

Financial Statements

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Financial Review

CAPITAL STRUCTURE

Our efficient capital structure continues to support our business operations and maximise returns to shareholders while preserving the strength of our balance sheet. As at 31 December 2017, shareholders' funds increased by US\$1.5 billion to US\$16.0 billion while net loans and borrowings (net of cash, bank deposits and other deposits with financial institutions) increased by US\$903.9 million to US\$12.6 billion. This led to an overall improvement in net debt to equity ratio to 0.79x as at 31 December 2017 (31 December 2016: 0.81x).

During the year, we continued to generate positive cash flows from operating activities. Similar with previous years, our investments in property, plant and equipment were largely funded through cash flows generated from operations while working capital requirements and investments in subsidiaries, joint ventures and associates were predominately funded through loans and borrowings. We also continued with our expansion plans during the year and recorded higher capital expenditures (including advances paid) at US\$937.9 million in FY2017.

Given the nature of our business, the level of financing for our working capital requirements fluctuates in accordance with prices of agricultural commodities and business volume. As such, a significant proportion of our borrowings was used for working capital financing. Our working capital comprised very liquid or near cash assets like inventories and trade receivables. Inventories are primarily agricultural commodities with a ready market, while trade receivables have short turnover period and are substantially supported by documentary credit. Hence, after adjusting the net debt level for liquid working capital, our net debt to equity ratio would be much lower at 0.26x.

As at 31 December	2017	2016
	US\$ million	US\$ million
Shareholders' funds	15,963.6	14,434.5
Net loans and borrowings	12,596.1	11,692.2
Net debt to equity	0.79x	0.81x
Liquid working capital:		
Inventories (excluding consumables)	7,830.3	6,653.6
Trade receivables	4,101.1	4,087.1
Less: Current liabilities (excluding loans and borrowings)	(3,556.8)	(4,034.1)
	8,374.6	6,706.6
Net loans and borrowings (excluding liquid working capital)	4,221.5	4,985.6
Adjusted net debt to equity	0.26x	0.35x

CAPITAL MANAGEMENT AND TREASURY POLICIES

Net Debt

Our total net debt of US\$12.6 billion comprised:

As at 31 December	2017	2016
	US\$ million	US\$ million
Short term loans and borrowings	16,130.3	12,689.0
Long-term loans and borrowings	3,696.2	4,331.3
	19,826.5	17,020.3
Cash and bank balances	2,957.4	3,906.8
Other deposits with financial institutions	4,273.0	1,421.3
	7,230.4	5,328.1
Net loans and borrowings	12,596.1	11,692.2

In FY2017, our net debt increased by US\$903.9 million to US\$12.6 billion, reflecting our higher working capital requirements. More than 84% of short-term loans and borrowings were trade financing lines with minimal refinancing risks as they were backed by trade flows and were self-liquidating. Long-term loans and borrowings comprised of committed loans, due from 2019 onwards. Our loans and borrowings were predominantly on floating rates.

Majority of our loans and borrowings were denominated in United States Dollar (US\$) while the balance represented borrowings in the local currencies of the countries where our subsidiaries operate in. This mainly comprised Chinese Renminbi (RMB), Indonesian Rupiah (IDR), Euro (EUR) and Australian Dollars (AUD) denominated loans and borrowings.

Financial risk management

We operate in several countries and are exposed to a variety of financial risks including credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk and market price risk. Risk management is discussed in greater detail under “Risk Management” and “Notes to the Financial Statements” sections, and has been summarised as follows:

- **Credit risk.** Majority of our export sales require documentary credits from customers. Our domestic sales are executed on cash terms or where appropriate, credit terms are granted. We conduct thorough credit assessments before granting credit terms and limits to our customers, who are then monitored closely for adherence. The terms and limits are reviewed periodically and revised where necessary, taking into account customers’ credit worthiness and market conditions.
- **Liquidity risk.** We maintain sufficient liquidity by monitoring our cash flow closely and maintaining sufficient credit facilities, including the use of trade financing for our raw material purchases. We also aim to maintain flexibility in funding by having available credit facilities with different banks in various countries.
- **Interest rate risk.** We have minimal exposure to interest rate risk as most of our loans and borrowings are short-term and trade related, with interest cost typically priced into our products and passed on to customers. For long-term borrowings, we may use financial instruments such as interest rate swaps to hedge or minimise the interest rate risk.
- **Foreign currency risk.** Currency risk arises as entities in the Group regularly transact or borrow in currencies other than their respective functional currencies, including US\$, RMB, IDR, MYR and AUD. We seek to manage our currency risk by constructing natural hedges where it matches sales and purchases in the same currency or through financial instruments, such as foreign currency forward contracts. We are also exposed to currency translation risk arising from our net investments in foreign operations, which are not hedged as these currency positions are considered long-term in nature and the benefits are lower than the cost of hedging.

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- **Commodity price risk.** The prices of agricultural commodities can be very volatile, exposing us to commodity price risk as our sale and purchase commitments do not usually match at the end of each business day. We use forward physical and/or derivative contracts to mitigate such risk.
- **Market price risk.** Market price risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices (other than commodity price, interest or exchange rates). We are exposed to equity price risk arising from our investment in quoted equity instruments. These instruments are classified as held for trading or available-for-sale financial assets.

CASH FLOW, FUNDING AND LIQUIDITY

Cash flow

Net cash flows generated from operating activities in FY2017 decreased to US\$386.4 million as a result of higher working capital requirements. This was brought about by the timing of trade purchases and higher level of stockholdings at the end of the current year. Nevertheless, overall cash flows increased by US\$367.5 million largely due to increase in net cash flows generated from financing activities. In line with the increase in working capital requirements, our proceeds from loans and borrowings had also increased during the year.

As at 31 December	FY2017	FY2016
	US\$ million	US\$ million
Total cash and bank balances	2,957.4	3,906.8
Less: Fixed deposits pledged for bank facilities	(809.1)	(1,122.2)
Less: Other deposits with more than 3 months maturity	(693.6)	(1,599.7)
Less: Bank overdrafts	(19.5)	(117.2)
Cash and cash equivalents	1,435.2	1,067.7
Net cash flows generated from operating activities	386.4	1,123.5
Net cash flows used in investing activities	(936.6)	(810.6)
Net cash flows generated from/(used in) financing activities	917.7	(271.6)
Net increase in cash held	367.5	41.3
Turnover days:		
Inventories	66	64
Trade receivables	33	33
Trade payables	12	13

Note: Turnover days are calculated by averaging the monthly turnover days. Monthly turnover days are computed using revenue and cost of sales for the month.

Other major applications and source of funds in FY2017 were as follows:

- US\$937.9 million was used to fund our capital expenditure for plantations development, property, plant and equipment (FY2016: US\$777.4 million). Major additions of property, plant and equipment during the year included refineries, grains and flour milling plants in China, Indonesia and Myanmar, as well as the construction of new vessels.
- US\$917.7 million was generated from financing activities, mainly from proceeds from loans and borrowings of US\$3.2 billion, which was in line with our increased working capital requirements. Our deposits with maturity more than 3 months also decreased by US\$906.1 million, thereby generating higher cash inflows. This was being partially offset by an increase in other financial receivables of US\$2.8 billion.

Cash and cash equivalents were held in US\$ and the local currencies of the respective countries where we operate in, most notably in RMB.

Funding and liquidity

As at 31 December 2017, total short-term debt stood at US\$16.1 billion. Our liquid assets consisting cash, bank and structured deposits, marketable securities, receivables and inventories amounted to US\$16.0 billion. This included cash and cash equivalents which was at US\$1.4 billion. In addition, we have committed undrawn credit facilities of US\$1.6 billion and approximately US\$12.3 billion of uncommitted trade financing and short-term loan facilities available. Therefore, we do not foresee any problem in meeting our maturing short-term debt obligations.

Our capital expenditure for FY2018 is expected to be met mainly by internal resources.

Operationally, assuming no major movements in the prices of agricultural commodities, our funding requirements coincide with the seasonality of sales. Our seasonal peak sales period is typically in the third quarter each year. The additional funding requirements for this quarter would be met by our healthy liquidity position.

Our covenants with lenders are not restrictive on our ability to utilise additional credit facilities.

SHAREHOLDERS' RETURNS AND SHARE BUY-BACKS

For FY2017, our Board of Directors has proposed a final dividend of 7.0 Singapore cents per share. Together with the interim dividend of 3.0 Singapore cents per share paid on 30 August 2017, total dividend for FY2017 will amount to 10.0 Singapore cents per share (FY2016: 6.5 Singapore cents per share). This will result in a dividend payout ratio of approximately 39% of net profit (FY2016: 31% of net profit).

We have been declaring dividends at our half-year and year-end periods to our shareholders. In considering the level of dividend payments, our Board takes into account various factors including but not limited to the projected levels of capital expenditure and other investment plans; as well as our working capital requirements and general financing condition. The dividend declared in FY2017 will be our highest dividend declared to date.

Currently, we have a share buy-back mandate which will be expiring on 25 April 2018, being the date of the forthcoming Annual General Meeting. Shareholders' approval for the proposed renewal of the mandate will be sought at an Extraordinary General Meeting on the same date. Share purchases would be made only when it is in the best interests of the Company and in appropriate circumstances which will not materially and adversely affect the liquidity and orderly trading of the Company's shares, including the working capital requirements and gearing level of the Group.

During the year, the Company also re-issued approximately 8.8 million treasury shares pursuant to the employee share option plans.

Financial Review

ACCOUNTING POLICIES

Our financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS). The preparation of financial statements requires management to exercise judgements and use estimates and assumptions. Significant accounting judgements, estimates and assumptions, which are discussed in greater detail under “Notes to the Financial Statements”, include:

- Assessment for impairment of goodwill and brands which requires an estimate of the expected future cash flows from cash-generating units and a suitable discount rate for present value calculation.
- Depreciation of property, plant and equipment and bearer plants which is based on management’s estimates of the assets’ useful lives. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets. Therefore, future depreciation charges could be revised.
- Provision for income taxes and deferred taxes involves significant judgement as there are transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Directors' Statement

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Wilmar International Limited (the "Company" or "Wilmar") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2017.

OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

KUOK Khoon Hong

PUA Seck Guan

Martua SITORUS

KUOK Khoon Ean

KUOK Khoon Hua

Juan Ricardo LUCIANO

YEO Teng Yang

TAY Kah Chye

KWAH Thiam Hock

Kishore MAHBUBANI

LIM Siong Guan (appointed on 1 January 2018)

Weijian SHAN (appointed on 1 January 2018)

Raymond Guy YOUNG is alternate to Juan Ricardo LUCIANO (appointed on 3 November 2017)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' Statement

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and its related corporations (other than wholly-owned subsidiaries) as stated below:

Name of Director	Direct Interest			Deemed Interest		
	As at 1.1.17	As at 31.12.17	As at 21.1.18	As at 1.1.17	As at 31.12.17	As at 21.1.18
Company						
<i>Wilmar International Limited</i>						
<i>(Ordinary Shares)</i>						
Kuok Khoon Hong	500,000	500,000	500,000	766,101,168	771,101,168	771,101,168
Pua Seck Guan	–	–	–	200,000	200,000	200,000
Martua Sitorus	4,988,000	4,988,000	4,988,000	244,321,242	110,321,242	110,321,242
Kuok Khoon Ean	–	–	–	33,467,479	33,567,479	33,567,479
Kuok Khoon Hua	133,000	233,000	233,000	33,070,221	33,070,221	33,070,221
George Yong-Boon Yeo*	–	400,000	–	210,000	210,000	–
Yeo Teng Yang	100,000	100,000	100,000	–	–	–
Tay Kah Chye	100,000	100,000	100,000	–	–	–
Kwah Thiam Hock	100,000	100,000	100,000	–	–	–
Kishore Mahbubani	–	–	–	10,000	10,000	10,000

*Mr George Yong-Boon Yeo resigned as a Director of the Company on 31 December 2017.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

Name of Director	Direct Interest			Deemed Interest		
	As at 1.1.17	As at 31.12.17	As at 21.1.18	As at 1.1.17	As at 31.12.17	As at 21.1.18

Wilmar International Limited

(Share options granted at an exercise price of \$3.63 per share have expired on 13 July 2017)

Kuok Khoon Hong	1,000,000	—	—	—	—	—
Martua Sitorus	800,000	—	—	—	—	—
Kuok Khoon Ean	200,000	—	—	—	—	—
Yeo Teng Yang	250,000	—	—	—	—	—
Tay Kah Chye	200,000	—	—	—	—	—
Kwah Thiam Hock	200,000	—	—	—	—	—

(Share options exercisable at S\$3.44 per share)

Kuok Khoon Hong	1,500,000	1,500,000	1,500,000	—	—	—
Martua Sitorus	1,000,000	1,000,000	1,000,000	—	—	—
Kuok Khoon Ean	400,000	400,000	400,000	—	—	—
Juan Ricardo Luciano	400,000	400,000	400,000	—	—	—
Yeo Teng Yang	500,000	500,000	500,000	—	—	—
Tay Kah Chye	400,000	400,000	400,000	—	—	—
Kwah Thiam Hock	400,000	400,000	400,000	—	—	—

(Share options exercisable at S\$3.05 per share)

Kuok Khoon Hong	1,500,000	1,500,000	1,500,000	—	—	—
Martua Sitorus	1,000,000	1,000,000	1,000,000	—	—	—
Kuok Khoon Ean	400,000	400,000	400,000	—	—	—
Juan Ricardo Luciano	400,000	400,000	400,000	—	—	—
George Yong-Boon Yeo*	400,000	—	—	—	—	—
Yeo Teng Yang	500,000	500,000	500,000	—	—	—
Tay Kah Chye	400,000	400,000	400,000	—	—	—
Kwah Thiam Hock	400,000	400,000	400,000	—	—	—

(Share options exercisable at S\$3.04 per share)

Kuok Khoon Hong	—	1,500,000	1,500,000	—	—	—
Pua Seck Guan	—	1,000,000	1,000,000	—	—	—
Martua Sitorus	—	500,000	500,000	—	—	—
Kuok Khoon Ean	—	500,000	500,000	—	—	—
Kuok Khoon Hua	—	500,000	500,000	—	—	—
Juan Ricardo Luciano	—	500,000	500,000	—	—	—
George Yong-Boon Yeo*	—	500,000	—	—	—	—
Yeo Teng Yang	—	600,000	600,000	—	—	—
Tay Kah Chye	—	500,000	500,000	—	—	—
Kwah Thiam Hock	—	500,000	500,000	—	—	—
Kishore Mahbubani	—	500,000	500,000	—	—	—

**Mr George Yong-Boon Yeo resigned as a Director of the Company on 31 December 2017.*

Directors' Statement

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

Except as disclosed in this statement, no director (including alternate director) who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or as at the date of appointment (whichever is later) and at the end of the financial year.

SHARE OPTION SCHEMES

Wilmar Executives Share Option Scheme 2009 ("Wilmar ESOS 2009")

On 29 April 2009, a new share option scheme known as the "Wilmar Executives Share Option Scheme 2009" ("Wilmar ESOS 2009"), the rules of which were set out in a circular to shareholders dated 2 April 2009, was approved by the shareholders of the Company. This new scheme was adopted in substitution of the Wilmar ESOS 2000 which was terminated on 29 April 2009.

Under the Wilmar ESOS 2009, the option entitles eligible participants to subscribe for ordinary shares in the Company at a price equal to the average of the closing prices of the Company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") on the five trading days immediately preceding the date of the grant of the option ("Market Price") or at a discount to the Market Price (up to a maximum of 20%).

The maximum number of ordinary shares (in respect of the options) that may be granted under the Wilmar ESOS 2009, after taking into account of (i) the total number of new ordinary shares issued and issuable in respect of all other share-based incentive schemes of the Company; and (ii) the number of treasury shares delivered in respect of options granted under all other share-based incentive schemes of the Company, shall not exceed 15% of the total issued ordinary shares of the Company on the date immediately preceding the relevant date of grant.

The aggregate number of ordinary shares that may be granted to controlling shareholders (and their associates) of the Company shall not exceed 25% of the total number of ordinary shares available under the Wilmar ESOS 2009, provided that the number of ordinary shares available to each controlling shareholder or each of his associates shall not exceed 10% of the total number of ordinary shares available under the aforesaid scheme.

There is no restriction on the eligibility of any participant to participate in any other share-based incentive schemes implemented by the Company or any of its subsidiaries or by any associated company or otherwise.

The Wilmar ESOS 2009 is administered by the Remuneration Committee ("RC"). The members of the RC are Mr Kwah Thiam Hock (RC Chairman), Mr Yeo Teng Yang and Mr Tay Kah Chye, all of whom are independent directors. The RC is authorised to determine, inter alia, the persons to be granted options, the number of options to be granted, whether the options continue to be valid in the event of cessation of employment (as provided under the rules of Wilmar ESOS 2009), the exercise price (including any adjustments thereto) and to recommend modifications to the Wilmar ESOS 2009 (if deemed appropriate).

2012 Grant

On 12 July 2012, the Company granted options to subscribe for a total of 26,800,000 ordinary shares at S\$3.63 per share (based on Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. Outstanding options which were not exercised have expired on 13 July 2017.

2013 Grant

On 13 November 2013, the Company granted options to subscribe for a total of 49,315,000 ordinary shares at S\$3.44 per share (based on Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. As at 31 December 2017 the number of outstanding ordinary shares that were not exercised under this grant was 38,187,500.

SHARE OPTION SCHEMES (CONTINUED)

Wilmar Executives Share Option Scheme 2009 (“Wilmar ESOS 2009”) (continued)

2013 Grant (continued)

All options granted under the 2012 Grant and 2013 Grant are valid for a term of five years from the dates of their respective grants and are exercisable in the following manner:

For Executive Directors and Executives

- After 1st anniversary of the date of grant – 33% of options granted
- After 2nd anniversary of the date of grant – 33% of options granted
- After 3rd anniversary of the date of grant – 34% of options granted

For Non-Executive Directors

All options are exercisable after 1st anniversary of the date of grant.

2015 Grant

On 18 June 2015, the Company granted options to subscribe for a total of 52,400,000 ordinary shares at S\$3.05 per share (at a 7.63% discount to the Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. As at 31 December 2017 the number of outstanding ordinary shares that were not exercised under this option grant was 45,806,900.

2017 Grant

On 8 September 2017, the Company granted options to subscribe for a total of 62,585,000 ordinary shares at S\$3.04 per share (at a 7.32% discount to the Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. As at 31 December 2017 the number of outstanding ordinary shares that were not exercised under this option grant was 62,280,000 (including Mr George Yeo's outstanding option to subscribe for 500,000 shares which lapsed on 1 January 2018).

All options granted under the 2015 Grant and 2017 Grant are valid for a term of five years from the dates of their respective grants and are exercisable in the following manner:

For Executive Directors and Executives

- After 2nd anniversary of the date of grant – 33% of options granted
- After 3rd anniversary of the date of grant – 33% of options granted
- After 4th anniversary of the date of grant – 34% of options granted

For Non-Executive Directors

All options are exercisable after 2nd anniversary of the date of grant.

SHARE OPTIONS EXERCISED

Options for a total of 8,847,600 ordinary shares were exercised by option holders during the financial year pursuant to Wilmar ESOS 2009.

Directors' Statement

UNISSUED SHARES UNDER OPTION

As at the end of the financial year, unissued ordinary shares of the Company under options were as follows:

Date of Grant	As at 1.1.17	No. of options granted during the year	No. of options lapsed	No. of options exercised	As at 31.12.17	Exercise Price	Exercise Period
<i>Wilmar ESOS 2009</i>							
12.07.12	8,917,550	–	(7,650,400)	(1,267,150)	–	S\$3.63	13.7.2013 to 12.7.2017
12.07.12	7,667,550	–	(6,825,400)	(842,150)	–	S\$3.63	13.7.2014 to 12.7.2017
12.07.12	7,899,900	–	(7,252,200)	(647,700)	–	S\$3.63	13.7.2015 to 12.7.2017
Sub-total	24,485,000	–	(21,728,000)	(2,757,000)	–		
13.11.13	16,417,700	–	(622,050)	(2,028,250)	13,767,400	S\$3.44	14.11.2014 to 13.11.2018
13.11.13	13,633,200	–	(622,050)	(1,381,250)	11,629,900	S\$3.44	14.11.2015 to 13.11.2018
13.11.13	14,064,100	–	(640,900)	(633,000)	12,790,200	S\$3.44	14.11.2016 to 13.11.2018
Sub-total	44,115,000	–	(1,885,000)	(4,042,500)	38,187,500		
18.06.15	18,694,500	–	(691,350)	(2,048,100)	15,955,050	S\$3.05	19.06.2017 to 18.06.2020
18.06.15	15,394,500	–	(691,350)	–	14,703,150	S\$3.05	19.06.2018 to 18.06.2020
18.06.15	15,861,000	–	(712,300)	–	15,148,700	S\$3.05	19.06.2019 to 18.06.2020
Sub-total	49,950,000	–	(2,095,000)	(2,048,100)	45,806,900		
08.09.17	–	23,735,050	(100,650)	–	23,634,400	S\$3.04	09.09.2019 to 08.09.2022
08.09.17	–	19,135,050	(100,650)	–	19,034,400	S\$3.04	09.09.2020 to 08.09.2022
08.09.17	–	19,714,900	(103,700)	–	19,611,200	S\$3.04	09.09.2021 to 08.09.2022
Sub-total	–	62,585,000	(305,000)	–	62,280,000		
Grand Total	118,550,000	62,585,000	(26,013,000)	(8,847,600)	146,274,400		

UNISSUED SHARES UNDER OPTION (CONTINUED)

The information on Directors participating in the Wilmar ESOS 2009 is as follows:

Name of Directors	Aggregate options granted during the financial year	Aggregate options granted since commencement of the option schemes to 31.12.17	Aggregate options exercised since commencement of the option schemes to 31.12.17	Aggregate options lapsed since commencement of the option schemes to 31.12.17	Aggregate options outstanding as at 31.12.17
Kuok Khoon Hong	1,500,000	6,500,000	500,000	1,500,000	4,500,000
Pua Seck Guan	1,000,000	1,000,000	–	–	1,000,000
Martua Sitorus	500,000	4,100,000	400,000	1,200,000	2,500,000
Kuok Khoon Ean	500,000	1,900,000	–	600,000	1,300,000
Kuok Khoon Hua	500,000	500,000	–	–	500,000
Juan Ricardo Luciano	500,000	1,300,000	–	–	1,300,000
George Yong-Boon Yeo*	500,000	900,000	400,000	–	500,000
Yeo Teng Yang	600,000	2,350,000	100,000	650,000	1,600,000
Tay Kah Chye	500,000	1,900,000	100,000	500,000	1,300,000
Kwah Thiam Hock	500,000	1,900,000	100,000	500,000	1,300,000
Kishore Mahbubani	500,000	500,000	–	–	500,000
Total	7,100,000	22,850,000	1,600,000	4,950,000	16,300,000

*Mr George Yong-Boon Yeo resigned as a Director of the Company on 31 December 2017.

