution channels and transportation options as well as extending our logistics and processing reach to key consuming countries. With our own shipping capacity, we are able to secure shipping requirements, better control costs and service level, and deliver value added services to our customers by providing holistic solutions in international transportation. This has supported us to independently secure and widen our market reach as well as realise cost efficiencies in distribution by leveraging operational scale and synergies.

Our downstream operations are prudently managed through a centralised and independent risk management team supporting clear governance. The risk management team follows a prudent and systematic approach to market risk management in line with industry best practices.

Meanwhile for biodiesel, we are broadening our network with logistic partners to aim for non Public Service Obligation (non PSO) biodiesel buyers in order to increase biodiesel plant utilisation. The Government of Indonesia has provided a chance for the industry to adapt to the mandatory blending. Our further expansion will be subject to the growth of the biodiesel industry in Indonesia, which depends on the biodiesel mandate realisation, especially for the non PSO portion.

#### Focus on operational excellence to manage costs and improve margin

GAR's initiatives to manage costs in downstream operations include increasing utilisation rate of all its processing facilities, capitalising on various distribution channels and transportation options, diversifying supply sources for materials, as well as implementing prudent and effective merchandising strategies to obtain the highest quality input materials at the lowest price.

Moving forward, we are focusing our efforts on optimising our integrated business model by extracting value throughout the downstream value chain. As the integration progresses, we expect to maximise our refining activity given GAR's competitive advantage with our vertically integrated business model, the new technology employed in our refineries, and the close access to third party plantations.

## OILSEEDS AND OTHERS

### 2016 Operational Performance

#### Strategically located and fully integrated vegetable oil facilities capitalise on China's position as the largest consumer of vegetable oils

GAR owns integrated vegetable oil facilities comprising one of China's largest deep-sea ports, oilseed storage, crushing and refining facilities in China. The strategic location of our operations provides the key advantage of easy access to our target markets, enabling us to achieve better cost efficiency and shorter delivery lead times.

In Ningbo, Zhejiang Province, GAR operates a deep-sea port and storage facility for oils and grains. Our oilseed crushing annual capacity is 2.3 million tonnes, located in Ningbo and Tianjin. GAR also has refining facilities in same locations, with total annual refining capacity of 676 thousand tonnes.

The oilseed crushing operations produce soybean meal that is sold domestically under an in-house brand and crude soybean oil that is, in turn, processed by the refineries together with other edible oils including palm oil. These refined oils and value-added products such as margarine, shortening and butter oil substitute, are sold both in bulk and in consumer packs.

In terms of production, 1.2 million tonnes of soybeans were processed by our crushing operations during 2016, similar with last year's processed volume. This resulted in 930 thousand tonnes of soybean meal with a yield of 79 percent and 223 thousand tonnes of crude soybean oil with a yield of 19 percent. Our refinery processed 214 thousand tonnes of soybean oil and palm oil, slightly lower compared to last year in an effort to manage capacity utilisation to control cost and maximise margins.

### Leverage integrated network of distribution channels from noodle business in China

GAR also operates a food business in China through Florentina International Holdings Limited ("FIH"), which manufactures and distributes a variety of economy and premium grade snack noodle and instant noodle products, and other snack products in the country. FIH is one of the leading snack noodle producers in China in term of market share. The food products are produced through six strategically located plants with a total annual capacity of approximately 4.3 billion packets of noodle. In addition to noodle products, FIH also produces and markets higher value snack products that include health and nutrition products. All of these are distributed via a strong integrated network of more than 18 hundred distributors, 114 thousand traditional retail outlets, supermarkets, chain stores and hypermarkets, as well as convenience stores throughout the country. These extensive distribution channels together with FIH's market knowledge provide opportunity for GAR to grow its presence in the consumer product business in China, including the edible oils and specialty fats markets.

## Business Strategy

### Improving oilseed business model and strategy in China

We intend to maintain our presence in China as the largest edible oil market in the world. To overcome challenges posed by the intense competition, our strategy is to strengthen our position in targeted markets by increasing the capability of our sales distribution channels and strengthening business relationships with reputable customers by pursuing additional value-added services. We will also consolidate and simplify our brand structure. GAR implements a niche strategy by focusing on the smaller cities inland while other major players operate in the larger coastal cities.

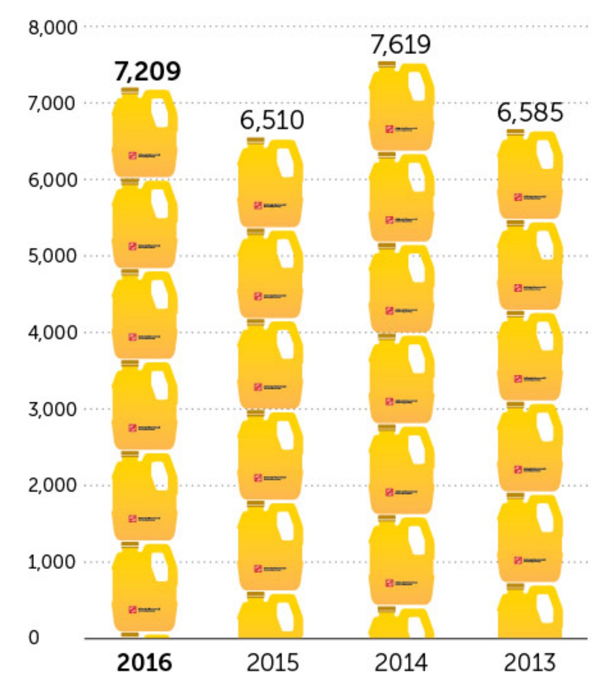
We expect China's commodity market environment to remain competitive in the future. Therefore, we will continue to actively manage flexible production in all existing facilities in order to manage cost and stabilise performance. We are also reviewing our business model and are exploring several strategic alternatives to source raw materials and rationalise capacity.

# FINANCIAL REVIEW

During 2016, Golden Agri-Resources Ltd and its subsidiaries ("GAR" or the "Company") posted revenue of over US$7.2 billion, 11 percent higher than the previous year. EBITDA and underlying profit also registered higher at US$572 million and US$186 million, respectively. These stronger results were bolstered by our integrated business model and the increase of crude palm oil ("CPO") market price, more than offsetting weaker palm product output. The Company's financial position strengthened with prudent gearing (adjusted net debt to equity ratio) at 0.43 times.

Starting 1 January 2016, GAR adopted various new and revised IFRSs that are relevant to its operations, including Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). Prior to adoption of these amendments, GAR's biological assets which include both the oil palm trees and fresh fruit bunches were measured at fair value less estimated point-of-sales costs. Upon the adoption of these amendments, biological assets that meet the definition of bearer plants (oil palm trees) are measured at historical costs less accumulated depreciation and agricultural produce (fresh fruit bunches) are measured at fair value less costs to sell. The change in accounting policy has been applied retrospectively and the comparatives have been restated.

**Revenue**
million US$

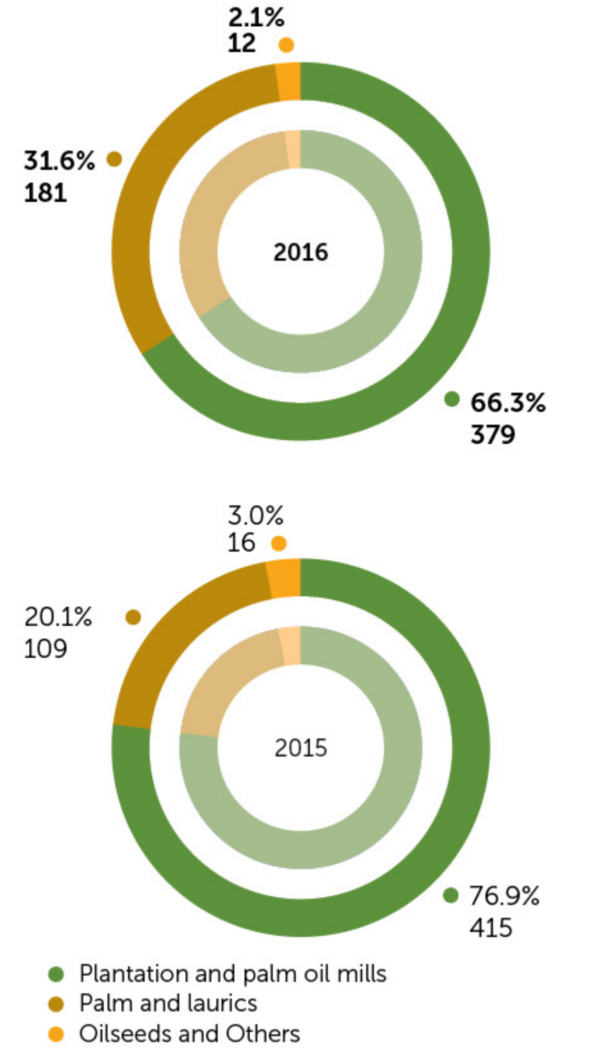



## PLANTATION AND PALM OIL MILLS

The plantation and palm oil mills segment recorded slightly higher revenue at US$1.6 billion primarily driven by higher average CPO price during the year.

However, the benefit from higher CPO prices were diminished by weaker palm product output impacted by the severe El Niño conditions in 2015, resulting in a nine percent decrease in EBITDA to US$379 million.

**EBITDA by Segment**
million US$




*Note:*
EBITDA segmental breakdown excludes inter-segment eliminations

# FINANCIAL REVIEW

## PALM AND LAURICS

Revenue from the palm and laurics segment increased by 12 percent to US$6.3 billion mainly attributable to higher sales volume and higher average net realised prices.

The palm and laurics segment has been growing its contribution to GAR's consolidated performance as a result of our focus on enhancing margins across the value chain. With US$181 million of EBITDA in 2016, it provided 32 percent of total consolidated EBITDA while the margin improved to 2.9 percent from 1.9 percent in the previous year.

## OILSEEDS AND OTHERS

Revenue from the oilseeds and others segments increased by 12 percent to US$939 million in 2016 mostly due to increase in sales volume. Amidst a competitive market environment, these segments maintained their positive contribution with total EBITDA of US$12 million, compared to previous year's US$16 million.

## OPERATING EXPENSES

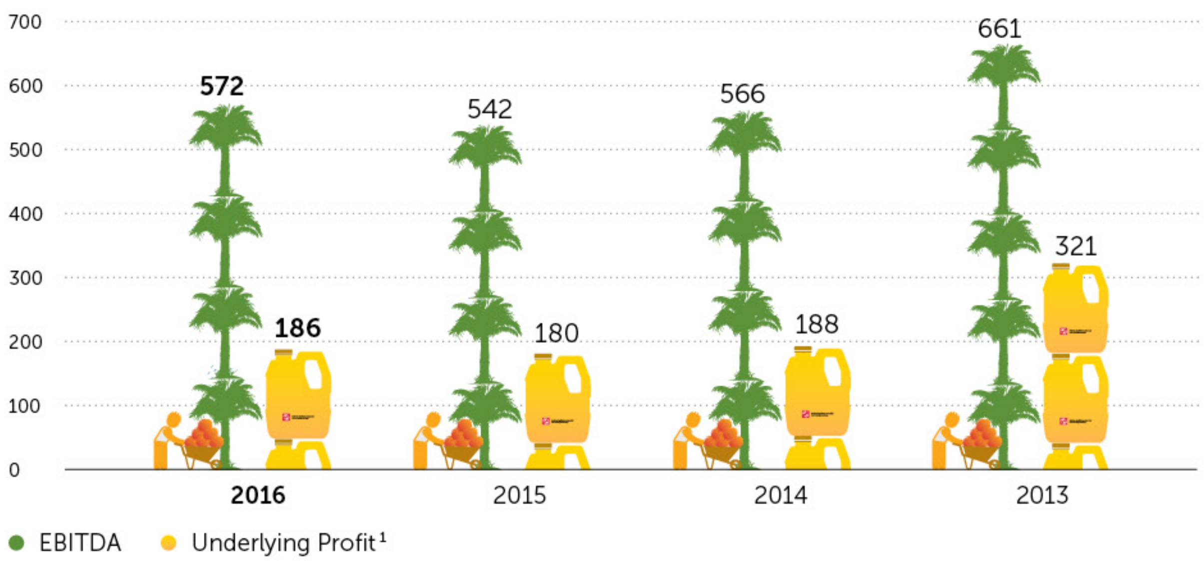
Operating expenses were almost similar to the prior year at US$839 million. The slight increase was mainly attributable to higher general and administrative expenses, offset by lower selling expenses.

Selling expenses experienced a slight decline to US$533 million largely due to lower freight costs and promotion expenses, mitigating the increase in export duty and levy in Indonesia. General and administrative expenses mainly comprise of salaries and related expenses, depreciation, professional fees, rent, tax and licenses, travelling as well as repairs and maintenance. The increase in general and administrative expenses largely came from higher salaries and related expenses.

## FINANCIAL EXPENSES, NET

As compared to the prior year, net financial expenses were slightly higher by two percent at US$102 million mainly due to lower interest income in line with lower average cash and bank balances.

**EBITDA and Underlying Profit**
million US$




*Note:*
1 Net profit atributable to owners of the Company excluding net effect of net gain/loss from changes in fair value of biological assets and depreciation of bearer plants, exceptional items, and other non-operating items (foreign exchange gain/loss, net tax impact from tax-based asset revaluations, and other deferred tax income/expense). The comparative 2015, 2014 and 2013 figures have been restated to account for restrospective adjustments arising from the adoption of amended IAS 16 and IAS 41.


## FOREIGN EXCHANGE GAIN, NET

GAR recorded a net foreign exchange gain of US$47 million in the current year as compared to a net loss of US$92 million in the previous year. The current year's gain was mainly due to the fair value gain on forward foreign currency contracts entered to hedge the currency exposure of Malaysian Ringgit and Indonesian Rupiah.

## OTHER OPERATING INCOME, NET

Net other operating income comprised mainly changes in fair value of biological assets (agricultural produce) and financial assets, income from sales of seedlings and other materials, as well as rental income. GAR recorded a net gain from changes in fair value of biological assets of US$34 million in 2016 as compared to a loss of US$11 million in the previous year, largely due to higher market prices. Consequently, net other operating income increased from US$10 million in 2015 to US$46 million in the current year.

## EXCEPTIONAL ITEM

Current year's exceptional item of US$34 million consisted of the allowance for impairment loss made on certain fixed assets in China.

## INCOME TAX

GAR recorded a substantial net tax credit of US$263 million in the current year mainly due to recognition of deferred income tax assets. The deferred tax assets mostly arose from tax-based revaluation of some of GAR's plantation assets in Indonesia for future tax benefit.

## NET INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

Despite weaker plantation output, GAR recorded US$186 million of underlying profit in 2016, four percent higher than in 2015. After including net gain from changes in fair value of biological assets, depreciation of bearer plants, exceptional item, foreign exchange gain, net tax impact from tax-based asset revaluations and other deferred tax income, GAR posted a net income attributable to owners of the Company of US$400 million for the current year compared to US$10 million in 2015.

## ASSETS

Total assets grew slightly to US$8.3 billion as at end of 2016 from US$8.0 billion in the previous year. The increase was mainly attributable to higher deferred tax assets, inventories and trade receivables, partially offset by decreases in bearer plants as well as cash and cash equivalents.

Upon the adoption of the amended IAS 16 and IAS 41, the 2015 financial statements have been restated resulting in a reduction in total assets as at end of 2015 from US$14.6 billion to US$8.0 billion.

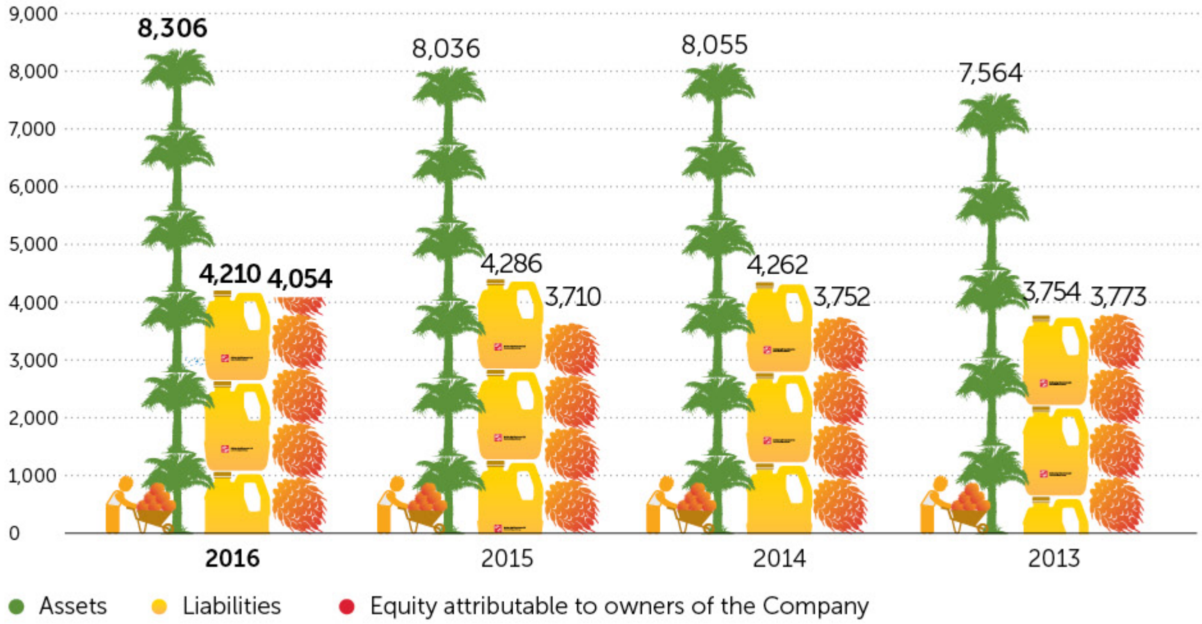
Deferred tax assets increased by US$245 million mainly due to recognition of deferred tax assets arising from higher tax depreciable value of certain plantation assets in Indonesia.

Inventories increased by US$226 million due to higher inventories volumes of our palm oil products and higher unit prices.

Trade receivables increased to US$561 million from US$462 million as at end of 2015 mainly resulting from higher sales recorded in our downstream business.

# FINANCIAL REVIEW

**Assets, Liabilities and Equity**
million US$




***Note:***
The comparative 2015, 2014 and 2013 figures have been restated and reclassified to account for restrospective adjustments arising from the adoption of amended IAS 16 and IAS 41.

## LIABILITIES

As at 31 December 2016, total liabilities decreased marginally to US$4.2 billion whilst total borrowings remained at US$3.1 billion. The decrease in total liabilities was mainly attributable to lower deferred tax liabilities and trade payables, partially offset by increase in other payables.

## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Total equity attributable to owners of the Company at the end of 2016 was at US$4.1 billion, nine percent higher than end of 2015. The increase was mainly contributed from 2016 recorded net profit net of dividends distributed during the year.

Upon the adoption of the amended IAS 16 and IAS 41, the 2015 financial statements have been restated resulting a reduction in total equity attributable to owners of the Company as at end of 2015 from US$8.7 billion to US$3.7 billion.

# CORPORATE GOVERNANCE REPORT

Golden Agri-Resources Ltd (the "Company" or "GAR") and its subsidiaries (the "Group") remains committed to observing high standards of corporate governance, to promote corporate transparency and to enhance shareholder value. The Company has complied substantively with the principles and guidelines set out in the Code of Corporate Governance 2012 ("2012 Code") through effective self-regulatory corporate practices.

This report sets out the Company's corporate governance processes and activities with specific reference to the guidelines of the 2012 Code, and provides explanation for deviations from the recommendations under the 2012 Code. For easy reference, the principles of the 2012 Code are set out in italics in this report.

## A. BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

*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 objective and Management remains accountable to the Board.*

1.1 The Board's Role

The primary function of the Board of Directors of the Company ("Board") is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board has the responsibility to fulfil its role which includes the following:

(a) ensuring that the long-term interests of the shareholders are being served and safeguarding the Company's assets;

(b) assessing major risk factors relating to the Company and its performance, and reviewing measures, including internal controls, to address and mitigate such risks;

(c) reviewing and approving Management's strategic and business plans, including developing a depth of knowledge of the business being served, understanding and questioning the assumptions upon which plans are based, and reaching an independent judgement as to the probability that the plans can be realised;

(d) monitoring the performance of Management against plans and goals;

(e) reviewing and approving significant corporate actions and major transactions;

(f) assessing the effectiveness of the Board;

(g) ensuring ethical behaviour (including ethical standards) and compliance with laws and regulations, auditing and accounting principles and the Company's own governing documents;

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

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

(j) performing such other functions as are prescribed by law, or assigned to the Board in the Company's governing documents.

1.2 Independent Judgement

All Directors are expected to objectively discharge their duties and responsibilities, in the interests of the Company. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction are required to declare the nature of their interests, and voting on the resolution is prohibited if he has any interest, in accordance with the provisions of the Constitution of the Company ("Constitution").

The Board currently consists of 8 members, as shown below together with their membership on the Board committees of the Company ("Board Committee"):

| Name | Board Appointment | Board Committee Appointment |
|---|---|---|
| Franky Oesman Widjaja | Executive, Non-independent Director | Member of NC and RC |
| Muktar Widjaja | Non-executive, Non-independent Director | – |
| Frankle (Djafar) Widjaja | Non-executive, Non-independent Director | – |
| Rafael Buhay Concepcion, Jr. | Executive, Non-independent Director | – |
| Hong Pian Tee | Non-executive, Independent Director | Chairman of AC and NC, Member of RC |
| Lew Syn Pau | Non-executive, Independent Director | Chairman of RC, Member of AC and NC |
| Kaneyalall Hawabhay | Non-executive, Independent Director | Member of AC |
| Jacques Desire Laval Elliah | Non-executive, Independent Director | – |

Abbreviation:
NC: Nominating Committee
RC: Remuneration Committee
AC: Audit Committee

All the Board members except the Chairman/Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), are non-executive. Of the 6 non-executive Directors, 4 are independent Directors making up half of the composition of the Board, thereby providing a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgement on corporate affairs. It also ensures discussion and review of key issues and strategies in a critical yet constructive manner.

1.3 Delegation by the Board

To assist the Board, the Board has delegated certain functions to the 3 Board Committees, namely, the AC, the NC and the RC, at the same time recognising that the ultimate responsibility on all matters rest with the Board. Each of these Board Committees has its own written terms of reference. Please refer to pages 30 to 39 of this report for further information on these Board Committees.

1.4 Key Features of Board Processes

To assist Directors in planning their attendance at meetings, the dates of Board meetings, Board Committee meetings and annual meeting together with agenda items are scheduled up to one year in advance, with Directors meeting each quarter. In addition to the regular scheduled meetings, ad-hoc meetings are convened as and when circumstances warrant. Besides physical meetings, the Board and the Board Committees may also make decisions by way of circular resolutions under the Company's Constitution and their respective terms of reference.

Board meetings are chaired in Mauritius where participation by Board members by means of teleconference or similar communication equipment is permitted under the Company's Constitution. In 2016, the Board and Board Committees held a total of 13 meetings, with the year-end meeting focusing on annual budget and strategic issues.

1.5 Attendance at Board and Board Committee Meetings in 2016

Details on the number of Board and Board Committee meetings held in 2016, and the attendance of Directors and Board Committee members respectively at those meetings are disclosed below:

| | No. of Meetings Attended by Members | | | | |
|---|---|---|---|---|---|
| **Name** | **Board Meetings** | **Audit Committee Meetings** | **Nominating Committee Meetings** | **Remuneration Committee Meetings** | **Total Attendance at Meetings** |
| **EXECUTIVE DIRECTORS** | | | | | |
| Franky Oesman Widjaja | 5/5 | – | 1/1 | 2/2 | 8/8 |
| Rafael Buhay Concepcion, Jr. | 5/5 | – | – | – | 5/5 |
| **NON-EXECUTIVE DIRECTORS** | | | | | |
| Muktar Widjaja | 5/5 | – | – | – | 5/5 |
| Frankle (Djafar) Widjaja | 5/5 | – | – | – | 5/5 |
| Hong Pian Tee | 5/5 | 5/5 | 1/1 | 2/2 | 13/13 |
| Lew Syn Pau | 5/5 | 5/5 | 1/1 | 2/2 | 13/13 |
| Kaneyalall Hawabhay | 4/5 | 5/5 | – | – | 9/10 |
| Jacques Desire Laval Elliah | 5/5 | – | – | – | 5/5 |
| **Number of Meetings Held** | **5** | **5** | **1** | **2** | **13** |

1.6 Matters Requiring Board Approval

Matters specifically requiring the Board's approval are set out in the Company's Internal Guidelines, which include the following corporate events and actions:

- approval of results announcements
- approval of the annual report and financial statements
- dividend declaration/proposal
- convening of members' meetings
- shares issuance
- material acquisitions and disposal of assets
- annual budgets
- interested person transactions
- corporate governance

1.7 Board Orientation and Training for New Directors

Procedures are in place whereby newly appointed Directors will be provided with a formal appointment letter setting out the terms of appointment, duties and obligations. They will also be given the relevant governing documents of the Company and contact particulars of senior Management. Those who do not have prior experience as a director of a Singapore listed company, will be required to attend externally conducted training on the roles and responsibilities as a director of a listed company in Singapore.

Newly appointed non-executive Directors who are not familiar with the Group's business may, upon recommendation of the Chairman or the NC, be provided with orientation through overseas trips to familiarise them with the Group's operations. Management will brief new Directors on the Group's business as well as governance practices.

1.8 2016 Director Training Programme

The NC reviews and makes recommendations on Directors' training which are arranged and funded by the Company. The Company has an annual training budget to fund any Director's participation/attendance at seminars and training programmes that are relevant to his duties as a Director.

In conformity with the framework for Directors' Training as approved by the Board, the 2016 Director Training Programme provided a 3-step approach to training as follows, through:

(1) Externally conducted courses on audit / financial reporting matters and other relevant topics subject to course availability

(2) Quarterly management updates on operations and industry-specific trends and development

(3) Quarterly continuing education on regulatory changes and updates, which include briefings to AC members on changes to accounting standards and issues

Directors having attended external courses/seminars, in turn shared their experience and knowledge with fellow Directors.

## Principle 2: Board Composition and Guidance

*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.*

2.1 Board Size and Composition

Each year, the Board examines its size, composition, skills and core competencies of its members to ensure an appropriate balance and diversity of skills, experience and knowledge. The Board comprises Directors from different industries and background, with business and management experience, knowledge and expertise who, collectively as a group provides the core competencies for the leadership of the Company. The Company has no alternate Directors on its Board.

Taking into account the scope and nature of operations of the Group, the Board considers that the current board size of 8 Directors is appropriate to facilitate effective decision making.

Please refer to pages 9 to 11 of this Annual Report for key information, including qualifications, on the Directors of the Company.

2.2 Directors' Independence Review

The ensuing paragraphs set out the criteria and processes to determine a Director's independence.

The Board has adopted guidelines set out in the 2012 Code on relationships, the existence of which, would deem a Director not to be independent. A Director who has no relationship with the Company, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company, that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company, is considered to be independent.

The NC is tasked to determine on an annual basis and, as and when the circumstances require, whether or not a Director is independent, bearing in mind the 2012 Code and any other salient factors which would render a Director to be deemed not independent. In addition, consideration is given to Guideline 2.4 of the 2012 Code which requires that the independence of any Director who has served on the Board beyond nine years, be subject to particularly rigorous review. For the purpose of determining independence, each Director is required to complete a self-declaration checklist at the time of appointment, and annually, based on these guidelines.

Having conducted the relevant reviews, the NC/Board has considered that the following Directors are regarded as independent Directors of the Company:

Mr. Hong Pian Tee
Mr. Lew Syn Pau
Mr. Kaneyalall Hawabhay
Mr. Jacques Desire Laval Elliah

The Board recognises that independent Directors may over time develop significant insights into the Group's business and operations, and can continue to objectively provide significant and valuable contribution to the Board as a whole. Where there are such Directors serving as an independent Director for more than nine years, the Board will do a rigorous review of their continuing contribution and independence. Mr. Hong Pian Tee, Mr. Kaneyalall Hawabhay and Mr. Lew Syn Pau have each served on the Board as a non-executive independent Directors for more than nine years.

The NC takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging the Management in the interests of the Group as he performs his duties in good faith, are more critical measures in ascertaining a Director's independence than the number of years served on the Board.

During its review, the NC considered and noted that notwithstanding that Mr. Hong has served on the Board for more than nine years, Mr. Hong's independence as a Director is not affected as he continues to exercise independent judgement and demonstrate objectivity in his conduct and deliberations at Board and Board Committee meetings. By diligently discharging his duties and exercising sound independent business judgement and objectivity in an exemplary manner, in the interests of the Company, he has exhibited a strong spirit of professionalism which did not diminish with time.

During its review, the NC considered that Mr. Kaneyalall Hawabhay who is resident in Mauritius, has continued to demonstrate a strong spirit of professionalism and independence in character and judgement in the discharge of his duties as a Director of the Company which did not diminish with time.

In reviewing the independence of Mr. Lew Syn Pau, the NC considered that although Mr. Lew has served more than nine years, he has demonstrated independence in character and judgment in the discharge of his responsibilities as a Director of the Company, and has been forthcoming in expressing his independent views at Board and Board committee meetings.

After taking into account these factors, the NC's views and having weighed the need for Board refreshment against tenure, the Board has considered and determined that the following Directors continue to be regarded as independent Directors of the Company, notwithstanding having served more than 9 years:

Mr. Hong Pian Tee
Mr. Kaneyalall Hawabhay
Mr. Lew Syn Pau

Each independent Director duly abstained from the NC/Board's determination of his independence.

2.3 Non-executive Directors

Non-executive Directors are encouraged, in line with corporate governance practice, to constructively challenge and help develop proposals on strategy; to review the performance of Management in meeting agreed goals and objectives; to monitor the reporting of performance; and to meet regularly without the presence of Management.

The non-executive independent Directors, including the lead independent Director, meet and/or hold discussions at least annually without the presence of other executive Directors, non-independent Directors and Management.

## Principle 3: Chairman and Chief Executive Officer

*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.*

3.1 Chairman and Chief Executive Officer

Our Chairman and CEO is Mr. Franky Oesman Widjaja. We believe that the independent Directors have demonstrated a high commitment in their roles as Directors and have ensured that there is a good balance of power and authority within the Company.

The Chairman is responsible for:

(a) leading the Board to ensure its effectiveness on all aspects of its role;

(b) setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) ensuring that the Directors receive complete, adequate and timely information;

(d) ensuring effective communication with shareholders;

(e) encouraging constructive relations within the Board and between the Board and Management;

(f) facilitating the effective contribution of non-executive Directors in particular; and

(g) promoting high standards of corporate governance.

The Board notes that the Chairman plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision.

3.2 Lead Independent Director

In view that the Chairman and CEO positions are being held by the same person, the AC chairman, Mr. Hong Pian Tee, acts as the Lead Independent Director, who is contactable by shareholders with concerns when contact through the normal channels has failed to resolve or is inappropriate.

## Principle 4: Board Membership

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

4.1 Nominating Committee Composition and Role

The NC comprises the following 3 Directors, 2 of whom, including the NC chairman, are non-executive and independent Directors:

Hong Pian Tee (NC Chairman)
Lew Syn Pau
Franky Oesman Widjaja

The NC's terms of reference sets out its roles and responsibilities.

The NC is primarily responsible for:

(a) identifying and nominating for the approval of the Board, all Board appointments including candidates to fill Board vacancies as and when they arise;

(b) reviewing the independence element on the Board annually; and

(c) deciding how the Board's performance may be evaluated.

The NC is also responsible for making recommendations to the Board:

(a) as regards the re-appointment, re-election and re-nomination of any Director;

(b) concerning the Board having a strong and independent element;

(c) concerning the re-appointment of any Director having multiple board representations;

(d) concerning the Board's performance criteria;

(e) regarding training and professional development programmes for Board members; and

(f) concerning any matters relating to the continuation in office of any Director at any time.

4.2 Process for Selection and Appointment, Re-appointment of Directors

All new Board appointments are considered, reviewed and recommended by the NC first, before being brought up to the Board for approval. Potential candidates to fill casual vacancies are sourced with recommendations from Directors, Management or external consultants. The NC then evaluates the suitability of potential candidates for the position taking into account, *inter alia*, the candidate's age, gender, knowledge, skills, experience and ability to contribute to the Board's effectiveness. Upon the NC's recommendation, the Board approves the new appointment. In the event that the membership of the NC falls below the minimum number of 3 members, the NC shall be dissolved, and any new nominations are channeled directly to the Board for approval after which the NC is reconstituted with the requisite number of members.

Pursuant to Article 90 of the Constitution, save for the position of CEO, all Directors are to submit themselves for re-election at regular intervals. In particular, one-third of the Directors retire from office by rotation at the annual meeting ("AM"), and newly appointed Directors must submit themselves for re-election at the AM immediately following their appointment. Under Section 138 of the Companies Act 2001 of Mauritius ("Mauritius Companies Act"), the office of a Director shall become vacant at the conclusion of the AM commencing next after the Director attains the age of 70 years, and he shall be subject to yearly re-appointment. The Board is satisfied with the current practice.

This year, the 2 Directors retiring from office by rotation at the upcoming AM ("2017 AM") pursuant to Article 90 of the Constitution are Mr. Lew Syn Pau and Mr. Jacques Desire Laval Elliah.

Mr. Lew Syn Pau, being eligible, has offered himself for re-election as a Director at the 2017 AM, and the NC has recommended his re-election. In its deliberation on the re-election of retiring Directors who have offered themselves for re-election, the NC takes into consideration the Director's attendance, participation, contribution and performance during the past year.

Mr. Jacques Desire Laval Elliah will not be seeking re-election as a Director at the 2017 AM, and the NC has accepted his decision. Accordingly, pursuant to Article 92 of the Constitution, he shall retire as a Director at the conclusion of the 2017 AM.

At the conclusion of the 2017 AM, pursuant to Section 138 of the Mauritius Companies Act, the office of Director held by Mr. Hong Pian Tee shall become vacant. Mr. Hong will not be seeking re-appointment as a Director at the 2017 AM, and the NC has accepted his decision. Accordingly, he shall cease to be a Director and cease to hold all appointments presently held by him in all Board Committees at the conclusion of the 2017 AM.

The Board accepts the above decisions of Mr. Hong Pian Tee, who has served for over 15 years, and Mr. Jacques Desire Laval Elliah, who has served for over 6 years, as Directors of the Company, and wishes to thank each of them for their dedicated service to the Company. The Company is currently processing the appointment of new Directors.

4.3 Directors' Time Commitments and Multiple Directorships

It is recommended under the 2012 Code that the Directors consider providing guidance on the maximum number of listed company board representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. The Board believes that each Director, when accepting new appointments or who already sit on multiple boards, has the individual responsibility to personally determine the demands of his competing directorships and obligations, and ensure that he can allocate sufficient time and attention to the affairs of each company. The Board is of the view that setting a numerical limit on the number of listed company directorships that a Director may hold is arbitrary, given that time requirements for each person vary, and therefore prefers not to be prescriptive. As a safeguard, the NC reviews each Director's ability to devote sufficient time and attention to the affairs of the Company during the NC's annual assessment process. The NC is satisfied with the time committed by each Director to attend meetings.

## Principle 5: Board performance

*There should be a formal annual 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.*

5.1 Board Evaluation Process

The NC is tasked to carry out the processes as implemented by the Board for assessing the effectiveness of the Board as a whole, and the contribution by each individual Director to the effectiveness of the Board on an annual basis.

The Company has in place a system to assess the effectiveness/performance of the Board and acts, where appropriate, on feedback from Board members, on improvements.

During the annual evaluation process, each Director is required to complete the respective forms for self-assessment as well as for assessment of the performance of the Board, based on pre-determined approved performance criteria.

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussion in order to avoid any conflict of interests.

The Board considers the current assessment of the Board and individual Director as being sufficient for the Company, rather than excessive if additional assessments of 3 Board Committees and Chairman are introduced.

## Principle 6: Access to Information

*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.*

6.1 Complete, Adequate and Timely Information

In order to ensure that the Board is able to fulfil its responsibilities, Management provides the Board with complete and adequate information in a timely manner. Such information extends to documents on matters to be brought up at Board and Board Committee meetings which, as a standard procedure, are circulated to Board and Board Committee members, as the case may be, in advance for their review and consideration. Senior Management, the Company's auditors and other professionals who can provide additional insights into the matters to be discussed at Board and/or Board Committee meetings are also invited to be present at these meetings, where necessary. As Directors may have further queries on the information provided, they have separate and independent access to the Company's senior Management who accordingly addresses individual Directors' request for additional information/documents.

