GLOBAL INTEGRATION

ANNUAL REPORT 2015

Contents

At Halcyon Agri, we believe that not all natural rubber is created equal. We know that our natural rubber is used to manufacture products where consistent quality, reliability and safety are paramount. We also know that our products, as well as our customers' products, must also be produced ethically, sustainably and responsibly.

Halcyon Agri's HEVEA*PRO* brand natural rubber represents our commitment to the highest standards. When customers buy HEVEA*PRO*, they are assured that they're getting a premium quality product from a trusted supply chain partner, produced in a socially and environmentally responsible way.


Not all rubber is created equal...
HEVEAPRO
Quality
Environment Health & Safety
Social Responsibility
Security

The Gift of Natural Rubber

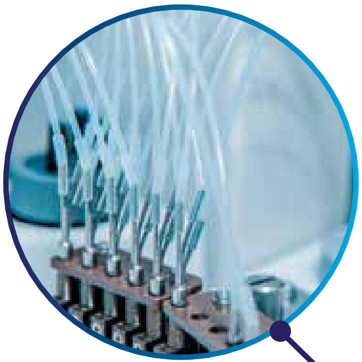
Natural rubber is one of earth's greatest gifts. From the *Hevea Brasiliensis* tree, a rainforest species native to the Amazon, comes the liquid latex from which natural rubber is derived.

Natural rubber has unique chemical properties that make it an essential and irreplaceable raw material for many industrial applications. Mobility and safety, in particular, require natural rubber's unique characteristics.

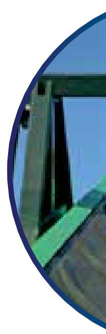
Vehicle tyres, bearings, vibration dampers, hoses, conveyer belts, medical gloves, footwear and bedding all utilise natural rubber. Natural rubber is highly sought after wherever elasticity and flexibility combined with resistance to abrasion, tearing and temperatures are required.

Natural rubber is, however, a limited resource, as the *Hevea Brasiliensis* tree only grows effectively within a narrow band around the equator where temperatures are consistently warm and rain is abundant.

Halcyon Agri is privileged to play a part in supplying this vital resource to the world.



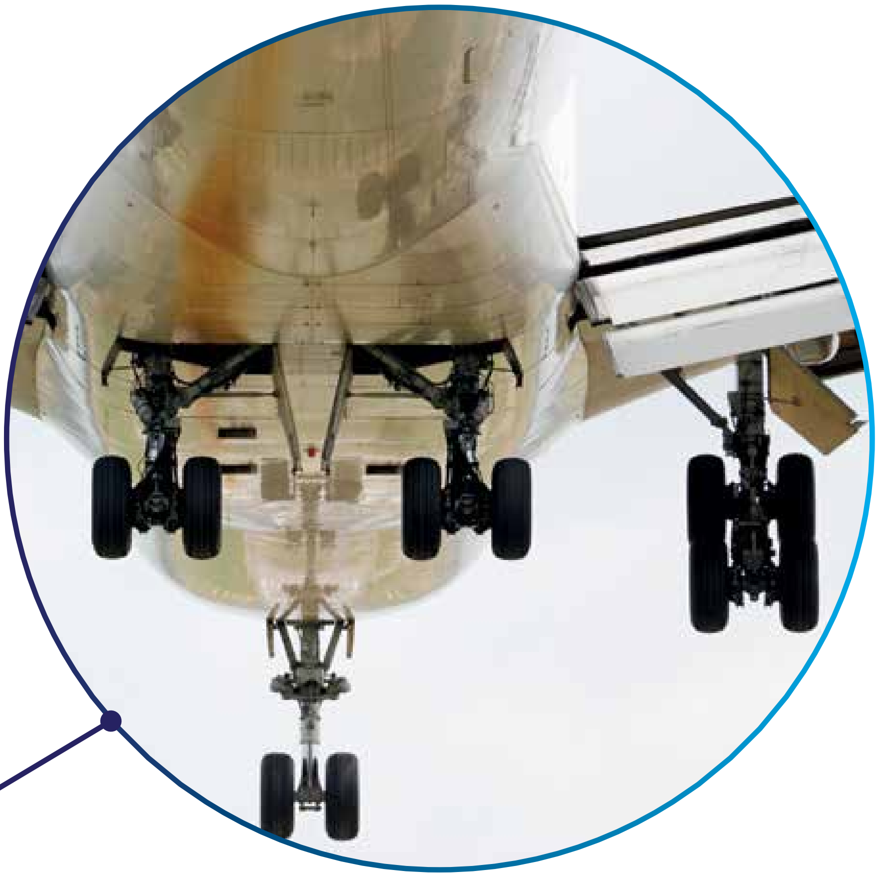
Medical Tubing:
Natural latex is utilised extensively in the production of tubing for medical applications



Medical Gloves:
Natural latex gives medical practitioners the grip, puncture & tear resistance and natural feel essential for performing medical procedures

Rubber Dampers:
Natural rubber dampers resist the transmission of vibrations and play an essential role in protecting the world's buildings in case of earthquakes or severe weather

Conveyor Belts:
Natural rubber's resilience makes it ideally suited for the demanding requirements of heavy duty industrial conveyer belts



Aircraft Tyres:
Aircraft tyres are made almost exclusively of natural rubber to have high heat tolerance and grip to withstand the stress of takeoff and landing

Footwear:
Natural rubber is used widely in the production of footwear due to its durability, flexibility and water resistance

F1 Tyres:
The tyres for F1 vehicles are often made with a high proportion of natural rubber due to its resilience and temperature resistance

Global Integration

Connecting source to consumer

Our goal is to provide our customers with the natural rubber they need, whenever and wherever they need it. Our global distribution network delivers on this goal, with extensive procurement reach and logistics assets located throughout the world. Whether it's Indonesian HEVEA*PRO* for a leading tyre producer, Malaysian latex for an international medical glove manufacturer or African rubber for a European tyre producer, we've got it covered.

Integrating our operations

We focused on integrating our operations to maximise opportunities for growth and optimise the utilisation of our resources. We rapidly integrated acquired businesses by streamlining our management structures, establishing sharing of best practices, and reorganising to sharpen our customer focus. Our business today is organised around 3 core operating strategies and multiple geographic platforms across 21 locations.

Integrating the supply chain

Our supply chain management business model is designed to provide maximum benefits for Halcyon Agri and our customers. As one of the world's largest producers of natural rubber, we have the scale to support the market-leading Quality, Governance, Corporate & Social Responsibility, Environment Health & Safety and Security principles promised through our HEVEA*PRO* brand. With our world leading distribution network, we have the scope and reach to procure a wide range of natural rubber and deliver it to our extensive customer base.

Connecting economies

Our business naturally connects the emerging economies that produce natural rubber with the developed or rapidly developing economies that consume it. Natural rubber has been a source of international currency for emerging economies since early in the 20th century and will continue to be so for many years to come. We play an essential role in facilitating this vital international trade.