Except as disclosed above, since the commencement of the Wilmar ESOS 2000[^] and Wilmar ESOS 2009 (“Option Schemes”) until the end of the financial year under review:

- Except for options granted on 21 May 2009 to Mr Kuok Khoon Hong (for 1,000,000 shares under option) and Mr Martua Sitorus (for 800,000 shares under option), who were controlling shareholders on the date of grant, which have expired, no options have been granted to controlling shareholders of the Company and their associates;
- No participant has received 5% or more of the total number of options available under the Option Schemes;
- No options that entitle the holders to participate, by virtue of the options, in any share issue of any other corporation have been granted;
- No options have been granted to directors and employees of the holding company and its subsidiaries as the Company does not have a parent company; and
- No options have been granted at a discount except for the options under the 2015 Grant and 2017 Grant.

[^] From 14 July 2006 (completion of reverse takeover) and has terminated on 29 April 2009.

Directors' Statement

AUDIT COMMITTEE

The Audit Committee ("AC") members at the date of this statement are Mr Tay Kah Chye (AC Chairman), Mr Kwah Thiam Hock and Mr Yeo Teng Yang.

The AC performs the functions specified in section 201B (5) of the Singapore Companies Act, Chapter 50, the Listing Manual of the SGX-ST, the Singapore Code of Corporate Governance 2012 and the revised Guidebook for Audit Committees in Singapore issued in 2014.

The principal responsibility of the AC is to assist the Board of Directors in fulfilling its oversight responsibilities. The operations of the AC are regulated by its terms of reference. The Board is of the opinion that the members of the AC have sufficient accounting, financial and management expertise and experience to discharge their duties.

Notwithstanding that the Group has appointed different auditors for certain subsidiaries and associated companies, the Board and AC are satisfied that such appointments do not compromise the standard and effectiveness of the audit of the Group.

During the year, the AC met four times to review, *inter alia*, the scope of work and strategies of both the internal and external auditors, and the results arising therefrom, including their evaluation of the system of internal controls. The AC also reviewed the assistance given by the Company's officers to the auditors. The financial statements of the Group and the Company were reviewed by the AC prior to submission to the Board of Directors of the Company for adoption. The AC also met with the internal and external auditors, without the presence of the Company's Management, to discuss issues of concern to them.

The AC has, in accordance with Chapter 9 of the Listing Manual of the SGX-ST, reviewed the requirements for approval and disclosure of interested person transactions, reviewed the procedures set up by the Group and the Company to identify and report and where necessary, seek approval for interested person transactions and, with the assistance of the internal auditors, reviewed interested person transactions.

The AC was satisfied that proper risk management procedures were in place and will consider regularly the need to conduct independent risk management reviews.

The AC, having reviewed all non-audit services provided by Ernst & Young LLP the external auditor of the Group, was satisfied with the independence and objectivity of the external auditor and has nominated Ernst & Young LLP for re-appointment as auditor of the Company at the forthcoming Annual General Meeting.

Further details regarding the AC, including the AC's commentary on key audit matters, are disclosed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors

Kuok Khoon Hong
Director

Pua Seck Guan
Director

16 March 2018

Independent Auditor's Report

To the Members of Wilmar International Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Wilmar International Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled our responsibilities described in the Auditor's responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment on goodwill and brands

(Refer to Note 15 to the financial statements)

As at 31 December 2017, the Group recorded goodwill and brands of US\$4.4 billion, which represents approximately 26% of the Group's net assets. We considered the audit of management's annual goodwill and brands impairment assessment to be a key audit matter because the assessment process involves management exercising significant judgement and making assumptions of future market and economic conditions.

As disclosed in Note 15, the goodwill and brands are allocated to individual cash-generating units ("CGU") which are also the reportable segments for impairment testing. The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections approved by management. The cash flow projections include assumptions of profitability and growth rates. Based on the impairment assessment, management has concluded that the goodwill and brands are not impaired. We checked that the cash flows were based on approved management forecasts, and evaluated management's forecasting process by comparing previous forecasts to actual results. We evaluated the assumptions used by comparing them to historical data as well as recent trends and market outlook. We also evaluated the discount rates used to determine the present value by comparing them to external comparable data. Our internal valuation specialists assisted us in performing these procedures. Finally, we reviewed the accuracy and adequacy of the disclosures made on the goodwill and brands impairment assessment in Note 15.

Independent Auditor's Report

To the Members of Wilmar International Limited

Accounting for derivative transactions

(Refer to Note 20 and Note 34(a) to the financial statements)

The Group uses derivative financial instruments such as forward currency contracts, cross currency interest rates swaps and various commodity futures, options and swap contracts to hedge its risks associated with interest rates, foreign currency and commodity price fluctuations.

At 31 December 2017, the Group's total derivative financial instruments that were carried at fair value comprised financial assets and financial liabilities of US\$373.8 million (current: US\$368.2 million) and US\$529.0 million (current: US\$503.8 million) respectively.

We considered the audit of this to be a key audit matter due to the volume of trades entered into. Our audit procedures included, amongst others, understanding the Group's overall commodity trading process and testing management's controls around the origination and maintenance of complete and accurate information relating to the recording of the derivative contracts. For firm commitment contracts, we checked management's process to derive the market prices and recomputed the unrealized gains/losses on the contracts. For the other types of derivatives, we independently obtained statements from banks and other financial institutions to compare against the fair values of the derivatives recorded, and to verify the existence and ownership of the derivatives. We involved our internal valuation specialists in assessing the reasonableness of the fair values of derivatives.

We also assessed the adequacy of the related disclosures in the Notes 20 and 34(a) to the financial statements.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Mun Yick Christopher.

Ernst & Young LLP

Public Accountants and Chartered Accountants

Singapore
16 March 2018

Consolidated Income Statement

For the financial year ended 31 December 2017

	Note	2017 US\$'000	2016 US\$'000
Revenue	4	43,846,329	41,401,690
Cost of sales	5	(40,369,091)	(37,391,071)
Gross profit		3,477,238	4,010,619
Other items of income			
Finance income	6	254,239	191,619
Other operating income	7	515,786	157,953
Other items of expense			
Net loss arising from changes in fair value of biological assets		(10,028)	(16,047)
Selling and distribution expenses		(1,814,478)	(1,806,434)
Administrative expenses		(699,678)	(680,675)
Other operating expenses	7	(112,842)	(359,271)
Finance costs	8	(434,903)	(348,531)
Non-operating items	9	194,041	9,844
Share of results of joint ventures		34,809	9,390
Share of results of associates		193,512	131,486
Profit before tax	10	1,597,696	1,299,953
Income tax expense	11	(290,876)	(206,294)
Profit after tax		1,306,820	1,093,659
Attributable to:			
Owners of the Company		1,219,305	972,245
Non-controlling interests		87,515	121,414
		1,306,820	1,093,659
Earnings per share attributable to owners of the Company (US cents per share)			
– Basic	12	19.3	15.4
– Diluted	12	19.3	15.4

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2017

	2017 US\$'000	2016 US\$'000
Profit after tax	1,306,820	1,093,659
Other comprehensive income:		
Items that may be reclassified subsequently to income statement		
Foreign currency translation	546,617	(498,608)
Fair value adjustment on cash flow hedges	85,021	(45,613)
Fair value adjustment on available-for-sale financial assets	29,004	(14,033)
Share of changes in equity transaction reserve of a joint venture	(322)	(10,557)
	660,320	(568,811)
Item that will not be reclassified subsequently to income statement		
Loss on remeasurement of defined benefit plan	(13,323)	(4,500)
	(13,323)	(4,500)
Total other comprehensive income for the year, net of tax	646,997	(573,311)
Total comprehensive income for the year	1,953,817	520,348
Attributable to:		
Owners of the Company	1,832,498	436,919
Non-controlling interests	121,319	83,429
	1,953,817	520,348

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

Balance Sheets

As at 31 December 2017

		Group		Company	
	Note	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	8,755,926	8,297,098	3,263	2,389
Bearer plants	14	722,197	726,725	–	–
Intangible assets	15	4,384,910	4,365,736	–	–
Investment in subsidiaries	16	–	–	9,084,592	9,072,026
Investment in joint ventures	17	1,151,946	1,051,425	209,636	209,686
Investment in associates	17	2,275,850	1,851,985	36,644	36,644
Available-for-sale financial assets	18	568,078	700,705	–	–
Deferred tax assets	19	321,463	312,403	–	–
Derivative financial instruments	20	5,651	32,633	–	–
Other financial receivables	21	112,047	205,832	410,271	399,634
Other non-financial assets	21	55,108	52,262	–	–
		18,353,176	17,596,804	9,744,406	9,720,379
Current assets					
Inventories	22	8,223,606	7,022,310	–	–
Trade receivables	23	4,101,058	4,087,069	–	–
Other financial receivables	21	5,354,750	2,354,502	3,965,710	3,399,383
Other non-financial assets	21	1,153,055	1,201,458	1,457	342
Derivative financial instruments	20	368,166	546,885	–	–
Financial assets held for trading	18	421,328	316,632	–	–
Other bank deposits	24	1,502,726	2,721,885	–	–
Cash and bank balances	24	1,454,708	1,184,881	3,037	4,057
		22,579,397	19,435,622	3,970,204	3,403,782
TOTAL ASSETS		40,932,573	37,032,426	13,714,610	13,124,161
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	25	1,094,846	1,500,254	–	–
Other financial payables	26	1,397,906	1,348,963	2,896,464	2,084,329
Other non-financial liabilities	26	400,616	571,077	–	–
Derivative financial instruments	20	503,797	495,322	–	–
Loans and borrowings	27	16,130,316	12,689,019	–	169,212
Tax payables		159,648	118,511	–	–
		19,687,129	16,723,146	2,896,464	2,253,541
NET CURRENT ASSETS		2,892,268	2,712,476	1,073,740	1,150,241

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

		Group		Company	
	Note	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Non-current liabilities					
Other financial payables	26	69,220	51,314	–	–
Other non-financial liabilities	26	156,990	118,185	–	–
Derivative financial instruments	20	25,199	107,133	–	–
Loans and borrowings	27	3,696,224	4,331,240	323,000	215,037
Deferred tax liabilities	19	312,712	322,443	–	–
		4,260,345	4,930,315	323,000	215,037
TOTAL LIABILITIES		23,947,474	21,653,461	3,219,464	2,468,578
NET ASSETS		16,985,099	15,378,965	10,495,146	10,655,583
Equity attributable to owners of the Company					
Share capital	28	8,458,995	8,458,995	8,895,134	8,895,134
Treasury shares	28	(156,209)	(175,312)	(156,209)	(175,312)
Retained earnings		10,125,379	9,260,680	1,544,230	1,735,452
Other reserves	29	(2,464,573)	(3,109,829)	211,991	200,309
		15,963,592	14,434,534	10,495,146	10,655,583
Non-controlling interests		1,021,507	944,431	–	–
TOTAL EQUITY		16,985,099	15,378,965	10,495,146	10,655,583
TOTAL EQUITY AND LIABILITIES		40,932,573	37,032,426	13,714,610	13,124,161

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

Statements of Changes in Equity

For the financial year ended 31 December 2017

	Attributable to owners of the Company				Equity attributable to owners of the Company, total US\$'000	Non-controlling interests US\$'000	Equity total US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Retained earnings US\$'000	Other reserves US\$'000			
2017							
GROUP							
Opening balance at 1 January 2017	8,458,995	(175,312)	9,260,680	(3,109,829)	14,434,534	944,431	15,378,965
Profit for the year	–	–	1,219,305	–	1,219,305	87,515	1,306,820
Other comprehensive income	–	–	–	613,193	613,193	33,804	646,997
Total comprehensive income for the year	–	–	1,219,305	613,193	1,832,498	121,319	1,953,817
Grant of equity-settled share options	–	–	–	9,163	9,163	–	9,163
Share capital contributed by non-controlling shareholders	–	–	–	–	–	12,610	12,610
Reissuance of treasury shares pursuant to exercise of share options	–	19,103	–	2,519	21,622	–	21,622
Dividends on ordinary shares	–	–	(319,532)	–	(319,532)	–	(319,532)
Dividends paid to non-controlling shareholders by subsidiaries	–	–	–	–	–	(31,757)	(31,757)
Net transfer to other reserves	–	–	(35,074)	35,074	–	–	–
Total contributions by and distributions to owners	–	19,103	(354,606)	46,756	(288,747)	(19,147)	(307,894)
Acquisition of additional interest in subsidiaries	–	–	–	(14,693)	(14,693)	(25,096)	(39,789)
Total changes in ownership interests in subsidiaries	–	–	–	(14,693)	(14,693)	(25,096)	(39,789)
Closing balance at 31 December 2017	8,458,995	(156,209)	10,125,379	(2,464,573)	15,963,592	1,021,507	16,985,099

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

	Attributable to owners of the Company				Equity attributable to owners of the Company, total US\$'000	Non-controlling interests US\$'000	Equity total US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Retained earnings US\$'000	Other reserves US\$'000			

2016

GROUP

Opening balance at 1 January 2016	8,458,995	(168,155)	8,668,608	(2,565,309)	14,394,139	906,936	15,301,075
Profit for the year	–	–	972,245	–	972,245	121,414	1,093,659
Other comprehensive income	–	–	–	(535,326)	(535,326)	(37,985)	(573,311)
Total comprehensive income for the year	–	–	972,245	(535,326)	436,919	83,429	520,348
Grant of equity-settled share options	–	–	–	7,194	7,194	–	7,194
Share capital contributed by non-controlling shareholders	–	–	–	–	–	9,997	9,997
Acquisition of treasury shares	–	(9,371)	–	–	(9,371)	–	(9,371)
Reissuance of treasury shares pursuant to exercise of share options	–	2,214	–	322	2,536	–	2,536
Dividends on ordinary shares	–	–	(371,241)	–	(371,241)	–	(371,241)
Dividends paid to non-controlling shareholders by subsidiaries	–	–	–	–	–	(33,252)	(33,252)
Net transfer to other reserves	–	–	(8,932)	8,932	–	–	–
Total contributions by and distributions to owners	–	(7,157)	(380,173)	16,448	(370,882)	(23,255)	(394,137)
Acquisition of subsidiaries	–	–	–	–	–	(1,846)	(1,846)
Acquisition of additional interest in subsidiaries	–	–	–	(25,642)	(25,642)	5,131	(20,511)
Disposal/liquidation of subsidiaries	–	–	–	–	–	(25,964)	(25,964)
Total changes in ownership interests in subsidiaries	–	–	–	(25,642)	(25,642)	(22,679)	(48,321)
Closing balance at 31 December 2016	8,458,995	(175,312)	9,260,680	(3,109,829)	14,434,534	944,431	15,378,965

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

Statements of Changes in Equity

For the financial year ended 31 December 2017

	Attributable to owners of the Company				Equity attributable to owners of the Company, total US\$'000
	Share capital US\$'000	Treasury shares US\$'000	Retained earnings US\$'000	Other reserves US\$'000	

2017

COMPANY

Opening balance at 1 January 2017	8,895,134	(175,312)	1,735,452	200,309	10,655,583
Profit for the year	–	–	128,310	–	128,310
Total comprehensive income for the year	–	–	128,310	–	128,310
Grant of equity-settled share options	–	–	–	9,163	9,163
Reissuance of treasury shares pursuant to exercise of share options	–	19,103	–	2,519	21,622
Dividends on ordinary shares	–	–	(319,532)	–	(319,532)
Total transactions with owners in their capacity as owners	–	19,103	(319,532)	11,682	(288,747)
Closing balance at 31 December 2017	8,895,134	(156,209)	1,544,230	211,991	10,495,146

2016

COMPANY

Opening balance at 1 January 2016	8,895,134	(168,155)	2,075,667	192,793	10,995,439
Profit for the year	–	–	31,026	–	31,026
Total comprehensive income for the year	–	–	31,026	–	31,026
Grant of equity-settled share options	–	–	–	7,194	7,194
Acquisition of treasury shares	–	(9,371)	–	–	(9,371)
Reissuance of treasury shares pursuant to exercise of share options	–	2,214	–	322	2,536
Dividends on ordinary shares	–	–	(371,241)	–	(371,241)
Total transactions with owners in their capacity as owners	–	(7,157)	(371,241)	7,516	(370,882)
Closing balance at 31 December 2016	8,895,134	(175,312)	1,735,452	200,309	10,655,583

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2017

	2017 US\$'000	2016 US\$'000
Cash flows from operating activities		
Profit before tax	1,597,696	1,299,953
Adjustments for:		
Net loss arising from changes in fair value of biological assets	10,028	16,047
Depreciation and impairment loss of property, plant and equipment and bearer plants	773,725	763,460
Loss on disposal of investment in a joint venture	335	–
(Gain)/loss on disposal/liquidation/dilution of interest in associates	(10,196)	5
Fair value gain arising from changes of interest in a joint venture resulting in change of control	(638)	–
Amortisation of intangible assets	1,226	758
Gain on bargain purchase on acquisition of an associate	(2,210)	–
Impairment on shareholder's loan to an associate	–	11,701
Loss on disposal of property, plant and equipment	9,283	2,161
Loss/(gain) on disposal of bearer plants	4,970	(16)
Loss/(gain) on disposal/liquidation of subsidiaries	1,169	(7,383)
Gain on disposal of available-for-sale financial assets	(39)	(174)
(Gain)/loss on disposal of financial assets held for trading	(3,497)	3,969
Grant of share options to employees	9,163	7,194
Net fair value loss/(gain) on derivative financial instruments	233,039	(20,806)
Net fair value gain on financial assets held for trading	(131,269)	(11,461)
Foreign exchange differences arising from translation	126,200	(84,388)
Interest expense	459,401	371,942
Interest income	(254,239)	(191,619)
Share of results of joint ventures	(34,809)	(9,390)
Share of results of associates	(193,512)	(131,486)
Operating cash flows before working capital changes	2,595,826	2,020,467
Changes in working capital:		
Increase in inventories	(1,202,797)	(727,928)
Increase in receivables and other assets	(31,737)	(284,414)
(Decrease)/increase in payables	(493,696)	489,744
Cash flows generated from operations	867,596	1,497,869
Interest paid	(401,304)	(337,864)
Interest received	205,836	270,193
Income taxes paid	(285,756)	(306,748)
Net cash flows generated from operating activities	386,372	1,123,450

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2017

	2017 US\$'000	2016 US\$'000
Cash flows from investing activities		
Net cash flow on acquisition of subsidiaries	(3,049)	(2,206)
Increase in plasma investments	(2,355)	(2,380)
Decrease/(increase) in financial assets held for trading	12,901	(7,501)
Decrease/(increase) in other non-financial assets	3,846	(4,404)
Payments for property, plant and equipment	(879,416)	(722,406)
Payments for bearer plants	(58,502)	(54,985)
Increase in available-for-sale financial assets	(47,739)	(89,936)
Payments for investment in joint ventures	(78,580)	(113,752)
Payments for investment in associates	(10,220)	(28,806)
Payments for intangible assets	(2,503)	–
Dividends received from joint ventures	9,055	16,089
Dividends received from associates	47,119	38,919
Proceeds from disposal of property, plant and equipment	27,136	144,152
Proceeds from disposal of interest in a joint venture	3,841	–
Proceeds from disposal/liquidation/dilution of interest in associates	42,843	233
Net cash flow from disposal/liquidation of subsidiaries	(971)	16,420
Net cash flows used in investing activities	(936,594)	(810,563)
Cash flows from financing activities		
Decrease in net amount due from related parties	640	141,174
Decrease/(increase) in net amount due from joint ventures	26,463	(64,505)
Increase in net amount due from associates	(11,903)	(36,556)
(Decrease)/increase in advances from non-controlling shareholders	(11,452)	29,624
Proceeds from/(repayments of) loans and borrowings	3,166,548	(2,157,310)
Decrease in fixed deposits pledged with financial institutions for bank facilities	46,303	2,554,038
(Increase)/decrease in other financial receivables	(2,820,538)	786,415
Decrease/(increase) in other deposits with maturity more than 3 months	906,068	(1,092,149)
Interest paid	(27,560)	(28,457)
Payment for acquisition of additional interest in subsidiaries	(39,789)	(724)
Shares buy-back held as treasury shares	–	(9,371)
Dividends paid by the Company	(319,532)	(371,241)
Dividends paid to non-controlling shareholders by subsidiaries	(31,757)	(33,252)
Proceeds from reissuance of treasury shares by the Company	21,622	2,536
Proceeds from issue of shares by subsidiaries to non-controlling shareholders	12,610	8,184
Net cash flows generated from/(used in) financing activities	917,723	(271,594)
Net increase in cash and cash equivalents	367,501	41,293
Cash and cash equivalents at the beginning of the financial year	1,067,724	1,026,431
Cash and cash equivalents at the end of the financial year	1,435,225	1,067,724

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

1. CORPORATE INFORMATION

Wilmar International Limited (the “Company”) is a limited liability company, incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 56 Neil Road, Singapore 088830.

The principal activities of the Company are those of investment holding and the provision of management services to its subsidiaries, joint ventures and associates. The principal activities of the significant subsidiaries are disclosed in Note 39 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below. The financial statements are presented in US Dollars (“USD” or “US\$”), which is also the parent company’s functional currency, except when otherwise indicated. All values in the tables are rounded to the nearest thousands (US\$’000) as indicated.