Management provides the Board with financial statements and management reports of the Group on a quarterly basis, and upon request as and when required. Explanations are given by Management for material variance (if any) between any projections in the budget and actual results.

6.2 Company Secretary

The Directors may separately and independently contact the company secretary or its nominee who attends and prepares minutes for all Board meetings. The company secretary's role is defined which includes responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with.

The appointment and removal of the company secretary are matters requiring Board approval.

6.3 Independent Professional Advice

The process is in place whereby Directors, either individually or as a group, in the furtherance of their duties, require professional advice, the company secretary or its nominee can assist them in obtaining independent professional advice, at the Company's expense.

## B. REMUNERATION MATTERS

### Principle 7: Procedures for Developing Remuneration Policies

*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.*

### Principle 8: Level and Mix of Remuneration

*The level and structure of remuneration should be aligned 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.*

7.1 Remuneration Committee Composition and Role

The RC comprises the following 3 Directors, 2 of whom, including the RC Chairman, are non-executive and independent Directors:

Lew Syn Pau (RC Chairman)
Hong Pian Tee
Franky Oesman Widjaja

The Board views that the current RC composition is adequate as a majority of its members are independent, and the RC chairman is non-executive and independent.

The RC's roles and responsibilities are described in its terms of reference.

The duties of the RC include reviewing and recommending to the Board for approval, the following:

(a) a general framework of remuneration for the Board and key management personnel;

(b) the specific remuneration packages for each Director and key management personnel; and

(c) the Company's obligations arising in the event of termination of executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC may, during its annual review of remuneration of Directors and key management personnel, seek advice from external remuneration consultants as and when it deems necessary.

None of the members of the RC is involved in deliberations in respect of any remuneration, fee, compensation, incentives or any form of benefits to be granted to him.

7.2 Share Scheme

The GAR Restricted Share Plan ("RSP") was approved by shareholders at the Special Meeting of the Company held on 24 October 2008.

The RSP is intended to align the interests of key management and executives with the interests of shareholders. It is also expected to enhance the Company's competitiveness in attracting and retaining talented key senior management and executives. The RSP contemplates the award of fully paid shares of the Company free of charge, upon meeting prescribed performance target(s) and/or service condition(s).

Non-executive Directors and controlling shareholders and their associates are not eligible to participate in the RSP.

Awards granted under the RSP will vest upon the satisfactory achievement of pre-determined operational and financial performance targets.

The selection of participants and determination of the number of shares to be awarded under the RSP shall be undertaken by a committee (comprising Directors of the Company) ("RSP Committee") to be established by the Board at the appropriate time for administration of the RSP. In the selection process, the RSP Committee shall take into account criteria such as, *inter alia*, the participant's capability, scope of responsibility, skill, vulnerability to leaving the employment of the Company, job performance, years of service, potential for future development, contribution to the success and development of the Company and the extent of effort and resourcefulness required to achieve the service conditions and/or performance targets within the performance and/or service periods (as the case may be).

The total number of new shares which may be issued pursuant to awards granted under the RSP shall not exceed 15% of the total number of issued shares of the Company (excluding treasury shares) on the day preceding the relevant date of an award. Subject to prevailing rules and legislation, the Company may deliver shares to participants upon vesting of their awards by way of issue of new shares; and/or transfer of existing shares (by way of purchase of existing shares) for delivery to participants.

As at 31 December 2016, the RSP Committee has not been formed and no award has been granted by the Company under the RSP.

8.1 Remuneration of Executive Directors and Key Management Personnel

In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate.

The remuneration structure for executive Directors and key management personnel consists of (a) fixed remuneration, (b) variable bonus and/or (c) other benefits. Executive Directors do not receive Directors' fees.

The level of remuneration is determined by various factors including performance of the group, industry practices and the individual's performance and contributions towards achievement of corporate objectives and targets.

Payments are made based on the extent of the individual's achievement of performance conditions for the year under review.

8.1.1 The use and application of clawback provisions in remuneration contracts of executive Directors and key management personnel is subject to further consideration by the Company.

8.2 Remuneration of Non-Executive Directors

8.2.1 Non-Executive Independent Directors

Non-executive independent Directors receive Directors' fees, which are subject to shareholders' approval at AMs ("Directors' Fees").

Directors' Fees are based on appointment to the Board Committee(s) and determined on a scale of fees comprising a basic fee, AC chairman fee, AC member fee, RC chairman fee, RC member fee, NC chairman fee and NC member fee.

The level of Directors' Fees is reviewed annually by the RC and/or the Board, during which factors such as contributions, regulatory changes and responsibilities and market benchmarks are taken into consideration.

8.2.2 Non-Executive Directors

During the year, the non-executive Director, Mr. Muktar Widjaja was paid consultancy fee pursuant to an advisor's agreement with the Company in consideration of providing business advisory services for the Group's Indonesia agri-business. The payment is in compliance with the SGX-ST rules on Interested Person Transactions.

No remuneration was paid to non-executive Director, Mr. Frankle (Djafar) Widjaja, during the year.

## Principle 9: Disclosure on Remuneration

*Every 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.*

9.1 Directors' Remuneration

The Directors' remuneration for the year ended 31 December 2016 in bands of S$250,000 is set out in the table below:

| Name of Directors | Fixed Salary | Bonus paid or payable/Benefit | Directors' Fees | Total |
|---|---|---|---|---|
| **EXECUTIVE DIRECTORS** | | | | |
| **S$3,250,000 to below S$3,500,000** | | | | |
| Franky Oesman Widjaja | 30.1% | 69.9% | – | 100% |
| **S$1,500,000 to below S$1,750,000** | | | | |
| Rafael Buhay Concepcion, Jr. | 54.5% | 45.5% | – | 100% |
| **NON-EXECUTIVE INDEPENDENT DIRECTORS** | | | | |
| **Below S$250,000** | | | | |
| Hong Pian Tee | – | – | 100% | 100% |
| Lew Syn Pau | – | – | 100% | 100% |
| Kaneyalall Hawabhay | – | – | 100% | 100% |
| Jacques Desire Laval Elliah | – | – | 100% | 100% |
| **NON-EXECUTIVE DIRECTORS** | | | | |
| **S$250,000 to below S$500,000** | | | | |
| Muktar Widjaja | – | 100%[1] | – | 100% |
| **Nil** | | | | |
| Frankle (Djafar) Widjaja | – | – | – | – |

1 Consultancy fee

Variable bonus is based on performance in the same financial year.

9.2 Remuneration of Top 6 Key Management Personnel

The top 6 key management personnel, listed in alphabetical order, who are not Directors of the Company ("KMP") for the year ended 31 December 2016 and their remuneration falling in bands of S$250,000, are as follows:

Edy Saputra Suradja
Hemant K Bhatt
Jesslyne Widjaja
Jo Daud Dharsono
Paul J Hickman
The Biao Ling

| KMPs' Remuneration Band | Number of KMP |
|---|---|
| S$1,750,000 to S$2,000,000 | 2 |
| S$750,000 to S$1,000,000 | 2 |
| S$500,000 to S$750,000 | 2 |

The total remuneration paid to the top 6 KMPs for the year ended 31 December 2016 amounted to S$6,462,784.

9.3 Remuneration of Employees who are Immediate Family Members of a Director/CEO ("IFM")

The remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 for the year ended 31 December 2016, being two, Ms. Jesslyne Widjaja and Ms. Emmeline Widjaja, the daughters of the CEO, is as follows:

| Remuneration Band | Number |
|---|---|
| S$750,000 to S$1,000,000 | 1 |
| S$250,000 to S$500,000 | 1 |

Mr. Franky Oesman Widjaja, Mr. Muktar Widjaja and Mr. Frankle (Djafar) Widjaja are brothers.

Other than disclosed above, none of the Directors had immediate family members who were employees and whose remuneration exceeded S$50,000 for the year ended 31 December 2016.

9.4 Directors' remuneration, KMP's remuneration and IFM's remuneration are disclosed above in bands of S$250,000 for the reasons as follows:

The Company, having taken into account the size of the Company and the Company's scope of business, the relevant personnel's comments, and determination that their remuneration is not out of line when compared with the market range, believes that it is not in the Group's interest to disclose the above remuneration to the full extent recommended, due to continuing sensitivity and confidentiality surrounding the issue of remuneration and, moreover, differing responsibilities for similar positions may encourage inappropriate peer comparisons and discontent, and may, in certain cases, also hamper the Group's ability to retain its talent pool in a competitive environment.

## C. ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

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

10.1 Accountability

The Board reviews and approves the results announcements before the release of each announcement. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of GAR's performance, position and prospects.

For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the financial statements of GAR and its subsidiaries. For the interim financial statements, the Board provided a negative assurance confirmation in accordance with regulatory requirements.

### Principle 13: Internal Audit

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

13.1 Internal Audit

The Company has established an in-house internal audit function. The role of the internal auditors is to assist the AC to ensure that the Company maintains a sound system of internal controls.

The Chief Internal Auditor ("CIA") reports to the AC chairman. On administrative matters, the CIA reports to the CEO. The CIA has met 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 AC approves the hiring and removal of the CIA and ensures that the internal audit function is adequately staffed and has appropriate standing within the Company. It also ensures the adequacy and effectiveness of the internal audit function.

The annual internal audit plan is established in consultation with, but independent of, Management, and is reviewed and approved by the AC. Every quarter, the AC and Management review and discuss internal audit findings, recommendations and status of remediation, at AC meetings.

The internal auditors have unfettered access to the Group's documents, records, properties and personnel, including access to the AC.

### Principle 12: Audit Committee

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

12.1 Audit Committee Composition and Role

The AC comprises the following 3 Directors, all of whom, including the AC chairman, are non-executive independent Directors:

| | |
|---|---|
| Hong Pian Tee | (AC Chairman) |
| Lew Syn Pau | |
| Kaneyalall Hawabhay | |

The Board considers that the members of the AC are appropriately qualified to discharge the responsibilities of the AC. None of the members of the AC were previous partners or directors of our external auditors, Moore Stephens LLP ("MS"), and none of the members of the AC hold any financial interest in MS.

The AC's roles and responsibilities are described in its terms of reference.

The AC has the explicit authority to investigate any matter within its terms of reference. In addition, the AC has full access to and co-operation of Management and full discretion to invite any Director or executive officer to attend its meetings. Reasonable resources are made available to enable the AC to discharge its functions properly.

In addition to its statutory functions, the AC considers and reviews any other matters as may be agreed to by the AC and the Board. In particular, the duties of the AC include:

(a) Reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance.

(b) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls.

(c) Reviewing the effectiveness of the Group's internal audit function.

(d) Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors.

(e) Making recommendations to the Board on the proposals to the shareholders on appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

The AC reviews with Management, and where relevant, the auditors, the results announcements, annual report and financial statements, interested person transactions and corporate governance, before submission to the Board for approval and adoption.

In performing its functions, the AC meets with the internal and external auditors, and reviews the audit plans and overall scope of both internal and external audits, and the co-operation and assistance given by Management to the respective auditors. Where necessary, the AC also meets separately with the internal and external auditors whereby any issues may be raised directly to the AC, without the presence of Management. The internal and external auditors have unfettered access to the AC.

The AC has discussed with external auditors and Management on matters of significance which are included under "Key Audit Matters" in the Independent Auditor's Report. The AC is satisfied that those matters have been appropriately addressed. The AC recommended to the Board to approve the audited financial statements of the Group for the financial year ended 31 December 2016 ("FY2016 Financial Statements"). The Board has on 16 March 2017 approved the FY2016 Financial Statements.

12.2 Auditor Independence

The AC reviews the independence of the external auditors. During this process, the AC also reviews all non-audit services provided by the external auditors to satisfy itself that the nature and extent of such non-audit services would not affect their independence. The AC confirms that after reviewing all non-audit services, if any, by the external auditors during the financial year, they would not, in the AC's opinion, affect the external auditors' independence.

The AC has recommended to the Board that the external auditors be nominated for re-appointment at the forthcoming AM.

In appointing the audit firms for the Group, the AC is satisfied that the Company has complied with Rules 712 and 715 of the listing manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited.

12.3 Whistle-Blowing Procedures

The Board is committed to uphold the Company's values and standards, and has put in place whistle-blowing procedures by which employees may, in confidence and without fear of retaliation, bring to the AC's attention, concerns or complaints about possible improprieties relating to matters of financial reporting or other matters.

Under these procedures, the AC may, if it deems appropriate, engage appropriate external independent advisors, at the Company's expense.

The Company is committed to treat all complaints as confidential, and the anonymity of the whistle-blower concerned will be maintained until the whistle-blower indicates that he or she does not wish to remain anonymous.

## Principle 11: Risk Management and Internal Controls

*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 extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

11.1 Responsibilities for Risk Management and Internal Controls

The Board, with assistance from the enterprise risk management ("ERM") committee ("ERMC") and the AC, is responsible for the governance of risk by ensuring that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

11.2 The ERMC

The ERMC was formed in 2013 to assist Management in its role of managing risks, as part of the Group's efforts to strengthen its risk management processes and enable accountability for its adequacy and effectiveness. The ERMC currently comprises the following senior Management:

| | | |
|---|---|---|
| Franky Oesman Widjaja | – | Executive Director, Chairman and CEO |
| Rafael Buhay Concepcion, Jr. | – | Executive Director and Chief Financial Officer |
| Jo Daud Dharsono | – | Head, Upstream |
| Hemant K Bhatt | – | Head, Downstream |
| Pedy Harianto | – | Head of Audit & Compliance |

The ERMC reports to the AC which, in turn, reports to the Board.

11.3 ERM Processes

The Board has ultimate responsibility for the governance and oversight of the risk management process. The Audit Committee assists the Board in their oversight of the process as well as to that of financial reporting risk and the effectiveness of the Company's internal control and compliance systems. The Management is responsible for assuring the Board as to the adequacy and effectiveness of the risk management lifecycle and ensuring the quality and timeliness of information.

The Company's risk management process comprises of a disciplined and repeatable interaction structure that facilitates active involvement by the Board in risk evaluation of strategic alternatives and operational decisions. These structures serve as a forum for the Management to highlight both favorable and adverse factors affecting the business and its performance and associated risks, and in turn creates visibility for the Board and relevant stakeholders. The Board members and Management collectively determine the materiality of the risks and appropriate strategies to address them following which appropriate risk governance structures are constituted. Governance policies are reviewed and approved by at least one Board member and one or more members of the senior Management team.

11.4 Assurance from the CEO and CFO

The Board has received assurance 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.

The CEO and the CFO have in turn obtained relevant assurance from the business heads in the Group.

11.5 Opinion on Adequacy and Effectiveness of Internal Control and Risk Management Systems

The AC is responsible for making the necessary recommendations to the Board such that the Board may make an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group. In this regard, the AC is assisted by the external auditors, internal auditors and the ERMC.

The Board is satisfied that there is appropriate and adequate review by the AC of the adequacy of the Company's internal controls, including operational, compliance and information technology controls, and risk management policies and systems established by Management. In its review, the AC had been assisted by both the external auditors and the internal auditors, and this review is conducted at least once every year.

During the course of the audit, the external auditors carried out a review of the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls to the extent of their scope as laid out in their audit plan. Material non-compliance and internal control weaknesses noted during the audit are reported to the AC together with the recommendations of the external auditors.

In addition, based on the ERM framework established and maintained, the work performed by the ERMC and the internal audit function as well as the assurance received from the CEO and the CFO, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective to meet the needs of the Group in its current business environment.

The Board notes that the Company's systems of internal controls and risk management provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledge that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

## D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14: Shareholder Rights

*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.*

14.1 Shareholder Rights

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that the Company's shareholders are treated fairly and equitably, and their rights are protected.

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to the Group's business which could have a material impact on the Company's share price.

All shareholders of the Company are entitled to attend and vote at general meetings in person or by proxy. Shareholders also receive the annual reports of the Company and the notice of AMs, which notice is also advertised in the newspapers and released via SGXNET.

### Principle 15: Communication with Shareholders

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

15.1 Communication with Shareholders

Transparency and communication are the heart of our Investor Relations activities. We aim to timely deliver thorough and up-to-date information to the global investing community, to support informed investment decisions. The Company does not practice selective disclosure of material information. GAR conveys material information and its quarterly results through announcements made on SGXNET, and is required to comply with the Listing Manual on the continuous disclosure obligations. Results and annual reports are announced and issued within the specified/stipulated period. All announcements are posted immediately on the Company's website *www.goldenagri.com.sg*, upon release via SGXNET.

The Company has been announcing its quarterly results since 2003 and starting from 2007, conducts regular briefings, conference calls and meetings with analysts and media. For the results announcements, we generate materials, including financial statements as well as management discussion and analysis in presentation slides and press releases. During these briefings, senior Management reviews the most recent performance, analysis, business key-value drivers and metrics, and shares the Company's insights and business strategy. The materials used in the briefing are disseminated via SGXNET and are also available on the Company's website. On this occasion, analysts, fund managers and reporters have the opportunity to raise questions to our Management. While these meetings are largely undertaken by the Company's senior Management, the Chairman and CEO also meets analysts every year.

We offer direct and frequent access to our Management through one-on-one or group meetings, conferences, roadshows and conference calls. Throughout 2016, we met with more than 170 equity and fixed income investors and analysts domestically and internationally. The Company participated in investor conferences and roadshows in Singapore, Hong Kong, Indonesia, Thailand, Malaysia and Europe. These facilitate us to strengthen existing relationships with long-term investors, understand their views and expectations of the Company as well as to tap new potential investors. We develop and maintain strong relationships with sell-side research analysts as they play an important role in informing and educating the investment community. More than fifteen analysts based in Singapore, Hong Kong and Malaysia currently cover GAR. We also arrange site visits to our plantations and refineries to provide investors and analysts with better understandings of our day-to-day operations, including sustainability initiatives.

15.2 Dividend Policy

The Company currently aims to declare future dividends of up to 30% of its underlying profit, i.e. profit attributable to owners of the Company after excluding net effect of net gain or loss from changes in fair value of biological assets and depreciation of bearer plants, exceptional items and other non-operating items. The declaration, amount and payment of future dividends will depend on many factors, including results of operations; cash flow and financial condition; expansion and working capital requirements; cash dividends received from subsidiaries; future prospects; and other factors deemed relevant by the Board and our shareholders.

The Board has recommended a final dividend of S$0.00635 per ordinary share for the financial year ended 31 December 2016, subject to shareholders' approval at the forthcoming AM.

15.3 Financial Calendar 2017

| | |
|---|---|
| 24 February | Announcement of Full Year 2016 results |
| 4 April | Release of Annual Report 2016 |
| 25 April | Annual Meeting 2017<br>Proposed 2016 final dividend* |
| 27 April | Last day for trading for cum dividend (scrip-less holders) |
| 3 May 5:00 PM | Record date and time |
| 4 May | Books closure date |
| 11 May | Dividend payment date |
| May** | Announcement of First Quarter 2017 results |
| August** | Announcement of Second Quarter 2017 results |
| November** | Announcement of Third Quarter 2017 results |
| February 2018** | Announcement of Full Year 2017 results |

Notes:
The above calendar may not list every corporate event.

* Subject to shareholders' approval at the 2017 AM
** Indicative timeline

## Principle 16: Conduct of Shareholder Meetings

*Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

16.1 Conduct of Shareholder Meetings

During the AMs which are held in Singapore, shareholders are given the opportunity to communicate their views and to engage the Board and Management on the Group's business activities and financial performance. Directors are encouraged to attend shareholders' meetings. In particular, members of the AC, NC and RC and the external auditors are asked to be present to address questions at such meetings.

The Constitution allows a member of the Company to appoint one or two proxies to attend and vote instead of the member at members' meetings if he is unable to attend in person.

At members' meetings, each distinct issue is proposed as a separate resolution. Absentia voting methods are currently not permitted, as the authentication of shareholder identity information and other related integrity issue still remain a concern.

Since the 2013 AM, in support of greater transparency and to allow for a more efficient voting process, the Company has employed electronic poll voting for all resolutions put at the AM. Votes cast for and against and the respective percentages, on each resolution were instantly displayed on screen. The detailed results showing the total number of votes cast for and against each resolution and the respective percentages were also announced after the AM via SGXNET.

## DEALINGS IN SECURITIES

The Company complies with Rule 1207(19) of the Listing Manual on dealings in securities, and has devised and adopted its own internal compliance code to provide guidance with regard to dealings in the Company's securities by the Company, its Directors and officers, including prohibition on dealing in the Company's securities on short-term considerations.

Dealings in the Company's securities are prohibited during the period commencing (i) two weeks before announcement of the Company's first, second and third quarter results and (ii) one month before the announcement of the Company's full year results, and ending on the date of the announcement of the results. Such dealings in the Company as well as other listed companies' securities are also prohibited whilst in possession of unpublished material price-sensitive information in relation to those securities.

# MANAGING TALENT TOWARDS A WORLD CLASS ORGANISATION

At GAR, people are our most important asset. Our people are critical to drive our company to realising our vision of becoming the best, fully-integrated, global agribusiness and consumer product company – the partner of choice. With that believe embedded in our "DNA", we as a company put strong emphasis on managing our talent.

## BUILDING A TALENT FACTORY

Our success in managing talent is evident in our ability to provide a consistent stream of high performing talent to enthusiastically drive the Company's business. We create the right ecosystem that enables talent in our organisation to realise their potential and transform it into performance. In managing talent, we focus not only in attracting but also retaining the best.

In attracting talent and ensuring they can adapt quickly to our prudent and fast pace of doing business, we recruit people based on both culture fitness and competence. Culture fitness means that new hires must share our commitment in terms of delivering outstanding results (Performance), doing what is best for the Company (Ownership), working as a team (Collaboration), and realising other people's potential (People). Competence means that we ask the best to join our ranks and run our business. These interdependent factors are key to recruiting talent.

Retaining talent is all about ensuring a good employee experience. From the start, we make sure that employees have a positive professional experience in every aspect of their working life. Our strategy is to provide growth opportunities that offer high performing talent exciting career progression through continuous development; helping our people reach their maximum potential. Our employee development focuses on both technical and leadership skills, and we develop our people across levels within the organisation, to become agile and versatile professionals.

## COMMITMENT IN DEVELOPING LEADERS

We want to ensure that every leader has the right development plan that supports the Company's overall objectives. Therefore, we have conducted a company-wide talent review of all of our senior leaders with the objective to identify the most suitable development plan for each and every one of them. These unique development plans are a key part of talent retention. We go beyond conventional development training programmes and include coaching, mentoring, as well as job assignment and enlargement.

Highly talented individuals, selected by the management, are developed to be our future leaders. To ensure they have a holistic view of the business, they are rotated to several functions, broadening their experience and skill set. They are also coached by our management and assigned to a strategic project to boost the Company's performance. We expect these highly talented individuals to grow their career within our organisation and become our future senior leaders.

## OUR SHARED VALUES

| INTEGRITY | POSITIVE ATTITUDE | COMMITMENT | CONTINUOUS IMPROVEMENT | INNOVATION | LOYALTY |
|---|---|---|---|---|---|
| To put statements or promises into actions so that one can earn the trust of others | To display encouraging behaviour towards the creation of a mutually appreciative and conducive working environment | To perform our work whole heartedly in order to achieve the best results | To continuously enchance the capability of self, working unit and organisation to obtain the best results | To come up with ideas or to create new products/ tools/systems that can increase productivity and the Company's growth | To cultivate the spirit of knowing, understanding and implementing the Company's core values as part of the GAR family |

## OUR CULTURE

| PERFORMANCE | OWNERSHIP | COLLABORATION | PEOPLE |
|---|---|---|---|
| We deliver outstanding results | We do what is best for the Company | We work as a team | We realise our people's potential |


SD
SEKOLAH
EKA TJIPTA

**72k ha**

of conservation area (HCV/HCS)

**10 Villages**

in Community Conservation Partnerships to protect

**>7k ha**

**63**

wild-born, formerly captive orangutans released since 2011

# TOWARDS RESPONSIBLE PALM OIL PRODUCTION

We believe that socio-economic growth can go hand-in-hand with environmental protection. The GAR Social and Environmental Policy (GSEP) is our roadmap guiding us towards responsible palm oil production. We continue to implement initiatives to turn our commitments into practical reality. New partnerships with communities, customers, suppliers and government play a key part in this endeavour.

**>167.5k tonnes**

$CO_2$eq of GHG emission reduction since 2015

**100%**

Traceability to Plantation for GAR-owned mills by end-2017

**100%**

Traceability to Plantation for independent mills by 2020

# REALISING SUSTAINABILITY POLICY IN PRACTICE

In 2016, we continued to implement initiatives to turn our sustainability commitments under the GAR Social and Environmental Policy ("GSEP") into practical reality. New partnerships with communities, customers, suppliers and government play a key part in this endeavour. Our efforts are also aligned to several of the UN's Sustainable Development Goals (SDGs).

## PROGRESS ON PRACTICAL CONSERVATION

Since we adopted the first Forest Conservation Policy in the industry in 2011, we have made decoupling palm oil production from deforestation a top priority. We carry out High Conservation Value ("HCV")[1] and High Carbon Stock ("HCS")[2] assessments as part of our standard procedures before embarking on new development.

We have currently identified around 72,000 hectares – an area equivalent to the total area of Singapore – of HCV and HCS areas for conservation across our concessions.[3]

Defining these areas on paper is only the first step towards conservation; ensuring they are properly protected on the ground requires a workable model of collaboration and partnership with local communities and other key stakeholders such as local government. Without this, areas set aside for conservation remain prone to encroachment by external parties who frequently regard the area as unoccupied land.

The World Economic Forum has called for new models of sustainable rural development at the forest frontier and in particular, place-based "protection-production partnerships"[4]. At GAR, we have been working on these partnerships since 2015, when we began collaborating with local communities to formally map their villages through Participatory Mapping. We help the villages map out critical areas such as customary boundaries and land necessary for food security. This map is lodged with and formally recognised by the authorities, serving amongst other things to clarify land tenure rights and enabling villages to gain access to government development funds for the first time.

1 Visit this page to see the details of our HCV: http://goldenagri.com.sg/sustainability/forest-conservation/hcv/
2 Visit this page to see the details of our HCS: http://goldenagri.com.sg/sustainability/forest-conservation/hcs/
3 The HCS/HCV areas were adjusted slightly lower in 2016 following Free, Prior and Informed Consent (FPIC) consultations with local community and on-the-ground verification by our consultants which revealed that community mixed gardens had previously been included as conservation areas.
4 Visit this page to download the file: http://www3.weforum.org/docs/WEF_GAC15_Better_Growth_with_Forests.pdf

The mapping lays the foundation for further dialogue on conservation through our Participatory Conservation Planning process.

By the end of 2016, we have rolled out mapping in 67 villages across our concessions and carried out conservation planning in 10 villages in West Kalimantan, securing agreement with local communities to set aside over 7,000 hectares of HCS forests for conservation.

A core element of this approach involves designing Alternative Livelihood programmes that allow communities to earn an income without disturbing forests and sensitive ecosystems. Alternative Livelihood programmes currently being piloted by GAR include organic vegetable farming using spare communal land. These projects bring several benefits including improving food self-sufficiency and additional income from sustainable farming. With help and guidance from GAR, local communities are exposed to new, sustainable ways of farming without intensive use of chemicals and more importantly, without the use of fire to clear land.

We are using this model of community partnership to ensure the successful rehabilitation of 2,600 hectares of peat land in the PT Agro Lestari Mandiri concession in West Kalimantan. While physical rehabilitation is continuing apace, a more critical challenge is halting future encroachment into the peat areas. Through our community conservation partnership and the Alternative Livelihood programme, we have launched an organic farming pilot project in the Lembah Hijau village and are helping the community with materials and training to set up the farm. We are also starting Alternative Livelihood programmes in three other concessions in West Kalimantan.

Scaled up, this protection-production model could help ensure economic growth in tandem with forest conservation and we will be launching similar partnerships across our concessions.

## FIRE PREVENTION COMPLEMENTS CONSERVATION

We are complementing our community conservation partnerships with community-based fire prevention programmes in areas that have been identified as fire-prone. Our fire prevention programme, Desa Siaga Api was piloted in 2016 in 17 villages in West Kalimantan and Jambi.

Aside from training and equipping the local community to put out fires rapidly, part of the outreach programme

involved working with schools to spread knowledge and awareness about the dangers of forest fires and the importance of forest conservation to school children. In 2016, we worked with 22 schools involving 1,500 students and 200 teachers in West Kalimantan. Through this we hope to trigger a change in the mindsets of the communities and a move towards more sustainable agriculture.

At the end of the first year of the programme, all the villages met the targets for fire prevention and qualified for community infrastructure support. The pilot will now evolve into an expanded programme called Desa Makmur Peduli Api and will focus on three elements: fire prevention, forest conservation and food security. Alternative Livelihood programmes modelled on the same lines as the organic vegetable farming pilot at Lembah Hijau Village will be rolled out to the other villages in West Kalimantan.

While the weather conditions in 2016 were a welcome reprieve from the extreme drought and El Niño effects of 2015, we continue to be vigilant and prepared to tackle fires. There has been no let up in training staff in fire preparedness and around 10,000 personnel throughout our concessions remain on standby to rapidly suppress fires. Due to strict adherence to our Zero Burning Policy, we had no significant fires on our plantations last year.

## PROTECTING RARE, THREATENED AND ENDANGERED SPECIES

Operating in Indonesia places us in or near areas of rich and varied biodiversity and we want to preserve and protect this biodiversity. This is achieved through our identification and protection of HCV areas backed up by our Zero Tolerance Policy towards hunting, injuring, possessing and killing of rare, threatened and endangered wildlife.

We continuously educate our employees, local communities and related stakeholders on the importance of protecting rare and endangered species.

Protection of orangutans remains a special focus for GAR. Since 2011, we have partnered with Orangutan Foundation International (OFI) to rehabilitate and release wild-born, formerly captive primates. To date, we have supported the release of 63 orangutans into their natural habitat in Seruyan Forest in Kalimantan, Indonesia, with 12 released in 2016.

Over 1,000 staff have been trained in orangutan conservation. They are mainly involved in field operations in Kalimantan with some overseeing our biodiversity and conservation efforts. GAR also maintains 1,400 hectares of HCV area in Sungai Rungau, Central Kalimantan as an orangutan sanctuary.

## TRANSFORMING OUR SUPPLY CHAIN THROUGH ENGAGEMENT

Bringing our supply chain along with us on our sustainability journey through dialogue and engagement is essential if we are to ensure that the palm oil industry increasingly adopts and strengthens responsible practices.

The launch of our Traceability to the Plantation ("TTP") exercise in 2016 is enabling us to reach out to a greater number of our suppliers including middlemen and smallholders. Our Traceability to the Mill process enabled us to map all the mills supplying our eight downstream locations – 474 in 2016, with 45 owned by GAR. Working with these mills we are now mapping the supply chain all the way back to origin.

The traceability exercise offers us crucial information about the provenance of our raw materials, improving our transparency to buyers and customers. Prior to the TTP exercise, GAR mills already knew the source of 90 percent of their Fresh Fruit Bunches (FFB) and we are on track to complete the mapping exercise for GAR mills by end 2017. In 2016, 15 GAR mills achieved full TTP, and overall GAR mills achieved 88 percent TTP. Third-party supplier mills will have till 2020 to complete mapping to the plantation. The latest mapping data can be viewed on the Sustainability Dashboard at http://goldenagri.com.sg/sustainability/sustainability-dashboard/

Beyond traceability, GAR is using the increased interaction with suppliers to spread responsible palm oil practices and build supplier capability to adopt these practices.

We are carrying out a programme of supplier mill visits which enables us to build a complete picture of where our suppliers stand with regards to responsible practices, and what help they need to address the gaps. Since 2015, we have visited 36 suppliers.

We kicked off two inaugural SMART SEED (Social and Environmental Excellence Development) workshops for our suppliers last year, offering them an avenue to meet government, Civil Society Organisations (CSOs) and other experts on critical issues such as how to obtain Indonesian Sustainable Palm Oil ("ISPO") certification.

In urgent cases, we have assisted suppliers with remedial action plans to tackle issues ranging from orangutan conservation to land tenure issues and community-based fire prevention programmes. Successful case studies can be viewed on the GAR website at http://goldenagri.com.sg/

These engagement and support efforts will ultimately help build a more resilient supply chain and industry.

## TAKING CARE OF OUR WORKERS

In 2015, we updated our sustainability policy to make it more holistic and wide-ranging. In the GSEP, we have consolidated our commitments on human rights, free and fair labour practices as well as our stand against child and forced labour.

To ensure practices on the ground are aligned with our commitments and international norms, we commissioned non-profit organisation, Business for Social Responsibility ("BSR"), to assess human rights and labour practices in our operations in a six-month project starting October 2016.

BSR's final assessment results in 2017 will provide GAR with information needed to close any gaps between policy commitment and practice.

## IMPROVING FARMER LIVELIHOODS

An estimated two million small farmers control around 40 percent of palm oil estates in Indonesia. Smallholders who are partnered with bigger companies in plasma schemes can enjoy the benefits of better quality seeds and plantations. At our Company, plasma smallholders benefit from advanced agronomic practices and estate management provided by GAR. This makes their yield comparable to our nucleus estates.

In contrast, independent smallholders, some of whom own plots as small as two hectares, tend towards low yields of two to three tonnes per hectare. This is roughly half the yield in GAR's prime estates of over five tonnes per hectare (under normal weather conditions).

Inefficient production is a concern because of its negative impact on a farmer's livelihood which can lead to increased pressure to clear more forests for agriculture in the hopes of boosting earnings.

GAR believes the solution lies in being able to convince independent farmers to replant with high quality seeds, which could lead them to double or triple their yields on existing plots. However, farmers face several obstacles, chief of which is the inability to access bridging loans. This financing is necessary to help sustain their livelihoods during the four years it takes for palm trees to mature. Innovative Financing was introduced as a solution in 2014 by the Government of Indonesia and the Indonesian Chamber of Commerce and Industry (KADIN). By joining the scheme, independent farmers can get loans at affordable interest rates, training in the latest agronomy practices and a supply of quality certified seeds.

GAR has been a keen supporter and early adopter of the scheme since its launch and has frequently called on the rest of the industry and related stakeholders to help support the scheme. In 2016, GAR helped independent farmers in Riau and Jambi secure loans of approximately IDR107 billion from a state-owned bank. We are also helping farmers obtain ISPO certification for 1,300 hectares of estates in the two provinces. As at end 2016, GAR had helped over 430 farmers participate in the scheme and replanting for the latest batch of smallholders began in March 2016.

We also run other finance and support programmes for independent smallholders. Through the Smallholders Development Programme, GAR has provided loans to more than 1,000 independent farmers in East Kalimantan since 2013. This allows them to buy high-yielding seeds, fertiliser, herbicides and rent heavy equipment. To date, we have disbursed more than IDR15 billion in loans.

## SUSTAINABILITY THROUGH R&D

Our dedicated research arm – SMART Research Institute ("SMARTRI"), continues to play a key role in tackling negative impacts on palm productivity due to climate change such as severe drought, as well as finding ways to combat disease and pests.

SMARTRI is an active participant in the Oil Palm Genome Project, an international initiative by a consortium of 16 reputable research organisations from seven countries. The project will help identify specific traits such as disease resistance, drought tolerance, superior quality oil and high yield. In 2016, under the third phase of the project, we began training programmes for our scientists to allow them to fully benefit from these new techniques.

SMARTRI also leads research on Integrated Pest Management, minimising use of chemical pesticides through increased use of bio pesticides and other natural controls.

To reduce harmful impacts on our plantation workers, GAR stopped using the herbicide paraquat in January 2016. Under our commitments in the GSEP, GAR does not use pesticides categorised as World Health Organization Class 1A or 1B, or that are listed by the Stockholm or Rotterdam Conventions, except in very specific situations.

## RESEARCH TO SAFEGUARD CONSUMER HEALTH

We also conduct R&D related to other aspects of our business such as how to safeguard the health of consumers using processed palm oil products.

To address growing consumer awareness and health concerns about trans fatty acids, which are generated through a process called hydrogenation, our downstream R&D department have been reformulating many of our products to completely eliminate all trans fatty acids, without compromising on quality or expected performance for the consumer or technical manufacturer.

In 2016, the European Food Standards Authority (EFSA) issued a report warning about the health consequences of co-contaminants formed during processing and refining of edible oils and specifically, they identified 3-MCPD as a cause for concern.