Chairman's Statement

"Based on the expected growth in natural rubber consumption, producing countries will need to add a minimum of 300,000 hectares (more than 4 times the size of Singapore) each year to meet the rising demand..."

Dear Shareholders

According to the January 2016 World Economic Outlook update published by the International Monetary Fund ("IMF"), global economic output is estimated to have grown at 3.1% in 2015, and is projected to grow by 3.4% in 2016 and a further 3.6% in 2017. With the global population estimated to have grown by 1.2% in 2015, this implies that global GDP growth currently outpaces global population growth by almost 3:1!

These numbers may not sound impressive, but they mean that within a mere 2 years we will see the global population *grow by approximately 165 million people* (or half the population of the US), and, on average, people *will be 5% wealthier than they were at the beginning of 2015*. This is an astonishing development, and one that contradicts the prevailing gloomy market sentiment.

Oil prices have fallen for a second straight year. Brent, the global benchmark, ended 2015 at US$37.28 a barrel, down by 35%. Most commodities and industrial raw materials declined in 2015, sparked by fears surrounding the anticipated slow-down of economic development in the People's Republic of China.

So we are looking at a divergence of trends. Prices for commodities are down, despite reasonable growth in global economic output and population. How does this make sense?

Clearly, the answer must lie in supply-side overcapacity. Indeed, the seemingly endless supply of virtually no-cost money provided by accommodating central bankers around the world has most certainly led to a degree of inefficient allocation of productive capital. We have all seen news reports of apparently over-sized mines, of excessive vessel building for both the maritime and offshore oil & gas industries, and of white elephants in the form of expensive energy projects such as the Athabascan tar sands in Canada or ultra-deep water projects offshore Brazil.

But what about natural rubber?

To begin with, natural rubber is a material that is easily misunderstood. Is it a commodity? Has it not been eclipsed by synthetic substances? Surely we cannot still be relying on *tapping* to garner latex? These are all very important questions, the answers to which provide valuable insights into the opportunities that we are pursuing at Halcyon Agri.

Natural rubber is a consumer good. Or rather, it is a critical, largely non-substitutable ingredient to some very important consumer goods such as tyres, rubber gloves and condoms. In fact, more than 70% of the world's annual production

of natural rubber is consumed by these three applications. And what do they have in common? They are safety goods. While it is possible to produce natural rubber from sources other than the *Hevea Brasiliensis* tree (the *Russian dandelion* and the *Mexican guayule* shrub come to mind), these crops are much less efficient and produce a much more expensive form of natural rubber.

Natural rubber is not, strictly speaking, a commodity. With more than 70% of it going into safety goods, some of which are even subject to FDA approval, end-user demands for supply chain stewardship and integrity have been rising steadily. In order to be able to supply natural rubber into such key safety good applications, rubber factories need to be certified by the makers of those products. These are our clients, and we refer to them as "consumers". While my team and I embrace ever higher standards of governance, compliance and transparency, the mere fact that origins are contractually specified down to the individual factory takes away a key characteristic of a commodity: fungibility.

Natural rubber is almost entirely a tropical smallholder crop. The people of Thailand, Indonesia, Malaysia and other Asian nations, as well as certain West African countries such as Cameroon and Ivory Coast, collectively produce almost all of the natural rubber that gets consumed every year. Developing, maintaining and tapping rubber trees is hard work. Even the most efficient clones require a five-year gestation period from nursery to tapping. Furthermore, a nascent rubber plantation requires diligent guardians: key tasks such as cover crop management, fertilising, weeding, and protection from elephant raids, to name a few, need to be taken care of daily. Once a tree is mature and ready for tapping, only skilled and experienced hands can deliver a satisfactory yield, often working before sunrise when latex flows best. Finally, as field latex itself has no commercial use, it must then be delivered to a processor for making either liquid latex or dry rubber.

With this understanding of the inherent bottlenecks arising from a smallholder crop on the supply side, we should next look at the demand side of the equation. Demand correlates almost perfectly with GDP growth. The International Rubber Study Group ("IRSG") forecasts demand growth of 3% to 4% annually, or circa 500,000 tonnes. At current yields, this suggests that the natural rubber producing countries need to add a minimum of 300,000 hectares (more than 4 times the size of Singapore) *each year* to meet the increase in demand. Considering a cost to yield of approximately US$4,000 per hectare (excluding the cost of the land itself), the global consumers, who tend to belong to advanced or well developing economies, place a burden of investment of more than *US$1 billion* for each year on emerging market smallholder farmers. Looking at the structure of the market place, and the degree of *laissez-faire* that consumers apply to upstream development, one would hardly believe that we are dealing with a material that is essential to modern day civilised life as we know it.

IRSG has reported that 2015 demand for natural rubber increased by 214,000 tonnes, suggesting a deficit of 81,000 tonnes for 2015. Puzzlingly, the SGX TSR20 active month benchmark price contracted by 20% in a fifth consecutive

Chairman's Statement

year of deflation. *Natural rubber is now nominally as cheap as it was in 2003, when the world had about 990 million less inhabitants and global GDP was nearly 40% less than what it is today.* At the same time consumer price inflation in the rubber producing countries *has almost doubled the cost of production*.

This irrational situation is unsustainable. As the natural rubber industry directs its attention to the much heralded term "sustainability", industry participants will be forced to take stock of the crisis we are in, and collectively reboot the system. This is the opportunity for Halcyon Agri, having moved up the ranks from an aspiring processor at our incorporation in 2010 to a top-3 supply chain manager globally in six years. We believe in Natural Rubber and we understand the supply constraints and the anachronistic nature of the way the industry determines its price.

Since our IPO in 2013, we have invested almost US$0.5 billion to develop a leading supply chain business. Our mission remains to originate, produce and distribute natural rubber. Our allocation of capital is directed by the principles of sustainable returns, and I believe that we are at the cusp of being able to bring positive change to this beleaguered, and yet vitally important, industry.

For the financial year 2015, our total sales volume grew by 131% to 667,800 tonnes, giving us a global market share of over 5%. Our sales volume growth more than offset price deflation and consequently our revenue increased by 108% to nearly US$1 billion. Despite challenging market conditions and at times very high volatility, we managed to grow EBITDA by 160% to US$49 million and return to profitability with US$11.2m on a post-tax basis.

At this juncture, it is important to note that our encouraging results last year were produced in the face of tremendous headwinds. Natural rubber prices have been falling since February 2011, so at the time of writing we have been in a bear market for 5 years. Prices have now fallen significantly below not only previous bear cycle inflection points but, for a large part of 2015, have been below the cost of production. Our strong growth in earnings was therefore delivered by a team that worked harder than ever.