Convergence with International Financial Reporting Standards

On 29 December 2017, the Accounting Standards Council has issued Singapore Financial Reporting Standards (International) (“SFRS(I)s”), Singapore’s equivalent of the International Financial Reporting Standards (“IFRSs”). The new financial reporting framework is available for application by Singapore-incorporated companies listed on the Singapore Exchange for annual periods beginning on or after 1 January 2018. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to SFRS(I), the Group expects to elect the option to deem the cumulative translation differences for foreign operations to be nil on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of approximately US\$1,444,850,000 of foreign currency translation reserve losses to the opening retained earnings as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.2(ii).

The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year except for the adoption of new and revised FRS as mentioned under Note 2.2(i).

2.2 Changes in accounting policies

(i) Adoption of new and revised FRS

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 standards that are effective for annual financial periods beginning on or after 1 January 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(ii) Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 Investments in Associates and Joint Ventures	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 104 Applying SFRS(I) 9 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 110 & FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined
SFRS(I) 9 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to FRS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019
Improvement to FRSs (March 2018)	
– Amendments to FRS 103 Business Combinations	1 January 2019
– Amendments to FRS 111 Joint Arrangements	1 January 2019
– Amendments to FRS 12 Income Taxes	1 January 2019
– Amendments to FRS 23 Borrowing Costs	1 January 2019

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

Except for SFRS(I) 9 and SFRS(I) 15, the Directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9 and SFRS(I) 15 are described below:

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 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 new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of the impact on adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018. The impact upon adoption of SFRS(I) 15 is not expected to be material to the Group's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies (continued)

(ii) Standards issued but not yet effective (continued)

SFRS(I) 9 Financial Instruments

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

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

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

(a) Classification and measurement

The Group will continue to account for financial assets at amortised cost using the amortised cost model under SFRS(I) 9. The Group's debt instruments are expected to give rise to cash flows representing solely payments of principal and interest and the Group intends to hold the debt instruments to collect contractual cash flows and accordingly, the Group will continue to account for the debt instruments at amortised cost when it applies SFRS(I) 9.

For equity securities, the Group will continue to measure its currently held-for-trading quoted equity securities at fair value through profit or loss (FVTPL). The Group will elect to measure its currently held available-for-sale quoted equity securities and unquoted non-equity instruments at fair value through other comprehensive income (FVOCI).

The impairment loss of approximately US\$6,987,000 previously recognised in profit or loss will be adjusted against fair value reserve from retained earnings when the Group applies SFRS(I) 9.

In addition, the Group currently measures its available-for-sale unquoted equity instruments at cost. Under SFRS(I) 9, the Group will be required to measure the investments at fair value. The difference between the current carrying amount and the fair value as at 31 December 2017 would be recognized in the opening retained earnings with a corresponding tax impact when the Group applies SFRS(I) 9. As at 1 January 2018, the Group expects an increase in the carrying amount and retained earnings when the unquoted equity instruments are re-measured to fair value.

(b) Impairment

SFRS(I) 9 requires the Group and the Company to record expected credit losses on all of its debt securities, loans, trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect a material impact on the financial statements.

(c) Hedge accounting

The Group expects that all its existing hedges that are designated in effective hedging relationship will continue to qualify for hedge accounting under SFRS(I) 9.

The Group currently designates only the change in the spot element of a forward contract as a hedging instrument in a hedging relationship and accounts for the fair value changes in the forward points of the forward contracts in profit or loss. SFRS(I) 9 allows fair value changes in the forward points of the forward contracts not designated as hedging instrument to be accounted as cost of hedging. Cost of hedging are required to be deferred in other comprehensive income and recognized in the profit or loss depending on the nature of the hedge item, whether it is transaction related or time-period related. Upon adoption of SFRS(I) 9, the Group will defer the recognition of such hedging costs in other comprehensive income retrospectively and expects a decrease in opening retained earnings as at 1 January 2018.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

Acquisition of non-controlling interests, prior to 1 January 2010, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

(b) Business combinations

Business combinations from 1 January 2010

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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations (continued)

(b) Business combinations (continued)

Business combinations from 1 January 2010 (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, will be recognised in the income statement.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in the income statement.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.12(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in the income statement on the acquisition date.

Business combinations involving entities under common control are accounted for by applying the pooling-of-interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. No adjustments are made to reflect the fair values on the date of combination, or recognise any new assets or liabilities. No additional goodwill is recognised as a result of the combination. Any difference between the consideration paid and the share capital of the acquired entity is reflected within equity as merger reserve. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) is measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages are accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration is recognised if, and only if, the Group has a present obligation, the economic outflow is more likely than not and a reliable estimate is determinable. Subsequent adjustments to the contingent consideration are recognised as part of goodwill.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.5 *Foreign currency*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to the income statement of the Group on disposal of the foreign operation.

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the end of the reporting period and their income statements are translated at the weighted average exchange rates for the reporting period. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in the income statement. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to the income statement.

2.6 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2.7 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Joint arrangements (continued)

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

a) Joint operations

The Group recognises in relation to its interest in a joint operation:

- (i) Its assets, including its share of any assets held jointly;
- (ii) Its liabilities, including its share of any liabilities incurred jointly;
- (iii) Its revenue from the sale of its share of the output arising from the joint operation;
- (iv) Its share of the revenue from the sale of the output by the joint operation; and
- (v) Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

b) Joint ventures

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.8

2.8 Associates and joint ventures

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group's investment in associates and joint ventures is accounted for using the equity method. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of net fair value of the associate's or joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate or joint venture in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The Group's profit or loss reflects its share of the associates' or joint ventures' profit or loss after tax and non-controlling interests in the subsidiaries of associates or joint ventures. Distributions received from associates or joint ventures reduce the carrying amount of the investments. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses once its interest in the associate or joint venture is reduced to zero, unless it has incurred obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in the income statement.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 *Associates and joint ventures (continued)*

The most recent available audited financial statements of the associated companies or joint ventures are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not co-terminous with those of the Group, the share of results is arrived at from the last audited financial statements available and unaudited management financial statements to the end of the accounting period. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate or joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in the income statement.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to the income statement the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to the income statement on the disposal of the related assets or liabilities.

In the Company's separate financial statements, investments in associates or joint ventures are carried at cost less accumulated impairment loss.

2.9 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at costs. Such costs include the cost of replacing parts of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, 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.

Subsequent to recognition, all items of property, plant and equipment, except for freehold land, are measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Land and land rights	–	amortised over the period of leases (25 to 70 years)
Buildings	–	10 to 40 years
Plant and machineries	–	4 to 40 years
Furniture, fittings and office equipment	–	2 to 20 years
Vessels	–	5 to 30 years
Motor vehicles, trucks and aircrafts	–	4 to 15 years

The cost of construction-in-progress represents all costs, including borrowing costs, incurred on the construction of the assets. The accumulated costs will be reclassified to the appropriate property, plant and equipment account when the construction is completed. No depreciation is provided on construction-in-progress as these assets are not yet available for use.

Interest on borrowings to finance the construction of property, plant and equipment is capitalised during the period of time that is required to complete and prepare each asset for its intended use. All other borrowing costs are expensed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 *Property, plant and equipment (continued)*

Repairs and maintenance costs are taken to the income statement during the financial period in which they are incurred. The cost of major renovations and restorations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group, and is depreciated over the remaining useful life of the asset.

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

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

2.10 *Bearer plants and biological assets*

Bearer plants are living plants used in the production or supply of agricultural produce; are expected to bear produce for more than one period; and have a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants mainly include mature and immature oil palm plantations. Immature plantations are stated at acquisition cost which includes costs incurred for field preparation, planting, fertilising and maintenance, capitalisation of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted hectares. Mature plantations are stated at acquisition cost less accumulated depreciation and impairment. Mature plantations are depreciated on a straight line basis and over its estimated useful life of 20-25 years, upon commencement of commercial production.

In general, oil palms are considered mature 30 to 36 months after field planting.

Interest on borrowings to finance the acquisition and construction of bearer plants is capitalised during the period of time that is required to complete and prepare the bearer plant for its intended use. All other borrowing costs are expensed.

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

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits.

A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the income statement in the year the bearer plant is derecognised.

Produce that grows on mature plantations are measured at fair value less estimated point-of-sale costs. Point-of-sale costs include all costs that would be necessary to sell the produce.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Plasma investments

Costs incurred during the development phase up to the conversion of the Plasma plantation are capitalised as Plasma investments. The development of the Plasma oil palm plantations is financed by plasma loans, which was received by the plasma farmers (represented by "Cooperatives"), plus additional funding by the Group, should bank financing not be adequate to finance the development costs. Accumulated development costs are presented net of the plasma loans and are presented as "Plasma investments".

When the carrying amount of the Plasma investments is higher than its estimated recoverable amount, it is written down immediately to its recoverable amount. The difference between the accumulated development costs of Plasma plantations and their conversion value is charged to the income statement.

2.12 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that cash-generating unit (or group of cash-generating units) is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit (or group of cash-generating units) retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development assets, are not capitalised and expenditure is reflected in the income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least once at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Intangible assets (continued)

(b) Other intangible assets (continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable, if not the change in useful lives from indefinite to finite is made on a prospective basis.

Gains or losses arising from the derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(i) Brands

The brands were acquired in business combinations. The useful lives of the brands are estimated to be indefinite because based on the current market share of the brands, management believes there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the Group.

(ii) Trademarks & licenses and others

Trademarks & licenses and others acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the income statement using the straight line method over 3 to 20 years.

2.13 Financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial asset at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A financial asset is derecognised when the Group's contractual right to receive cash flows from the asset has expired or the Group has transferred its right to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of asset. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement.

When continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Group determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Financial assets (continued)

(a) Financial assets at fair value through profit or loss

Financial assets held for trading are classified as financial assets at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category also includes derivative financial instruments (including separated embedded derivatives) entered into by the Group.

The Group does not designate any financial assets upon initial recognition as financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the income statement. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modified the cash flows that would otherwise be required.

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment. Gains and losses are recognised in the income statement when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised initially in other comprehensive income and accumulated under fair value reserve in equity, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the income statement. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the income statement when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *Available-for-sale financial assets*

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income and recognised in the income statement. Reversals of impairment losses in respect of equity instruments are not recognised in the income statement, increase in their fair value after impairment is recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income.

Reversals of impairment losses on debt instruments are recognised in the income statement if the increase in fair value of the debt instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Impairment of non-financial asset

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired. These also include bank overdrafts that form an integral part of the Group's cash management. The accounting policy for this category of financial assets is stated in Note 2.13(b), under loans and receivables.

2.17 Inventories

(a) Physical inventories, futures and other forward contracts

Physical inventories of palm based products, oilseeds and grains products, consumer products, sugar and other agricultural commodities are valued at the lower of cost and spot prices prevailing at the end of the reporting period. Cost is determined using the weighted average method.

The Group has committed purchases and sales contracts for palm oil and other agricultural commodities that are entered into as part of its merchandising and processing activities. The prices and physical delivery of the sales and purchases are fixed in the contracts. For committed purchases and sales contracts that are entered into for own use, the contracts are not recognised in the financial statements until physical deliveries take place. For committed purchases and sales contracts that are entered into as part of the merchandising activities, the fair value arising from the contracts are recognised in the financial statements until physical deliveries take place.

The Group also enters into non-physical delivery forward contracts and commodity derivatives to manage the price risk of its physical inventory and to hedge against fluctuations in commodity prices. Commodity derivatives include futures, options and swap contracts on palm oil and palm based products, soybeans and other non-palm products.

Gains or losses arising from matched forward and derivative contracts are recognised immediately in the income statement. Any difference arising from the fair value assessment will be recognised in the financial statements. Unrealised losses arising from the valuations are set off against unrealised gains on an aggregated basis.

The outstanding forward and derivative contracts are valued at their fair value at the end of the reporting period against quoted market prices. Where the quoted market prices are not available, the fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar. The notional principal amounts of the outstanding forward and futures contracts are off-balance sheet items.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Inventories (continued)

(b) Other inventories

Other inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price less the costs of completion and selling expenses.

2.18 Financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss or derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities that are not carried at fair value through profit or loss or derivatives are measured at amortised cost using the effective interest method.

For financial liabilities, other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.19 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the end of the reporting period.

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

2.20 Borrowing costs

Borrowing costs are recognised in the income statement as incurred except to the extent that they are capitalised. Borrowing costs are capitalised as part of the cost of a qualifying assets if they are directly attributable to the acquisition, construction or production of the qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in the income statement, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the income statement upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

(c) Provision for employee service entitlements

For certain companies in Indonesia, the Group recognises a provision for employee service entitlements in accordance with Labour Law No. 13/2003 dated 25 March 2003. The provision is based on an actuarial calculation by an independent actuary using the "Projected Unit Credit Method".

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in the income statement. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in the income statement.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income as general reserve in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to the income statement in subsequent periods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leases

(a) As lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are recognised.

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sales arising from the physical delivery of palm based products, oilseeds and grains products, consumer products, sugar and other agricultural commodities is recognised when significant risks and rewards of ownership of goods are transferred to the customer.

(b) Ship charter income

Revenue from time charters is recognised on a time apportionment basis.

(c) Interest income

Interest income is amortised using the effective interest method.

(d) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.25 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in the income statement except when they relate to items recognised outside the income statement, either in other comprehensive income or directly in equity.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Taxes (continued)

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax relating to items recognised outside the income statement is recognised outside the income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Taxes (continued)

(c) Sales tax

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

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

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

2.26 Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as forward currency contracts, cross currency interest rates swaps, forward freight agreements and various commodities futures, options and swap contracts to hedge its risks associated with interest rates, foreign currency, freight charges and commodity price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The fair value of forward contracts is determined by reference to current forward prices for contracts with similar maturity profiles. The fair value of forward freight agreements, futures, options and swap contracts is determined by reference to available market information and option valuation methodology. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments. Where the quoted market prices are not available, the fair values are based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar.

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedged item or transaction, the hedging instrument, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's (or transaction's) cash flows attributable to or fair values of the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows or fair value, and are assessed on an ongoing basis to determine that they have been highly effective throughout the financial reporting periods for which they are designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of the hedging instrument is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the income statement.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised initially in other comprehensive income and accumulated under the hedging reserve, while the ineffective portion is recognised immediately in the income statement.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 *Derivative financial instruments and hedging activities (continued)*

Cash flow hedges (continued)

Amounts recognised in other comprehensive income are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction or firm commitment affects the income statement.

2.27 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 *Share capital and treasury shares*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

The Company's own ordinary shares, which are reacquired 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, reissuance or cancellation of treasury shares. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity ("General Reserves") as gain or loss on reissuance of treasury shares.

2.29 *Contingencies*

A contingent liability is:

- (a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.30 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the income statement over the expected useful life of the relevant asset by equal annual instalments. Where the grant relates to an expense item, it is recognised in the income statement over the period necessary to match them on a systematic basis to the costs it is intended to compensate. Grants related to income are presented as a credit under other operating income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.31 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

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

(a) Impairment of goodwill and brands

The Group determines whether goodwill and brands are impaired on an annual basis. This requires an estimation of the value in use of the cash-generating unit (or group of cash-generating units) to which the goodwill and brands are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash-generating units) and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill and brands as at 31 December 2017 were approximately US\$3,277,193,000 (2016: US\$3,260,441,000) and US\$1,098,767,000 (2016: US\$1,098,046,000) respectively.

(b) Depreciation of plant and equipment and bearer plants

The cost of plant and equipment and bearer plants are depreciated on a straight line basis over their estimated useful lives. Management estimates the useful lives of these plant and equipment and bearer plants to be within 2 to 40 years. These are common life expectancies applied in the industry. Changes in the expected level of the usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amounts of the Group's plant and equipment and bearer plants as at 31 December 2017 were approximately US\$4,078,958,000 (2016: US\$3,987,713,000) and US\$722,197,000 (2016: US\$726,725,000), respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(c) Income and deferred taxes

The Group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's income tax payable, deferred tax assets and deferred tax liabilities as at 31 December 2017 were approximately US\$159,648,000 (2016: US\$118,511,000), US\$321,463,000 (2016: US\$312,403,000) and US\$312,712,000 (2016: US\$322,443,000) respectively.

4. REVENUE

	Group	
	2017 US\$'000	2016 US\$'000
Sales of agricultural commodities and consumable products	43,543,146	41,122,221
Ship charter income	248,310	224,038
Others	54,873	55,431
	43,846,329	41,401,690

5. COST OF SALES

	Group	
	2017 US\$'000	2016 US\$'000
Cost of inventories recognised as expense - physical deliveries	35,607,664	32,623,277
Labour and other overhead expenses	5,156,782	4,197,887
Net (gain)/loss on fair value of derivative financial instruments	(395,355)	569,907
	40,369,091	37,391,071

6. FINANCE INCOME

	Group	
	2017 US\$'000	2016 US\$'000
Finance income:		
– From associates	6,880	4,965
– From bank balances	17,857	10,066
– From fixed deposits	64,234	86,554
– From joint ventures	12,829	9,404
– From other deposits with financial institutions	120,134	45,566
– From other sources	24,452	23,644
– From related parties	1,119	6,105
– Late interest charges pertaining to trade receivables	6,734	5,315
	254,239	191,619

7. OTHER OPERATING INCOME

OTHER OPERATING EXPENSES

The following items have been included in arriving at other operating income/(expenses):

	Group	
	2017 US\$'000	2016 US\$'000
Amortisation of intangible assets	(1,226)	(758)
Allowance for advances to suppliers	(4,153)	(4,054)
Bad debts written back/(off) (non-trade)	1,911	(4,666)
Compensation (including insurance claims)/penalty income	50,808	4,237
Energy/power/steam income	51,186	35,984
Fair value gain arising from changes of interest in a joint venture resulting in change of control	638	–
Fair value gain of derivative financial instruments	11,633	16,937
Foreign exchange gain/(loss), excluding net foreign exchange loss on shareholders' loans to subsidiaries	286,621	(240,135)
Loss on disposal of property, plant and equipment	(9,283)	(2,161)
Loss on disposal of investment in a joint venture	(335)	–
Gain/(loss) on disposal/liquidation/dilution of interest in associates	10,196	(5)
(Loss)/gain on disposal of subsidiaries	(1,169)	7,383
Government grants/incentive income	28,632	35,958
Grant of share options to employees	(9,163)	(7,194)
Income from sales cancellation	934	1,464
Pre-operating expenses	(2,279)	(10)
Processing fee income/tolling income	436	346
Rental and storage income	12,140	10,176
Scrap sales	11,978	10,870
Service fees/management fees/commission income	16,827	16,289
Impairment on shareholders' loan to associates	–	(11,701)
Impairment on property, plant and equipment	(40,929)	(50,669)

The Group has received government grants of different nature during the reporting periods, among them are grants in relation to the investment and development of plants and machineries, technical skill transformation and value added tax/business tax/corporate income tax subsidy for quality enterprise.

Government grants received for which related expenditure has not yet been undertaken are included in deferred income in the Balance Sheet. There are no unfulfilled conditions or contingencies relating to these grants.

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For the financial year ended 31 December 2017

8. FINANCE COSTS

	Group	
	2017 US\$'000	2016 US\$'000
Interest expense:		
– Loans and borrowings	418,787	342,925
– Loans from associates	821	640
– Loans from joint ventures	1,349	520
– Loans from related parties	198	45
– Interest rate swaps	2,515	3,853
– Others	14,296	5,593
	437,966	353,576
Less: Amount capitalised		
– Bearer plants	(925)	(1,004)
– Property, plant and equipment	(2,138)	(4,041)
	434,903	348,531

9. NON-OPERATING ITEMS

	Group	
	2017 US\$'000	2016 US\$'000
Net foreign exchange gain/(loss) on shareholders' loans to subsidiaries	694	(4,788)
Finance costs on bank borrowings for acquisition of Wilmar Sugar Australia Limited & its subsidiaries	(24,497)	(23,411)
Gain on disposal of available-for-sale financial assets	39	174
Gain/(loss) on disposal of financial assets held for trading	3,497	(3,969)
Investment income from equity instruments	83,039	30,338
Net fair value gain on financial assets held for trading	131,269	11,461
Net fair value gain on derivatives financial instruments (equity related)	–	39
	194,041	9,844

10. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2017 US\$'000	2016 US\$'000
Audit fees paid to:		
– Auditor of the Company	620	577
– Other auditors	4,463	4,573
Non-audit fees paid to:		
– Auditor of the Company	33	39
– Other auditors	623	584
Depreciation of property, plant and equipment	682,410	664,313
Depreciation of bearer plants	52,324	50,175
Less: Amount capitalised as part of costs of bearer plants	(1,938)	(1,697)
Add: Impairment loss	40,929	50,669
Depreciation and impairment loss of property, plant and equipment and bearer plants - net	773,725	763,460
Employee benefits expense	1,198,371	1,144,934
Operating lease expense	44,029	40,094

11. INCOME TAX EXPENSE

(a) Major components of income tax expense

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

	Group	
	2017 US\$'000	2016 US\$'000
Consolidated Income Statement		
<i>Current income tax</i>		
Current year	318,690	369,508
Over provision in respect of previous years	(15,048)	(9,592)
	303,642	359,916
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	(33,581)	(158,345)
Under provision in respect of previous years	20,815	4,723
Income tax expense recognised in the income statement	290,876	206,294
Deferred income tax related to other comprehensive income:		
Net tax charges/(credit) in fair value of derivative financial instruments designated as cash flow hedges and others	10,006	(12,160)

Notes to the Financial Statements

For the financial year ended 31 December 2017

11. INCOME TAX EXPENSE (CONTINUED)

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rates for the financial years ended 31 December 2017 and 31 December 2016 are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Accounting profit before income tax	1,597,696	1,299,953
Tax calculated at tax rate of 17% (2016: 17%)	271,608	220,992
Adjustments:		
Effect of different tax rates in other countries	76,160	162,659
Effect of tax incentives	(62,551)	(170,760)
Income not subject to taxation	(42,031)	(33,412)
Non-deductible expenses	38,088	23,389
Deferred tax assets not recognised	42,427	66,481
Under/(over) provision in respect of previous years	5,767	(4,869)
Share of results of joint ventures and associates	(24,922)	(16,743)
Utilisation of previously unrecognised tax losses/capital allowances	(16,928)	(44,144)
Others	3,258	2,701
Income tax expense recognised in the consolidated income statement	290,876	206,294

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding (exclude treasury shares outstanding) during the financial year.

