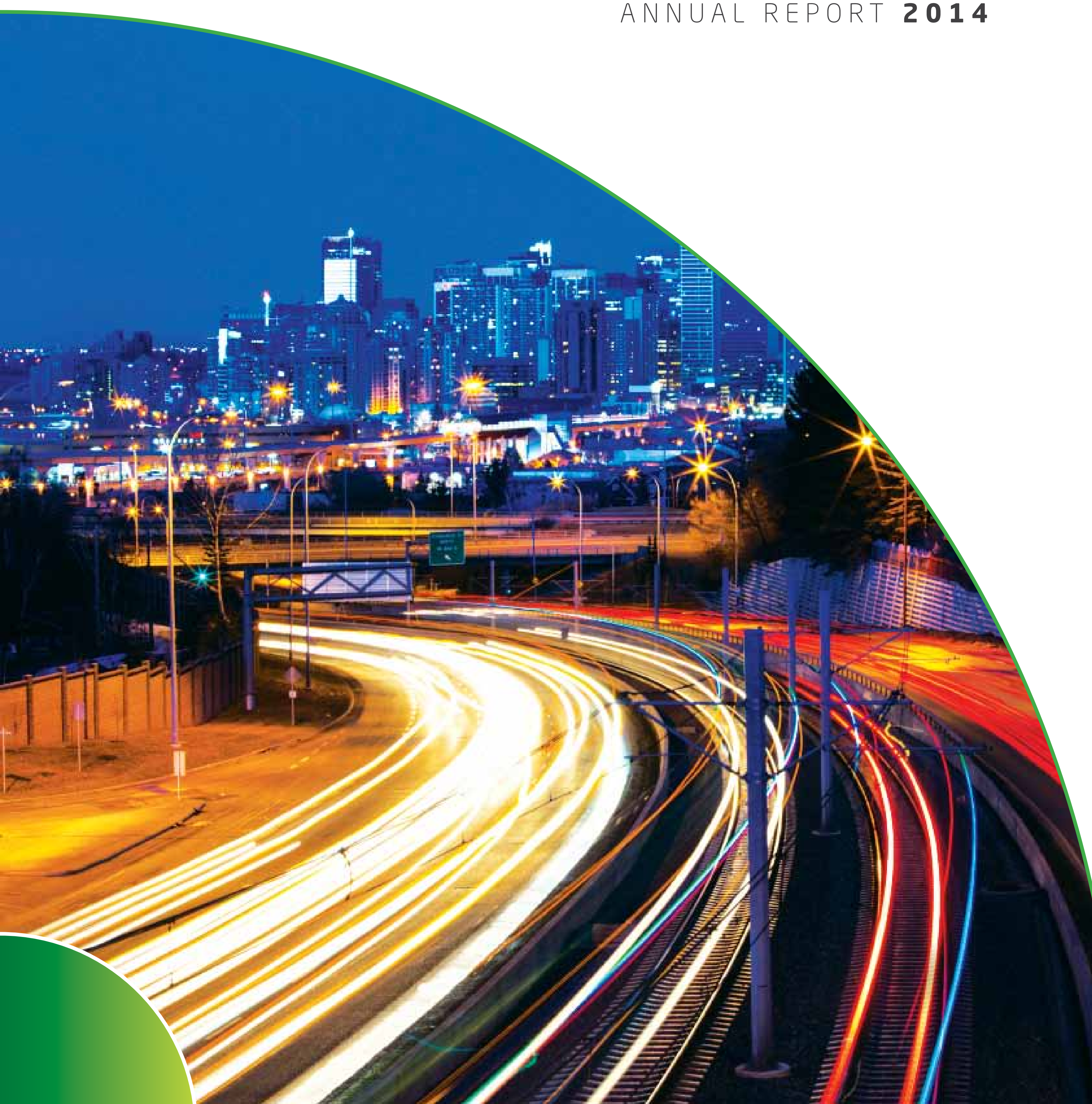
TRANSFORMATION

ANNUAL REPORT **2014**



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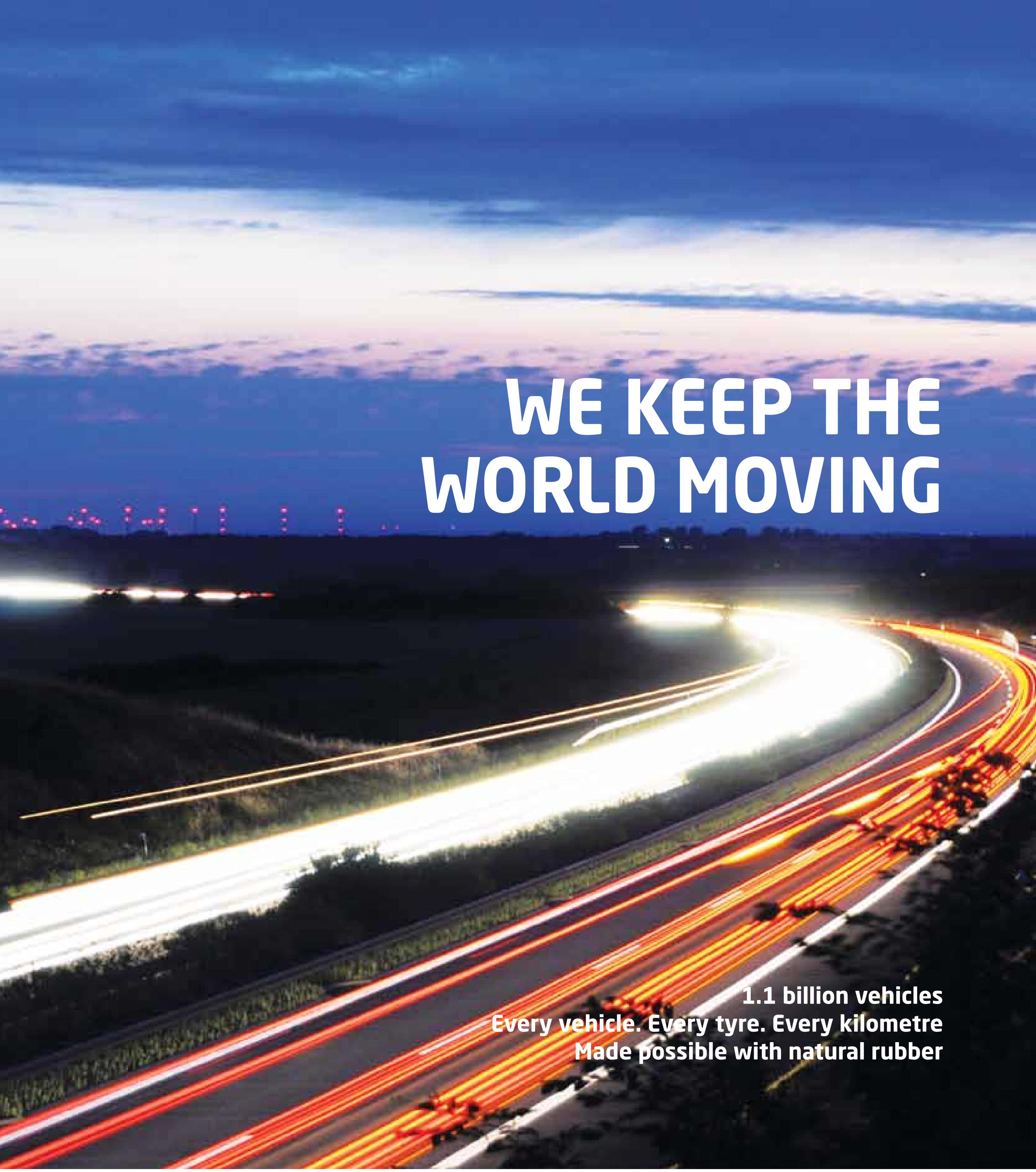
INTRODUCING OUR NEW BRANDING

HALCYON AGRI

We are delighted to introduce Halcyon Agri's new brand. Our logo captures the essence of Halcyon Agri today. The overall shape subtly suggests a globe, reflecting our global network. The colours incorporate the striking blue of our namesake bird, the Halcyon or Kingfisher as it is commonly known, as well as the deep green of the leaves of the natural rubber tree. Sweeping across the "H" is a stylised road, reflecting our role in keeping the worlds' vehicles moving, with the three colours symbolising our three business strategies; Originate, Produce, Distribute.



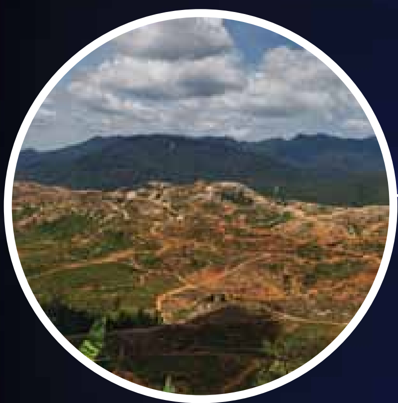
OUR PURPOSE:

We are a dynamic network of people and assets with the scale, scope and reach to provide the rubber that keeps the world moving.

TRANSF

14

natural rubber processing facilities in Indonesia & Malaysia



10,000

Hectares of plantation land in Malaysia

4,000

dedicated employees

O R M A T I O N

1 million

tonnes annual sales capability

Factories, offices and assets in

27

cities worldwide

US$641m

Total Assets

Note: Offices and assets include Centrotrade, which is pending completion

Chairman's **Statement**

"Halcyon Agri is transformed. We have evolved to a global supply chain business with three distinct operating strategies; Originate, Produce, Distribute."

Robert Meyer
Executive Chairman and CEO

Dear Shareholders

This year's report, our third since our initial public offering in 2013, bears the title "transformation", which perfectly describes Halcyon Agri's journey in 2014. We started the year as a pure midstream natural rubber producer with 2 factories in Indonesia and 686 employees. We ended the year as an integrated natural rubber supply chain manager, with plantation land, 14 factories, a global distribution network and more than 4,000 employees.

It is remarkable what Halcyon Agri has achieved in its relatively short history. Halcyon Agri started in April 2010. Hevea Global, our merchandising subsidiary, commenced business as a purchasing agent, supplying physical rubber for a fixed fee per metric tonne, to the commodity division of a global financial institution. Shortly after our launch, in May 2010, we became aware of the opportunity to potentially acquire 2 well established crumb rubber factories in Palembang, Indonesia. We successfully concluded this milestone acquisition in February 2011, having assumed management responsibility for the factories in December 2010.

From early 2011 we expanded our business model to include the management of rubber factories. From the beginning, our focus has always been 'margin'. We sought to minimise our exposure to market movements and focus on industrial profit margins. We require each commercial transaction to be designed to deliver a positive financial contribution; the achieved selling price must exceed the cost of raw materials, processing costs and overhead. This profit focus continues today.

Following our IPO in 2013, we embarked on 2 strategies. Firstly, to expand and update our original factories in Palembang, and secondly, to grow our business through carefully selected acquisitions. Our objectives were simple: expand the scale, scope and reach of the business, without diluting our margin focussed operating model.

In 2013 we ventured north and established our presence in Malaysia. We acquired 2 SMR factories from a diversified holding company under judicial management, and we purchased 10,000 hectares of 99-year leasehold Sultanate land in the State of Kelantan. Both acquisitions legally completed in Q1 2014. Halcyon Agri Malaysia now employs 188 people, both facilities have been reconfigured and refurbished and we have planted 450 hectares of oil palm and 500 hectares of rubber seedlings.

In 2014, we had the opportunity to evaluate the possible acquisition of Anson Company (Private) Limited ("Anson"). This is a fabled name in the natural rubber industry, although the underlying businesses are more often referred to by their

Chairman's
Statement

Indonesian legal entities, namely PT Hok Tong, PT Rubber Hock Lie, PT Sunan Rubber and PT Remco. This group of companies, with altogether 9 crumb rubber factories predominately in Sumatra, was the Indonesian arm of the Lee Rubber Group of Companies. Founded by Tan Sri Dr Lee Kong Chian in the 1930's, the Anson factories collectively represent the pinnacle of Indonesian rubber processing. Up to this point, we had successfully acquired assets that required some form of turnaround. Anson was a different case altogether.

We emerged the winning bidder for Anson and, on 12 August 2014, officially took over ownership of Anson: 9 factories, 408,000 tonnes of SIR licensed annual export capacity, and S$200 million of net current assets – for a total of S$450 million. The Anson acquisition transformed the scale of our processing business, and this step change directed us to further invest in our merchandising platform. On 30 September, Hevea Global took over New Continent Enterprises (Private) Limited ("New Continent Enterprises") and, later in the year, we also agreed to purchase Centrotrade Rubber Group ("Centro"), a rubber distribution business owned by Raiffeisen Zentralbank in Austria. Centro has offices in the the United States, Germany and Malaysia, and is a major player not only in dry rubber, but also in liquid latex. We signed the definitive documents early in 2015, and the Centro acquisition is slated to complete in the first half of 2015.

Hevea Global, together with New Continent Enterprises and Centro, now has the global reach to service a diversified portfolio of automotive and industrial end users with approximately 1 million tonnes of natural rubber. We aim to produce 60% - 70% of this volume ourselves, and complement our production with foreign origins and grades.

Halcyon Agri is transformed. We have evolved to a global supply chain business with three distinct operating strategies: Originate, Produce, Distribute. Our belief in our product, Natural Rubber, is resolute. The 3 billion people in Asia's emerging markets alone will drive unprecedented demand for vehicles, as GDP per capita reaches levels where personal mobility becomes highly sought after. As a result, there will be a billion additional vehicles on the world's roads within 10 years, and with natural rubber essential for the tyres on each of those vehicles, demand will continue to grow for the foreseeable future.

On behalf of the Board of Directors, I would like to thank our management and staff, our stakeholders across our operating entities, our bankers, advisors, and our shareholders. You have made this transformation possible.

Robert Meyer
Executive Chairman and CEO

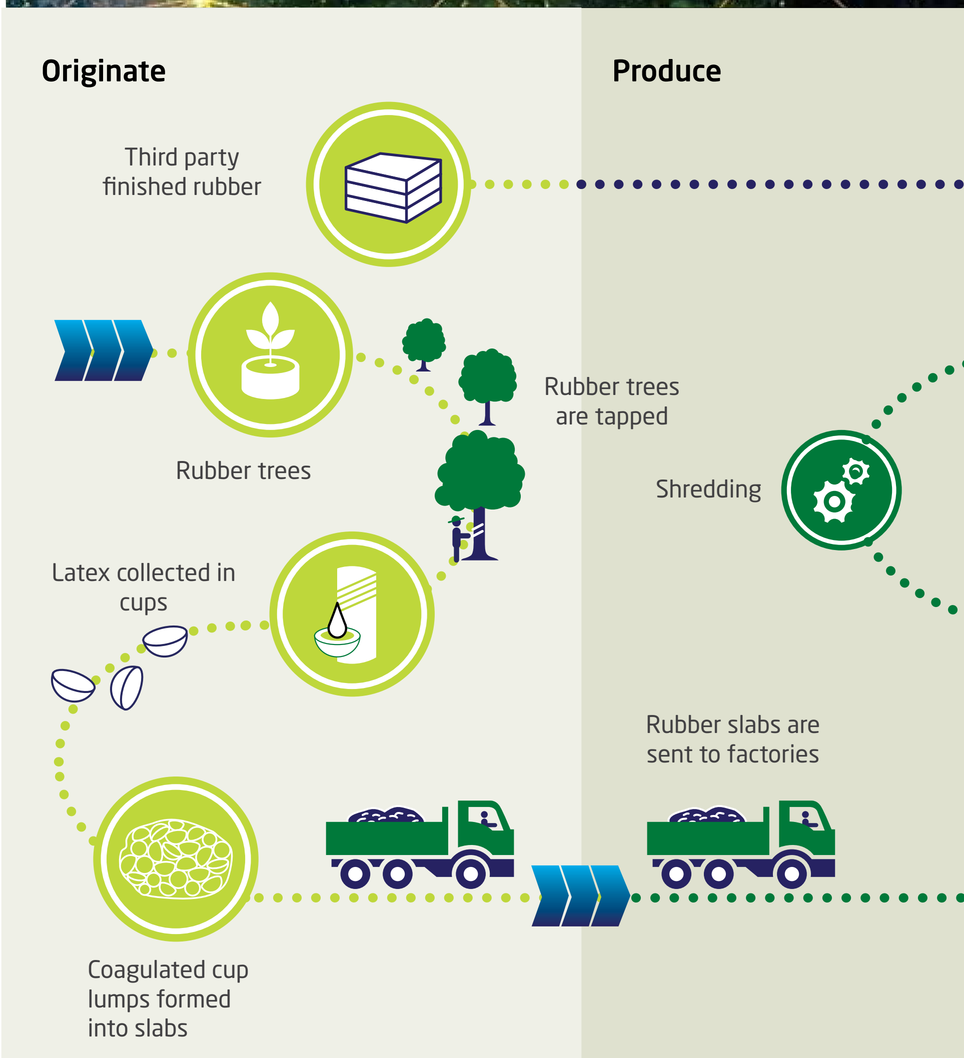
Our **Business**

Integrating the Natural Rubber Value Chain

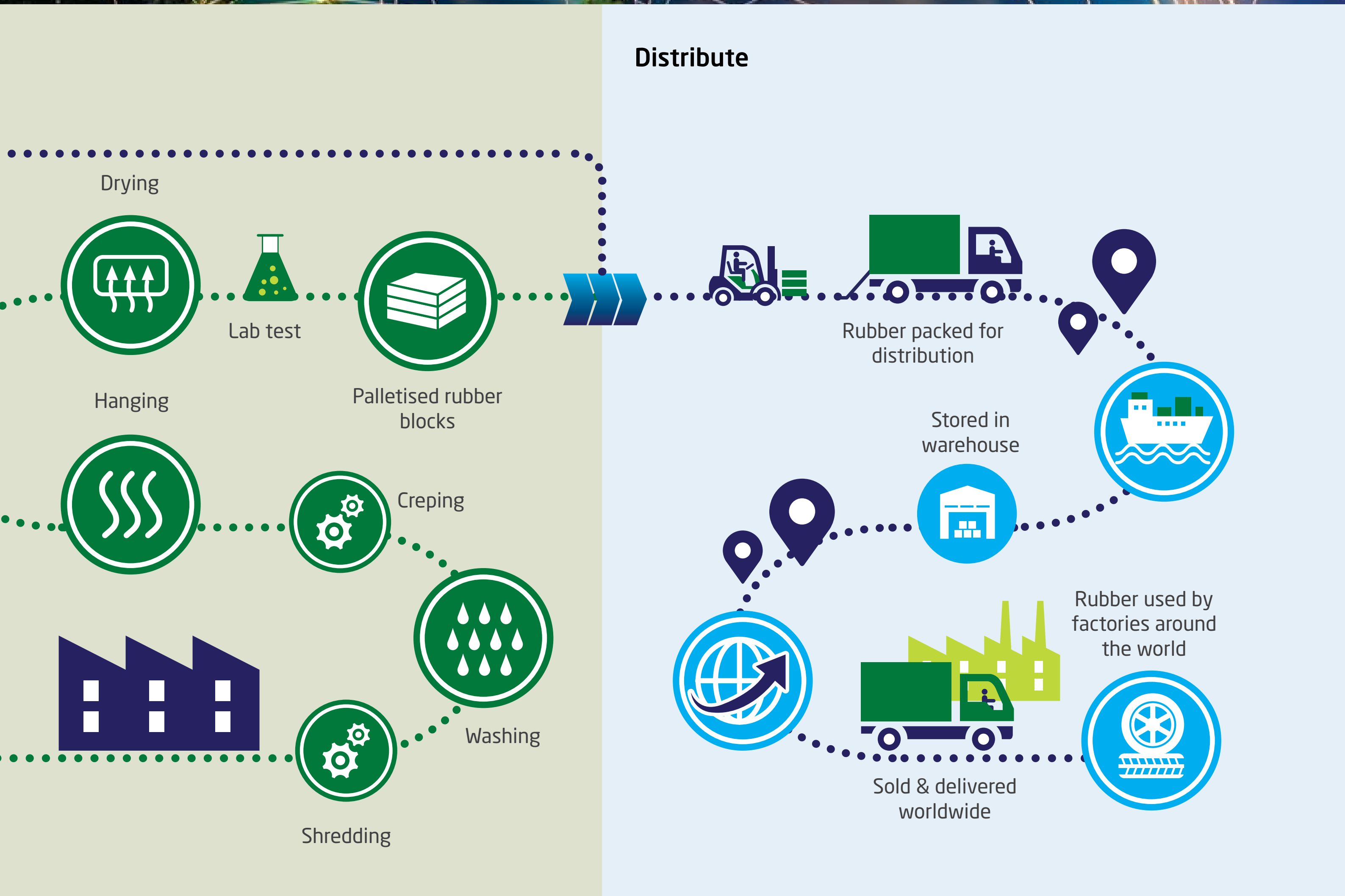
Origination, Production & Distribution

Halcyon Agri is approaching the natural rubber industry with a fresh outlook. We're connecting the dots and bringing together businesses across the entire natural rubber value chain. This unique connectivity means we're able to give customers exactly what they need wherever they may be.

With our global network, integrated supply chain and ability to deliver more than a million tonnes of natural rubber annually, we have the scale, scope and reach to provide the natural rubber that keeps the world moving.



Our Business



Origination

Halcyon Agri's origination reach is extensive, spanning the world's major natural rubber producing regions and ranging from raw material from smallholder farmers to finished products. We obtain the natural rubber that our customers require either by producing it at our own facilities or procuring it from third party producers.

GROW

Halcyon Agri owns approximately 10,000 hectares of Sultanate land in Kelantan, Malaysia, of which 7,200 hectares is being established as a natural rubber plantation to provide feedstock to our Malaysian processing facilities. Our natural rubber production will include both latex and cup-lumps, with the objective of utilising pristine raw material to produce higher grades of rubber for premium and specialty applications. The first tapping of our rubber trees is expected in 2020.

We also provide estate management services, supporting third party plantations with best practice plantation management and tapping expertise, and providing a route to market for the plantation's natural rubber through our production and distribution network.

PROCURE

We source raw natural rubber from around South East Asia to feed our processing facilities in Indonesia and Malaysia. In total, our raw material procurement reach covers in excess of half a million hectares of rubber producing land. This involves long standing relationships with thousands of smallholders and agents who provide us with quality field material.

We also procure high quality finished goods from third party natural rubber producers around the world, for distribution to customers through Halcyon Agri's global network. Our sourcing covers a broad range of grades of rubber and reaches all major origins, including Asia, West Africa and Central America. We have a strategic sourcing office located in Vietnam to access natural rubber from emerging producers in Vietnam, Laos and Combodia.

Procurement Reach: Natural Rubber Origins

Asia

Cambodia	India	Indonesia
Laos	Malaysia	Philippines
Sri Lanka	Thailand	Vietnam

Africa

Cameroon	Gabon	Ghana
Guinea	Ivory Coast	Liberia
Nigeria		

Americas

Guatemala

Procurement Reach: Natural Rubber Grades

Technically Specified Rubber

TSR5	TSR10	TSR20	TSRWF
TSR 10CV	TSR CV60	TSR 20CV	TSRCV40
TSR 3L	TSR L	TSR CV50	TSRGP

Ribbed Smoked Sheet

1RSS	2RSS	3RSS	4RSS
5RSS	1RSS Small Bale	3RSS Small Bale	

Others

Thick and Thin Pale Crepe	Skim Block
SP40	SP20
PA80	SP50
Peptized	DPNR

Latex

FA or HA centrifuged	LA (LA-TZ/TMTD) centrifuged
Ammonia Free	TMTD (HA or LA)
Double Centrifuged (DC)	VYTEX® (Low Protein)
Grafted	REVERTEX® / REVULTEX® (Pre-Vulcanised / High TSC)

Note: Natural rubber grades includes products of New Continent Enterprises and Centrotrade. Acquisition of Centrotrade is pending completion.