Our Indonesian processing platform, by now a well-integrated portfolio of 12 SIR factories resulting from the acquisitions of the Hevea MK factories in 2011 and the Anson Group in 2014, performed well in 2015. Our capital expenditure programme not only expanded capacity but also improved efficiency and all-round sustainability. It has been substantively completed and we are beginning to see the effects in the form of a net reduction in processing costs in most of our factories – despite operating at low output levels of only a little over 50% of installed capacity. Mr Tan Chor Leng and his team have done an admirable job and we owe them a big "*terima kasih banyak*" for their unrelenting efforts.

Our Malaysian platform, consisting of our processing plants in Chemor, Perak as well as our plantation business in Kelantan, also made credible progress. Hevea KB, our twin factories that commenced commercial operation in 2014 after a complete make-over following the acquisition in 2013, produced 50,425 tonnes of Standard Malaysian Rubber and has thus allowed us to markedly expand our Chinese consumer business. Mr James Bugansky and his team have worked tirelessly to not only reconfigure Hevea KB but to also complete the development of our first plantation asset, the Lebir Estate in Kelantan. We have commenced harvest on 30 hectares of our 566 hectares palm oil plantation, and 1,281 hectares of rubber trees are planted and in great shape. Mr Leonard Beschizza has taken the helm for our Malaysian business in the newly created role of Country CEO, effective January 2016.

On the commercial side, Mr Andrew Trevatt and his team have made good progress. We have completed the integration of the New Continent Enterprises offices in Europe and the US with the newly acquired Centrotrade offices. Together, the merged team represents a key source of margin and profit for the Group - our Industrial Distribution & Latex ("IDL") business. Headed by Mr Horst Sakreida and Mr Guenter Mueller, IDL focuses on the distribution of natural rubber (both dry and in latex form), rubber chemicals and synthetic rubber to rubber consumers who typically are not tyre-makers. Here, we provide technical support and extended levels of logistics services to industrial consumers of natural rubber. IDL delivered a record performance in 2015, not only financially, but also in the speed and degree of efficiency in which the two former competing entities were forged into one.

In Singapore, Mr Christian Tollkuehn and the rest of the sales and marketing team managed to grow our business substantially, to more than 500,000 tonnes of HEVEA*PRO* and opportunistic sales. While sentiment was poor for the most part of the year, demand for our HEVEA*PRO* rubber remained steady throughout and we were able to score several new approvals by important consumers. In line with volume growth, we have reinforced our hedging capabilities with the formalisation of our Risk, Liquidity & Hedging ("RLH") team headed by Mr Kashimoto Michikazu. RLH matches risk exposure between our various sales and manufacturing platforms with a target to minimise external hedging costs.

Finally, my appreciation goes out to our corporate and financial teams in Singapore, and in particular to Mr Pascal Demierre, Mr Ng Eng Kiat and Mr Jason Barakat-Brown. Halcyon Agri has made seven acquisitions in six years, has raised and deployed more than US$500 million in debt and equity capital, and has developed into a business with a headcount of more than 4,000 people in 21 locations generating nearly US$1 billion in annual revenue. The headline numbers may look impressive, but from my backstage seat I can tell you that it is our people that continue to make it happen day by day.

To our board of directors, Messrs. Alan Nisbet, Randolph Khoo and Liew Choon Wei, thank you for your professional guidance and support. To all our stakeholders, investors, banks and customers, thank you for your continued support. We look forward to many more years of working together and to hopefully start enjoying fairer winds as the industry landscape adapts to embrace our ultimate ambition: sustainable profitability for all participants in the natural rubber market.

Robert Meyer
Executive Chairman and CEO

Board of Directors

Robert Meyer

Alan Nisbet

Robert Meyer

Executive Chairman and CEO

Mr 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 plantation development, rubber processing operations, sales and marketing, and distribution operations.

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 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 the Vice Chairman 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 a member of the audit committee of Ascendas Property Fund Trustee 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 established and led the Deloitte Enterprise Risk Service (ERS) function in Singapore and for the last seven years until retirement, led Audit and & Assurance Services for Deloitte Southeast Asia and 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.

Pascal Demierre

Randolph Khoo

Liew Choon Wei

Pascal Demierre

Executive Director

Mr 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 mergers and acquisitions, legal and banking, corporate governance, corporate strategy and structuring, information technology, human resources, integration 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.

Randolph Khoo

Independent Director

Mr 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 as well as the disputes resolution practices of 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, Law Society of Singapore Arbitration Scheme, Shanghai Arbitration Commission, Shenzhen Court of International Arbitration, 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 subsequent 2nd and 3rd Editions released in 2013 and 2015.

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

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 LLP (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 Fellow 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.

Senior Management


Andrew Trevatt


Ng Eng Kiat


James Bugansky

Andrew Trevatt

Chief Commercial Officer

Andrew Trevatt is responsible for commercial affairs of the Group. He has 29 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, before co-founding Halcyon Agri in 2010.

He studied in Meopham Secondary School and graduated in 1982.

Ng Eng Kiat

Chief Financial Officer

Ng Eng Kiat was appointed as the Group Chief Financial Officer 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 graduated from the Multimedia University in Malaysia in 2002 with a Bachelor's Degree (Honours) in Accounting.

James Bugansky

Global Head - 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 36 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

Leonard Beschizza

Jason Barakat-Brown

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 45 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.

Leonard Beschizza

Chief Executive Officer - Malaysia

Leonard Beschizza is responsible for leading the development and execution of the Group's long-term strategy for operations in Malaysia.

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 43 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.

Jason Barakat-Brown

Global Head - Strategic Development

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

Prior to joining as Global Head - Strategic Development, Jason served as an Independent Director on the board of Halcyon Agri. He has more than 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. Jason was also an investment banker with Jardine Fleming 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.

Senior Management

Christian Tollkuehn

Kashimoto Michikazu

Guenter Mueller

Horst Sakreida

Christian Tollkuehn

Global Head - Sales & Marketing

Christian Tollkuehn 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 Tong Teik Pte Ltd and New Continent Enterprises.

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

Kashimoto Michikazu

Global Head - Risk, Liquidity & Hedging

Kashimoto Michikazu joined Halcyon Agri in October 2015 as Global Head - Risk, Liquidity & Hedging.

He commenced his career in 1986 at Marubeni Corporation, a general trading company in Japan. Prior to joining Halcyon Agri, Kashimoto was Managing Director of Marubeni International Commodities (Singapore).

Kashimoto brings extensive knowledge of the natural rubber industry, with more than 30 years' experience in the industry ranging from operating a natural rubber processing factory to trading in the natural rubber physical and futures markets.

He holds a Bachelor of Laws from Keio University in Tokyo, Japan.

Guenter Mueller

Joint Global Head - Industrial Distribution & Latex

Guenter Mueller joined Halcyon Agri through the acquisition of Centrotrade Deutschland GmbH in June 2015, where he has acted as Managing Director since January 1999.