These co-contaminants are known as 2-monochloro-propane-1, 3-diol and 3-monochloropropane-1, 2-diol and Glycidol / Glycidyl esters (GE), and are formed during food production and preparation at high temperatures. During refining of palm oil, they can occur during the deodorisation step. This processing step aims to remove unwanted taste and odour to meet customer quality and safety specifications.

Several departments within our Company have been working together to understand the formation of these substances and how to minimise them. It is possible that these substances have been part of the human diet since man began eating cooked food.

Together with leading global food manufactures, we are now using new internationally approved identification methods to test for these substances. At the same time our business has been actively working on installing and testing new and effective mitigation technologies.

## REDUCING GHG EMISSIONS

In 2016, we added bio-digester facilities to capture waste methane gas in Central Kalimantan at our Hanau, Sungai Rungau, Perdana and Semilar mills. In addition to the bio-digester facility at Sei Pelakar mill in Jambi and the tank digesters in Libo and Rama-Rama mills in Riau, we now have a total of seven methane capture facilities. The methane gas is used as an alternative energy source, generating electricity for our factory operations.

We estimate that through methane capture and avoidance of fossil fuels, the facilities at Sei Pelakar, Libo and Rama-rama mills have reduced our GHG emissions by 130,521 tonnes $CO_2$eq in 2016. This is in addition to the 37,000 tonnes $CO_2$eq in 2015 reduced through the Sei Pelakar facility.

## CERTIFICATION AND INDUSTRY STANDARDS

Industry certification is a key part of GAR's on-going commitment to adopt best practices and standards in responsible palm oil production.

### Roundtable on Sustainable Palm Oil (RSPO) Certification

To date, 262,453 hectares of plantations including 51,149 hectares of smallholder estates, 29 mills, five kernel crushing plants, four refineries, six bulking stations and one oleochemical plant have received RSPO certification. We have extended the time frame for completion of RSPO certification for the remaining operations established before 30 June 2010. Including these and operations established after 30 June 2010, we aim to certify a total of 223,153 hectares of plantations which encompasses 50,070 hectares of plasma estates and 16 mills by 2020. This extension reflects our conservative estimate for the time needed to acquire the Cultivation Rights title or HGU and the liability data as required recently by RSPO.

GAR continues to be an active member of RSPO and is part of the Dispute Settlement Facility Advisory Group, the Biodiversity and HCV Working Group and Innovation Lab.

### Indonesian Sustainable Palm Oil (ISPO)

GAR is supportive of the ISPO Scheme developed by the Indonesian Ministry of Agriculture to improve the competitiveness of Indonesian palm oil in world markets and to meet Indonesia's commitment to reduce greenhouse gases and focus on environmental issues.

To date, 186,307 hectares of plantations and 30 mills have received ISPO certification. In December 2016, we were recognised by the Indonesian government for having obtained the highest number of ISPO certificates in the industry.

### International Sustainability and Carbon Certification (ISCC)

To date, 291,351 hectares of plantations including smallholder plantations of 57,755 hectares, 29 mills, two kernel crushing plants, five refineries and 14 bulking stations have received ISCC certification.

The objectives of the ISCC are the establishment of an internationally oriented, practical and transparent system for the certification of biomass and bioenergy. ISCC is oriented towards the reduction of greenhouse gas emissions, the sustainable use of land, the protection of natural biospheres and social sustainability.

## MONITORING ENVIRONMENTAL IMPACT

We manage and regularly monitor every aspect of our operations in order to minimise adverse impact on the natural environment. The monitoring is in accordance with the Environment Management Plan (*Rencana Pengelolaan Lingkungan*) and the Environment Monitoring Plan (*Rencana Pemantauan Lingkungan*), as set out in the Environmental Impact Assessment (*Analisa Mengenai Dampak Lingkungan*) documents submitted to the Government of Indonesia.

Assessment of the environmental parameters is conducted by SMARTRI, our ISO 9001:2008 and ISO 17025 accredited internal laboratory, as well as external laboratories referred by the Indonesian authorities.

Our regular internal monitoring and assessments are guided by the ISO 14001:2004 Environment Management Systems and ISO 9001:2008 Quality Management Systems.

## EMPOWERING THE COMMUNITY

The palm oil industry has a profound impact on the communities who live and work on our concessions. As

one of the largest palm oil companies in Indonesia, we have created thousands of jobs in rural areas, helping to tackle poverty by lifting incomes and standards of living. We believe our business continues to have the potential to further empower local communities in their pursuit of better lives for themselves and their children.

We collaborate with a wide range of stakeholders to carry out our comprehensive community programmes, which range from providing educational and healthcare facilities to improving energy self-sufficiency and disaster relief.

Aside from government agencies and local communities, we work with the Eka Tjipta Foundation (a non-profit social organisation founded by the family of Eka Tjipta Widjaja in 2006) and the Tzu Chi Foundation in Indonesia (affiliated with the non-denominational global Tzu Chi organisation established in Taiwan) on some of these programmes.

### Ensuring Access to Education

Educational initiatives are a key element of our community programmes as we believe that this is a powerful enabler, helping to break the cycle of poverty in rural areas. We have always strived to provide children living in our concessions with access to quality education.

In line with the nine years of compulsory education required by the Indonesian government, we ensure that each estate has educational facilities ranging from kindergarten to sixth grade. Additionally, we make sure that every region has a junior high school for the children of our employees and local communities.

# REALISING SUSTAINABILITY POLICY IN PRACTICE

All children of our workers living on our estates receive free education from kindergarten to junior high school and heavily subsidised higher education. We also offer heavily subsidised education at all levels for children living near and around our estates. We provide free school bus services so that children are able to get to school daily.

In 2016, GAR supported 217 schools ranging from kindergarten to senior high. These schools employ over 1,600 teachers who educate more than 28,200 students.

We also donated books, teaching and learning materials and facilities to over 6,100 students in Central Kalimantan, East Kalimantan, Jambi and West Kalimantan during the year.

### Scholarship Programmes

In 2016, GAR contributed more than US$1.8 million towards several scholarship programmes. In Indonesia, these programmes included Tjipta Pemuda Bangun Palma, SMART Engineer, SMART Diploma, SMART Planters and other programmes in collaboration with the Bandung Institute of Technology and Science (ITSB) as well as the Eka Tjipta Foundation. We also made contributions to the Singapore University of Technology and Design, the Peking University Education Foundation (USA) and TsingHua Education Foundation.

### Community Programmes

GAR collaborates with the Tzu Chi Foundation on many community programmes especially those which assists the needy. Our initiatives in 2016 included:

- Free medical and dental services for over 4,900 patients in Central Kalimantan, East Kalimantan, Lampung, Riau, South Kalimantan, South Sumatra, West Kalimantan;
- Mobilisation of over 310 medical personnel in 150 plantation clinics to provide free treatment for more than 700 patients daily;
- Surgery for over 440 patients with conditions such as harelip, hernia and cataracts, etc;
- Health education, environmental, and other awareness programmes for over 3,500 participants in Bangka, Belitung, Central Kalimantan, East Kalimantan, Jambi, North Sumatra, South Kalimantan and West Kalimantan;
- Providing support for child health and nutrition (including vaccination, multivitamins and supplementary feeding) to about 5,100 beneficiaries in Bangka, Belitung, Central Kalimantan, East Kalimantan, Jambi, Lampung, South Kalimantan, West Kalimantan and West Java;

- Providing aid for more than 1,200 victims of forest fire and flood in East Kalimantan, Jambi, Near Jakarta, Riau, South Kalimantan and South Sumatra. We distributed over 9,000 aid packages which contain basic necessities such as: cooking oil, instant noodles, rice, eggs as well as clothes;

- Planting over 9,100 beneficial plants including mangrove plants, medicinal plants and fruit trees in Central Kalimantan, East Kalimantan, Lampung, North Sumatra, Riau, South Kalimantan and West Kalimantan;

- The sale of about 348,000 litres of our branded cooking oil at below market prices in impoverished areas of Bali, Central Java, East Java, Jakarta, Lampung, North Sumatra, Riau, South Kalimantan, South Sumatra and West Java.

### Promoting Small and Micro Enterprises

Our operations and plantations play an important role as an economic driver and have led to the development of various businesses in the remote areas of Indonesia.

We actively help promote small and micro enterprises that contribute to increased income for the community. One such programme is the development of a community soy milk processing business in Riau.

We are also helping to boost the income of the local community through a goat breeding programme launched in eight villages in Riau, where GAR supports the construction of cages and water pump as well as donating goats for breeding.

### Providing Infrastructure and Facilities

GAR seeks to meet the needs of our employees and the people living near our operations by: building and maintaining public infrastructure including roads, bridges, community hall (for cultural activities) and places of worship such as mosques and churches; providing the facilities and know-how to run cooperatives that ensure basic necessities are available at affordable prices; construction and rehabilitation of well-built accommodation and health, education and sporting facilities; and providing financial help for communities to celebrate festive and religious events.

In 2016, we began the construction and renovation of religious facilities, market and meeting hall in North Sumatra, South Kalimantan and West Java.

## ENGAGING OUR EMPLOYEES IN THE COMMUNITY

We provide employment for about 170,700 people in Indonesia, of whom 46,300 are permanent employees; 68,600 are plasma smallholders; and 55,800 are temporary employees.

In addition to developing our people (see page 44 – "Managing Talent towards a World Class Organisation"), we involve and mobilise our staff for various causes. For example, we urge employees and tenants at our corporate headquarters in Jakarta and our operations units in Central Kalimantan, East Kalimantan, Lampung, Riau, South Kalimantan and West Kalimantan to participate in regular blood donation drives for the Indonesian Red Cross. More than 2,300 blood donors comprising employees and members of local community participated in 2016.

We also encourage our employees to contribute funds regularly to the Tzu Chi Foundation. A dedicated team oversees the distribution and responsible use of these donations.

# CORPORATE DIRECTORY

## BOARD OF DIRECTORS
Franky Oesman Widjaja (Chairman)
Muktar Widjaja
Frankle (Djafar) Widjaja
Rafael Buhay Concepcion, Jr.
Hong Pian Tee
Lew Syn Pau
Kaneyalall Hawabhay
Jacques Desire Laval Elliah

## AUDIT COMMITTEE
Hong Pian Tee (Chairman)
Lew Syn Pau
Kaneyalall Hawabhay

## NOMINATING COMMITTEE
Hong Pian Tee (Chairman)
Lew Syn Pau
Franky Oesman Widjaja

## REMUNERATION COMMITTEE
Lew Syn Pau (Chairman)
Hong Pian Tee
Franky Oesman Widjaja

## SECRETARY
**CIM CORPORATE SERVICES LTD**

## REGISTERED OFFICE
**c/o CIM CORPORATE SERVICES LTD**
Les Cascades Building
Edith Cavell Street
Port Louis
Republic of Mauritius
Tel: (230) 405 2000
Fax: (230) 212 5265

## CORRESPONDENCE ADDRESS
108 Pasir Panjang Road
#06-00 Golden Agri Plaza
Singapore 118535
Tel: (65) 6590 0800
Fax: (65) 6590 0887

## SHARE REGISTRAR AND TRANSFER OFFICE
**B.A.C.S. Private Limited**
8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: (65) 6593 4848
Fax: (65) 6593 4847

## AUDITORS
**Moore Stephens LLP**
Chartered Accountants of Singapore
10 Anson Road #29-15
International Plaza
Singapore 079903
Tel: (65) 6221 3771
Fax: (65) 6221 3815
Partner-in-charge:
Christopher Bruce Johnson
(Appointed during the financial year ended 31 December 2016)

**Moore Stephens**
Chartered Accountants
6th Floor, Newton Tower
Sir William Newton Street
Port Louis
Republic of Mauritius
Tel: (230) 211 6535
Fax: (230) 211 6964
Partner-in-charge: Ashvin Mawven, ACA
(Appointed during the financial year ended 31 December 2014)

## DATE AND COUNTRY OF INCORPORATION
15 October 1996
Republic of Mauritius

## SHARE LISTING
The Company's shares are listed on the Singapore Exchange Securities Trading Limited

## DATE OF LISTING
9 July 1999


# FINANCIAL REPORTS

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# CONSOLIDATED FINANCIAL STATEMENTS

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# GOLDEN AGRI-RESOURCES LTD
(Incorporated in Mauritius)
# AND ITS SUBSIDIARIES

## REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS 31 DECEMBER 2016

## CONTENTS

The directors are pleased to present their report to the members together with the audited financial statements of Golden Agri-Resources Ltd ("GAR" or the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2016.

## 1 Directors

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

Franky Oesman Widjaja
Muktar Widjaja
Frankle (Djafar) Widjaja
Rafael Buhay Concepcion, Jr.
Hong Pian Tee
Lew Syn Pau
Kaneyalall Hawabhay
Jacques Desire Laval Elliah

## 2 Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

Except as disclosed in the financial statements, neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## 3 Directors' Interests in Shares and Debentures

The directors of the Company holding office at 31 December 2016 had no interests in the shares, share awards, convertible securities or debentures of the Company and related corporations as recorded in the Register of Directors' Interests as at 31 December 2016 and 21 January 2017 except as follows:

| Name of directors in which interests are held | Shareholdings registered in the name of directors or their spouse or their nominees: At the beginning of the year | Shareholdings registered in the name of directors or their spouse or their nominees: At the end of the year | Shareholdings in which directors are deemed to have an interest: At the beginning of the year | Shareholdings in which directors are deemed to have an interest: At the end of the year |
|---|---|---|---|---|
| **The Company** | Shares of US$0.025 each | | | |
| Hong Pian Tee | 400,000 | 400,000 | - | - |
| Lew Syn Pau | 1,000,000 | 1,000,000 | - | - |

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

4 **Directors' Receipt and Entitlement to Contractual Benefits**

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except that certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations and except as disclosed in the notes to the consolidated financial statements.

There were certain transactions (shown in the consolidated financial statements) with corporations in which certain directors have an interest.

5 **Share Plan**

The GAR Group Restricted Share Plan ("RSP") was approved and adopted by shareholders at the Special Meeting of the Company held on 24 October 2008. Please refer to page 34 of the Corporate Governance Report in the Annual Report for details of the RSP.

6 **Interested Person Transactions Disclosure**

The aggregate value of all interested person transactions during the financial year ended 31 December 2016 is as follows:

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate*) | Aggregate value of all interested person transactions conducted under shareholders' mandate* (excluding transactions less than S$100,000) |
|---|---|---|
| | US$ | US$ |
| Asia Pulp & Paper Company Ltd | - | 241,511 |
| Muktar Widjaja | 600,000 | - |
| PT Asuransi Sinar Mas | - | 6,004,792 |
| PT Bank Sinarmas Tbk | - | 7,424,866 [a] |
| PT Cakrawala Mega Indah | - | 9,895,480 |
| PT Rolimex Kimia Nusamas | 9,500,000 | 73,967,881 |
| PT Roundhill Capital Indonesia | - | 3,142,124 |
| PT Royal Oriental | - | 12,835,288 |
| PT Sinar Jati Mitra | - | 5,475,035 |
| Sinarmas Land Limited | - | 360,126 |
| Total | 10,100,000 | 119,347,103 |

Notes:

* Renewed at Annual Meeting on 21 April 2016 pursuant to Rule 920 of the SGX-ST's Listing Manual.

a Principal amount as at 31 December 2016 is approximately US$2.3 million.

**7 Audit Committee**

At the date of this report, the Audit Committee ("AC") comprises the following 3 directors, all of whom, including the AC Chairman, are non-executive independent Directors:

Hong Pian Tee (AC Chairman)
Lew Syn Pau
Kaneyalall Hawabhay

The AC has the explicit authority to investigate any matter within its terms of reference.

In addition to its statutory functions, the AC considers and reviews any other matters as may be agreed to by the AC and the Board. In particular, the duties of the AC include:

(a) Reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance.

(b) Reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls.

(c) Reviewing the effectiveness of the Group's internal audit function.

(d) Reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors.

(e) Making recommendations to the Board on the proposals to the shareholders on appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.

The AC reviews with Management, and where relevant, the auditors, the results announcements, annual report and financial statements, interested person transactions and corporate governance, before submission to the Board for approval and adoption.

In performing its functions, the AC meets with the internal and external auditors, and reviews the audit plans and overall scope of both internal and external audits, and the co-operation and assistance given by Management to the respective auditors. Where necessary, the AC also meets separately with the internal and external auditors whereby any issues may be raised directly to the AC, without the presence of Management.

The AC has recommended to the Board that Moore Stephens LLP, Public Accountants and Chartered Accountants, be nominated for re-appointment at the forthcoming annual meeting.

**8 Independent Auditors**

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

FRANKY OESMAN WIDJAJA
Director

RAFAEL BUHAY CONCEPCION, JR.
Director

Date: 16 March 2017

# STATEMENT BY THE DIRECTORS

31 DECEMBER 2016

In the opinion of the directors, the consolidated financial statements set out on pages 72 to 153 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2016 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

FRANKY OESMAN WIDJAJA
Director

RAFAEL BUHAY CONCEPCION, JR.
Director

Date: 16 March 2017

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GOLDEN AGRI-RESOURCES LTD
(INCORPORATED IN MAURITIUS)

**Report on the Audit of the Consolidated Financial Statements**

**Opinion**

We have audited the consolidated financial statements of Golden Agri-Resources Ltd (the "Company") and its subsidiaries (the "Group") as set out on pages 72 to 153, which comprise the consolidated statement of financial position of the Group as at 31 December 2016, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Adoption of Amendments to IAS 16 and IAS 41 and valuation of biological assets**

We refer to Note 3(i), Note 3(k), Note 4(a)(i), Note 24 and Note 25 to the consolidated financial statements.

The carrying amount of the Group's bearer plants and biological assets amounted to US$1.10 billion and US$85.17 million as at 31 December 2016.

The Group adopted the amendments to IAS 16 and IAS 41 and the change has been applied retrospectively. The accounting impact saw a decrease in biological assets of US$7.79 billion, an increase in bearer plants of US$1.23 billion, a decrease in deferred tax liabilities of US$1.56 billion and a net decrease in total equity of US$5 billion to the consolidated financial position as at 31 December 2015. The adoption of the amended standards have a significant impact to the Group's results.

Under the amended standards, management has chosen to record the bearer plants using the cost model for subsequent measurement. Depreciation is computed based on estimated useful lives of bearer plants determined by management. Biological assets are measured at fair value less estimated point-of-sale costs at the point of harvest. The calculations require the use of estimates and assumptions which involve judgements.

*(cont'd)*

**Our response:**

We have reviewed the Group's accounting policy for the adoption of amendments to IAS 16 and IAS 41, with bearer plants stated at cost, less accumulated depreciation and any impairment losses. We have considered whether impairment indicators (both internal and external indicators) existed and reviewed the useful lives of bearer plants estimated by management. We have reviewed the fair value measurement performed by management to determine the biological assets at the reporting date.

We have discussed with the component auditors on their work performed. We further conducted a detailed discussion with the Group's key management and considered their views on the basis for the Group's accounting for bearer plants under the historical cost method, the key estimates and assumptions used in determining the useful lives of to compute the depreciation of the bearer plants and to measure the fair values of the biological assets.

Based on our understanding of the Group's business and the economic environment in which it operates, we have obtained the data and reviewed the key estimates and assumptions used to determine the carrying amount of the bearer plants and to measure the fair value of the biological assets. The key estimates and assumptions are reasonable when compared to industry benchmarks.

**Our findings:**

We found the carrying value of the bearer plants and biological assets have been appropriately stated in accordance with the amendments to IAS 16 and IAS 41.

**Valuation of investments in financial assets**

We refer to Note 3(s), Note 4(b)(ii), Note 14 and Note 19 to the consolidated financial statements.

The carrying amount of available-for-sale financial assets amounted to US$706.31 million and financial assets at fair value through profit or loss amounted to US$321.99 million. These accounted for 12% of the Group's total assets as at 31 December 2016.

At the end of the reporting period, the Group reviews the appropriateness of valuations in respect of equity and debt investments that are measured at fair value. The Group also assesses for impairment indicators and conducts impairment analyses of financial assets where appropriate. In making these assessments, the Group evaluated, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. Changes to these factors will result in changes in the carrying amount of investments in financial assets recognised at the reporting period end.

**Our response:**

We have reviewed the Group's investments in equity and debt securities and determined if they are measured at fair value or at cost less any impairment losses. We conducted a detailed discussion with the Group's key management and considered their views to derive the measurement of the investments in financial assets.

We have reviewed the financial information and other external data sources provided by the Group. In determining whether there are any impairment losses to the financial assets, we further challenged management's judgement, which included comparing to historical results.

**Our findings:**

We found valuation and impairment analyses of financial assets conducted by management to be appropriate and reasonable.

*(cont'd)*

**Recoverability of deferred tax assets**

We refer to Note 3(x), Note 4(b)(i), Note 11 and Note 26 to the consolidated financial statements.

The Group's subsidiaries in Indonesia revalued certain bearer plants in connection with the new legislation in Indonesia to allow entities to revalue their assets for tax purposes. During the current financial year, the Group's subsidiaries in Indonesia received approval for the revaluation of certain bearer plants from the Indonesian Tax Authorities. In addition, the Group recognised deferred tax assets on unutilised tax losses and capital allowances. The Group exercised its judgement to determine the amount of deferred tax assets that can be recognised, to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. As at 31 December 2016, the Group has recognised deferred tax assets of US$301.86 million.

**Our response:**

We have discussed with the component auditors to understand the tax regulations in Indonesia and their work performed on the recognition of deferred tax assets, including the deferred tax assets that arose from the revaluation of assets for tax reporting purposes.

We have obtained the details of the revaluation of assets for tax purposes, the related approval from the Indonesian Tax Authorities and reviewed the calculation for the recognition of deferred tax assets.

We further conducted a detailed discussion with the Group's key management and considered their views on the Group's recoverability of deferred tax assets. We have reviewed management's assessment on the recoverability of deferred tax assets to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Our findings:**

We found management assessment of the recoverability of deferred tax assets to be reasonable based on available audit evidence.

**Other Information**

Management is responsible for the other information. The other information comprises the annual report on pages 1 to 43 and 62 to 66, but does not include the financial statements and our auditor's report thereon.

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

**Responsibilities of Management and Directors for the Consolidated Financial Statements**

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

*(cont'd)*

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

*(cont'd)*

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

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

The engagement partner on the audit resulting in this independent auditor's report is Christopher Bruce Johnson.

**Moore Stephens LLP**
Public Accountants and
Chartered Accountants

Singapore
Date: 16 March 2017

# CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|---|
| **Revenue** | 5 | 7,208,849 | 6,510,051 |
| Cost of sales | 6 | (6,194,462) | (5,505,277) |
| **Gross profit** | | 1,014,387 | 1,004,774 |
| **Operating expenses** | | | |
| Selling expenses | 7 | (533,479) | (537,782) |
| General and administrative expenses | 7 | (305,305) | (294,656) |
| | | (838,784) | (832,438) |
| **Operating Profit** | | 175,603 | 172,336 |
| **Other income/(expenses)** | | | |
| Financial income | 8 | 28,906 | 31,754 |
| Financial expenses | 8 | (131,346) | (132,039) |
| Share of results of associated companies, net of tax | | 794 | 968 |
| Share of results of joint ventures, net of tax | | 7,101 | 7,827 |
| Foreign exchange gain/(loss) | | 47,188 | (91,783) |
| Other operating income | 9 | 46,325 | 10,196 |
| | | (1,032) | (173,077) |
| **Exceptional item** | | | |
| Allowance for impairment loss on property, plant and equipment | 23 | (34,296) | - |
| **Profit/(Loss) before income tax** | 10 | 140,275 | (741) |
| Income tax | 11 | 262,544 | 10,746 |
| **Profit for the year** | | 402,819 | 10,005 |
| **Attributable to:** | | | |
| Owners of the Company | | 399,619 | 10,352 |
| Non-controlling interests | | 3,200 | (347) |
| | | 402,819 | 10,005 |
| **Earnings per ordinary share (cents)** | | | |
| Basic and diluted | 12a | 3.14 | 0.08 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|---|
| **Profit for the year** | | 402,819 | 10,005 |
| | | | |
| **Other comprehensive (loss)/income:** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Actuarial (loss)/gain on post-employment benefits | 37 | (2,440) | 10,236 |
| Share of other comprehensive income of a joint venture | | 12 | 4 |
| | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Foreign currency translation differences on consolidation | | (11,108) | (13,563) |
| Share of other comprehensive income/(loss) of a joint venture | | 434 | (2,212) |
| Changes in fair value of cash flow hedges | | 1,740 | (740) |
| Changes in fair value of available-for-sale financial assets | 38 | 2,527 | 2,292 |
| | | | |
| **Other comprehensive loss, net of income tax** | | (8,835) | (3,983) |
| | | | |
| **Total comprehensive income for the year** | | 393,984 | 6,022 |
| | | | |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Owners of the Company | | 391,358 | 6,919 |
| Non-controlling interests | | 2,626 | (897) |
| | | 393,984 | 6,022 |

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

| | Note | 2016 | (Restated) 2015 | (Restated) 1.1.2015 |
|---|---|---|---|---|
| | | US$'000 | US$'000 | US$'000 |
| **Assets** | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 13 | 153,007 | 243,616 | 329,560 |
| Short-term investments | 14 | 201,972 | 258,882 | 261,166 |
| Trade receivables | 15 | 561,411 | 462,152 | 525,816 |
| Other current assets | 16 | 892,529 | 959,867 | 889,758 |
| Inventories | 17 | 967,138 | 740,918 | 850,723 |
| | | 2,776,057 | 2,665,435 | 2,857,023 |
| Non-Current Assets | | | | |
| Long-term receivables and assets | 18 | 253,008 | 202,870 | 360,593 |
| Long-term investments | 19 | 847,370 | 815,252 | 804,318 |
| Investment in associated companies | 20 | 10,158 | 9,556 | 8,431 |
| Investment in joint ventures | 21 | 62,112 | 55,771 | 56,167 |
| Investment properties | 22 | 986 | 1,113 | 1,227 |
| Property, plant and equipment | 23 | 2,788,483 | 2,842,292 | 2,551,664 |
| Bearer plants | 25 | 1,101,374 | 1,227,784 | 1,227,975 |
| Deferred tax assets | 26 | 301,860 | 56,523 | 27,036 |
| Intangible assets | 27 | 165,007 | 159,114 | 160,706 |
| | | 5,530,358 | 5,370,275 | 5,198,117 |
| **Total Assets** | | **8,306,415** | **8,035,710** | **8,055,140** |

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

| | Note | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 | (Restated)<br>1.1.2015<br>US$'000 |
|---|---|---|---|---|
| **Liabilities and Equity** | | | | |
| Current Liabilities | | | | |
| Short-term borrowings | 28 | 1,112,377 | 1,366,102 | 1,251,081 |
| Bonds and notes payable | 32 | 661,379 | 80,645 | 389,882 |
| Trade payables | 29 | 575,940 | 612,040 | 543,197 |
| Other payables | 30 | 348,945 | 254,275 | 286,720 |
| Taxes payable | 11 | 16,375 | 15,422 | 29,554 |
| Obligations under finance lease | 31 | 84 | 114 | 132 |
| | | 2,715,100 | 2,328,598 | 2,500,566 |
| Non-Current Liabilities | | | | |
| Obligations under finance lease | 31 | - | 99 | 269 |
| Bonds and notes payable | 32 | 420,158 | 1,085,963 | 1,040,087 |
| Long-term borrowings | 33 | 872,373 | 512,462 | 387,250 |
| Deferred tax liabilities | 26 | 117,627 | 238,449 | 257,462 |
| Long-term payables and liabilities | 34 | 85,206 | 120,741 | 76,691 |
| | | 1,495,364 | 1,957,714 | 1,761,759 |
| Total Liabilities | | 4,210,464 | 4,286,312 | 4,262,325 |
| Equity Attributable to Owners of the Company | | | | |
| Issued capital | 35 | 320,939 | 320,939 | 320,939 |
| Share premium | | 1,216,095 | 1,216,095 | 1,216,095 |
| Treasury shares | 35 | (31,726) | (31,726) | - |
| Other paid-in capital | | 184,318 | 184,318 | 184,318 |
| Other reserves | | | | |
| Option reserve | | 31,471 | 31,471 | 31,469 |
| Currency translation reserve | | (12,909) | (2,795) | 12,293 |
| Fair value reserve | | 4,819 | 2,292 | - |
| PRC statutory reserve | | 3,820 | 3,820 | 3,820 |
| Hedging reserve | | 368 | (1,372) | (632) |
| Other reserve | | 27,656 | 30,070 | 19,969 |
| | | 55,225 | 63,486 | 66,919 |
| Retained earnings | | 2,308,899 | 1,956,742 | 1,963,323 |
| | | 4,053,750 | 3,709,854 | 3,751,594 |
| Non-Controlling Interests | | 42,201 | 39,544 | 41,221 |
| Total Equity | | 4,095,951 | 3,749,398 | 3,792,815 |
| **Total Liabilities and Equity** | | **8,306,415** | **8,035,710** | **8,055,140** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Attributable to Owners of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Issued Capital | Share Premium | Treasury Shares | Other Paid-in Capital | Other Reserves | Retained Earnings | Total | Non-Controlling Interests | Total Equity |
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Balance at 1.1.2016 as previously reported | 320,939 | 1,216,095 | (31,726) | 184,318 | 41,708 | 6,928,359 | 8,659,693 | 88,473 | 8,748,166 |
| Effect of adoption of amended IAS 16 and 41 | - | - | - | - | 21,778 | (4,971,617) | (4,949,839) | (48,929) | (4,998,768) |
| Balance at 1.1.2016 as restated | 320,939 | 1,216,095 | (31,726) | 184,318 | 63,486 | 1,956,742 | 3,709,854 | 39,544 | 3,749,398 |
| Profit for the year | - | - | - | - | - | 399,619 | 399,619 | 3,200 | 402,819 |
| Other comprehensive loss | - | - | - | - | (8,261) | - | (8,261) | (574) | (8,835) |
| Total comprehensive income for the year | - | - | - | - | (8,261) | 399,619 | 391,358 | 2,626 | 393,984 |
| Dividends paid (Note 36) | - | - | - | - | - | (47,462) | (47,462) | - | (47,462) |
| Non-controlling interests for incorporation of subsidiaries (Note 44e) | - | - | - | - | - | - | - | 31 | 31 |
| Balance at 31.12.2016 | 320,939 | 1,216,095 | (31,726) | 184,318 | 55,225 | 2,308,899 | 4,053,750 | 42,201 | 4,095,951 |
| Balance at 1.1.2015 as previously reported | 320,939 | 1,216,095 | - | 184,318 | 45,141 | 6,962,010 | 8,728,503 | 89,818 | 8,818,321 |
| Effect of adoption of amended IAS 16 and 41 | - | - | - | - | 21,778 | (4,998,687) | (4,976,909) | (48,597) | (5,025,506) |
| Balance at 1.1.2015 as restated | 320,939 | 1,216,095 | - | 184,318 | 66,919 | 1,963,323 | 3,751,594 | 41,221 | 3,792,815 |
| Profit for the year, as restated | - | - | - | - | - | 10,352 | 10,352 | (347) | 10,005 |
| Other comprehensive loss | - | - | - | - | (3,433) | - | (3,433) | (550) | (3,983) |
| Total comprehensive income for the year | - | - | - | - | (3,433) | 10,352 | 6,919 | (897) | 6,022 |
| Shares buy back and held as treasury shares (Note 35) | - | - | (31,726) | - | - | - | (31,726) | - | (31,726) |
| Dividends paid (Note 36) | - | - | - | - | - | (16,933) | (16,933) | - | (16,933) |
| Dividends paid to non-controlling shareholders | - | - | - | - | - | - | - | (780) | (780) |
| Balance at 31.12.2015 as restated | 320,939 | 1,216,095 | (31,726) | 184,318 | 63,486 | 1,956,742 | 3,709,854 | 39,544 | 3,749,398 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Profit/(Loss) before income tax** | | 140,275 | (741) |
| | | | |
| Adjustments for: | | | |
| Depreciation of investment properties | 22 | 57 | 60 |
| Depreciation of property, plant and equipment | 23 | 187,460 | 174,315 |
| Depreciation of bearer plants | 25 | 159,447 | 134,801 |
| Amortisation of intangible assets | | 2,211 | 1,572 |
| Net (gain)/loss from changes in fair value of biological assets | 24 | (33,791) | 11,274 |
| Unrealised net foreign exchange (gain)/loss | | (7,439) | 17,559 |
| Share of results of associated companies, net of tax | | (794) | (968) |
| Share of results of joint ventures, net of tax | | (7,101) | (7,827) |
| (Gain)/Loss on disposal of property, plant and equipment | 9 | (1,467) | 888 |
| Property, plant and equipment written off | 9 | 980 | 1,026 |
| Bearer plants written off | 9 | 355 | - |
| Allowance for/(Write-back of) impairment loss on: | | | |
| Trade receivables | 15 | - | 4,086 |
| Other receivables | 9 | (63) | 32 |
| Inventories, net | | 141 | (779) |
| Property, plant and equipment | 23 | 34,296 | - |
| Gain on disposal/deconsolidation of subsidiaries, net | 39b | (655) | - |
| Changes in fair value of financial assets at fair value through profit or loss | 9 | 4,745 | (721) |
| Goodwill written off | 9 | - | 419 |
| Trade receivables written off | 9 | - | 224 |
| Interest income | 8 | (28,906) | (31,754) |
| Interest expense | 8 | 128,893 | 128,600 |
| Operating cash flows before working capital changes | | 578,644 | 432,066 |
| | | | |
| Changes in operating assets and liabilities: | | | |
| Trade receivables | | (97,778) | 65,740 |
| Other receivables | | (52,749) | 39,302 |
| Inventories | | (225,739) | 110,626 |
| Trade payables | | (36,764) | 64,592 |
| Other payables | | 44,456 | 54,959 |
| Cash generated from operations | | 210,070 | 767,285 |
| | | | |
| Interest paid | | (122,032) | (117,434) |
| Interest received | | 23,410 | 24,201 |
| Tax paid | | (9,385) | (208,685) |
| **Net cash generated from operating activities** | | 102,063 | 465,367 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

(cont'd)

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Proceeds from disposal of property, plant and equipment | | 17,795 | 3,875 |
| Proceeds from disposal of bearer plants | | 603 | 2,477 |
| Capital expenditure on property, plant and equipment | 23 | (201,749) | (415,445) |
| Capital expenditure on bearer plants | 25 | (13,176) | (33,967) |
| Proceeds from/(Investment in) financial assets, net | | 23,768 | (5,637) |
| Investment in joint ventures | | (2,000) | (1,500) |
| (Investment in)/Proceeds from Plasma/KKPA program plantations, net | | (1,185) | 2,363 |
| Acquisition of subsidiaries, net of cash acquired | 39a | (10,473) | (52,940) |
| Cash inflow from non-controlling interest for incorporation of subsidiaries | 44e | 31 | - |
| Net cash outflow from disposal/deconsolidation of subsidiaries | 39b | (216) | - |
| Dividend received from a joint venture | | 2,750 | 5,500 |
| Payments for intangible assets | | (8,049) | (92) |
| Net decrease in long-term receivables and assets | | 22,840 | 37,808 |
| **Net cash used in investing activities** | | (169,061) | (457,558) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from short-term borrowings | | 2,451,198 | 3,111,045 |
| Proceeds from long-term borrowings | | 607,691 | 300,000 |
| Proceeds from notes issue | | - | 148,698 |
| Payments of dividends | | (47,462) | (57,363) |
| Payments of short-term borrowings | | (2,675,104) | (3,006,659) |
| Payments of long-term borrowings | | (269,863) | (153,221) |
| Payments of obligations under finance lease | | (129) | (188) |
| Payments of shares buy back | 35 | - | (31,726) |
| Payments for redemption and repurchase of bonds and notes | | (81,378) | (399,623) |
| Payments of deferred loan charges and bank loan administration costs | 33 | (8,564) | (4,716) |
| Increase in cash in banks and time deposits pledged | | (13,589) | (9,814) |
| **Net cash used in financing activities** | | (37,200) | (103,567) |
| | | | |
| **Net decrease in cash and cash equivalents** | | (104,198) | (95,758) |
| **Cash and cash equivalents at the beginning of the year** | | 226,888 | 322,646 |
| **Cash and cash equivalents at the end of the year** | 13 | 122,690 | 226,888 |

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

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

## 1 General

Golden Agri-Resources Ltd (the "Company" or "GAR") is a limited company incorporated in Mauritius. The registered office is c/o CIM Corporate Services Ltd, Les Cascades Building, Edith Cavell Street, Port Louis, Republic of Mauritius.