Production

We own and operate one of the largest networks of rubber processing facilities in the world. Many of our factories are in Indonesia and have been producing rubber from the same location for over 80 years.

Our 14 natural rubber production facilities in Indonesia and Malaysia have a total annual licensed export capacity of nearly 750,000 tonnes, which equates to approximately 158 million car tyres.

As tyre manufactures have very specific requirements, we produce Technically Specified Rubber of a range of grades, including premium 'constant viscosity' rubber.

Our production facilities are strategically located in the key natural rubber producing areas of Indonesia and Malaysia, and are all within 600 km of our headquarters in Singapore.

In Indonesia, Halcyon Agri is the largest natural rubber producer in Palembang, which is the centre of Indonesia's rubber industry, as the city's port handles 36% of the country's natural rubber exports.


HEVEA KB I
HL - PERAK
Halcyon Agri Corporation
HEVEA KB II
HL - PERAK
Halcyon Agri Corporation
Perak
Medan
Rantau Prapat
Jambi
Pontianak
PT HOK TONG
KAZ - PONTIANAK
Halcyon Agri Corporation
Palembang
PT HOK TONG
SCX - PALEMBANG
Halcyon Agri Corporation
PT REMCO
SDQ - PALEMBANG
Halcyon Agri Corporation
PT SUNAN RUBBER
SCY - PALEMBANG
Halcyon Agri Corporation
PT HOK TONG
SGO - PALEMBANG
Halcyon Agri Corporation
PT HEVEA MK I
SDR - PALEMBANG
Halcyon Agri Corporation
PT HEVEA MK II
SEA - PALEMBANG
Halcyon Agri Corporation

Distribution

By bringing together Centrotrade, New Continent Enterprises and Hevea Global we've built one of the largest natural rubber marketing and distribution groups in the world.

Our global distribution network has the scale, scope and reach to cover all markets worldwide. Our sales offices and logistics assets are strategically located in China, South East Asia, Europe and the United States.

Our logistics assets include dry rubber warehouses and latex tanks located in China, Vietnam, Indonesia, Germany, the Netherlands, Canada and the United States.

Through our merchandising and distribution arms we can deliver any grade of rubber to any location in the world. This ability to secure specific grades of product from markets worldwide has resulted in long standing relationships with many of the world's largest consumers of natural rubber.

Note: Locations include Centrotrade warehouses/tanks, offices and agents. Acquisition of Centrotrade is pending completion.

Board of **Directors**

Robert Meyer

Alan Nisbet

Robert Meyer

Executive Chairman and CEO

Mr Robert Meyer is the Executive Chairman and Chief Executive Officer of the Group, and is also a member of the Nominating Committee. He is in charge of formulating and executing the strategic business development of the Group, and his responsibilities include overseeing the core aspects of the business such as our rubber processing operations and sales and marketing operations.

He is also the founder and non-executive chairman of Halcyon Investment Corporation Pte Ltd and its subsidiaries.

He graduated with a Bachelor of Arts (Diplom-Betriebswirt) from the European Business School (Schloss Reichartshausen) in Oestrich-Winkel, Germany in 1999.

Alan Nisbet

Lead Independent Director

Mr Alan Nisbet is the Lead Independent Director and is also the Chairman of the Audit Committee as well as a member of the Remuneration and Nominating Committees. He is currently the principal of Kanni Advisory, which is a consultancy firm that specialises in financial and business advisory services.

He is a board and human resources and finance committee member of the Accounting and Corporate Regulatory Authority (ACRA) and a member of the Public Accountants Oversight Committee, which is responsible for the oversight of public accountants providing audit services in Singapore. He is also a director and the Chairman of the audit committee of Ascendas Pte. Ltd., a director and a member of audit committee and remuneration committee of KrisEnergy Ltd., and an independent director and Chairman of audit committee of Standard Chartered Bank (Singapore) Limited.

From 1973 to 2011, he worked for Deloitte & Touche LLP (where he was made partner in 1989) and its antecedent firms in Australia, the United States and Singapore, and was involved in the co-ordination and oversight of various aspects of the professional services rendered, including share valuations and due diligence reviews on behalf of multi-national and Singapore companies. Mr Nisbet was Head of Audit & Assurance Services for Deloitte Southeast Asia and established the Deloitte Enterprise Risk Service (ERS) function in Singapore.

He is a member of the Institute of Singapore Chartered Accountants and formerly a practising associate of the Institute of Chartered Accountants in Australia. He graduated with a Diploma of Business Studies (Accounting) from the Caulfield Institute of Technology, Melbourne, Australia in 1971.

Board of **Directors**

Pascal Demierre

Executive Director

Mr Pascal Demierre was appointed to the Board of Halcyon Agri on 8 July 2010, and also serves on the Audit Committee and the Remuneration Committee. He is responsible for all corporate matters including legal, corporate governance, corporate structuring, information technology, human resources and general administration.

He is also an independent director of The Hour Glass Limited (a company listed on the Main Board of the SGX-ST) since 1 April 2011, and serves on the Board of Council Members for the Alliance Française, Singapore.

He graduated with a Bachelor of Law (Upper Second) from King's College London, United Kingdom in 1998, and with a Graduate Diploma in Law from the National University of Singapore in 2002.


Pascal Demierre

Randolph Khoo

Independent Director

Mr Randolph Khoo is an Independent Director and Chairman of the Nominating Committee. He also serves on the Audit Committee and the Remuneration Committee. He is currently a director of Drew & Napier LLC, a corporation of advocates and solicitors, heads its Family and International Personal Relationships Practice and is also the head for disputes resolution in its China, India and International Trade Desks.

He is an advocate and solicitor of the Supreme Court of Singapore, a Notary Public and a Commissioner for Oaths. He is a Fellow of the Singapore Institute of Arbitrators, Chartered Institute of Arbitrators, Hong Kong Institute of Arbitrators, Arbitrators' & Mediators' Institute of New Zealand and the Malaysian Institute of Arbitrators, as well as a Panel Arbitrator with the Singapore Institute of Arbitrators, the Law Society of Singapore Arbitration Scheme, Shanghai Arbitration Commission, Kuala Lumpur Regional Centre for Arbitration, Chinese Arbitration Association, Taipei and the Malaysian Institute of Arbitrators, as well as a member of the International Bar Association, Society of International Law (Singapore), Law Society of Singapore and the Singapore Academy of Law.

He is the author of the chapter on Singapore law in the book Family Law: Jurisdictional Comparisons (1st Edition, 2011 Thomson Reuters) and also contributed to the 2nd Edition released in 2013.

He graduated with a degree in Law from the National University of Singapore in 1989.


Randolph Khoo

Liew Choon Wei

Independent Director

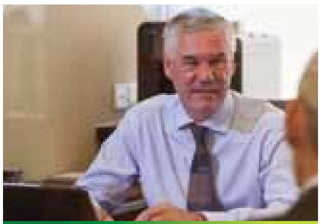
Mr Liew is an Independent Director and Chairman of the Remuneration Committee. He also serves on the Audit Committee and the Nominating Committee.

Mr Liew joined Ernst & Young (EY) in Singapore in 1979 after returning from London. He was the Audit Partner in charge of some of EY's significant clients in the real estate, banking, media, hospitality, and retail industries until his retirement from the firm at end March 2013. Mr Liew is a fellow Chartered Accountant of the Institute of Singapore Chartered Accountants and formerly a practising associate of the Association of Chartered Certified Accountants.

He is also an Independent Director of the Managers of Frasers Hospitality Trust (a REIT listed on the Main Board of the SGX-ST) since July 2014, and chairman of the internal audit committee of Kuok (Singapore) Limited with effect from 30 March 2015.


Liew Choon Wei

Senior **Management**


Andrew Trevatt

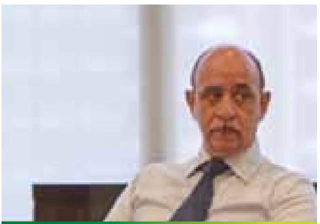

Ng Eng Kiat


James Ronald Bugansky


Tan Chor Leng


Jason Barakat-Brown


Christian Tollkühn


Leonard Beschizza

Andrew Trevatt
Chief Commercial Officer

Andrew Trevatt co-founded Halcyon Agri in 2010 and is responsible for all commercial affairs.

Andrew has 27 years of experience in the natural rubber industry. He started work in 1982 as a junior auditor/ assistant to the senior accountant at Aarons Grew & Woodcroft, Certified Accountants, London. In 1986, he commenced working as a trader for Lewis & Peat (Rubber) Ltd, London, and stayed with the company for 14 years till 2000. His last position held at Lewis & Peat (Rubber) Ltd, London, was Trading Director. In 2002, he went on to work in Sri Trang International Pte. Ltd. as its Chief Executive Officer. In 2007, he joined Louis Dreyfus Commodities Asian Pte. Ltd. as a Head of Rubber Trading.

He studied in Meopham Secondary School and graduated in 1982.

Ng Eng Kiat
Chief Financial Officer

Ng Eng Kiat was appointed as the Group CFO on 1 January 2013. He oversees the Group's financial affairs, including corporate finance, treasury and capital management.

He joined Halcyon Investment Corporation Pte Ltd in December 2011 as the Group Financial Controller. Prior to that, he worked as an Assurance Supervisor in KPMG LLP in Kuala Lumpur, Malaysia from 2002 to 2005. In 2005, he went on to join Ernst & Young LLP, United Kingdom as an Assurance Manager, and thereafter worked at the same firm in Singapore as an Assurance Senior Manager from 2010 to 2011.

He has been a fellow member of the Association of Chartered Certified Accountants since 2005 and is also a member of the Institute of Singapore Chartered Accountants (ISCA). He is currently a member of CFO Committee of ISCA.

He graduated from the Multimedia University in Malaysia in 2002 with a Bachelor's Degree (Honours) in Accounting.

James Ronald Bugansky
Global Head of Plantations & Processing Technology

James Bugansky joined Halcyon Agri on 1 October 2013. His responsibilities revolve around analysing, maintaining and ultimately improving the Group's technical resources in both existing factories, as well as in potential mid and upstream acquisitions. Prior to his appointment, he had worked as an exclusive consultant for the Group since May 2013.

James has more than 35 years of experience in natural rubber processing and plantations. Following his graduation from the Ohio State University in 1976, he started work in the rubber industry as the Plantation Management Trainee of PT Goodyear Sumatra Plantation before moving up to be the Assistant Managing Director of Goodyear Guatemala Plantation, and subsequently Goodyear Brazil Plantation. From 1984 to 2001, he held a senior management position at The Goodyear Tire & Rubber Company's headquarters covering different areas from research and development (Senior Research Fellow - Research / Corporate), administrative management (Manager Plantation Operations), purchasing to inventory and material management (Global Materials Manager).

In 2001, he returned to plantation work at PT Goodyear Sumatra Plantation Company in Indonesia as General Manager and Director. Thereafter he worked as the Factories Operations Manager at Firestone Liberia from 2007 to 2009 taking responsibility for three natural rubber processing factories and one rubber wood factory. Following this, and prior to his service with the Group, he was an independent consultant and worked for GMG Global as the General Manager Industrial Performance/ EHS.

Tan Chor Leng

Chief Executive Officer, Indonesia

Tan Chor Leng joined Halcyon Agri through the acquisition of Anson in August 2014 and was subsequently appointed Chief Executive Officer, Indonesia.

Chor Leng has 44 years of experience in natural rubber, all of which have been with Anson Group companies or their predecessors. He joined Lee Rubber Kuala Kangsar in 1971, moving in 1976 to join PT Hok Tong Palembang, Indonesia. He has served in the PT Hok Tong group companies in Banjarmasin, Pontianak, Jambi and Palembang. He has vast experience in managing all aspects of natural rubber factory operations.

He studied in Clifford Secondary School and graduated in 1969.

Jason Barakat-Brown

Global Head of Strategic Development

Jason Barakat-Brown was appointed as Head as Strategic Development on 1 December 2014. He is responsible for the Group's strategic corporate development and investor relations functions.

Prior to joining as Head of Strategic Development, Jason served as an Independent Director on the Board of Directors of Halcyon Agri. He has 20 years' experience in finance and investment banking, specialising in mergers and acquisitions. He was previously Managing Director and Head of Advisory at Religare Capital Markets and Managing Partner of Candor Advisory Partners. He was also previously Managing Director and Joint Head of Mergers & Acquisitions and Corporate Finance for UBS in South East Asia, where he served 10 years in investment banking in Singapore and Australia. James was also an investment banker with Jardine Feming Ord Minnett and Schroders Corporate Finance in Sydney, Australia and, prior to that, served as a market risk analyst in bank supervision for the Reserve Bank of Australia.

He graduated with a Bachelor of Commerce (Honours) from the University of Queensland in Brisbane, Australia.

Christian Tollkühn

Global Head of Sales & Marketing

Christian Tollkühn joined Halcyon Agri in October 2014 following the acquisition of New Continent Enterprises, which he was leading as Chief Executive Officer since January 2013.

He started his career in the logistics sector with Kawasaki Kisen Kaisha Ltd. ("K" Line) in 1990, moving into the natural rubber industry in 1996 as Manager for Nordmann, Rassmann & Co, Hamburg/Germany. In 2002, he moved to Singapore to work as Trading Director for Tong Teik Pte Ltd. where he stayed until December 2012.

Christian brings extensive knowledge of the global natural rubber distribution and supply chain management business to the Group. He also has many years' experience in risk management through his roles at for Tong Teik Pte Ltd and New Continent Enterprises.

He holds an Diploma in Business Administration with focus on Marketing and Logistics, by the Deutsche Aussenhandels- und Verkehrsakademie (DAV), Bremen/Germany.

Leonard Beschizza

Global Head of Risk Management

Leonard Beschizza is responsible for the Group's risk management and monitoring function.

Leonard started working as a trader with Pacol Ltd, London, a member of the Gill & Duffus Group in 1971. He went on to become a director of Pacol Sdn Bhd and Pacol Singapore in 1976. In 1978, he returned to Pacol Ltd, London, to head the natural rubber trading desk and was appointed as a main board director in 1985. In 1987, he went on to become the director of Centrotrade Singapore and headed the natural rubber trading team at Centrotrade Singapore. In 1995, he headed the sales and marketing department in PT PP London Sumatra Indonesia and dealt with the price risk management of agricultural products. In addition, he was a moderator at the Indonesian Palm Oil Association or GAPKI (Gabungan Pengusaha Kelapa Sawit Indonesia) conferences in 2008, 2009 and 2010.

He joined Halcyon Agri in 2010. After working for about 40 years in the natural rubber and agricultural industry, he is experienced in most aspects of the natural rubber business, including the processing and trading of physical rubber and futures. He also has an in-depth knowledge of the palm oil and cocoa industry.

He studied in Forest School, Snaresbrook, Essex, England and graduated in 1968.

2014
Year in Review

Market Environment

The environment for natural rubber in 2014 took many by surprise, with the market price, represented by the benchmark SGX TSR20 first position contract, recording its fourth consecutive year of falling prices. In October 2014, the market price touched a low of US$1,387 per tonne, a level last seen in 2008 and 2009 when the world was reeling from the aftershocks of the global financial crisis. The price recovered slightly in the fourth quarter to end the year down nearly 33.0% on 2013.

The declining market price bore stark contrast to the strong demand for natural rubber experienced in 2014. Passenger car registrations in key global markets showed significant growth for the year, with the European Union increasing 5.6%, China increasing by 9.9% and the United States increasing by 5.9%. Growth in these markets, tempered somewhat by challenging conditions in Russia and Brazil, led to an overall increase in demand for passenger original equipment tyres of more than 3.0%. Demand for replacement tyres also grew strongly in the year, leading to a 4.2% increase in the production of vehicle tyres and a 4.8% increase in natural rubber demand.

On the supply side, the impact of sustained lower prices became evident in 2014, where consumption exceeded production for the first time since 2010. With the prices experienced in the second half of the year being materially below the cost of production for much of the world's natural rubber producing areas, upstream supplies began to tighten considerably. Tapping, planting and replanting activities declined significantly as farm workers found a better wage in most other occupations.

The disconnect between the consistently rising demand for natural rubber and unsustainably low market prices has been attributed to a number of factors, including the growth in supply from new natural rubber producing areas. While this has been relevant to some extent, it fails to sufficiently explain the decoupling of the market price from industrial fundamentals. The impact of speculation has been significant, fuelled by surplus non-industrial stock holdings, government intervention, currency volatility and fluctuating sentiment on macroeconomic conditions.

While market prices will always be beyond our control, we believe that our industry and customers are best served by ensuring a sustainable and stable natural rubber business, in which a fair price is received by each participant in the supply chain. The fundamentals of our business remain highly persuasive. The 1.1 billion vehicles on the world's roads today are just the beginning. With more than 3 billion people in Asia's emerging markets alone, the rising middle class propel not only demand for motorbikes and cars, but also buses, aircraft, the trucks essential to keep economies moving and the agricultural vehicles working to supply food. It is easy to see well in excess of 2 billion vehicles in operation in the not too distant future, all of which require tyres, each of which require natural rubber.

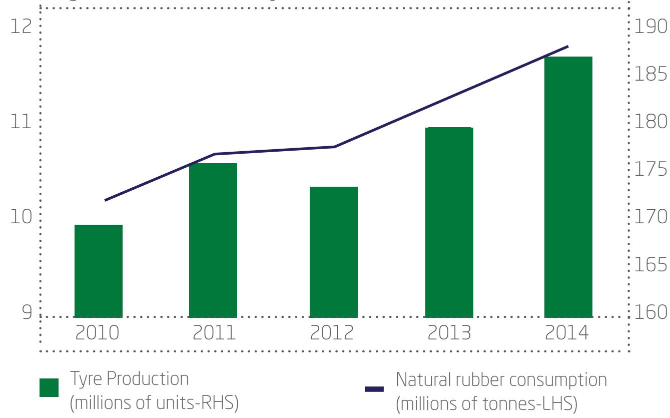
The market price for natural rubber ended 2014 down nearly 33% on 2013

Figure 1: 2014 Natural Rubber Market Price

Source: Bloomberg SGX TSR 20 first position contract

In 2014, production of vehicle tyres grew by 4.2% and natural rubber consumption grew by 4.8%

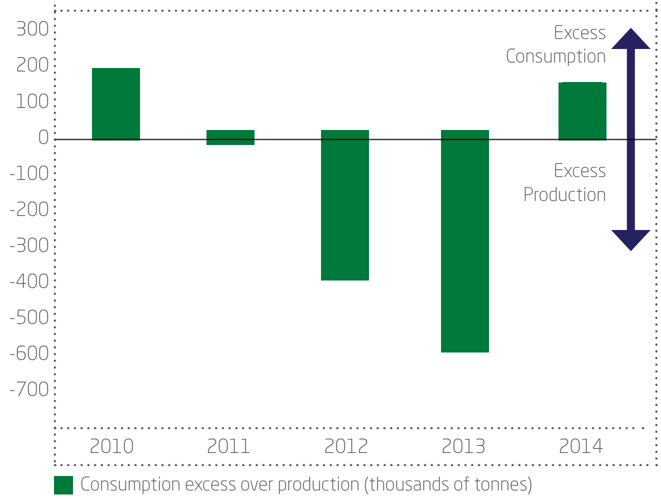
Figure 2: 2010 to 2014 Tyre Production & Natural Rubber Demand



Source: LMC

For the first time since 2010, natural rubber consumption in 2014 exceeded production

Figure 3: 2010 to 2014 Natural Rubber Consumption Production Balance



Source: LMC

Review of Operations

We transformed the scale and scope of our operations in 2014, completing a series of acquisitions that provided Halcyon Agri with land to be developed as a natural rubber plantation in Malaysia, a top 5 global position in the processing of Technically Specified Rubber, and a global distribution network. We began the year as a niche midstream natural rubber processor and ended it as a world leading natural rubber supply chain manager. With our operations spanning the supply chain, we calibrated our business model to reflect each of the key stages of activity:

Origination: which includes the growing of rubber in our plantations, procurement of raw material as feedstock for our processing facilities, and procurement of finished goods from other producers, particularly in origins where we do not have a processing presence

Production: which is the processing of raw natural rubber into finished goods in our 14 natural rubber facilities in Indonesia and Malaysia

Distribution: which is the sale of natural rubber to our global customer base, utilising our global network of logistics assets and offices

Figure 4: Halcyon Agri 2014 Acquisitions

Acquisition	Activity	Geography	Completion
Assets of Chip Lam Seng	Processing	Malaysia	16-Jan-14
JFL Agro	Plantation land	Malaysia	29-Jan-14
PT Golden Energi	Processing	Indonesia	19-Feb-14
Anson Company	Processing	Indonesia	12-Aug-14
New Continent Enterprises	Distribution	Singapore, China, Vietnam, Germany, Netherlands, United States	30-Sep-14
Centrotrade	Distribution	Singapore, Malaysia, Germany, United States	Planned for 2015

With the foundations of our business model in place, we focused on ensuring that our corporate infrastructure, organisation structure and reporting frameworks matched our enlarged operations. We expanded our finance, treasury, human resources, risk management and strategic development functions in 2014 and, in Indonesia, implemented a new management structure to centralise functions across our Group and maximise the sharing of best practices. Together with the acquisition of New Continent Enterprises, we also expanded our sales and marketing capability in preparation for our substantially higher production volume. Overall, the integration of our businesses is proceeding according to plan.

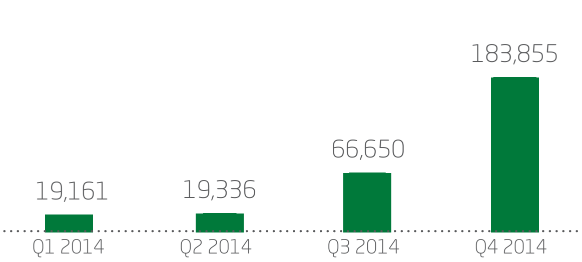
Plantation Development

We made considerable progress in 2014 in the development of our natural rubber plantations, located in Kelantan, Malaysia. After establishment of a local management team, work commenced at our Lebir site, with a natural rubber nursery established, temporary workers' accommodation constructed and land preparation completed on 1,500 hectares. Planting of seedlings commenced in August 2014, with 500 hectares planted with more than 250,000 rubber trees by the year end. We also completed the planned plantings of oil palm at the site, which were in progress when we acquired the land. Approximately 60,000 oil palms have now been planted. Planning is also well underway for the development of our Ulu Nenggiri site, with 250 hectares of land scheduled for planting in 2015.

Production

Our production operations took a major leap forward in 2014, as we moved from 2 factories with a combined 110,000 tonnes annual licensed export capacity to 14 factories with a combined 748,000 tonnes annual licensed export capacity. We sold a total of 289,002 tonnes of our own production of natural rubber in 2014, including 104,684 tonnes from 5 months contribution from the 9 Anson factories.

Figure 5: 2014 Halcyon Agri Production: Quarterly Sales Volume



2014
Year in Review

Review of Operations

Production (continued)

The Chip Lam Seng (now Hevea KB) and PT Golden Energi (now Hevea GE) factories were non-operational prior to our acquisition. At Hevea KB, we completed planned capital expenditure to bring the facilities to operating status, including undertaking a significant reconfiguration. Following the hiring of workers, initial test production runs were completed on schedule in March 2014. We commenced the process of obtaining customer approvals for Hevea KB and established raw material procurement arrangements, leading to a commencement of production towards the end of the 2014. At Hevea GE, reconfiguration of the dry process and packaging lines was completed, with initial test production runs showing positive results. Raw material procurement arrangements have now also been put in place.

The 9 Anson factories we acquired in August 2014 were very well maintained, with established raw procurement arrangements and extensive customer approvals in place. Most had recently completed periodic capital expenditure programs, the largest of which was the rebuilding of a drying shed at the Hok Tong SGO factory in Palembang, which upon completion in October 2015 will facilitate a significant step up in production volume.

With all facilities operational, the production business focused on three objectives:

- Establishment and implementation of a common performance measurement, quality and CSR framework;
- Implementation of a standardised and coordinated approach to raw material purchasing; and
- Technology transfer, to share best practices across the group and to facilitate the production of high value products such as constant viscosity (VK) rubber across multiple sites.