Geunter started his career at an international forwarding agency gaining work experience all around Europe, and entered the rubber industry in August 1985 where he joined Kautschuk GmbH, thereby starting his 30 year tenure in this industry. He joined Centrotrade Deutschland GmbH in 1999 and brings extensive knowledge and understanding of the business to the Group, and is primarily responsible for the Group's Industrial Distribution & Latex division.

Horst Sakreida

Joint Global Head - Industrial Distribution & Latex

Horst Sakreida joined Halcyon Agri through the acquisition of Centrotrade Deutshland GmbH in June 2015, where he has acted as Managing Director since January 1999.

Horst joined Kautschuk GmbH as a trainee in 1978, and worked his way through the Latex and Revertex department as a trader and manager, before being appointed General Manager in 1993. He held this position until 1999 when he joined Centrotrade Deutschland GmbH as Managing Director. He has a long history and understanding of the latex industry in particular, and is primarily responsible for the Group's Industrial Distribution & Latex division.

2015 Year in Review

Market Environment

The market price for natural rubber continued its decline in 2015, recording the fifth consecutive year of falling prices. After beginning the year at US$1,534 per tonne, the price held relatively firm for the first quarter then staged a brief recovery to peak at US$1,656 per tonne in late May as the world's larger natural rubber producers imposed certain restrictions on the speculative use of their production. The recovery was short-lived however, with the price then falling over the remainder of the year to close at US$1,178 per tonne, 20% below its level at the end of 2014.

The total consumption of natural rubber grew in 2015 due to strong vehicle sales in the United States, United Kingdom, Western Europe and China, and increasing miles driven in a number of markets. The growth was dampened somewhat by lower passenger vehicle sales in Russia and Latin America and a significant slowdown in the market for heavy vehicle tyres.

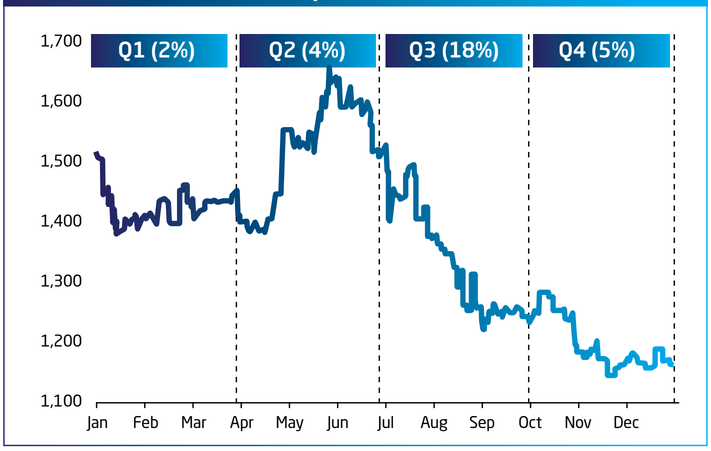
On the supply side, production of natural rubber also grew in 2015, with Thailand and Vietnam the largest contributors to the growth, according to International Rubber Study Group (IRSG). Overall, IRSG data recorded consumption of natural rubber exceeding production slightly in 2015. Nonetheless, expectations of declining global growth placed significant pressure on industrial commodity prices throughout the year, from which natural rubber was not immune.

It had been acknowledged by various parties throughout 2015 that the prevailing price of natural rubber, being below the cost of production for much of the world's producers, is not sustainable. With the vast majority of the world's natural rubber trees being owned, managed and tapped by smallholders, the impact of low prices has a very real impact on communities in Asia's emerging economies. As the natural rubber price has returned to the levels of fifteen years ago, it is instructive to note that a smallholder farmer or tapper in the key producing countries is now significantly less able to meet their cost of living than they were in 2003. This situation clearly cannot be allowed to prevail over an extended timeframe. Short-term market fluctuations aside, we're optimistic that the natural rubber price will revert to a more sustainable level soon.

Natural rubber market price 2000-2015

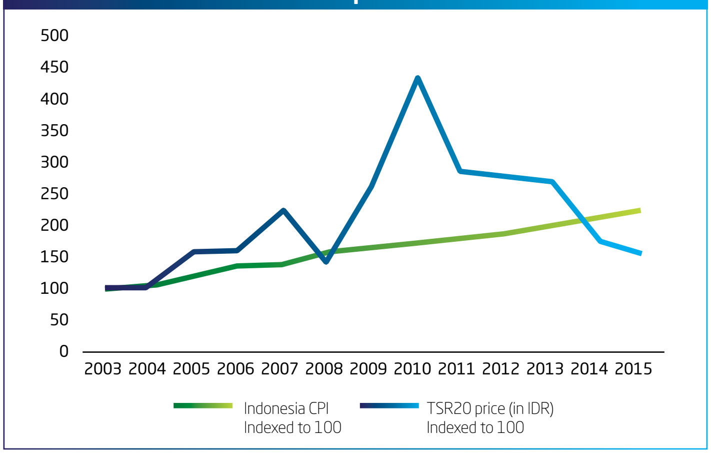
Source: Thomson Reuters SGX TSR 20 first position contract

Natural rubber market price 2015



Source: Thomson Reuters SGX TSR 20 first position contract

Indonesia: Natural rubber price vs inflation



Source: Asian Development Bank Statistics, Government statements/estimates for 2015 inflation, Thomson Reuters, Halcyon Agri

2015 Year in Review

Operations Review

In 2015, Halcyon Agri focused on integration. We integrated our operations, bringing together the companies we acquired in 2014 and 2015 to operate as a single unit. We integrated our business across the supply chain, leveraging the value of the combination of our scale processing platform and extensive distribution reach. We also played our part in "integrating the world", delivering one of South East Asia's key agricultural exports across the globe.

While the natural rubber price provided considerable headwinds in 2015, we delivered a respectable performance and, at the same time, refined our business to ensure we are well positioned for a recovery in the natural rubber price.

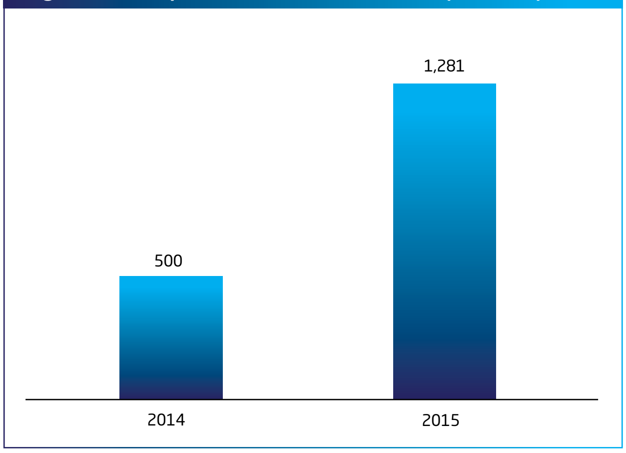
Plantation Development

We recorded a major milestone in our development in 2015, with the on-schedule completion of the planting of Lebir Estate, our first of four plots of land located in Kelantan, Malaysia. Lebir Estate is now fully planted with more than 600,000 rubber trees on 1,281 hectares of land and oil palms covering 566 hectares. It is also well equipped, with full estate facilities and comfortable workers' accommodation. Harvesting operations also commenced in late 2015 for an initial 30 hectares of mature oil palms on the estate. The harvest will increase over coming years, providing a source of cash flow to support ongoing development activities.