The Company is principally engaged as an investment holding company. The principal activities of the subsidiaries, associated companies and joint ventures are described in Note 44 to the consolidated financial statements. The Controlling Shareholders of the Company comprise certain members of the Widjaja Family.

The consolidated financial statements as at and for the year ended 31 December 2016 were authorised for issue by the Board of Directors on 16 March 2017.

## 2 New and Revised International Financial Reporting Standards ("IFRSs")

(a) Adoption of New and Revised IFRSs

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised IFRSs issued that are relevant to its operations and effective for annual periods beginning on 1 January 2016. Except for the adoption of amendments to IAS 16 and IAS 41, *Agriculture: Bearer Plants*, of which the effect is discussed below, the adoption of the new and revised IFRSs has had no material financial impact on the financial statements of the Group.

Accounting for biological assets

The amendments to IAS 16 and IAS 41, *Agriculture: Bearer Plants* require biological assets that meet the definition of a bearer plant to be accounted for in accordance with IAS 16 measured at using either the cost model or revaluation model for subsequent measurement, while the agricultural produce growing on bearer plants will remain within the scope of IAS 41 to be measured at fair value less costs to sell. Bearer plants are defined as living plants that are used in the production or supply of agricultural produce and of which there is only a remote likelihood that the plant will also be sold as agricultural produce.

Prior to the adoption of these amendments, the Group's biological assets which include both the oil palm trees and fresh fruit bunches are measured at fair value less estimated point-of-sale costs. Upon the adoption of these amendments, biological assets that meet the definition of bearer plants (oil palm trees) are measured at historical costs less accumulated depreciation and agricultural produce (fresh fruit bunches) are measured at fair value less cost to sell. The change in accounting policy has been applied retrospectively and the effects of the change are as follows:

**2 New and Revised International Financial Reporting Standards ("IFRSs")** (cont'd)

(a) Adoption of New and Revised IFRSs (cont'd)

| | As previously reported 2015 US$'000 | Effect of adoption of amended IAS 16 and IAS 41 US$'000 | Restated for 2015 US$'000 |
|---|---|---|---|
| Consolidated income statements | | | |
| Cost of sales | (5,370,476) | (134,801) | (5,505,277) |
| Gross profit | 1,139,575 | (134,801) | 1,004,774 |
| Operating Profit | 109,460 | 62,876 | 172,336 |
| Net loss from changes in fair value of biological assets | (197,677) | 186,403 | (11,274) |
| Loss before income tax | (52,343) | 51,602 | (741) |
| Income tax credit | 35,610 | (24,864) | 10,746 |
| (Loss)/Profit for the year | (16,733) | 26,738 | 10,005 |
| | | | |
| (Loss)/Profit for the year attributable to: | | | |
| Owners of the Company | (16,718) | 27,070 | 10,352 |
| Non-controlling interests | (15) | (332) | (347) |

| | As previously reported 31.12.2015 US$'000 | Effect of adoption of amended IAS 16 and IAS 41 US$'000 | Restated for 31.12.2015 US$'000 |
|---|---|---|---|
| Consolidated statements of financial position | | | |
| Biological assets | 7,839,038 | (7,787,663) | 51,375 |
| Bearer plants | - | 1,227,784 | 1,227,784 |
| Deferred tax liabilities | 1,799,560 | (1,561,111) | 238,449 |
| Equity attributable to owners of the Company | 8,659,693 | (4,949,839) | 3,709,854 |
| Non-controlling interests | 88,473 | (48,929) | 39,544 |

| | As previously reported 1.1.2015 US$'000 | Effect of adoption of amended IAS 16 and IAS 41 US$'000 | Restated for 1.1.2015 US$'000 |
|---|---|---|---|
| Consolidated statements of financial position | | | |
| Biological assets | 7,902,105 | (7,839,456) | 62,649 |
| Bearer plants | - | 1,227,975 | 1,227,975 |
| Deferred tax liabilities | 1,843,437 | (1,585,975) | 257,462 |
| Equity attributable to owners of the Company | 8,728,503 | (4,976,909) | 3,751,594 |
| Non-controlling interests | 89,818 | (48,597) | 41,221 |

**2 New and Revised International Financial Reporting Standards ("IFRSs")** (cont'd)

(b) New and Revised IFRSs issued but not yet effective

As at the date of these financial statements, the Group has not adopted the following standards that have been issued but are not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| IFRS 9, *Financial Instruments* | 1 January 2018 |
| IFRS 15, *Revenue from Contracts with Customers* | 1 January 2018 |
| IFRS 16, *Leases* | 1 January 2019 |
| Amendments to IAS 7, *Statement of Cash Flows* | 1 January 2017 |
| Amendments to IAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| Improvements to IFRSs (2016) | |
| • IFRS 12, *Disclosure of Interests in Other Entities* | 1 January 2017 |
| • IAS 28, *Investments in Associates and Joint Ventures* | 1 January 2018 |

Except as disclosed below, the directors of the Company expect the adoption of the other standards above will have no material financial impact on the consolidated financial statements in the period of initial application.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue standards, IAS 8, *Revenue* and the relevant interpretations on revenue recognition, IFRIC 18 *Transfers of Assets from Customers*, and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*.

IFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer, i.e. when performance obligations are satisfied. Key issues include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress towards satisfaction of a performance obligation, recognising contract cost assets and addressing disclosures requirements.

The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 9, *Financial Instruments*

IFRS 9 was introduced to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. IFRS 9 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies.

## 2 New and Revised International Financial Reporting Standards ("IFRSs") (cont'd)

(b) New and Revised IFRSs issued but not yet effective (cont'd)

IFRS 9, *Financial Instruments* (cont'd)

The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

IFRS 16, *Leases*

IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

## 3 Summary of Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements are prepared on the historical cost basis, except as disclosed in the accounting policies below. The consolidated financial statements are drawn up in accordance with IFRSs.

The preparation of financial statements requires the use of estimates and judgements that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses as well as the disclosures of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may actually differ from these estimates. Critical accounting estimates and assumptions used that are significant to the consolidated financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 4 to the consolidated financial statements.

(b) Functional and Presentation Currency

The functional currency of the Company, its Indonesian subsidiaries and a number of its other subsidiaries is the United States dollar. Because of the international nature of the crude palm oil and soybean products that the Group is principally engaged in and the fact that the transactions are usually denominated in or derived from United States dollar, the directors are of the opinion that the United States dollar reflects the primary economic environment in which the entities operate.

The consolidated financial statements are presented in United States dollar, which is the Company's functional currency and presentation currency. All financial information presented in United States dollars have been rounded to the nearest thousand, unless otherwise stated.

3 **Summary of Significant Accounting Policies** (cont'd)

(c) Foreign Currencies

Foreign currency transactions are translated into the respective functional currencies of the companies in the Group at the exchange rates prevailing at the time the transactions are entered into. Currency translation differences arising from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange rates prevailing at the end of the reporting period are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates prevailing at the date of transactions. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rate at the date that the fair value was determined.

Currency translation differences on financial assets at fair value through profit or loss are recognised as part of the fair value gain or loss in the income statement while the translation differences on available-for-sale financial assets are recognised in other comprehensive income.

In the preparation of the consolidated financial statements, the financial statements of those subsidiaries whose functional currency is not the United States dollar (i.e. "foreign entities") have been translated to United States dollar, the presentation currency of the Company, as follows:

- assets and liabilities are translated at the exchange rates approximating those prevailing at the end of the reporting period;
- share capital and reserves are translated at historical exchange rate; and
- income and expenses are translated at the average exchange rates for the period (unless the average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions).

Exchange differences arising from the above translations are recognised in other comprehensive income and these are accumulated in currency translation reserve within equity. Such cumulative translation differences are reclassified from equity to the income statement in the period in which the foreign entity is disposed of.

On consolidation, exchange differences arising from the translation of the net investments in foreign entities (including monetary items that in substance form part of the net investments in foreign entities) are recognised in other comprehensive income.

(d) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (the "Group") made up to 31 December.

Subsidiaries are entities over which any of the Group companies have control. The Group companies control an entity if and only if they have power over the entity and when they are exposed to, or have rights to variable returns from their involvement with the entity, and have the ability to use their power over the entity to affect those returns. The Group will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group companies and are deconsolidated from the date that control ceases.

**3 Summary of Significant Accounting Policies** (cont'd)

(d) Basis of Consolidation (cont'd)

In preparing the consolidated financial statements, material inter-company transactions between Group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

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

Business combinations which involve the transfer of net assets or the exchange of shares between entities under common control are accounted for as a uniting of interests. The financial information included in the consolidated financial statements reflects the combined results of the entities concerned as if the merger had been in effect for all periods presented.

(e) Associated Companies and Joint Ventures

Associated companies are entities in which the Group has significant influence but not control, which generally occurs when the Group holds, directly or indirectly, 20% or more of the voting power of the investee, or is in a position to exercise significant influence on the financial and operating policy decisions.

Joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties and have rights to the net assets of the arrangements.

The Group accounts for its investment in associated companies and joint ventures using the equity method from the date on which it becomes an associated company or joint venture.

On acquisition of the investment, the cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Any excess of the cost of investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is included in the carrying amount of the investments. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment, the Group will reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and any excess thereafter is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

3 **Summary of Significant Accounting Policies** (cont'd)

(e) Associated Companies and Joint Ventures (cont'd)

Under the equity method, the investment in associated companies or joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associated companies or joint ventures. The Group's share of post-acquisition profit or losses are recognised in the income statement and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies or joint ventures are adjusted against the carrying amount of the investments. Unrealised gains on transactions between the Group and its associated companies or joint ventures are eliminated to the extent of the Group's interest in the associated companies or joint ventures. Unrealised losses are also eliminated unless transactions provide evidence of impairment of the assets transferred.

When the Group's share of losses in an associated company or joint venture equals to or exceeds its interest in the associated company or joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the associated company or joint venture.

The financial statements of the associated companies and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(f) Intangible Assets Excluding Goodwill

All incidental costs, incurred in connection with the renewal of land rights, are capitalised and amortised over the term of the related land rights less any impairment loss.

Costs incurred for acquisition of computer software, whose benefits extend over a period of more than one year, are being capitalised and amortised, over the periods benefited using the straight-line method less any impairment loss.

Brands and trademarks are initially stated at acquisition cost and subsequently carried at cost less accumulated amortisation and any impairment loss. The cost is amortised through the income statement over their estimated useful lives of 20 years using the straight-line method.

(g) Goodwill

The excess of the aggregation of consideration transferred, the amount of any non-controlling interest in the acquiree, and fair value at the date of acquisition of any previous equity interest in the acquiree, over the fair value of the net identifiable assets acquired is initially recognised as goodwill in the consolidated financial statements. Subsequently, goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or when circumstances change, indicating that goodwill might be impaired. If the Group's interest in the net fair value of the identifiable assets and liabilities exceeds the consideration transferred and the non-controlling interest in the acquiree, the Group will reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and any excess thereafter is recognised as an income in the income statement immediately.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3 **Summary of Significant Accounting Policies** (cont'd)

(h) Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both.

Investment properties are carried at cost less accumulated depreciation and any impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives, or where shorter, the terms of the relevant leases, of 20 to 45 years.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

The residual values and useful lives of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period.

(i) Bearer Plants

Bearer plants are living plants that are used in the production or supply of agricultural produce, which are expected to bear produce for more than one period. Bearer plants (oil palm trees) include mature plantations (fresh fruit bunches), immature plantations and nursery that are established or acquired by the Group.

Mature plantations are stated at cost, less accumulated depreciation and any impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Depreciation is charged so as to write off the cost of mature plantations, using the straight-line method, over the estimated useful lives of 25 years.

Costs incurred in the preparation of the nursery, purchase of seedlings and their maintenance are stated at cost. The accumulated costs will be transferred to immature plantations account at the time of planting.

Immature plantations are stated at cost. The costs of immature plantations consist mainly of the accumulated cost of planting, fertilising and maintaining the plantation, including borrowing costs on such borrowings and other indirect overhead costs up to the time the trees are harvestable and to the extent appropriate. An oil palm plantation is considered mature when such plantation starts to produce at the beginning of the fourth year.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected from its use or disposed. Any gains or losses on disposal of bearer plants are recognised in the income statement in the year of disposal.

The residual values and useful lives of bearer plants are reviewed, and adjusted as appropriate, at the end of each reporting period.

3 **Summary of Significant Accounting Policies** (cont'd)

(j) Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and any impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount.

Freehold land is not depreciated. Depreciation is calculated using the straight-line method to allocate the depreciable amount over the following estimated useful lives:

| | No. of years |
|---|---|
| Storage tanks, land improvements and bridges | - 5 to 50 |
| Buildings | - 10 to 50 |
| Machinery and equipment | - 4 to 25 |
| Leasehold improvements, furniture and fixtures | - 3 to 10 |
| Transportation equipment | - 5 to 16 |

Land rights are carried at cost less any impairment losses and not subject to amortisation except for those which have finite economic lives are amortised over the terms of the land rights, which range from 46 to 50 years. Amortisation commences upon obtaining regulatory approval from the relevant authorities.

Assets held under finance leases are depreciated over their estimated useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The residual values and estimated useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposed. Any gains or losses on disposal of property, plant and equipment are recognised in the income statement in the year of disposal.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

The cost of maintenance and repairs is charged to the income statement as incurred; significant renewals and improvements are capitalised. When assets are retired or otherwise disposed of, their carrying amounts are derecognised and any resulting gains or losses are recognised in the income statement.

The cost of construction in progress represents all costs (including borrowing costs on such borrowings) attributable to bringing the constructed asset to its working condition and getting it ready for its intended use. The accumulated costs will be reclassified to the appropriate asset class when the construction is completed. No depreciation charge is provided for construction in progress until the assets are transferred and used in operations.

(k) Biological Assets

The fresh fruit bunches ("FFB") that are growing on the bearer plants (oil palm trees) are accounted for as biological assets until the point of harvest. Biological assets are measured at fair value less estimated point-of-sale costs at the point of harvest. The fair values of FFB were determined with reference to their market prices. Any resultant gains or losses arising from changes in fair value are recognised in the income statement.

**3 Summary of Significant Accounting Policies** (cont'd)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method for raw materials and finished goods and by the moving average method for other inventories, such as fuel, chemical and packing supplies and others. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and costs necessary to make the sale.

(m) Impairment of Non-Financial Assets excluding Goodwill

At the end of each reporting period, 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 or whether there is any indication that an impairment loss recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An asset's recoverable amount is calculated as the higher of the asset's value in use and its fair value less costs of disposal.

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. 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 (or cash-generating unit) is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, 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 (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that it does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised. A reversal of an impairment loss is recognised as an income immediately, 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.

(n) Cash and Bank Balances

Cash and cash equivalents comprise cash on hand, cash in banks and time deposits with maturities of three months or less which are highly liquid assets that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Short-term time deposits with maturities of more than three months but less than one year are carried at cost and classified under short-term investments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of cash in banks and time deposits with maturities of less than three months pledged as security.

(o) Trade and Other Payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Interest-bearing payables are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing payables are stated at amortised cost using the effective interest method.

## 3 Summary of Significant Accounting Policies (cont'd)

### (p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that it will result in an outflow of economic benefits that can be reasonably estimated.

### (q) Leases

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

Assets held under finance leases and the related lease obligations are recognised in the statement of financial position at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations is treated as a financial expense which is amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Payments made under operating leases are charged to the income statement in equal annual amounts over the period of the lease.

### (r) Interest-Bearing Borrowings

Interest-bearing borrowings are recorded at the proceeds received, net of direct issue costs. Direct issue costs are amortised over the term of each borrowing. Finance charges are accounted for on an accrual basis in the income statement using the effective interest method.

### (s) Financial Assets

The Group classifies its non-derivative financial assets in the following categories: loans and receivables, fair value through profit or loss and available-for-sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are recognised initially on the trade date which is the date that the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when, and only when, the contractual rights to the cash flows from the financial assets have expired, or have been transferred and transferred substantially all the risks and rewards of ownership of the financial assets to another entity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents. Loans and receivables are recognised initially at fair value which is normally the original invoiced amount plus any directly attributable transaction costs, and subsequently carried at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired. Where risks associated with trade receivables are transferred out of the Group under receivable purchase arrangements, such receivables are derecognised from the statement of financial position, except to the extent of the Group's continuing involvement or exposure.

**3 Summary of Significant Accounting Policies** (cont'd)

(s) Financial Assets (cont'd)

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. Financial assets at fair value through profit or loss are initially recognised at fair value with subsequent changes in fair value recognised in the income statement. Financial assets at fair value through profit or loss arising from derivatives that are linked to and must be settled by delivery of such unquoted equity instruments whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs, and subsequently carried at fair value with gains and losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to the income statement. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. Impairment losses recognised in the income statement for investments in equity instruments classified as available-for-sale are not subsequently reversed through the income statement.

If the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity is precluded from measuring the instrument at fair value.

(t) Financial Instruments and Hedge Accounting

Derivative financial instruments are used to manage exposures to foreign exchange and commodity price risks arising from operational activities.

Derivative financial instruments are recognised initially at cost and are subsequently remeasured at fair value. The changes in the fair value of the derivative are recognised immediately in the income statement unless the derivative qualifies for hedge accounting where the recognition of any changes in the fair value depends on the nature of the item being hedged.

When a derivative is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective portion is recognised in other comprehensive income. When the forecast transaction subsequently results in a recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which the fair value hedge accounting is applied, the associated cumulative gain or loss previously recognised in other comprehensive income is transferred to the carrying amount of the non-financial asset or non-financial liability. For other cash flow hedges, the associated cumulative gain or loss previously recognised in other comprehensive income is transferred to the income statement in the same period or periods during which the hedged forecast transaction affects the income statement. The ineffective portion of any changes in the fair value of the derivative is recognised immediately in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss previously recognised in other comprehensive income remains there and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the income statement.

3 **Summary of Significant Accounting Policies** (cont'd)

(u) Share Capital and Share Premium

Ordinary shares are classified as equity. Share capital is determined using the par value of shares that have been issued. Share premium includes any excess received on the issuance of shares over the par value, net of any direct issue costs. The share premium amount may be applied only for the purpose specified in the Companies Act 2001.

The Company's own ordinary shares, which are re-acquired by the Company and held as treasury shares, are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, re-issuance or cancellation of equity shares. Any difference between the carrying amount of treasury shares and the consideration received, if re-issued, is recognised directly in equity as gain or loss on re-issuance of treasury shares.

(v) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved for payment.

(w) Borrowing Costs

Interest expense and similar charges are expensed in the income statement in the period in which they are incurred, except to the extent they are capitalised as being directly attributable to the acquisition and construction of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

Certain subsidiaries capitalise borrowing costs, including interest and other financial charges on borrowings used to finance the construction of factories, expansion of plantations, construction of fixed assets and development of properties. Capitalisation ceases when substantially all the activities necessary to prepare the related assets for their intended use or sale are completed. The capitalised costs are depreciated over the same periods and on the same basis as the underlying assets.

(x) Income Tax

Current income tax for current and prior years is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is recognised in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred income tax is also dealt with in other comprehensive income or directly in equity respectively. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of each reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**3 Summary of Significant Accounting Policies** (cont'd)

(x) Income Tax (cont'd)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(y) Related Party Transactions

A related party is a person or entity that is related to the reporting entity. A person is considered to be related if that person has the ability to control or jointly control the reporting entity, exercise significant influence over the reporting entity in making financial and operating decisions, or is a member of the key management personnel of the reporting entity or its parent. An entity is related to the reporting entity if they are members of the same group, an associate, a joint venture or provides key management personnel services to the reporting entity or to the parent of the reporting entity. An entity is also considered to be related if it is controlled or jointly controlled by the same person who has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity.

(z) Employee Benefits

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

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions made into separate stated managed entities, such as the Central Provident Fund in Singapore under a defined contribution plan, on a mandatory, contractual or voluntary basis with no further payment obligation once the contributions have been paid are recognised in the income statement in the period in which the related service is performed.

Certain subsidiaries in Indonesia have defined contribution retirement plans covering substantially all of their eligible permanent employees. The Group's contributions to the funds are computed at a certain percentage of the basic income for its employees.

Certain subsidiaries also recognise additional provisions for employee service entitlements in accordance with the Indonesian Labor Law No. 13/2003 dated 25 March 2003 (the "Labor Law"). The said additional provisions, which are unfunded, are estimated using the projected unit credit method, with actuarial calculations based on the report prepared by an independent actuary.

Actuarial gains or losses are recognised immediately in other comprehensive income and all past service costs are recognised immediately in the income statement in the period they occur.

The related estimated liability for employee benefits is the difference between the present value of the estimated employee service entitlement based on the Labor Law and the projected cumulative funding based on the defined contribution plan.

3 **Summary of Significant Accounting Policies** (cont'd)

(aa) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the income statement as follows:

- Revenue from sales arising from physical delivery of products is recognised when delivery has taken place and transfer of risks and rewards has been completed.
- Revenue from processing, shipping, repair services and trucking services is recognised when the services are rendered.
- Revenue from provision of port and storage facilities is recognised when the services are rendered.
- Rental income from operating leases is recognised on a straight-line basis over the term of the lease contracts.
- Dividend income from investments is recognised on the date the dividends are declared payable by the investees.
- Interest income is accrued on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

(ab) Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee (the chief operating decision maker) of the Group, which consist of the Chairman and Chief Executive Officer (CEO), the Executive Directors and the CEOs of business units, to make decisions about resources to be allocated to the segment and to assess its performance.

The Executive Committee assesses the performance of the operating segments based on a measure of earnings before income tax, non-controlling interests, interests on borrowings, foreign exchange gain/(loss), depreciation and amortisation, net changes in fair value of biological assets and exceptional item ("EBITDA"). All inter-segment sales and transfers are accounted for as if the sales or transfers were to third parties, i.e. at current market price.

(ac) Financial Guarantees

The Company has issued corporate guarantees to creditors for borrowings of its subsidiaries, joint ventures and entities owned by its investees and joint ventures. These guarantees are financial guarantee contracts as they require the Company to reimburse the creditors if the borrowers fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantee contracts are subsequently amortised to the income statement over the period of the borrowings, unless the Company has incurred an obligation to reimburse the creditors for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the creditors.

## 4 Critical Accounting Estimates, Assumptions and Judgements

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

(a) Critical Accounting Estimates and Assumptions

(i) Estimated Useful Lives of Property, Plant and Equipment and Bearer Plants

The Group estimates the useful lives of property, plant and equipment and bearer plants based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and bearer plants are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment and bearer plants are based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment and bearer plants would increase the recorded expenses and decrease the non-current assets.

There is no significant change in the estimated useful lives of property, plant and equipment and bearer plants during the current financial year. As at 31 December 2016, the carrying amount of property, plant and equipment and bearer plants amounted to US$2,788,483,000 (2015: US$2,842,292,000) (Note 23) and US$1,101,374,000 (2015: US$1,227,784,000) (Note 25) respectively.

(ii) Impairment of Goodwill

The Group performed impairment tests on goodwill on an annual basis, in accordance with the accounting policy stated in Note 3(g). The recoverable amounts of the cash-generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and expected future cash flows as well as growth rate used for extrapolation purpose during the period. The growth and discount rates are based on industry forecasts. The expected cash flows are based on past practices and margins with reference to the historical results. As at 31 December 2016, there is no impairment loss recognised in the consolidated financial statements and the carrying amount of goodwill amounted to US$151,895,000 (2015: US$151,951,000) (Note 27).

(iii) Post Employment Benefits

The present value of the post employment benefits obligations and cost for post employment benefits are dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, which include among others, discount rates and rates of salary increase, are described in Note 37. In accordance with IAS 19, *Employee Benefits*, actual results that differ from the assumptions may generally affect the recognised expense and recorded obligation. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the post employment benefits obligations. As at 31 December 2016, the estimated post employment benefits liabilities amounted to US$80,570,000 (2015: US$63,929,000) (Note 37).

## 4 Critical Accounting Estimates, Assumptions and Judgements (cont'd)

(b) Critical Judgements in Applying Accounting Policies

(i) Deferred Tax Assets

The Group's subsidiaries in Indonesia revalued certain bearer plants in connection with the new legislation in Indonesia to allow entities to revalue their assets for tax purposes. During the current financial year, the Group's subsidiaries in Indonesia received approval for the revaluation of certain bearer plants from the Indonesian Tax Authorities. In addition, the Group also recognised deferred tax assets on unutilised tax losses and capital allowances. Significant judgement is required to determine the amount of deferred tax assets that can be recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. As at 31 December 2016, the Group has deferred tax assets of US$301,860,000 (2015: US$56,523,000) (Note 26).

(ii) Impairment of Financial Assets

The Group reviews its equity and debt securities classified as financial assets at fair value through profit or loss and available-for-sale financial assets at the end of each reporting period to assess whether they are impaired. The Group also records impairment charges on these financial assets when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluated, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. As at 31 December 2016, the carrying amount of financial assets at fair value through profit or loss and available-for-sale financial assets amounted to US$321,993,000 (2015: US$345,541,000) and US$706,308,000 (2015: US$678,918,000) (Notes 14 and 19) respectively.

## 5 Revenue

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Sales in Indonesia | | |
| Third parties | 741,032 | 606,263 |
| Associated companies | 19,162 | 19,960 |
| Related parties | 6,173 | 5,504 |
| | 766,367 | 631,727 |
| Sales outside Indonesia | | |
| Third parties | 6,442,480 | 5,878,199 |
| Related parties | 2 | 125 |
| | 6,442,482 | 5,878,324 |
| | 7,208,849 | 6,510,051 |

**5 Revenue** (cont'd)

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Sales in Indonesia | | |
| Palm oil based products: | | |
| Crude palm oil | 30,229 | 55,343 |
| Margarine and fat | 46,009 | 54,529 |
| Palm fatty acid distillate | 22 | 197 |
| Palm kernel | 8,364 | 12,709 |
| Palm kernel meal | 3,117 | 3,009 |
| Palm kernel oil | 2,843 | 5,432 |
| Refined bleached deodorised olein | 381,467 | 306,052 |
| Refined bleached deodorised stearin | 68,617 | 47,256 |
| Refined bleached deodorised palm oil | 32,186 | 39,382 |
| Refined bleached deodorised palm kernel oil | 6,757 | 5,300 |
| Oleochemical products | 31,362 | 27,969 |
| Biodiesel products | 56,598 | - |
| Others | 33,524 | 11,678 |
| | 701,095 | 568,856 |
| Others | 65,272 | 62,871 |
| Total sales in Indonesia | 766,367 | 631,727 |
| | | |
| Sales outside Indonesia | | |
| Palm oil based products: | | |
| Crude palm oil | 1,310,320 | 1,943,797 |
| Margarine and fat | 89,339 | 73,142 |
| Palm fatty acid distillate | 101,436 | 105,649 |
| Palm kernel meal | 54,725 | 57,646 |
| Palm kernel oil | 202,045 | 252,572 |
| Refined bleached deodorised olein | 1,896,240 | 1,330,640 |
| Refined bleached deodorised stearin | 251,246 | 212,048 |
| Refined bleached deodorised palm oil | 583,181 | 435,927 |
| Refined bleached deodorised palm kernel oil | 388,907 | 176,953 |
| Oleochemical products | 165,618 | 125,095 |
| Biodiesel products | 2,841 | - |
| Others | 195,410 | 141,895 |
| | 5,241,308 | 4,855,364 |
| Soy bean based products | 641,023 | 643,612 |
| Noodles and snack products | 122,264 | 130,370 |
| Revenue from provision of port and storage facilities | 4,571 | 7,203 |
| Others | 433,316 | 241,775 |
| Total sales outside Indonesia | 6,442,482 | 5,878,324 |
| | | |
| | 7,208,849 | 6,510,051 |

## 6 Cost of Sales

| | Note | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|---|
| Cost of inventories recognised as an expense | | 5,614,911 | 4,961,665 |
| Depreciation of property, plant and equipment | | 152,889 | 141,129 |
| Depreciation of bearer plants | 25 | 159,447 | 134,801 |
| Processing and direct costs | | 267,215 | 267,682 |
| | | 6,194,462 | 5,505,277 |

## 7 Selling, General and Administrative Expenses

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Selling expenses | | | |
| Freight and related expenses | | 249,555 | 291,076 |
| Export tax and administration | | 169,247 | 120,890 |
| Advertising and promotions | | 46,068 | 59,639 |
| Salaries and employee benefits expense | | 30,624 | 25,129 |
| Depreciation of property, plant and equipment | | 4,484 | 4,429 |
| Bulking | | 1,437 | 3,963 |
| Amortisation of intangible assets | 27 | 23 | 16 |
| Others | | 32,041 | 32,640 |
| | | 533,479 | 537,782 |
| General and administrative expenses | | | |
| Salaries and employee benefits expense | | 190,601 | 173,314 |
| Depreciation of property, plant and equipment | | 24,948 | 23,978 |
| Professional fees | | 18,874 | 19,005 |
| Rent, tax and licenses | | 16,893 | 16,179 |
| Travelling | | 14,092 | 15,304 |
| Repairs and maintenance | | 10,259 | 10,191 |
| Office supplies and utilities | | 4,339 | 5,216 |
| Amortisation of intangible assets | 27 | 1,895 | 1,262 |
| Others | | 23,404 | 30,207 |
| | | 305,305 | 294,656 |
| | | 838,784 | 832,438 |

## 8 Financial Income and Financial Expenses

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Interest income from: | | | |
| Third parties | | 22,922 | 26,712 |
| Joint ventures | | 5,975 | 5,007 |
| Associated company | | - | 16 |
| Related parties | | 9 | 19 |
| Financial income | | 28,906 | 31,754 |
| Interest expense to: | | | |
| Third parties | | (124,113) | (123,923) |
| Joint ventures | | (61) | (44) |
| Amortisation of deferred loan charges | 33 | (4,747) | (3,363) |
| Amortisation of deferred bond charges | 32 | (117) | (1,356) |
| Amortisation of premium on notes | 32 | 145 | 86 |
| Total interest expense | | (128,893) | (128,600) |
| Finance charges | | (2,453) | (3,439) |
| Financial expenses | | (131,346) | (132,039) |
| Net financial expenses | | (102,440) | (100,285) |

## 9 Other Operating Income

| | Note | 2016 US$'000 | (Restated) 2015 US$'000 |
|---|---|---|---|
| Net gain/(loss) from changes in fair value of biological assets | 24 | 33,791 | (11,274) |
| Insurance and product claims | | 7,790 | 9,750 |
| Rental income | | 7,650 | 7,674 |
| Gain on sale of other materials and by-products | | 3,216 | 4,887 |
| Gain/(Loss) on disposal of property, plant and equipment | | 1,467 | (888) |
| Gain on disposal/deconsolidation of subsidiaries | 39b | 655 | - |
| Income from sales of seedlings | | 345 | 2,533 |
| Management and service fee income from joint ventures | | 1,349 | 2,564 |
| Write-back of/(Allowance for) impairment loss on: | | | |
| Other receivables | | 63 | (32) |
| Trade receivables | 15 | - | (4,086) |
| Depreciation of property, plant and equipment | | (5,139) | (4,779) |
| Depreciation of investment properties | 22 | (57) | (60) |
| Changes in fair value of financial assets at fair value through profit or loss | | (4,745) | 721 |
| Property, plant and equipment written off | | (980) | (1,026) |
| Bearer plants written off | | (355) | - |
| Goodwill written off | 27 | - | (419) |
| Trade receivables written off | | - | (224) |
| Others | | 1,275 | 4,855 |
| | | 46,325 | 10,196 |

## 10 Profit/(Loss) Before Income Tax

In addition to the expenses and credits disclosed elsewhere in the notes to the consolidated financial statements, this item includes the following expenses:

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Audit fees paid/payable to: | | | |
| Auditors of the Company | | 296 | 318 |
| Auditors of the subsidiaries | | 1,062 | 962 |
| Non-audit services paid/payable to: | | | |
| Auditors of the Company | | 33 | 27 |
| Auditors of the subsidiaries | | 42 | - |
| Employee compensation: | | | |
| Wages and salaries | | 220,063 | 192,564 |
| Post employment benefits expense | 37 | 11,992 | 14,409 |
| Employer's contributions to defined contribution plans | | 5,532 | 3,895 |

## 11 Income Tax

| | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|
| Income tax expense/(credit) attributable to the profit/(loss) is made up of: | | |
| Current income tax | | |
| Current year | 107,057 | 55,869 |
| Under/(Over)-provision in respect of prior years | 137 | (1,096) |
| | 107,194 | 54,773 |
| Deferred income tax (Note 26) | (369,738) | (65,519) |
| | (262,544) | (10,746) |

Substantially all the Group's operations are located in Indonesia. Accordingly, the Indonesian statutory tax rate of 25% (2015: 25%) is used in the reconciliation of the tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable tax rate.

**11 Income Tax** (cont'd)

The income tax credit on the results for the financial year varies from the amount of income tax determined by applying the Indonesian statutory rate of income tax to profit/(loss) before income tax due to the following factors:

| | 2016 US$'000 | (Restated) 2015 US$'000 |
|---|---|---|
| Profit/(Loss) before income tax | 140,275 | (741) |
| Adjustments for: | | |
| Share of results of associated companies, net of tax | (794) | (968) |
| Share of results of joint ventures, net of tax | (7,101) | (7,827) |
| | 132,380 | (9,536) |
| Tax calculated at a tax rate of 25% (2015: 25%) | 33,095 | (2,384) |
| Effect of different tax rates in other countries | 11,394 | 11,517 |
| Non-deductible expenses, net | 7,031 | 7,735 |
| Permanent differences arising mainly from remeasurement | (2,254) | 8,727 |
| Effect arising from revalued assets for tax purposes | (303,705) | - |
| Recognition of previously unrecognised tax losses | - | (13,616) |
| Utilisation of previously unrecognised tax losses | (11,975) | (16,441) |
| Income tax at preferential rate | (3,574) | (32,395) |
| Unrecognised deferred tax assets | 7,307 | 27,207 |
| Under/(Over)-provision in prior years' current income tax | 137 | (1,096) |
| | (262,544) | (10,746) |

Taxes Payable

Details of taxes payable are as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Estimated income tax payable of subsidiaries | 9,653 | 5,718 |
| Income and other taxes: | | |
| Article 21 | 686 | 2,809 |
| Article 23 | 2,103 | 1,339 |
| Article 25 | 83 | 3,524 |
| Article 26 | 502 | 578 |
| Value added tax | 3,348 | 1,454 |
| | 16,375 | 15,422 |

## 12 Earnings Per Share and Net Asset Value Per Share

### (a) Earnings Per Share

Earnings per share amounts are calculated by dividing net profit attributable to the owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) during the year.

| | 2016 | (Restated) 2015 |
|---|---|---|
| Profit attributable to the owners of the Company (US$'000) | 399,619 | 10,352 |
| Weighted average number of ordinary shares (excluding treasury shares) ('000) | 12,734,756 | 12,759,641 |
| Basic and diluted earnings per share (US cents) | 3.14 | 0.08 |

There is no dilution as the Company did not have any potential ordinary shares outstanding as at 31 December 2016 and 2015.

### (b) Net Asset Value Per Share

Net asset value per share is calculated by dividing total equity attributable to the owners of the Company by the number of issued ordinary shares (excluding treasury shares) as at the end of the reporting period.

| | 2016 | (Restated) 2015 |
|---|---|---|
| Total equity attributable to the owners of the Company (US$'000) | 4,053,750 | 3,709,854 |
| Number of ordinary shares (excluding treasury shares) as at the end of the reporting period ('000) | 12,734,756 | 12,734,756 |
| Net asset value per share (US$) | 0.32 | 0.29 |

## 13 Cash and Cash Equivalents

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Cash on hand | 505 | 501 |
| Cash in banks | 118,304 | 223,931 |
| Time deposits | 34,198 | 19,184 |
| Total cash and cash equivalents | 153,007 | 243,616 |
| Less: Cash in banks and time deposits pledged | (30,317) | (16,728) |
| Cash and cash equivalents in the consolidated statement of cash flows | 122,690 | 226,888 |

The cash and cash equivalents are denominated in the following currencies:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Chinese renminbi | 58,483 | 46,368 |
| United States dollar | 39,368 | 136,417 |
| Indonesian rupiah | 36,257 | 40,674 |
| Indian rupee | 11,285 | 14,567 |
| Others | 7,614 | 5,590 |
| | 153,007 | 243,616 |

The above cash and cash equivalents include balances with related parties of US$2,293,000 (2015: US$1,530,000).