These activities were well progressed by the end of 2014 and will be completed in the first half of 2015.

Distribution

Our distribution activities at the beginning of 2014 comprised the sale of our own natural rubber production to a global customer base, primarily tyre producers, through our subsidiary Hevea Global, based in Singapore. With the significant increase in the scale of our production activities, following the acquisition of Anson, our sales and marketing capability also needed to be significantly increased. The acquisition of New Continent Enterprises transformed our distribution strength, with an extensive customer base of industrial rubber consumers, sales offices in the United States, China and Europe, and a global network of logistics assets, including warehouses and tanks in strategic locations worldwide. Importantly, the combination of Halcyon Agri and New Continent Enterprises strengthened the value proposition to both of our customers bases. In addition to selling its own production from Malaysia and Indonesia, Halcyon Agri is now able to provide customers, should they require it, with natural rubber from all major origins worldwide, of a range of different grades. Similarly, with ready access to a world leading rubber producer, New Continent Enterprises is able to offer its customers greater customisation and security of supply. In the fourth quarter of 2014, the first quarter in which New Continent Enterprises contributed to our results, we sold 103,012 tonnes of third party natural rubber products. Our goal is to provide our customers with the natural rubber that they need, whatever it is, wherever it is from, and whenever they need it. Our global distribution strength and integrated supply chain business model facilitate this goal.

Risk Management

Overview

We recognise that risk is intrinsic to our business and that risk management is imperative to business sustainability. Our business is exposed to a variety of risks, the majority of which are financial risks including price risk, credit and counterparty risk, liquidity risk, interest rate risk and foreign exchange risk.

In order to protect and create value for the shareholders, the Group proactively manages risks and embeds the risk management process into the Group's planning and decision-making process as well as its day-to-day operations. Experienced managers are responsible for identifying, evaluating and managing such risks as well as updating key risks in the risk registers. On a regular basis, risk registers are updated and presented to the Company's audit committee highlighting significant risks, measures taken by management to address them and residual risk exposures impacting the Group. The risk management policy has been enhanced to cover the recent acquisitions of Anson and New Continent Enterprises.

Price Risk

The prices of natural rubber and rubber products are influenced by various factors such as weather, currency movements, futures market activities, market interventions and political disruptions. Prices of natural rubber have been volatile and we can be affected by fluctuations in the price of natural rubber.

We mitigate our risk through the pricing mechanism of our long term sales contracts, which are referenced to the average SGX TSR20 price for the month prior to the shipment date. Our aim is to largely match the daily volumes of our customers' orders with our daily supply of raw materials, within the maximum open position set out in our hedging policy. Accordingly, when these volumes do not match, we will, from time to time, hedge through the futures market using SGX TSR20 and physical SIR20 in order to maintain as much market neutrality as possible.

Daily reports setting out the aggregate amount and cost of raw materials purchased and our sales and inventory, which are marked to prevailing market value, are generated for review by our senior management and operations team, who utilise these reports to determine the net position of our sales and cost of goods sold and to monitor our hedging positions. Our hedging positions are also reviewed by our CFO and our Global Head of Risk Management on a weekly basis.

Credit and Counterparty Risk

The majority of the Group's sales are export sales in bulk to customers in the United States, Europe and Asia, for which a letter of credit from customers or cash against the presentation of documents of title are required. As such, the Group is exposed to credit and counterparty risks arising from the normal business activities if its customers or counterparties fail to meet their contractual obligations.

To mitigate such risk, the Group only transacts with counterparties after taking steps to assess their credit worthiness, which is evaluated by considering their financial standing and taking into account past transactional experience. The credit terms granted to a customer are reviewed periodically and modified as appropriate. Certain of our customers are also covered under our credit insurance policy.

Liquidity Risk

Our Group's working capital cycle in respect of our processing business is approximately one, two or three months, starting from the purchase of raw materials to the receipt of payment from customers. For New Continent Enterprises and its distribution business, the cycle can be up to 5 months. To ensure the availability of cash to fulfil operational needs at all times, the Group actively manages its liquidity requirements by monitoring and coordinating the various sources of funds available to the Group under normal and stressed conditions while also maintaining sufficient headroom or unutilised committed borrowing facilities at all times.

Interest Rate Risk

The Group obtained borrowings which are subject to fixed and/or floating interest. The Group aims to minimise the interest rate risk associated with such borrowings by ensuring that these borrowings have repayment terms that match the Group's cash requirements and monitoring the trend of the interest rate in such period.

Foreign Exchange Risk

The Group's reporting currency as well as its sales are denominated in United States Dollars while the majority of Group's expenses are denominated in the local currency of the country which its operations are based, i.e. Indonesian Rupiah, Malaysian Ringgit, Euro and Singapore Dollars. We closely monitor exchange rate movements on an ongoing basis and may employ hedging instruments to manage the exposure.

2014
Year in Review

Corporate Social Responsibility

Setting our sights on sustainable development

At Halcyon Agri, health and safety, environmental protection and social responsibility are strategic considerations right at the heart of everything that we do. We recognise that responsible business practices are critical for long term growth. 2014 has been a year where we have continued our commitment towards leadership in best practices within the natural rubber sector, while growing our business.

Responsibility to Our Stakeholders

We are committed to working with stakeholders and regularly engaging them at all levels including customers, competitors, industry associations, employees, regulators, and suppliers. Since 2012, we have continued to review our stakeholder map on an annual basis in order to be inclusive and complete. In addition, each year we assess our key material issues based on the level of concern to stakeholders and level of risk to our business.

Through regular participation in industry dialogues organised by groups, such as the International Rubber Study Group (IRSG), Indonesian Rubber Association (Gapkindo), Malaysian Rubber Board (MRB), and non-industry related interest groups and NGOs, Halcyon Agri is able to stay at the forefront of developments and trends.

To support better communication and transparency, Halcyon Agri began Sustainability Reporting in 2012, adopting the principles and framework of Global Reporting Initiative's Reporting Guidelines, and aligning with the SGX Guide on Sustainability Reporting for Listed Companies. A 2014 report will be released in the first half of 2015, for which feedback is encouraged.

Responsibility to Our Environment

Halcyon Agri is committed towards full integration of environmental, health and safety (EHS) management systems across all our production facilities. In 2014, we formalised an EHS operational structure based on geography and business activity comprising seven distinct clusters covering 14 operating factories and our plantation. EHS committees with full representation and dedicated leadership, have enabled accurate monitoring of the whole Group along our 5-year EHS management plan, and have developed to provide each facility with a clear direction and milestones.

As part of our EHS management system procedures, factory audits were conducted with greater intensity and frequency in 2014. The skills and knowledge required to maintain an effective EHS programme at the factory level are very specific, and we focus on training on key issues, impacts and procedures. Compliance with international environmental management standards is a priority and following the certification of our Malaysian subsidiary, Hevea KB, to ISO 14001 in 2014, the target has been set to certify all subsidiaries by 2016.

Specific environmental initiatives focussing on solid waste recycling, pollution control, air emissions, effluent, energy and water efficiency, and good housekeeping were implemented in 2014. These include three state-of-the-art chemical-free water treatment plants which were commissioned in Indonesia, significantly improving the quality of treated waste water. Due diligence on waste sludge was also carried out through independent testing to determine that it is safe for distribution to local farmers, who find it to be an effective fertiliser.

During the year we continued to maintain a strict regime for the maintenance and replacement of our production machinery. This has helped minimise downtime, improve energy efficiency, lower greenhouse gas emissions, and help keep air and water emissions within regulatory limits. As an example of the move to cleaner and more efficient technology, a third of our factories are now utilising gas as a fuel source, with the others exploring the option.

Housekeeping remains an area where we maintain tight checks and controls for the purpose of environmental protection, quality control, and safety. In addition to regular inspections and awareness campaigns led by management teams, we also encourage collective efforts on projects such as community gardens and clean-ups. This helps instil in employees a greater sense of ownership and pride for their surroundings.

Responsibility to Our Employees

At Halcyon Agri, safety is a fundamental part of our culture. Our uppermost challenge is to ensure that no one gets hurt. Occupational health and safety (OHS) is the key focus of our EHS policy, which is delivered by our EHS system procedures; it applies to all employees, contractors, sub-contractors, customers, suppliers and visitors.

Striving towards our goal of "Zero Accidents", we have aggressively driven towards compliance with international OHS standards. In 2014, our Malaysian subsidiary, Hevea KB, was certified to OHSAS 18001, an achievement that we aim to replicate in other facilities by 2016.

Understanding the nature of OHS risks, and the potentially huge impact on business, we have worked hard to physically eliminate hazards from the workplace, and just as importantly, invest in training our people on how to work safely, and how they respond to unexpected situations.

We are acutely aware that creating a safe working environment is not a static target. We are therefore committed to continuously reassessing our OHS risks and controls, learning from incidents, as well as exchanges between factories based our management platform.

Halcyon Agri is an equal opportunities employer and offers opportunities to all regardless of gender, race, and background, without discrimination.

Responsibility to Our Community

We recognise the importance and opportunities of creating a healthy social environment and how this links to the wellbeing of our workers and thus, our business. Halcyon Agri invests in its people by providing housing for employees and their families, healthcare, basic utilities, places of worship, agricultural land, and food allowances. Through 2014 we have made further investments to improve existing housing as well as to create new housing. Improved housekeeping has given rise to safer recreational and garden areas for rest and relaxation.

The year also saw the first inter-factory sports and activity day for Hevea MK I and II, held during Labour Day on the 1st of May. The event facilitated much bonding and will involve other factories in the future.

Proposals to improve sanitation within living quarters were put forward and approved in 2014. The projects will be implemented in 2015.

Financial Review

Overview

With the transformation of our business over the course of 2014, the financial profile of our Company at the beginning of the year was very different to that at the end of year. Aside from the operating performance of the assets we commenced the year with, the full year financial result was driven by:

- Completion of the acquisition of our plantation land, JFL Agro, in January 2014 and the subsequent capital and operating expenditure in developing the plantation. As the plantation is in the development phase, it did not record any revenue in the period.

- Completion of the acquisition of assets of Chip Lam Seng (now Hevea KB) in January 2014 and the subsequent investment in reconfiguring and upgrading the facilities, and the start-up costs to bring the factories to operational status. Hevea KB only commenced commercial production in Q4 2014 and is in the early stages of the ramping up of capacity.

- Completion of the acquisition of PT Golden Energi (now Hevea GE) in February 2014 which similarly incurred capital expenditure and start-up costs but did not contribute meaningfully to revenue in the year.

- Completion of the acquisition of Anson in August 2014, which contributed to the financial results of the Group for 5 months. Transitional arrangements in place following the acquisition meant that the sales and marketing of Anson's production (and the profit margin associated with that activity) was conducted through a company related to the Anson vendors to the end of 2014 and therefore the full profitability of the Anson operations were not captured in Halcyon Agri's results for the period. These transitional arrangements ended fully in February 2015.

- Completion of the acquisition of New Continent Enterprises in September 2014, which contributed to the financial results of the Group for 3 months.

Given the extent of change to our business through the course of the year and, in particular, the part-year contributions from Anson and New Continent Enterprises, the fourth quarter financial results provide a better indication of our ongoing financial profile than the full year financial results.

Reflecting the change in the scale and scope of our operations, we implemented a new segmental approach to financial reporting in 2014, to allow our investors to better assess the performance of each aspect of our Group. Going forward, we will be reporting the revenue and operating results for 3 business segments; Plantations, Processing and Distribution. Our focus in assessing the performance of these segments, is operating profit and operating profit per tonne.

Income Statement

The Group's revenue in FY 2014 increased by US$274.2 million or 133.8%, from US$205.0 million in FY 2013 to US$479.2 million in FY 2014. This was driven by an increase in sales volume, primarily as a result of the part year contributions from Anson and New Continent Enterprises. Total sales volume increased by 265.3% or 209,894 tonnes. The higher volume was offset by a lower average revenue per tonne of US$1,658 in 2014 from US$2,591 in 2013, reflecting the lower market price for natural rubber.

The Group's gross profit increased by US$4.7 million or 23.0% from US$20.2 million in FY 2013 to US$24.9 million in FY 2014 mainly due to the contribution from the sales made by Anson and New Continent Enterprises. On a per tonne basis, total gross profit is lower than FY 2013 due to:

- changes in the mix of business, with distribution of third party products (which represented 35.6% of sales volume in FY 2014 vs 0% in FY 2013) having a lower gross margin than production and sale of the Group's own products;
- the transitional arrangements in relation to the Anson production which resulted in a lower average selling price and therefore margin on 56.3% of the sales volume of our own products in FY 2014; and
- variations in raw material availability during the year, due to lower market prices and weather conditions.

After adjusting for non-recurring items, EBITDA for FY 2014 increased 33.3% over FY 2013 to US$18.9 million, while Net Income was US$ 1.1 million.

On a segmental basis, Processing contributed 64.4% of revenue and 92.9% of operating profit for FY 2014, with the remainder contributed by Distribution. This full year result is skewed somewhat by the fact that Distribution segment only contributed results for 3 months of the year. In the fourth quarter, Processing contributed 42.0% of revenue and 84.5% of operating profit. The operating profit per tonne results recorded by Processing and Distribution for FY 2014 were US$39 and US$9 respectively and, for the fourth quarter US$61 and US$9 respectively.

Figure 6: Sales Volume (tonnes) 2011 to 2014

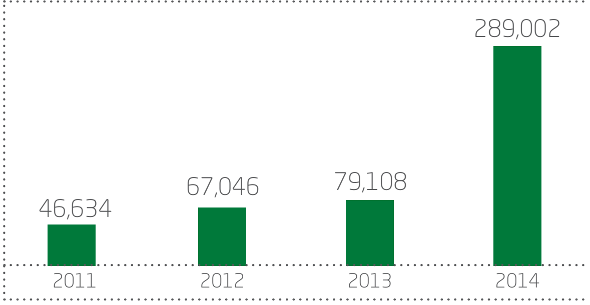


Figure 7: Revenue (US$m) 2011 to 2014

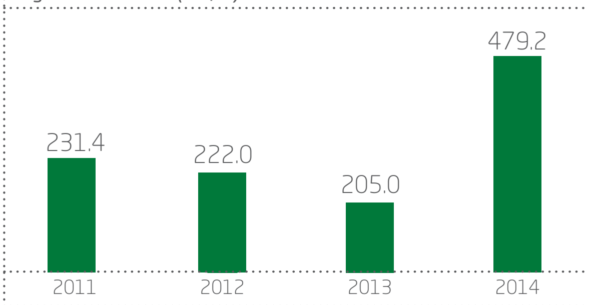
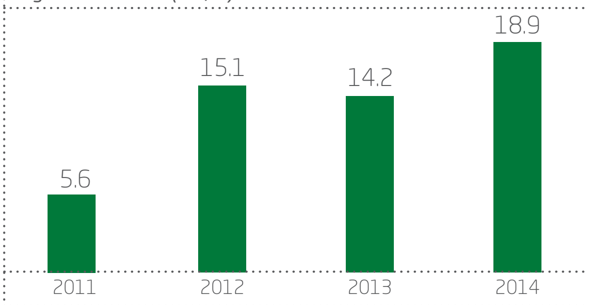


Figure 8: EBITDA (US$m) 2011 to 2014



Note: EBITDA adjusted for non-recurring items

2014
Year in Review

Financial Review

Balance Sheet

The Group's net assets increased by US$80.2 million from US$80.3 million as at 31 December 2013 to US$160.5 million as at 31 December 2014, mainly due to the increase in the Company's share capital of US$29.3 million in FY 2014, Anson's existing non-controlling interest of US$26.6 million and US$60.2 million capital contribution from Angsana Capital Ltd. ("ACL"). These increases are offset by the US$3.2 million dividend paid during FY2014, the net losses incurred during FY 2014 and foreign currency translation difference arising during FY 2014.

Figure 9: Net Income (US$m) 2011 to 2014

Note: Net Income adjusted for non-recurring items

Cash Flow

The Group's cash and cash equivalents increased by US$32.4 million during FY 2014. We recorded net cash inflows from operating activities of US$4.1 million during FY 2014.

A net cash outflow from investing activities of US$351.4 million was recorded, attributable to the consideration paid for acquisitions of US$337.4 million and capital expenditure of US$14.0 million.

Net cash generated from financing activities was US$379.7 million, comprising the net proceeds from the issuance of shares of US$14.5 million, net proceeds from the MTN issuance of US$97.3 million, net proceeds from acquisition term loans of US$234.0 million, capital contribution from ACL of US$60.2 million and net proceeds from finance lease arrangement of US$1.9 million. These increases are partially offset by the repayment of term loans and associated interest expense of US$7.1 million, a decrease in pledged deposits of US$1.3 million, net repayment of working capital loans of US$19.3 million, and the dividend payment of US$3.2 million.

Working Capital

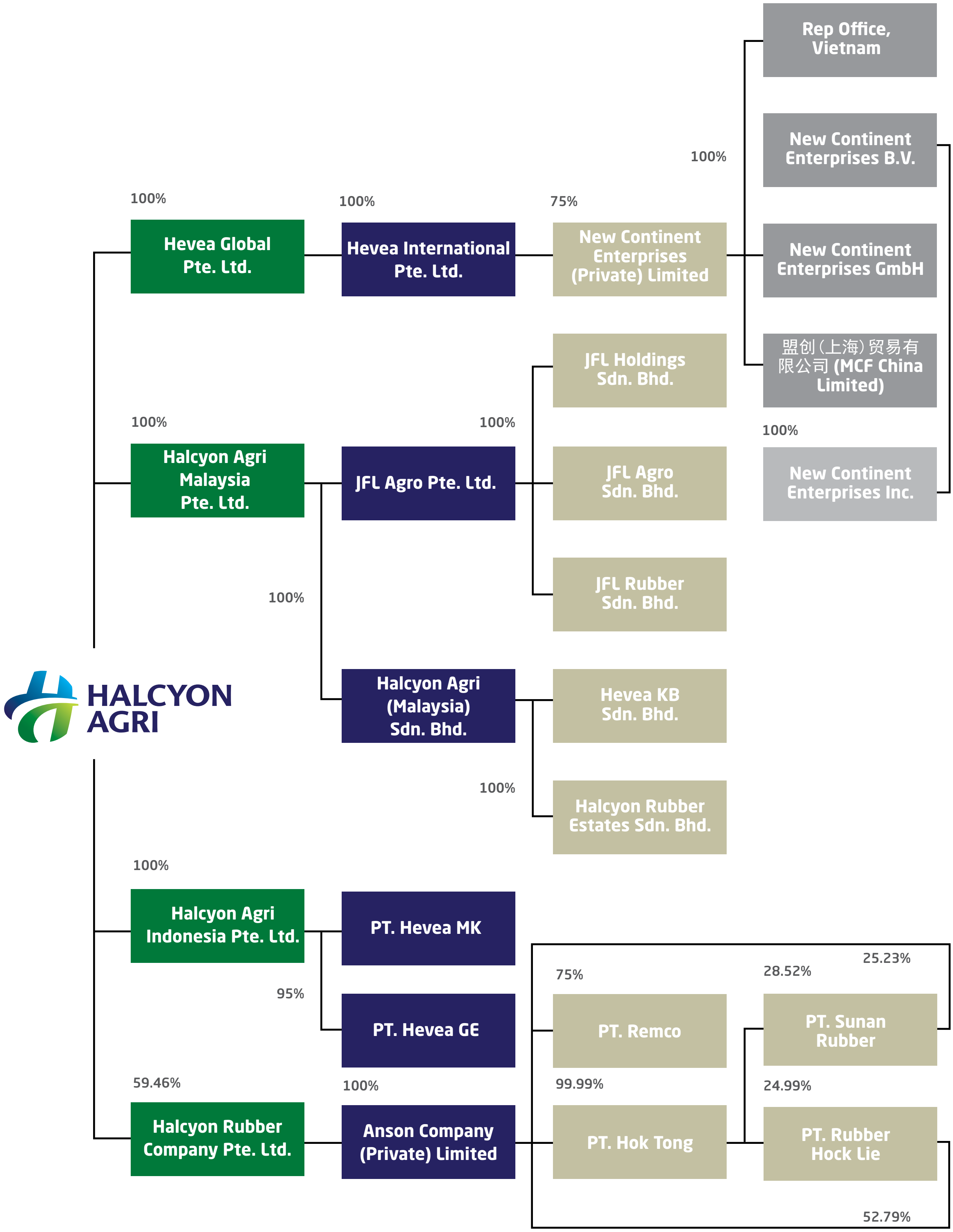
As at 31 December 2014, net working capital amounted to US$133.2 million, as set out below:

(US$ million)	31 December 2014	31 December 2013
Cash and bank balances	62.5[1]	14.9[2]
Trade receivables	65.0	7.3
Inventories	88.1	16.4
Less: Trade payables	(27.0)	-
Less: Working capital loans (current)	(55.4)	(15.3)
Net working capital	**133.2**	**23.3**

Notes:

1. The amount of approximately US$15.0 million, representing the amount payable to the vendor for the acquisition of New Continent Enterprises group, has been excluded from the above cash and bank balances as at 31 December 2014, to reflect the Group's net working capital position.
2. Cash of approximately US$37.8 million had been excluded from the cash and bank balances as at 31 December 2013, as they were reserved for strategic purposes, such as acquisitions and investments.

Corporate **Structure**



Corporate **Information**

Board of Directors

Robert Meyer *(Executive Chairman and CEO)*
Pascal Demierre *(Executive Director)*
Alan Nisbet *(Lead Independent Director)*
Randolph Khoo *(Independent Director)*
Liew Choon Wei *(Independent Director)*

Audit Committee

Alan Nisbet *(Chairman)*
Randolph Khoo
Liew Choon Wei
Pascal Demierre

Remuneration Committee

Liew Choon Wei *(Chairman)*
Alan Nisbet
Randolph Khoo
Pascal Demierre

Nominating Committee

Randolph Khoo *(Chairman)*
Alan Nisbet
Liew Choon Wei
Robert Meyer

Company Secretary

Teo Meng Keong

Registered Office

250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101
Tel: +65 6734 7220
Fax: +65 6264 3783

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Tel: +65 6535 7777
Fax: +65 6532 7662
Partner-in-charge: Lee Lai Hiang
(since financial year ended 31 December 2014)

Principal Bankers

DBS Bank Ltd.
Credit Suisse AG, Singapore Branch
ABN Amro N.V., Singapore Branch
RHB Bank Berhad, Singapore Branch
CIMB Bank Berhad, Singapore Branch
The Hongkong and Shanghai Banking Corporation Limited

Catalist Sponsor

PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318
Tel: +65 6229 8088
Fax: +65 6229 8089

Halcyon Agri Corporation Limited (the "Company" or "HAC" and together with its subsidiaries, the "Group") continues to uphold the highest standards of corporate governance and to promote corporate transparency.

HAC aims to enhance and grow sustainable shareholders' value, as well as to safeguard the interests of its stakeholders by maintaining sound corporate policies, business practices and internal controls. It adheres closely to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") and other applicable laws, rules and regulations, including the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules").

This report summarises the corporate governance framework and practices that were in place throughout the financial year ended 31 December 2014 ("FY2014"), with specific reference made to the principles and guidelines of the Code and where applicable, deviations from the Code are explained.

BOARD MATTERS

The Board's Conduct of its Affairs

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

The primary role of the Company's Board of Directors (the "Board") is to protect and enhance long-term shareholders' value, with a duty to act in the best interests of its shareholders (the "Shareholders"). Its principal functions are to:

(a) oversee the business performance and affairs of the Group and provide entrepreneurial leadership;

(b) set the strategic direction for the Group, maintain the policy and decision making framework in which the strategy is implemented;

(c) supervise and review the function and performance of the Group's management;

(d) review annual budgets, financial plans, major acquisitions and divestments, funding and investment proposals, and monitor the performance of the Group;

(e) ensure compliance with relevant laws and regulations; and

(f) promote sustainable development.