With Lebir Estate completed, our focus turned to the development of the remaining three plots of land. The next phase involves the development of our second estate, Ulu Nenggiri, and is moving forward according to schedule. Currently, more than 270 hectares at Ulu Nenggiri have been planted with rubber trees, with an addition of 900 hectares of land scheduled for planting over the remainder of 2016. The development of the remaining two estates, Laloh and Ulu Temiang, will follow thereafter.

Overall, our plantation development remains on schedule, and we look forward to the first tapping of our rubber trees in 2020. At peak production, we expect our plantation to provide approximately 16,000 tonnes of natural rubber annually.

Figure 1: Total planted area - Rubber trees (hectares)



Production

In 2015, we sold a total of 382,145 tonnes of natural rubber we produced, of which approximately 85% was contributed by Indonesia and 15% from Malaysia. Amid the low price cycle, teams in our factories worked hard to maintain production efficiency to keep our costs in check. We also concentrated our efforts on reorganising and strengthening our quality assurance functions to support the drive for continuous improvement. Our factories have implemented a Total Quality Management (TQM) programme under our quality management master plan, which aims to enhance our quality standards on an ongoing basis. The scope of our TQM programme includes:

- Statistical Process Control to measure and improve process performance;
- Comprehensive laboratory testing to monitor and improve product performance;

- Internal audit review progress; and
- Quality education programs for all the workers.

With the help of these programmes, we successfully launched our premium quality HEVEA*PRO* brand of natural rubber in October 2015. Under our internal guidelines established for HEVEA*PRO*, our production activities continue to focus on three core objectives:

- Production of premium quality natural rubber;
- Improvement on process efficiency for sustainable growth; and
- Establishment of HEVEA*PRO* as the most preferred natural rubber brand in the market.

Improvement works for production processes were well underway in 2015, and will continue into 2016.

Distribution

2015 was a major step forward in Halcyon Agri's quest to become a world leader in rubber supply chain management. With the completion of the acquisition of Centrotrade in June 2015, we added industry-leading technical capabilities, long standing customer relationships, a suite of storage and logistics facilities globally and a highly seasoned management team. With the core assets in place, the distribution strategy was reorganised around four functions:

- **HEVEA*PRO*:** the sale of HEVEA*PRO* natural rubber produced at Halcyon Agri's factories, to tyre producer customers on an FOB basis at the port of origin;
- **Industrial Distribution & Latex:** the sale of dry rubber and latex to industrial customers on a delivery basis other than FOB at origin port. This involves a significant value-added logistics component in procuring the products, shipping them to the relevant destination and in some cases storing them in Halcyon Agri's warehouses and latex tanks around the world before repackaging and delivery to customer;
- **Opportunistic:** the sale of various grades and origins of natural rubber not produced by Halcyon Agri to customers worldwide; and
- **Risk, Liquidity & Hedging:** managing the Group's overall exposure to natural rubber price risk to facilitate and enhance the operations of the above distribution functions.

We have consolidated our office locations and personnel to align with this distribution strategy and are well placed for continued success in 2016.

Figure 2: Sales of Halcyon Agri's products ('000 tonnes)

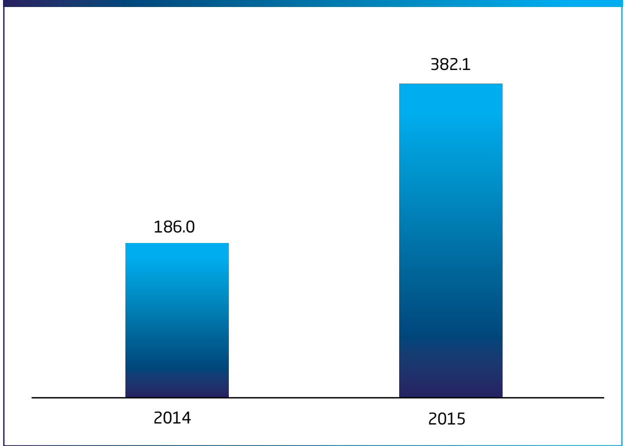
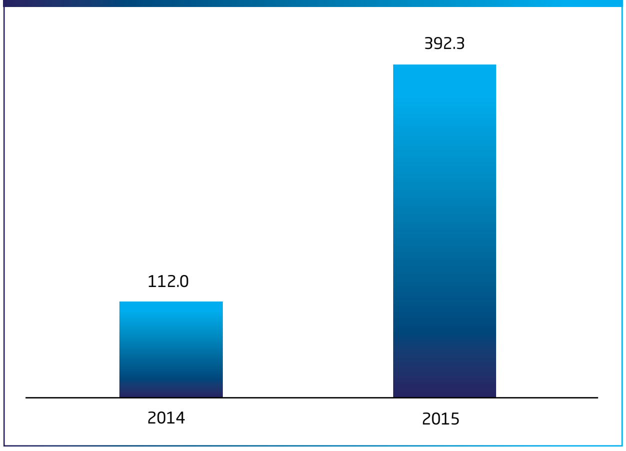


Figure 3: Distribution sales ('000 tonnes)



Note: Distribution sales include sales of Halcyon Agri produced natural rubber (106,688 tonnes in 2015; 9,021 tonnes in 2014)

2015 Year in Review

Financial Review

Income Statement

Halcyon Agri Group's revenue increased by US$515.5 million or 107.6%, from US$479.2 million in FY 2014 to US$994.7 million in FY 2015 as a result of an increase in sales volume, which increased by 131.1% or 378,798 tonnes from 289,002 tonnes in FY 2014. This was attributable to contributions from acquired businesses (Anson, New Continent Enterprises and Centrotrade). The higher sales volume was partially offset by a decrease in the revenue per tonne, which dropped from US$1,658 in FY 2014 to US$1,490 in FY 2015, due to the continued decline in the market price for natural rubber.

The Group's gross profit increased by US$37.3 million or 149.7% from US$24.9 million in FY 2014 to US$62.2 million in FY 2015 primarily as a result of the contributions from acquired businesses (Anson, New Continent Enterprises and Centrotrade). Overall gross profit per tonne is higher for FY 2015 than FY 2014 due to:

- rationalisation of Distribution segment's functional processes which resulted in a higher gross margin as compared to FY 2014; and
- cessation of transitional arrangements in relation to Anson's production which, in FY 2014, resulted in a lower average selling price, and lower margins on sales of our own products.