The above time deposits have a maturity period of less than three months from the end of the financial year and earn interest at the following rates per annum:

| | 2016<br>% | 2015<br>% |
|---|---|---|
| Chinese renminbi | 0.3 – 1.4 | 1.1 – 1.8 |
| Indonesian rupiah | 4.3 – 8.0 | 4.3 – 8.8 |
| Indian rupee | 5.0 – 8.0 | 5.0 – 9.0 |

## 14 Short-Term Investments

Short-term investments which represent debt and equity securities and time deposits with a maturity over three months but not more than one year are detailed as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Time deposits | 21,041 | 49,675 |
| Available-for-sale financial assets: | | |
| Equity securities | 40,938 | 46,266 |
| Financial assets at fair value through profit or loss: | | |
| Equity securities held for trading | 28,095 | 22,835 |
| Debt securities held for trading | 31,758 | 58,716 |
| Debt securities designated at inception, at cost | 80,140 | 81,390 |
| | 139,993 | 162,941 |
| | 201,972 | 258,882 |

The short-term investments are denominated in the following currencies:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| United States dollar | 173,699 | 215,475 |
| Indian rupee | 21,659 | 37,153 |
| Chinese renminbi | 4,317 | 5,393 |
| Singapore dollar | 1,728 | - |
| Indonesian rupiah | 569 | 861 |
| | 201,972 | 258,882 |

Time deposits amounting to US$12,654,000 (2015: US$46,950,000) have been pledged to banks as security for credit facilities (Notes 28 and 33).

The above time deposits earn interest at the following rates per annum:

| | 2016<br>% | 2015<br>% |
|---|---|---|
| United States dollar | 0.6 | 0.8 – 1.9 |
| Indian rupee | 7.0 – 8.3 | 7.8 – 8.9 |
| Chinese renminbi | 1.7 | 1.3 – 1.6 |
| Singapore dollar | 1.1 | - |
| Indonesian rupiah | 4.2 – 5.0 | 5.3 – 6.5 |

## 15 Trade Receivables

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Third parties | 561,960 | 464,395 |
| Related parties | 2,104 | 1,843 |
| Associated companies | 1,660 | 432 |
| | 565,724 | 466,670 |
| Less: Allowance for impairment loss on trade receivables | (4,313) | (4,518) |
| | 561,411 | 462,152 |

Trade receivables of the Group, including intra-group trade receivables which have been eliminated at consolidation, amounting to US$213,288,000 (2015: US$220,711,000) have been pledged as security for credit facilities (Notes 28 and 33).

As at 31 December 2016, 8% (2015: 14%) and 3% (2015: 7%) of the Group's trade receivables are past due for less than 3 months and more than 3 months respectively. The following allowance for impairment loss on trade receivables is made for certain receivables that are past due for more than 3 months and the recovery of these amounts is remote. Movements in allowance for impairment loss on trade receivables are as follows:

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 4,518 | 547 |
| Allowance for impairment loss during the year | 9 | - | 4,086 |
| Receivables written off against allowance during the year | | (81) | (85) |
| Translation adjustment | | (124) | (30) |
| Balance at the end of the year | | 4,313 | 4,518 |

The trade receivables are denominated in the following currencies:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| United States dollar | 423,097 | 287,476 |
| Indonesian rupiah | 72,468 | 70,908 |
| Euro | 26,625 | 67,386 |
| Indian rupee | 19,932 | 17,384 |
| Chinese renminbi | 16,203 | 18,168 |
| Malaysian ringgit | 3,086 | 830 |
| | 561,411 | 462,152 |

In November 2016, a subsidiary has entered into a revolving receivable purchase agreement ("the RPA") with a financial institution and the RPA is supported by a credit insurance program that is for the benefit of the bank. The bank upon purchase of the eligible receivable obtains all the rights to the receivable and is exposed to the substantial risks and rewards of the receivable. Under the terms of the RPA, the subsidiary will have to repurchase the receivable at the original invoice amount upon the occurrence of defined repurchase events, including as a result of a commercial dispute between the subsidiary and the receivable payer. Based on historic experience, the subsidiary believes the likelihood of a repurchase event occurring to be remote.

As at 31 December 2016, the subsidiary has transferred the receivable, its credit risk and control to the bank, amounting to US$9,168,000, and it has continued to recognise as a receivable of US$1,050,000.

## 16 Other Current Assets

| | Note | 2016 US$'000 | (Restated) 2015 US$'000 |
|---|---|---|---|
| Non-trade receivable from: | | | |
| Third parties | | 76,488 | 65,815 |
| Related parties | | 42 | 133 |
| Joint ventures | | 198,272 | 138,174 |
| Derivative receivable | 30 | 17,264 | - |
| Staff advances | | 6,625 | 4,264 |
| | | 298,691 | 208,386 |
| Biological assets | 24 | 85,166 | 51,375 |
| Advances and deposits to suppliers | | 220,340 | 178,888 |
| Advances for purchases of property, plant and equipment and others | | 49,227 | 112,198 |
| Prepaid taxes | | 211,711 | 369,442 |
| Prepaid expenses | | 22,485 | 22,463 |
| Others | | 4,909 | 17,115 |
| | | 892,529 | 959,867 |

The amounts receivable from related parties are interest-free, unsecured and repayable on demand. The amounts receivable from joint ventures are unsecured, bear interest ranging from 2.3% to 3.0% (2015: 2.3% to 3.2%) per annum and expected to be repayable within the next twelve months.

The amounts receivable from third parties shown above are net of allowance for impairment loss. The allowance for impairment loss on other receivables mainly related to certain receivables where the recovery is remote. Movements in allowance for impairment loss on other receivables are as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Balance at the beginning of the year | 645 | 673 |
| Allowance for impairment loss during the year | 38 | 32 |
| Write-back of impairment loss during the year | (101) | - |
| Receivables written off against allowance during the year | (354) | - |
| Translation adjustment | (68) | (60) |
| Balance at the end of the year | 160 | 645 |

The other current assets are denominated in the following currencies:

| | 2016 US$'000 | (Restated) 2015 US$'000 |
|---|---|---|
| Indonesian rupiah | 403,006 | 573,006 |
| United States dollar | 388,578 | 311,895 |
| Chinese renminbi | 85,879 | 48,769 |
| Indian rupee | 10,192 | 11,045 |
| Malaysian ringgit | 1,137 | 13,809 |
| Others | 3,737 | 1,343 |
| | 892,529 | 959,867 |

## 17 Inventories

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Raw materials | 483,039 | 322,199 |
| Finished goods | 340,245 | 310,994 |
| Goods in transit | 25,368 | 869 |
| | 848,652 | 634,062 |
| Consumables: | | |
| Fertilisers and general material | 38,208 | 34,464 |
| Fuel, chemical and packing supplies | 43,709 | 41,558 |
| Others | 36,569 | 30,834 |
| | 967,138 | 740,918 |

The inventories shown above are net of allowance for impairment loss. Movements in allowance for impairment loss on inventories are as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Balance at the beginning of the year | 654 | 1,475 |
| Allowance for impairment loss during the year | 718 | 629 |
| Write-back of impairment loss during the year | (577) | (1,408) |
| Translation adjustment | (48) | (42) |
| Balance at the end of the year | 747 | 654 |

During the current financial year, the Group recognised an allowance for impairment loss of US$718,000 (2015: US$629,000) in cost of sales as the carrying amount of certain inventories was higher than the net realisable value. Allowance for impairment loss of US$577,000 (2015: US$1,408,000) has been reversed as a result of increase in net realisable value of certain inventories.

Inventories amounting to US$315,822,000 (2015: US$165,201,000) have been pledged to banks as security for credit facilities (Notes 28 and 33).

## 18 Long-Term Receivables and Assets

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Loan receivable from joint ventures | 21,000 | 28,344 |
| Tax recoverable | 163,472 | 93,956 |
| Advances for projects | 21,802 | 36,832 |
| Advances for plasma plantations, net | 18,992 | 17,189 |
| Advances for investment in land | 2,759 | 2,759 |
| Land clearing | 1,968 | 1,564 |
| Others | 23,015 | 22,226 |
| | 253,008 | 202,870 |

## 18 Long-Term Receivables and Assets (cont'd)

The long-term receivables and assets are denominated in the following currencies:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Indonesian rupiah | 208,900 | 148,065 |
| United States dollar | 33,696 | 44,303 |
| Euro | 6,494 | 5,239 |
| Malaysian ringgit | 3,062 | 5,105 |
| Others | 856 | 158 |
| | 253,008 | 202,870 |

The unsecured loan receivable from joint ventures bears interest ranging from 4.0% to 4.5% (2015: 3.7% to 3.9%) per annum with a maturity date in April 2024.

In accordance with the policy of the Government of the Republic of Indonesia, certain land rights used to develop plantations are usually granted if a nucleus company agrees to develop areas for local small landholders (Plasma farmers) in addition to developing its own plantations. The nucleus company is also required to train and supervise the Plasma farmers and purchase the plantation production from the farmers at prices determined by the Government.

A Plasma Program plantation is funded by an investment credit facility by designated banks to the Plasma farmers.

Advances for Plasma plantations represent accumulated costs (including borrowing costs and indirect overhead costs) to develop Plasma areas, less the investment credit obtained from the bank. When a Plasma plantation is completed and ready to be transferred or turned-over to the Plasma farmers, the corresponding investment credit from the bank is also transferred to the Plasma farmers. Gain or loss resulting from the difference between the carrying amount of the Plasma plantation transferred and the related investment credit transferred is credited or charged to the income statement.

## 19 Long-Term Investments

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Available-for-sale financial assets: | | |
| Equity securities | 665,370 | 632,652 |
| Financial assets at fair value through profit or loss: | | |
| Debt securities designated at inception, at cost | 182,000 | 182,600 |
| | 847,370 | 815,252 |

The above debt securities include a secured 3% interest-bearing loan of US$182,000,000 extended by the Group to a third party with a maturity date in October 2018. On the maturity date, the Group is granted an option to either convert the loan into shares of the borrower or to settle in cash.

**19 Long-Term Investments** (cont'd)

The long-term investments are denominated in the following currencies:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| United States dollar | 814,261 | 773,981 |
| Euro | 33,109 | 35,827 |
| Japanese yen | - | 5,444 |
| | 847,370 | 815,252 |

**20 Investment in Associated Companies**

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Unquoted equity shares, at cost | 5,549 | 5,549 |
| Share of post-acquisition profits, net of dividend received | 4,673 | 3,879 |
| Translation adjustment | (64) | 128 |
| | 10,158 | 9,556 |

Particulars of the associated companies are disclosed in Note 44 to the consolidated financial statements. Summarised aggregated financial information in respect of the Group's associated companies, which is not adjusted for the percentage of ownership held by the Group, is as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Results | | |
| Revenue | 38,990 | 43,739 |
| Profit for the year | 1,278 | 1,624 |
| | | |
| Assets and liabilities | | |
| Total assets | 30,292 | 27,506 |
| Total liabilities | (8,033) | (6,654) |
| Net assets | 22,259 | 20,852 |

As at 31 December 2016 and 2015, there are no losses which are in excess of the Group's interests in the associated companies.

## 21 Investment in Joint Ventures

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Unquoted equity shares, at cost | 64,979 | 62,979 |
| Share of post-acquisition reserve, net of dividend received | (219) | (5,016) |
| Translation adjustment | (2,648) | (2,192) |
| | 62,112 | 55,771 |

Particulars of the joint ventures are disclosed in Note 44 to the consolidated financial statements. Summarised aggregated financial information in respect of the Group's joint ventures, which is not adjusted for the percentage of ownership held by the Group, is as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Results | | |
| Revenue | 148,120 | 152,177 |
| Profit for the year | 1,915 | 11,032 |
| | | |
| Assets and liabilities | | |
| Total assets | 804,280 | 649,828 |
| Total liabilities | (728,212) | (578,762) |
| Non-controlling interests | (1,934) | - |
| Net assets | 74,134 | 71,066 |

Reconciliation of the above net assets to the carrying amount of the Group's interests in joint ventures is as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Interest in joint ventures (50%) | 37,067 | 35,533 |
| Goodwill on acquisition | 12,038 | 12,540 |
| Unrecognised share of post-acquisition reserve | 13,007 | 6,698 |
| Dividend receivable | - | 1,000 |
| Net carrying amount | 62,112 | 55,771 |

## 22 Investment Properties

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Cost | | | |
| Balance at the beginning of the year | | 1,583 | 1,706 |
| Translation adjustment | | (172) | (123) |
| Balance at the end of the year | | 1,411 | 1,583 |
| | | | |
| Less: Accumulated depreciation | | | |
| Balance at the beginning of the year | | 470 | 479 |
| Charge for the year | 9 | 57 | 60 |
| Translation adjustment | | (102) | (69) |
| Balance at the end of the year | | 425 | 470 |
| | | | |
| Net carrying amount | | 986 | 1,113 |

As at 31 December 2016, the fair value of the Group's investment properties is approximately US$5,102,000 (2015: US$6,292,000), determined based on management's value in use calculation using discounted cashflow method.

Investment properties are held mainly for use by tenants under operating leases. The rental income and direct operating expenses recognised in the Group's income statement in respect of these operating leases were US$186,000 (2015: US$137,000) and US$83,000 (2015: US$77,000) respectively.

## 23 Property, Plant and Equipment

| | Freehold land | Land rights | Storage tanks, land improvements and bridges | Buildings | Machinery and equipment | Leasehold improvements, furniture and fixtures | Transportation equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Cost | | | | | | | | | |
| Balance at 1.1.2016 | 7,532 | 378,233 | 399,934 | 1,120,255 | 1,049,359 | 163,283 | 318,486 | 530,395 | 3,967,477 |
| Translation adjustment | (168) | (2,966) | - | (11,313) | (15,950) | (706) | (115) | (206) | (31,424) |
| Additions | - | 18,479 | 3,215 | 7,793 | 14,962 | 8,234 | 8,695 | 140,371 | 201,749 |
| Disposals | - | (6,105) | (2,239) | (8,478) | (4,100) | (864) | (13,475) | (40) | (35,301) |
| Write off | - | (4) | (80) | (743) | (2,227) | (1,758) | (1,945) | (78) | (6,835) |
| Acquisition of a subsidiary (Note 39a) | - | 1,525 | 16 | 11 | - | 22 | 126 | 67 | 1,767 |
| Deconsolidation of subsidiaries (Note 39b) | - | - | - | - | (61) | (222) | - | - | (283) |
| Reclassification | 111 | - | 67,645 | 97,667 | 127,489 | 5,662 | 3,382 | (301,956) | - |
| Balance at 31.12.2016 | 7,475 | 389,162 | 468,491 | 1,205,192 | 1,169,472 | 173,651 | 315,154 | 368,553 | 4,097,150 |
| Accumulated depreciation and impairment loss | | | | | | | | | |
| Balance at 1.1.2016 | - | 23,747 | 70,479 | 275,787 | 413,839 | 128,622 | 212,711 | - | 1,125,185 |
| Translation adjustment | - | (3,435) | - | (3,281) | (6,069) | (481) | (97) | - | (13,363) |
| Charge for the year | - | 1,353 | 27,954 | 47,654 | 57,937 | 17,388 | 35,174 | - | 187,460 |
| Disposals | - | (600) | (2,203) | (2,223) | (1,104) | (759) | (12,084) | - | (18,973) |
| Write off | - | - | (23) | (517) | (1,872) | (1,697) | (1,746) | - | (5,855) |
| Deconsolidation of subsidiaries (Note 39b) | - | - | - | - | (22) | (61) | - | - | (83) |
| Allowance for impairment loss | - | - | - | 27,331 | 6,854 | 108 | 3 | - | 34,296 |
| Reclassification | - | - | (383) | 598 | (510) | 619 | (324) | - | - |
| Balance at 31.12.2016 | - | 21,065 | 95,824 | 345,349 | 469,053 | 143,739 | 233,637 | - | 1,308,667 |
| Net book values | | | | | | | | | |
| Balance at 31.12.2016 | 7,475 | 368,097 | 372,667 | 859,843 | 700,419 | 29,912 | 81,517 | 368,553 | 2,788,483 |

## 23 Property, Plant and Equipment (cont'd)

| | Freehold land | Land rights | Storage tanks, land improvements and bridges | Buildings | Machinery and equipment | Leasehold improvements, furniture and fixtures | Transportation equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Cost | | | | | | | | | |
| Balance at 1.1.2015 | 7,969 | 280,042 | 278,147 | 988,511 | 906,777 | 147,512 | 296,285 | 631,683 | 3,536,926 |
| Translation adjustment | (576) | (2,505) | (144) | (13,396) | (12,864) | (774) | (531) | (281) | (31,071) |
| Additions | 139 | 13,329 | 48,341 | 2,131 | 8,939 | 10,814 | 11,838 | 319,914 | 415,445 |
| Disposals | - | (1,865) | (44) | (491) | (3,870) | (901) | (6,440) | - | (13,611) |
| Write off | - | - | (450) | (2,925) | (7,442) | (2,547) | (2,393) | - | (15,757) |
| Acquisition of subsidiaries (Note 39a) | - | 75,205 | - | - | 340 | - | - | - | 75,545 |
| Reclassification | - | 14,027 | 74,084 | 146,425 | 157,479 | 9,179 | 19,727 | (420,921) | - |
| Balance at 31.12.2015 | 7,532 | 378,233 | 399,934 | 1,120,255 | 1,049,359 | 163,283 | 318,486 | 530,395 | 3,967,477 |
| Accumulated depreciation | | | | | | | | | |
| Balance at 1.1.2015 | - | 23,327 | 55,558 | 238,860 | 377,397 | 110,906 | 179,214 | - | 985,262 |
| Translation adjustment | - | (753) | - | (2,844) | (6,381) | (461) | (374) | - | (10,813) |
| Charge for the year | - | 1,958 | 15,310 | 42,703 | 53,497 | 19,952 | 40,895 | - | 174,315 |
| Disposals | - | (785) | (44) | (393) | (1,826) | (741) | (5,059) | - | (8,848) |
| Write off | - | - | (447) | (2,534) | (7,279) | (2,446) | (2,025) | - | (14,731) |
| Reclassification | - | - | 102 | (5) | (1,569) | 1,412 | 60 | - | - |
| Balance at 31.12.2015 | - | 23,747 | 70,479 | 275,787 | 413,839 | 128,622 | 212,711 | - | 1,125,185 |
| Net book values | | | | | | | | | |
| Balance at 31.12.2015 | 7,532 | 354,486 | 329,455 | 844,468 | 635,520 | 34,661 | 105,775 | 530,395 | 2,842,292 |

During the current financial year, the Group carried out its annual impairment review and recorded impairment loss amounting to US$34,296,000 (2015: Nil) for certain property, plant and equipment in China. The recoverable amount is determined based on each asset's value in use calculation, at a discount rate of 6% at the end of the reporting period.

As at 31 December 2016, the net carrying amount of property, plant and equipment which has been pledged as security for credit facilities (Notes 28 and 33) amounted to US$490,424,000 (2015: US$498,070,000).

The Group holds land rights in Indonesia in the form of Hak Guna Usaha (HGU) which will expire in 2020 to 2098 and the management believes that those land rights can be extended upon expiry.

## 24 Biological Assets

| | Note | 2016 US$'000 | (Restated) 2015 US$'000 |
|---|---|---|---|
| Balance at the beginning of the year as previously reported | | 7,839,038 | 7,902,105 |
| Effect of adoption of amended IAS 16 and 41 | | (7,787,663) | (7,839,456) |
| Balance at the beginning of the year as restated | | 51,375 | 62,649 |
| Net gain/(loss) from changes in fair value recognised as part of other operating income | 9 | 33,791 | (11,274) |
| Balance at the end of the year | 16 | 85,166 | 51,375 |

Prior to the adoption of amended IAS 16 and 41, the Group's biological assets include both bearer plants (oil palm trees) and FFB. Upon the adoption of these amendments, the Group's biological assets represent FFB of its oil palm trees as at end of the reporting period. During the current financial year, the Group harvested approximately 6,904,900 (2015: 7,749,500) tonnes of FFB from its nucleus plantations.

The fair value of FFB is classified under level 2 of the fair value hierarchy and was determined with reference to their average market prices. If we assume the market prices of FFB as at year end increased/decreased by 5% with all other variables being held constant, profit attributable to owners of the Company and total equity attributable to owners of the Company would have increased/decreased by approximately US$3,484,000 (2015: US$1,909,000), as a result of higher/lower gain arising from changes in fair value of biological assets.

Biological assets amounting to US$25,667,000 (2015: US$17,158,000) have been pledged to banks as security for credit facilities (Notes 28 and 33).

## 25 Bearer Plants

| | Note | 2016 US$'000 | (Restated) 2015 US$'000 |
|---|---|---|---|
| Cost | | | |
| Balance at the beginning of the year as previously reported | | - | - |
| Effect of adoption of amended IAS 16 and 41 | | 2,333,604 | 2,200,786 |
| Balance at the beginning of the year as restated | | 2,333,604 | 2,200,786 |
| Additions | | 13,176 | 33,967 |
| Disposal | | (2,308) | (4,269) |
| Write off | | (2,755) | - |
| Transfer from land clearing | | 1,833 | 103,120 |
| Acquisition of a subsidiary | 39a | 18,986 | - |
| Balance at the end of the year | | 2,362,536 | 2,333,604 |
| | | | |
| Less: Accumulated depreciation | | | |
| Balance at the beginning of the year as previously reported | | - | - |
| Effect of adoption of amended IAS 16 and 41 | | 1,105,820 | 972,811 |
| Balance at the beginning of the year as restated | | 1,105,820 | 972,811 |
| Charge for the year | 6 | 159,447 | 134,801 |
| Disposal | | (1,705) | (1,792) |
| Write off | | (2,400) | - |
| Balance at the end of the year | | 1,261,162 | 1,105,820 |
| | | | |
| Net book value | | 1,101,374 | 1,227,784 |

## 25 Bearer Plants (cont'd)

Bearer plants amounting to US$116,640,000 (2015: US$123,762,000) have been pledged to banks as security for credit facilities (Notes 28 and 33).

## 26 Deferred Tax

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 the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on different entities which intend to settle on a net basis, or realise the assets and liabilities simultaneously in the future. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

| | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|
| Deferred tax assets | 301,860 | 56,523 |
| Deferred tax liabilities | (117,627) | (238,449) |
| | 184,233 | (181,926) |

| | Accelerated tax depreciation<br>US$'000 | Unutilised tax losses/capital allowances<br>US$'000 | Valuation allowances/ others<br>US$'000 | Total<br>US$'000 |
|---|---|---|---|---|
| Deferred tax assets/(liabilities) | | | | |
| Balance at 1 January 2016 as previously reported | (113,720) | 152,840 | (1,782,157) | (1,743,037) |
| Effect of adoption of amended IAS 16 and 41 | - | - | 1,561,111 | 1,561,111 |
| Balance at 1 January 2016 as restated | (113,720) | 152,840 | (221,046) | (181,926) |
| Credited to income statement (Note 11) | 341,431 | 3,467 | 24,840 | 369,738 |
| Charged to other comprehensive income | - | - | 812 | 812 |
| Acquisition of a subsidiary (Note 39a) | (218) | - | 12 | (206) |
| Disposal/Deconsolidation of subsidiaries (Note 39b) | - | (69) | (53) | (122) |
| Translation adjustment | (5,272) | 1,151 | 58 | (4,063) |
| Balance at 31 December 2016 | 222,221 | 157,389 | (195,377) | 184,233 |

**26 Deferred Tax** (cont'd)

| | Accelerated tax depreciation US$'000 | Unutilised tax losses/capital allowances US$'000 | Valuation allowances/ others US$'000 | Total US$'000 |
|---|---|---|---|---|
| Balance at 1 January 2015 as previously reported | (117,265) | 116,565 | (1,815,701) | (1,816,401) |
| Effect of adoption of amended IAS 16 and 41 | - | - | 1,585,975 | 1,585,975 |
| Balance at 1 January 2015 as restated | (117,265) | 116,565 | (229,726) | (230,426) |
| (Charged)/Credited to income statement as restated (Note 11) | (5,162) | 39,368 | 31,313 | 65,519 |
| Charged to other comprehensive loss | - | - | (3,257) | (3,257) |
| Acquisition of subsidiaries (Note 39a) | - | - | (17,852) | (17,852) |
| Translation adjustment | 8,707 | (3,093) | (1,524) | 4,090 |
| Balance at 31 December 2015 | (113,720) | 152,840 | (221,046) | (181,926) |

Realisation of deferred tax assets is dependent on the generation of sufficient taxable income prior to expiration of the tax losses carry-forward. Although realisation is not assured, the directors of the Company believe it is more likely than not that the deferred tax assets, net of the valuation allowance, will be realised. The amount of the deferred tax assets considered realisable could be reduced or increased if estimates of future taxable income during the carry-forward period are reduced or increased.

As at 31 December 2016, a subsidiary, Golden Agri International Pte Ltd ("GAI") has not provided for deferred tax liabilities, after taking into consideration of relevant deductible expenses, amounting to approximately US$891,000 (2015: US$965,000) that would be payable upon remittance into Singapore of its offshore interest income, which amounted to approximately US$22,803,000 (2015: US$21,875,000) as it is the intention of the directors of GAI to permanently reinvest the unremitted interest income.

Deferred tax liabilities of US$70,596,000 (2015: US$63,017,000) have not been recognised for taxes that would be payable on the remittance to Mauritius of unremitted retained earnings of approximately US$2,353,196,000 (2015: US$2,100,563,000) of certain subsidiaries as the timing of the reversal of the temporary differences arising from such amounts can be controlled and such temporary differences are not expected to reverse in the foreseeable future.

At the end of the reporting period, certain subsidiaries have unutilised tax losses and capital allowances available for offsetting against future taxable profits amounted to US$324,489,000 (2015: US$369,266,000).

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Expiry dates | | |
| 31 December 2016 | - | 34,908 |
| 31 December 2017 | 53,003 | 61,279 |
| 31 December 2018 | 89,662 | 111,258 |
| 31 December 2019 | 39,745 | 32,484 |
| 31 December 2020 | 101,510 | 126,963 |
| 31 December 2021 | 35,570 | - |
| No expiry dates and subject to terms and conditions | 4,999 | 2,374 |
| | 324,489 | 369,266 |

**26 Deferred Tax** (cont'd)

The availability of the unutilised tax losses and capital allowances for set-off against future taxable profits is subject to the tax regulations of the respective countries in which the Group companies are incorporated. The deferred tax benefit arising from these unrecognised tax losses and unabsorbed capital allowances of US$49,776,000 (2015: US$56,558,000) has not been recognised in the consolidated financial statements.

**27 Intangible Assets**

| | Goodwill | Brands and trademarks | Deferred landrights | Others | Total |
|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Cost | | | | | |
| Balance at 1 January 2016 | 151,951 | 7,235 | 11,319 | 5,662 | 176,167 |
| Additions | - | - | 83 | 7,966 | 8,049 |
| Write off | - | - | - | (197) | (197) |
| Acquisition of a subsidiary (Note 39a) | - | - | 177 | - | 177 |
| Translation adjustment | (56) | 10 | - | (85) | (131) |
| Balance at 31 December 2016 | 151,895 | 7,245 | 11,579 | 13,346 | 184,065 |
| Less: Accumulated amortisation | | | | | |
| Balance at 1 January 2016 | - | 6,938 | 4,991 | 5,124 | 17,053 |
| Amortisation charged to: | | | | | |
| Selling expenses (Note 7) | - | - | 1 | 22 | 23 |
| General and administrative expenses (Note 7) | - | 23 | 138 | 1,734 | 1,895 |
| Cost of sales | - | - | 293 | - | 293 |
| Write off | - | - | - | (197) | (197) |
| Translation adjustment | - | 4 | - | (13) | (9) |
| Balance at 31 December 2016 | - | 6,965 | 5,423 | 6,670 | 19,058 |
| Net carrying amount | | | | | |
| Balance at 31 December 2016 | 151,895 | 280 | 6,156 | 6,676 | 165,007 |
| Cost | | | | | |
| Balance at 1 January 2015 | 152,021 | 7,283 | 11,319 | 5,733 | 176,356 |
| Additions | - | 2 | - | 90 | 92 |
| Write off | (419) | - | - | (129) | (548) |
| Acquisition of subsidiaries (Note 39a) | 1,499 | - | - | - | 1,499 |
| Translation adjustment | (1,150) | (50) | - | (32) | (1,232) |
| Balance at 31 December 2015 | 151,951 | 7,235 | 11,319 | 5,662 | 176,167 |

**27 Intangible Assets** (cont'd)

| | Goodwill | Brands and trademarks | Deferred landrights | Others | Total |
|---|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Less: Accumulated amortisation | | | | | |
| Balance at 1 January 2015 | - | 6,930 | 4,562 | 4,158 | 15,650 |
| Amortisation charged to: | | | | | |
| Selling expenses (Note 7) | - | - | 1 | 15 | 16 |
| General and administrative expenses (Note 7) | - | 23 | 134 | 1,105 | 1,262 |
| Cost of sales | - | - | 294 | - | 294 |
| Write off | - | - | - | (129) | (129) |
| Translation adjustment | - | (15) | - | (25) | (40) |
| Balance at 31 December 2015 | - | 6,938 | 4,991 | 5,124 | 17,053 |
| | | | | | |
| Net carrying amount | | | | | |
| Balance at 31 December 2015 | 151,951 | 297 | 6,328 | 538 | 159,114 |

Goodwill is allocated to the individual cash-generating units ("CGU") which are also the reportable operating segments for impairment testing purposes.

The above goodwill is allocated to the palm and laurics segment. The recoverable amount of the goodwill was determined based on value in use calculations using 5-year cash flows projection with reference to historical results of approximately 14% margin. A terminal value was estimated based on the 5th year's future cash flow using the terminal growth rate of 5.0% (2015: 5.0%) and pre-tax discount rates ranging from 6.6% to 11.4% (2015: 6.9% to 12.0%).

If the management estimates the terminal growth rates at 4.5%, the recoverable amount of the goodwill will still exceed its carrying amount.

**28 Short-Term Borrowings**

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | US$'000 | US$'000 |
| Short-term loans: | | | |
| United States dollar | | 981,021 | 1,217,548 |
| Indian rupee | | 9,472 | - |
| Indonesian rupiah | | 744 | - |
| Euro | | 526 | 544 |
| | | 991,763 | 1,218,092 |
| Current maturities of long-term borrowings | 33 | 125,263 | 150,406 |
| | | 1,117,026 | 1,368,498 |
| Less: Unamortised loan charges | 33 | (4,649) | (2,396) |
| | | 1,112,377 | 1,366,102 |

**28 Short-Term Borrowings** (cont'd)

Short-term loans of the Group, broken down by secured and unsecured are as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Secured loans | 595,731 | 878,900 |
| Unsecured loans | 396,032 | 339,192 |
| | 991,763 | 1,218,092 |

As at the end of the financial years, there are no breach of loan covenants.

The above short-term loans have a maturity period of less than 12 months from the end of the financial year and bear interest at the following rates per annum during the year:

| | 2016<br>% | 2015<br>% |
|---|---|---|
| United States dollar | 1.2 – 4.0 | 0.6 – 5.0 |
| Indian rupee | 7.0 – 9.0 | - |
| Indonesian rupiah | 10.3 | - |
| Euro | 1.7 – 1.9 | 1.9 |

Certain time deposits, short-term investments, trade receivables, inventories, property, plant and equipment, biological assets and bearer plants have been pledged to banks to obtain the Group's secured short-term loans as disclosed in their respective notes.

**29 Trade Payables**

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Trust receipts payable | 263,592 | 365,419 |
| Trade payables to: | | |
| Third parties | 301,654 | 238,475 |
| Associated companies | 923 | 617 |
| Joint ventures | 3,241 | 2,332 |
| Related parties | 6,530 | 5,197 |
| | 575,940 | 612,040 |

The above trust receipts payable, which represent amounts due to certain banks, bear interest ranging from 1.9% to 4.0% (2015: 1.5% to 4.8%) per annum. The trust receipts payable and trade payables are denominated in the following currencies:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| United States dollar | 391,223 | 369,569 |
| Indonesian rupiah | 122,795 | 118,808 |
| Chinese renminbi | 41,153 | 102,478 |
| Indian rupee | 16,288 | 14,541 |
| Others | 4,481 | 6,644 |
| | 575,940 | 612,040 |

## 30 Other Payables

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Non-trade payable to: | | |
| Third parties | 141,764 | 103,425 |
| Joint ventures | 3,101 | 3,548 |
| Related parties | 1,577 | 853 |
| Derivative payable | 45,382 | 56,768 |
| Interest payable | 14,163 | 12,021 |
| | 205,987 | 176,615 |
| Advances and deposits | 87,577 | 27,747 |
| Accrued expenses | 55,381 | 49,913 |
| | 348,945 | 254,275 |

The amounts payable to related parties are unsecured, interest free and repayable on demand.

As at 31 December 2016, included in the amounts payable to joint ventures are US$2,994,000 (2015: US$2,936,000) which bear interest ranging from 1.9% to 2.1% (2015: 1.7%) per annum and repayable within the next twelve months.

As at 31 December 2016, included in the amounts payable to third parties are US$53,018,000 (2015: US$3,234,000) which bear interest ranging from 1.9% to 2.9% (2015: 2.3%) per annum and repayable in 2017.

The other payables are denominated in the following currencies:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| United States dollar | 132,484 | 136,638 |
| Indonesian rupiah | 121,395 | 60,778 |
| Chinese renminbi | 65,054 | 38,323 |
| Singapore dollar | 16,905 | 4,736 |
| Others | 13,107 | 13,800 |
| | 348,945 | 254,275 |

The Group classifies derivative receivable/payable at fair value through profit or loss with the resulting gain or loss recognised immediately in the income statement, except for certain derivatives designated as cash flow hedges, wherein hedge accounting has been applied.

The details of the contracts outstanding as at end of the reporting period are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Notional amount<br>US$'000 | (Assets)/ Liabilities<br>US$'000 | Notional amount<br>US$'000 | Liabilities<br>US$'000 |
| Cross currency swap ("CCS") contracts | 222,337 | 45,382 | 222,337 | 51,788 |
| Forward foreign currency contracts | 235,477 | (17,264) | 535,190 | 56,768 |
| | | 28,118 | | 108,556 |
| Less: Non-current liabilities (Note 34) | | - | | (51,788) |
| Less: Current assets (Note 16) | | 17,264 | | - |
| Current liabilities | | 45,382 | | 56,768 |

**30 Other Payables** (cont'd)

The Group entered into CCS contracts to hedge certain Indonesian rupiah and Singapore dollar ("SGD") denominated borrowings. Cash flow hedge accounting has been applied to the CCS contracts for the hedging of the Group's SGD denominated borrowings as these contracts met the criteria of highly effective hedging instruments. During the current financial year, the Group recognised a net gain from changes in fair value of CCS contracts of US$8,124,000 (2015: net loss of US$5,487,000) in the income statement as part of net foreign exchange gain and a net gain from changes in fair value of CCS contracts of US$1,740,000 (2015: net loss US$740,000) in other comprehensive income.

During the current financial year, the Group recognised a net gain from forward foreign currency contracts of US$59,619,000 (2015: net loss US$46,839,000) in the income statement as part of net foreign exchange gain.