	Group	
	2017	2016
Profit for the year attributable to owners of the Company (US\$'000)	1,219,305	972,245
Weighted average number of ordinary shares ('000)	6,322,495	6,319,004
Basic earnings per share (US cents per share)	19.3	15.4

(b) Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Group	
	2017	2016
Profit for the year attributable to owners of the Company (US\$'000)	1,219,305	972,245
Weighted average number of ordinary shares ('000)	6,322,495	6,319,004
Effects of dilution		
– Grant of equity-settled share options ('000)	4,406	–
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	6,326,901	6,319,004
Diluted earnings per share (US cents per share)	19.3	15.4

62,280,000 (2016: 118,550,000) share options granted to employees (including directors) under existing employee share option plans have not been included in the calculation of diluted earnings per share for the financial years ended 31 December 2017 and 31 December 2016 because they are anti-dilutive.

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For the financial year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Freehold land, land and land rights US\$'000	Buildings US\$'000	Plant and machineries US\$'000	Furniture, fittings and office equipment US\$'000	Vessels US\$'000	Motor vehicles, trucks and aircrafts US\$'000	Construction in-progress US\$'000	Total US\$'000
Group								
Costs								
At 1 January 2016	1,160,432	3,079,220	6,543,237	210,018	733,647	263,767	597,451	12,587,772
Disposal of subsidiaries	(23,968)	(104,547)	(173,871)	(1,482)	–	(1,272)	(3,449)	(308,589)
Additions	35,650	26,967	44,687	15,285	39,544	13,519	525,902	701,554
Disposals	(3,667)	(46,646)	(141,041)	(7,800)	(60,872)	(13,010)	(9,100)	(282,136)
Transfers	7,713	131,301	468,046	6,412	–	1,179	(614,651)	–
Reclassifications	8,059	(14,928)	14,452	(9,456)	37	656	(107)	(1,287)
Currency translation differences	(44,792)	(120,868)	(218,143)	(10,527)	–	(10,546)	(25,654)	(430,530)
At 31 December 2016 and 1 January 2017	1,139,427	2,950,499	6,537,367	202,450	712,356	254,293	470,392	12,266,784
Acquisition of a subsidiary	–	–	10,031	76	–	–	–	10,107
Disposal of a subsidiary	–	–	–	(40)	–	–	–	(40)
Additions	39,494	23,074	38,038	19,486	86,504	82,250	588,264	877,110
Disposals	(10,797)	(6,573)	(52,906)	(4,172)	(30,900)	(11,925)	(538)	(117,811)
Transfers	7,433	144,273	392,803	8,039	–	1,359	(553,907)	–
Reclassifications	(4,824)	23,599	(19,209)	(500)	–	603	(469)	(800)
Currency translation differences	45,320	130,997	331,870	8,729	–	1,984	28,847	547,747
At 31 December 2017	1,216,053	3,265,869	7,237,994	234,068	767,960	328,564	532,589	13,583,097

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land, land and land rights US\$'000	Buildings US\$'000	Plant and machineries US\$'000	Furniture, fittings and office equipment US\$'000	Vessels US\$'000	Motor vehicles, trucks and aircrafts US\$'000	Construction in-progress US\$'000	Total US\$'000
Group								
Accumulated depreciation and impairment loss								
At 1 January 2016	135,121	708,001	2,345,423	152,934	110,718	152,093	–	3,604,290
Disposal of subsidiaries	(2,535)	(17,696)	(39,807)	(728)	–	(883)	–	(61,649)
Depreciation charge for the year	19,402	121,300	434,791	22,072	43,484	23,264	–	664,313
Disposals	(515)	(18,877)	(90,880)	(7,299)	(7,179)	(11,073)	–	(135,823)
Impairment loss	–	6,941	43,692	21	–	15	–	50,669
Reclassifications	22	(980)	6,970	(6,448)	–	426	–	(10)
Currency translation differences	(5,691)	(28,787)	(100,741)	(7,896)	–	(8,989)	–	(152,104)
At 31 December 2016 and 1 January 2017	145,804	769,902	2,599,448	152,656	147,023	154,853	–	3,969,686
Disposal of a subsidiary	–	–	–	(30)	–	–	–	(30)
Depreciation charge for the year	20,489	126,850	448,846	22,665	42,622	20,938	–	682,410
Disposals	(991)	(2,758)	(38,217)	(4,059)	(24,889)	(10,483)	–	(81,397)
Impairment loss	–	419	40,510	–	–	–	–	40,929
Reclassifications	–	1,041	(974)	(461)	–	41	–	(353)
Currency translation differences	5,933	35,614	165,893	6,827	–	1,659	–	215,926
At 31 December 2017	171,235	931,068	3,215,506	177,598	164,756	167,008	–	4,827,171
Net carrying amount								
At 31 December 2016	993,623	2,180,597	3,937,919	49,794	565,333	99,440	470,392	8,297,098
At 31 December 2017	1,044,818	2,334,801	4,022,488	56,470	603,204	161,556	532,589	8,755,926

Notes to the Financial Statements

For the financial year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, fittings and office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Company			
Costs			
At 1 January 2016	4,177	642	4,819
Additions	1,760	475	2,235
Disposals	(255)	(459)	(714)
At 31 December 2016 and 1 January 2017	5,682	658	6,340
Additions	1,965	–	1,965
Disposals	(316)	–	(316)
At 31 December 2017	7,331	658	7,989
Accumulated depreciation			
At 1 January 2016	3,172	162	3,334
Depreciation charge for the year	930	64	994
Disposals	(251)	(126)	(377)
At 31 December 2016 and 1 January 2017	3,851	100	3,951
Depreciation charge for the year	1,025	66	1,091
Disposals	(316)	–	(316)
At 31 December 2017	4,560	166	4,726
Net carrying amount			
At 31 December 2016	1,831	558	2,389
At 31 December 2017	2,771	492	3,263

Capitalisation of borrowing costs

The Group's property, plant and equipment include borrowing costs arising from bank term loans borrowed specifically for the purpose of the construction of plants. During the financial year, the borrowing costs capitalised as cost of plant and machineries amounted to approximately US\$2,138,000 (2016: US\$4,041,000).

Assets pledged as security

Certain property, plant and equipment of the Group amounting to approximately US\$12,379,000 (2016: US\$19,734,000) are pledged as security for bank borrowings.

Impairment of assets

During the financial year, the Group recorded an impairment loss of approximately US\$40,929,000 (2016: US\$50,669,000) which was recognised in "Other operating expenses" line item of the consolidated income statement for the financial year ended 31 December 2017. Included within is an impairment loss of approximately US\$30,600,000 (2016: US\$33,468,000), representing the write-down of plant and machineries to the recoverable amount, arising from a subsidiary of the Group within the Sugar segment which had carried out a review of the recoverable amount of its plant and machineries. The recoverable amount of the plant and machineries was based on its value in use and the pre-tax discount rate was 11.0% (2016: 11.0%).

**14. BEARER PLANTS
BIOLOGICAL ASSETS**

	Group	
	2017 US\$'000	2016 US\$'000
Bearer plants		
Group		
Costs		
At 1 January	1,152,530	1,133,068
Additions	55,660	52,795
Disposals	(12,302)	(142)
Capitalisation of interest	925	1,004
Capitalisation of depreciation	1,938	1,697
Capitalisation of employee benefits	2,842	2,190
Currency translation differences	(18,766)	(38,082)
At 31 December	1,182,827	1,152,530
Accumulated depreciation		
At 1 January	425,805	390,786
Depreciation charge for the year	52,324	50,175
Disposals	(4,591)	–
Currency translation differences	(12,908)	(15,156)
At 31 December	460,630	425,805
Net carrying amount		
At 31 December	722,197	726,725

	Group	
	2017 US\$'000	2016 US\$'000
Biological assets		
At 1 January	49,439	65,486
Fair value loss of biological assets	(10,028)	(16,047)
Currency translation differences	(48)	–
At 31 December	39,363	49,439

Notes to the Financial Statements

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14. BEARER PLANTS

BIOLOGICAL ASSETS (CONTINUED)

(a) Analysis of oil palm production

During the financial year, the Group harvested approximately 3,923,000 metric tonnes (2016: 3,818,000 metric tonnes) of FFB, which had a fair value less estimated point-of-sale costs of approximately US\$534,432,000 (2016: US\$507,242,000). The fair value of FFB was determined with reference to their monthly average market prices during the year.

(b) Analysis of bearer plants

At the end of the financial year, the Group's total planted area and related value of mature and immature plantations are as follows:-

Area	Group	
	2017 Hectares	2016 Hectares
Planted area:		
– Mature	208,645 ⁽¹⁾	211,914 ⁽¹⁾
– Immature	36,525	35,221
	245,170	247,135

Value	Group	
	2017 US\$'000	2016 US\$'000
Planted area:		
– Mature	584,061 ⁽¹⁾	601,468 ⁽¹⁾
– Immature	138,136	125,257
	722,197	726,725

(1) Mature planted areas include sugar cane plantations.

- (c) At 31 December 2017, the carrying amount of bearer plants of the Group mortgaged as securities for bank borrowings amounted to approximately US\$38,516,000 (2016: US\$38,516,000).
- (d) The interest capitalised is actual interest incurred on the bank borrowings to finance the development of oil palm plantations.
- (e) The fair value of biological assets has been determined based on the market price and the estimated yield of FFB, net of maintenance and harvesting costs, overhead costs and estimated cost to sell. The estimated yield is dependent on the age of the oil palm trees, the location of the plantations, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel. Point-of-sale costs include all costs that would be necessary to sell the assets.

The following table shows the key unobservable inputs used in the valuation models:

Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
FFB average selling price of US\$124 to US\$126 (2016: US\$151 to US\$159) per metric tonne	The estimated fair value increases as the estimated selling price of FFB increases.
Average yield (annual) is 19.7 (2016: 19.0) metric tonne per hectare	The estimated fair value increases as the estimated average yield increases.

15. INTANGIBLE ASSETS

	Goodwill US\$'000	Trademarks & licenses and others US\$'000	Brands US\$'000	Total US\$'000
Group				
Cost				
At 1 January 2016	3,265,346	8,245	1,098,164	4,371,755
Acquisition of a subsidiary	1,470	2,800	–	4,270
Disposal of a subsidiary	–	(66)	–	(66)
Currency translation differences	(6,375)	(149)	(118)	(6,642)
At 31 December 2016 and 1 January 2017	3,260,441	10,830	1,098,046	4,369,317
Additions	–	2,503	–	2,503
Acquisition of a subsidiary	1,524	–	–	1,524
Currency translation differences	15,228	653	721	16,602
At 31 December 2017	3,277,193	13,986	1,098,767	4,389,946
Accumulated amortisation				
At 1 January 2016	–	2,895	–	2,895
Amortisation during the year	–	758	–	758
Disposal of a subsidiary	–	(29)	–	(29)
Currency translation differences	–	(43)	–	(43)
At 31 December 2016 and 1 January 2017	–	3,581	–	3,581
Amortisation during the year	–	1,226	–	1,226
Currency translation differences	–	229	–	229
At 31 December 2017	–	5,036	–	5,036
Net carrying amount				
At 31 December 2016	3,260,441	7,249	1,098,046	4,365,736
At 31 December 2017	3,277,193	8,950	1,098,767	4,384,910

Amortisation expense

The amortisation of trademarks & licenses and others is included in other operating expenses in the consolidated income statement.

Brands

Brands relate to both the 'Arawana' and 'CSR' brand names that were acquired in 2007 and 2010 respectively. As explained in Note 2.12(b)(i), the useful lives of the brands are estimated to be indefinite.

Notes to the Financial Statements

For the financial year ended 31 December 2017

15. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill and brands

Goodwill arising from business combinations and brands have been allocated to individual cash-generating units ("CGU") which are also the reportable operating segments for impairment testing.

The carrying amounts of goodwill and brands allocated to each CGU are as follows:

	Tropical Oils US\$'000	Oilseeds and Grains US\$'000	Sugar US\$'000	Others US\$'000	Total US\$'000
2017					
Goodwill	2,217,084	766,720	278,217	15,172	3,277,193
Brands	–	1,089,247	9,520	–	1,098,767
2016					
Goodwill	2,217,045	765,196	263,028	15,172	3,260,441
Brands	–	1,089,247	8,799	–	1,098,046

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period for tropical oils, oilseeds and grains and sugar segments. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:-

	Tropical Oils		Oilseeds and Grains		Sugar	
	% 2017	% 2016	% 2017	% 2016	% 2017	% 2016
Terminal growth rates	2.0 – 3.0	2.0 – 3.0	3.0	3.0	2.0	2.0 – 2.5
Pre-tax discount rates	12.0 – 14.0	12.0 – 14.0	12.0 – 14.0	12.0 – 14.0	11.0 – 12.0	11.0 – 12.0

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted profit margin based on past performance and its expectations of the market development. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments. The forecasted growth rates were based on published industry research and did not exceed the long-term average growth rate for the industries relevant to the CGU.

16. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 US\$'000	2016 US\$'000
Unquoted equity shares, at cost	9,084,592	9,072,026

Details of the list of significant subsidiaries are included in Note 39.

Acquisition of subsidiary

The Group acquired the following subsidiary during the financial year:

Name of subsidiary acquired	Equity interest acquired %	Consideration US\$'000	Month of acquisition
Yihai Kerry (Shanghai) Chocolate Co., Ltd	50	3,499	April 2017
		3,499	

The fair values of the identifiable assets and liabilities of the subsidiaries acquired and the effect thereof as at the date of above acquisition were as follows:

	Fair value recognised on acquisition US\$'000
Property, plant and equipment	10,107
Inventories	560
Trade receivables and other assets	1,426
Cash and cash equivalents	450
	12,543
Trade and other payables	8,592
	8,592
Net identifiable assets	3,951
Identifiable net assets acquired	3,951
Less: Transfer from investment in joint venture	(1,338)
Positive goodwill arising from acquisition recognised as part of intangible assets	1,524
Fair value gain arising from changes of interest in a joint venture resulting in change of control	(638)
Total consideration for acquisition	3,499

Notes to the Financial Statements

For the financial year ended 31 December 2017

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Total cost of business combination

The total cost of the business combination is as follows:

	Cashflow on acquisition US\$'000
Consideration for acquisition	3,499
Consideration for acquisition - cash paid	3,499

The effects of acquisition on cash flow are as follows:

Consideration settled in cash	3,499
Less: Cash and cash equivalents of subsidiary acquired	(450)
Net cash outflow on acquisition	3,049

Impact of acquisition on consolidated income statement

From the date of acquisition, the acquiree has contributed additional revenue and net loss of approximately US\$1,099,000 and US\$1,051,000 respectively for the financial year ended 31 December 2017. If the combination had taken place at the beginning of the financial year, the Group's revenue would have been approximately US\$43,846,597,000 and net profit would have been approximately US\$1,218,751,000.

Acquisition of non-controlling interests

During the year, the Group acquired additional interests in the following subsidiaries from the existing non-controlling shareholders:

Acquirer	Acquiree	Additional interest %	Proportion of ownership interest after additional acquisition %	Consideration US\$'000	Book value US\$'000	Premium arising from acquisition US\$'000	Month of acquisition
Wilmar Sugar Holdings Pte. Ltd.	Wilmar Sugar Pte. Ltd.	6	83 +	14,245	11,081	3,164	May - Dec 2017
Wilmar Resources Pte Ltd	Equatorial Trading Limited	3	82 +	3,250	2,455	795	Jul 2017
KOG Investment Pte Ltd	Wilmar Nature Pte. Ltd.	49	100	3,500	1,673	1,827	Sep 2017
Yihai Kerry Investments Co., Ltd.	Wilmar Nutrition (Jiangsu) Co., Ltd	35	95	7,650	5,914	1,736	Dec 2017
Yihai Kerry Investments Co., Ltd.	Wilmar Spring Fruit Nutrition Products (Jiangsu) Co., Ltd	35	95	11,144	3,973	7,171	Dec 2017

+ The effective interest of the Group has been rounded to the nearest whole % as indicated

16. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Disposal of subsidiary

During the year, the Group disposed the interests in the following subsidiary:

Name of subsidiary disposed	Equity interest disposed %	Consideration US\$'000	Month of disposal
Wilmar Foods (NZ) Limited	100	679	Oct 2017

Disposal of subsidiary

The carrying amounts of assets and liabilities of the subsidiary disposed and the effect thereof as at date of disposal were as follows:

	Cashflow on disposal US\$'000
Property, plant and equipment	10
Trade receivables and other assets	2,065
Inventories	2,094
Cash and cash equivalents	1,650
	<u>5,819</u>
Trade and other payables	3,875
	<u>3,875</u>
Net carrying amounts of assets disposed	<u>1,944</u>
Net assets disposed	1,944
Less: Hedging reserve realised upon disposal of a subsidiary	(7)
Less: Foreign currency translation reserve realised upon disposal of a subsidiary	(89)
Loss on disposal	<u>(1,169)</u>
Sales proceeds, net	679
Less: Cash and cash equivalents of a subsidiary disposed	<u>(1,650)</u>
Net cash outflow on disposal of a subsidiary	<u>(971)</u>

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For the financial year ended 31 December 2017

17. INVESTMENT IN JOINT VENTURES

INVESTMENT IN ASSOCIATES

The Group's investment in joint ventures are summarised below:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
FPW Singapore Holdings Pte. Ltd.	543,419	553,508	102,722	102,722
Other joint ventures	608,527	497,917	106,914	106,964
Investment in joint ventures	1,151,946	1,051,425	209,636	209,686

Details of the list of significant joint ventures are included in Note 40.

The summarised financial information of material joint ventures are as follows:

	FPW Singapore Holdings Pte. Ltd.	
	2017 US\$'000	2016 US\$'000
Assets and liabilities:		
Current assets	389,118	307,001
Non-current assets	1,539,267	1,456,560
Total assets	1,928,385	1,763,561
Current liabilities	1,486,252	1,383,621
Non-current liabilities	264,596	189,698
Total liabilities	1,750,848	1,573,319
Shareholders' equity	170,064	190,242
Proportion of the Group's ownership interest	50%	50%
Group's share	85,032	95,121
Quasi loan	458,387	458,387
Carrying amount of the investment	543,419	553,508
Revenue	1,620,856	1,493,429
(Loss)/profit for the year	(10,846)	37,081
Other comprehensive income	(8,121)	(36,649)
Total comprehensive income	(18,967)	432

17. INVESTMENT IN JOINT VENTURES
INVESTMENT IN ASSOCIATES (CONTINUED)

	FPW Singapore Holdings Pte. Ltd.	
	2017 US\$'000	2016 US\$'000
Cash and cash equivalents	110,208	81,634
Current financial liabilities (excluding trade and other payables and provisions)	1,173,684	1,154,187
Non-current financial liabilities (excluding trade and other payables and provision)	222,999	143,646
Depreciation and amortisation	45,959	48,014
Finance income	227	446
Finance expense	25,272	25,706
Income tax expense	19,012	22,891

The activities of FPW Singapore Holdings Pte. Ltd. is strategic to the Group's activities. There were no dividends (2016: US\$5,594,000) received during the financial year ended 31 December 2017. Subsequent to year end, a dividend of US\$16,033,000 was received.

Aggregate information about the Group's shares in joint ventures that are not individually material is as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Share of the joint ventures' profit/(loss) for the year	40,232	(9,151)
Share of the joint ventures' total comprehensive income	40,232	(9,151)

The Group's investment in associates are summarised below:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd	644,126	603,945	–	–
Cosumar S.A.	328,888	315,914	–	–
Other associates	1,302,836	932,126	36,644	36,644
Investment in Associates	2,275,850	1,851,985	36,644	36,644
Fair value of investment in associates for which there are published price quotations (Level 1 in the fair value hierarchy)	915,790	535,749	15,058	17,987

Details of the list of significant associates are included in Note 40.

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For the financial year ended 31 December 2017

17. INVESTMENT IN JOINT VENTURES

INVESTMENT IN ASSOCIATES (CONTINUED)

The summarised financial information of material associates are as follows:

	COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd		Cosumar S.A.	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Assets and liabilities:				
Current assets	916,481	772,083	610,808	541,711
Non-current assets	251,229	247,129	541,024	451,919
Total assets	1,167,710	1,019,212	1,151,832	993,630
Current liabilities	401,795	344,599	520,931	447,722
Non-current liabilities	4,309	5,313	122,820	111,577
Total liabilities	406,104	349,912	643,751	559,299
Shareholders' equity	748,480	657,160	507,798	435,568
Proportion of the Group's ownership interest	44%	44%	30% ⁺	31% ⁺
Group's share	329,331	289,150	154,345	135,026
Goodwill on acquisition	314,795	314,795	174,543	180,888
Carrying amount of the investment	644,126	603,945	328,888	315,914
Revenue	2,553,952	2,131,319	697,299	570,361
Profit for the year	48,165	12,707	88,386	83,015
Total comprehensive income	48,165	12,707	88,386	83,015

+ The effective interest of the Group has been rounded to the nearest whole % as indicated

The activities of COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd and Cosumar S.A. are strategic to the Group's activities. Dividends of approximately US\$17,399,000 (2016: US\$14,560,000) were received from Cosumar S.A. during the financial year ended 31 December 2017.

Aggregate information about the Group's shares in associates that are not individually material is as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Share of the associates' profit for the year	145,891	100,504
Share of the associates' total comprehensive income	145,891	100,504

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS
FINANCIAL ASSETS HELD FOR TRADING

	Group	
	2017 US\$'000	2016 US\$'000
Available-for-sale financial assets		
Non-current:		
Quoted equity instruments *	240,955	388,142
Unquoted equity instruments, at cost	80,621	60,004
Unquoted non-equity instruments	246,502	252,559
	568,078	700,705
Financial assets held for trading		
Current:		
Quoted equity instruments	421,328	316,632
	421,328	316,632

* Included in the quoted equity instruments is an investment in shares quoted on National Stock Exchange of Australia. As the sale and purchase of this investment is restricted, the valuation is determined using discounted cash flow projections.