In order to capitalise on the expertise of non-executive Directors and to ensure a thorough review of specific matters, certain functions and authority of the Board have been delegated to three board committees, namely, the Audit Committee (the "AC"), Nominating Committee (the "NC") and Remuneration Committee (the "RC") (collectively the "Board Committees").

The roles and authorities of each of the Board Committees are clearly defined in its respective terms of references. Each of the Board Committees provides independent oversight for matters within its scope, and reports its findings to the Board. Nonetheless, to ensure that proper system of controls is in place, all decision-making remains the ultimate responsibility of the Board as a whole.

While the day-to-day management, administration and operation of the Group are delegated to the Executive Directors and the management of the Group (collectively, the "Management"), the Board has adopted an internal framework to ensure that the type of material transactions that require the Board's approval is consistently applied throughout the Group. Matters reserved for the Board's decision and approval include:

(a) overall Group business and budget strategies;

(b) capital expenditures, investments or divestments exceeding certain material limits;

(c) all capital-related matters including capital issuance and redemption;

(d) significant policies governing the operations of the Company;

(e) corporate strategic development and restructuring;

(f) material interested person transactions; and

(g) risk management strategies.

The Board conducts regular scheduled meetings on a quarterly basis as well as ad-hoc meetings. In its efforts to improve the effectiveness in the boardroom, the Company has adopted board portal technologies and conducted paperless meetings since the second half of FY2014. The board portal helps to improve the information flow to and among Board members as well as reduce the time and resources spent on meetings and document management. It also provides a simple way for Directors to securely receive and review board materials on their tablet device, PC or desktop.

During the financial year, four Board meetings were held. At those meetings, the Board reviewed the Group's financial performance, annual budget, corporate strategy, business plans, potential acquisitions, risk management policies and significant operational matters. In connection with the various acquisitions which took place in FY2014, the Board has also met to discuss and receive updates from Management on the development of such acquisitions, as well as to discuss strategic directions of the Group in conjunction with such acquisitions.

To ensure meetings are held with maximum Director participation, the Company's Articles of Association (the "Articles") allow Directors to participate in Board and Board Committee meetings by telephonic conference. Between scheduled meetings, matters that require the Board's approval are circulated to all Directors for their consideration and decision.

The Director's attendance at the Board and Board Committee meetings during FY2014 is set out below:

Meeting of	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	4	4	2	1
Name of Director	**Member Attendance**			
Robert Meyer	4	Non-member	Non-member	1
Pascal Demierre	4	4	2	Non-member
Alan Nisbet	4	4	2	1
Randolph Khoo	4	4	2	1
Liew Choon Wei (1)	1	1	0	0
Jason Barakat-Brown (2)	3	3	2	1

Note:

(1) Mr Liew Choon Wei was appointed as Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee with effect from 1 October 2014.

(2) Mr Jason Barakat-Brown ceased to be an Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee with effect from 1 October 2014.

As part of the Company's continuing efforts to update its Directors on changes to the regulatory environment and to refresh their knowledge and skills, Directors are encouraged to attend courses which are relevant to the Directors in discharging their roles and responsibilities, at the Company's expense. The list of available seminars and courses is circulated to Directors through the board portal. Reading materials in connection with professional developments and applicable regulatory updates or amendments to relevant laws, rules and regulations are also disseminated to Directors through the board portal. For any Director who has no prior experience as a director of a listed company, the Company arrange for such Director to attend the Listed Company Director Programme conducted by the Singapore Institute of Directors, which is paid for by the Company.

To ensure boardroom effectiveness, a Director is expected to be fully aware of his/her duties and obligations of being a Director and has a proper understanding of the Group. As such, the Company issues a formal letter of appointment setting out the duties and obligations of a Director together with a comprehensive and formal induction covering the Group's business activities, strategic directions, policies and key areas of operations of the Group to newly appointed Directors. This will enable new Directors to familiarise themselves with the business of the Group and to facilitate the Board's deliberations.

Board Composition and Balance

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

The Board presently has five members comprising two Executive Directors and three Independent Directors. As at the date of this report, the members of the Board are:

Mr Robert Meyer	(Executive Chairman and Chief Executive Officer)
Mr Pascal Demierre	(Executive Director)
Mr Alan Nisbet	(Lead Independent Director)
Mr Randolph Khoo	(Independent Director)
Mr Liew Choon Wei	(Independent Director)

The Company endeavours to maintain a strong and independent element on the Board. As such, the Independent Directors represent 60% of the members of the Board throughout the financial year. The Company meets the requirement of the Code which require independent directors to constitute at least 50% of the board of directors for companies where the Chairman of the Board and Chief Executive Officer ("CEO") is the same person.

The Board considers a director independent if he has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgment of the Group's affairs. Each of the Independent Directors has submitted a declaration confirming that he is to be considered as independent under the guidelines set out in the Code. The NC has reviewed such declaration and determined that the Independent Directors are independent and that none of the Directors have served for a continuous period of nine years or more. Therefore, the NC opined that there is a strong and independent element on the Board.

To facilitate a more effective check on Management, the Independent Directors have met as a group at least once a year, without the presence of Management. The Board believes that meetings between the Independent Directors who do not hold executive positions in the Group will encourage and promote greater openness in reviewing the performance of Management.

The Board acknowledged that an effective Board should be of appropriate size and should comprise members with a diverse set of expertise, experience, knowledge, skills and abilities. It has, with the assistance of the NC, examined the size and reviewed the effectiveness of the Board. Taking into account the scope and nature of the Group's operations as well as its strategic direction, the Board is satisfied that it is of appropriate size for effective decision-making, has right mix of expertise and collectively possesses the necessary core competencies in diverse areas including accounting, finance, law, business and management, strategic planning and regional business experience, for the Board to effectively discharge its duties.

The profile of each Board member is presented in this annual report under the heading "Board of Directors".

Chairman and Chief Executive Officer

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

Notwithstanding that the Code encourages different individuals to be appointed as Chairman and CEO, the Board maintains that due to the nature of the business, a single person who has in-depth industry knowledge and understands the current market will facilitate the formulation of the Group's strategic direction. As such, the role of the Chairman and CEO is not separate. The single leadership structure ensures that the decision-making process of the Group would not be unnecessarily impeded and enables the Group to grasp business opportunities efficiently.

Mr Robert Meyer has been the Executive Chairman and CEO since before the Company was listed on Catalist of the SGX-ST. He provides leadership to the Board, and steers effective, productive and comprehensive discussions amongst members of the Board and Management on strategic, business and other issues pertinent to the Group.

The Executive Chairman and CEO plays a vital role and provides the Group with strong leadership and vision. He leads all Board meetings and ensures timeliness of information flow between the Board and Management, develops the strategy of the Group and ensures that the Board is fully appraised and has the opportunity to debate and contribute to the strategic direction of the Group. Taking the lead on major initiatives, such as expansion strategies, acquisitions and capital investment, he assumes the executive responsibility for day-to-day management and implements the strategic direction of the Group. The Executive Chairman and CEO is instrumental in developing the business of the Group and growing the Group's operations.

Although the roles of Chairman and the CEO are assumed by the same person, the Board determined that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable concentration of power or influence. It is the Company's policy that all major decisions to be made are in consultation with the Board as a whole.

Mr Alan Nisbet, the Lead Independent Director since 2013, continues to avail himself to address the Company's shareholders' concerns and acts as a counter-balance in the decision-making process. When necessary, the Lead Independent Director will chair meetings with Independent Directors without the involvement of other directors and/or Management, to aid and facilitate well-balanced viewpoints to the Board.

Board Membership

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

The Board's function relating to appointments and re-appointments to the Board as well as the appointment of key management personnel has been delegated to the NC. The NC comprises four members, a majority of whom including the chairman, are Independent Directors. The members of the NC are as follows:

Mr Randolph Khoo	(Chairman)	(Independent Director)
Mr Alan Nisbet	(Member)	(Lead Independent Director)
Mr Liew Choon Wei	(Member)	(Independent Director)
Mr Robert Meyer	(Member)	(Executive Chairman and Chief Executive Officer)

The principal roles of the NC are set out in its written terms of reference which include, inter alia:

(a) to make recommendations to the Board on all nominations for appointments and re-appointments to the Board and the Board Committees as well as the appointment of key management personnel;

(b) to recommend and review board succession plans for the Company's Directors, in particular, for the Executive Chairman and CEO;

(c) to review and determine whether a Director is independent, in accordance with the guidelines contained in the Code;

(d) to evaluate whether or not a Director is able to and has adequately carried out his duties as a Director of the Company, in particular, whether the Directors concerned have multiple board representations or if any of these multiple directorships are in conflict with the interests of the Company;

(e) to decide how the performance of the Board, the Board Committees and Directors may be evaluated and propose objective performance criteria; and

(f) to make recommendations to the Board on the review of training and professional developments programs for the Board.

The Board acknowledges that a directorship requires a considerable amount of time and commitment. To ensure each Director is able to devote sufficient time and attentive to carry out his role in accordance with his duties, the Board has determined that the maximum number of listed company board representations each Director is allowed to hold is as follows:

(a) directorships without other executive roles – Six

(b) directorships with other executive roles – Four

An assessment of each Director's contribution, attendance at meetings, preparedness and participation in deliberations has indicated that each Director has the capacity to devote sufficient attention to their roles and responsibilities as a Director of the Company.

NC is tasked to review the structure, size and composition of the Board and to identify the balance of skills, knowledge and experience required for the Board to discharge its responsibilities effectively. Where appropriate, it will propose a new appointment to fulfil needed and/or desired competencies to supplement the Board's existing attributes. The process to search for and identify suitable candidates for the new appointment to the Board in FY2014 was led by the Management while the NC was responsible for evaluating and selecting suitable candidates. In its evaluation, the NC considers factors such as the ability of the prospective candidate to contribute to discussions, deliberations and activities of the Board.

Where necessary or appropriate, the NC may tap its networks and/or engage external professional headhunters to assist with identifying and shortlisting candidates. The NC can also approach relevant institutions such as the Singapore Institute of Directors, professional organisations or business federations to source for a suitable candidate.

The Group has in place policies and procedures for the appointment of new Directors to the Board. The articles of association of the Company (the "Articles") have outlined the procedures for the appointment, re-election and removal of Directors. Each appointment of a new Director as well as key management personnel which has been recommended by the NC will be deliberated by the Board as a whole and the Board has the sole authority to approve a new appointment.

The Articles require one-third of the Board to retire from office by rotation at each annual general meeting ("AGM"), and that a Director shall submit himself for re-nomination and re-election at regular intervals of at least once every three years. Accordingly, Mr Robert Meyer and Mr Randolph Khoo, the Directors who have been longest in office since their last election, shall submit themselves for re-nomination and re-election at the forthcoming AGM. In addition, Mr Liew Choon Wei, the Director who was appointed on 1 October 2014 to fill a casual vacancy, shall pursuant to the Articles, be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at the forthcoming AGM.

Having considered their overall contributions and performance, the NC has recommended to the Board that Mr Meyer, Mr Khoo and Mr Liew be re-appointed as Directors at the forthcoming AGM. The NC has reviewed and noted that each of the Independent Directors submitted for re-appointment does not have any relationship including immediate family relationships with the other Directors, the Company or its 10% Shareholders. Accordingly, the Board proposes to seek approval from Shareholders at the forthcoming AGM to re-elect Mr Meyer, Mr Khoo and Mr Liew as the Company's Directors. Mr Meyer will, upon re-election as a Director, remain as Executive Chairman and CEO and a member of the NC. Mr Khoo will, upon re-election as a Director, remain as the chairman of NC and a member of the AC and RC. Mr Liew will, upon re-election as a Director, remain as the chairman of the RC and a member of the AC and NC. Both Mr Khoo and Mr Liew will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Each member of the NC has abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director of the Company. In the event any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter. Consequently, Mr Meyer, Mr Khoo and Mr Liew have abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of their own performance or re-election as a Director.

The date of initial appointment and last re-election of each Director, together with his directorships in other listed companies, are set out below:

Director	Position	Date of Initial Appointment	Date of Last Re-election/ Re-appointment	Directorships in other listed companies: Current	Directorships in other listed companies: Past three years
Robert Meyer	Executive Chairman and CEO	8 July 2010	23 April 2013	NA	NH Ceramics Ltd
Pascal Demierre	Executive Director	8 July 2010	23 April 2014	The Hour Glass Limited	NA
Alan Nisbet	Lead Independent Director	7 January 2013	23 April 2014	KrisEnergy Ltd.	NA
Randolph Khoo	Independent Director	7January 2013	23 April 2013	NA	NA
Liew Choon Wei	Independent Director	1 October 2014	NA	NA	NA

Note:

NA – Not Applicable

Other key information regarding the Directors is presented in this annual report under the heading "Board of Directors".

Board Performance

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

The Board continues to adopt and implement an established process for assessing the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

Directors are required to evaluate the performance of the Board and where appropriate, the Board Committees, through prescribed forms. The assessment allows each Director to rate the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. It covers areas such as Board size and composition, Board processes, Board information and accountability, Board performance in relation to discharging its principal functions, Board Committee performance and effectiveness in relation to discharging their responsibilities set out in their respective terms of reference, and suggestions are invited for any specific areas where improvements may be made. It provides insights into the functioning of the Board, whilst identifying areas that might need strengthening and development. Each Director is also encouraged to complete a self-assessment form to assess his individual contributions to the effectiveness of the Board.

The performance criteria for the Board has not changed and financial targets which include return on capital employed, return on equity, debt/equity ratio, dividend pay-out ratio, economic value added, earnings per share, and total shareholder return (i.e. dividend plus share price increase over the year) remain applicable.

The findings of the Board evaluation (including feedback and comments received from the Directors) are analysed and discussed by the NC, in consultation with the Chairman of the Board to identify areas for improvement and to further enhance the effectiveness of the Board. The Board will then review feedback from the NC collectively and will decide and agree on action plans.

Following the review for FY2014, the NC is satisfied that the Board and its Board Committees operate effectively, have met their respective performance objectives and each Director has been contributing to the overall effectiveness of the Board notwithstanding that there were a number of strategic acquisitions and/or corporate actions that took place during FY2014 which required additional time commitment. Although some Directors hold other board representations, they have nevertheless, committed sufficient time to carry out their duties as a Director of the Company.

Access to Information

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

Management recognises that keeping the Board updated with developments of the Group is important to enable the Directors to be fully cognisant of the decisions and actions of Management. Accordingly, all Directors are furnished with complete, adequate and timely information concerning the Group's performance, financial position and prospects, on a monthly basis.

Relevant documents and information, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, internal audit reports are disseminated to the Directors through the board portal at least one week prior to each Board and/or Board Committee meeting. Such information and documents are provided to the Board in advance in order for them to comprehensively understand the issues to be deliberated upon, and make informed decisions thereon. Senior management personnel who can provide additional insight into the matters at hand, if required, will be invited to attend the meetings to address queries from the Directors.

Each member of the Board has complete access to information regarding the Group that is required for the discharge of his duties and responsibilities. The Directors also have separate and independent access to the Company Secretary. The Company Secretary or his colleague attends all Board and Board Committees meetings to ensure that Board procedures are followed and that the applicable rules and regulations are complied with. The Company Secretary also ensures good information flow within the Board and Board Committees, and between Management and the Independent Directors. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

In discharging his duties and responsibilities as the Company's Director, a Director may also, at the Company's expense, seek independent legal and other professional advice, concerning any aspect of the Group's operations or undertakings.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises the following members and is chaired by Mr Liew Choon Wei, an Independent Director:

Mr Liew Choon Wei	(Chairman)	(Independent Director)
Mr Alan Nisbet	(Member)	(Lead Independent Director)
Mr Randolph Khoo	(Member)	(Independent Director)
Mr Pascal Demierre	(Member)	(Executive Director)

The Company does not adopt the recommendation of the Code for RC to comprise only non-executive directors. The Board believes that in order to ensure that the remuneration packages are commensurate with the job scope and level of responsibilities of each of the executives, an RC member who engages in the day-to-day operations of the Company has better understanding of the job duties of executives, and will be beneficial to RC in considering and recommending the level and mix of remuneration. In addition, the Board is of the view that retaining an RC member who is also in an executive position will not lead to a conflict of interest or impede the independence of the RC as all decisions of the RC are decided unanimously and exclude the deliberation, vote or approval of a member who has an interest in the subject matter under consideration. It is also provided under the terms of reference of the RC that no member of the RC shall participate in the deliberation and is to abstain from voting on any resolution relating to his own remuneration or that of employees related to him.

RC is governed by its written terms of reference. The key responsibilities of RC are:

(a) to recommend to the Board a framework of remuneration for the Directors and key management personnel, and to determine specific remuneration packages for each executive Director and the CEO (or executive of equivalent rank);

(b) in the case of service contracts, to consider what compensation commitments the Directors' or key management personnel's contracts of service (if any) would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of such long-term incentive schemes (if any) including share schemes as may be implemented, to consider whether Directors should be eligible for benefits under such long-term incentive schemes.

During the financial year, two RC meetings were held to review and make recommendations on the remuneration framework for the Directors and key management personnel and to determine specific remuneration packages for the Directors, including, but not limited to, Directors' fees, salaries, allowances, bonuses and benefits-in-kind. Any recommendation of the RC will be submitted for approval by the entire Board.

The RC may from time to time, and where necessary or required at the expense of the Company, seek advice from external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and key management personnel, so that the Company remains competitive in this regard. A Compensation Benchmarking Project conducted by an independent professional firm, HR Business Solutions, engaged by the Company during FY2014 has suggested that the Executive Directors and Chief Financial Officer ("CFO") of the Group are paid competitively. Save for the aforementioned assignment, HR Business Solutions does not have any other relationship with the Company and its independence and objectivity are not affected.

Where applicable, the RC will also review annually, the remuneration of employees related to the Directors and substantial Shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees.

Level and Mix of Remuneration

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

The Company aims to link rewards with performance and offers appropriate remuneration and employment conditions to build, motivate and retain Directors, key management personnel and talent. The Board is mindful of the need to align the interests of Directors and key management personnel with the interests of Shareholders when deciding on the Group's remuneration structure.

In recommending the level and mix of remuneration, the RC considers industry practice and benchmarks against relevant industry players to ensure that competitive remuneration policies and practices are in place to draw and motivate high-performing executives so as to drive the Group's businesses to greater growth, efficiency and profitability.

Non-executive Directors do not receive payment in the form of a salary but are paid basic and attendance fees (the "Directors' Fees") for attending Board meetings. The remuneration of non-executive Directors is commensurate with the contribution and responsibilities, and takes into account their level and quality of contribution including attendance and time spent at Board meetings and Board Committee meetings. For instance, the chairman of AC who is tasked with greater responsibilities is paid an additional basic fee for his services.

Directors' Fees are reviewed periodically to benchmark such fees against the amounts paid by other listed companies of similar sizes. The Company submits the quantum of Directors' Fees of each financial year, which to be paid quarterly in arrears, to the Shareholders for approval at AGM.

The structure of Director's Fees for Non-Executive Directors for FY2014 is as follows:

Director's Fee Structure

	Basic Fee per annum (S$)				Attendance Fee (S$)
	Board	Audit Committee	Nominating Committee	Remuneration Committee	Board and Board Committees
Chairman	NA [1]	20,000	Nil	Nil	2,000 for each day of attending any Board or Board Committee meeting
Non-Executive Member	45,000	Nil	Nil	Nil	

Note:

(1) The Executive Chairman is not paid director's fee.

Disclosure on Remuneration

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

The breakdown of the remuneration of the Directors of the Company together with the three key management personnel (who are not Directors or the CEO) of the Group for FY2014 is as follows:

Directors

Name of Director	Based/ Fixed Salary (%)	Directors' Fee (%)	Directors' Allowance/ Benefit (%)	Variable Bonus (%)	Total Remuneration (S$) [1]
Robert Meyer	100	NA [2]	0	0	600,000
Pascal Demierre	100	NA [2]	0	0	480,000
Alan Nisbet	NA [3]	100	NA [3]	NA [3]	73,000
Randolph Khoo	NA [3]	100	NA [3]	NA [3]	53,000
Liew Choon Wei	NA [3]	100	NA [3]	NA [3]	13,000
Jason Barakat-Brown [4]	NA [3]	100	NA [3]	NA [3]	40,000

Note:

(1) Rounded off to the nearest thousand dollars.

(2) Executive Directors are not paid director's fee.

(3) Non-executive Directors are not paid salary, allowance and bonus.

(4) Mr Jason Barakat-Brown ceased to be an Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee with effect from 1 October 2014.

Directors' Fees for FY2014 are paid in accordance to the Director's Fee structure disclosed in the annual report for financial year ended 31 December 2013 ("FY2013").

Shareholders' approval will be sought at the forthcoming AGM of the Company on 23 April 2015, in respect of the proposed payment of Directors' Fees of up to S$300,000 (payable quarterly in arrears) for the financial year ending 31 December 2015.

Three Key Management Personnel

Name	Position	Salary (%)	Allowance/ Benefit (%)	Variable Bonus (%)	Remuneration Band [1]
Andrew Trevatt	Chief Commercial Officer	100	0	0	Band 3
Ng Eng Kiat	Chief Financial Officer	100	0	0	Band 2
James Bugansky	Global Head - Plantations & Processing Technology	100	0	0	Band 2

Note:

(1) Remuneration Bands are as follows:

Band 1 : Below S$250,000

Band 2 : From S$250,000 up to S$499,999

Band 3 : From S$500,000 up to S$749,999

Band 4 : From S$750,000 up to S$999,999

The total remuneration payable to the three key management personnel (who are not Directors or the CEO) was approximately S$1,151,000 for FY2014. The Company is of the opinion that it is not in the best interests of the Company to disclose the exact details of the remuneration of the key management personnel due to the strong competition within the industry for key talent.

The RC has reviewed the remuneration of the Executive Directors and key management personnel, taking into account their respective performance as well as the pay and employment conditions within the industry. The completion of various acquisitions in FY2014 was a remarkable milestone which positioned the Group as the second largest Technical Specified Rubber producer globally and this achievement is attributable to the support and contribution of the Management and employees of the Group. Given the situation, qualitative evaluation is more appropriate and has been used to evaluate and assess Management's performance in FY2014. The Board acknowledged that FY2014 was the year that the Company implemented its expansion strategy via selective acquisitions and that the scope of work of the Management had increased substantially throughout the financial year, and that the remuneration for Management and/or key management personnel is according to Company's policy.

None of the Directors and key management personnel received any termination, retirement, post-employment benefit, and all Directors and the key management personnel are remunerated on an earned basis. There are no employees in the Group who are immediate family members of a Director or the CEO. There are currently no employee share option schemes provided by the Company or the Group, and the Company has yet to introduce any long term incentives plans.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for governing the Company on behalf of the Shareholders, and is accountable to them for all aspects of the Company. The Board is mindful of its obligations and endeavours to inform Shareholders of all major developments of the Company, in compliance with statutory requirements and the Catalist Rules.

It is the Board's policy to ensure that Shareholders are furnished with timely information, full disclosure of material information, and financial statements of the Group which are presented in accordance with statutory requirements and applicable accounting standards.

In communicating and disseminating its quarterly results and annual reports to Shareholders, the Board aims to present a balanced and clear assessment of the Group's performance, position and prospects.

To enable the Board to make a balanced and informed assessment of the Company's performance, position and prospects for disseminating appropriate information to Shareholders, Management provides the Board with updates covering operational performance, financial results, marketing and business development and other relevant information on a monthly basis and as the Board may require from time to time. This also allows the Board to monitor the Group's performance as well as Management's achievement of the goals and objectives determined and set by the Board.

Risk Management and Internal Controls

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

The Board believes that a sound system of internal controls plays a key role in the identification and management of risks that are significant to the Group's sustainability. The Board as a whole is responsible for the governance of risk and provides oversight in the design, implementation and monitoring of the risk management framework, and system of internal controls, as well as ensuring that Management puts in place action plans to mitigate the risks identified.