**31 Obligations under Finance Lease**

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Finance leases payable: | | | | |
| Within one year | 88 | 152 | 84 | 114 |
| In the second to fifth year | - | 85 | - | 99 |
| | 88 | 237 | 84 | 213 |
| Less: Future finance charges | (4) | (24) | | |
| Present value of lease obligation | 84 | 213 | | |
| Less: Amount due for settlement within 12 months | | | (84) | (114) |
| Amount due for settlement after 12 months | | | - | 99 |
| Net book value of assets under finance leases | | | 80 | 211 |

The obligations under finance lease are denominated in the following currencies:

| | 2016 | 2015 |
|---|---|---|
| | US$'000 | US$'000 |
| Indonesian rupiah | 84 | 202 |
| Singapore dollar | - | 11 |
| | 84 | 213 |

The obligations under finance lease bear interest at the following rates per annum during the year:

| | 2016 | 2015 |
|---|---|---|
| | % | % |
| Indonesian rupiah | 5.5 – 6.5 | 5.5 – 6.5 |
| Singapore dollar | - | 2.2 |

## 32 Bonds and Notes Payable

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Unsecured interest-bearing bonds (a) | 74,426 | 72,490 |
| Unsecured Islamic medium term notes (b) | 765,811 | 846,456 |
| Unsecured multicurrency medium term notes (c) | 241,190 | 247,524 |
| | 1,081,427 | 1,166,470 |
| Less: Deferred bond charges | (81) | (198) |
| Add: Unamortised premium on notes | 191 | 336 |
| | 1,081,537 | 1,166,608 |
| Less: Current portion | (661,379) | (80,645) |
| Non-current portion | 420,158 | 1,085,963 |

Movements in deferred bond charges are as follows:

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 198 | 1,554 |
| Amortisation during the year | 8 | (117) | (1,356) |
| Balance at the end of the year | | 81 | 198 |
| Less: Current portion | | (58) | - |
| Non-current portion | | 23 | 198 |

Movements in unamortised premium on notes are as follows:

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 336 | - |
| Additions | | - | 422 |
| Amortisation during the year | 8 | (145) | (86) |
| Balance at the end of the year | | 191 | 336 |

(a) In June 2012, a subsidiary has established a fixed rate IDR Bond Program ("Bond Program") of up to IDR3 trillion. As at 31 December 2016 and 2015, the outstanding bonds amounted to IDR1 trillion (2016: equivalent to US$74,426,000, 2015: equivalent to US$72,490,000) which comprise A series bonds of IDR900 billion due in July 2017 and B series bonds of IDR100 billion due in July 2019. These bonds bear interest at rates ranging from 9% to 9.25% per annum and are listed on the Indonesia Stock Exchange.

(b) In November 2012, a subsidiary has established a Ringgit-denominated Islamic medium term note ("IMTN") programme of up to RM5 billion under the laws of Malaysia. As at 31 December 2016, the outstanding IMTN comprises 3 tranches (2015: 4 tranches) and bears profit rates ranging from 4.08% to 5.35% per annum. The scheduled maturities of the outstanding IMTN as at 31 December 2016 and 2015 are as follows:

| Year | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| 2016 | - | 80,645 |
| 2017 | 491,481 | 491,481 |
| 2018 | 156,590 | 156,590 |
| 2019 | 117,740 | 117,740 |
| | 765,811 | 846,456 |

**32 Bonds and Notes Payable** (cont'd)

(c) In April 2015, a wholly-owned subsidiary, Golden Assets International Investment Pte. Ltd. ("GAII"), has established a multicurrency medium term note ("MMTN") programme of up to US$1.5 billion under the laws of Singapore. During the current financial year, GAII repurchased SGD1 million (equivalent to US$733,000) of principal amount of the MMTN due 2017. As at 31 December 2016 and 2015, the outstanding Singapore dollar denominated MMTN comprises 2 tranches with fixed coupon rates ranging from 4.2% to 5.5% per annum. The scheduled maturities of the outstanding MMTN as at 31 December 2016 and 2015 are as follows:

| Year | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| 2017 | 102,972 | 106,082 |
| 2018 | 138,218 | 141,442 |
| | 241,190 | 247,524 |

**33 Long-Term Borrowings**

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Long-term borrowings: | | | |
| United States dollar | | 937,042 | 596,885 |
| Singapore dollar | | 64,189 | 65,687 |
| Indian rupee | | 150 | 2,478 |
| Total long-term borrowings | | 1,001,381 | 665,050 |
| Less: Current maturities of long-term borrowings | 28 | (125,263) | (150,406) |
| | | 876,118 | 514,644 |
| Less: Unamortised deferred loan charges | | (3,745) | (2,182) |
| Non-current portion | | 872,373 | 512,462 |

Movements in unamortised deferred loan charges are as follows:

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 4,578 | 3,247 |
| Additions | | 8,564 | 4,716 |
| Amortisation during the year | 8 | (4,747) | (3,363) |
| Translation adjustment | | (1) | (22) |
| Balance at the end of the year | | 8,394 | 4,578 |
| Less: Current portion | 28 | (4,649) | (2,396) |
| Non-current portion | | 3,745 | 2,182 |

Long-term borrowings of the Group, broken down by secured and unsecured are as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Secured borrowings | 1,001,381 | 647,051 |
| Unsecured borrowings | - | 17,999 |
| | 1,001,381 | 665,050 |

**33 Long-Term Borrowings** (cont'd)

Certain time deposits, short-term investments, trade receivables, inventories, property, plant and equipment, biological assets and bearer plants have been pledged to banks to obtain the Group's total secured borrowings as disclosed in their respective notes.

The long-term borrowings of the Group bear interest at the following rates per annum during the year:

| | 2016 | 2015 |
|---|---|---|
| | % | % |
| United States dollar | 2.6 – 4.8 | 2.2 – 5.0 |
| Singapore dollar | 1.8 – 3.2 | 2.2 – 3.3 |
| Indian rupee | 11.2 | 11.3 |

The loan agreements generally include covenants that require the maintenance of certain financial ratios, limit or require written notification of the amount of additional borrowings that may be incurred, and limit the transfer or disposal of pledged assets and acting as guarantor to other parties. Any non-compliance with these covenants will result in these loans becoming repayable immediately upon service of a notice of default by the lenders. In addition, certain loan agreements contain cross default clauses whereby non-compliance with covenants for other financial indebtedness would result in acceleration of the outstanding loan balances. As at end of the financial year, there is no breach of loan covenants.

The scheduled maturities of the Group's borrowings as at 31 December 2016 and 2015 are as follows:

| | Original loan currency | | | U.S. Dollar Equivalent |
|---|---|---|---|---|
| Year | US$'000 | S$'000 | INR'000 | US$'000 |
| As at 31 December 2016 | | | | |
| Long-term borrowings repayable in: | | | | |
| 2017 | 125,263 | - | - | 125,263 |
| 2018 | 186,513 | 92,881 | - | 250,702 |
| 2019 | 362,888 | - | - | 362,888 |
| 2020 | 102,388 | - | - | 102,388 |
| 2021 | 55,990 | - | 10,000 | 56,140 |
| Thereafter | 104,000 | - | - | 104,000 |
| Total | 937,042 | 92,881 | 10,000 | 1,001,381 |
| Current portion (Note 28) | (125,263) | - | - | (125,263) |
| Non-current portion | 811,779 | 92,881 | 10,000 | 876,118 |
| | | | | |
| As at 31 December 2015 | | | | |
| Long-term borrowings repayable in: | | | | |
| 2016 | 148,345 | - | 137,434 | 150,406 |
| 2017 | 204,263 | - | 27,800 | 204,680 |
| 2018 | 143,513 | 92,881 | - | 209,200 |
| 2019 | 40,888 | - | - | 40,888 |
| 2020 | 53,888 | - | - | 53,888 |
| Thereafter | 5,988 | - | - | 5,988 |
| Total | 596,885 | 92,881 | 165,234 | 665,050 |
| Current portion (Note 28) | (148,345) | - | (137,434) | (150,406) |
| Non-current portion | 448,540 | 92,881 | 27,800 | 514,644 |

## 34 Long-Term Payables and Liabilities

| | Note | 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|
| Post employment benefits liability, denominated in Indonesian rupiah | 37 | 80,570 | 63,929 |
| Derivative payables, denominated in United Stated dollar | 30 | - | 51,788 |
| Rental deposits, denominated in Singapore dollar | | 779 | 276 |
| Deferred rental income, denominated in United States dollar | | 3,857 | 4,748 |
| | | 85,206 | 120,741 |

## 35 Issued Capital and Treasury Shares

| | No. of ordinary shares | | Amount | |
|---|---|---|---|---|
| | Issued capital | Treasury shares | Issued capital US$'000 | Treasury shares US$'000 |
| Issued and fully paid: | | | | |
| Balance at 1 January 2015 | 12,837,548,556 | - | 320,939 | - |
| Treasury shares purchased | - | (102,792,400) | - | (31,726) |
| Balance at 31 December 2015 and 2016 | 12,837,548,556 | (102,792,400) | 320,939 | (31,726) |

During the financial year 2015, the Company acquired 102,792,400 of its own shares in the open market. The total amount paid to acquire the shares of US$31,726,000 was presented as a component within shareholders' equity.

The holders of ordinary shares, except for treasury shares, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares, except for treasury shares rank equally with regards to the Company's residual assets.

## 36 Dividends

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Final dividend paid in respect of 2015 of S$0.00502 (2014: S$0.00177) per share | 47,462 | 16,933 |

At the Annual Meeting to be held on 25 April 2017, a final dividend (tax not applicable) of S$0.00635 per share, amounting to S$80,865,701.59 (equivalent to approximately US$55,885,000) will be recommended. These consolidated financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings for the financial year ending 31 December 2017.

## 37 Post Employment Benefits Liability and Share-Based Payment

(a) Post Employment Benefits Liability

Certain subsidiaries have defined contribution retirement plan covering substantially all of their eligible permanent employees.

On top of the benefits provided under the defined contribution retirement plan, the subsidiaries have also recorded additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to the qualified employees, as required under the Labor Law. The amounts for such additional provisions were determined based on actuarial computations valuations prepared by the independent actuary, PT Dayamandiri Dharmakonsilindo, using the projected unit credit method.

The principal actuarial assumptions used by the actuaries were as follows:

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 8.5% | 9.0% |
| Salary growth rate | 8.0% | 8.0% |
| Retirement age | 55 years | 55 years |

The amounts of additional provision for post employment benefits recognised in the statement of financial position represent present value of unfunded employees retirement benefit obligations in addition to the defined contribution scheme. The movements in the post employment benefits liability are as follows:

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Balance at the beginning of the year | | 63,929 | 70,383 |
| Post employment benefits expense during the year recognised in the income statement | | 11,992 | 14,409 |
| Post employment benefits expense/(income) during the year recognised in other comprehensive income | | 3,252 | (13,651) |
| Payments made during the year | | (579) | (374) |
| Under-provision in respect of prior years | | 14 | 86 |
| Acquisition of a subsidiary | 39a | 49 | - |
| Translation adjustment | | 1,913 | (6,924) |
| Balance at the end of the year | 34 | 80,570 | 63,929 |

The components of the post employment benefits expense recognised in the income statement are as follows:

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Current service cost | | 7,026 | 6,654 |
| Past service cost | | (754) | 2,432 |
| Interest cost | | 5,720 | 5,323 |
| Post employment benefits expense recognised in the income statement | 10 | 11,992 | 14,409 |

**37 Post Employment Benefits Liability and Share-Based Payment** (cont'd)

The components of the post employment benefits (expense)/income recognised in other comprehensive loss are as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Actuarial (loss)/gain arising from changes in assumptions | (6,026) | 3,765 |
| Actuarial gain arising from experience adjustment | 2,774 | 9,886 |
| Post employment benefits (expense)/income recognised in other comprehensive income | (3,252) | 13,651 |
| Less: Deferred income tax | 812 | (3,415) |
| Net post employment benefits (expense)/income recognised in other comprehensive income | (2,440) | 10,236 |

(b) Share-based Payment

The Company introduced the GAR Group Restricted Share Plan ("RSP") which was approved by shareholders at the special meeting of the Company held on 24 October 2008. The RSP is intended to align the interests of key management and executives of the Company and its subsidiaries with the interests of shareholders. It is also expected to enhance the Company's competitiveness in motivating and retaining talented key senior management and executives. The plan contemplates the award of fully paid shares of the Company upon meeting prescribed performance target(s) and/or service condition(s). Awards granted will vest upon the satisfactory achievement of pre-determined operational and financial performance target(s).

As at 31 December 2016, no awards have been granted by the Company under the RSP.

**38 Financial Instruments**

Fair Value of Financial Instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year, which include cash and cash equivalents, time deposits, short-term investments, trade and other receivables, trade and other payables, short-term borrowings, short-term bonds and notes payables and obligations under finance lease are assumed to approximate their fair values due to their short-term maturities.

The fair values of long-term receivables and long-term interest-bearing borrowings are calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates for similar instruments at the end of the reporting period. As at 31 December 2016 and 2015, the carrying amounts of the long-term receivables and long-term interest-bearing borrowings approximate their fair values.

Fair Value Hierarchy

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

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

**38 Financial Instruments** (cont'd)

| | Level 1 US$'000 | Level 2 US$'000 | Level 3 US$'000 | Total US$'000 |
|---|---|---|---|---|
| At 31 December 2016 | | | | |
| Available-for-sale financial assets | - | - | 78,777 | 78,777 |
| Financial assets at fair value through profit or loss held for trading | 7,632 | 40,063 | 12,158 | 59,853 |
| Derivative receivable | - | 17,264 | - | 17,264 |
| Derivative payable | - | (45,382) | - | (45,382) |
| | 7,632 | 11,945 | 90,935 | 110,512 |
| At 31 December 2015 | | | | |
| Available-for-sale financial assets | - | - | 86,071 | 86,071 |
| Financial assets at fair value through profit or loss held for trading | 20,119 | 45,349 | 16,083 | 81,551 |
| Derivative payable | - | (108,556) | - | (108,556) |
| | 20,119 | (63,207) | 102,154 | 59,066 |

Note: Excluded available-for-sale financial assets stated at cost of US$627,531,000 (2015: US$592,847,000).

Movements in Level 3 financial assets measured at fair value are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Available-for-sale US$'000 | Held for trading US$'000 | Available-for-sale US$'000 | Held for trading US$'000 |
| Balance at 1 January | 86,071 | 16,083 | - | 8,940 |
| Transfer of financial assets previously measured at cost | - | - | 80,774 | - |
| Additions | 3,021 | 997 | 12,608 | 5,509 |
| Return of capital | (12,842) | - | (9,603) | - |
| Changes in fair value recognised in other comprehensive income | 2,527 | - | 2,292 | - |
| Unrealised (loss)/gain recognised in income statement | - | (4,922) | - | 1,634 |
| Balance at 31 December | 78,777 | 12,158 | 86,071 | 16,083 |

Methods and Assumptions Used to Determine Fair Values

The methods and assumptions used by management to determine fair values of assets and liabilities other than those whose carrying amounts reasonably approximate their fair values are as follows:

Unquoted debt and equity securities: The fair value is determined by reference to fund statements provided by non-related fund managers.

Forward currency contracts: Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles as at the reporting date.

Cross currency swap contracts: Where available, quoted market prices are used as a measure of fair values for the outstanding contracts. Where the quoted market prices are not available, the fair values are determined by reference to valuation by non-related financial institutions by reference to the market prices of another contract that is substantially similar.

**39 Business Combinations**

(a) Acquisition of subsidiaries

(i) In December 2016, the Group through its wholly-owned subsidiaries, acquired 100% shareholding in PT Palmindo Billiton Berjaya ("PBB").

From the date of acquisition, PBB has contributed profit before income tax of US$430,000 for the financial year ended 31 December 2016. If the acquisition has been completed on 1 January 2016, total Group's revenue and profit before income tax for the year would have been US$7,212,028,000 and US$140,202,000 respectively.

The recognised fair value of the identifiable assets acquired and liabilities assumed, which reasonably approximated their carrying amount at the acquisition date is as follows:

| | US$'000 |
|---|---|
| Bearer plants | 18,986 |
| Long-term receivables | 1,885 |
| Property, plant and equipment | 1,767 |
| Intangible assets | 177 |
| Cash and cash equivalents | 357 |
| Trade and other receivables | 1,510 |
| Inventories | 574 |
| Trade and other payables | (14,112) |
| Taxes payable | (59) |
| Long-term payables | (49) |
| Deferred tax liabilities | (206) |
| Net assets acquired/Cash consideration | 10,830 |
| Less: Cash and cash equivalents acquired | (357) |
| Net cash outflow on acquisition | 10,473 |

During the financial year 2015, there were the following acquisitions of subsidiaries:

(ii) In July 2015, the Group through its wholly-owned subsidiary, acquired 100% shareholding in Billford Investment Corporation Ltd, ("BIC"). Following the acquisition, BIC together with its subsidiaries, PT Nusatama Agung Kreasi, PT Kreasi Nusajaya Abadi and PT Dumai Mas Resources became subsidiaries of the Group.

From the date of acquisition, BIC does not contribute significantly to the Group's results for the financial year ended 31 December 2015. If the acquisition has been completed on 1 January 2015, management estimated there would have been no significant changes to the Group's revenue and profit before income tax.

(iii) In August 2015, the Group through its wholly-owned subsidiary, acquired 100% shareholding in Victory Oleo Holding GmbH ("VOH"). Following the acquisition, VOH together with its subsidiary, OLIQEM GmbH became subsidiaries of the Group.

From the date of acquisition, VOH has contributed revenue and loss before income tax of US$17,739,000 and US$45,000 respectively for the financial year ended 31 December 2015. If the acquisition has been completed on 1 January 2015, total Group's revenue and loss before income tax for the year would have been US$6,523,440,000 and US$866,000 respectively.

**39 Business Combinations** (cont'd)

(a) Acquisition of subsidiaries (cont'd)

The following table summarises the recognised fair value of identifiable assets acquired and liabilities assumed, which reasonably approximated their carrying amount, at the acquisition dates.

| | BIC US$'000 | VOH US$'000 | Total US$'000 |
|---|---|---|---|
| Property, plant and equipment | 75,205 | 340 | 75,545 |
| Cash and cash equivalents | 7 | 1,009 | 1,016 |
| Trade and other receivables | 8 | 6,571 | 6,579 |
| Borrowings | (3,753) | (559) | (4,312) |
| Trade and other payables | (2) | (8,469) | (8,471) |
| Taxes payable | - | (48) | (48) |
| Deferred tax liabilities | (17,852) | - | (17,852) |
| Net assets/(liabilities) acquired | 53,613 | (1,156) | 52,457 |
| Add: Goodwill (Note 27) | - | 1,499 | 1,499 |
| Consideration for acquisition | 53,613 | 343 | 53,956 |
| Less: Cash and cash equivalents acquired | (7) | (1,009) | (1,016) |
| Net cash outflow/(inflow) on acquisition | 53,606 | (666) | 52,940 |

(b) Disposal and deconsolidation of subsidiaries

(i) In October 2016, the Group disposed its entire shareholding in PT Dian Ciptamas Agung ("DCA") for a consideration of IDR70,000,000 (equivalent to US$5,000). Following the disposal, DCA ceased to be a subsidiary of the Group.

(ii) In December 2016, the Group through its wholly-owned subsidiary, has subscribed for a limited partnership interest in a technology investment fund, RMDV Fund I, L.P. (the "Fund"). The Group's contribution and commitment towards the Fund will be by the injection of non-cash assets ("Non-cash Contribution") and cash into the Fund.

The Non-cash Contribution of US$87,596,000 comprised the Group's existing investment in financial assets and wholly-owned subsidiaries, namely Sinarmas Digital Ventures (SG) Pte. Ltd., Sinarmas Digital Ventures (HK) Limited and PT Sinar Mas Digital Ventures, held through Achieve Market Holdings Limited ("AMHL"), a newly purchased subsidiary during the current financial year. Following the transaction, AMHL together with its subsidiaries, ceased as subsidiaries of the Group.

**39 Business Combinations** (cont'd)

(b) Disposal and deconsolidation of subsidiaries (cont'd)

The following table summarises the carrying amount of the major class of the identifiable assets and liabilities disposed/deconsolidated:

| | DCA US$'000 | AMHL US$'000 | Total US$'000 |
|---|---|---|---|
| Cash and cash equivalents | 13 | 208 | 221 |
| Property, plant and equipment | - | 200 | 200 |
| Long-term investments | - | 67,173 | 67,173 |
| Short-term investments | - | 19,172 | 19,172 |
| Deferred tax assets | 69 | 53 | 122 |
| Other receivables | - | 570 | 570 |
| Other payables | (174) | (375) | (549) |
| Taxes payable | - | (2) | (2) |
| Net (liabilities)/assets disposed/deconsolidated | (92) | 86,999 | 86,907 |
| Net foreign currency reserve realised upon deconsolidation | - | 71 | 71 |
| Net fair value reserve realised upon deconsolidation | - | (32) | (32) |
| Net (liabilities)/assets derecognised | (92) | 87,038 | 86,946 |
| Gain on disposal/deconsolidation of subsidiaries (Note 9) | 97 | 558 | 655 |
| Total proceeds from disposal/deconsolidation | 5 | 87,596 | 87,601 |
| Less: Settlement by Non-cash Contribution | - | (87,596) | (87,596) |
| Cash proceeds from disposal | 5 | - | 5 |
| Less: Cash of disposed/deconsolidated subsidiaries | (13) | (208) | (221) |
| Net cash outflow on disposal/deconsolidation | (8) | (208) | (216) |

**40 Operating Segment Information**

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

Plantation and palm oil mills - comprises the products from upstream business;

Palm and laurics - comprises the processing and merchandising of palm based products, i.e. bulk and branded as well as oleochemicals and other vegetable oils;

Oilseeds - comprises the processing and merchandising of oilseeds based products, i.e. bulk and branded; and

Others - comprises the production and distribution of food and consumer products in China and Indonesia.

## 40 Operating Segment Information (cont'd)

| 2016 | Plantation and palm oil mills US$'000 | Palm and laurics US$'000 | Oilseeds US$'000 | Others US$'000 | Eliminations US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 70,088 | 6,261,444 | 690,658 | 186,659 | - | 7,208,849 |
| Inter-segment sales | 1,486,767 | 479 | 61,945 | 56 | (1,549,247) | - |
| Total revenue | 1,556,855 | 6,261,923 | 752,603 | 186,715 | (1,549,247) | 7,208,849 |
| EBITDA | 379,328 | 180,736 | 10,157 | 1,827 | (388) | 571,660 |
| Other information | | | | | | |
| Capital expenditure | 97,423 | 92,285 | 992 | 8,792 | - | 199,492 |
| Unallocated capital expenditure | | | | | | 15,433 |
| Total capital expenditure | | | | | | 214,925 |
| Depreciation and amortisation | (264,741) | (65,899) | (12,124) | (6,411) | - | (349,175) |
| Allowance for impairment loss of property, plant and equipment | - | (12,879) | - | (21,417) | - | (34,296) |
| Net gain from changes in fair value of biological assets | 33,791 | - | - | - | - | 33,791 |
| Interest on borrowings | (58,416) | (61,676) | (8,796) | (5) | - | (128,893) |
| Share of profit/(loss) of: | | | | | | |
| Associated companies | 471 | 323 | - | - | - | 794 |
| Joint ventures | (468) | 4,427 | (236) | 3,378 | - | 7,101 |
| Assets | | | | | | |
| Segment assets | 3,905,368 | 3,643,875 | 460,607 | 220,899 | (2,093,526) | 6,137,223 |
| Investment in: | | | | | | |
| Associated companies | 2,192 | 7,966 | - | - | - | 10,158 |
| Joint ventures | 790 | 38,188 | 313 | 22,821 | - | 62,112 |
| Unallocated assets | | | | | | 2,096,922 |
| Total assets | | | | | | 8,306,415 |
| Liabilities | | | | | | |
| Segment liabilities | (625,468) | (3,181,799) | (156,463) | (196,537) | 2,540,733 | (1,619,534) |
| Unallocated liabilities | | | | | | (2,590,930) |
| Total liabilities | | | | | | (4,210,464) |

**40 Operating Segment Information** (cont'd)

| 2015 | Plantation and palm oil mills US$'000 | Palm and laurics US$'000 | Oilseeds US$'000 | Others US$'000 | Eliminations US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| Revenue from external customers | 77,099 | 5,609,441 | 630,272 | 193,239 | - | 6,510,051 |
| Inter-segment sales | 1,425,890 | 4,542 | 13,826 | 2 | (1,444,260) | - |
| Total revenue | 1,502,989 | 5,613,983 | 644,098 | 193,241 | (1,444,260) | 6,510,051 |
| EBITDA | 415,315 | 108,726 | 11,284 | 4,958 | 1,381 | 541,664 |
| Other information | | | | | | |
| Capital expenditure | 244,123 | 195,651 | 1,000 | 3,299 | - | 444,073 |
| Unallocated capital expenditure | | | | | | 5,339 |
| Total capital expenditure | | | | | | 449,412 |
| Depreciation and amortisation, restated | (231,378) | (62,614) | (11,952) | (4,804) | - | (310,748) |
| Net loss from changes in fair value of biological assets, restated | (11,274) | - | - | - | - | (11,274) |
| Interest on borrowings | (49,113) | (69,553) | (9,908) | (26) | - | (128,600) |
| Share of profit/(loss) of: | | | | | | |
| Associated companies | 619 | 349 | - | - | - | 968 |
| Joint ventures | (553) | 6,780 | (222) | 1,822 | - | 7,827 |
| Assets, restated | | | | | | |
| Segment assets | 3,682,836 | 3,095,850 | 454,196 | 263,329 | (1,743,067) | 5,753,144 |
| Investment in: | | | | | | |
| Associated companies | 2,611 | 6,945 | - | - | - | 9,556 |
| Joint ventures | 841 | 34,692 | 339 | 19,899 | - | 55,771 |
| Unallocated assets | | | | | | 2,217,239 |
| Total assets | | | | | | 8,035,710 |
| Liabilities, restated | | | | | | |
| Segment liabilities | (769,450) | (2,712,991) | (164,577) | (211,368) | 2,269,985 | (1,588,401) |
| Unallocated liabilities | | | | | | (2,697,911) |
| Total liabilities | | | | | | (4,286,312) |

## 40 Operating Segment Information (cont'd)

A reconciliation of total EBITDA to total profit/(loss) before income tax is as follows:

| | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|
| EBITDA for reportable segments | 572,048 | 540,283 |
| Other EBITDA | (388) | 1,381 |
| Net gain/(loss) from changes in fair value of biological assets | 33,791 | (11,274) |
| Depreciation and amortisation | (349,175) | (310,748) |
| Foreign exchange gain/(loss) | 47,188 | (91,783) |
| Interest on borrowings | (128,893) | (128,600) |
| Exceptional item | (34,296) | - |
| Profit/(Loss) before income tax | 140,275 | (741) |

Revenue based on geographical location of customers is as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| China | 1,266,877 | 1,269,784 |
| Indonesia | 766,367 | 631,727 |
| India | 1,409,694 | 926,742 |
| Rest of Asia | 2,203,461 | 2,189,152 |
| Europe | 1,022,202 | 1,138,331 |
| Others | 540,248 | 354,315 |
| Consolidated revenue | 7,208,849 | 6,510,051 |

The following is an analysis of the carrying amount of non-current non-financial assets, analysed by the geographical areas in which the assets are located:

| | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|
| Indonesia | 3,764,102 | 3,911,615 |
| China | 227,233 | 262,875 |
| Singapore | 130,906 | 133,684 |
| India | 37,445 | 38,180 |
| Others | 36,970 | 29,846 |
| Total non-current non-financial assets | 4,196,656 | 4,376,200 |

## 41 Related Party Transactions

(a) In addition to the related party information disclosed elsewhere in the consolidated financial statements, significant transactions with related parties, on terms agreed between parties, are as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| (i) Sale of services | | |
| Rental income from related parties | 214 | 182 |
| Rental income from joint ventures | 688 | 679 |
| (ii) Purchase of goods and services | | |
| Insurance premium to a related party | 7,276 | 7,248 |
| Purchase of agricultural products from associated companies | 147 | 160 |
| Purchase of non-palm oil products from related parties | 50,114 | 22,654 |
| Freight and related expenses to joint ventures | 187,099 | 239,842 |
| Rental and service charge expense to related parties | 12,945 | 12,030 |
| Transport and port expense to related parties | 3,145 | 1,971 |
| Advisory fee to a related party | - | 74 |
| (iii) Dividend income from a joint venture | 2,750 | 5,500 |

(b) The key management personnel remuneration is as follows:

| | 2016 US$'000 | 2015 US$'000 |
|---|---|---|
| Directors of the holding company | 4,222 | 4,422 |
| Other key management personnel | 4,673 | 4,900 |

Included in the above remuneration are post employment benefits of US$47,090 for the current financial year (2015: US$34,942).

## 42 Financial Risk Management

(a) Capital Risk Management

The Group manages its capital to safeguard the Group's ability to continue as a going concern in order to maximise the return to shareholders and benefits for other stakeholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged since 2015. Neither the Group nor the Company is subject to externally imposed capital requirements. The Group monitors capital using net debts-to-equity ratio and adjusted net debts-to-equity ratio.

Net debts-to-equity ratio equals net debts divided by total equity. Total equity comprises share capital, share premium, reserves, retained earnings and non-controlling interests.

## 42 Financial Risk Management (cont'd)

### (a) Capital Risk Management (cont'd)

| | Note | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|---|
| Short-term borrowings | 28 | 1,112,377 | 1,366,102 |
| Long-term borrowings | 33 | 872,373 | 512,462 |
| Bonds and notes payable | 32 | 1,081,537 | 1,166,608 |
| Obligations under finance lease | 31 | 84 | 213 |
| Total debts | | 3,066,371 | 3,045,385 |
| Less: Cash and cash equivalents | 13 | (153,007) | (243,616) |
| Net debts | | 2,913,364 | 2,801,769 |
| Total equity | | 4,095,951 | 3,749,398 |
| Net debts-to-equity ratio (times) | | 0.71 | 0.75 |

Adjusted net debts-to-equity ratio equals adjusted net debts divided by total equity attributable to owners of the Company. Adjusted net debts comprise net debts (as defined above) less liquid working capital. Liquid working capital includes short-term investments, trade receivables, advances and deposits to suppliers and inventories (excluding consumables) less trade payables and advances and deposits.

| | 2016<br>US$'000 | (Restated)<br>2015<br>US$'000 |
|---|---|---|
| Net debts | 2,913,364 | 2,801,769 |
| Less: Liquid working capital: | | |
| Short-term investments | (201,972) | (258,882) |
| Trade receivables | (561,411) | (462,152) |
| Inventories (excluding consumables) | (848,652) | (634,062) |
| Advances and deposits to suppliers | (220,340) | (178,888) |
| Trade payables | 575,940 | 612,040 |
| Advances and deposits | 87,577 | 27,747 |
| Adjusted net debts | 1,744,506 | 1,907,572 |
| Equity attributable to the owners of the Company | 4,053,750 | 3,709,854 |
| Adjusted net debts-to-equity ratio (times) | 0.43 | 0.51 |

The directors of the Company review the capital structure on a semi-annual basis. As a part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Accordingly, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-back as well as the issue of new debt or the redemption of existing debt.

**42 Financial Risk Management** (cont'd)

(b) Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risks (including interest rate risk, foreign currency risk, price risk), credit risk, liquidity risk, and cash flow risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group may use relevant financial instruments to manage certain risks. Such financial instruments are not held for trade or speculative purposes.

(i) Interest Rate Risk

The Group's exposure to cash flow and fair value interest rate risk arises primarily on its existing interest-bearing borrowings. Cash flow interest rate risk is the risk that the future cash flow of borrowings at variable rate will fluctuate because of changes to market interest rates. Fair value interest rate risk is the risk that the fair values of borrowings at fixed rate will fluctuate because of changes to market interest rates. The interest rate that the Group will be able to obtain on debt financing will depend on market conditions at that time, and may differ from the rates the Group has secured currently.

As at the end of the current reporting period, if interest rates on net financial liabilities at variable rate had been 0.5% lower with all other variables held constant, profit before income tax and total equity for the year would have been higher by approximately US$8,135,000 and US$6,300,000 respectively, as a result of lower interest expense and vice versa. As at the end of the previous reporting period, if interest rates on net financial liabilities at variable rate had been 0.5% lower with all other variables held constant, loss before income tax would have been lower by approximately US$7,076,000 and total equity for the year would have been higher by approximately US$5,506,000, as a result of lower interest expense and vice versa. This analysis is prepared assuming the amount of net financial liabilities outstanding at the end of the reporting period was outstanding for the whole year.

In respect of interest-earning financial assets and interest-bearing financial liabilities, the interest rates and repayment terms are disclosed in the respective notes to the consolidated financial statements. The tables below set out the interest rate profile of the Group's interest-bearing financial instruments at carrying amount.

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Financial Assets | | |
| Variable rate | 369,172 | 434,544 |
| Fixed rate | 237,239 | 266,215 |
| Non-interest bearing | 1,477,040 | 1,315,873 |
| | 2,083,451 | 2,016,632 |
| Financial Liabilities | | |
| Variable rate | 1,987,768 | 1,845,264 |
| Fixed rate | 1,395,213 | 1,568,774 |
| Non-interest bearing | 465,317 | 471,790 |
| | 3,848,298 | 3,885,828 |

(ii) Foreign Currency Risk

The Group operates in several countries. Entities within the Group regularly transact in currencies other than their respective functional currency ("foreign currency") such as Indonesian rupiah ("IDR"), the Chinese renminbi ("RMB") and the United States dollar ("USD") which is also the Group's presentation currency.

42 **Financial Risk Management** (cont'd)

(b) Financial Risk Management (cont'd)

(ii) Foreign Currency Risk (cont'd)

Sales to domestic customers within Indonesia and China are denominated in their local currencies, while export sales for most of the Group's products and cost of certain key purchases are quoted in United States dollar. Purchases and operating expenses in Indonesia and China are mainly denominated in their local currencies. To the extent that the revenue and purchases of the Group are denominated in different currencies, and may not evenly match in terms of quantum and/or timing, the Group has exposure to foreign currency risk.

The Group seeks to manage its foreign currency exposure by constructing a natural hedge where it matches revenue and expenses in any single currency or through financial instruments, such as forward exchange contracts and cross currency swap contracts. The Group is also exposed to currency translation risk arising from its net investments in foreign operations. These net investments are not hedged as currency positions in these foreign operations are considered long-term in nature.

As at the end of the current reporting period, if IDR and RMB strengthen/weaken against USD by 5% with all other variables, including interest rates remain constant, the Group's profit before income tax would have increased/decreased by US$30,934,000 and US$1,995,000 respectively.

As at the end of the previous reporting period, if IDR and RMB strengthen/weaken against USD by 5% with all other variables, including interest rates remain constant, the Group's loss before income tax would have decreased/increased by US$25,100,000 and US$4,934,000 respectively.

(iii) Price Risk

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in market prices. As the Group's products are related to commodities, it is exposed to price risk in the commodities market. The Group monitors the market closely to ensure that the risk exposure to the volatility of the commodities is kept at minimum level. No sensitivity analysis is presented as management believes that price risk is not significant.

(iv) Significant Concentrations of Credit Risk

Concentrations of credit risk exists when changes in economic, industry or geographical factors similarly affect counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

(v) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group performs ongoing credit evaluation of its customers' financial conditions. Customers may be required to provide security in terms of cash deposits or letters of credit.

Cash and cash equivalents mainly comprise deposits with reputable banks with acceptable credit ratings.

**42 Financial Risk Management** (cont'd)

(b) Financial Risk Management (cont'd)

(v) Credit Risk (cont'd)

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period is the carrying amount of each class of assets in the statement of financial position, except as follows:

| | 2016 | 2015 |
|---|---|---|
| | US$'000 | US$'000 |
| Corporate guarantees provided to financial institutions on borrowings of joint ventures and entities owned by investees and joint ventures: | | |
| Total facilities | 584,670 | 610,695 |
| Total outstanding | 268,070 | 199,100 |

(vi) Liquidity Risk

To manage liquidity risk, the Group maintains a level of cash and cash equivalents and funding facilities deemed adequate by management to finance its operations. In assessing the adequacy of the facilities, management reviews its working capital requirements. The table below analyses the maturity profile of the Group's financial liabilities based on the contractual undiscounted cash flows (inclusive of principals and estimated interest until maturity):

| | Less than 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| | US$'000 | US$'000 | US$'000 | US$'000 |
| At 31 December 2016 | | | | |
| Short-term loans | 999,456 | - | - | 999,456 |
| Long-term borrowings | 159,552 | 827,050 | 110,888 | 1,097,490 |
| Bonds and notes payable | 698,146 | 434,265 | - | 1,132,411 |
| Obligations under finance lease | 88 | - | - | 88 |
| Other financial liabilities | 781,927 | - | - | 781,927 |
| Financial guarantee contracts | 6,078 | 34,119 | 227,873 | 268,070 |
| Total Financial Liabilities | 2,645,247 | 1,295,434 | 338,761 | 4,279,442 |
| | | | | |
| At 31 December 2015 | | | | |
| Short-term loans | 1,228,607 | - | - | 1,228,607 |
| Long-term borrowings | 168,957 | 532,612 | 6,094 | 707,663 |
| Bonds and notes payable | 124,442 | 1,137,025 | - | 1,261,467 |
| Obligations under finance lease | 152 | 85 | - | 237 |
| Other financial liabilities | 788,655 | 51,788 | - | 840,443 |
| Financial guarantee contracts | 4,335 | 20,716 | 174,049 | 199,100 |
| Total Financial Liabilities | 2,315,148 | 1,742,226 | 180,143 | 4,237,517 |

## 43 Significant Commitments

Operating lease commitments

At the end of the reporting period, the commitment in respect of non-cancellable operating leases for the rental of office premises and properties with a term of more than one year are as follows. The leases have varying terms, escalation clauses and renewal rights.