The Group's non-equity investments comprise investment funds.

Unquoted equity instruments are valued at cost as these instruments have no market prices and the fair value cannot be reliably measured using valuation techniques.

Notes to the Financial Statements

For the financial year ended 31 December 2017

19. DEFERRED TAX

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Deferred tax assets:				
Provisions	80,526	81,958	6,716	(26,563)
Unutilised tax losses	89,798	82,042	(976)	(17,120)
Differences in depreciation for tax purposes	88,010	116,669	28,974	(106,293)
Fair value adjustments on derivatives classified as cash flow hedges	12,490	16,470	–	–
Other items	50,639	15,264	(17,357)	25,391
	321,463	312,403		
Deferred tax liabilities:				
Differences in depreciation for tax purposes	153,155	157,471	(11,870)	(29,949)
Fair value adjustments on acquisition of subsidiaries	41,518	41,767	(258)	(890)
Fair value adjustments on derivatives classified as cash flow hedges	16,892	3,645	–	–
Fair value adjustments on biological assets	9,822	12,243	(2,421)	(3,955)
Undistributed earnings	73,136	64,987	8,149	9,922
Other items	18,189	42,330	(23,723)	(4,165)
	312,712	322,443		
Deferred income tax credit			(12,766)	(153,622)

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately US\$522,602,000 (2016: US\$738,164,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to the uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the balance sheet date, no deferred tax liability (2016: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to approximately US\$5,242,916,000 (2016: US\$4,917,040,000). The deferred tax liability is estimated to be approximately US\$554,312,000 (2016: US\$531,628,000).

20. DERIVATIVE FINANCIAL INSTRUMENTS

	Group					
	2017			2016		
	Contract/ Notional amount US\$'000	Assets US\$'000	Liabilities US\$'000	Contract/ Notional amount US\$'000	Assets US\$'000	Liabilities US\$'000
Forward currency contracts, options and cross currency interest rate swaps	15,287,387	120,242	342,567	14,405,808	311,686	262,636
Futures, options and swap contracts	4,938,219	196,156	142,084	6,804,023	162,977	206,168
Interest rate swap	3,837,423	4,585	1,242	503,396	75	3,280
Fair value of firm commitment contracts	4,084,299	52,834	43,103	1,954,374	104,780	130,371
Total derivative financial instruments		373,817	528,996		579,518	602,455
Less: Current portion		(368,166)	(503,797)		(546,885)	(495,322)
Non-current portion		5,651	25,199		32,633	107,133

The Group classifies derivative financial instruments as financial assets/liabilities at fair value through profit or loss. The Group does not apply hedge accounting, except for those designated as hedges of commodity products and Medium Term Notes.

Certain derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) Master Netting Agreements and Long Form Confirmations. In general, the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

Cash flow hedges

The Group enters into various commodities futures, options, swap and forward currency contracts in order to hedge the financial risks related to the purchases and sales of commodity products. The Group has applied cash flow hedge accounting to these derivatives as they are considered to be highly effective hedging instruments. A net fair value gain of approximately US\$22,173,000 (2016: loss of US\$63,725,000), with related deferred tax charges of approximately US\$4,402,000 (2016: tax credit of US\$12,825,000), is included in the hedging reserve in respect of these contracts.

The cash flows arising from these derivatives are expected to occur and enter into the determination of profit or loss during the next two financial years as follows: US\$22,192,000 and (US\$19,000) (2016: US\$(63,518,000) and (US\$207,000)).

Fair value hedges

The Group enters into commodities future contracts to hedge the financial risk related to the carrying value of commodity products. A net fair value gain of approximately US\$5,864,000 (2016: US\$5,897,000) is recognised in the income statement and offset with a similar loss on the inventory.

The Group also enters into cross currency interest rate swaps to hedge the financial risk related to Medium Term Notes issued by the Company. A net fair value gain of approximately US\$1,246,000 (2016: loss of US\$1,570,000) is recognised in the income statement and offset with a similar increase in the loans and borrowings.

Notes to the Financial Statements

For the financial year ended 31 December 2017

21. OTHER FINANCIAL RECEIVABLES OTHER NON-FINANCIAL ASSETS

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Non-current:				
Loans to non-controlling shareholders of a subsidiary	–	500	–	–
Other non-trade receivables	4,305	4,788	19	39
Amounts due from subsidiaries - non-trade	–	–	342,423	332,140
Amounts due from joint ventures - non-trade	34,429	28,736	11,025	5,175
Amounts due from associates - non-trade	51,515	149,880	56,804	62,280
Amounts due from related parties - non-trade	21,798	21,928	–	–
Other financial receivables	112,047	205,832	410,271	399,634
Current:				
Deposits	120,942	80,565	38	39
Loans to non-controlling shareholders of subsidiaries	21,307	40,554	–	–
Other non-trade receivables	302,971	252,632	9,110	8,768
Other deposits with financial institutions	4,272,969	1,421,311	–	–
Amounts due from subsidiaries - non-trade	–	–	3,532,351	2,992,973
Amounts due from joint ventures - non-trade	410,042	446,480	414,479	389,076
Amounts due from associates - non-trade	223,490	109,425	9,717	8,527
Amounts due from related parties - non-trade	3,029	3,535	15	–
Other financial receivables	5,354,750	2,354,502	3,965,710	3,399,383
Non-current:				
Prepayments	46,423	34,869	–	–
Plasma investments	8,685	17,393	–	–
Other non-financial assets	55,108	52,262	–	–
Current:				
Prepayments and other non-financial assets	157,197	157,111	1,457	342
Biological assets (note 14)	39,363	49,439	–	–
Tax recoverables	123,062	106,142	–	–
Advances for property, plant and equipment	154,716	154,950	–	–
Advances for acquisition of subsidiaries	1,987	5,833	–	–
Advances to suppliers	676,730	727,983	–	–
Other non-financial assets	1,153,055	1,201,458	1,457	342

21. OTHER FINANCIAL RECEIVABLES

OTHER NON-FINANCIAL ASSETS (CONTINUED)

Amounts due from subsidiaries, joint ventures, associates and related parties (non-current)

Other than the non-current non-trade receivables from joint ventures, associates and related parties, which bear interest rates from 2.5% to 5.4% (2016: 2.0% to 5.1%) per annum, the remaining amounts are interest-free, unsecured and have no fixed terms of repayment. These balances are not expected to be repaid within the next twelve months and are expected to be settled in cash.

As at 31 December 2017, the Company has provided impairment for amounts due from subsidiaries amounting to approximately US\$32,526,000 (2016: US\$32,526,000).

Amounts due from subsidiaries, joint ventures, associates and related parties (current)

The current non-trade receivables from subsidiaries, joint ventures, associates and related parties are unsecured, non-interest bearing and repayable on demand except for amounts due from joint ventures and associates of approximately US\$ 266,004,000 (2016: US\$276,604,000) and US\$150,036,000 (2016: US\$63,979,000) respectively, which bear interest ranging from 1.0% to 9.0% (2016: 1.0% to 6.9%) per annum. These balances are expected to be settled in cash.

As at 31 December 2017, the Company has provided impairment for amounts due from subsidiaries amounting to approximately US\$77,439,000 (2016: US\$77,439,000).

Loans to non-controlling shareholders of subsidiaries

Other than the current loans to non-controlling shareholders of subsidiaries of approximately US\$20,472,000 (2016: US\$40,273,000), which bear interest ranging from 4.4% to 5.5% (2016: 4.4% to 6.9%) per annum, the remaining amounts are interest-free and repayable on demand. These balances are expected to be settled in cash.

Other deposits with financial institutions

Other deposits with financial institutions are deposits placed with banks with high credit ratings and no history of default. The interest rates range from 3.9% to 5.9% (2016: 1.8% to 4.8%) per annum.

The Group has pledged other deposits with financial institutions amounting to approximately US\$699,187,000 (2016: US\$828,084,000) as security for bank borrowings.

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22. INVENTORIES

	Group	
	2017 US\$'000	2016 US\$'000
Balance Sheet		
At cost:		
Raw materials	2,764,186	2,485,977
Consumables	390,829	364,345
Finished goods	2,468,539	2,691,335
Stock in transit	685,532	821,252
	6,309,086	6,362,909
At net realisable value:		
Raw materials	637,864	251,545
Consumables	2,432	4,366
Finished goods	1,274,224	403,490
	1,914,520	659,401
	8,223,606	7,022,310
Income Statement		
Inventories recognised as an expense in cost of sales	35,607,664	32,623,277
Inclusive of the following charge:		
– Provision for net realisable value	37,325	30,711

23. TRADE RECEIVABLES

	Group	
	2017 US\$'000	2016 US\$'000
Trade receivables	2,592,036	2,864,953
Notes receivables	129,853	139,214
Value added tax recoverable	841,762	684,153
Amounts due from joint ventures - trade	363,700	63,838
Amounts due from associates - trade	135,826	328,734
Amounts due from related parties - trade	55,953	14,077
	4,119,130	4,094,969
Less: Allowance for doubtful receivables	(18,072)	(7,900)
	4,101,058	4,087,069

Trade receivables, including amounts due from joint ventures, associates and related parties, are non-interest bearing and the average turnover is 33 days (2016: 33 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Notes receivables are non-interest bearing and have a maturity period ranging from 1 to 180 days for the financial years ended 31 December 2017 and 31 December 2016.

The Group has pledged trade receivables amounting to approximately US\$67,462,000 (2016: US\$120,056,000) as security for bank borrowings.

23. TRADE RECEIVABLES (CONTINUED)

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to approximately US\$348,456,000 (2016: US\$441,807,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Trade receivables past due but not impaired:		
Less than 30 days	215,148	313,353
30 – 60 days	45,947	67,805
61 – 90 days	21,208	16,864
91 – 120 days	10,040	10,469
More than 120 days	56,113	33,316
	348,456	441,807

Trade receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

Movement in allowance account:

	Group	
	2017 US\$'000	2016 US\$'000
Individually impaired		
At 1 January	(7,900)	(5,811)
Additional allowance during the year	(10,942)	(2,540)
Bad debts written off against allowance	1,014	211
Currency translation differences	(244)	240
At 31 December	(18,072)	(7,900)

The above trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Loans and receivables

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Trade receivables	4,101,058	4,087,069	–	–
Other financial receivables - current	5,354,750	2,354,502	3,965,710	3,399,383
Other financial receivables - non-current	112,047	205,832	410,271	399,634
Total cash and bank balances	2,957,434	3,906,766	3,037	4,057
Loans and receivables	12,525,289	10,554,169	4,379,018	3,803,074

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For the financial year ended 31 December 2017

24. OTHER BANK DEPOSITS CASH AND BANK BALANCES

	Group	
	2017 US\$'000	2016 US\$'000
Fixed deposits pledged with financial institutions for bank facilities	809,139	1,122,229
Other deposits with maturity more than 3 months	693,587	1,599,656
Other bank deposits	1,502,726	2,721,885

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Cash at banks and on hand	1,035,848	753,059	3,037	4,057
Short term and other deposits	418,860	431,822	–	–
Cash and bank balances	1,454,708	1,184,881	3,037	4,057

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of the Group is 2.2% (2016: 2.3%) per annum.

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Other bank deposits	1,502,726	2,721,885	–	–
Cash and bank balances	1,454,708	1,184,881	3,037	4,057
Total cash and bank balances	2,957,434	3,906,766	3,037	4,057

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the balance sheet date:

	Group	
	2017 US\$'000	2016 US\$'000
Cash and bank balances	1,454,708	1,184,881
Bank overdrafts	(19,483)	(117,157)
Cash and cash equivalents	1,435,225	1,067,724

25. TRADE PAYABLES

	Group	
	2017 US\$'000	2016 US\$'000
Trade payables	982,766	1,336,642
Value added tax payable	17,051	18,714
Amounts due to joint ventures - trade	52,955	30,916
Amounts due to associates - trade	41,976	37,547
Amounts due to related parties - trade	98	76,435
	1,094,846	1,500,254

Trade payables, including amounts due to joint ventures, associates and related parties, are non-interest bearing and the average turnover is 12 days (2016: 13 days).

Total financial liabilities

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Trade payables	1,094,846	1,500,254	–	–
Other financial payables - current	1,397,906	1,348,963	2,896,464	2,084,329
Other financial payables - non-current	69,220	51,314	–	–
Loans and borrowings	19,826,540	17,020,259	323,000	384,249
Total financial liabilities carried at amortised cost	22,388,512	19,920,790	3,219,464	2,468,578

Notes to the Financial Statements

For the financial year ended 31 December 2017

26. OTHER FINANCIAL PAYABLES

OTHER NON-FINANCIAL LIABILITIES

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Other Financial Payables				
Current:				
Advances from non-controlling shareholders of subsidiaries	89,628	96,824	–	–
Accrued operating expenses	815,949	738,518	10,061	10,348
Amounts due to subsidiaries - non-trade	–	–	2,884,512	2,072,186
Amounts due to joint ventures - non-trade	19,044	15,605	–	5
Amounts due to associates - non-trade	17,656	33,720	–	132
Amounts due to related parties - non-trade	8,146	8,142	92	93
Deposits from third parties	145,978	150,397	–	–
Payable for property, plant and equipment	55,889	62,475	–	–
Other tax payables	11,355	12,218	–	–
Other payables	234,261	231,064	1,799	1,565
Other financial payables	1,397,906	1,348,963	2,896,464	2,084,329
Non-current:				
Advances from non-controlling shareholders of subsidiaries	66,552	50,947	–	–
Other payables	2,668	367	–	–
Other financial payables	69,220	51,314	–	–
Other Non-Financial Liabilities				
Current:				
Advances from customers and others	400,616	571,077	–	–
Other non-financial liabilities	400,616	571,077	–	–
Non-current:				
Provision for employee gratuity	125,610	94,515	–	–
Deferred income - government grants	31,380	23,670	–	–
Other non-financial liabilities	156,990	118,185	–	–

The current amounts due to subsidiaries by the Company and the current amounts due to associates, joint ventures and related parties by the Group are unsecured, non-interest bearing and repayable on demand except for amounts due to associates of approximately US\$8,484,000 (2016: US\$13,752,000) and amounts due to joint ventures of approximately US\$18,970,000 (2016: US\$14,847,000), which bear interest ranging from 1.0% to 9.0% (2016: 1.0% to 9.0%). These are expected to be settled in cash.

The advances from non-controlling shareholders are unsecured and non-interest bearing except for amounts of approximately US\$62,003,000 (2016: US\$69,304,000), which bear interest ranging from 2.4% to 8.1% (2016: 2.4% to 7.8%). These are expected to be settled in cash.

There are no unfulfilled conditions or contingencies attached to the deferred government grants.

27. LOANS AND BORROWINGS

	Note	Maturity	Weighted average interest rate		Group		Company	
			2017 %	2016 %	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Current:								
Bank term loans	(a)	2018	5	2	2,556,522	2,483,908	–	–
Short term/pre-shipment loans	(a)	2018	3	2	8,094,977	4,608,351	–	–
Trust receipts/bill discounts	(a)	2018	1	1	5,459,334	5,310,391	–	–
Bank overdrafts	(b)	2018	6	5	19,483	117,157	–	–
Medium term notes		2018	–	4	–	169,212	–	169,212
					16,130,316	12,689,019	–	169,212
Non-current:								
Bank term loans	(a)	2019–2024	3	4	3,373,224	4,116,203	–	–
Medium term notes	(c)	2019–2022	3	4	323,000	215,037	323,000	215,037
					3,696,224	4,331,240	323,000	215,037
Total loans and borrowings					19,826,540	17,020,259	323,000	384,249

The terms and conditions and securities for interest bearing loans and borrowings are as follows:

(a) Bank term loans/short term/pre-shipment loans/trust receipts/bill discounts

A portion of the Group's loans is secured by a pledge over property, plant and equipment, bearer plants, fixed deposits, trade receivables, other deposits with financial institutions and corporate guarantees from the Company and certain subsidiaries.

(b) Bank overdrafts

Certain bank overdrafts are secured by trade receivables and corporate guarantees from the Company.

(c) Medium term notes

During the financial year ended 31 December 2012, the Company issued a 5-year Medium Term Note of S\$250 million at a fixed rate of 3.50% per annum and a 7-year Medium Term Note of S\$100 million at a fixed rate of 4.10% per annum.

The Company issued the following notes during the financial year ended 31 December 2014:

- on 17 April 2014, a 7-year Medium Term Note of HK\$300 million at a fixed rate of 4.70% per annum; and
- on 17 July 2014, a 7-year Medium Term Note of Euro 100 million at a fixed rate of 3.03% per annum.

During the financial year ended 31 December 2017, the Company issued a 5-year Medium Term Note of Japanese Yen ("JPY") 10 billion at a fixed rate of 0.58% per annum.

(d) The bank facilities, up to a limit of approximately US\$8,968,544,000 (2016: US\$10,676,090,000), are guaranteed by the Company and certain subsidiaries.

(e) The Group has bank loans and other bank deposits amounting to approximately US\$2,792,690,000 (2016: US\$2,530,097,000), disclosed off-balance sheet for the financial year ended 31 December 2017 as the Group has transferred substantially all the risks and rewards of the cash flows arising from the deposits and have also legally been released from the responsibility for the loans.

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28. SHARE CAPITAL TREASURY SHARES

(a) Share capital

	Group		Company	
	Number of shares '000	US\$'000	Number of shares '000	US\$'000
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	6,403,402	8,458,995	6,403,402	8,895,134

The holders of ordinary shares, except for treasury shares, are entitled to receive dividends as and when declared by the Company. All ordinary shares, except for treasury shares, carry one vote per share without restrictions. The ordinary shares have no par value. All the above issued ordinary shares are fully paid.

The Company has granted options to both directors and executives of the Group to subscribe for the Company's ordinary shares.

(b) Treasury shares

	Group and Company	
	Number of shares '000	US\$'000
At 1 January 2016	(83,414)	(168,155)
Acquired during the financial year	(4,198)	(9,371)
Reissued pursuant to employee share option plans:		
– For cash on exercise of employee share options	1,050	2,536
– Transferred from employee share option reserve	–	531
– Transferred to general reserve on reissuance of treasury shares	–	(853)
	1,050	2,214
At 31 December 2016 and 1 January 2017	(86,562)	(175,312)
Reissued pursuant to employee share option plans:		
– For cash on exercise of employee share options	8,848	21,622
– Transferred from employee share option reserve	–	4,909
– Transferred to general reserve on reissuance of treasury shares	–	(7,428)
	8,848	19,103
At 31 December 2017	(77,714)	(156,209)

Treasury shares relate to ordinary shares of the Company that are held by the Company.

No shares (2016: 4,198,000) had been acquired during the financial year.

Options for a total of 8,848,000 ordinary shares (2016: 1,050,000) were exercised during the financial year pursuant to Wilmar ESOS 2009.

29. OTHER RESERVES

(a) Composition

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Capital reserve	145,383	145,383	145,379	145,379
Merger reserve	(1,929,314)	(1,929,314)	–	–
Foreign currency translation reserve	(932,884)	(1,444,850)	–	–
General reserve	295,880	266,225	10,270	2,842
Equity transaction reserve	(232,105)	(217,090)	–	–
Hedging reserve	22,173	(63,725)	–	–
Employee share option reserve	56,342	52,088	56,342	52,088
Fair value reserve	109,952	81,454	–	–
Total other reserves	(2,464,573)	(3,109,829)	211,991	200,309

(b) Movements

(i) Capital reserve

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
At 1 January and 31 December	145,383	145,383	145,379	145,379

Capital reserve includes both shares granted to employees and the equity component of convertible bonds.

Capital reserve arising from granting of shares to employees represents the difference between the market price and the settlement price on ordinary shares which were transferred from Wilmar Holdings Pte Ltd (“WHPL”), former holding company of the Company, to employees of the Wilmar group of companies as a reward for their service with the Group.

Equity component of convertible bonds represents the residual amount included in shareholders’ equity in capital reserve.

Notes to the Financial Statements

For the financial year ended 31 December 2017

29. OTHER RESERVES (CONTINUED)

(b) Movements (continued)

(ii) Merger reserve

	Group	
	2017 US\$'000	2016 US\$'000
At 1 January and 31 December	(1,929,314)	(1,929,314)

Merger reserve represents the difference between the consideration paid and the share capital of the subsidiaries under the acquisition of all WHPL interests in its subsidiaries and associated companies, save for its interests in the Company, and shares owned by Archer Daniels Midland Asia-Pacific Limited ("ADM") and/or its affiliated companies ("ADM Group") in companies where ADM Group holds shares with WHPL, together with non-controlling interests held by WHPL in certain subsidiaries of the Company ("IPT Assets"). The above transaction was accounted for using the pooling-of-interest method in 2007.