In assessing the effectiveness of internal controls, the Board aims to identify control gaps in the business process, areas for improvement and where controls can be strengthened. This is to ensure that primary key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations. The AC is tasked to assist the Board to oversee Management in the formulation, updating and maintenance of an adequate and effective risk management framework.

Nexia TS Risk Advisory Pte Ltd has been the Group's internal auditors (the "IA") since May 2013. The IA conducts a review, evaluate and tests the effectiveness of the material internal controls that are in place in each of the Group's key operating units, including financial, operational, compliance and information technology controls, and a risk assessment at least once annually.

The findings of the review conducted by the IA together with the review undertaken by the external auditors as part of their statutory audit are presented to the AC. Any material non-compliance or failure in internal controls, recommendations for improvements and remedy actions taken by Management are reported to the AC. The AC shall review the effectiveness of the actions taken by Management on the recommendations made by the internal auditors and external auditors in this respect. Management has a duty to maintain an up to-date risk register, which is submitted to the AC for review on a quarterly basis.

The Board has received assurance from the Executive Chairman and CEO, and CFO:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) regarding the effectiveness of the Company's risk management and internal control systems.

Following its assessment on the following:

(a) the reviews of the reports of the IA;

(b) internal controls established and maintained by the Group;

(c) actions taken by the Management;

(d) assurance from the Executive Chairman and CEO together with the CFO; and

(e) reviews performed by external auditors,

the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls systems are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group in respect of FY2014.

However, it should be noted that the internal controls system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes that all internal control systems contain inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error losses, fraud or other irregularities.

Audit Committee

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

The AC comprises three Independent Directors and an Executive Director. The members of the AC are:

Mr Alan Nisbet	(Chairman)	(Lead Independent Director)
Mr Randolph Khoo	(Member)	(Independent Director)
Mr Liew Choon Wei	(Member)	(Independent Director)
Mr Pascal Demierre	(Member)	(Executive Director)

Mr Pascal Demierre continues to serve as a member of the AC notwithstanding that he is an Executive Director as his presence contributes to a constructive relationship between Management and the AC, and enhances the information flow between Management and the AC.

All the members of the AC have extensive experience in senior management positions in different sectors including business management, audit and finance as well as legal services. The Board is of the view that members of the AC have the requisite qualifications and sufficient financial management expertise to discharge the AC's functions competently.

The main responsibility and objective of the AC is to assist the Board in fulfilling its financial and other oversight responsibilities by serving as an independent and objective party to oversee, monitor and appraise the integrity of the Company's financial reporting process, the system of internal controls, the audit process and also risk management. Significant findings in the course of its review are reported to the Board.

The AC has explicit authority to investigate any matters within its terms of reference and has full access to and the cooperation of Management. It has full discretion to invite any Director or executive officer to attend an AC meeting to answer questions which the AC may have. To enable the AC to discharge its functions properly, it has direct access to the Company's external auditors and is conferred the authority to source external resources including obtaining legal or other professional advice and services.

Pursuant to the written terms of reference endorsed by the Board, AC performed, inter alia, the following core duties and activities in FY2014:

(a) reviewed the quarter and full year financial results and related announcements, including significant financial reporting issues and assessments, to safeguard the integrity in financial reporting, and to ensure compliance with the requirements of the Singapore Reporting Financial Standards;

(b) reviewed and evaluated with internal and external auditors, scope of the audit and reporting obligation, the adequacy and effectiveness of the internal control system, including financial, operational and compliance controls, and risk management policies and framework;

(c) reviewed and considered the appointment or re-appointment of the external and internal auditors and matters relating to their resignation or dismissal thereof;

(d) reported to the Board at least annually on the effectiveness and adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls;

(e) reviewed interested person transactions (within the definition of the Catalist Rules) involving the Group in accordance with the Catalist Rules;

(f) reviewed and approved future hedging policy, instruments used for hedging and foreign exchange policy and practice of the Group;

(g) reviewed whistle-blowing investigations within the Group and ensured appropriate follow-up actions, if any; and

(h) generally undertake such other functions and duties as may be required by the Catalist Rules.

The AC reviews the overall scope of both internal and external audits prior to each audit process to ensure that material areas are covered and sufficient attention is paid to higher risk areas. External auditors keep the AC abreast of changes to accounting standards and issues which have direct impact on the Group's financial statements by setting out the new requirements and implication of such changes in its audit plan presented to the AC.

The AC meets with the internal and external auditors without the presence of Management at least once a year, to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiency in the Group's financial reporting and operational systems. Mr Pascal Demierre, being an Executive Director, is excluded from the aforesaid meeting notwithstanding that he is a member of the AC. This is to ensure that the AC remains a platform for external and internal auditors to provide their independent opinions without the influence of Management, and to ensure that the presence of an Executive Director on the AC will not lead to any conflict of interest or impede the independence of the AC.

During FY2014, the AC recommended the change of external auditors and Ernst & Young LLP ("EY") has been appointed as the Group's external auditors in place of Deloitte & Touche LLP with effect from 4 August 2014. EY has presented and AC has conducted a review of the scope and results of audit by EY, its cost effectiveness, as well as its independence and objectivity. The fees paid and/or payable to EY in connection with the audit as well as non-audit services for FY2014 has been reviewed by AC. AC is satisfied that the aggregate amount of audit fees paid to EY is appropriate and that neither the independence nor its objectivity is put at risk, and that EY is still able to meet the audit requirements and statutory obligations of the Group. For details of fees payable to EY in respect of audit and non-audit services, please refer to Note 8 of the Notes to the Financial Statements on page 74 of this annual report.

Following a review and consideration of a variety of factors including adequacy of resources, experience of supervisory and professional staff to be assigned to the audit, and size and complexity of the Group, its businesses and operations, the AC has recommended EY be re-appointed as the Company's external auditors for the financial year ending 31 December 2015. The Company confirms that it has complied with Rules 712 and 715 of the Catalist Rules in engaging EY, as the external auditors of the Company, and a member of the EY global network as the external auditors for the Company's foreign incorporated subsidiaries.

The Company is dedicated to maintaining the highest standards of corporate governance. As such, its whistle-blowing framework comes under the purview of the AC without involvement of Management, to ensure independent investigation of such matters and for appropriate follow-up action. The Company has published on its website the channel to raise concerns about any suspected improprieties to the AC. The Group's whistle-blowing policy provides employees and third-party a direct channel to the AC for the raising of concerns about any improprieties in matters of financial reporting, or other aspects in confidence and in good faith, without fear of reprisal. Any whistle-blowing letters will be deliberated by AC during its quarterly meeting. There were no reports received through the whistle-blowing mechanism during FY2014. The policy and its effectiveness will be reviewed by the AC annually, with any recommendations regarding updates or amendments being made to the Board as required.

The AC reviews interested person transactions ("IPT") (where applicable) at its quarterly meeting and annually with the Company's external auditors, to ensure that established procedures for monitoring of IPTs have been complied with. The AC is satisfied that the guidelines and review procedures established to monitor IPTs have been complied with in FY2014. Further information relating to the IPTs during FY2014 is provided under the section "Interested Person Transactions".

Internal Audit

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

The internal audit function of the Group is outsourced to a professional firm with a view to enhance independency as well as improve the quality of the audit. The IA is equipped with a broad range of expertise, with advanced degrees and technological specialisation to undertake the internal audit function of the Group.

The IA reports functionally and administratively to the AC and AC Chairman, although it also reports administratively to the Executive Chairman and CEO, on matters concerning the internal communications and information flows, administration of the Group's internal policies and procedures.

The primary functions of the internal audit function are to:

(a) assess the relevant risks related to the Group's business operations and evaluate if adequate system of internal controls is in place to protect the funds and assets of the Group;

(b) assess if operations of the business processes under review are conducted efficiently and effectively and to ensure control procedures are complied with; and

(c) identify and recommend improvement to internal control procedures, where required.

The IA has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The IA presents its plans and internal audit reports with detailed findings and recommendations of each of the Group's key operating units to AC at least once a year, and more often when required.

The AC reviews the adequacy of the internal audit function annually, and notes that the internal audit conducted by the IA attains professional standards including those promulgated by the Institute of Internal Auditors, and is satisfied that the internal audit function has adequate resources and appropriate standing within the Group during FY2014.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Board is attentive to its obligation and is committed to making timely, full and accurate disclosure to the Shareholders and the public. All information about the Company's new initiatives which would be likely to materially affect the price or value of the Company's shares will be promptly disseminated through publicly available media, such as SGXNET and news releases, to ensure fair communication with Shareholders.

The Group's efforts in upholding the highest standards of corporate governance have again been recognised by the Securities Investors Association of Singapore ("SIAS"), with the Company being awarded the "Singapore Corporate Governance Award 2014, Most Improved" company at the SIAS Investors' Choice Awards 2014. The Board endeavours to enforce best practices in corporate governance in all aspects of the Group's operations, as well as maintaining high standards of disclosure and corporate transparency.

Communication with Shareholders

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

It is the policy of the Board that all Shareholders should be informed in a comprehensive and timely manner on all major or material developments that have an impact on the Group. In its efforts to promote effective communication with Shareholders, the Company participated in the Shareholder Communication Programme (the "Programme") arranged by SIAS. The Programme provides an additional platform for the Company to communicate and provide updates to its Shareholders and potential investors. The Company's profile, updates and financial information which are disseminated through SGXNET will also be published on the SIAS Website. In addition, SIAS publishes a 10-15 minute, easy to understand independent commentary review that focuses on the financial highlights and other significant events of the Company reported in the Company's annual report prior to the date appointed for the AGM. This enables the Shareholders to have a better understanding of the Company's annual report before attending the AGM.

The Company communicates pertinent and timely information to its Shareholders through the following platforms:

(a) SGXNET announcements and news release;

(b) annual report and notice of AGM issued to all Shareholders;

(c) press releases on major developments of the Group;

(d) Company's AGM;

(e) Company's website at http://www.halcyonagri.com at which the Shareholders can access materials on the financial results, press releases, annual report and profile of the Group. The website also contains various others investor related information on the Group which serves as an important resource for investors; and

(f) SIAS website.

The Company currently does not have a fixed dividend policy. It has paid a dividend of not less than 25% of the Company's net profits attributable to Shareholders for financial year ended 31 December 2012 and FY2013. During FY2014, the Group has completed several acquisitions with remarkable achievements. With the completion of the acquisitions of Anson Company (Private) Limited and New Continent Enterprises (Private) Limited, it has united the oldest rubber producer and rubber trading company in Asia under one roof. Due to the considerable amount of non-recurring transaction costs paid for such acquisitions in FY2014 which had an impact on the financial performance of the Company, the Company will not declare any dividends in respect of FY2014.

Conduct of Shareholder Meetings

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

The Board supports and encourages active Shareholders' participation at general meetings. It believes that general meetings serve as an opportune forum for Shareholders to meet the Board and senior management, to interact with them, and for Shareholders to communicate their views on matters affecting the Company.

The Company's general meetings are attended by all Directors, including the Chairman of the Board. The Chairmen of the Board Committees are also normally available at the meetings to answer any questions relating to the operations of the Board Committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by the Shareholders.

To ensure that all Shareholders are properly informed of the meeting schedule, the notice of general meeting is sent to all Shareholders, advertised in newspapers and disseminated through SGXNET at least 14 or 21 days (as the case may be) prior to the date appointed for the general meeting. Shareholders are informed of the rules (including voting procedures) that govern the attendance for general meetings in the notice of general meeting and the proxy form disseminated. Pursuant to the Articles, every Shareholder of the Company is entitled to attend and vote at the general meetings of the Company and is allowed to appoint not more than two proxies to vote on his/her behalf at the general meetings during his/her absence. The Board is aware of the forthcoming amendment to The Companies Act Cap. 50 of Singapore which will allow nominee companies to appoint more than two proxies to attend a general meeting, and shall review the need to amend the Company's Articles to provide for such amendment at an appropriate time.

At general meetings, each distinct issue is proposed as a separate resolution and Shareholders are invited to put forth any questions they may have on the motions to be debated and decided upon. The proceedings of the general meetings are properly recorded, including all comments or queries from Shareholders relating to the agenda of the meeting and responses from the Board and Management. Minutes of general meetings are available to Shareholders upon their request.

Pursuant to the new listing rules introduced by the SGX-ST which will take effect from 1 August 2015, listed companies are required to have all resolutions tabled at general meetings voted by poll. Accordingly, the Company has mandated poll voting since its last extraordinary general meeting held on 4 August 2014, and will continue to put all resolutions tabled in general meeting to be voted on a poll. Details on voting outcomes will continue to be announced to the public through SGXNET. The Board is of the view that while electronic polling would be time efficient, it would increase the cost of holding general meetings and is not practical to the Company due to the number of Shareholders. The Board will re-visit and assess the need to employ electronic polling at an appropriate time.

DEALING IN SECURITIES

In compliance with Rule 1204(19) of the Catalist Rules on dealings in securities, the Company issues quarterly reminders to its Directors, officers and employees on the restrictions in dealing in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results. Notices prohibiting dealing in Company shares are sent to the Group's Directors, officers and employees as and when circumstances are deemed required, such as when a discussion relating to an acquisition is expected to take a long period of time before it achieves certainty.

Directors, officers and employees are also reminded not to trade in the Company's securities at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations. They are also advised to be mindful of the laws on insider-trading at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS

The Group has established a procedure to review transactions which are to be entered into with interested persons (as defined in the Catalist Rules), to ensure that such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders. The Group does not have a general mandate from Shareholders for interested person transactions ("IPT").

During FY2014, the Company and its subsidiary, Halcyon Rubber Company Pte. Ltd. entered into an IPT with Angsana Capital Ltd. ("Angsana") in relation to the establishment of a joint investment for the purpose of and as part of the funding requirements for the acquisition of Anson Company (Private) Limited (the "Joint Investment"). Angsana is a company wholly owned by Keystone Pacific Pte. Ltd., a substantial shareholder of the Company and wholly owned by Mr Robert Meyer, the Executive Chairman and CEO of the Company. Accordingly, the Joint Investment constitutes an IPT within the meaning of Chapter 9 of the Catalist Rules. The value of the IPT is approximately S$110 million and it was approved by the Shareholders in an extraordinary general meeting of the Company held on 4 August 2014. The Joint Investment has been completed on 7 August 2014.

Save as disclosed above, there were no other IPTs which were more than S$100,000 entered into by the Group during FY2014.

MATERIAL CONTRACTS

Other than the transaction disclosed under the heading "Interested Person Transaction" and the services agreements entered into with Executive Directors and CFO, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Directors, or controlling Shareholders which are either still subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2013.

UTILISATION OF INITIAL PUBLIC OFFERING ("IPO") PROCEEDS

During FY2014, the remaining IPO proceeds amounting to S$0.9 million allocated for the expansion and upgrading of processing facilities were fully disbursed. The details of the utilisation of the IPO proceeds are as shown below:

Description	Net proceeds raised from IPO (US$ million)	Allocated for expansion and upgrading of processing facilities (US$ million)	Allocated for General working capital [1] (US$ million)
Total available amount	11.1	6.9	4.2
Amount utilised prior to FY2014	(10.2)	(6.0)	(4.2)
Amount disbursed in FY2014	(0.9)	(0.9)	–
Balance	–	–	–

Note:

(1) Amount for general working capital purposes has been fully utilised for the procurement of raw materials.

The application of the IPO proceeds is in accordance with the intended use of proceeds from the IPO as disclosed to the Shareholders in the Offer Document dated 24 January 2013.

UTILISATION OF PLACEMENT PROCEEDS

Details of the utilisation of remaining net proceeds from the placements completed in financial year ended 31 December 2013 (the "FY2013 Placements"), which is intended for strategic purposes are as shown below:

Description	(US$ million)
Net proceeds raised from FY2013 Placements	22.7
Amount utilised prior to FY2014	(14.4)
Amount disbursed in FY2014 to satisfy part of the final purchase consideration for the acquisition of JFL Agro Pte. Ltd.	(8.3)
Balance	–

The applications of the FY2013 Placements proceeds are in accordance with the intended use of proceeds as disclosed to the Shareholders in the Company's announcements dated 15 May 2013, 6 November 2013 and circular to shareholders dated 27 November 2013.

In FY2014, the Company issued and allotted 25,000,000 placement shares at the issue price of S$0.738 per share to Mr Goi Seng Hui, which was completed on 8 September 2014, with net proceeds of approximately US$18.4 million (the "FY2014 Placement"). The proceeds from the FY2014 Placement have been fully utilised for the procurement of raw materials and is in accordance with the intended purpose of this placement.

NON-SPONSORSHIP FEES

Non-sponsor services rendered by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. during FY2014 amounted to S$265,000.

Financial Contents

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Halcyon Agri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

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

Robert Meyer
Alan Rupert Nisbet
Pascal Demierre
Randolph Khoo Boo Teck
Liew Choon Wei *(Appointed on 1 October 2014)*

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects 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' interest in shares or 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 the shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Robert Meyer (1)	4,550,000	–	105,350,000	36,350,000
Pascal Demierre (1)	4,400,000	21,774,576	–	–
Alan Rupert Nisbet	–	–	400,000	400,000
Preference shares in Halcyon Rubber Company Pte Ltd				
Robert Meyer (1)	–	–	–	75,000,000

(1) By virtue of section 7 of the Singapore Companies Act, these directors are deemed to have an interest in all the related corporations of the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed in this report, no 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 date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Report of The Directors

Share options

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

Audit committee

At the date of this report, the Audit Committee ("AC") of the Company, consisting of independent non-executive directors, Mr Alan Rupert Nisbet (Chairman), Mr Randolph Khoo Boo Teck, Mr Liew Choon Wei and an executive director, Mr Pascal Demierre. Four Audit Committee Meeting were held since the last Annual General Meeting ("AGM") and the AC has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the announcements as well as the related press releases on the results and financial position of the company and the Group;

(d) the co-operation and assistance given by the management to the Group's external auditors; and

(e) the re-appointment of the external auditors of the Group.

Further details regarding the AC are disclosed in the Corporate Governance Report.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Robert Meyer
Director

Pascal Demierre
Director

Singapore
27 March 2015

Statement of **Directors**

We, Robert Meyer and Pascal Demierre, being two of the directors of Halcyon Agri Corporation Limited, do hereby state that, in the opinion of the directors,

(a) the accompanying statements of financial position, consolidated statement of comprehensive income, statements of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors:

Robert Meyer
Director

Pascal Demierre
Director

Singapore
27 March 2015

Independent
Auditor's Report

To the Members of Halcyon Agri Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Halcyon Agri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 51 to 110, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Other matters

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 27 March 2014.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
27 March 2015

Consolidated Statement of **Comprehensive Income**

For the financial year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Revenue	4	479,247	204,970
Cost of sales		(454,344)	(184,722)
Gross profit		24,903	20,248
Other income	5	567	6
Selling expenses		(3,439)	(1,389)
Administrative expenses		(22,281)	(6,735)
Operating (loss)/profit		(250)	12,130
Finance income		950	207
Finance costs	6	(10,514)	(1,650)
(Loss)/Profit before taxation	8	(9,814)	10,687
Income tax expense	7	(3,051)	(1,576)
(Loss)/Profit for the financial year		(12,865)	9,111
(Loss)/Profit attributable to:			
Owners of the company		(9,429)	9,093
Non-controlling interest		(3,436)	18
		(12,865)	9,111
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(18,947)	(4,052)
Fair value adjustment on cash flow hedges		(511)	–
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on retirement benefit obligation (net of tax)		(324)	80
Total comprehensive (loss)/income for the financial year		(32,647)	5,139
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(22,153)	5,121
Non-controlling interests		(10,494)	18
		(32,647)	5,139
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	9	4,932	13,141
Adjusted EBITDA	9	18,858	14,150
Earnings per share ("EPS"):			
Basic and diluted (cents)	10	(2.34)	2.88

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

Statement of
Financial Position

As at 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
ASSETS					
Non-current assets					
Intangible assets	11	197,773	10,000	–	–
Property, plant and equipment	12	155,423	15,537	147	168
Investment properties	13	20,551	–	–	–
Investment in subsidiaries	14	–	–	104,297	16,000
Deferred charges		175	124	–	–
Deferred tax assets	15	2,673	197	–	–
Other assets		49	2,054	–	2,054
Biological assets	16	716	–	–	–
Total non-current assets		377,360	27,912	104,444	18,222
Current assets					
Cash and bank balances	17	77,456	52,688	1,186	22,627
Trade receivables	18	64,964	7,347	–	–
Other receivables	19	25,579	2,592	107,484	43,345
Tax receivables		2,436	–	–	–
Derivative financial instruments	20	5,117	903	–	–
Inventories	21	88,075	16,409	–	–
Total current assets		263,627	79,939	108,670	65,972
Total assets		640,987	107,851	213,114	84,194
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	20	821	789	–	–
Trade payables	22	26,990	–	–	–
Other payables	23	23,899	2,866	3,836	12,553
Loan payables	24	58,538	21,143	5,936	5,840
Provision for taxation		294	1,352	47	40
Finance lease obligation	28(b)	405	–	405	–
Total current liabilities		110,947	26,150	10,224	18,433
Net current assets		152,680	53,789	98,446	47,539
Non-current liabilities					
Loan payables	24	338,215	–	104,215	–
Retirement benefit obligations	25	11,033	648	–	–
Deferred tax liabilities	15	18,780	781	25	29
Finance lease obligation	28(b)	1,481	–	1,481	–
Total non-current liabilities		369,509	1,429	105,721	29
Net assets		160,531	80,272	97,169	65,732
Capital and reserves					
Share capital	26	92,993	63,713	92,993	63,713
Capital reserves	27	143	143	–	–
Accumulated profits		8,290	21,195	4,176	2,019
Hedging reserve	27	(511)	–	–	–
Foreign currency translation reserve	27	(16,830)	(4,941)	–	–
Equity attributable to owners of the Company		84,085	80,110	97,169	65,732
Non-controlling interest		76,446	162	–	–
Total equity		160,531	80,272	97,169	65,732
Total liabilities and equity		640,987	107,851	213,114	84,194

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

Statement of
Changes in Equity

For the financial year ended 31 December 2014

Group	Note	Share capital	Capital reserve	Accumulated profits/ (losses)	Foreign currency transaction reserve	Hedging reserve	Non-controlling interests	Total equity
		Attributable to owners of the Company						
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2013		12,500	143	14,372	(926)	–	181	26,270
Profit for the year		–	–	9,093	–	–	18	9,111
Other comprehensive income for the year		–	–	80	(4,015)	–	(37)	(3,972)
Total comprehensive income for the year		–	–	9,173	(4,015)	–	(19)	5,139
Contributions by and distributions to owners								
Issue of share capital	26	51,213	–	–	–	–	–	51,213
Dividend paid	32	–	–	(2,350)	–	–	–	(2,350)
Total contributions by and distributions to owners		51,213	–	(2,350)	–	–	–	48,863
At 31 December 2013 and 1 January 2014		63,713	143	21,195	(4,941)	–	162	80,272
Loss for the year		–	–	(9,429)	–	–	(3,436)	(12,865)
Other comprehensive loss		–	–	(324)	(11,889)	(511)	(7,058)	(19,782)
Total comprehensive income for the year		–	–	(9,753)	(11,889)	(511)	(10,494)	(32,647)
Contributions by and distributions to owners								
Issue of share capital	26	29,280	–	–	–	–	–	29,280
Dividend paid	32	–	–	(3,152)	–	–	–	(3,152)
Non-controlling interests arising from acquisition of subsidiaries		–	–	–	–	–	26,576	26,576
Capital contribution from non-controlling interest	30	–	–	–	–	–	60,202	60,202
Total transactions with owners in their capacity as owners		29,280	–	(3,152)	–	–	86,778	112,906
At 31 December 2014		92,993	143	8,290	(16,830)	(511)	76,446	160,531

Company	Note	Share capital	Accumulated profits/ (losses)	Total equity
		US$'000	US$'000	US$'000
At 1 January 2013		12,500	(1,937)	10,563
Profit for the year representing total comprehensive income for the year		–	6,306	6,306
Contributions by and distributions to owners				
Issue of share capital	26	51,213	–	51,213
Dividend paid	32	–	(2,350)	(2,350)
Total contributions by and distributions to owners		51,213	(2,350)	48,863
At 31 December 2013 and 1 January 2014		63,713	2,019	65,732
Profit for the year		–	5,309	5,309
Total comprehensive income for the year		–	5,309	5,309
Contributions by and distributions to owners				
Issue of share capital		29,280	–	29,280
Dividend paid		–	(3,152)	(3,152)
Total transactions with owners in their capacity as owners		29,280	(3,152)	26,128
At 31 December 2014		92,993	4,176	97,169

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

Consolidated Statement of **Cash Flows**

For the financial year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Operating activities			
(Loss)/ Profit before tax		(9,814)	10,687
Adjustments for:			
Depreciation expense		5,182	1,011
Retirement benefit expense		962	390
Interest income		(950)	(207)
Interest expense		10,514	1,650
Fair value loss on open forward commodities contracts, unrealised		(5,536)	638
Unrealised foreign exchange gain		(5,561)	–
Operating profit before working capital changes		(5,203)	14,169
Trade receivables		3,006	(531)
Other receivables and deferred charges		(8,985)	(1,339)
Inventories		9,177	2,877
Trade payables		16,260	(1,626)
Other payables		(5,784)	(177)
Cash generated from operations		8,471	13,373
Interest received		950	207
Interest paid		(2,535)	(780)
Tax paid		(2,757)	(1,082)
Net cash from operating activities		4,129	11,718
Investing activities			
Proceeds from disposal of property, plant and equipment		39	–
Deposits paid on acquisition of subsidiaries	33	(1,000)	(2,054)
Acquisition of subsidiaries (net of cash acquired)		(336,396)	–
Purchase of property, plant and equipment	12	(13,904)	(8,889)
Capital expenditure in relation to biological asset	16	(133)	–
Net cash used in investing activities		(351,394)	(10,943)
Financing activities			
Net proceeds from issuance of shares		14,485	51,213
Decrease/(increase) in pledged deposits	17	1,336	(2)
Dividend paid		(3,152)	(2,350)
Capital contribution from non-controlling interest		60,202	–
Net proceeds from issuance of Medium Term Notes ("MTN")		97,323	–
Proceeds received from syndicated loan		234,000	–
Repayment of term loan		(2,576)	(2,461)
Interest paid on acquisition loans		(4,484)	(519)
Net repayments of working capital loans		(19,369)	(4,506)
Proceeds received under finance lease arrangement		2,200	–
Repayment of obligation under finance lease arrangement		(314)	–
Net cash from financing activities		379,651	41,375
Net increase in cash and cash equivalents		32,386	42,150
Cash and cash equivalents at the beginning of year		49,677	8,857
Effect of exchange rate changes on the balance of cash held in foreign currencies		(6,282)	(1,330)
Cash and cash equivalents at the end of year		75,781	49,677

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

1. Corporate information

Halcyon Agri Corporation Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore. The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The registered office of the Company is located at 250 North Bridge Road, #12-01 Raffles City Tower, Singapore 179101.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position 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 United States Dollars ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") unless otherwise indicated.