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Within one year | 20,224 | 15,645 |
| Between one year to five years | 32,920 | 24,852 |
| After five years | 4,060 | 240 |
| Minimum lease payments paid under operating leases | 22,266 | 17,331 |

Capital expenditure commitment

At the end of the reporting period, the estimated significant expenditure committed but not provided for in the consolidated financial statements are as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Capital expenditure | 31,219 | 45,599 |

## 44 Group Companies

The details of the subsidiaries are as follows:

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | Effective interest of the Company 2015 % |
|---|---|---|---|---|
| **Subsidiaries held by the Company** | | | | |
| Asia Integrated Agri Resources Limited | Investment holding | Bermuda | 100.00 | 100.00 |
| Asia Palm Oil Investment Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |
| Blue Sky Golden Energy Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| Easton Capital Resources Pte. Ltd. | Investment holding and treasury management | Singapore | 100.00 | 100.00 |
| Golden Agri Capital Pte. Ltd. | Investment holding and treasury management | Singapore | 100.00 | 100.00 |
| Golden Agri International Finance Ltd (b1) | Treasury management | Mauritius | 100.00 | 100.00 |
| Golden Agri International Finance (2) Ltd (b2) | Treasury management | British Virgin Islands | 100.00 | 100.00 |

## 44 Group Companies (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held by the Company** (cont'd) | | | | |
| Golden Agri International (Mauritius) Ltd (b1) | Investment holding and business and management consultancy services | Mauritius | 100.00 | 100.00 |
| Golden Agri International Pte Ltd | Trading in crude palm oil and related products | Singapore | 100.00 | 100.00 |
| Golden Agri International Trading Ltd (b1) | Trading in crude palm oil and related products | Malaysia | 100.00 | 100.00 |
| Golden Agri Investment (S) Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |
| Golden Agri (Labuan) Ltd (b1) | Trading in crude palm oil and related products and treasury management | Malaysia | 100.00 | 100.00 |
| Golden Asset Capital Investment Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |
| Golden Assets International Finance Limited | Treasury management | British Virgin Islands | 100.00 | 100.00 |
| Golden Assets International Investment Pte. Ltd. | Treasury management and business and management consultancy services | Singapore | 100.00 | 100.00 |
| Golden Capital Resources (S) Pte. Ltd. | Investment holding and treasury management | Singapore | 100.00 | 100.00 |
| Golden Funds & Investment Management Pte. Ltd. | Investment holding and treasury management | Singapore | 100.00 | 100.00 |
| Golden Logistics International Limited (b4) | Investment holding | Hong Kong | 100.00 | 100.00 |
| Golden Oleo Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |
| Madascar Investment Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Purimas Sasmita ("Purimas") (b1),(a) | Investment holding, building management services, business and management consultancy and trading | Indonesia | 100.00 | 100.00 |
| Sinarmas Food Pte. Ltd. (b3) | Investment holding | Singapore | 100.00 | 100.00 |

## 44 Group Companies (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** | | | | |
| PT Abadimas Investama (b1) | Investment holding and business and management consultancy services | Indonesia | 100.00 | 100.00 |
| Achieve Market Holdings Limited (Note 39b),(e) | Investment holding | British Virgin Islands | - | - |
| Aerolink Investment Ltd | Investment holding | Singapore | 100.00 | 100.00 |
| AFP Agri-Resources Trading (M) Sdn. Bhd. (b1) | Investment holding | Malaysia | 100.00 | 100.00 |
| AFP International Trading (Shanghai) Co., Ltd (b9) | Trading in edible oils and its related products | People's Republic of China | 100.00 | 100.00 |
| PT Aditunggal Mahajaya (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Agrokarya Primalestari (b8) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Agrolestari Mandiri (b1) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Agrolestari Sentosa (b8) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Agropalma Sejahtera (b1) | Investment holding | Indonesia | 100.00 | 100.00 |
| PT Aimer Sawitmas (b3) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Alam Sumber Rahmat (b3) | Oil palm cultivation and palm oil producer | Indonesia | 97.48 | 97.48 |
| Ascent Industrial Complex Sdn. Bhd. *(formerly known as "Golden Agri Resources & Technology (M) Sdn. Bhd.")* (b1) | Owner and construction of bulking stations, export, import, administration of transportation services, management and trading | Malaysia | 100.00 | 100.00 |
| Aurea Investment Limited (b4) | Investment holding | Hong Kong | 100.00 | 100.00 |
| Aurorea Investment Limited (b4) | Investment holding | Hong Kong | 100.00 | 100.00 |
| Aurea Resource Trading Company Limited (b2) | Investment holding | British Virgin Islands | 100.00 | 100.00 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| PT Bangun Nusa Mandiri (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| Belino Investments Limited (b2) | Investment holding | British Virgin Islands | 100.00 | 100.00 |
| PT Berau Sarana Jaya (b3) | Oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |
| PT Bhakti Manunggal Karya (b5) | Training services | Indonesia | 100.00 | 100.00 |
| Billford Investment Corporation Ltd. (b1) | Investment holding | Malaysia | 100.00 | 100.00 |
| PT Bioenergi Semesta Mas *(formerly known as "PT Sinar Energi Sejahtera")* (b5),(e) | Trading | Indonesia | 59.90 | - |
| PT Bina Kreasi Teknologi (b3) | Investment holding, trading and the provision of services in technology products | Indonesia | 100.00 | 100.00 |
| PT Binasawit Abadipratama (b8) | Investment holding, oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| Blue Sky Golden FPS Ltd (b2) | Investment holding | British Virgin Islands | 100.00 | 100.00 |
| Blue Sky Golden Fulcrum Ltd (b2) | Investment holding | British Virgin Islands | 100.00 | 100.00 |
| PT Buana Adhitama (b8) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Buana Artha Sejahtera (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Buana Indah Mandiri (b5) | Transportation services | Indonesia | 100.00 | 100.00 |
| PT Buana Wiralestari Mas (b1) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Bumi Persada Sejahtera (b5) | Investment holding and business and management consultancy | Indonesia | 100.00 | 100.00 |
| PT Bumi Sawit Permai (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Bumipalma Lestaripersada (b1) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |

## 44 Group Companies (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| PT Bumipermai Lestari (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Cahayanusa Gemilang (b1) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Citra Bhakti Mandiri (b8) | Investment holding | Indonesia | 100.00 | 100.00 |
| PT Dami Mas Sejahtera (b8) | Production and sale of oil palm seeds | Indonesia | 100.00 | 100.00 |
| PT Dian Ciptamas Agung (Note 39b),(b3) | Shipping and/or related business | Indonesia | - | 100.00 |
| PT Djuandasawit Lestari (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| Dragon Capital Investments Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Dumai Mas Resources (b5) | Producer of edible oil and fat | Indonesia | 100.00 | 100.00 |
| Eco Investment Ltd (b2) | Investment holding | Malaysia | 100.00 | 100.00 |
| Enterprise Capital Corporation (b2) | Investment holding | Malaysia | 100.00 | 100.00 |
| Florentina International Holdings Limited (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Forestalestari Dwikarya (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| GAR Pakistan (Pvt.) Limited (b1) | Commercial import and trading in crude palm oil and related products | Pakistan | 100.00 | 100.00 |
| Gemini Edibles & Fats India Private Limited (b1) | Trading, manufacturing and marketing of edible oils and fats | India | 75.02 | 75.02 |
| PT Genta Mas Perkasa (b5) | Investment holding | Indonesia | 100.00 | 100.00 |
| PT Global Media Telekomindo (b3) | Telecommunication and multimedia services | Indonesia | 100.00 | 100.00 |
| Goederhand Finance B.V. (b2) | Treasury management | The Netherlands | 100.00 | 100.00 |
| Golden Adventure (GSW) Pte. Ltd. | Ownership of shipping vessel(s) | Singapore | 70.00 | 70.00 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| Golden Agri International India Holding Pte. Ltd. | Investment holding and provision of management and consultancy services | Singapore | 100.00 | 100.00 |
| Golden Agri International (L) Ltd (b1) | Trading in crude palm oil and related products | Malaysia | 100.00 | 100.00 |
| Golden Agri International (M) Ltd (b2) | Trading in crude palm oil and related products | Cayman Islands | 100.00 | 100.00 |
| Golden Agri International (M) Trading Sdn. Bhd. (b1) | Trading in crude palm oil and related products | Malaysia | 100.00 | 100.00 |
| Golden Agri International Trading (Cayman) Ltd (b2) | Trading in crude palm oil and related products | Cayman Islands | 100.00 | 100.00 |
| Golden Agri International Trading (Mauritius) Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| Golden Agri Investment & Management Limited *(formerly known as "Sinarmas Natural Resources (Tianjin) Investment Co. Limited")* (b4) | Investment holding | Hong Kong | 100.00 | 100.00 |
| Golden Agri Plaza Pte. Ltd. | Commercial and industrial real estate management and property investment | Singapore | 100.00 | 100.00 |
| Golden Agri Resources (India) Private Limited (b1) | Trading and refining of crude palm oil and related products | India | 100.00 | 100.00 |
| Golden Agri-Resources Nigeria Limited (b3) | Importing, marketing and distributing palm oil products | Federal Republic of Nigeria | 100.00 | 100.00 |
| Golden Agri SEA (Labuan) Ltd (b1) | Trading in crude palm oil and its related products | Malaysia | 100.00 | 100.00 |
| Golden Agri Trading (L) Ltd (b1) | Trading in edible oils and its related products | Malaysia | 100.00 | 100.00 |
| Golden Airlines Limited (b4) | Leasing of aircraft(s) under its ownership | Hong Kong | 100.00 | 100.00 |
| Golden Avenue (GSW) Pte. Ltd. | Ownership of shipping vessel(s) | Singapore | 70.00 | 70.00 |
| Golden Funds & Investment Services Pte. Ltd. | Investment holding and treasury management | Singapore | 100.00 | 100.00 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| Golden Maritime Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |
| Golden Natural Resources (HK) Investment Co. Limited (b4) | Investment holding | Hong Kong | 100.00 | 100.00 |
| Golden Natural Resources (Shanghai) International Trade Co., Ltd. (b3),(e) | Trading in edible oils and its related products | People's Republic of China | 100.00 | - |
| GP Pakistan (Mauritius) Limited (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Griyagraha Sarimakmur (b3) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| Harford Holdings Limited (b2) | Investment holding | British Virgin Islands | 100.00 | 100.00 |
| Huafeng Foodstuff (Fuxin) Co., Ltd (b9) | Manufacturing and sale of processed instant noodles, snack products and beverages | People's Republic of China | 100.00 | 100.00 |
| Huafeng Foodstuff (Xian Yang) Co., Ltd (b9) | Manufacturing and sale of processed instant noodles, snack products and beverages | People's Republic of China | 100.00 | 100.00 |
| PT Indokarya Mas Sejahtera (b1) | Investment holding and business and management consultancy | Indonesia | 100.00 | 100.00 |
| Integrated Advance IT Services Sdn. Bhd. (b1) | IT consultancy, IT application design, development and maintenance services and provision of facilities for data centre resources and other IT outsourced activities | Malaysia | 100.00 | 100.00 |
| Integrated Investments Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Ivo Mas Tunggal (b1) | Investment holding, oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Ivomas Oil & Fat (b5) | Investment holding and business and management consultancy | Indonesia | 100.00 | 100.00 |
| PT Ivomas Tunggal Lestari (b1) | Provision of maintenance services for palm oil processing units | Indonesia | 100.00 | 100.00 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| PT Jambi Semesta Biomassa (b5),(e) | Trading | Indonesia | 59.90 | - |
| PT Kartika Prima Cipta (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Kencana Graha Permai (b1) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Kreasi Mas Indah (b1) | Producer of beverage products | Indonesia | 100.00 | 100.00 |
| PT Kreasi Nusajaya Abadi (b3) | Producer of edible oil and fat | Indonesia | 100.00 | 100.00 |
| PT Kresna Duta Agroindo (b1) | Oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |
| PT Kurnia Cakra Sakti (b3) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Langgeng Subur (b1) | Cultivation of ornamental plants | Indonesia | 97.20 | 97.20 |
| Madascar Capital Pte. Ltd. | Investment holding | Singapore | 100.00 | 100.00 |
| PT Mantap Andalan Unggul (b3) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Maskapai Perkebunan Leidong West Indonesia (b1) | Oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |
| PT Meganusa Intisawit (b1) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Meganusa Karya Langgeng (b5) | Investment holding and business and management consultancy | Indonesia | 100.00 | 100.00 |
| PT Mitra Ekasukses Abadi (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Mitrakarya Agroindo (b8) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Nabati Energi Mas (b1) | Production of palm oil based bio-diesel and other renewable resources based bio-fuel | Indonesia | 97.20 | 97.20 |
| Ningbo Shining Gold Cereal Oil Port Co., Ltd | Port and storage facilities | People's Republic of China | 81.73 | 81.73 |

**44** **Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| Ningbo Shining Gold Cereal Oil Storage Co., Ltd | Provide services in port loading, storage, packaging and transportation | People's Republic of China | 81.73 | 81.73 |
| PT Nusantara Candra (b3) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Nusatama Agung Kreasi (b3) | Producer of edible oil and fat | Indonesia | 100.00 | 100.00 |
| PT Oleokimia Sejahtera Mas (b8) | Refinery operation | Indonesia | 100.00 | 100.00 |
| OLIQEM GmbH (b13) | Trade and distribution of oleochemical products | Germany | 100.00 | 100.00 |
| PT Palmindo Billiton Berjaya (Note 39a),(b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | - |
| PT Paramitra Agung Cemerlang (b1) | Provision of shipping and chartering services | Indonesia | 100.00 | 100.00 |
| PT Paramitra Internusa Pratama (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Pelangi Sungai Siak (b3) | Oil palm cultivation and palm oil producer | Indonesia | 82.62 | 82.62 |
| PT Persada Graha Mandiri (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Perusahaan Perkebunan Panigoran (b1) | Oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |
| PT Pratama Ronaperintis (b3) | Investment holding | Indonesia | 68.04 | 68.04 |
| PT Propertindo Prima (b1) | Transportation services | Indonesia | 97.20 | 97.20 |
| PT Putra Manunggal Abadi (b8) | Investment holding | Indonesia | 100.00 | 100.00 |
| PT Rama Flora Sejahtera (b3) | Oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |
| PT Ramajaya Pramukti (b1) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| Rapid Growth Investments Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Rawa Bangunyaman (b3) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | Effective interest of the Company 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| PT Sangatta Andalan Utama (b3) | Oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |
| PT Satrindo Jaya Agropalma (b5) | Transportation services | Indonesia | 100.00 | 100.00 |
| PT Satya Kisma Usaha (b1) | Oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |
| PT Sawit Mas Sejahtera (b5) | Investment holding, oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Sawitakarya Manunggul (b8) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| Shining Gold Foodstuffs (Ningbo) Co., Ltd | Refinery of palm and vegetable oil | People's Republic of China | 100.00 | 100.00 |
| Shining Gold Oilseed Crushing (Ningbo) Co., Ltd | Manufacturing of crude vegetable oil | People's Republic of China | 100.00 | 100.00 |
| Silverand Holdings Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Sinar Kencana Inti Perkasa (b8) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Sinar Mas Agro Resources and Technology Tbk ("SMART") (b1) | Investment holding, oil palm cultivation and palm oil producer, refinery and producer of consumer cooking oil, shortening and margarine | Indonesia | 97.20 | 97.20 |
| PT Sinar Mas Digital Ventures (Note 39b),(b3) | Provision of investment, consultancy and management services in information technology | Indonesia | - | 100.00 |
| Sinar Mas Natural Resources (China) Investment Co., Ltd (b10) | Investment holding | People's Republic of China | 100.00 | 100.00 |
| PT Sinarmas Bio Energy (b3) | Production of palm oil based bio-diesel and other renewable resources based energy | Indonesia | 97.20 | 97.20 |
| PT Sinarmas Cakrawala Persada (b1) | Investment holding | Indonesia | 100.00 | 100.00 |
| Sinarmas Corporate Management (Shanghai) Co., Ltd (b9) | Provision of management and consultancy services | People's Republic of China | 100.00 | 100.00 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| Sinarmas Digital Ventures (HK) Limited (Note 39b),(b4) | Investment holding | Hong Kong | - | 100.00 |
| Sinarmas Digital Ventures (SG) Pte. Ltd. (Note 39b) | Investment holding and treasury management | Singapore | - | 100.00 |
| PT Sinarmas Distribusi Nusantara (b1) | Distributor of fast moving consumer products | Indonesia | 100.00 | 100.00 |
| Sinarmas Food (Hong Kong) Co., Limited (b4) | Investment holding | Hong Kong | 100.00 | 100.00 |
| Sinarmas Food (Shaoguan) Co., Ltd (b9) | Manufacturing and sale of food products and instant noodles | People's Republic of China | 100.00 | 100.00 |
| Sinarmas Natural Resources Foodstuff Technology (Tianjin) Co., Ltd | Refinery of palm and vegetable oil | People's Republic of China | 100.00 | 100.00 |
| PT Sinarmas Surya Sejahtera (b3) | Sale of food products | Indonesia | 100.00 | 100.00 |
| PT Sinar Mas Super Air (b5) | Aerial manuring | Indonesia | 99.02 | 99.02 |
| Sinarkonex Korea Co., Ltd (b3) | Dormant | Korea | 70.00 | 70.00 |
| Smart Trac Resources Trading Limited (b4) | Trading of palm oil and palm stearin | Hong Kong | 100.00 | 100.00 |
| PT Soci Mas (b1) | Oleochemical industries | Indonesia | 97.23 | 97.23 |
| Solid Growth Investments Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| Sterling International Investment Ltd (b3) | Investment holding | Malaysia | 100.00 | 100.00 |
| Straits Investments Ltd (b1) | Investment holding | Mauritius | 100.00 | 100.00 |
| PT Sumber Indahperkasa (b5) | Oil palm cultivation and palm oil producer | Indonesia | 100.00 | 100.00 |
| PT Swakarya Adhi Usaha (b5) | Provision of maintenance services for palm oil processing units | Indonesia | 100.00 | 100.00 |
| PT Tapian Nadenggan (b1) | Investment holding, oil palm cultivation and palm oil producer | Indonesia | 97.20 | 97.20 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **Subsidiaries held through subsidiaries** (cont'd) | | | | |
| PT Tarunacipta Kencana (b1) | Ownership and operation of marine cargo | Indonesia | 100.00 | 100.00 |
| Tianjin Decoris Investment and Consultancy Co., Ltd (b11),(c) | Investment holding and business consultancy services | People's Republic of China | - | 100.00 |
| Tianjin Mundus Investment and Consultancy Co., Ltd (b11),(c) | Investment holding and business consultancy services | People's Republic of China | - | 100.00 |
| PT Tradisi Mas Sejahtera (b3) | Investment holding | Indonesia | 62.50 | 62.50 |
| PT Tradisi Sawit Mandiri Utama (b3) | Oil palm cultivation and palm oil producer | Indonesia | 85.00 | 85.00 |
| PT Universal Transindo Mas (b5) | Transportation services | Indonesia | 99.03 | 99.03 |
| PT Usaha Malindo Jaya (b5) | Construction service | Indonesia | 100.00 | 100.00 |
| Victory Oleo Holding GmbH (b6) | Distribution of oleochemical products | Germany | 100.00 | 100.00 |
| Victory Tropical Oil B.V. (b1) | Investment holding and finance | The Netherlands | 100.00 | 100.00 |
| Victory Tropical Oil USA, Inc. (b1) | Trading in tropical oils and their by-products | United States of America | 100.00 | 100.00 |
| Windflower Investments Limited (b2) | Investment holding and treasury management | British Virgin Islands | 100.00 | 100.00 |
| Wuhan Jin Ding Foodstuff Co., Ltd (b9) | Manufacturing and sale of food products and instant noodles | People's Republic of China | 100.00 | 100.00 |
| Zhongshan Huifeng Investment Advisory Co., Ltd (b9) | Dormant | People's Republic of China | 100.00 | 100.00 |
| Zhuhai Huafeng Film Co., Ltd (b9) | Dormant | People's Republic of China | 85.00 | 85.00 |
| Zhuhai Huafeng Printing Co., Ltd (b9) | Dormant | People's Republic of China | 85.00 | 85.00 |
| Zhuhai Huafeng Food Industry (Group) Co., Ltd (b9) | Manufacturing and sale of food products and instant noodles | People's Republic of China | 100.00 | 100.00 |
| Zhuhai Huafeng Foodstuff Co., Ltd (b9) | Manufacturing and sale of instant noodles | People's Republic of China | 100.00 | 100.00 |
| Zhuhai Shining Gold Oil and Fats Industry Co., Ltd | Refinery of palm and vegetable oil | People's Republic of China | 85.00 | 85.00 |

**44 Group Companies** (cont'd)

| Name of company | Principal activities | Place of business/ incorporation | Effective interest of the Company 2016 % | 2015 % |
|---|---|---|---|---|
| **The Group's associated companies are:** | | | | |
| PT Catur Paramita (b3) | Property owner for education purposes | Indonesia | 36.21 | 36.21 |
| PT Duta Anugerah Indah (b16) | Television broadcasting which focuses on education and in the humanitarian field | Indonesia | 28.08 | 28.08 |
| PT Hortimart Agrogemilang (b3) | Production and sale of seeds | Indonesia | 38.01 | 38.01 |
| PT Sinar Meadow International Indonesia (b5) | Production of special vegetable oil and fat | Indonesia | 50.00 | 50.00 |
| **The Group's joint ventures are:** | | | | |
| Golden Stena Bulk IMOIIMAX I Limited (b7) | Ownership of shipping vessel(s) | Cyprus | 50.00 | 50.00 |
| Golden Stena Bulk IMOIIMAX III Limited (b7) | Ownership of shipping vessel(s) | Cyprus | 50.00 | 50.00 |
| Golden Stena Bulk IMOIIMAX VII Limited (b7) | Ownership of shipping vessel(s) | Cyprus | 50.00 | 50.00 |
| Golden Stena Bulk IMOIIMAX VIII Limited (b7) | Ownership of shipping vessel(s) | Cyprus | 50.00 | 50.00 |
| Golden Stena Bulk IMOIIMAX IX Limited (b7),(d) | Ownership of shipping vessel(s) | Cyprus | - | 50.00 |
| Golden Stena Bulk IMOIIMAX X Limited (b7),(d) | Ownership of shipping vessel(s) | Cyprus | - | 50.00 |
| Golden Stena Weco Pte. Ltd. | Provision of ship management services and chartering and operation of vessels | Singapore | 50.00 | 50.00 |
| Jetlane Holdings Limited (b12) | Investment holding | British Virgin Islands | 50.00 | 50.00 |
| Nuova Energia S.r.l. (b17) | Building and operation of wind power farms | Italy | 50.00 | 50.00 |
| Sinarmas LDA Maritime Pte. Ltd. (b14) | Shipping and logistics business | Singapore | 50.00 | 50.00 |
| GSW F-Class Pte. Ltd. | Investment holding and ownership of vessel(s) | Singapore | 50.00 | 50.00 |
| Sinarmas Cepsa Pte. Ltd. (b15) | Investment holding | Singapore | 50.00 | 50.00 |
| PT Super Wahana Tehno (b1) | Production and distribution of bottled ionised mineral water | Indonesia | 48.60 | 48.60 |

**44 Group Companies** (cont'd)

Notes:

(a) 86.04% of the share capital of Purimas is directly held by the Company and the remaining 13.96% of the share capital is held by Silverand Holdings Ltd.

(b) The above group companies are audited by Moore Stephens LLP, Singapore except for group companies that are indicated below:

(1) Audited by member firms of Moore Stephens International Limited of which Moore Stephens LLP, Singapore is a member.

(2) Statutory audit not required by law in its country of incorporation.

(3) Statutory audit is not required as the subsidiary is newly incorporated/inactive.

(4) Audited by TCL & Company, Certified Public Accountants (Practising).

(5) Audited by Tanubrata Sutanto Fahmi & Rekan (BDO).

(6) Audited by MIZ GmbH.

(7) Audited by PricewaterhouseCoopers Ltd.

(8) Audited by Purwantono, Suherman & Surja (Ernst & Young).

(9) Audited by Zhonghua Certified Public Accountants LLP, PRC.

(10) Audited by Beijing Dongshen Dingli International CPA, PRC.

(11) Audited by Tianjin Chengtai CPAs Ltd.

(12) Audited by KAP Drs. Ferdinand.

(13) Audited by Wir Treuhand GmbH.

(14) Audited by Paul Wan & Co.

(15) Audited by Ernst & Young LLP.

(16) Audited by KAP Handoko & Suparmun.

(17) Audited by PricewaterhouseCoopers SpA.

(c) During the current financial year, Tianjin Decoris Investment and Consultancy Co., Ltd and Tianjin Mundus Investment and Consultancy Co., Ltd were liquidated.

(d) During the current financial year, the Group through its wholly-owned subsidiary, disposed its entire shareholding in Golden Stena Bulk IMOIIMAX IX Limited and Golden Stena Bulk IMOIIMAX X Limited at approximately net carrying value.

## 44 **Group Companies** (cont'd)

Notes: (cont'd)

(e) During the current financial year, the following new companies have been incorporated/purchased:

| Subsidiaries | Initial Issued and Paid-up Capital |
|---|---|
| Achieve Market Holdings Limited | 1 ordinary share of US$1 |
| PT Bioenergi Semesta Mas ("BSM") *(formerly known as "PT Sinar Energi Sejahtera")* | 1,000 shares of IDR1,000,000 each |
| PT Jambi Semesta Biomassa ("JSB") | 1,000 shares of IDR1,000,000 each |
| | Registered share capital |
| Golden Natural Resources (Shanghai) International Trade Co., Ltd | US$30,000,000 |

Following the incorporation of BSM and JSB, the Group recognised a cash inflow from its 40.1% non-controlling interest of US$31,000.

(f) As at 31 December 2016, the accumulated non-controlling interests is US$42,201,000 (2015: US$39,544,000), of which US$25,977,000 (2015: US$23,346,000) is for 2.8% non-controlling interests in SMART and its subsidiaries ("SMART Group") and US$8,181,000 (2015: US$5,682,000) is for 24.98% non-controlling interests in Gemini Edibles & Fats India Private Limited ("GEFI"). The non-controlling interests in respect of other subsidiaries are individually not material.

The following table summarises the financial information relating to SMART Group and GEFI which have non-controlling interests that are material to the Group:

| | SMART Group | | GEFI | |
|---|---|---|---|---|
| | | (Restated) | | |
| | 2016 | 2015 | 2016 | 2015 |
| | US$'000 | US$'000 | US$'000 | US$'000 |
| Non-current assets | 1,420,554 | 1,376,502 | 20,615 | 21,429 |
| Current assets | 903,964 | 864,200 | 93,028 | 119,078 |
| Non-current liabilities | 586,107 | 420,424 | 2,065 | 1,882 |
| Current liabilities | 626,697 | 794,727 | 79,058 | 116,110 |
| Revenue | 2,245,510 | 2,750,481 | 510,817 | 356,293 |
| Profit/(Loss) for the year | 93,399 | (24,277) | 10,005 | 7,951 |
| Total comprehensive income/(loss) | 92,889 | (19,188) | 10,005 | 6,655 |
| Profit/(Loss) allocated to NCI | 2,611 | (1,943) | 2,499 | 1,986 |
| Dividends paid to NCI | - | 60 | - | - |
| Cash (outflows)/inflows from operating activities | (54,586) | 48,667 | 18,130 | (15,161) |
| Cash (outflows)/inflows from investing activities | (83,618) | (170,369) | (77,625) | 24,032 |
| Cash inflows/(outflows) from financing activities | 51,981 | 103,985 | 61,407 | (18,758) |
| Net (decrease)/increase in cash and cash equivalents | (86,223) | (17,717) | 1,162 | (9,887) |

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# FINANCIAL STATEMENTS

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# GOLDEN AGRI-RESOURCES LTD
(Incorporated in Mauritius)

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

## CONTENTS

# COMMENTARY OF THE DIRECTORS

The directors present their commentary, together with the audited financial statements of Golden Agri-Resources Ltd (the "Company") for the financial year ended 31 December 2016.

**PRINCIPAL ACTIVITY**

The Company was incorporated on 15 October 1996 and its principal activity is that of an investment holding company.

**RESULTS AND DIVIDENDS**

The Company's total comprehensive income for the year ended 31 December 2016 was US$605,000 (2015: total comprehensive loss of US$6,080,000).

At the Annual Meeting to be held on 25 April 2017, a final dividend (tax not applicable) of S$0.00635 per share, amounting to S$80,865,701.59 (equivalent to approximately US$55,885,000) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings for the financial year ending 31 December 2017.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS**

The independent auditors, Moore Stephens, have expressed their willingness to continue in office and will be automatically reappointed under the Mauritius Companies Act at the next Annual Meeting.

# CERTIFICATE FROM THE SECRETARY

We certify, to the best of our knowledge and belief that we have filed with the Registrar of Companies all such returns as are required of Golden Agri-Resources Ltd under the Mauritius Companies Act for the financial year ended 31 December 2016.

**CORPORATE SECRETARY**
**CIM CORPORATE SERVICES LTD**
Les Cascades Building,
Edith Cavell Street,
Port Louis,
MAURITIUS

Date: 16 March 2017

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF GOLDEN AGRI-RESOURCES LTD
(INCORPORATED IN MAURITIUS)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Golden Agri-Resources Ltd (the "Company"), which comprise the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 163 to 181.

In our opinion, these financial statements give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The directors are responsible for the other information. The other information comprises the Commentary of the Directors and Certificate from the Secretary, or any other information. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or 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.

**Directors' Responsibility for the Financial Statements**

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

**Auditors' 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 auditors' 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 ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism 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 Company's internal control.

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

- Conclude on the appropriateness of the directors' 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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.

**Other Matter**

This report is made solely to the Company's members, in accordance with Section 205 of the Mauritius Companies Act. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, for our audit work, for this report, or for the opinions we have formed.

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

**Report on Other Legal and Regulatory Requirements**

*Mauritius Companies Act*

We have no relationship with or interests in the Company other than in our capacity as auditors.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

**Moore Stephens**
Chartered Accountants

**Ashvin Mawven, ACA**
Licensed by FRC

Port Louis, Mauritius

Date: 16 March 2017

# STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| Administrative expenses | | (867) | (1,152) |
| Financial income | 6 | 1,438 | 10,669 |
| Financial expenses | 7 | (73) | (16,705) |
| Foreign exchange gain | | 107 | 293 |
| **Profit/(Loss) before income tax** | 8 | 605 | (6,895) |
| Income tax | 9 | - | 815 |
| **Profit/(Loss) for the year, representing total comprehensive income/(loss) for the year** | | 605 | (6,080) |

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

# STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2016

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 10 | 77 | 95 |
| Other current assets | 11 | 19 | 9 |
| | | 96 | 104 |
| **Non-current assets** | | | |
| Interest in subsidiaries | 12 | 2,040,149 | 2,097,665 |
| Long-term investments | 13 | 333,300 | 323,550 |
| | | 2,373,449 | 2,421,215 |
| **Total Assets** | | 2,373,545 | 2,421,319 |
| **Current liabilities** | | | |
| Accrued operating expenses | | 280 | 275 |
| Other payables | 14 | 5 | 33 |
| Loans and advances from subsidiaries, unsecured | 15 | 30,309 | 31,203 |
| | | 30,594 | 31,511 |
| **Total Liabilities** | | 30,594 | 31,511 |
| **Equity** | | | |
| Issued capital | 16 | 320,939 | 320,939 |
| Share premium | | 1,850,965 | 1,850,965 |
| Treasury shares | 16 | (31,726) | (31,726) |
| Option reserve | | 31,471 | 31,471 |
| Retained earnings | | 171,302 | 218,159 |
| | | 2,342,951 | 2,389,808 |
| **Total Liabilities and Equity** | | 2,373,545 | 2,421,319 |

On behalf of the Board of Directors,

**FRANKY OESMAN WIDJAJA**
Director

**RAFAEL BUHAY CONCEPCION, JR.**
Director

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

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2016

| | Issued Capital US$'000 | Share Premium US$'000 | Treasury Shares US$'000 | Option Reserve US$'000 | Retained Earnings US$'000 | Total US$'000 |
|---|---|---|---|---|---|---|
| **Balance at 1 Jan 2016** | 320,939 | 1,850,965 | (31,726) | 31,471 | 218,159 | 2,389,808 |
| Dividends paid (Note 17) | - | - | - | - | (47,462) | (47,462) |
| Total comprehensive income for the year | - | - | - | - | 605 | 605 |
| **Balance at 31 Dec 2016** | 320,939 | 1,850,965 | (31,726) | 31,471 | 171,302 | 2,342,951 |
| **Balance at 1 Jan 2015** | 320,939 | 1,850,965 | - | 31,469 | 241,172 | 2,444,545 |
| Dividends paid (Note 17) | - | - | - | - | (16,933) | (16,933) |
| Shares buy back and held as treasury shares (Note 16) | - | - | (31,726) | - | - | (31,726) |
| Redemption of convertible bonds | - | - | - | 2 | - | 2 |
| Total comprehensive loss for the year | - | - | - | - | (6,080) | (6,080) |
| **Balance at 31 Dec 2015** | 320,939 | 1,850,965 | (31,726) | 31,471 | 218,159 | 2,389,808 |

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

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

| | Note | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(Loss) before income tax | | 605 | (6,895) |
| | | | |
| Adjustments for: | | | |
| Amortisation of deferred bond charges | | - | 1,250 |
| Interest expense | 7 | 73 | 15,455 |
| Interest income | 6 | (1,438) | (10,669) |
| Operating cash flows before working capital changes | | (760) | (859) |
| Changes in operating assets and liabilities: | | | |
| Accrued operating expenses | | 5 | (26) |
| Other payables | | (28) | (42) |
| Other current assets | | (10) | 43 |
| Cash used in operations | | (793) | (884) |
| Interest paid | | (30) | (9,572) |
| Interest received | | 1,428 | 20 |
| Net cash generated from/(used in) operating activities | | 605 | (10,436) |
| | | | |
| **Cash flows from investing activities** | | | |
| Repayment of loans and advances to subsidiaries | | 57,526 | 488,091 |
| (Investment in)/Proceeds from long-term investments | | (9,750) | 8,950 |
| Net cash generated from investing activities | | 47,776 | 497,041 |
| | | | |
| **Cash flows from financing activities** | | | |
| (Repayment of)/Proceeds from loans and advances from subsidiaries, net | | (937) | 810 |
| Payments of dividends | | (47,462) | (56,583) |
| Payments of shares buy back | | - | (31,726) |
| Payments for redemption and repurchase of bonds | | - | (399,623) |
| Net cash used in financing activities | | (48,399) | (487,122) |
| | | | |
| **Net decrease in cash and cash equivalents** | | (18) | (517) |
| **Cash and cash equivalents at the beginning of the year** | | 95 | 612 |
| **Cash and cash equivalents at the end of the year** | 10 | 77 | 95 |

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

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

**1 General**

Golden Agri-Resources Ltd ("GAR" or the "Company") was incorporated in Mauritius on 15 October 1996 under Section 19 of the Companies Act 1984 as a private company limited by shares and was granted an offshore certificate under Section 16(4) of the Mauritius Offshore Business Activities ("MOBA") Act 1992 on 16 October 1996. On 9 July 1999, the Company was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Companies Act 1984 and the MOBA Act 1992 had been repealed and replaced by the Companies Act 2001 and the Financial Services ("FS") Act 2007 respectively. With effect from 1 December 2001, "offshore companies" are referred to as "Global Business Licence Category 1 ("GBL1") companies".

The registered office of the Company is c/o CIM Corporate Services Ltd, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius. The principal activity of the Company is that of an investment holding company.

The financial statements were authorised for issue by the Board of Directors on 16 March 2017.