(iii) Foreign currency translation reserve

	Group	
	2017 US\$'000	2016 US\$'000
At 1 January	(1,444,850)	(986,359)
Currency translation differences of foreign operations	512,055	(453,515)
Disposal of subsidiaries	(89)	(4,976)
At 31 December	(932,884)	(1,444,850)

29. OTHER RESERVES (CONTINUED)

(b) Movements (continued)

(iv) General reserve

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
At 1 January	266,225	260,816	2,842	1,989
Transferred from retained earnings	35,074	8,932	–	–
Gain on reissuance of treasury shares	7,428	853	7,428	853
Loss on remeasurement of defined benefit plan	(12,847)	(4,376)	–	–
At 31 December	295,880	266,225	10,270	2,842

- (a) In accordance with the “Law of the People’s Republic of China on Joint Ventures Using Chinese and Foreign Investment” and the Group’s China subsidiaries’ Articles of Association, appropriations from net profit should be made to the Reserve Fund and the Enterprise Expansion Fund, after offsetting accumulated losses from prior years, and before profit distributions to the investors. The percentage to be appropriated to the Reserve Fund and the Enterprise Expansion Fund are determined by the board of directors of the China subsidiaries.
- (b) In accordance with “The Law of Republic of Indonesia” No. 40/2007 concerning Limited Liability Companies, a company must allocate a portion of its net profits in each year as reserves. Allocation of net profit shall be made until the reserves have aggregated at least 20% of the issued capital and paid up capital.
- (c) Loss on remeasurement of defined benefit plan arises from remeasurements of defined benefit plan. Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income as general reserve in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

(v) Equity transaction reserve

	Group	
	2017 US\$'000	2016 US\$'000
At 1 January	(217,090)	(180,891)
Share of changes in equity transaction reserve of a joint venture	(322)	(10,557)
Acquisition of additional interest in subsidiaries	(14,693)	(25,642)
At 31 December	(232,105)	(217,090)

Notes to the Financial Statements

For the financial year ended 31 December 2017

29. OTHER RESERVES (CONTINUED)

(b) Movements (continued)

(vi) Hedging reserve

	Group	
	2017 US\$'000	2016 US\$'000
At 1 January	(63,725)	(16,255)
Fair value adjustment on cash flow hedges	93,737	(23,867)
Recognised in the income statement on derivatives contracts realised	(7,832)	(23,488)
Disposal of subsidiaries	(7)	(115)
At 31 December	22,173	(63,725)

Hedging reserve represents the cumulative fair value changes, net of tax, of the derivatives contracts designated as cash flow hedges.

(vii) Employee share option reserve

	Group and Company	
	2017 US\$'000	2016 US\$'000
At 1 January	52,088	45,425
Grant of equity-settled share options	9,163	7,194
Reissuance of treasury shares pursuant to exercise of equity-settled share options	(4,909)	(531)
At 31 December	56,342	52,088

Employee share option reserve represents the equity-settled share options granted to employees (including directors) (Note 31). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

(viii) Fair value reserve

	Group	
	2017 US\$'000	2016 US\$'000
At 1 January	81,454	95,886
Fair value adjustment on available-for-sale financial assets	28,537	(14,258)
Recognised in the income statement on disposal of available-for-sale financial assets	(39)	(174)
At 31 December	109,952	81,454

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed or impaired.

30. PROVISION FOR EMPLOYEE GRATUITY

The estimated liabilities for employee gratuity based on the actuarial report have been determined using the following assumptions:

	Group	
	2017	2016
Discount rate	7.85% per annum	8.9% per annum
Wages and salaries increase	10% per annum	10% per annum
Retirement age	56 years of age in 2015 57 years of age in 2019 and increase by 1 year for each 3 year thereafter until reaching 65 year of age	56 years of age in 2015 57 years of age in 2019 and increase by 1 year for each 3 year thereafter until reaching 65 year of age
Mortality rate	TMI 2011	TMI 2011
Method	Projected unit credit	Projected unit credit

The details of the employee gratuity expense recognised in the income statement are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Current service costs	8,886	10,187
Adjustment of new entrant employees/transfers	1,224	9,296
Interest costs	7,870	5,818
Curtailment loss	(164)	(650)
Past service costs	(22)	(91)
	17,794	24,560

The details of the provision for employee gratuity at the balance sheet date are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Present value of benefit obligation	125,610	94,515
Provision for employee gratuity	125,610	94,515

Movement in provision for employee gratuity is as follows:

	Group	
	2017 US\$'000	2016 US\$'000
At 1 January	94,515	63,573
Provision made for the year	17,794	24,560
Payments during the year	(3,814)	(1,499)
Currency translation differences	(616)	1,913
Remeasurements of defined benefit plan during the year	17,731	5,968
At 31 December	125,610	94,515

Notes to the Financial Statements

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31. EMPLOYEE BENEFITS

	Group	
	2017 US\$'000	2016 US\$'000
Employee benefits expense (including directors):		
Salaries and bonuses	967,950	924,803
Defined contribution plans	114,166	102,483
Share-based payments	9,163	7,194
Other short term benefits	90,005	88,043
Other long-term benefits	19,929	24,601
	1,201,213	1,147,124
Less: Amount capitalised as bearer plants	(2,842)	(2,190)
	1,198,371	1,144,934

Share option schemes

Wilmar ESOS 2009

On 29 April 2009, a new share option scheme known as the “Wilmar Executives Share Option Scheme 2009” (“Wilmar ESOS 2009”), the rules of which were set out in a circular to shareholders dated 2 April 2009, was approved by the shareholders of the Company. This new scheme was adopted in substitution of the Wilmar ESOS 2000 which was terminated in 29 April 2009.

Under the Wilmar ESOS 2009, the option entitles eligible participants to subscribe for ordinary shares in the Company at a price equal to the average of the closing prices of the Company’s shares on SGX-ST on the five trading days immediately preceding the date of the grant of the option (“Market Price”) or at discount to the Market Price (up to a maximum of 20%).

The maximum number of ordinary shares (in respect of the options) that may be granted under the Wilmar ESOS 2009, after taking into account of (i) the total number of new ordinary shares issued and issuable in respect of all other share-based incentive schemes of the Company; and (ii) the number of treasury shares delivered in respect of options granted under all other share-based incentive schemes of the Company, shall not exceed 15% of the total issued ordinary shares of the Company on the date immediately preceding the relevant date of grant.

The aggregate number of ordinary shares that may be granted to controlling shareholders (and their associates) of the Company shall not exceed 25% of the total number of ordinary shares available under the Wilmar ESOS 2009, provided that the number of ordinary shares available to each controlling shareholder or each of his associates shall not exceed 10% of the total number of ordinary shares available under the aforesaid scheme.

There is no restriction on the eligibility of any participant to participate in any other share-based incentive schemes implemented by the Company or any of its subsidiaries or by any associated company or otherwise.

2012 Grant

On 12 July 2012, the Company granted options to subscribe for a total of 26,800,000 ordinary shares at S\$3.63 per share (based on Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. Outstanding options which were not exercised have expired on 13 July 2017.

31. EMPLOYEE BENEFITS (CONTINUED)

Share option schemes (continued)

2013 Grant

On 13 November 2013, the Company granted options to subscribe for a total of 49,315,000 ordinary shares at S\$3.44 per share (based on Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. As at 31 December 2017 the number of outstanding option shares that were not exercised under this grant was 38,187,500.

All options granted under the 2012 Grant and 2013 Grant are valid for a term of five years from the dates of their respective grants and are exercisable in the following manner:

For Executive Directors and Executives

- After 1st anniversary of the date of grant – 33% of options granted
- After 2nd anniversary of the date of grant – 33% of options granted
- After 3rd anniversary of the date of grant – 34% of options granted

For Non-Executive Directors

All options are exercisable after 1st anniversary of the date of grant.

2015 Grant

On 18 June 2015, the Company granted options to subscribe for a total of 52,400,000 ordinary shares at S\$3.05 per share (at a 7.63% discount to the Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. As at 31 December 2017 the number of outstanding ordinary shares that were not exercised under this option grant was 45,806,900.

2017 Grant

On 8 September 2017, the Company granted options to subscribe for a total of 62,585,000 ordinary shares at S\$3.04 per share (at a 7.32% discount to the Market Price) to directors and executives of the Group. No options were granted to controlling shareholders (and their associates) of the Company. As at 31 December 2017 the number of outstanding ordinary shares that were not exercised under this option grant was 62,280,000 (including Mr George Yeo's outstanding option to subscribe for 500,000 shares which lapsed on 1 January 2018).

All options granted under the 2015 Grant and 2017 Grant are valid for a term of five years from the dates of their respective grants and are exercisable in the following manner:

For Executive Directors and Executives

- After 2nd anniversary of the date of grant – 33% of options granted
- After 3rd anniversary of the date of grant – 33% of options granted
- After 4th anniversary of the date of grant – 34% of options granted

For Non-Executive Directors

All options are exercisable after 2nd anniversary of the date of grant.

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31. EMPLOYEE BENEFITS (CONTINUED)

Share option schemes (continued)

As at 31 December 2017, the total number of ordinary shares exercisable under the options granted pursuant to the Wilmar ESOS 2009 was 146,274,400 ordinary shares (2016: 118,550,000 ordinary shares).

Date of grant	Opening balance	Options granted	Options lapsed	Options exercised	Closing balance	Exercise price	Exercise period
2017							
<i>Wilmar ESOS 2009</i>							
12.07.2012	8,917,550	–	(7,650,400)	(1,267,150)	–	S\$3.63	13.07.2013 to 12.07.2017
12.07.2012	7,667,550	–	(6,825,400)	(842,150)	–	S\$3.63	13.07.2014 to 12.07.2017
12.07.2012	7,899,900	–	(7,252,200)	(647,700)	–	S\$3.63	13.07.2015 to 12.07.2017
	24,485,000	–	(21,728,000)	(2,757,000)	–		
13.11.2013	16,417,700	–	(622,050)	(2,028,250)	13,767,400	S\$3.44	14.11.2014 to 13.11.2018
13.11.2013	13,633,200	–	(622,050)	(1,381,250)	11,629,900	S\$3.44	14.11.2015 to 13.11.2018
13.11.2013	14,064,100	–	(640,900)	(633,000)	12,790,200	S\$3.44	14.11.2016 to 13.11.2018
	44,115,000	–	(1,885,000)	(4,042,500)	38,187,500		
18.06.2015	18,694,500	–	(691,350)	(2,048,100)	15,955,050	S\$3.05	19.06.2017 to 18.06.2020
18.06.2015	15,394,500	–	(691,350)	–	14,703,150	S\$3.05	19.06.2018 to 18.06.2020
18.06.2015	15,861,000	–	(712,300)	–	15,148,700	S\$3.05	19.06.2019 to 18.06.2020
	49,950,000	–	(2,095,000)	(2,048,100)	45,806,900		
08.09.2017	–	23,735,050	(100,650)	–	23,634,400	S\$3.04	09.09.2019 to 08.09.2022
08.09.2017	–	19,135,050	(100,650)	–	19,034,400	S\$3.04	09.09.2020 to 08.09.2022
08.09.2017	–	19,714,900	(103,700)	–	19,611,200	S\$3.04	09.09.2021 to 08.09.2022
	–	62,585,000	(305,000)	–	62,280,000		
Total	118,550,000	62,585,000	(26,013,000)	(8,847,600)	146,274,400		

31. EMPLOYEE BENEFITS (CONTINUED)

Share option schemes (continued)

Date of grant	Opening balance	Options granted	Options lapsed	Options exercised	Closing balance	Exercise price	Exercise period
2016							
<i>Wilmar ESOS 2009</i>							
12.07.2012	9,331,700	–	(414,150)	–	8,917,550	S\$3.63	13.07.2013 to 12.07.2017
12.07.2012	8,081,700	–	(414,150)	–	7,667,550	S\$3.63	13.07.2014 to 12.07.2017
12.07.2012	8,326,600	–	(426,700)	–	7,899,900	S\$3.63	13.07.2015 to 12.07.2017
	25,740,000	–	(1,255,000)	–	24,485,000		
13.11.2013	17,705,450	–	(858,000)	(429,750)	16,417,700	S\$3.44	14.11.2014 to 13.11.2018
13.11.2013	14,805,450	–	(858,000)	(314,250)	13,633,200	S\$3.44	14.11.2015 to 13.11.2018
13.11.2013	15,254,100	–	(884,000)	(306,000)	14,064,100	S\$3.44	14.11.2016 to 13.11.2018
	47,765,000	–	(2,600,000)	(1,050,000)	44,115,000		
18.06.2015	19,329,750	–	(635,250)	–	18,694,500	S\$3.05	19.06.2017 to 18.06.2020
18.06.2015	16,029,750	–	(635,250)	–	15,394,500	S\$3.05	19.06.2018 to 18.06.2020
18.06.2015	16,515,500	–	(654,500)	–	15,861,000	S\$3.05	19.06.2019 to 18.06.2020
	51,875,000	–	(1,925,000)	–	49,950,000		
Total	125,380,000	–	(5,780,000)	(1,050,000)	118,550,000		

Options for a total of 62,585,000 ordinary shares (2016: Nil) were granted during the financial year ended 31 December 2017. The weighted average fair value of options granted during the financial year ended 2017 was S\$0.56.

Options for a total of 8,847,600 ordinary shares (2016: 1,050,000 ordinary shares) were exercised during the financial year pursuant to Wilmar ESOS 2009.

The weighted average share price at the date of exercise of the options during the financial year was S\$3.59 (2016: S\$3.66).

The range of exercise prices for options outstanding at the end of 31 December 2017 and 31 December 2016 were from S\$3.04 to S\$3.63 and S\$3.05 to S\$3.63 respectively. The weighted average contractual life for these options was 3.0 years (2016: 2.3 years).

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31. EMPLOYEE BENEFITS (CONTINUED)

Share option schemes (continued)

The fair values of the options are estimated at the respective grant dates using trinomial option pricing in the Bloomberg Executive Option Valuation Module, taking into account the terms and conditions upon which the options were granted. The inputs to the models used are as follows:

Grant year	2017	2016
Dividend (S\$ per share)	0.11	No issuance
Expected volatility	0.21	No issuance
Risk-free interest rate (% p.a.)	1.61	No issuance
Expected life of option (years)	3.00 to 4.00	No issuance
Weighted average share price at date of grant (S\$)	3.24	No issuance

The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

32. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

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

	Group	
	2017 US\$'000	2016 US\$'000
Capital commitments in respect of property, plant and equipment	476,942	256,257

(b) Operating lease commitments – as lessee

The Group has entered into commercial leases on certain premises and equipment. Future minimum rental payable under non-cancellable operating leases at the balance sheet date are as follows:

	Group	
	2017 US\$'000	2016 US\$'000
Not later than one year	27,242	24,147
Later than one year but not later than five years	27,625	33,127
Later than five years	17,405	15,076
	72,272	72,350

32. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Operating lease commitments – as lessee (continued)

The Group's material joint venture's future minimum rental payable under non-cancellable operating leases at the balance sheet date are as follows:

	FPW Singapore Holdings Pte. Ltd.	
	2017 US\$'000	2016 US\$'000
Not later than one year	21,094	15,718
Later than one year but not later than five years	47,834	39,820
Later than five years	48,474	43,508
	117,402	99,046

(c) Commitments for sales and purchases contracts

The Group has the following committed sales and purchases contracts that are entered into for the use of the Group. The contractual or underlying principal amounts of the committed contracts with fixed pricing terms that were outstanding as at 31 December are as follows:

	2017 US\$'000	2016 US\$'000
Committed contracts		
Purchases	4,596,064	4,036,129
Sales	6,974,687	5,216,690

(d) Corporate guarantees

The following are the corporate guarantees for the credit facilities extended by banks to:

	Group		Company	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Subsidiaries	–	–	9,467,941	9,814,919
Associates	365,552	459,242	359,409	453,484
	365,552	459,242	9,827,350	10,268,403

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33. RELATED PARTY DISCLOSURES

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place on terms agreed between the parties during the financial year:

	Group	
	2017 US\$'000	2016 US\$'000
Related Parties		
Dividend income	534	383
Freight charges	29,581	19,849
Interest expense	198	45
Interest income	1,119	6,105
Other income	418	380
Other expense	865	4,970
Purchase of goods	1,906,062	1,468,238
Sales of goods	1,073,864	369,072
Ship charter income	8,278	11,564
Joint ventures		
Dividend income	9,055	16,089
Freight charges	122,220	80,522
Interest expense	1,349	520
Interest income	12,829	9,404
Other income	19,764	10,429
Other expense	113	2,836
Purchase of goods	863,413	664,024
Sales of goods	1,683,583	1,305,269
Ship charter income	16,746	15,875
Associates		
Dividend income	47,119	38,919
Freight charges	1,518	3,349
Interest expense	821	640
Interest income	6,880	4,965
Other income	24,394	11,466
Other expense	37,253	50,346
Purchase of goods	646,835	642,487
Sales of goods	859,727	1,037,826
Ship charter income	65,933	45,772

33. RELATED PARTY DISCLOSURES (CONTINUED)
(b) Compensation of key management personnel

	Group	
	2017 US\$'000	2016 US\$'000
Defined contribution plans	220	199
Salaries and bonuses	26,030	18,334
Short term employee benefits (including grant of share options)	2,393	2,416
	28,643	20,949
<i>Comprise amounts paid to:</i>		
Directors of the Company	13,012	7,152
Other key management personnel	15,631	13,797
	28,643	20,949

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For the financial year ended 31 December 2017

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value of assets and liabilities that are carried at fair value

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:

	Group 2017 US\$'000			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets	5,747	443,804	37,906	487,457
Financial assets held for trading	421,328	–	–	421,328
Derivatives				
– Forward currency contracts, options and cross currency interest rate swaps	–	120,242	–	120,242
– Futures, options, swap contracts, interest rate swap and firm commitment contracts	143,370	110,205	–	253,575
At 31 December 2017	570,445	674,251	37,906	1,282,602
Non-financial assets:				
Biological assets	–	–	39,363	39,363
At 31 December 2017	–	–	39,363	39,363
Liabilities measured at fair value				
Financial liabilities:				
Derivatives				
– Forward currency contracts, options and cross currency interest rate swaps	–	342,567	–	342,567
– Futures, options, swap contracts, interest rate swap and firm commitment contracts	128,071	58,358	–	186,429
At 31 December 2017	128,071	400,925	–	528,996

34. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(a) Fair value of assets and liabilities that are carried at fair value (continued)

	Group 2016 US\$'000			
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets	156,933	448,731	35,037	640,701
Financial assets held for trading	316,632	–	–	316,632
Derivatives				
– Forward currency contracts, options and cross currency interest rate swaps	–	311,686	–	311,686
– Futures, options, swap contracts, interest rate swap and firm commitment contracts	134,039	133,793	–	267,832
At 31 December 2016	607,604	894,210	35,037	1,536,851
Non-financial assets:				
Biological assets	–	–	49,439	49,439
At 31 December 2016	–	–	49,439	49,439
Liabilities measured at fair value				
Financial liabilities:				
Derivatives				
– Forward currency contracts, options and cross currency interest rate swaps	–	262,636	–	262,636
– Futures, options, swap contracts, interest rate swap and firm commitment contracts	165,954	173,865	–	339,819
At 31 December 2016	165,954	436,501	–	602,455

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) Fair value of assets and liabilities that are carried at fair value (continued)

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 as mentioned in Note 34(b), are as follows:

Assets and liabilities	Methods and assumptions
<ul style="list-style-type: none">Quoted equity instruments	Other than the quoted equity instruments disclosed in Level 3, fair value is determined directly by reference to their published market bid price at the balance sheet date.
<ul style="list-style-type: none">Unquoted non-equity instruments	The fair value is determined by reference to valuation provided by non-related fund managers.
<ul style="list-style-type: none">Forward currency contracts	Fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.
<ul style="list-style-type: none">Futures, options and swap contracts, interest rate swap and firm commitment 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 based on management's best estimate and are arrived at by reference to the market prices of another contract that is substantially similar.
<ul style="list-style-type: none">Biological assets	Fair value of biological assets has been determined based on the market price and the estimated yield of FFB, net of maintenance and harvesting costs, overhead costs and estimated cost to sell. Please refer to Note 14(e) for more details.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) Fair value of assets and liabilities that are carried at fair value (continued)

Movements in Level 3 assets and liabilities measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3).

	Group US\$'000		
	Available-for-sale financial assets	Biological assets	Total
At 1 January 2016	35,508	65,486	100,994
Total loss recognised in the income statement			
– Net loss arising from changes in fair value of biological assets	–	(16,047)	(16,047)
Total loss recognised in the other comprehensive income			
– Foreign currency translation	(471)	–	(471)
At 31 December 2016 and 1 January 2017	35,037	49,439	84,476
Total loss recognised in the income statement			
– Net loss arising from changes in fair value of biological assets	–	(10,028)	(10,028)
Total loss recognised in the other comprehensive income			
– Foreign currency translation	2,869	(48)	2,821
At 31 December 2017	37,906	39,363	77,269

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2017 and 31 December 2016.

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For the financial year ended 31 December 2017

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) Fair value of assets and liabilities that are carried at fair value (continued)

Impact of changes to key assumptions Level 3 fair value measurement of financial instruments

The following table shows the impact on Level 3 fair value measurement of financial instruments by using reasonably possible alternative assumptions:

	Group			
	2017 US\$'000		2016 US\$'000	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Available-for-sale financial assets				
– Quoted equity instruments	37,906	–	35,037	–

The fair value of the quoted equity instruments is estimated using a discounted cash flow model, which includes some assumptions that are not supported by observable market data. The key inputs used in determining the fair value include future rental income, capital expenditure and operating expenses. Management believes that capital expenditure is the only assumption to which there is a reasonably possible alternative. However, any significant capital expenditure above the estimated level would be factored into any future rental negotiations. Therefore, no sensitivity of changes in this input is undertaken.

(b) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other financial receivables and payables, current and non-current loans and borrowings at floating rate, other bank deposits and cash and bank balances.

The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not a reasonable approximation of fair value are as follows:

	Group			
	2017 US\$'000		2016 US\$'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Other financial receivables	112,047	#	205,832	#
Equity instruments, at cost	80,621	*	60,004	*
Financial liabilities:				
Other financial payables	69,220	#	51,314	#

	Company			
	2017 US\$'000		2016 US\$'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Other financial receivables	410,271	#	399,634	#

Fair value information has not been disclosed for these financial instruments because fair value cannot be measured reliably.

* Fair value information has not been disclosed for the Group's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in the companies that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, liquidity, interest rate, foreign currency, commodity price and market price 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 uses relevant financial instruments to hedge the risks of such commercial exposure. Such financial instruments are not held for trade or speculative purposes. These market risk management activities are governed by its risk management system. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks for the financial years ended 31 December 2017 and 31 December 2016.

To ensure a sound system of internal controls, the Board has established a risk management framework for the Group. Wilmar's risk governance structure comprises three levels:

- The Risk Management Committee at the Board level;
- The Executive Risk Committee; and
- Risk management by the respective operating units.