2.2 Changes in accounting policies

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 which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

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

Description		Effective for annual periods beginning on or after
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*		1 July 2014
Improvements to FRSs (January 2014)		
(a)	Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b)	Amendments to FRS 103 *Business Combinations*	1 July 2014
(c)	Amendments to FRS 108 *Operating Segments*	1 July 2014
(d)	Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e)	Amendments to FRS 16 *Property, Plant and Equipment and FRS 38 Intangible Assets*	1 July 2014
(f)	Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)		
(a)	Amendments to FRS 103 *Business Combinations*	1 July 2014
(b)	Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*		1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*		1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*		1 January 2016
Improvements to FRSs (November 2014)		1 January 2016
(a)	Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b)	Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c)	Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*		1 January 2016
Amendments to FRS 1 *Disclosure Initiative*		1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*		1 January 2016
FRS 115 *Revenue from Contracts with Customers*		1 January 2017
FRS 109 *Financial Instruments*		1 January 2018

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. The Group is currently assessing the impact of FRS 115.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

Amendments to FRS 16 and FRS 41 Agriculture - Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, FRS 16 will apply. After initial recognition, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of FRS 41 measured at fair value less costs to sell. For government grants related to bearer plants, FRS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply.

Entities shall apply these amendments retrospectively or may elect to measure an item of bearer plants at its fair value at the beginning of the earliest period presented in the financial statements for the reporting period in which the entity first applies Agriculture: Bearer Plants (Amendments to FRS 16 and FRS 41) and use that fair value as its deemed cost at that date. The Group is currently assessing the impact of Amendments to FRS 16 and FRS 41.

2.4 Basis of consolidation and business combinations

(A) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014. 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(B) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and 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.

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 profit or loss.

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 liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.5 Transactions with non-controlling interests

Non-controlling interests representing the equity in subsidiaries not attributable to owners of the Company are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's 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 and attributed to owners of the Company.

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, investments in subsidiaries are accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.7 Foreign currency

The financial statements are presented in United States Dollar ("USD"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

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 as at the balance sheet date

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss 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 profit or loss of the Group on disposal of the foreign operation.

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 measured.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the balance sheet date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. 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 profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part 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 accounting policy for borrowing costs is set out in Note 2.17. 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.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements and renovation	–	10 years
Office equipment	–	2 years
Computers and software	–	1 to 5 years
Leasehold buildings	–	20 years
Plant and machinery	–	10 years
Vehicles	–	4 to 10 years
Leasehold land	–	20 to 97 years

2. Summary of significant accounting policies (cont'd)

2.8 Property, plant and equipment (cont'd)

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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 value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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 on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.9 Investment properties

Investment properties are properties that are owned by the Group that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

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

2.10 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's 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.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit 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 retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7.

2. Summary of significant accounting policies (cont'd)

2.10 Intangible assets (cont'd)

(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 value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year 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 the 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 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.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the 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 life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition 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 profit or loss when the asset is derecognised.

2.11 Biological assets

Biological assets, which primarily comprise oil palm and rubber plantations, are stated at fair value less estimated costs to sell. Gains or losses arising on initial recognition of plantations at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of plantations at each reporting date are included in profit or loss for the period in which they arise.

Cultivation of seedlings is stated at cost. The accumulated cost will be reclassified to immature plantations at the time of planting.

2.12 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an 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 or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

2. Summary of significant accounting policies (cont'd)

2.12 Impairment of non-financial assets (cont'd)

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

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 assets 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets at fair value through profit or loss include financial assets held for trading. 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 includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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 profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

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 measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) 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 profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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 profit or loss.

Regular way purchase or sale of a financial asset

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 marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

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.

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities 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 liabilities are recognised in profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

2. Summary of significant accounting policies (cont'd)

2.13 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

A financial liability is de-recognised 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.14 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

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 profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account 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 profit or loss.

(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 had 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.

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are 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 profit or loss. 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. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.16 Inventories

Inventories except consumables are carried at the fair market value at the end of each reporting period. The resulting unrealised gain or loss is recognised in profit or loss. Consumables are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that 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 incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd)

2.18 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 resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits 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.

2.19 Employee benefits

(a) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income of the net retirement benefit obligation; and
- Re-measurements of net retirement benefit obligation

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefit expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(b) Employee leave entitlement

Employees' entitlement to annual leave is recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2. Summary of significant accounting policies (cont'd)

2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(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 profit or loss. 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 profit or loss 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 retains 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. The accounting policy for rental income is set out in Note 2.21(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.21 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, regardless of when the payment is made. 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. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2. Summary of significant accounting policies (cont'd)

2.21 Revenue (cont'd)

(d) Gain/loss on commodity contracts

Commodity contracts to buy and sell natural rubber commodities can be subject to net settlement if market conditions are favourable. Such commodity contracts and derivative financial instruments are marked to market at market rates prevailing at the end of the reporting period. Unrealised gains or losses are taken to profit or loss, under the revenue line. Market value is generally based on listed market prices. If listed market prices are not available, market value is determined based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and price quotations for similar commodities traded in different markets, including markets located in different geographical areas.

2.22 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 at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred 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 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 the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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 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 the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred 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 assets 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 the end of each 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 recovered.

2. Summary of significant accounting policies (cont'd)

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. 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 tax assets and deferred 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 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 in profit or loss.

(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 other receivables or other payables in the balance sheet.

2.23 Share capital and share issuance expenses

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.

2.24 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as:

– fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk);

– cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or

– hedges of a net investment in a foreign operation.

2. Summary of significant accounting policies (cont'd)

2.24 Hedge accounting (cont'd)

At the inception of a hedging relationship, the Group formally designates and documents the hedging 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 hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group does not have any fair value hedges or hedges of net investment in foreign operations in 2014 and 2013.

Cash flow hedges which meet the strict criteria for hedge accounting are accounted for as follows:

– The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss.

– Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, 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 profit or loss. 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 other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

2.25 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 the 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.

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their business units. Management regularly reviews 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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

2. Summary of significant accounting policies (cont'd)

2.27 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);

(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 judgments and estimates

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

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Useful life of process know-how related intangibles

The useful life of intangible asset is assessed as either finite or infinite. Management reviews the estimated useful life of intangible asset at the end of each annual reporting period to determine whether events and circumstances continue to support an indefinite useful life. The Group's carrying amount of intangible asset at 31 December 2014 is US$10,000,000 (2013: US$10,000,000) (Note 11).

3. Significant accounting judgments and estimates (cont'd)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Tax matters

Significant estimates are 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 major components of income tax are described in detail in Note 15.

(b) Useful life of property, plant and equipment

As described in Note 2.8, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The Group's carrying amount of property, plant and equipment at 31 December 2014 is US$155,423,000 (2013: US$15,537,000) (Note 12).

(c) Estimation impairment of process know-how related intangibles

Determining whether intangible asset is impaired requires an estimation of the value in use of the intangible asset. The value in use calculation requires the Group to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. The Group's carrying amount of intangible asset at 31 December 2014 is US$10,000,000 (2013: US$10,000,000) (Note 11).

(d) Purchase price allocation and goodwill impairment

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased, including intangible assets and contingent liabilities. Certain business acquisitions of the Group have resulted in goodwill. Under FRS 103, such goodwill is not amortised and is subject to a periodic impairment testing. The carrying amount of the Group's goodwill as at 31 December 2014 is US$187,773,000 (2013: Nil). Further details are disclosed in Note 11.

Impairment review is performed when certain impairment indication is present. In the case of goodwill, such assets are subject to annual impairment test and whenever there is an indication that such asset may be impaired. Management has to use its judgment in estimating the recoverable value.

4. Revenue

	Group	
	2014	**2013**
	US$'000	**US$'000**
Sale of goods:		
Own products	318,342	204,970
Third-party products	160,905	–
	479,247	204,970

5. Other income

Other income pertains mainly to rubber scrap sale and rental income earned during the financial year.

6. Finance costs

	Group 2014 US$'000	Group 2013 US$'000
Interest expense on:		
- Term loan	4,649	843
- Medium term notes	2,918	–
- Working capital loans	2,830	807
- Obligation under finance lease	117	–
	10,514	1,650

7. Income tax expense

	Group 2014 US$'000	Group 2013 US$'000
Current tax		
Current tax expense	2,248	1,477
Under provision in prior years	307	20
Deferred tax		
Deferred tax expense relating to the origination and reversal of temporary differences (Note 15)	496	79
	3,051	1,576

Relationship between tax expense and accounting (loss)/profit

A reconciliation between tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

	Group 2014 US$'000	Group 2013 US$'000
(Loss)/Profit before tax	(9,814)	10,687
Tax at the domestic income tax rate of 17% (2013: 17%)	(1,668)	1,817
Effect of non-deductible expenses	3,320	270
Effect of non-taxable income	–	(72)
Effect of tax exempt income	2	(41)
Interest income deducted at source	(286)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	716	266
Additional tax allowance from Productivity and Innovation Credit	(97)	(211)
Deferred tax asset on losses not recognised	504	–
Effect of tax incentive at lower rate	2	(548)
Under provision in prior years	307	20
Others	251	75
Income tax expense recognised in profit or loss	3,051	1,576

Two of the subsidiaries within the Group, Hevea Global Pte Ltd ("HG") and New Continent Enterprises (Private) Limited ("NCE") were granted the Global Trader Programme ("GTP") Incentive subject to the fulfilment of certain conditions. The GTP award was granted to HG from 1 July 2011 for a period of 5 years and NCE from 1 February 2012 for an extended period of 6 years and 11 months. The qualifying income of HG and NCE shall be taxed at the concessionary tax rate of 10%.

8. (Loss)/Profit before taxation

	Group 2014 US$'000	Group 2013 US$'000
(a) (Loss)/Profit before taxation has been arrived at after charging/(crediting):		
Non-recurring expenses (Note 9):		
– Initial public offering fee	–	334
– Pre-operation expenses	–	350
– Acquisition related expenses	13,161	325
Expense on Consent Solicitation Exercise ("CSE")	765	–
	13,926	1,009
Depreciation of property, plant and equipment (Note 12)	5,560	1,011
Less: Amount capitalised as part of costs of biological assets	(378)	–
Depreciation of property, plant and equipment - net	5,182	1,011
Depreciation of property, plant and equipment included in:		
– Cost of sales	4,121	735
– Selling expenses	70	72
– Administrative expenses	991	204
	5,182	1,011
Foreign exchange (gain)/loss included in:		
– Cost of sales	(7,047)	227
– Administrative expenses	(4,172)	–
	(11,219)	227
Professional fees	1,368	521
Directors' remuneration	851	977
Directors' fees (Note 30)	141	96
Audit fees:		
– paid to auditors of the Company	187	78
– paid to other auditors	225	26
Non-audit fees:		
– paid to auditors of the Company	415	6
Management fees (Note 5)	–	288
Operating lease expense	522	188
Inventories recognised as an expense in cost of sales:		
– own products	296,128	184,722
– third-party products	158,216	–

Included in cost of inventories recognised as expenses for own products are cost of raw materials amounting to US$269,128,000 (2013: US$174,982,000).

8. (Loss)/Profit before taxation (cont'd)

		Group 2014 US$'000	Group 2013 US$'000
(b)	Employee benefits expenses (including directors' remuneration):		
	– Defined benefit plan	1,029	390
	– Defined contribution plans	187	86
	– Staff welfare	159	109
	– Staff salaries	13,582	6,695
		14,957	7,280
	Included in:		
	– Cost of sales	7,642	3,172
	– Selling expenses	910	878
	– Administrative expenses	6,405	3,230
		14,957	7,280

9. Earnings before interest, tax, depreciation and amortisation ("EBITDA")

	Group 2014 US$'000	Group 2013 US$'000
(Loss)/Profit before taxation	(9,814)	10,687
Adjustments for:		
Depreciation	5,182	1,011
Finance costs	10,514	1,650
Interest income	(950)	(207)
EBITDA	4,932	13,141
Add: Non-recurring expenses (Note 8)	13,926	1,009
Adjusted EBITDA	18,858	14,150

10. Earnings per share

	Group Basic and diluted 2014 US$'000	Group Basic and diluted 2013 US$'000
(Loss)/Profit for the year attributable to owners of the Company	(9,429)	9,093
	Number of ordinary shares '000 Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	402,167	315,292
Earnings per share ("EPS"):		
Cents	(2.34)	2.88

11. Intangible assets

	Group		
	Process know-how US$'000	Goodwill US$'000	Total US$'000
At 1 January 2013/31 December 2013	10,000	–	10,000
Addition:			
- Acquisition of subsidiaries (Note 17)	–	187,773	187,773
At 31 December 2014	10,000	187,773	197,773

Process know-how

Process know-how relates to the production of a certain grade of rubber and has been allocated to the Processing segment. The intangible asset has indefinite life so long as there is a demand for such rubber.

Goodwill

Goodwill acquired through business combinations have been allocated to cash-generating units ("CGU"), which are also the reportable segments, for impairment testing.

	Group	
	2014 US$'000	2013 US$'000
Processing segment	183,282	–
Distribution segment	4,491	–
	187,773	–

Impairment testing of goodwill and process know-how with indefinite life

The above goodwill and process know-how was tested for impairment as at 31 December 2014. No impairment loss was recognised as at 31 December 2014 as the recoverable amounts of the goodwill and process know-how were in excess of their respective carrying values. The recoverable amount of the CGUs and process know-how have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a 5-year period and 20-year period respectively. The summary of impairment testing on the goodwill and process know-how are disclosed in the succeeding paragraphs.

11. Intangible assets (cont'd)

Key assumptions used in the value in use calculations

Cash generating units/intangible assets	Carrying amount as at 31 December 2014 US$'000	Discount rate (pre-tax)	Growth rate
Processing segment:			
Goodwill	183,282	5.8%	3% - 15%
Process know-how	10,000	5.8%	2%
Distribution segment:			
Goodwill	4,491	5.8%	3% - 5%
Total	197,773		

The calculations of value in use for the CGUs are most sensitive to the following assumptions:

Growth rates – The forecasted growth rates are based on published industry research and do not exceed the long term average growth rate for the industries relevant to the CGUs.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

Changes to the assumptions used by management to determine the recoverable value, in particular the pre-tax discount rate and growth rate, can have significant impact on the results of the assessment. Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

12. Property, plant and equipment

Group	Leasehold improvements and renovation US$'000	Office equipment US$'000	Computers and software US$'000	Leasehold buildings US$'000	Plant and machinery US$'000	Vehicles US$'000	Leasehold land US$'000	Asset under construction US$'000	Total US$'000
Cost:									
At 1 January 2013	1,025	161	275	3,202	2,487	1,140	3,808	220	12,318
Additions	1,145	332	203	775	244	554	–	5,636	8,889
Reclassification	–	8	–	(8)	–	–	–	–	–
Disposals	–	–	–	–	–	(54)	–	–	(54)
Write-off	–	(2)	(3)	–	–	–	–	–	(5)
Exchange differences	(337)	(69)	(4)	(773)	(547)	(299)	(787)	(797)	(3,613)
At 31 December 2013 and 1 January 2014	1,833	430	471	3,196	2,184	1,341	3,021	5,059	17,535
Additions	2,444	738	409	2,579	4,075	598	1,128	1,933	13,904
Acquisition of subsidiaries	771	381	169	31,915	29,415	673	76,656	1,439	141,419
Disposal	(44)	–	–	–	–	–	–	–	(44)
Reclassification	1,354	–	–	3,671	272	–	–	(5,297)	–
Exchange differences	(441)	(62)	(7)	(2,494)	(2,200)	(106)	(4,750)	(127)	(10,187)
At 31 December 2014	5,917	1,487	1,042	38,867	33,746	2,506	76,055	3,007	162,627
Accumulated depreciation and impairment:									
At 1 January 2013	229	52	94	305	473	243	–	–	1,396
Depreciation charge for the year	116	82	99	162	231	179	142	–	1,011
Disposals	–	–	–	–	–	(32)	–	–	(32)
Exchange differences	(51)	(19)	(3)	(85)	(129)	(70)	(18)	–	(375)
Write-off	–	–	(2)	–	–	–	–	–	(2)
At 31 December 2013 and 1 January 2014	294	115	188	382	575	320	124	–	1,998
Depreciation charge for the year	382	298	234	1,243	1,775	387	1,241	–	5,560
Disposal	(5)	–	–	–	–	–	–	–	(5)
Exchange differences	(77)	(18)	(2)	(68)	(92)	(26)	(66)	–	(349)
At 31 December 2014	594	395	420	1,557	2,258	681	1,299	–	7,204
Net carrying amount:									
At 31 December 2013	1,539	315	283	2,814	1,609	1,021	2,897	5,059	15,537
At 31 December 2014	5,323	1,092	622	37,310	31,488	1,825	74,756	3,007	155,423

12. Property, plant and equipment (cont'd)

Company	Renovation US$'000	Computer US$'000	Office equipment US$'000	Total US$'000
Cost:				
At 1 January 2013	–	–	–	–
Additions	84	95	–	179
At 31 December 2013 and 1 January 2014	84	95	–	179
Additions	3	58	11	72
Disposal	(44)	–	–	(44)
At 31 December 2014	43	153	11	207
Accumulated depreciation:				
At 1 January 2013	–	–	–	–
Depreciation charge for the year	2	9	–	11
At 31 December 2013 and 1 January 2014	2	9	–	11
Depreciation charge for the year	11	40	3	54
Disposal	(5)	–	–	(5)
At 31 December 2014	8	49	3	60
Net carrying amount:				
At 31 December 2013	82	86	–	168
At 31 December 2014	35	104	8	147

Assets held under finance lease

During the financial year, the Company pledged machineries and equipment with an aggregate cost of US$2,200,000 under a finance lease agreement. These machineries and equipment were subsequently sub-leased to a subsidiary in Indonesia for use in the natural rubber processing. The carrying amount of the plant and equipment held under finance lease at the end of the financial year was US$1,533,000 (2013: Nil).

Assets pledged as security

In addition to assets held under finance lease, the Group has pledged certain property, plant and equipment with a carrying amount of US$30,516,000 (2013: US$10,069,000) to secure the Group's and the Company's loans and borrowings (Note 24).

13. Investment properties

	Group 2014 US$'000	Group 2013 US$'000
Balance sheet:		
At 1 January	–	–
Acquisition of subsidiaries	22,056	–
Exchange differences	(1,505)	–
At 31 December	20,551	–
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	36	–
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	24	–

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The valuations were performed by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuation has been carried out using market and cost approach. Investment properties are stated at fair value, which has been determined based on valuations performed as at date of acquisition. There is no significant change in the fair value of the investment properties from the date of acquisition to 31 December 2014.