**2 New and Revised International Financial Reporting Standards ("IFRSs")**

(a) Adoption of New and Revised IFRSs

The accounting policies adopted are consistent with those of the previous financial year except that in the current year, the Company has adopted all the amendments to IFRSs issued that are relevant to its operations and effective for annual periods beginning on 1 January 2016. The adoption of these amendments to IFRSs has had no material financial impact on the financial performance and financial position of the Company.

(b) New and revised IFRSs issued but not yet effective

As at the date of these financial statements, the following new and revised IFRSs that are relevant to the Company's operations have been issued but are not yet effective:

| Description | Effective for annual periods beginning on or after |
|---|---|
| IFRS 9, *Financial Instruments* | 1 January 2018 |
| IFRS 15, *Revenue from Contracts with Customers* | 1 January 2018 |
| Amendment to IAS 7, *Statement of Cash Flows* | 1 January 2017 |
| Amendment to IAS 12, *Income taxes – Recognition of deferred tax assets for unrealised losses* | 1 January 2017 |

The directors expect the adoption of the new and revised IFRSs above will have no material financial impact on the financial statements in the period of initial application.

**3 Summary of Accounting Policies**

(a) Basis of Preparation

The financial statements, which are expressed in United States dollar, are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of IFRSs.

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may actually differ from these estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement and complexity are disclosed in Note 5 to the financial statements.

(b) Functional and Presentation Currency

The functional and presentation currency of the Company is the United States dollar, the currency of the primary economic environment in which the Company operates. All financial information presented in United States dollar have been rounded to the nearest thousand, unless otherwise stated.

(c) Foreign Currencies

Transactions in a currency other than the functional currency ("foreign currency") are translated into United States dollar at the rates of exchange prevailing at the time the transactions are entered into. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated into United States dollar at exchange rates prevailing at such date. Exchange differences arising from the settlement of foreign currency transactions and from translation of foreign currency denominated monetary assets and liabilities are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates at the date of initial transactions. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the exchange rate at the date that the fair value was determined. Currency translation differences on monetary items are recognised as part of the fair value gain or loss in the profit or loss, except for differences arising from translation of available-for-sale financial assets, which are recognised in other comprehensive income.

(d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised in the profit or loss as follows:

(i) Interest income from time deposits and other financial assets are recognised on a time-proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

(ii) Dividend income from investments is recognised on the date the dividends are declared payable by the investees.

## 3 Summary of Accounting Policies (cont'd)

### (e) Income Tax

Current income tax for current and prior years is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is charged or credited to the profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity. Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority. Tax rates enacted or substantively enacted by the end of each reporting period are used to determine deferred tax.

### (f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and time deposits with maturities of three months or less which are highly liquid assets that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

### (g) Investment in Subsidiaries

Subsidiaries are entities over which the Company has control. The Company controls an entity if and only if it has power over the entity and when it is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect those returns. The Company will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investment in subsidiaries is stated at cost less any accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount. On disposal of such investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

### (h) Financial Instruments and Equity

The Company classifies its non-derivative financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

**3 Summary of Accounting Policies** (cont'd)

(h) Financial Instruments and Equity (cont'd)

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. The Company's loans and receivables comprise non-trade receivables and cash and cash equivalents.

Receivables are measured at initial recognition at fair value which is normally the face value, and are subsequently measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs, and subsequently carried at fair value with gains and losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired at which time the previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to the profit or loss. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. Impairment losses recognised in the profit or loss for investments in equity instruments classified as available-for-sale are not subsequently reversed through the profit or loss.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include other payables, loans and advances from subsidiaries.

Non-trade payables and other payables are stated at face value which is the fair value of the debts. Where the effect of time value of money is material, the liabilities are the present values of the expenditures expected to be required to settle the obligation.

Ordinary shares are classified as equity. Share capital is determined using the par value of shares that have been issued. Share premium includes any excess received on the issuance of shares over the par value, net of any direct issue costs. The share premium amount may be applied only for the purpose specified in the Mauritius Companies Act.

The Company's own ordinary shares, which are re-acquired by the Company and held as treasury shares, are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, re-issuance or cancellation of equity shares. Any difference between the carrying amount of treasury shares and the consideration received, if re-issued, is recognised directly in equity as gain or loss on re-issuance of treasury shares.

(i) Impairment of Non-Financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An asset's recoverable amount is calculated as the higher of the asset's value in use and/or its fair value less cost of disposal.

3 **Summary of Accounting Policies** (cont'd)

(i) Impairment of Non-Financial Assets (cont'd)

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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 (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is land or buildings 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 (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that it does not restate the asset to a carrying amount in excess of what would have been determined (net of depreciation) had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, 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.

(j) Borrowing Costs

Borrowing costs are recognised in the profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other similar cost that incurred in connection with the borrowing of funds.

(k) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved for payment.

(l) Financial Guarantees

The Company has issued corporate guarantees to creditors for trade and banking facilities of its subsidiaries, joint ventures and entities owned by its investees and joint ventures. These guarantees are financial guarantee contracts as they require the Company to reimburse the creditors if the borrowers fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantee contracts are subsequently amortised to the profit or loss over the period of the borrowings, unless the Company has incurred an obligation to reimburse the creditors for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the creditors.

(m) Related Party

A related party is a person or entity that is related to the reporting entity. A person is considered to be related if that person has the ability to control or jointly control the reporting entity, exercise significant influence over the reporting entity in making financial and operating decisions, or is a member of the key management personnel of the reporting entity or its parent. An entity is related to the reporting entity if they are members of the same group, an associate, a joint venture, or provides key management personnel services to the reporting entity or to the parent of the reporting entity. An entity is also considered to be related if it is controlled or jointly controlled by the same person who has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity.

## 4 Financial Risk Management

### (a) Capital Risk Management

The Company manages its capital to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and benefits for other stakeholders through the optimisation of the debts and equity balance. The Company's overall strategy remains unchanged since 2015.

The Company is not subjected to externally imposed capital requirements.

The capital structure of the Company consists of total equity and net debts (which includes loans and advances from subsidiaries, net of cash and cash equivalents).

The debts-to-equity ratio as at 31 December 2016 and 2015 are as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Loans and advances from subsidiaries | 30,309 | 31,203 |
| Less: Cash and cash equivalents | (77) | (95) |
| Net debts | 30,232 | 31,108 |
| Equity | 2,342,951 | 2,389,808 |
| Debts-to-equity ratio (times) | 0.01 | 0.01 |

### (b) Financial Risk Management

The Company's activities exposed it to a variety of financial risks, including the effects of changes in interest rate risk, foreign currency risk, credit risk and liquidity risk arising in the normal course of the Company's business. The Company's risk management strategy seeks to minimise the potential adverse effects from these exposures. The management reviews and agrees policies for managing each of these risks and they are summarised below:

#### (i) Interest Rate Risk

The Company's exposure to interest rate risk arises from its loans and advances to and from subsidiaries. Cash flow interest rate risk is the risk that the future cash flow of borrowings at variable rate will fluctuate because of changes to market interest rates. Fair value interest rate risk is the risk that the fair values of borrowings at fixed rate will fluctuate because of changes to market interest rates. The Company constantly reviews its debt portfolio and monitors the changes in interest rate environment to ensure that interest receipts and payments are within acceptable level. Information relating to the interest rates and terms of repayment of interest-bearing financial assets and liabilities are disclosed in their respective notes to the financial statements.

4 **Financial Risk Management** (cont'd)

(b) Financial Risk Management (cont'd)

(i) Interest Rate Risk (cont'd)

The table below set out the interest rate profile of interest-bearing financial assets and liabilities at carrying amount:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Financial Assets at Variable Rates | | |
| Cash and cash equivalents | 77 | 95 |
| | | |
| Financial Assets at Fixed Rates | | |
| Other financial assets | 23,597 | 106,264 |
| | | |
| Financial Liabilities at Variable Rates | | |
| Other financial liabilities | 7,660 | 7,630 |

(ii) Foreign Currency Risk

The Company's foreign currency exposure arises mainly from the exchange rate movements of the Singapore dollar and the United States dollar which is also the Company's functional currency.

As at the end of the reporting period, substantively all the Company's net monetary assets and liabilities are denominated in United States dollar, hence the Company does not have any significant exposure to foreign currency risk.

(iii) Credit Risk

The Company's policy is to enter into transactions with creditworthy counterparties so as to mitigate any significant credit risk. Bank balances were placed in financial institutions which are regulated and are monitored closely by the Company on an on-going basis.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position, except as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Corporate guarantees provided to financial institutions on trade and banking facilities of subsidiaries: | | |
| - Total facilities | 2,657,367 | 2,201,889 |
| - Total outstanding | 1,879,675 | 1,233,652 |
| | | |
| Corporate guarantees provided to financial institutions on borrowings of joint ventures and entities owned by investees and joint ventures: | | |
| - Total facilities | 584,670 | 610,695 |
| - Total outstanding | 268,070 | 199,100 |

As at the end of the reporting period, the Company does not have any significant concentration of credit risk.

**4 Financial Risk Management** (cont'd)

(b) Financial Risk Management (cont'd)

(iv) Liquidity Risk

To manage liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance its operations and mitigate the effects of fluctuations in cash flows. The Company relies on funds from subsidiaries as a significant source of liquidity.

The table below analyses the maturity profile of the Company's financial guarantees provided to financial institutions on trade and banking facilities that shows the remaining contractual maturities:

| At 31 December 2016 | Less than 1 year US$'000 | 1 to 5 years US$'000 | Over 5 years US$'000 | Total US$'000 |
|---|---|---|---|---|
| Financial guarantee contracts | 1,188,881 | 626,991 | 331,873 | 2,147,745 |
| At 31 December 2015 | | | | |
| Financial guarantee contracts | 936,330 | 318,181 | 178,241 | 1,432,752 |

**5 Critical Accounting Estimate and Assumption**

The Company makes estimates and assumptions concerning the future. Estimates, assumptions and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the preparation of these financial statements, there were no critical accounting estimates and assumptions made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. Set out below is the critical judgement made in applying the Company's accounting policy.

Impairment of Assets
The Company reviews the carrying amounts of the assets as at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount or value in use is estimated. Determining the value in use of long-lived assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Any resulting impairment loss could have a material adverse impact on the Company's financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgement and estimations. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment charges.

For the current financial year, there is no impairment loss recognised in the financial statements.

## 6 Financial Income

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Interest income from: | | |
| - loans to subsidiaries | 1,437 | 10,649 |
| - cash and cash equivalents | 1 | 20 |
| | 1,438 | 10,669 |

## 7 Financial Expenses

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Interest expenses on: | | |
| - loans from subsidiaries | 73 | 48 |
| - convertible bonds | - | 15,407 |
| | 73 | 15,455 |
| Amortisation of deferred bond charges | - | 1,250 |
| | 73 | 16,705 |

## 8 Profit/(Loss) before Income Tax

This is arrived at after charging:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Audit fees paid/payable to auditors | 174 | 174 |
| Non-audit services paid/payable to auditors | 33 | - |
| Advisory fee paid to a related party | - | 74 |
| Staff costs* | 347 | 362 |

* This represents short-term employment benefits paid to key management personnel who are also directors.

Share-based Payment

The Company introduced the GAR Group Restricted Share Plan ("RSP") which was approved by shareholders at the special meeting of the Company held on 24 October 2008. The RSP is intended to align the interests of key management and executives of the Company and its subsidiaries with the interests of shareholders. It is also expected to enhance the Company's competitiveness in motivating and retaining talented key senior management and executives. The plan contemplates the award of fully paid shares of the Company upon meeting prescribed performance target(s) and/or service condition(s). Awards granted will vest upon the satisfactory achievement of pre-determined operational and financial performance target(s).

As at 31 December 2016, no awards have been granted by the Company under the RSP.

## 9 Income Tax

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Deferred income tax | - | 815 |
| Income tax credit | - | 815 |

The reconciliation of the current year income tax and the product of accounting profit/(loss) multiplied by the Mauritius statutory tax rate is as follows:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Profit/(Loss) before income tax | 605 | (6,895) |
| Tax calculated at tax rate of 15% (2015: 15%) | 91 | (1,034) |
| Expenses not deductible for tax purposes | - | 631 |
| Income not subject to tax | (10) | (46) |
| Utilisation of previously unrecognised deferred tax assets | (81) | (366) |
| | - | (815) |

The Company, being a GBL1 company for the purpose of the FS Act 2007 (see Note 1), is taxed in Mauritius at a fixed rate of 15% (2015: 15%). It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% (2015: 80%) of the Mauritius tax on its foreign source income, thereby giving an effective tax rate of 3%. Interest income from any bank under the Banking Act 2004 is exempt from tax and there is no tax on capital gains in Mauritius.

At 31 December 2016, the Company had accumulated tax losses of US$2,166,000 (2015: US$2,708,000) and is therefore not liable to income tax. These unutilised tax losses will expire in 2017 and the deferred tax asset arising from these unutilised tax losses has not been recognised in the financial statements in accordance with the accounting policy in Note 3(e) to the financial statements.

## 10 Cash and Cash Equivalents

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Cash at banks are denominated in: | | |
| - Singapore dollar | 35 | 56 |
| - United States dollar | 42 | 39 |
| | 77 | 95 |

## 11 Other Current Assets

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Prepaid expenses denominated in: | | |
| - United States dollar | 14 | 5 |
| - Singapore dollar | 4 | 3 |
| Deposit denominated in United States dollar | 1 | 1 |
| | 19 | 9 |

## 12 Interest in Subsidiaries

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Investment in unquoted equity shares, at cost | 826,575 | 826,575 |
| Loans and advances to subsidiaries, unsecured | 1,213,574 | 1,271,090 |
| | 2,040,149 | 2,097,665 |

The loans to subsidiaries included US$23,597,000 (2015: US$106,264,000) which bears interest at 3.0% (2015: 3.0%) per annum. The fair value of loans and advances is not determinable as the timing of the future cash flows arising from this amount is not likely to be in the near future and cannot be measured reliably, hence this amount is recognised at transaction price.

The loans and advances to subsidiaries are denominated in the following currencies:

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| United States dollar | 1,212,776 | 1,270,641 |
| Singapore dollar | 757 | 406 |
| Others | 41 | 43 |
| | 1,213,574 | 1,271,090 |

Details of the direct subsidiaries held by the Company are as follows:

| Name of subsidiary/Country of incorporation and Place of business | Principal activities | Percentage of effective interest held by the Company 2016 % | 2015 % | Cost of investment 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|---|---|
| Asia Integrated Agri Resources Limited (a)(i)<br>Bermuda | Investment holding | 100 | 100 | 98,000 | 98,000 |
| Asia Palm Oil Investment Pte. Ltd. (a)(i)<br>Singapore | Investment holding | 100 | 100 | -* | -* |
| Blue Sky Golden Energy Ltd<br>Mauritius | Investment holding | 100 | 100 | -* | -* |
| Easton Capital Resources Pte. Ltd. (a)(i)<br>Singapore | Investment holding and treasury management | 100 | 100 | -* | -* |
| Golden Agri Capital Pte. Ltd. (a)(i)<br>Singapore | Investment holding and treasury management | 100 | 100 | -* | -* |
| Golden Agri International Finance Ltd<br>Mauritius | Treasury management | 100 | 100 | -* | -* |
| Golden Agri International Finance (2) Ltd (a)(ii)<br>British Virgin Islands | Treasury management | 100 | 100 | -* | -* |

**12 Interest in Subsidiaries** (cont'd)

Details of the direct subsidiaries held by the Company are as follows:

| Name of subsidiary/Country of incorporation and Place of business | Principal activities | Percentage of effective interest held by the Company 2016 % | 2015 % | Cost of investment 2016 US$'000 | 2015 US$'000 |
|---|---|---|---|---|---|
| Golden Agri International (Mauritius) Ltd<br>Mauritius | Investment holding and business and management consultancy services | 100 | 100 | -* | -* |
| Golden Agri International Pte Ltd (a)(i)<br>Singapore | Trading in crude palm oil and related products | 100 | 100 | 14,614 | 14,614 |
| Golden Agri International Trading Ltd (a)(i)<br>Malaysia | Trading in crude palm oil and related products | 100 | 100 | -* | -* |
| Golden Agri Investment (S) Pte. Ltd. (a)(i)<br>Singapore | Investment holding | 100 | 100 | -* | -* |
| Golden Agri (Labuan) Ltd (a)(i)<br>Malaysia | Trading in crude palm oil and related products and treasury management | 100 | 100 | -* | -* |
| Golden Asset Capital Investment Pte. Ltd. (a)(i)<br>Singapore | Investment holding | 100 | 100 | -* | -* |
| Golden Assets International Finance Limited (a)(i)<br>British Virgin Islands | Treasury management | 100 | 100 | 1 | 1 |
| Golden Assets International Investment Pte. Ltd. (a)(i)<br>Singapore | Treasury management and business and management consultancy services | 100 | 100 | -* | -* |
| Golden Capital Resources (S) Pte. Ltd. (a)(i)<br>Singapore | Investment holding and treasury management | 100 | 100 | -* | -* |
| Golden Funds & Investment Management Pte. Ltd. (a)(i)<br>Singapore | Investment holding and treasury management | 100 | 100 | -* | -* |
| Golden Logistics International Limited (a)(iii)<br>Hong Kong | Investment holding | 100 | 100 | -* | -* |

## 12 Interest in Subsidiaries (cont'd)

| Name of subsidiary/Country of incorporation and Place of business | Principal activities | Percentage of effective interest held by the Company 2016 | 2015 | Cost of investment 2016 | 2015 |
|---|---|---|---|---|---|
| | | % | % | US$'000 | US$'000 |
| Golden Oleo Pte. Ltd. (a)(i) Singapore | Investment holding | 100 | 100 | -* | -* |
| Madascar Investment Ltd Mauritius | Investment holding | 100 | 100 | 67,600 | 67,600 |
| PT Purimas Sasmita (a)(i),(b) Indonesia | Investment holding, building management services, business and management consultancy and trading | 100 | 100 | 646,360 | 646,360 |
| Sinarmas Food Pte. Ltd. (a)(iv) Singapore | Investment holding | 100 | 100 | -* | -* |
| | | | | 826,575 | 826,575 |

* Cost of investment is less than US$1,000.

Notes:

(a) The above subsidiaries are audited by Moore Stephens, Mauritius except for subsidiaries that are indicated below:

(i) Audited by member firms of Moore Stephens International Limited of which Moore Stephens, Mauritius is a member.
(ii) No statutory audit required by law in its country of incorporation.
(iii) Audited by other firm of accountants, TCL & Company, Certified Public Accountants (Practising).
(iv) Statutory audit is not required as the subsidiary is inactive.

(b) 86.04% of the share capital in PT Purimas Sasmita is directly held by the Company and the remaining 13.96% of the share capital is held by Silverand Holdings Ltd.

## 13 Long-Term Investments

| | 2016 | 2015 |
|---|---|---|
| | US$'000 | US$'000 |
| Available-for-sale financial asset: | | |
| - Unquoted fund at cost, denominated in United States dollars | 333,300 | 323,550 |

## 14 Other Payables

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Payable to third parties | 5 | 5 |
| Payable to a related party | - | 28 |
| Total other payables denominated in Singapore dollar | 5 | 33 |

As at 31 December 2015, the above non-trade payable to a related party was unsecured, interest-free and repayable on demand.

As at 31 December 2016 and 2015, the carrying amounts of the above payables approximate their fair values due to the relatively short-term maturity of these balances.

## 15 Loans and Advances from Subsidiaries, Unsecured

The unsecured loans and advances from subsidiaries, denominated in United States dollar, included US$7,660,000 (2015: US$7,630,000) which bears interest at rate ranging from 0.7% to 1.1% (2015: 0.5% to 0.7%) per annum and are repayable on demand. The carrying amounts of these loans approximate their fair values due to the relatively short-term maturity of these balances.

## 16 Issued Capital and Treasury Shares

| | No. of ordinary shares | | Amount | |
|---|---|---|---|---|
| | Issued capital | Treasury shares | Issued capital<br>US$'000 | Treasury shares<br>US$'000 |
| Issued and fully paid: | | | | |
| Balance at 1 January 2015 | 12,837,548,556 | - | 320,939 | - |
| Treasury shares purchased | - | (102,792,400) | - | (31,726) |
| Balance at 31 December 2015 and 2016 | 12,837,548,556 | (102,792,400) | 320,939 | (31,726) |

During the financial year 2015, the Company acquired 102,792,400 of its own shares in the open market. The total amount paid to acquire the shares of US$31,726,000 was presented as a component within shareholders' equity.

The holders of ordinary shares, except for treasury shares, are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. All shares, except for treasury shares rank equally with regards to the Company's residual assets.

## 17 Dividends

| | 2016<br>US$'000 | 2015<br>US$'000 |
|---|---|---|
| Final dividend paid in respect of 2015 of S$0.00502 (2014: S$0.00177) per share | 47,462 | 16,933 |

At the Annual Meeting to be held on 25 April 2017, a final dividend (tax not applicable) of S$0.00635 per share, amounting to S$80,865,701.59 (equivalent to approximately US$55,885,000) will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained earnings for the financial year ending 31 December 2017.

# SHAREHOLDING STATISTICS

AS AT 9 MARCH 2017

| | | |
|---|---|---|
| STATED CAPITAL | : | US$2,140,178,246.55 |
| NUMBER OF SHARES ISSUED (EXCLUDING TREASURY SHARES) | : | 12,734,756,156 |
| NUMBER/PERCENTAGE OF TREASURY SHARES | : | 102,792,400 / 0.81% |
| CLASS OF SHARES | : | Ordinary shares of US$0.025 each |
| VOTING RIGHTS | : | One vote per share. The Company cannot exercise any voting rights in respect of shares held by it as treasury shares. |

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 – 99 | 640 | 1.58 | 28,806 | 0.00 |
| 100 – 1,000 | 3,663 | 9.02 | 1,975,161 | 0.02 |
| 1,001 – 10,000 | 16,254 | 40.02 | 99,572,433 | 0.78 |
| 10,001 – 1,000,000 | 19,938 | 49.10 | 1,099,052,590 | 8.63 |
| 1,000,001 & ABOVE | 114 | 0.28 | 11,534,127,166 | 90.57 |
| **Total** | 40,609 | 100.00 | 12,734,756,156 | 100.00 |

**TWENTY LARGEST SHAREHOLDERS**

| Name of Shareholders | No. of Shares | % |
|---|---|---|
| MASSINGHAM INTERNATIONAL LTD | 3,430,917,155 | 26.94 |
| DBS NOMINEES PTE LTD | 1,958,227,459 | 15.38 |
| RAFFLES NOMINEES (PTE) LTD | 1,359,289,950 | 10.67 |
| UOB KAY HIAN PTE LTD | 1,285,268,714 | 10.09 |
| CITIBANK NOMINEES SINGAPORE PTE LTD | 1,083,815,725 | 8.51 |
| HSBC (SINGAPORE) NOMINEES PTE LTD | 501,611,820 | 3.94 |
| UNITED OVERSEAS BANK NOMINEES PTE LTD | 301,201,732 | 2.37 |
| DBSN SERVICES PTE LTD | 285,113,860 | 2.24 |
| FLAMBO INTERNATIONAL LTD | 116,130,662 | 0.91 |
| DB NOMINEES (S) PTE LTD | 79,565,008 | 0.63 |
| BNP PARIBAS SECURITIES SERVICES SINGAPORE | 73,864,938 | 0.58 |
| OCBC SECURITIES PRIVATE LTD | 33,332,898 | 0.26 |
| DBS VICKERS SECURITIES (S) PTE LTD | 32,428,747 | 0.25 |
| PHILLIP SECURITIES PTE LTD | 28,094,733 | 0.22 |
| MAYBANK KIM ENG SECURITIES PTE LTD | 22,541,954 | 0.18 |
| BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 18,080,756 | 0.14 |
| CIMB SECURITIES (SINGAPORE) PTE LTD | 15,747,045 | 0.12 |
| MORGAN STANLEY ASIA (S) SECURITIES PTE LTD | 15,375,516 | 0.12 |
| CILIANDRA FANGIONO OR FANG ZHIXIANG | 11,700,000 | 0.09 |
| OCBC NOMINEES SINGAPORE PTE LTD | 9,562,000 | 0.08 |
| TOTAL | 10,661,870,672 | 83.72 |

## SUBSTANTIAL SHAREHOLDERS

| | No. of Shares in which they have an Interest | | | | |
|---|---|---|---|---|---|
| Name | Direct Interest | Percentage % [1] | Deemed Interest | Percentage % [1] | Total Percentage (Direct and Deemed Interest) % [1] |
| MASSINGHAM INTERNATIONAL LTD ("MIL") | 4,686,067,235 | 36.80 | – | – | 36.80 |
| GOLDEN MOMENT LIMITED ("Golden Moment") | 1,250,000,000 | 9.81 | – | – | 9.81 |
| FLAMBO INTERNATIONAL LIMITED ("Flambo")[2] | 476,130,662 | 3.74 | 5,936,067,235 | 46.61 | 50.35 |
| THE WIDJAJA FAMILY MASTER TRUST(2) ("WFMT(2)")[3] | – | – | 6,412,197,897 | 50.35 | 50.35 |
| SILCHESTER INTERNATIONAL INVESTORS LLP ("SII")[4] | – | – | 1,397,270,000 | 10.97 | 10.97 |

**Notes:**

1 Percentage is calculated based on 12,734,756,156 issued shares (excluding treasury shares).

2 The deemed interest of Flambo arises from its interest in 4,686,067,235 shares and 1,250,000,000 shares held by its wholly-owned subsidiaries, MIL and Golden Moment respectively in the Company.

3 The deemed interest of WFMT(2) arises from its interest in 4,686,067,235 shares held by MIL, 1,250,000,000 shares held by Golden Moment and 476,130,662 shares held by Flambo in the Company.

4 The deemed interest of SII, based on the last notification to the Company on 2 February 2017, arises from its acting as the fully discretionary investment manager for a number of commingled funds.

Based on the information available to the Company as at 9 March 2017, approximately 38.64%[1] of the issued shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

# NOTICE OF ANNUAL MEETING

**NOTICE IS HEREBY GIVEN** that an Annual Meeting of Golden Agri-Resources Ltd (the **"Company"**) will be held on **Tuesday, 25 April 2017 at 9.00 a.m.** at PARKROYAL on Beach Road, Grand Ballroom, Level 1, 7500 Beach Road, Singapore 199591 to transact the following business:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon. **(Resolution 1)**

2. To declare a final dividend of S$0.00635 per ordinary share for the year ended 31 December 2016. **(Resolution 2)**

3. To approve Directors' Fees of S$357,816 for the year ended 31 December 2016. (FY2015: S$345,898) **(Resolution 3)**

4. Retirement and/or re-election of Directors by rotation {*please see note 1*}.

   To re-elect Mr. Lew Syn Pau {*please see note 2*}, retiring by rotation pursuant to Article 90 of the Constitution of the Company. **(Resolution 4)**

5. To re-appoint Moore Stephens LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

**AS SPECIAL BUSINESS**

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

**<u>Renewal of Share Issue Mandate</u>**

6A. "That pursuant to The Companies Act 2001 of Mauritius and the Listing Rules of the Singapore Exchange Securities Trading Limited, the Directors of the Company be and are hereby authorised to allot and issue (including the allotment and issue of shares and convertible securities pursuant to offers, agreements or options made or granted by the Company while this authority remains in force) or otherwise dispose of shares in the Company (including making and granting offers, agreements and options which would or which might require shares and convertible securities to be allotted, issued or otherwise disposed of) at any time, whether during the continuance of such authority or thereafter, to such persons, upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit without first offering such shares and convertible securities to the members of the Company provided that the aggregate number of shares and convertible securities to be issued pursuant to this Resolution shall not exceed fifty percent (50%) of the issued share capital of the Company (excluding treasury shares) at the date of this Resolution, and provided further that where members of the Company with registered addresses in Singapore are not given an opportunity to participate in the same on a pro–rata basis, then the shares and convertible securities to be issued under such circumstances shall not exceed twenty percent (20%) of the issued share capital of the Company (excluding treasury shares) at the date of this Resolution."
*{please see note 3}* **(Resolution 6)**

**<u>Renewal of Share Purchase Mandate</u>**

6B. "(a) That for the purposes of The Companies Act 2001 of Mauritius, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares (**"Shares"**) in the issued share capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a **"Market Purchase"**) on the Singapore Exchange Securities Trading Limited (**"SGX-ST"**); and/or

(ii) off-market purchases (each an **"Off-Market Purchase"**) effected in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act, Chapter 50 of Singapore,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the **"Share Purchase Mandate"**);

(b) That unless varied or revoked by the Company in members meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual Meeting of the Company is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of Shares, pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority in the Share Purchase Mandate is varied or revoked;

(c) That in this Resolution:

**"Prescribed Limit"** means ten percent (10%) of the issued ordinary share capital of the Company (excluding treasury shares) as at the date of the passing of this Resolution; 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 a Market Purchase: | 105% of the Average Closing Price |
| (ii) | in the case of an Off-Market Purchase: | 120% of the Highest Last Dealt Price |

where:

**"Average Closing Price"** means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant 5-day period;

**"Highest Last Dealt Price"** means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

**"day of the making of the offer"** means the day on which the Company announces its intention to make an offer for the purchase of Shares from shareholders stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution." *{please see note 4}* **(Resolution 7)**

**<u>Renewal of Interested Person Transactions Mandate</u>**

6C. "(a) That pursuant to Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Company, its subsidiaries and associated companies that are not listed on the Singapore Exchange Securities Trading Limited or an approved exchange, provided that the Company and its subsidiaries (the **"Group"**), or the Group and its interested person(s), has control over the associated companies, or any of them to enter into any of the transactions falling within the types of Interested Person Transactions, particulars of which are set out in Appendix 2 to this Notice of Annual Meeting *{please see note 5}*, with any party who is of the class of Interested Persons described in the said Appendix 2, provided that such transactions are carried out in the ordinary course of business and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the said Appendix 2 (the **"IPT Mandate"**);

(b) That the IPT Mandate shall, unless revoked or varied by the Company in members meeting, continue in force until the next Annual Meeting of the Company; and

(c) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution." *{please see note 5A}* **(Resolution 8)**

By Order of the Board

Rafael Buhay Concepcion, Jr.
Director
4 April 2017
Singapore

**Notes:**

A member entitled to attend and vote at the Annual Meeting is entitled to appoint no more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company. Proxies must be lodged at the mailing address of the Company at 108 Pasir Panjang Road #06-00, Golden Agri Plaza, Singapore 118535 not later than 48 hours before the Annual Meeting.

**Additional Notes relating to the Notice of Annual Meeting:**

1. This year, the 2 Directors retiring from office by rotation at the Annual Meeting ("2017 Annual Meeting") pursuant to Article 90 of the Constitution of the Company are Mr. Lew Syn Pau and Mr. Jacques Desire Laval Elliah. Mr. Jacques Desire Laval Elliah will not be seeking re-election as a Director at the 2017 Annual Meeting. Accordingly, pursuant to Article 92 of the Constitution, Mr Elliah shall retire as a Director at the conclusion of the 2017 Annual Meeting.

   At the conclusion of the 2017 Annual Meeting, pursuant to Section 138 of the Companies Act 2001 of Mauritius, the office of Director held by Mr. Hong Pian Tee shall become vacant. Mr. Hong will not be seeking re-appointment as a Director at the 2017 Annual Meeting. Accordingly, he shall retire as a Director and cease to hold all appointments presently held by him in all Board Committees at the conclusion of the 2017 Annual Meeting.

2. Mr. Lew Syn Pau, being eligible, has offered himself for re-election at the 2017 Annual Meeting. If re-elected, Mr. Lew will continue to serve as a member of the Audit Committee. Mr. Lew is considered to be independent. Please refer to sections on Board of Directors and Corporate Governance Report in the Annual Report 2016 for further information on Mr. Lew Syn Pau.

3. The Ordinary Resolution 6 proposed in item 6A above, if passed, is to empower the Directors to issue shares and convertible securities in the capital of the Company not exceeding fifty percent (50%) of the issued capital of the Company (excluding treasury shares) at the time this Resolution is passed. For issue of shares and convertible securities other than on a pro-rata basis to shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty percent (20%) of the issued capital of the Company (excluding treasury shares).

   The percentage of issued capital is based on the Company's issued capital (excluding treasury shares) after adjusting for (a) new shares arising from the conversion or exercise of convertible securities or any employee share options on issue or vesting of share awards outstanding or subsisting at the time this Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of shares.

4. The Ordinary Resolution 7 proposed in item 6B above, if passed, is to renew for another year, up to the next Annual Meeting of the Company, the mandate for share purchase as described in Appendix 1 to this Notice of Annual Meeting, which will, unless previously revoked or varied by the Company at members meeting, expire at the next Annual Meeting.

5. The mandate for transactions with Interested Persons as described in Appendix 2 to this Notice of Annual Meeting includes the placement of deposits by the Company with financial institutions in which Interested Persons have an interest.

5A. The Ordinary Resolution 8 proposed in item 6C above, if passed, is to renew for another year, up to the next Annual Meeting of the Company, the mandate for transactions with Interested Persons as described in Appendix 2 to this Notice of Annual Meeting, which will, unless previously revoked or varied by the Company at members meeting, expire at the next Annual Meeting.

**Personal data privacy:**

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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**IMPORTANT**

1. For investors who have used their CPF monies to buy shares of Golden Agri-Resources Ltd, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

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**GOLDEN AGRI-RESOURCES LTD**

(Incorporated in the Republic of Mauritius)

## ANNUAL MEETING PROXY FORM

I/We, ______________________________________________________________ (Name)

_______________________________________________(NRIC/Passport/Company Registration Number)

of______________________________________________________________ (Address)

being a member/members of Golden Agri-Resources Ltd (the **"Company"**) hereby appoint:

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

and/or (delete as appropriate):

| | | | | |
|---|---|---|---|---|
| | | | | |

or failing him/her/them, the Chairman of the Annual Meeting of the Company (the "**AM**") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AM to be held on **Tuesday, 25 April 2017 at 9.00 a.m.** at PARKROYAL on Beach Road, Grand Ballroom, Level 1, 7500 Beach Road, Singapore 199591 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions as set out in the Notice of AM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her/their discretion, as he/she/they may on any other matter arising at the AM.

**Note: The Chairman of the AM will be exercising his right under Article 60(a) of the Constitution of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the AM and at any adjournment thereof. Accordingly, each resolution at the AM will be voted on by way of poll.**

| No. | Resolutions | *No. of votes "For" | *No. of votes "Against" |
|---|---|---|---|
| | **ORDINARY BUSINESS** | | |
| 1 | Adoption of Reports and Audited Financial Statements | | |
| 2 | Declaration of Final Dividend | | |
| 3 | Approval of Directors' Fees for the year ended 31 December 2016 | | |
| 4 | Re-election of Mr. Lew Syn Pau | | |
| 5 | Re-appointment of Auditors | | |
| | **SPECIAL BUSINESS** | | |
| 6 | Renewal of Share Issue Mandate | | |
| 7 | Renewal of Share Purchase Mandate | | |
| 8 | Renewal of Interested Person Transactions Mandate | | |

* If you wish to exercise all your votes "For" or "Against" the relevant resolution, please indicate "X" within the relevant box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of votes as appropriate in the boxes provided.

Dated this _______ day of _________________ 2017.

| **Total Number of Shares held in:** | |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

_________________________________

Signature(s) or Common Seal of Member(s)

**IMPORTANT: PLEASE READ NOTES ON THE REVERSE**

Fold along this line. Glue and seal firmly.

3rd fold and glue all side firmly. Stapling & spot sealing is disallowed.

**ANNUAL MEETING**
**PROXY FORM**

Affix
Stamp
Here

**The Company Secretary**
**GOLDEN AGRI-RESOURCES LTD**
c/o 108 Pasir Panjang Road
#06-00 Golden Agri Plaza
Singapore 118535

3rd fold and glue all side firmly. Stapling & spot sealing is disallowed.

Fold along this line

**Notes**:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in the Constitution of the Company), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the mailing address of the Company at 108 Pasir Panjang Road #06-00, Golden Agri Plaza, Singapore 118535 not less than 48 hours before the time set for the AM.

4. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding to be represented by each proxy.

5. 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 under its common seal or under the hand of its officer or attorney duly authorised.

6. Where the instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

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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 AM.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy 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 fixed for holding the AM, as certified by The Central Depository (Pte) Limited to the Company.

**Personal data privacy:-**

By submitting a proxy form appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AM dated 4 April 2017.

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**Golden Agri-Resources Ltd**

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