The Board-level Risk Management Committee is responsible for

- overseeing the Executive Risk Committee;
- reviewing the overall risk management guidelines/framework;
- reviewing and recommending risk limits; and
- assessing the adequacy and effectiveness of the risk management policies and systems.

The Executive Risk Committee comprises Senior Executives and its responsibilities include, amongst others, the monitoring and improvement of the overall effectiveness of the risk management system and the review of positions and limits to manage overall risk exposure.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. For trade receivables, the Group adopts the policy of dealing with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit rating counterparties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Exposure to credit risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of assets recognised in the balance sheets, including derivatives with positive fair values.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and segment profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net of allowance for doubtful receivables) at the balance sheet date is as follows:

	Group			
	2017 US\$'000	%	2016 US\$'000	%
By country:				
People's Republic of China	1,332,467	32	1,237,851	30
South East Asia	1,152,848	28	1,144,724	28
Europe	257,927	6	288,198	7
India	232,450	6	180,131	4
Africa	137,543	3	195,021	5
Australia/New Zealand	106,895	3	361,560	9
Others	880,928	22	679,584	17
	4,101,058	100	4,087,069	100

	Group			
	2017 US\$'000	%	2016 US\$'000	%
By segment:				
Tropical Oils	2,146,352	52	1,936,142	48
Oilseeds and Grains	1,155,508	28	1,026,981	25
Sugar	552,310	14	832,201	20
Others	246,888	6	291,745	7
	4,101,058	100	4,087,069	100

Notes to the Financial Statements

For the financial year ended 31 December 2017

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents, available-for-sale financial assets, financial assets held for trading and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 23.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group maintains sufficient liquidity by closely monitoring its cash flow. Due to the dynamic nature of its underlying business, the Group adopts prudent liquidity risk management policies in maintaining sufficient credit facilities, including the use of trade finance for the Group's raw material purchases. The Group also aims at maintaining flexibility in funding by keeping credit facilities available with different banks.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted amounts.

	2017 US\$'000				2016 US\$'000			
	Less than 1 year	1 to 5 years	Over 5 years	Total	Less than 1 year	1 to 5 years	Over 5 years	Total
Group								
Financial assets:								
Available-for-sale financial assets	–	568,078	–	568,078	–	700,705	–	700,705
Financial assets held for trading	421,328	–	–	421,328	316,632	–	–	316,632
Trade and other financial receivables	9,567,908	113,066	–	9,680,974	6,477,261	214,163	–	6,691,424
Derivative financial instruments	368,166	5,651	–	373,817	546,885	32,633	–	579,518
Total cash and bank balances	2,977,186	–	–	2,977,186	3,968,281	–	–	3,968,281
Total undiscounted financial assets	13,334,588	686,795	–	14,021,383	11,309,059	947,501	–	12,256,560

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	2017 US\$'000				2016 US\$'000			
	Less than 1 year	1 to 5 years	Over 5 years	Total	Less than 1 year	1 to 5 years	Over 5 years	Total
Group								
Financial liabilities:								
Trade and other financial payables	2,495,337	69,495	–	2,564,832	2,852,694	55,276	–	2,907,970
Derivative financial instruments	503,797	25,199	–	528,996	495,322	107,133	–	602,455
Loans and borrowings	16,313,908	3,856,395	7,486	20,177,789	12,783,280	4,506,867	7,486	17,297,633
Total undiscounted financial liabilities	19,313,042	3,951,089	7,486	23,271,617	16,131,296	4,669,276	7,486	20,808,058
Total net undiscounted financial liabilities	(5,978,454)	(3,264,294)	(7,486)	(9,250,234)	(4,822,237)	(3,721,775)	(7,486)	(8,551,498)

	2017 US\$'000				2016 US\$'000			
	Less than 1 year	1 to 5 years	Over 5 years	Total	Less than 1 year	1 to 5 years	Over 5 years	Total
Company								
Financial assets:								
Trade and other financial receivables	3,973,182	411,985	–	4,385,167	3,406,538	402,505	–	3,809,043
Total cash and bank balances	3,037	–	–	3,037	4,057	–	–	4,057
Total undiscounted financial assets	3,976,219	411,985	–	4,388,204	3,410,595	402,505	–	3,813,100
Financial liabilities:								
Trade and other financial payables	2,896,464	–	–	2,896,464	2,084,329	–	–	2,084,329
Loans and borrowings	–	323,000	–	323,000	169,212	215,037	–	384,249
Total undiscounted financial liabilities	2,896,464	323,000	–	3,219,464	2,253,541	215,037	–	2,468,578
Total net undiscounted financial assets/ (liabilities)	1,079,755	88,985	–	1,168,740	1,157,054	187,468	–	1,344,522

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

The table below shows the contractual expiry by maturity of the Group's and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2017 US\$'000				2016 US\$'000			
	Less than 1 year	1 to 5 years	Over 5 years	Total	Less than 1 year	1 to 5 years	Over 5 years	Total
Group								
Financial guarantees	200,618	164,934	–	365,552	271,243	187,999	–	459,242
Company								
Financial guarantees	4,637,175	5,190,175	–	9,827,350	3,917,186	6,348,967	2,250	10,268,403

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings, interest-bearing loans given to joint ventures, associates, related parties and non-controlling shareholders of subsidiaries and fixed deposits with financial institutions.

At the balance sheet date, if the interest rates had been 50 (2016: 50) basis points lower/higher with all other variables including tax rate held constant, the Group's profit before tax will be higher/lower by approximately US\$66,217,000 (2016: US\$67,045,000), as a result of lower/higher interest expense on these net borrowings. As most of the Group's borrowings are short-term and trade related, any interest rate costs are typically priced into the respective trade transactions. Accordingly, the Group has minimum interest rate exposure risk.

(d) Foreign currency risk

The Group operates in several countries with dominant operations in Singapore, People's Republic of China, Indonesia, Malaysia, Australia, Europe, Ghana, Nigeria, Vietnam and others. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as the United States Dollar (USD), Chinese Renminbi (RMB), Malaysian Ringgit (MYR), Indonesian Rupiah (IDR) and Australian Dollar (AUD).

Currency risk arises when transactions are denominated in foreign currencies. The Group seeks to manage its foreign currency exposure by constructing natural hedges when it matches sales and purchases in any single currency or through financial instruments, such as foreign currency forward exchange contracts. To manage the currency risk, individual entities within the Group consult with Group Treasury to enter into currency forwards, either in their respective countries or with Group Treasury itself. Group Treasury in turn manages the overall currency exposure mainly through currency forwards.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Indonesia, People's Republic of China, Australia, Europe, Ghana, Nigeria, Vietnam and others. The Group's net investments in these countries are not hedged as currency positions in these foreign currencies are considered to be long-term in nature.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

A 5% (2016: 5%) strengthening of the United States dollar against the following currencies at the balance sheet date would have increased/(decreased) profit before tax and equity by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Group			
	Profit before tax		Equity (Hedging Reserve)	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
Chinese Renminbi	(23,401)	17,605	(5,127)	28,063
Malaysian Ringgit	(8,009)	19,670	8,437	(17,893)
Indonesian Rupiah	(20,164)	(35,213)	(33,600)	(20,900)
Others	(5,401)	3,130	5,370	(865)

(e) Commodity price risk

The prices of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. During its ordinary course of business, the value of the Group's open sales and purchases commitments and inventory of raw material changes continuously in line with movements in the prices of the underlying commodities. To the extent that its open sales and purchases commitments do not match at the end of each business day, the Group is subjected to price fluctuations in the commodities market.

While the Group is exposed to fluctuations in agricultural commodities prices, its policy is to minimise its risks arising from such fluctuations by hedging its sales either through direct purchases of a similar commodity or through futures contracts on the commodity exchanges. The prices on the commodity exchanges are generally quoted up to twelve months forward.

In the course of hedging its sales either through direct purchases or through futures, options and swap contracts, the Group may also be exposed to the inherent risk associated with trading activities conducted by its personnel. The Group has in place a risk management system to manage such risk exposure.

At the balance sheet date, a 5% (2016: 5%) increase/decrease of the commodities price indices, with all other variables held constant, would have (decreased)/increased profit before tax and equity by the amounts as shown below:

	Group	
	2017 US\$'000	2016 US\$'000
Effect of increase in commodities price indices on		
Profit before tax	(80,695)	(147,811)
Equity (hedging reserve)	(32,875)	(30,854)
Effect of decrease in commodities price indices on		
Profit before tax	80,695	147,811
Equity (hedging reserve)	32,875	30,854

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than commodity price, interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are classified as financial assets held for trading or available-for-sale financial assets.

Sensitivity analysis for equity price risk

At the balance sheet date, if the market price had been 5% (2016: 5%) higher/lower with all other variables held constant, the Group's profit before tax would have been approximately US\$21,067,000 (2016: US\$15,832,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's other reserves in equity would have been approximately US\$10,153,000 (2016: US\$17,656,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale financial assets.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors capital using net gearing ratio and adjusted net gearing ratio.

(a) *Net gearing ratio*

Net gearing ratio is net debt to equity, which equals net debt divided by total capital. The Group includes within net debt, loans and borrowings less total cash and bank balances and other deposits with financial institutions. Capital includes equity attributable to owners of the Company, i.e. shareholders' funds.

	Group	
	2017 US\$'000	2016 US\$'000
Shareholders' funds	15,963,592	14,434,534
Loans and borrowings	19,826,540	17,020,259
Less: Cash and bank balances	(2,957,434)	(3,906,766)
Less: Other deposits with financial institutions - current	(4,272,969)	(1,421,311)
Net debt	12,596,137	11,692,182
Net gearing ratio (times)	0.79	0.81

36. CAPITAL MANAGEMENT (CONTINUED)

(b) Adjusted net gearing ratio

Adjusted net gearing ratio is adjusted net debt to equity, which equals adjusted net debt divided by total capital. The Group includes within adjusted net debt, net debt less liquid working capital. Liquid working capital includes inventories (excluding consumables) and trade receivables, less current liabilities (excluding loans and borrowings). Capital includes equity attributable to owners of the Company, i.e. shareholders' funds.

	Group	
	2017 US\$'000	2016 US\$'000
Shareholders' funds	15,963,592	14,434,534
Liquid working capital:		
Inventories (excluding consumables)	7,830,345	6,653,599
Trade receivables	4,101,058	4,087,069
Less: Current liabilities (excluding loans and borrowings)	(3,556,813)	(4,034,127)
Total liquid working capital	8,374,590	6,706,541
Adjusted net debt	4,221,547	4,985,641
Adjusted net gearing ratio (times)	0.26	0.35

37. SEGMENT INFORMATION

Reporting format

For the management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

Tropical Oils (Plantation and Manufacturing)

This segment comprises the Palm Plantation and Palm Oil Mill, processing, merchandising, branding and distribution of palm oil and laurics related products including oleochemical and biodiesel.

Oilseeds and Grains (Manufacturing and Consumer Products)

This segment comprises the processing, merchandising, branding and distribution of a wide range of agricultural products including non palm and lauric edible oils, oilseeds, flour and rice milling, corn processing and downstream products like wheat and rice noodles in consumer pack, medium pack and in bulk.

Sugar (Milling, Merchandising, Refining and Consumer Products)

This segment comprises sugar milling, refining, merchandising, branding and distribution of sugar and related products.

Others

This segment includes the manufacturing and distribution of fertiliser products and ship-chartering services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group income taxes are managed on a group basis and are not allocated to operating segments.

Notes to the Financial Statements

For the financial year ended 31 December 2017

37. SEGMENT INFORMATION (CONTINUED)

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax, deferred tax assets and liabilities, loans and borrowings, corporate assets and related expenses.

Inter-segment sales took place on terms agreed between the various business segments. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

2017	Tropical Oils US\$'000	Oilseeds and Grains US\$'000	Sugar US\$'000	Others US\$'000	Eliminations US\$'000	Per Consolidated Financial Statements US\$'000
Revenue:						
Sales to external customers	17,970,078	19,803,936	5,054,732	1,017,583	–	43,846,329
Inter-segment	97,174	2,423	2	1,102,699	(1,202,298)	–
Total revenue	18,067,252	19,806,359	5,054,734	2,120,282	(1,202,298)	43,846,329
Results:						
Segment results	426,157	734,993	(24,643)	242,031	–	1,378,538
Share of results of joint ventures	19,797	(8,943)	3,337	20,618	–	34,809
Share of results of associates	27,156	127,560	30,518	8,278	–	193,512
Unallocated expenses						(9,163)
Profit before tax						1,597,696
Income tax expense						(290,876)
Profit after tax						1,306,820
Assets and Liabilities:						
Segment assets	14,424,061	17,219,034	3,242,935	6,086,222	(3,912,000)	37,060,252
Investment in joint ventures	421,880	676,925	3,437	49,704	–	1,151,946
Investment in associates	231,417	1,374,547	334,968	334,918	–	2,275,850
Unallocated assets						444,525
Total assets						40,932,573
Segment liabilities	8,147,696	10,528,401	2,813,513	5,574,504	(3,912,000)	23,152,114
Unallocated liabilities						795,360
Total liabilities						23,947,474
Other segment information						
Additions to non-current assets	297,079	344,024	93,695	212,106	–	946,904
Depreciation, impairment and amortisation	318,984	222,036	152,530	81,401	–	774,951
Finance income	112,594	244,211	15,777	130,526	(248,869)	254,239
Finance cost	(236,302)	(276,172)	(58,244)	(137,551)	248,869	(459,400) [#]

[#] Including non-operating finance costs amounting to approximately US\$24,497,000 on bank borrowings for acquisition of Wilmar Sugar Australia Limited & its subsidiaries

37. SEGMENT INFORMATION (CONTINUED)

2016						Per Consolidated Financial Statements US\$'000
	Tropical Oils US\$'000	Oilseeds and Grains US\$'000	Sugar US\$'000	Others US\$'000	Eliminations US\$'000	
Revenue:						
Sales to external customers	16,768,176	17,811,357	5,861,814	960,343	–	41,401,690
Inter-segment	86,967	1,810	–	908,011	(996,788)	–
Total revenue	16,855,143	17,813,167	5,861,814	1,868,354	(996,788)	41,401,690
Results:						
Segment results	689,240	251,069	125,333	100,629	–	1,166,271
Share of results of joint ventures	12,395	(3,568)	–	563	–	9,390
Share of results of associates	27,049	91,810	14,674	(2,047)	–	131,486
Unallocated expenses						(7,194)
Profit before tax						1,299,953
Income tax expense						(206,294)
Profit after tax						1,093,659
Assets and Liabilities:						
Segment assets	13,982,477	14,309,637	3,557,974	6,213,830	(4,353,447)	33,710,471
Investment in joint ventures	359,279	668,664	–	23,482	–	1,051,425
Investment in associates	207,518	1,205,260	321,995	117,212	–	1,851,985
Unallocated assets						418,545
Total assets						37,032,426
Segment liabilities	7,832,390	8,422,731	3,273,090	5,653,494	(4,353,447)	20,828,258
Unallocated liabilities						825,203
Total liabilities						21,653,461
Other segment information						
Additions to non-current assets	305,878	279,786	84,306	88,648	–	758,618
Depreciation, impairment and amortisation	317,949	212,798	149,875	83,596	–	764,218
Finance income	134,029	193,023	11,001	110,200	(256,634)	191,619
Finance cost	(231,982)	(219,066)	(50,155)	(127,373)	256,634	(371,942) [#]

[#] Including non-operating finance costs amounting to approximately US\$23,411,000 on bank borrowings for acquisition of Wilmar Sugar Australia Limited & its subsidiaries

Notes to the Financial Statements

For the financial year ended 31 December 2017

37. SEGMENT INFORMATION (CONTINUED)

Notes: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

A Inter-segment revenues are eliminated on consolidation.

B The following item is deducted from segment results to arrive at "Profit before tax" presented in the consolidated income statement:

	2017 US\$'000	2016 US\$'000
Share-based payments (executive share options)	(9,163)	(7,194)
	(9,163)	(7,194)

C Additions to non-current assets consist of additions to property, plant and equipment, intangible assets and bearer plants.

D The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	2017 US\$'000	2016 US\$'000
Deferred tax assets	321,463	312,403
Tax recoverables	123,062	106,142
	444,525	418,545

E The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	2017 US\$'000	2016 US\$'000
Deferred tax liabilities	312,712	322,443
Tax payables	159,648	118,511
Medium term notes	323,000	384,249
	795,360	825,203

37. SEGMENT INFORMATION (CONTINUED)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenues		Non-current assets	
	2017 US\$'000	2016 US\$'000	2017 US\$'000	2016 US\$'000
South East Asia	8,930,374	8,360,734	7,047,544	6,987,288
People's Republic of China	22,392,019	20,255,675	6,897,668	6,428,927
India	1,754,331	1,316,820	149,981	110,316
Europe	2,585,691	2,711,236	253,218	250,314
Australia / New Zealand	1,051,821	1,500,830	1,994,381	1,955,871
Africa	2,445,244	2,352,440	772,673	706,936
Others	4,686,849	4,903,955	342,519	111,411
	43,846,329	41,401,690	17,457,984	16,551,063

Non-current assets information presented above consists of property, plant and equipment, investment in joint ventures and associates, plasma investments, bearer plants, intangible assets, other financial receivables and other non-financial assets as presented in the consolidated balance sheet.

38. DIVIDENDS

	Group and Company	
	2017 US\$'000	2016 US\$'000

Declared and paid during the financial year:

Dividends on ordinary shares:

– Final tax-exempt (one-tier) dividend for 2016: S\$0.040 (2015: S\$ 0.055) per share	180,154	254,320
– Interim tax-exempt (one-tier) dividend for 2017: S\$0.030 (2016: S\$0.025) per share	139,378	116,921
	319,532	371,241

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

Dividends on ordinary shares, subject to shareholders' approval at the AGM:

– Final tax-exempt (one-tier) dividend for 2017: S\$0.070 (2016: S\$0.040) per share	336,729	174,643
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Notes to the Financial Statements

For the financial year ended 31 December 2017

39. SUBSIDIARIES OF THE GROUP

The following is the list of the significant subsidiaries of the Group.

Name of subsidiaries	Place of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
Cai Lan Oils & Fats Industries Company Ltd ⁽³⁾	Vietnam	Manufacture and sale of vegetable oils and related products	76	76
Equatorial Trading Limited ⁽²⁾ & its subsidiaries	Malaysia	Investment holding and trading in vegetable oils	82 ⁺	78 ⁺
PGEO Group Sdn Bhd ⁽²⁾ & its subsidiaries	Malaysia	Investment holding, processing, manufacture and sale of edible oils and related products	100	100
PPB Oil Palms Berhad ⁽²⁾ & its subsidiaries	Malaysia	Investment holding and provision of agricultural and technical advisory services, oil palm cultivation, operation of palm oil mills, cultivation and sale of clonal plantlets	100	100
PT AMP Plantation ⁽²⁾	Indonesia	Oil palm cultivation and palm oil milling	100	100
PT Buluh Cawang Plantations ⁽²⁾	Indonesia	Oil palm cultivation and palm oil milling	100	100
PT Kencana Sawit Indonesia ⁽²⁾	Indonesia	Oil palm cultivation and palm oil milling	100	100
PT Multimas Nabati Asahan ⁽²⁾	Indonesia	Edible oils refining	100	100
PT Mustika Sembuluh ⁽²⁾	Indonesia	Oil palm cultivation and palm oil milling	90	90
PT Perkebunan Milano ⁽²⁾	Indonesia	Palm oil milling and oil palm cultivation	100	100
PT Sinar Alam Permai ⁽²⁾	Indonesia	Edible oils refining	100	100
PT Wilmar Nabati Indonesia ⁽²⁾	Indonesia	Edible oils refining	100	100
Wilmar Africa Limited ⁽²⁾ & its subsidiary	Ghana	General trading in agricultural products, oil palm plantations and manufacturing of crude palm oil	67 ⁺	67 ⁺
Wilmar Sugar Australia Limited ⁽²⁾ & its subsidiaries	Australia	Investment holding, processing and merchandising of sugar products, molasses and packaged oils, electricity co-generation, distilling ethanol and distribution of it, its by-products and oleochemicals	100	100
Wii Pte. Ltd. ⁽¹⁾	Singapore	Finance and treasury centre	100	100
Wilmar China Limited ⁽²⁾ & its subsidiaries	Hong Kong	Investment holding, processing and merchandising of oilseeds, edible oils and grains	100	100
Wilmar Europe Holdings B.V. ⁽²⁾ & its subsidiaries	The Netherlands	Investment holding, manufacturing, trading, marketing and distribution of edible oils, oleochemicals and biodiesel	100	100
Wilmar Ship Holdings Pte. Ltd. ⁽³⁾ & its subsidiaries	Singapore	Investment holding, ship-owning, ship chartering, ship brokering and ship management	100	100
Wilmar Trading Pte Ltd ⁽¹⁾	Singapore	International trading in edible oils and commodities	100	100

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by member firms of Ernst & Young Global in the respective countries

(3) Audited by other auditors

+ The effective interest of the Group has been rounded to the nearest whole % as indicated

40. JOINT VENTURES AND ASSOCIATES OF THE GROUP

The following is the list of the significant joint ventures of the Group.

Name of joint ventures	Place of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
Adani Wilmar Limited ⁽³⁾	India	Manufacturing and trading of edible and non-edible oils and trading of various agro based products	50	50
Dongguan Yihai Kerry Syral Starch Technology Co., Ltd ⁽³⁾	People's Republic of China	Natural food additives (glucose syrup, iso-glucose & starch derivatives) processing	51	51
FPW Singapore Holdings Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	50	50
Global Amines Company ⁽¹⁾ Pte. Ltd.	Singapore	Investment holding and sale of fatty amines and selected amine derivatives	50	50
Nauvu Investments Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	50	50
PT Usaha Inti Padang ⁽²⁾	Indonesia	Edible oils refining	50	50
Liaoning Yihai Kerry Tereos Starch Technology Co., Ltd ⁽³⁾	People's Republic of China	Corn processing	51	51
Olenex Holdings B.V. ⁽²⁾ and its subsidiaries	The Netherlands	Investment holding and manufacturing, marketing and distribution of edible oils	63 ⁺	63 ⁺
Vietnam Agribusiness Holdings Pte. Ltd. ⁽³⁾	Singapore	Investment holding	45	45

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by member firms of Ernst & Young Global in the respective countries

(3) Audited by other auditors

+ The effective interest of the Group has been rounded to the nearest whole % as indicated

Notes to the Financial Statements

For the financial year ended 31 December 2017

40. JOINT VENTURES AND ASSOCIATES OF THE GROUP (CONTINUED)

The following is the list of the significant associates of the Group.