After adjusting for non-recurring items, EBITDA for FY 2015 increased 160.8% over FY 2014 to US$49.2 million, while net income was US$11.2 million.

On a segmental basis, Plantations contributed 12.0% of operating profit, Processing contributed 48.8% of revenue and 57.3% of operating profit, and Distribution contributed 51.2% of revenue and 30.7% of operating profit for FY 2015. The operating profit per tonne recorded by Processing and Distribution for FY 2015 were US$53 and US$28 per tonne respectively.

Balance Sheet

The Group's net assets decreased by US$33.8 million from US$160.5 million as at 31 December 2014 to US$126.7 million as at 31 December 2015. This was mainly due to the foreign currency translation losses arising during the year, as a result of the weakening of Indonesian Rupiah and Malaysian Ringgit against US Dollar, offset by the Group's FY 2015 net profit.

Figure 4: Sales volume ('000 tonnes)

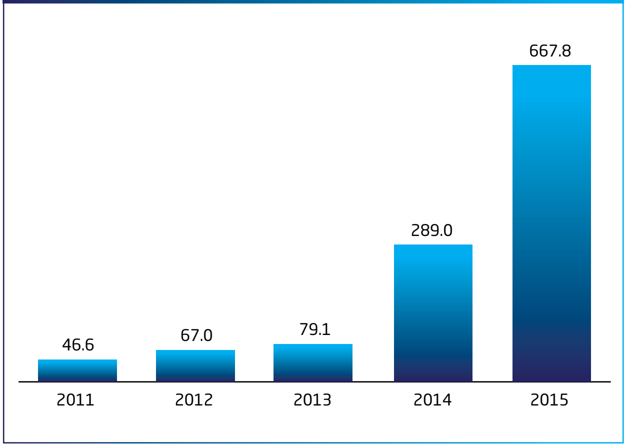


Figure 5: Revenue (US$m)

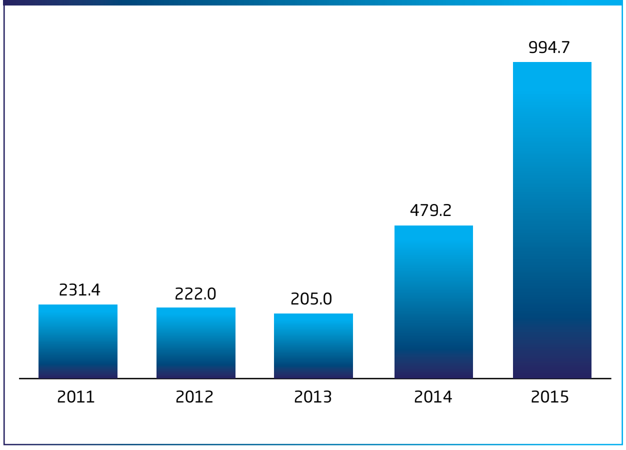
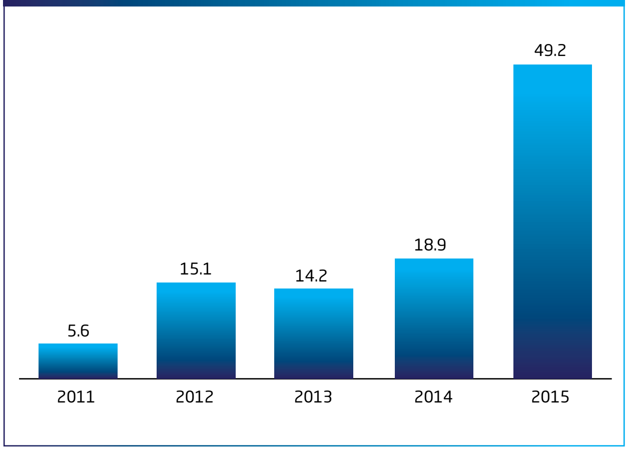


Figure 6: EBITDA (US$m)



Note: EBITDA adjusted for non-recurring items

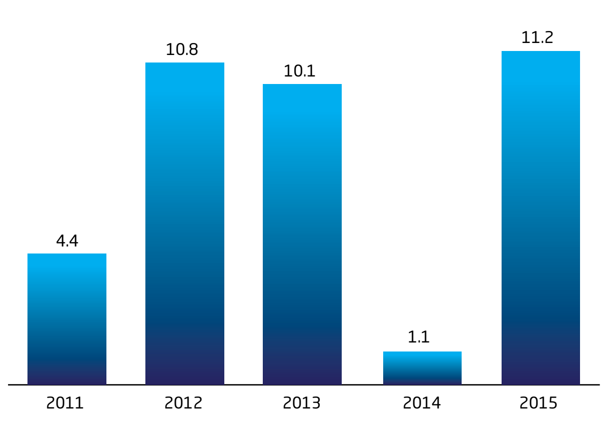
Cash Flow

The Group recorded a net cash inflow from operating activities of US$18.8 million during FY 2015 mainly due to the operating profit generated during FY 2015 and changes in working capital of US$3.6 million.

A net cash outflow of US$27.2 million from investing activities was recorded, attributable to the payment of the remaining net consideration for the acquisition of New Continent Enterprises (US$14.6 million) and Centrotrade (US$1.9 million), as well as capital expenditure of US$10.8 million.

Net cash generated from financing activities was US$8.4 million, comprising net proceeds from loans, offset by payment of associated interest costs.

Figure 7: Net income (US$m)



Note: Net Income adjusted to exclude non-recurring items

Working capital

As at 31 December 2015, net working capital amounted to US$60.3 million, as set out below:

(US$ million)	31 December 2015	31 December 2014
Cash and bank balances	70.5	62.5[(1)]
Trade receivables	65.0	65.0
Inventories	102.9	88.1
Less: Trade payables	(11.2)	(27.0)
Less: Working capital loans (current)	(166.9)	(55.4)
Net working capital	**60.3**	**133.2**

Note: (1) An amount of approximately US$15.0 million, representing the amount payable to the vendor for the acquisition of New Continent Enterprises, has been excluded from the above cash and bank balances as at 31 December 2014, to reflect the Group's net working capital position.

2015 Year in Review

Risk Management

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, monitoring and managing such risks. The Group's risk registers are constantly reviewed, to ensure any necessary risk treatments are addressed and updated. On a regular basis, risk registers are 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 is enhanced on an ongoing basis to match the expanded scale and scope of our business.

Price Risk

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

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 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, Tokyo Commodity Exchange and physical markets in order to maintain a market-neutral position as much 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 will determine the net position of our sales and cost of goods sold and monitor our hedging positions based on these reports. Our hedging positions are also reviewed by CFO, Global Head - Risk, Liquidity & Hedging and our risk management department collectively, on a daily basis.