The investment properties held by the Group as at 31 December 2014 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
4 residential houses in Palembang, South Sumatera, Indonesia	Residential	Leasehold	5 - 19 years
4 plots of lands in Palembang, South Sumatera, Indonesia	Vacant land	Leasehold	4 - 20 years
2 offices in Palembang, South Sumatera, Indonesia	Offices	Leasehold	5 - 7 years
8 units of shophouses in Medan, North Sumatera, Indonesia	Shophouse	Leasehold	7 years
7 units of offices in Medan, North Sumatera, Indonesia	Offices	Leasehold	8 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	8 years
Residential house in Banjarmasin, South Kalimantan, Indonesia	Residential	Leasehold	15 years
Land in Medan, North Sumatera, Indonesia	Vacant land	Leasehold	7 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	5 years
Residential house in Pontianak, West Kalimantan, Indonesia	Residential	Leasehold	14 years
Land in Pontianak, West Kalimantan, Indonesia	Vacant land	Leasehold	23 years
Shophouse in Rantau, North Sumatera, Indonesia	Shophouse	Leasehold	17 years
Residential house in Rantau, North Sumatera, Indonesia	Residential house	Leasehold	17 years
Land in Siak, Riau, Indonesia	Vacant land	Leasehold	9 years

14. Investment in subsidiaries

	Company 2014 US$'000	Company 2013 US$'000
At 1 January	16,000	16,000
Acquisition of subsidiaries	88,297	–
At 31 December	104,297	16,000

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014	Proportion (%) of ownership interest 2013
Held by the Company:				
Hevea Global Pte Ltd [(1)]	Singapore	Natural rubber merchandising	100.00	100.00
Halcyon Agri Indonesia Pte Ltd [(1)]	Singapore	Investment holding	100.00	100.00
Halcyon Agri Malaysia Pte Ltd [(1)]	Singapore	Investment holding	100.00	100.00
Halcyon Rubber Company Pte Ltd [(1)]	Singapore	Investment holding	59.46	–
Subsidiaries of Halcyon Agri Indonesia Pte Ltd:				
PT Hevea MK [(2)]	Indonesia	Natural rubber processing	95.00	95.00
PT Hevea GE (formerly known as PT Golden Energi) [(2)]	Indonesia	Natural rubber processing	95.00	–
Subsidiaries of Halcyon Agri Malaysia Pte Ltd				
Halcyon Agri (Malaysia) Sdn Bhd [(2)]	Malaysia	Investment holding	100.00	100.00
JFL Agro Pte Ltd [(1)]	Singapore	Investment holding	100.00	–
Subsidiaries of Halcyon Agri (Malaysia) Sdn Bhd				
Halcyon Rubber Estate Sdn Bhd [(2)]	Malaysia	Plantation estate management	100.00	100.00
Hevea KB Sdn Bhd (formerly known as CLS Sdn Bhd) [(2)]	Malaysia	Natural rubber processing	100.00	–
Subsidiaries of JFL Agro Pte Ltd				
JFL Agro Sdn Bhd [(2)]	Malaysia	Non-trading	100.00	–
JFL Holdings Sdn Bhd [(2)]	Malaysia	Plantation estate management	100.00	–
JFL Rubber Sdn Bhd [(3)]	Malaysia	Dormant	100.00	–
Subsidiary of Halcyon Rubber Company Pte Ltd				
Anson Company (Private) Limited [(1)]	Singapore	Natural rubber merchandising and investment holding	100.00	–
Subsidiaries of Anson Company (Private) Limited				
PT Hok Tong [(2)]	Indonesia	Natural rubber processing	99.99	–
PT Remco [(2)]	Indonesia	Natural rubber processing	75.00	–
PT Sunan Rubber [(2)]	Indonesia	Natural rubber processing	53.75	–
PT Rubber Hock Lie [(2)]	Indonesia	Natural rubber processing	77.78	–
Subsidiary of Hevea Global Pte Ltd				
Hevea International Pte Ltd [(1)]	Singapore	Investment holding	100.00	–
Subsidiary of Hevea International Pte Ltd				
New Continent Enterprises (Private) Limited [(1)] [(5)]	Singapore	Natural rubber merchandising and distribution	50.00	–

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2014	2013
Subsidiaries of New Continent Enterprises (Private) Limited				
New Continent Enterprises GmbH [(4)]	Germany	Natural rubber distribution	100.00	–
New Continent Enterprises B.V [(4)]	Netherlands	Investment holding	100.00	–
MCF China Limited [(3)]	People's Republic of China	Natural rubber distribution	100.00	–
Subsidiary of New Continent Enterprises B.V				
New Continent Enterprises Inc. [(4)]	United States	Natural rubber distribution	100.00	–

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of EY Global in the respective countries.

(3) Audited by other firms of Certified Public Accountants (not significant subsidiaries).

(4) Not required to be audited by law in the country of incorporation.

(5) Although the Group owned 50% of equity interest in New Continent Enterprises (Private) Limited ("NCE"), the Group has consolidated 100% interest of NCE from the Completion Date, as the Group has power over the investee, exposure, or rights, to variable returns from the Group's involvement with the investee; and the Group has the ability to use its power over the investee to affect the amount of the Group's returns.

(a) Acquisition of subsidiaries

(i) Acquisition of Hevea KB Sdn Bhd (formerly known as CLS Sdn Bhd)

On 16 January 2014, the Group completed the acquisition of assets through the acquisition of the entire shareholding interests in Hevea KB Sdn Bhd ("CLS acquisition"). The acquired assets consist of two natural rubber processing factories located in Ipoh, Malaysia together with all associated buildings, plant and machinery and four plots of land on which the assets are located and operated.

The acquisition allows the Group to diversify its revenue base to a second jurisdiction of production (Malaysia), and also to offer its customers a second origin of Technically Specified Rubber of various grades. The CLS acquisition is also expected to broaden the Group's asset and earnings bases, as well as to provide a potential long term recurring source of revenue and profit and help generate new revenue streams.

Following the completion of this acquisition, Hevea KB Sdn Bhd became a subsidiary of the Group.

The fair value of acquired assets of Hevea KB Sdn. Bhd. as at the acquisition date amounted to US$19,215,000. Out of the total purchase consideration of US$19,215,000, US$2,054,000 was paid as deposit in prior year and the remaining US$17,161,000 was fully settled in cash in current year.

(ii) Acquisition of JFL Agro Pte Ltd

On 29 January 2014, the Group completed the acquisition of assets through the acquisition of the entire issued and paid up share capital of JFL Agro Pte Ltd (the "JFL acquisition"). With the completion of the JFL acquisition, JFL Agro Pte Ltd and its subsidiaries (the "JFL Group") became wholly-owned subsidiaries of the Group.

The JFL Group's principal asset is the lease of Sultanate Lands in the state of Kelantan, Malaysia as well as related property, plant and equipments. The acquisition represents a major strategic advancement of the Group's business into the upstream segment of the Malaysian natural rubber supply chain.

14. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(ii) Acquisition of JFL Agro Pte Ltd (cont'd)

The total purchase consideration of the acquisition amounted to US$43,249,000. The assets acquired consist of property, plant and equipment and biological assets amounting to US$43,044,000 and US$205,000 respectively. The total purchase consideration of US$43,249,000 was settled via the issuance of 26,000,000 ordinary shares at issue price of S$0.72 per share and the remaining US$28,454,000 was paid in cash.

(iii) Acquisition of PT Hevea GE (formerly known as PT Golden Energi)

On 19 February 2014, the Group completed the acquisition of a crumb rubber processing factory located in Jambi, Indonesia together with all associated buildings, machinery and equipment and lands through the acquisition of the 95% shareholding interests in of PT Hevea GE (the "PT HGE acquisition").

With the completion of this acquisition, PT Hevea GE became a subsidiary of the Group.

The fair value of the identifiable assets and liabilities of PT Hevea GE as at the acquisition date were:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	4,313
Other receivables	13
Inventories	37
Deferred tax liabilities	(803)
Total identifiable net assets at fair value	3,560
Non-controlling interest measured at the non-controlling interest's proportionate share of PT Hevea GE's net identifiable net assets	(178)
Goodwill arising from acquisition	3,921
Total purchase consideration paid in cash	7,303

Goodwill arising from acquisition

The goodwill of US$3,921,000 comprise the value of strengthening the Group's existing operations in the areas of rubber processing, and allows the Group to further leverage its existing administration, management and operations infrastructure in Indonesia. None of the goodwill recognised is expected to be deductible for income tax purpose.

Impact of the acquisition on profit or loss

From the acquisition date, PT Hevea GE contributed revenue of US$1,700,000 to the Group's profit for the year. If business combination had occurred on 1 January 2014, the acquisition is not expected to have any material contribution to the revenue and the Group's loss for the year.

(iv) Acquisition of Anson Company (Private) Limited and its subsidiaries (the "Anson Group")

On 12 August 2014, the Group completed the acquisition of nine crumb rubber factories together with all associated lands, buildings, machinery and equipment located in Indonesia ("Anson acquisition"). Upon completion of the Anson acquisition, the Group expects to increase the scale and scope of its natural rubber processing capabilities and expand its earnings and asset base.

Following the completion of the Anson acquisition, Anson Company (Private) Limited and its subsidiaries (the "Anson Group") became subsidiaries of the Group.

14. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(iv) Acquisition of Anson Company (Private) Limited and its subsidiaries (the "Anson Group") (cont'd)

The fair value of the identifiable assets and liabilities of the Anson Group as at the Anson acquisition date were:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	74,551
Investment properties	22,056
Other non-current assets	11
Deferred tax assets	3,809
Cash and cash equivalents	91,334
Trade receivables	20,113
Other receivables	6,103
Derivative financial instruments – assets	618
Inventories	51,342
Tax receivables	6,258
Trade payables	(54)
Other payables	(4,565)
Loan payables	(29,795)
Derivative financial instruments – liabilities	(673)
Provision for taxation	(1,999)
Retirement benefit obligations	(9,637)
Deferred tax liabilities	(19,504)
Total identifiable net assets at fair value	209,968
Non-controlling interest measured at the non-controlling interest's proportionate share of Anson Group's net identifiable net assets	(26,398)
Goodwill arising from acquisition	179,361
Total purchase consideration paid in cash	362,931

Effect of the acquisition of Anson Group on cash flow

	2014 US$'000
Total consideration settled in cash for 100% equity interest acquired	362,931
Less: Cash and cash equivalents of subsidiaries acquired	(91,334)
Net cash outflow on acquisition	271,597

Goodwill arising from acquisition

The goodwill of US$179,361,000 comprises the value of significant synergistic benefits as the Anson Group's operations strategically and operationally complement the Group's existing operations in the areas of natural rubber processing. None of the goodwill recognised is expected to be deductible for income tax purpose.

14. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(iv) Acquisition of Anson Company (Private) Limited and its subsidiaries (the "Anson Group") (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, Anson Group contributed revenue of US$167,899,000 and profit of US$7,884,000 to the Group's profit for the year. If business combination had occurred on 1 January 2014, management estimates that the Group's revenue would have been higher by US$339,987,000 and the Group's loss for the year would have been higher by US$4,044,000.

(v) Acquisition of New Continent Enterprises (Private) Limited and its subsidiaries (the "NCE Group")

On 30 September 2014, the Group completed the acquisition of New Continent Enterprises (Private) Limited ("NCE acquisition"). Following the completion of the NCE acquisition, NCE and its subsidiaries (the "NCE Group") became subsidiaries of the Group.

NCE Group is a leading global dealer in, and distributor of natural rubber. It participates actively throughout the value chain, from sourcing of raw materials to marketing, transporting, importing and exporting all leading grades of processed natural rubber. NCE Group provides its clients with real time market and pricing information, as well as technical support and after-sales service, leveraging the connectivity provided by its branch offices in key destination and origination markets.

The fair value of the identifiable assets and liabilities of the NCE Group as at the acquisition date were:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	296
Other non-current assets	47
Cash and cash equivalent	3,172
Trade receivables	42,709
Other receivables	3,957
Derivative financial instruments – assets	9,966
Inventories	22,488
Trade payables	(11,599)
Other payables	(1,709)
Borrowings	(43,822)
Derivative financial instruments – liabilities	(275)
Total identifiable net assets at fair value	25,230
Goodwill arising from acquisition	4,491
Total purchase consideration	29,721
Consideration transferred	
Cash paid	15,053
Deferred cash settlement	14,668
Total purchase consideration	29,721
Effect of the acquisition of NCE Group on cash flow	
Total consideration settled in cash for 100% equity interest acquired	29,721
Less: Deferred cash settlement	(14,668)
Consideration settled in cash	15,053
Less: Cash and cash equivalents of subsidiaries acquired	(3,172)
Net cash outflow on acquisition	11,881

14. Investment in subsidiaries (cont'd)

(a) Acquisition of subsidiaries (cont'd)

(vi) Acquisition of New Continent Enterprises (Private) Limited and its subsidiaries (the "NCE Group") (cont'd)

Deferred cash settlement

The purchase consideration for the acquisition is to be paid in four equal quarterly payments starting from 30 September 2014. As at 31 December 2014, the remaining consideration payable amounts to US$14,668,000 (Note 23).

Goodwill arising from acquisition

The goodwill of US$4,491,000 comprise the value of significant synergistic benefits as the NCE Group complementing the Group's merchandising activities to the world's top tyre companies and extract additional distribution profits for the Group.

Impact of the acquisition on profit or loss

From the acquisition date, NCE Group contributed revenue of US$175,011,000 and profit of US$463,000 to the Group's profit for the year. If business combination had occurred on 1 January 2014, management estimates that the Group's revenue would have been higher by US$497,798,000 and the Group's loss for the year would have been higher by US$91,000.

(b) Interest in subsidiaries with material non-controlling interest ("NCI")

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

	Principal place of business	Proportion of ownership interest held by NCI 2014 %	Carrying amount of NCI 2014 US$'000	Loss after tax allocated to NCI 2014 US$'000
Halcyon Rubber Company Pte Ltd and its subsidiaries ("HRC Group")	Indonesia	40.54	76,205	(3,325)

(c) Summarised financial information about subsidiaries with material NCI

The summarised financial information before inter-group elimination of the Group's subsidiary that have material NCI as follows:

Summarised balance sheet

	HRC Group As at 31 December 2014 US$'000
Non-current assets	272,797
Current assets	144,329
Current liabilities	(4,762)
Non-current liabilities	(261,204)
Net assets	151,160

14. Investment in subsidiaries (cont'd)

(c) Summarised financial information about subsidiaries with material NCI (cont'd)

Summarised statement of comprehensive income

	2014 US$'000
Revenue	166,412
Loss after tax	(9,146)
Other comprehensive loss	(13,286)
Total comprehensive loss	(22,432)

Other summarised information

	2014 US$'000
Net cash used in operations	(9,202)

The financial information provided above has been aggregated based on the consolidated financial statements of HRC Group. Management has considered the level of detail necessary to satisfy the disclosure objective and level of emphasis and is of the view that the aggregated disclosure of HRC Group is useful information that is not obscured by the inclusion of an insignificant detail. In assessing the appropriateness of aggregation, management has considered the nature of activities, industry classification and geography of the entities.

Subsidiaries consolidated in HRC Group are as follows:

– Anson Company (Private) Limited
– PT Hok Tong
– PT Remco
– PT Sunan Rubber
– PT Rubber Hock Lie

15. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Statement of financial position		Consolidated statement of comprehensive income		Statement of financial position	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Accelerated depreciation on property, plant and equipment	(745)	(615)	53	(210)	(25)	(29)
Tax losses carry forward	162	–	(5)	–	–	–
Retirement benefit liabilities	2,756	162	331	97	–	–
Reversal of deferred tax assets recognised on acquisition	–	–	(1,416)	–	–	–
Fair value uplift of investment properties acquired in business combination	(4,938)	–	–	–	–	–
Fair value uplift of property, plant and equipment acquired in business combination	(12,931)	–	388	–	–	–
Others	(411)	(131)	153	34	–	–
Deferred tax (expense)/benefit			(496)	(79)		
Net deferred tax (liabilities)/assets	(16,107)	(584)			(25)	(29)
Reflected in the statement of financial position as follows:						
Deferred tax asset	2,673	197			–	–
Deferred tax liabilities	(18,780)	(781)			(25)	(29)
Deferred tax liabilities, net	(16,107)	(584)			(25)	(29)

	Group	
	2014 US$'000	2013 US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(584)	(431)
Tax expense during the year recognised in profit or loss	(496)	(79)
Tax income during the year recognised in OCI	108	–
Deferred taxes arising from business combinations	(16,498)	–
Exchange difference	1,363	(74)
At 31 December	(16,107)	(584)

Unrecognised tax losses

At the end of reporting period, the Group has tax losses amounting to US$1,875,000 (2013: Nil) that are available for offset against future taxable profits for up to five years from the date the losses were incurred. The related deferred tax benefits of US$469,000 (2013: Nil) attributable to US$1,875,000 of these tax losses were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$12,877,000 (2013: US$182,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2014 as the profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

15. Deferred tax (cont'd)

Tax consequences of proposed dividends

There are no income tax consequences (2013: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

16. Biological assets

Group	Plantation 2014 US$'000	Plantation 2013 US$'000
At fair value		
At 1 January	–	–
Acquisition of a subsidiary (Note 14(a)(ii))	205	–
Additions	133	–
Capitalisation of depreciation	378	
At 31 December	716	–

Plantations

Biological assets mainly consist of oil palm and rubber that are grown for commercial sales as part of normal business operations. The oil palm and rubber plantation presently consist of trees aged between 1 month to 1 year and 1 month to 6 months respectively. Planted areas for oil palm and rubber plantation are approximately 450 hectares and 500 hectares respectively. As at 31 December 2014, both oil palm and rubber plantations are not ready for harvesting.

In view of the plantations are still at its immaturity stage, the Directors believe the fair value of biological assets approximate the carrying amount as at 31 December 2014.

17. Cash and bank balances

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Cash at bank and on hand	44,688	49,519	1,186	22,627
Short term deposits	31,093	158	–	–
Cash and cash equivalents	75,781	49,677	1,186	22,627
Short term deposits – pledged	1,675	3,011	–	–
Total cash and bank balances	77,456	52,688	1,186	22,627

Short term deposits were made for periods not more than three months, depending on immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. Short term pledged deposits were made for periods ranging from three to twelve months. The weighted average effective interest rate as at 31 December 2014 for the Group was 6.64% (2013: 0.21%) per annum.

Cash and bank balances of US$1,675,000 (2013: US$3,011,000) have been pledged for general banking facilities (Note 24).

17. Cash and bank balances (cont'd)

Cash and bank balances denominated in foreign currencies at 31 December are as follow:

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Indonesian Rupiah	24,164	2,794	–	–
Singapore Dollar	4,744	22,754	199	–
Euro	778	–	–	–
Chinese Yuan Renminbi	518	–	–	–
Malaysia Ringgit	166	17,562	–	–

18. Trade receivables

	Group	
	2014	2013
	US$'000	US$'000
External parties	64,964	7,347

Trade receivables are repayable within the normal trade credit terms of 2 days to 90 days.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was granted up to the end of the reporting period.

The Group has trade receivables amounting to US$44,078,000 (2013: US$7,437,000) which were pledged as security for a trade financing facility.

Trade receivables denominated in foreign currencies at 31 December are as follow:

	Group	
	2014	2013
	US$'000	US$'000
Euro	9,080	–
Chinese Yuan Renminbi	180	–

The table below is an analysis of trade receivables as at 31 December:

		Group	
	Note	2014	2013
		US$'000	US$'000
Current		61,987	7,347
Past due but not impaired	(a)	2,977	–
Impaired		49	–
Total gross trade receivables		65,013	7,347
Allowance for impairment	(b)	(49)	–
Trade receivables, net		64,964	7,347

18. Trade receivables (cont'd)

(a) *Receivables that are past due but not impaired*

The Groups has trade receivables amounting to US$2,977,000 (2013: Nil) that are past due at the end of reporting period but not impaired. These receivables are mainly secured with credit enhancement and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2014	2013
	US$'000	US$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	426	–
30 to 60 days	1,109	–
More than 61 days	1,442	–
	2,977	–

(b) *Receivables that impaired*

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2014	2013
	US$'000	US$'000
Trade receivables – nominal amounts	49	–
Less: Allowance for impairment	(49)	–
	–	–
Movement in allowance accounts:		
At 1 January	–	–
Acquisition of a subsidiary	59	–
Written off	(10)	–
At 31 December	49	–

19. Other receivables

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Financial assets				
Other receivables	2,007	555	46	–
Amounts due from subsidiaries	–	–	106,103	43,219
	2,007	555	106,149	43,219
Non-financial assets				
Deposits	8,341	902	1,178	99
Prepayments	3,407	144	133	27
Advances to a supplier	8,010	–	–	–
Other tax receivables	3,814	991	24	–
	23,572	2,037	1,335	126
	25,579	2,592	107,484	43,345

Amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

Included in deposits are amount of US$1,000,000 (2013: Nil) as deposit for an acquisition of a subsidiary (Note 35) and US$3,700,000 (2013: Nil) which has been deposited with a bank as collateral for a loan payable (Note 24).

The Group's and the Company's other receivables that are denominated in foreign currencies at 31 December are as follow:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Indonesian Rupiah	7,873	1,967	–	–
Chinese Yuan Renminbi	1,072	–	–	–
Singapore Dollar	933	274	381	85
Malaysia Ringgit	499	7	–	–
Euro	430	–	–	–
Thai Baht	35	–	–	–

20. Derivative financial instruments

	Group			
	2014		2013	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Forward commodity (natural rubber) contracts	5,117	(821)	903	(789)

The group utilises forward commodity (natural rubber) contracts to manage the fluctuations in world rubber prices.

At the end of the reporting period, the total notional amounts of derivative financial instruments to which the Group is committed to are as follows:

	Notional amount		Positive fair value		Negative fair value	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Forward contracts on commodities:						
- Sales	370,552	26,232	–	903	(821)	–
- Purchases	447,573	11,578	5,117	–	–	(789)
			5,117	903	(821)	(789)

The average maturity period for forward commodity (natural rubber) contracts ranges from one to six months.

21. Inventories

	Group	
	2014 US$'000	2013 US$'000
At cost:		
- Consumables	4,638	1,271
At fair value:		
- Raw materials	11,228	3,296
- Work-in-progress	16,300	5,834
- Finished goods held for resale	55,909	6,008
	83,437	15,138
	88,075	16,409

Inventories with carrying amount of US$16,986,000 (2013: US$15,138,000) has been pledged as security for a trade financing facility (Note 24).

22. Trade payables

	Group 2014 US$'000	Group 2013 US$'000
External parties	26,990	–

These amounts are non-interest bearing. Trade payables are normally settled on 60 days term.

Trade payables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Euro	2,915	–	–	–
Others	124	–	–	–

23. Other payables

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Financial liabilities				
Other payables	14,994	2,760	–	460
Accrued operating expenses	4,877	–	1,096	–
Accrued interest expense	3,495	–	2,676	–
Amount due to a subsidiary	–	–	–	12,051
	23,366	2,760	3,772	12,511
Non-financial liabilities				
Other tax payables	292	106	64	42
Advances from customer	241	–	–	–
	533	106	64	42
	23,899	2,866	3,836	12,553

Included in the Group's other payables as at 31 December 2014 is the remaining consideration of US$14,668,000 payable for the acquisition of NCE Group (Note 14).

These amounts are non-interest bearing. Other payables are normally settled in an average term of six months.

Other payables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Indonesia Rupiah	2,004	875	–	–
Malaysia Ringgit	469	–	–	–
Singapore Dollar	3,980	1,406	3,837	149
Euro	284	–	–	–

24. Loan payables

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Current:				
- Working capital loans	55,352	15,303	2,750	–
- Term loan	3,186	5,840	3,186	5,840
	58,538	21,143	5,936	5,840
Non-current:				
- Working capital loans	12,375	–	12,375	–
- Medium-term notes ("MTN")	91,840	–	91,840	–
- Syndicated loan	234,000	–	–	–
	338,215	–	104,215	–

Loan payables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Singapore Dollar	91,840	–	91,840	–
Euro	3,611	–	–	–

Working capital loans bear average interest rates ranging from 1.87% to 5.00% (2013: 2.61% to 3.33%) per annum. These loans are secured by a charge over certain of the Group's inventories (Note 21), trade receivables (Note 18), pledged deposits (Note 17) and property, plant and equipment (Note 12).

Term loan bears effective interest rate of 7.5% (2013: 7.5%) per annum. This loan is secured by a charge over certain of the Group's property, plant and equipment (Note 12).

The Medium Term Notes ("MTN") with a face value of S$125 million (2013: Nil) was issued on 31 July 2014. The MTN are unsecured and bear a fixed interest rate of 6.5% per annum from 31 July 2014 to 30 July 2017, and if not redeemed, will bear interest of 8.5% from 31 July 2017 to 31 July 2019 (maturity date).

The syndicated loan which was entered for acquisition of Anson Group (Note 14), bears interest rate ranging from 4.90% to 5.68% (2013: Nil) per annum. The loan is secured by a pledge over the ordinary shares held by the Group in certain subsidiaries and deposit placed with the bank of US$3,700,000 (Note 19). The syndicated loan will be replaced with a term loan facility and working capital loan facility which will be repaid within 4 years period.

25. Retirement benefit obligations

The Group provides defined post-employment benefits for its qualifying employees in accordance with Indonesia Labor Law No. 13/2003. The number of employees entitled to the benefit is 3,612 (2013: 659).