Name of associates	Place of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
Bidco Uganda Limited ⁽³⁾	Uganda	Manufacture and sale of edible vegetable oils, fats and soaps	39	39
Changshu Luhua Edible Oil Co., Ltd ⁽³⁾	People's Republic of China	Edible oils refining and packaging	33	33
COFCO East Ocean Oils & Grains Industries (Zhangjiagang) Co., Ltd ⁽³⁾	People's Republic of China	Oilseeds crushing, edible oils refining, fractionation and packaging; flour and rice milling and specialty fats processing	44	44
Cosumar S.A. ^{(2) (3)}	Morocco	Processing of sugar cane and sugar beet, refining of imported raw sugar and marketing and distribution of such products	30+	31+
DeIMar Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	52+	48
FFM Berhad ⁽³⁾	Malaysia	Investment holding, grains trading, flour milling and feed milling	20	20
Josovina Commodities Pte Ltd ⁽³⁾	Singapore	Investment holding and vegetable oils trading	50	50
Kencana Agri Limited ⁽³⁾	Singapore	Investment holding	20	20
Lahad Datu Edible Oils Sdn Bhd ⁽²⁾	Malaysia	Palm oil refining, crushing of palm kernel and marketing of palm oil and palm kernel products	45	45
Laiyang Luhua Fragrant Peanut Oil Co., Ltd ⁽³⁾	People's Republic of China	Peanut crushing and edible oils packaging	25+	25+
Murzah Wilmar East Africa Limited ⁽²⁾	Tanzania	Manufacturers and traders of cooking oil, cooking fat, soaps & detergents, plastic containers and furnitures	46+	46+

40. JOINT VENTURES AND ASSOCIATES OF THE GROUP (CONTINUED)

The following is the list of the significant associates of the Group (continued).

Name of associates	Place of incorporation	Principal activities	Proportion of ownership interest	
			2017 %	2016 %
Perennial Real Estate Holdings Limited ⁽³⁾ and its subsidiaries	Singapore	Investment holding, real estate investment and development, asset and property management services, and healthcare services	20	17 ⁺
Sethal Holdings Limited ⁽³⁾	Cyprus	Investment holding	52 ⁺	48
Shandong Luhua Fragrant Peanut Oil Co., Ltd ⁽³⁾	People's Republic of China	Peanut crushing and edible oils packaging	25 ⁺	25 ⁺
Shree Renuka Sugars Limited ⁽²⁾	India	Refining of raw sugar, production of sugar and ethanol derived from sugarcane, sale, distribution, trading and/or branding of sugar and ethanol and generation, distribution, sale and trading of electricity/power	27 ⁺	28 ⁺
Xiang Yang Luhua Fragrant Peanut Oil Co., Ltd ⁽³⁾	People's Republic of China	Peanut crushing and edible oils packaging	33	33
Zhoukou Luhua Fragrant Peanut Oil Co., Ltd ⁽³⁾	People's Republic of China	Peanut crushing and edible oils packaging	49	49

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by member firms of Ernst & Young Global in the respective countries

(3) Audited by other auditors

+ The effective interest of the Group has been rounded to the nearest whole % as indicated

41. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the financial year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 16 March 2018.

Statistics of Shareholdings

SHARE CAPITAL

As at 13 March 2018

Number of shares (including treasury shares and subsidiary holdings)	: 6,403,401,106
Number of shares (excluding treasury shares and subsidiary holdings)	: 6,326,264,356
Number/percentage of treasury shares held	: 77,136,750 (1.22%)
Number of subsidiary holdings	: Nil
Class of shares	: Ordinary shares ("Shares")
Voting Rights	: One vote per Share

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%*
1 to 99	67	0.28	1,360	0.00
100 to 1,000	4,314	18.22	3,676,512	0.06
1,001 to 10,000	15,067	63.65	67,069,392	1.06
10,001 to 1,000,000	4,169	17.61	190,940,149	3.02
1,000,001 and above	56	0.24	6,064,576,943	95.86
Total	23,673	100.00	6,326,264,356	100.00

SUBSTANTIAL SHAREHOLDERS

As at 13 March 2018

(As recorded in the Register of Substantial Shareholders)

Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total Interest	%*
Kuok Khoon Hong ⁽¹⁾	995,000	774,435,968	775,430,968	12.26
Longhlin Asia Limited ⁽²⁾	69,009,921	446,204,971	515,214,892	8.14
Archer Daniels Midland Company ⁽³⁾	–	1,574,673,054	1,574,673,054	24.89
Archer Daniels Midland Asia-Pacific Limited ⁽⁴⁾	843,311,484	731,361,570	1,574,673,054	24.89
ADM Ag Holding Limited	374,961,795	–	374,961,795	5.93
Global Cocoa Holdings Ltd	356,399,775	–	356,399,775	5.63
Kuok Brothers Sdn Berhad ⁽⁵⁾	230,000	1,179,551,955	1,179,781,955	18.65
PPB Group Berhad	1,172,614,755	–	1,172,614,755	18.54
Kerry Group Limited ⁽⁶⁾	–	700,154,586	700,154,586	11.07
Kerry Holdings Limited ⁽⁷⁾	–	347,915,639	347,915,639	5.50

Notes:

1. Mr Kuok Khoon Hong is deemed to be interested in 179,204,971 Shares held by Hong Lee Holdings (Pte) Ltd, 230,461,271 Shares held by HPR Investments Limited, 21,964,873 Shares held by HPR Holdings Limited, 336,009,921 Shares held by Longhlin Asia Limited, 6,650,932 Shares held by Pearson Investments Limited and 144,000 Shares held by Kuok Hock Swee & Sons Sdn Bhd.
2. Longhlin Asia Limited is deemed to be interested in 267,000,000 Shares held in the names of nominee companies and 179,204,971 Shares held by Hong Lee Holdings (Pte) Ltd.
3. Archer Daniels Midland Company is deemed to be interested in 843,311,484 Shares held by Archer Daniels Midland Asia-Pacific Limited ("ADMAP"), 374,961,795 Shares held by ADM Ag Holding Limited ("ADM Ag") and 356,399,775 Shares held by Global Cocoa Holdings Ltd ("Global Cocoa").
4. ADMAP is deemed to be interested in 374,961,795 Shares held by ADM Ag and 356,399,775 Shares held by Global Cocoa.
5. Kuok Brothers Sdn Berhad is deemed to be interested in 1,172,614,755 Shares held by PPB Group Berhad, 1,274,200 Shares held by Gaintique Sdn Bhd, 100,000 Shares held by Min Tien & Co Sdn Bhd, 23,000 Shares held by Hoe Sen (Mersing) Sdn Bhd, and 5,540,000 Shares held by Trendfield Inc.

6. Kerry Group Limited is deemed to be interested in 23,678,425 Shares held by Ace Time Holdings Limited, 14,966,453 Shares held by Alpha Model Limited, 500,000 Shares held by Athena Equities Holding Limited, 45,579,446 Shares held by Bright Magic Investments Limited, 593,899 Shares held by Crystal White Limited, 31,335,900 Shares held by Dalex Investments Limited, 256,211,778 Shares held by Harpole Resources Limited, 23,188,079 Shares held by Kerry Asset Management Limited, 20,617,169 Shares held by Macromind Investments Limited, 203,555 Shares held by Marsser Limited, 33,760,355 Shares held by Natalon Company Limited, 246,600,000 Shares held by Noblespirit Corporation, 564,562 Shares held by Star Medal Limited and 2,354,965 Shares held by Total Way Investments Limited.
7. Kerry Holdings Limited is deemed to be interested in 500,000 Shares held by Athena Equities Holding Limited, 31,335,900 Shares held by Dalex Investments Limited, 256,211,778 Shares held by Harpole Resources Limited, 23,188,079 Shares held by Kerry Asset Management Limited, 33,760,355 Shares held by Natalon Company Limited, 564,562 Shares held by Star Medal Limited and 2,354,965 Shares held by Total Way Investments Limited.

TWENTY LARGEST SHAREHOLDERS

As at 13 March 2018

(As shown in the Register of Members and Depository Register)

No.	Name of Shareholders	No. of Shares	%*
1.	PPB Group Berhad	1,172,614,755	18.54
2.	Archer Daniels Midland Asia-Pacific Limited	843,311,484	13.33
3.	Citibank Nominees Singapore Pte Ltd	582,379,437	9.21
4.	ADM Ag Holding Limited	374,961,795	5.93
5.	Global Cocoa Holdings Ltd	356,399,775	5.63
6.	DBS Nominees Pte Ltd	349,270,444	5.52
7.	HSBC (Singapore) Nominees Pte Ltd	309,709,228	4.90
8.	Raffles Nominees (Pte) Ltd	308,629,734	4.88
9.	Kuok (Singapore) Limited	256,951,112	4.06
10.	Harpole Resources Limited	256,211,778	4.05
11.	Noblespirit Corporation	242,600,000	3.83
12.	DBSN Services Pte Ltd	196,768,222	3.11
13.	DB Nominees (Singapore) Pte Ltd	162,613,294	2.57
14.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	79,373,555	1.25
15.	UOB Kay Hian Pte Ltd	69,393,090	1.10
16.	Longlin Asia Limited	69,009,921	1.09
17.	United Overseas Bank Nominees Pte Ltd	59,696,359	0.94
18.	Hong Lee Holdings (Pte) Ltd	36,204,971	0.57
19.	Natalon Company Limited	33,760,355	0.53
20.	Kefkong Limited	32,400,000	0.51
Total		5,792,259,309	91.55

* Based on 6,326,264,356 Shares (excluding Shares held as treasury shares) as at 13 March 2018.

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 13 March 2018, 26.56% of the issued ordinary shares of the Company is held by the public and therefore, the Company has complied with Rule 723 of the SGX-ST Listing Manual.

Notice of Annual General Meeting

WILMAR INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 199904785Z)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Marina Mandarin Ballroom, Lobby Level, Marina Mandarin Hotel, 6 Raffles Boulevard, Singapore 039594 on Wednesday, 25 April 2018 at 10.00 a.m. for the following businesses:

AS ORDINARY BUSINESS

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

1. To receive and adopt the Directors' Statement and audited financial statements for the financial year ended 31 December 2017 and the Auditor's Report thereon. (Resolution 1)
2. To approve the payment of a proposed final tax exempt (one-tier) dividend of S\$0.07 per ordinary share for the financial year ended 31 December 2017. (Resolution 2)
3. To approve the payment of Directors' fees of S\$850,000 for the financial year ended 31 December 2017 (2016: S\$790,000).

(See Explanatory Note 1) (Resolution 3)
4. To re-elect the following Directors pursuant to the Constitution of the Company:
Retiring by rotation under Article 105:
 - (i) Mr Martua Sitorus (Resolution 4)
 - (ii) Mr Kuok Khoon Ean (Resolution 5)
 - (iii) Mr Juan Ricardo Luciano (Resolution 6)
Retiring under Article 106:
 - (iv) Mr Lim Siong Guan (Resolution 7)
 - (v) Mr Weijian Shan (Resolution 8)
(See Explanatory Note 2)
5. To re-appoint Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. (Resolution 9)

AS SPECIAL BUSINESS

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

6. Authority to issue and allot shares in the capital of the Company

That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("Companies Act"), and the listing rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (including any supplemental measures thereto from time to time), approval be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; and

- (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued, while the authority conferred by shareholders was in force, in accordance with the terms of issue of such Instruments, (notwithstanding that such authority conferred by shareholders may have ceased to be in force);

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

- (b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while the authority was in force or any additional Instruments referred to in (a)(iii) above,

provided always that

- (I) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (II) below), of which the aggregate number of shares issued other than on a *pro rata* basis to existing shareholders (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (II) below);
- (II) (subject to such manner of calculation as may be prescribed by SGX-ST for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (I) above), the percentage of the issued shares is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution after adjusting for:
 - (i) new shares arising from the conversion or exercise of convertible securities;
 - (ii) new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of SGX-ST; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of the Company's shares; and
- (III) the authority conferred by this Resolution shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting ("**AGM**") or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note 3)

(Resolution 10)

7. Authority to grant options and issue and allot shares under Wilmar Executives Share Option Scheme 2009

That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the provisions of the Wilmar Executives Share Option Scheme 2009 of the Company ("**Wilmar ESOS 2009**") and, pursuant to Section 161 of the Companies Act, to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted (while the authority conferred by this Resolution is in force) under the Wilmar ESOS 2009, notwithstanding that the authority conferred by this Resolution may have ceased to be in force, PROVIDED ALWAYS THAT:

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- (a) the aggregate number of shares over which the committee may offer to grant options on any date, when added to the number of new shares issued and/or issuable and/or existing shares transferred and/or transferable in respect of the options granted under the Wilmar ESOS 2009 and in respect of all other share-based incentive schemes of the Company, if any, shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) from time to time; and
- (b) the authority conferred by this Resolution shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note 4)

(Resolution 11)

8. Renewal of Shareholders' Mandate for Interested Person Transactions

That:

- (a) approval be and is hereby given, for the renewal of the mandate for the purposes of Chapter 9 of the Listing Manual of SGX-ST, for the Company, its subsidiaries and associated companies (within the meaning of the said Chapter 9) or any of them to enter into any of the transactions falling within the categories of interested person transactions as set out in the Company's Letter to Shareholders dated 9 April 2018 (the "**Letter to Shareholders**"), with any party who is of the class or classes of Interested Persons described in the Letter to Shareholders, provided that such transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders and are in accordance with the procedures as set out in the Letter to Shareholders (the "**IPT Mandate**");
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next AGM of the Company is held or is required by law to be held, whichever is earlier; and
- (c) the Directors of the Company and/or any of them be and are hereby authorised to do all such acts and things (including, without limitation, executing all such documents as may be required) as they and/or he may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.

(See Explanatory Note 5)

(Resolution 12)

9. Renewal of Share Purchase Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Share Purchase Committee of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the "**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Share Purchase Committee from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) on-market purchases (each an "**On-Market Share Purchase**") on the SGX-ST; and/or
 - (ii) off-market purchases (each an "**Off-Market Share Purchase**") effected in accordance with any equal access scheme(s) as may be determined or formulated by the Share Purchase Committee as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and 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) unless varied or revoked by the Shareholders in general meeting, the authority conferred on the Share Purchase Committee pursuant to the Share Purchase Mandate may be exercised by the Share Purchase Committee at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

- (i) the date on which the next AGM of the Company is held; or
- (ii) the date by which the next AGM of the Company is required by law to be held; or
- (iii) the date on which the purchase of Shares by the Company pursuant to the Share Purchase Mandate is carried out to the full extent mandated;

(c) in this Ordinary Resolution:-

“Prescribed Limit” means 10% of the total number of issued Shares excluding Treasury Shares and subsidiary holdings as at the date of the passing of this Ordinary Resolution; and

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

- (i) in the case of an On-Market Share Purchase, 105% of the Average Closing Price (as defined below); and
- (ii) in the case of an Off-Market Share Purchase, 120% of the Average Closing Price, where:

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

(d) the directors of the Company and/or each of them be and are hereby authorised to complete and do all such acts and things as they and/or he may consider necessary, desirable, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

All capitalised terms used in this Resolution which are not defined herein shall have the same meaning ascribed to them in the Letter to Shareholders dated 9 April 2018.

(See Explanatory Note 6)

(Resolution 13)

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NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

NOTICE is also hereby given that the Share Transfer Register and Register of Members of the Company will be closed from 7 May 2018, 5.00 p.m. to 8 May 2018, both dates inclusive, for the purpose of determining shareholders' entitlement to the Company's proposed final tax exempt (one-tier) dividend of S\$0.07 per ordinary share for the financial year ended 31 December 2017 (the "**Proposed Final Dividend**").

Duly completed registrable transfers received by the Company's registrar, Tricor Barbinder Share Registration Services, of 80 Robinson Road #02-00, Singapore 068898 up to 5.00 p.m. on 7 May 2018 will be registered to determine shareholders' entitlement to the Proposed Final Dividend. The Proposed Final Dividend, if approved at the AGM to be held on 25 April 2018, will be paid on 16 May 2018.

Depositors whose securities accounts with The Central Depository (Pte) Limited are credited with the Company's shares as at 5.00 p.m. on 7 May 2018 will be entitled to the Proposed Final Dividend.

By Order of the Board
Teo La-Mei
Company Secretary

Singapore
9 April 2018

Explanatory Notes:

1. The Ordinary Resolution 3 proposed in item no. 3 above is to approve the payment of Directors' fees of S\$850,000 (2016: S\$790,000) for the financial year ended 31 December 2017 for services rendered by Non-Executive Directors. The amount of proposed Directors' fees is based on the following fee structure:
 - (1) base fee of S\$80,000 per year for each Non-Executive Director;
 - (2) Lead Independent Director (S\$20,000); and
 - (3) supplemental fees for serving on the following Board committees:
 - (a) Audit Committee - as Chairman: S\$30,000, as Member: S\$10,000;
 - (b) Risk Management Committee - as Chairman: S\$30,000, as Member: S\$10,000;
 - (c) Remuneration Committee - as Chairman: S\$10,000, as Member: S\$5,000; and
 - (d) Nominating Committee - as Chairman: S\$10,000, as Member: S\$5,000.
2. The Ordinary Resolutions 4, 5, 6, 7 and 8 proposed in items nos. 4 (i), (ii), (iii), (iv) and (v) above are to approve the re-election of the following Directors retiring and seeking re-election at the forthcoming Annual General Meeting in 2018 ("2018 AGM"):
 - (a) In relation to Ordinary Resolution 4, there are no familial relationships between Mr Martua Sitorus, a Non-Executive Director, and other Directors of the Company or its 10% shareholders*;
 - (b) In relation to Ordinary Resolution 5, Mr Kuok Khoon Ean, a Non-Executive Director, is a cousin of Mr Kuok Khoon Hong, the Chairman and Chief Executive Officer and a substantial shareholder of the Company;
 - (c) In relation to Ordinary Resolution 6, Mr Juan Ricardo Luciano, a Non-Executive Director, is nominated by Archer Daniels Midland Company, a substantial shareholder of the Company;
 - (d) In relation to Ordinary Resolution 7, there are no familial relationships between Mr Lim Siong Guan, an Independent Director, and other Directors of the Company or its 10% shareholders*; and
 - (e) In relation to Ordinary Resolution 8, there are no familial relationships between Mr Weijian Shan, an Independent Director, and other Directors of the Company or its 10% shareholders*.

**The term "10% shareholder" is defined in the Singapore Code of Corporate Governance 2012 ("Code"), to refer to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares (exclude treasury shares) in the company.*

Pursuant to Guideline 4.7 of the Code, key information on these directors, including their dates of first appointment, dates of last re-election and other directorships and principal commitments, are found in the "Board of Directors" section and "Corporate Information" section in the Company's Annual Report 2017.
3. The Ordinary Resolution 10 proposed in item no. 6 above, if passed, will authorise the Directors of the Company from the date of the 2018 AGM until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a *pro rata* basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares at the time that Ordinary Resolution 10 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 10 is passed, and any subsequent bonus issue or consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.

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4. The Ordinary Resolution 11 proposed in item no. 7 above, if passed, will empower the Directors of the Company from the date of the 2018 AGM until the next AGM to offer and grant options under the Wilmar ESOS 2009 and to issue and allot shares pursuant to the exercise of such options under the aforesaid option scheme, provided that the aggregate number of shares over which the committee may offer to grant options on any date, when added to the number of new shares issued and/or issuable and/or existing shares transferred and/or transferable in respect of the options granted under the Wilmar ESOS 2009 and in respect of all other share-based incentive schemes of the Company, if any, shall not exceed 5% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time. This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.
5. The Ordinary Resolution 12 proposed in item no. 8 above, if passed, will renew the IPT Mandate for the Company, its subsidiaries and associated companies that are considered “entities at risk” to enter in the ordinary course of business into certain types of transactions with specified classes of the Interested Persons set out in the Letter to Shareholders. Such resolution, if passed, will take effect from the date of the 2018 AGM until the next AGM (unless revoked or varied by the Company in general meeting). The IPT Mandate, the renewal of which was approved by shareholders at the last AGM of the Company held on 26 April 2017, will be expiring at the 2018 AGM. Information relating to the renewal of the IPT Mandate can be found in the Letter to Shareholders dated 9 April 2018. Please refer to the Letter to Shareholders for more details.
6. The Ordinary Resolution 13 proposed in item 9 above, if passed, will empower the Directors of the Company from the date of the 2018 AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, or such authority is varied or revoked by the Company in a general meeting, whichever is the earliest, to repurchase ordinary issued Shares of the Company by way of market purchase(s) or off-market purchase(s) of up to 10% of the total number of issued Shares (excluding Treasury Shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition, including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are set out in the Letter to Shareholders dated 9 April 2018. Please refer to the Letter to Shareholders for more details.

Notes:

1. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two proxies to attend, speak and vote at the 2018 AGM. Where such member appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the 2018 AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

“Relevant intermediary” means:

(i) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

(ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(iii) the Central Provident Fund Board (the “CPF Board”) established by the Central Provident Fund Act (Cap. 36) (“CPF Act”), in respect of shares purchased under the subsidiary legislation made under the CPF Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

2. A proxy need not be a member of the Company.

3. If the appointor is a corporation, the proxy form must be executed under seal or the hand of its attorney or officer duly authorised.

4. The instrument or form appointing a proxy, duly executed, must be **deposited** at the office of the Company’s registrar, **Tricor Barbinder Share Registration Services, at 80 Robinson Road #11-02, Singapore 068898** not less than **72 hours** before the time appointed for the holding of the 2018 AGM in order for the proxy to be entitled to attend and vote at the 2018 AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 2018 AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 2018 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 2018 AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.