Credit and Counterparty Risk

The majority of the Group's sales are exported in bulk quantities 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. 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. The majority of our customers are covered under our credit insurance policy.

Liquidity Risk

Our Group's working capital cycle in respect of our processing business, starting from the purchase of raw materials to the receipt of payment from customers, range between one to three months. For our distribution business, the cycle can be up to five 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 which available to the Group under normal as well as stressed conditions, while maintaining sufficient headroom on 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 and its sales are denominated in United States Dollars whereas the majority of the 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 monitor exchange rate movements on an ongoing basis and may employ hedging instruments to manage the exposure, if required.

Corporate Social Responsibility – A pillar of sustainability

At Halcyon Agri, occupational health and safety, environmental protection, and social responsibility are strategic considerations right at the heart of everything that we do. We recognise how ethical business practices are critical for long-term growth.

2015 has been a year in which we have continued to demonstrate our commitment towards leadership in corporate responsibility within the natural rubber sector, while at the same time growing our business.

Responsibility to Our Stakeholders

We remain committed to working with stakeholders and 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.

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 keep its ears close to the ground and stay on the forefront of developments. Throughout the year we also initiated one-on-one meetings with customers and environmental NGOs seeking alignment on policies and action programmes.

In early 2015, we signed up to the IRSG's Sustainable Natural Rubber Initiative (SNRi). Now in its pilot phase, SNRi is governed by a set of sustainability criteria relating to all parts of the natural rubber supply chain. Halcyon Agri's early participation has allowed us to be part of workgroup activities, thus shaping the development of this initiative.

Recognising that a key hinge towards a sustainable industry lies at the top of the value chain, we and the farmers co-organised a study mission to South Sumatra together with a customer to better understand challenges facing the smallholder. These findings will in 2016 be tailored into practical action programmes that empower farmers to improve productivity and adopt best practices to further promote sustainability.

Responsibility to the Environment

Halcyon Agri is committed towards full integration of environmental, health and safety (EHS) management systems across all our production facilities. Based on an EHS operating structure formed in 2014, it comprises seven distinct clusters covering 14 operating factories and plantation. We are now progressing on schedule with our Group five-year EHS management plan with dedicated EHS personnel on-site supported by all other operational departments.

As part of our EHS management system procedures, factory audits were conducted on a quarterly basis in 2015. Any instances of non-compliance were closely monitored and corrected. No environmental violation notices were received at our factories throughout the year. In support of our environmental performance, nine out of twelve factories in Indonesia received the PROPER Award from the Ministry of the Environment - one award was recognition on a provincial level and eight at the national level.

Compliance with international environmental management standards remains a priority. In 2015, Malaysian subsidiary Hevea KB (which is certified to ISO 14001), was re-audited and its programmes were found to be robust. Certification of all other factories is on track for the final quarter of 2016 and will be aligned with the recently published ISO 14001:2015.

A key environmental aspect of our business has been identified as the monitoring and control of trade effluent. We rely heavily on water in our processes and take a firm stance on using water responsibly, recycling as much as possible, and returning it back into the water course at a quality equal - if not better - than the quality of water drawn at source. As such, we continue to invest in effective water treatment infrastructure.

We also 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 kept air and water emissions within regulatory limits. In our move towards cleaner and more efficient technology, we continue our move towards greater use of natural gas. In 2015 we also begun talks with two solar photovoltaic (PV) providers to install PV on vacant land in order to supplement our demand for electricity.

Housekeeping remains an area where we maintain tight checks and controls for the purpose of environmental protection, quality control, and safety. Inspections by housekeeping teams are done monthly and are part of the Annual EHS Plan. Early investment in projects such as community gardens have created a greater sense of ownership and pride for the surroundings by employees and

2015 Year in Review

has given rise to a cleaner environment beyond production areas.

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 is the key focus of our EHS policy. Our occupational health and safety system procedures apply to all employees, contractors, customers, suppliers, visitors, and to the community living spaces within our premises.

Our goal of "Zero Accidents" remains firm and we achieved this in five of our factories in 2015. There were no work related fatalities in the year.

We continue our drive towards compliance with international occupational health and safety standards. Following certification of Hevea KB to OHSAS 18001 in 2014, the facility received a Gold Standard Award from Malaysian Occupational Safety & Health Practitioner's Association in 2015 in recognition of its continuous improvement efforts and achievements. This safety culture is analogous with our other facilities for which certification will be achieved within 2016.

We understand the seriousness of health and safety risks, and the potentially huge impact on business, and have worked hard to eliminate hazards from the workplace. We invest in training our people in how to work safely, reduce safety risk, and how to respond to emergency situations.

We are acutely aware that creating a safe working environment is not a static target. We continuously reassess our safety and health risks and controls and learn from accidents and incidents, as well as promoting information exchange between factories.

Halcyon Agri stands by and constantly reviews our internal ethics and human rights policies. We are an equal opportunity employer and offer opportunities to all regardless of gender, race, and background, without discrimination. In 2015 we commenced work to extend these values to those that we work with, especially our suppliers.