Changes in the retirement benefit obligations are as follows:

	Group	
	2014 US$'000	2013 US$'000
At 1 January	648	529
Acquisition of subsidiaries	9,637	–
Benefit paid for the year	(213)	(3)
Changes charged to profit or loss		
Current service costs	622	359
Interest cost on benefit obligations	358	31
Past service costs	38	–
Net actuarial gain recognised during the year	1	–
Re-measurement of other long term employee benefits	10	–
Re-measurement losses in other comprehensive income		
Actuarial changes arising from changes in demographic assumptions	(6)	–
Actuarial changes arising from changes in financial assumptions	320	–
Experience adjustments	145	(123)
Exchange difference	(527)	(145)
At 31 December	11,033	648

The cost of providing post-employment benefits is calculated by an independent actuary. The actuarial valuation was carried out using the following key assumptions:

		2014 %	2013 %
Discount rate	:	8.50	9.00
Future salary increment rate	:	9.00 – 10.00	10.00

Three other assumptions, mortality rate, disability rate and voluntary resignation rate are not significant assumptions for these plans since there are insignificant changes in retirement benefit obligations arising from these.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follow:

	Group	
	Increase in assumption 2014 US$'000	Decrease in assumption 2014 US$'000
One percentage point change in the assumed discount rate:		
– (Decrease)/ Increase in the aggregate current service cost and interest cost	(128)	158
– (Decrease)/ Increase on retirement benefit obligation	(844)	1,007
One percentage point change in the salary growth rate:		
– Increase/ (Decrease) on the aggregate current service cost and interest cost	154	(128)
– Increase/ (Decrease) on retirement benefit obligation	985	(842)

25. Retirement benefit obligations (cont'd)

The above sensitivity analysis is based on a change in an assumption while holding other assumptions constant. In practise, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligations to significant actuarial assumptions, the same method (present value of the retirement benefit obligations calculated with the Projected Unit Credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligations recognised within the statement of financial position.

Through its retirement benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed as below:

Changes in bond yields

A decrease in Indonesian government bond yield will increase plan liabilities.

Inflation risk

The majority of the plan's benefit obligations are linked to inflation which higher inflation will lead to higher liabilities.

The weighted average duration of the retirement benefits obligation is 15.9 years (2013: 16.2 years).

26. Share capital

	Group and Company			
	2014		2013	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January	370,000	63,713	123,000	12,500
Effect of share split	–	–	245,877	–
Issue of shares	51,000	29,280	124,000	51,213
At 31 December	421,000	92,993	370,000	63,713

The Company had on 29 January 2014, issued and allotted 26,000,000 fully paid ordinary shares based on the issue price of S$0.72 per share as part of the purchase consideration for the acquisition of the entire issued and paid up share capital of JFL Agro Pte Ltd. On 8 September 2014, the Company issued and allotted 25,000,000 fully paid ordinary shares based on issue price of S$0.738 per share to further strengthen the capital base of the Company.

27. Other reserves

a) Capital reserve

Capital reserves pertain to the excess of capital paid by a shareholder for the shares in the subsidiary over the capital received from the same shareholder for the swap of the shares in the Company.

b) Hedging reserve

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

c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

28. Commitments and contingencies

a) *Operating lease commitments – as lessee*

	Group	
	2014 US$'000	2013 US$'000
Minimum lease payments under operating leases recognised as an expense during the year	478	184

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2014 US$'000	2013 US$'000
Not later than one year	658	390
Later than one year but not later than five years	515	500
	1,173	890

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

b) *Finance lease commitments – as lessee*

The Group and the Company has finance leases for certain items of plant and equipment and furniture and fixtures. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group and Company			
	2014 US$'000		2013 US$'000	
	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	517	405	–	–
Later than one year but not later than five years	1,637	1,481	–	–
Total minimum lease payments	2,154	1,886	–	–
Less: Amounts representing finance charges	(268)	–	–	–
Present value of minimum lease payments	1,886	1,886	–	–

This obligation is secured by a charge over the leased assets (Note 12).

c) *Commitment for sales and purchases contracts*

The Group has committed sales and purchases contracts that are entered into for the use of the Group. The contractual or notional amounts of the committed contracts with fixed pricing terms that was outstanding as at 31 December 2014 and 2013 are as disclosed in Note 20.

28. Commitments and contingencies (cont'd)

d) *Corporate guarantees*

The following are the corporate guarantees for the credit facilities obtained by:

	Company	
	2014	2013
	US$'000	US$'000
Subsidiaries	427,000	84,000

29. Financial risks and management

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

		Group		Company	
	Note	2014	2013	2014	2013
		US$'000	US$'000	US$'000	US$'000
Financial assets					
Loans and receivables:					
Cash and bank balances	17	77,456	52,688	1,186	22,627
Trade receivables	18	64,964	7,347	–	–
Other receivables	19	2,007	555	106,149	43,219
		144,427	60,590	107,335	65,846
Financial assets at fair value through profit or loss:					
Derivative financial instruments	20	5,117	903	–	–
Financial liabilities					
Financial liabilities carried at amortised cost:					
Trade payables	22	26,990	–	–	–
Other payables	23	23,366	2,760	3,772	12,511
Loan payables	24	396,753	21,143	110,151	5,840
Finance lease obligation	28	1,886	–	1,886	–
		448,995	23,903	115,809	18,351
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments	20	821	789	–	–

(b) *Financial risk management policies and objectives*

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects of the financial performance of the Group.

29. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk

As disclosed in Note 2.8 of the financial statements, the functional currency of the company is the United States dollars.

The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain key purchases which are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), Euro, Indonesian Rupiah (IDR) and Malaysian Ringgit (MYR). The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes.

As at the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Liabilities		Assets	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Group				
Singapore Dollars	95,820	1,406	5,677	23,028
Euro	6,810	–	10,288	–
Indonesian Rupiah	2,095	875	32,037	4,760
Malaysian Ringgit	479	–	665	17,569
Chinese Yuan Renminbi	–	–	1,770	–
Company				
Singapore Dollars	95,677	149	580	22,450

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

29. Financial risks and management (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(i) *Foreign currency risk (cont'd)*

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit or loss will increase/(decrease) by:

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Singapore Dollars	(9,014)	2,162	(9,568)	2,230
Euro	348	–	–	–
Indonesian Rupiah	2,994	388	–	–
Malaysian Ringgit	19	1,757	–	–
Chinese Yuan Renminbi	177	–	–	–

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's primary interest rate risk arises from its loan payables.

The Group's exposures to interest rates are set out below.

<u>Interest rate sensitivity</u>

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss/profit for the financial year would increase/decrease by US$1,345,000 (2013: US$106,000). This is mainly attributable to the Group's exposure to interest rates on its balance due to the bank and financial institutions.

(iii) *Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are creditworthy entities.

29. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Credit risk management (cont'd)

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Further details of credit risks on trade receivables are disclosed in Note 18 to the financial statements.

(iv) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group maintains sufficient liquidity at all times by efficient cash management.

The Group's ability to meet its obligations is managed by maintaining appropriate level of cash balance.

Non-derivative financial instruments

The following tables detail the remaining contractual maturity for non-derivative financial instruments.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

29. Financial risks and management (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments

	2014						2013					
		US$'000						US$'000				
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
Group												
Financial assets:												
Trade and other receivables		66,971	–	–	–	66,971		7,902	–	–	–	7,902
Cash at banks and in hand		44,689	–	–	–	44,689		49,519	–	–	–	49,519
Fixed deposits	6.64	34,943	–	–	(2,176)	32,767	0.21	3,176	–	–	(7)	3,169
Total undiscounted financial assets		146,603	–	–	(2,176)	144,427		60,597	–	–	(7)	60,590
Financial liabilities:												
Trade and other payables		50,356	–	–	–	50,356		2,760	–	–	–	2,760
Finance lease creditors	3.50	517	1,637	–	(268)	1,886		–	–	–	–	–
Loan payables- variable rate	3.60	67,911	269,694	4,232	(40,110)	301,727	2.97	15,757	–	–	(454)	15,303
Loan payables- fixed rate	7.50	9,394	20,664	99,647	(34,679)	95,026	7.50	6,278	–	–	(438)	5,840
Total undiscounted financial liabilities		128,178	291,995	103,879	(75,057)	448,995		24,795	–	–	(892)	23,903
Company												
Financial assets:												
Trade and other receivables		106,149	–	–	–	106,149		43,219	–	–	–	43,219
Cash at banks and in hand		1,186	–	–	–	1,186		22,627	–	–	–	22,627
		107,335	–	–	–	107,335		65,846	–	–	–	65,846
Financial liabilities:												
Trade and other payables		3,772	–	–	–	3,772		12,511	–	–	–	12,511
Finance lease creditors	3.50	517	1,637	–	(268)	1,886		–	–	–	–	–
Loan payables- variable rate	2.87	3,169	9,018	4,234	(1,296)	15,125		–	–	–	–	–
Loan payables- fixed rate	7.50	9,39	20,664	99,647	(34,679)	95,026	7.50	6,278	–	–	(438)	5,840
		16,852	31,319	103,879	(36,243)	115,809		18,789	–	–	(438)	18,351

29. Financial risks and management (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk (cont'd)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	Group		
	On demand or within one year US$'000	Within 2 to 5 years US$'000	Total US$'000
2014			
Gross settlement:			
Forward commodity (natural rubber) contracts	4,296	–	4,296
2013			
Gross settlement:			
Forward commodity (natural rubber) contracts	114	–	114

(v) Commodity price risk

Due to the nature of the Group's operations, the Group is exposed to changes in agricultural commodity prices. At the end of the reporting period, a 5% increase/decrease of the commodities price index, with all other variables held constant, would have increased/decreased profit or loss before income tax by US$741,000 (2013: US$104,000).

30. Related party transactions

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

During the year, Group entities entered into the following transactions with related parties:

	Group	
	2014 US$'000	2013 US$'000
Management fees paid/payable to a related party	–	(288)
Issuance of 75,000,000 preference shares based on issue price of S$1.00 per share to a company beneficially owned by a director of the Company	60,202	–

30. Related party transactions (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	Group	
	2014	2013
	US$'000	US$'000
Directors' fees	141	96
Short-term benefits	1,757	2,518
	1,898	2,614

31. Segment information

In 2013, the Group operated predominantly in the midstream of the natural rubber supply chain, specialising in the processing and merchandising/marketing of processed rubber.

In 2014, the Group concluded a series of strategic acquisitions (the "acquisitions") that transformed the Group into a world leading integrated supply chain manager for natural rubber. The acquisitions included 10 Standard Indonesian Rubber ("SIR") factories, 2 Standard Malaysian Rubber ("SMR") factories, 10,000 hectares of Sultanate Land in Kelantan to be developed as a natural rubber plantation, as well as a well-established natural rubber distributor in Singapore with a network of sales offices and supporting logistics assets in South East Asia, China, the United States and Europe. The Group's supply chain model is designed to capture adjacent margins along the natural rubber value chain, as follows:

Plantation segment – the management of natural rubber estates, both owned by Group and external third parties, employing latest agronomical models and best ecological practices to achieve world-leading sustainable yields.

Processing segment – the procurement and processing of raw materials into high quality technically specified rubber ("TSR') in our 14 processing factories, with a strong focus on Corporate Social Responsibility ("CSR") and the development of premium grades.

Distribution segment – the merchandising and distribution of natural rubber and latex from the Group's own factories as well as selected third party origins and grades.

Corporate segment – covers group strategic management, corporate finance, group administration and legal matters, treasury, taxation and investment properties.

The results of the operating segments are reviewed continuously by the Group's executive team to optimise allocation of resources between the segments. Segmental 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.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on reasonable basis.

31. Segment information (cont'd)

	Plantation		Processing		Distribution		Corporate		Elimination		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue to third party	–	–	311,398	204,970	167,849	–	–	–	–	–	479,247	204,970
Inter-segment revenue	–	–	6,721	–	7,162	–	8,660	10,660	(22,543)	(10,660)	–	–
Total revenue	–	–	318,119	204,970	175,011	–	8,660	10,660	(22,543)	(10,660)	479,247	204,970
Gross profit	–	–	21,991	20,248	2,912	–	8,660	10,660	(8,660)	(10,660)	24,903	20,248
Operating (loss)/profit	(465)	–	7,323	10,238	1,019	–	(4,223)	5,648	(3,904)	(3,755)	(250)	12,130
Finance income											950	207
Finance costs											(10,514)	(1,650)
(Loss)/profit before taxation											(9,814)	10,687
Income tax expense											(3,051)	(1,576)
(Loss)/Profit for the financial year											(12,865)	9,111
Segment assets	45,732	–	547,575	106,128	98,709	–	376,644	112,168	(427,673)	(110,445)	640,987	107,851
Segment liabilities	5,359	–	117,038	70,297	68,603	–	506,199	49,730	(216,743)	(92,448)	480,456	27,579
Other information:												
Depreciation expenses	520	–	4,782	898	46	–	212	113	–	–	5,560	1,011
Purchase of property, plant and equipments	1,780	–	11,490	8,580	53	–	581	309	–	–	13,904	8,889

31. Segment information (cont'd)

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets including intangible assets, property, plant and equipment, deferred charges and other assets) by geographical location are detailed below:

	Group	
	2014 US$'000	2013 US$'000
Sales of natural rubber		
Singapore	196,312	61,014
Asia (excluding Singapore and China)	149,886	76,252
China	50,164	9,693
USA/Canada	50,410	53,697
Europe and Russia	30,303	4,314
Others	2,172	–
	479,247	204,970

The table above shows the Group's revenue by geographical locations based on the origin of the customers' ultimate parent company.

	Group	
	2014 US$'000	2013 US$'000
Non-current assets		
Indonesia	295,090	15,252
Malaysia	64,126	–
Singapore	15,395	12,463
Others	76	–
	374,687	27,715

Non-current assets presented above represents intangible assets, property, plant and equipment, investment properties, biological assets, other assets and deferred charges as presented in the consolidated statement of financial position.

32. Dividend

	Group and Company	
	2014 US$'000	2013 US$'000
Declared and paid during the year:		
Dividends on ordinary shares:		
- Final tax exempt (one-tier) dividend for 2013: 1.0 Singapore cent (2012: 1.0 Singapore cent) per share	3,152	2,350
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the forthcoming AGM:		
- Final tax exempt (one-tier) dividend for 2014: nil (2013: 1.0 Singapore cent) per share	–	3,152

33. Fair value of assets and liabilities

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

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Assets and liabilities measured at fair value

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, the Group uses valuation models to determine the fair values based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and commodity exchange price quotations and dealer quotations for similar commodities traded in different markets and geographical areas, existing at the end of the reporting period.

At the end of each reporting period, the Group's derivative financial instruments (Note 20) was measured based on Level 1.

Fair value of financial instruments not measured at fair value

The carrying amounts of cash and bank balances (Note 17), trade receivable (Note 18), other receivables (Note 19), trade payables (Note 22), other payables (Note 23) and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments or the fact that they bear variable interest rates.

Assets and liabilities not carried at fair value but for which fair value is disclosed

The fair value of the liability of the Group and Company not measured at fair value was based on Level 1 inputs and presented in the following table:

		Group and Company			
		2014		2013	
	Note	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Financial liability:					
Medium Term Notes	24	91,840	90,909	–	–

34. Capital management

The Group reviews its capital structure at least annually to ensure that the Group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group comprises only of issued capital and retained earnings. 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 years ended 31 December 2014 and 31 December 2013.

34. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net borrowing divided by total equity. The Group includes within net borrowing, loans and borrowings, finance lease obligation, adjusted for working capital items.

	Group	
	2014	2013
	US$'000	US$'000
Loan payables (Note 24)	396,753	21,143
Finance lease obligation (Note 28(b))	1,886	–
Total borrowing	398,639	21,143
Adjust for: Working capital items		
– Trade receivables (Note 18)	(64,964)	(7,347)
– Inventories (Note 21)	(88,075)	(16,409)
– Cash and bank balances (Note 17)	(77,456)	(52,688)
– Trade payables (Note 22)	26,990	–
Net borrowing	195,134	55,301
Total equity	160,531	80,272
Gearing ratio	1.22	0.67

35. Events after the reporting period

On 26 January 2015, the Company has through Hevea International Pte Ltd, entered into a master share purchase agreement with Centrotrade Holding AG (the "Centrotrade") to acquire the 100% of the issued and paid up share capital in the following wholly owned subsidiaries of Centrotrade, namely:

i) Centrotrade Deutschland GmbH, a company incorporated in Germany;

ii) Centrotrade Commodities Malaysia Sdn. Bhd., a company incorporated in Malaysia;

iii) Centrotrade Singapore Pte Ltd, a company incorporated in Singapore; and

vi) Centrotrade Minerals & Metals, Inc., a company incorporated in the United States of America .

(collectively referred to as the "Centrotrade Rubber Group")

The purchase consideration for the Centrotrade Rubber Group is determined using the sum of:

a) a base amount of US$3,050,000;

b) the audited net asset value of the Centrotrade Rubber Group as of 31 December 2014 ("NAV"); and

c) the value of the forward profit [1], insofar that such forward profit is not included in the NAV.

Note:

[1] Forward profit is the fair value gains or losses on the open sales and purchase commodity contracts, forward currency contracts, commodity hedges and inventories as at 31 December 2014, to the extent not otherwise reflected in the NAV in accordance to the applicable accounting standards

As at 31 December 2014, a deposit amounting to US$1,000,000 has been paid to Centrotrade.

36. Comparative figures

The financial statements for the financial year ended 31 December 2013 were audited by another firm of Chartered Public Accountants.

37. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 27 March 2015.

Statistics of **Shareholdings**

As at 20 March 2015

Issued and paid-up capital	:	S$120,010,104
Number of issued shares	:	421,000,000
Number of treasury shares	:	Nil
Voting rights	:	On Show of Hand - 1 vote for each member On a Poll - 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	1	0.11	1	0.00
100 - 1,000	23	2.47	20,740	0.00
1,001 - 10,000	398	42.75	2,856,500	0.68
10,001 - 1,000,000	484	51.99	35,525,600	8.44
1,000,001 AND ABOVE	25	2.68	382,597,159	90.88
TOTAL	931	100.00	421,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	86,012,400	20.43
2	HSBC (SINGAPORE) NOMINEES PTE LTD	69,365,770	16.48
3	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	52,500,000	12.47
4	BANK OF SINGAPORE NOMINEES PTE. LTD.	25,283,000	6.01
5	GOI SENG HUI	25,000,000	5.94
6	ANDREW TREVATT	19,400,000	4.61
7	DBSN SERVICES PTE. LTD.	14,800,000	3.52
8	DBS NOMINEES (PRIVATE) LIMITED	14,775,100	3.51
9	CITIBANK NOMINEES SINGAPORE PTE LTD	10,920,300	2.59
10	SHAW VEE KING	10,219,689	2.43
11	OCBC SECURITIES PRIVATE LIMITED	10,057,100	2.39
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,025,000	1.91
13	UOB KAY HIAN PRIVATE LIMITED	7,695,200	1.83
14	DEMIERRE PASCAL GUY CHUNG WEI	6,440,000	1.53
15	VENSTAR INVESTMENTS II LTD	5,378,000	1.28
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,066,400	0.73
17	SIM SIEW TIN CAROL (SHEN XIUZHEN CAROL)	2,378,700	0.57
18	PHILLIP SECURITIES PTE LTD	2,169,500	0.52
19	STF INVESTMENTS LTD	1,890,000	0.45
20	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,471,000	0.35
	TOTAL	376,847,159	89.55

Statistics of **Shareholdings**

As at 20 March 2015

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	Number of shares	%	Number of shares	%
Lynette Nee Lord Le Mercier	61,500,000	14.61	–	–
Credence Capital Fund II (Cayman) Limited	52,500,000	12.47	–	–
Gunther Robert Meyer [1]	–	–	36,350,000	8.63
Keystone Pacific Pte. Ltd.	30,800,000	7.32	–	–
Goi Seng Hui	25,000,000	5.94	–	–
Demierre Pascal Guy Chung-Wei	21,774,576	5.17	–	–

Note:

(1) Gunther Robert Meyer is deemed interested in the following shares:

- 5,000,000 shares held by his spouse, Su-Lyn Meyer;
- 550,000 shares held by his father, Gunther Richard Meyer; and
- 30,800,000 shares held by Keystone Pacific Pte. Ltd., a company wholly owned by Gunther Robert Meyer.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 20 March 2015, approximately 53.08% of the issued ordinary shares of the Company is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited which requires at least 10% of a listed issuer's equity securities to be held by the public.

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Halcyon Agri Corporation Limited (the "Company") will be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Thursday, 23 April 2015 at 4.00 p.m. for the purpose of transacting the following business:

Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To re-elect Mr Gunther Robert Meyer, the Director who is retiring pursuant to Article 91 of the Articles of Association of the Company. **(Resolution 2)**

   Mr Gunther Robert Meyer will, upon re-election as a Director of the Company, remain as Executive Chairman and Chief Executive Officer, and a member of the Nominating Committee.

3. To re-elect Mr Khoo Boo Teck Randolph, the Director who is retiring pursuant to Article 91 of the Articles of Association of the Company. **(Resolution 3)**

   Mr Khoo Boo Teck Randolph will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules").

4. To re-elect Mr Liew Choon Wei, the Director who is retiring pursuant to Article 97 of the Articles of Association of the Company. **(Resolution 4)**

   Mr Liew Choon Wei will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

5. To approve the sum of up to S$300,000 to be paid quarterly in arrears, to non-executive Directors as Directors' fees for the financial year ending 31 December 2015. **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may be properly transacted at an annual general meeting.

Special Business

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

8. **Authority to Allot and Issue Shares** **(Resolution 7)**

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "Act") and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:

   (I) (a) allot and issue shares in the capital of the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (b) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(II) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time of such issuance of Shares,

PROVIDED THAT:

(a) 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), shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a) above, the percentage of the issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion 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, whichever is earlier.

[See Explanatory Note]

By Order of the Board

Teo Meng Keong
Company Secretary
Singapore
8 April 2015

Explanatory Notes:

Resolution 7

The Resolution 7, if passed, will empower the Directors of the Company, effective from the conclusion of the above AGM until the conclusion 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 earlier, to allot and issue Shares and convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution 7, for such purposes as the Directors may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution 7 would not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 7. For the issue and allotment of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued and allotted shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 7.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares will be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution 7 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding and/or subsisting at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares.

Notes:

1. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two proxies to attend in his stead. A proxy need not be a member of the Company.

2. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the AGM.

Personal Data Privacy:

By submitting an instrument appointing proxy or proxies, and/or representative(s) to attend, speak and vote at the 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy(ies) and/or representative(s) appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure of such individual's personal data for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HALCYON AGRI CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200504595D)

Important:
Personal Data Privacy
By submitting an instrument appointing proxy or proxies and/or representative(s), a member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2015.

PROXY FORM
ANNUAL GENERAL MEETING

*I/We, ______________________ (Name) *NRIC/Passport/Co. Reg. No. ______________

of ____ (address)

being a *member/members of HALCYON AGRI CORPORATION LIMITED (the "Company"), hereby appoint:

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

*and/or

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

or failing him/her, the Chairman of the Annual General Meeting ("AGM"), as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Thursday, 23 April 2015 at 4.00 p.m. and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the resolutions proposed at the AGM as indicated hereunder. In the absence of specific directions the *proxy/proxies may vote or abstain from voting at *his/her discretion, as he/they may on any other matter arising at the AGM.

All resolutions put to vote at the AGM shall be decided by way of poll.

	ORDINARY RESOLUTIONS	Number of votes For**	Number of votes Against**
	Ordinary Business		
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and the Auditors thereon		
Resolution 2	To re-elect Mr Gunther Robert Meyer as a Director of the Company		
Resolution 3	To re-elect Mr Khoo Boo Teck Randolph as a Director of the Company		
Resolution 4	To re-elect Mr Liew Choon Wei as a Director of the Company		
Resolution 5	To approve Directors' fees for the financial year ending 31 December 2015		
Resolution 6	To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Resolution 7	To authorise the Directors to allot and issue shares		

**Delete accordingly*
***Please indicate the number of votes as appropriate*

Date this ____________ day of ____________ 2015

Total Number of Shares held in :	
CDP Register	
Register of Members	

____
Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. A member of the Company entitled to attend the AGM and vote is entitled to appoint one or two proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for the AGM.

3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the AGM.

5. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the general meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

General:

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

HALCYON AGRI

Halcyon Agri Corporation Limited
250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101
www.halcyonagri.com

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