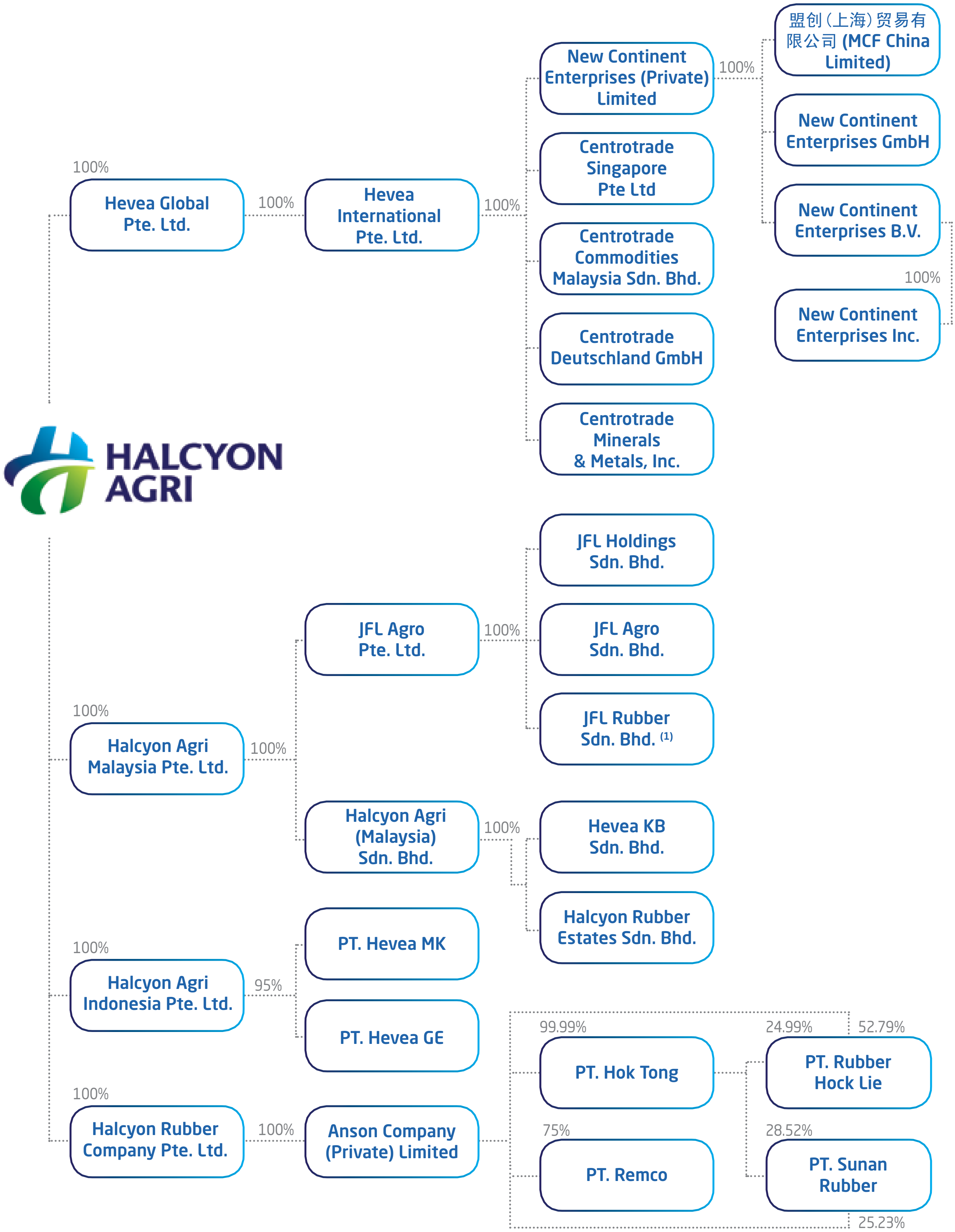
Responsibility to Our Community

Recognising 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, together with healthcare, basic utilities, places of worship, agricultural land, and food allowances.

Through 2015 we have made further investments to further improve existing housing. Extension of our EHS management systems to include residential areas with our compounds has also given rise to safer living environments with lesser risk of endemic diseases such as dengue fever and malaria. Rest and relaxation areas providing refreshments have been set up for the benefit of suppliers, many of whom have travelled long distances to reach our factories. The spirit of volunteerism is strong and is fully supported by senior management. Throughout the year our staff volunteered their time to clean up the surrounding communities, and paint and repair homes, and community buildings.

Inter-factory sports and activities held during Labour Day on 1st May was also widened to include all Palembang-based factories, and included food distributions as part of the programme.

Corporate Structure



Note: (1) An application to strike off JFL Rubber Sdn. Bhd. had been submitted to Companies Commission of Malaysia on August 14, 2015.

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 / Corporate Headquarters

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

Corporate Governance Report

Halcyon Agri Corporation Limited (the "Company" or "HAC" and together with its subsidiaries, the "Group") and its management are committed to good corporate governance, which we believe is critical to the creation of shareholder value and to ensure sustainable growth and success of the Group.

The board of directors of the Company (the "Board") is pleased to advise that the Group has adhered to all material principles and guidelines of the Code of Corporate Governance 2012 (the "Code"), the disclosure guide issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") in January 2015 and other applicable laws, rules and regulations, including the Listing Manual (the "Listing Rules") of the SGX-ST, throughout the financial year ended 31 December 2015 ("FY2015").

This report sets out the corporate governance framework and practices that were in place in FY2015 and it has been approved by the Board.

KEY FEATURES OF THE BOARD

Overview of Board Composition

1	Executive Chairman / Chief Executive Officer ("CEO")	1	Executive Director	3	Independent and Non-executive Directors (the "Independent Directors")
	• Robert Meyer		• Pascal Demierre		• Alan Nisbet • Randolph Khoo • Liew Choon Wei

- Single leadership structure
- Independent Directors make up 60% of the Board
- Chairmen of all Board Committees are Independent Directors
- None of the Directors has served more than 9 years
- Appropriate mix of skills, knowledge and experience, comprises Directors who are retired audit firm partners, Directors from legal background and Directors who have years of experience in formulating corporate strategy and have in-depth knowledge of the rubber business
- None of the Directors serves more than six (6) directorships (without other executive roles) or four (4) directorships (with other executives roles)
- No alternate directors appointed

Corporate Governance Report

Overview of Board Committees

Board Committee	Composition	Key Areas of Oversight Delegated to it by the Board (Not Exhaustive)
Audit Committee ("AC")	**Four (4) members**: • Alan Nisbet (Chairman) • Randolph Khoo • Liew Choon Wei • Pascal Demierre Three (3) out of four (4) members are Independent Directors	• Financial reporting • Internal and external audit processes • Interested person transactions • Risk management and internal controls • Whistleblowing arrangement
Nominating Committee ("NC")	**Four (4) members**: • Randolph Khoo (Chairman) • Alan Nisbet • Liew Choon Wei • Robert Meyer Three (3) out of four (4) members are Independent Directors	• Appointment and re-appointment of Directors and key management personnel • Performance of the Board • Board and Director's independence • Board orientation and training
Remuneration Committee ("RC")	**Four (4) members**: • Liew Choon Wei (Chairman) • Alan Nisbet • Randolph Khoo • Pascal Demierre Three (3) out of four (4) members are Independent Directors	• Remuneration policies and framework • Remuneration for executive Directors and key management personnel • Remuneration for non-executive Directors

Corporate Governance Report

Key Information of Director

DIRECTOR • Position • Appointment date • Last re-elected date • Present Directorships in other listed companies (if any)	General Meeting	Board	AC	NC	RC	Based/ Fixed Salary	Directors' Fee	Other Variable
	MEETING ATTENDANCE (1 January to 31 December 2015) (Number of meetings held)					TOTAL REMUNERATION (SGD) (FY2015)		
	2	6	4	1	2			
Robert Meyer • Executive Chairman and CEO since 8 July 2010 • Last re-elected on 23 April 2015	2	6	3 (1)	1	-	**Total: 1,200,000** 600,000	NA (2)	600,000
Pascal Demierre • Executive Director since 8 July 2010 • Last re-elected on 23 April 2014 • Independent Director of The Hour Glass Limited	2	6	4	-	2	**Total: 655,000** 480,000	NA (2)	175,000
Alan Nisbet • Lead Independent Director since 7 January 2013 • Last re-elected on 23 April 2014 • Independent Director of KrisEnergy Ltd. and Standard Chartered bank (Singapore) Limited	1	6	4	1	2	**Total: 77,000** NA (3)	77,000	NA (3)
Randolph Khoo • Independent Director since 7 January 2013 • Last re-elected on 23 April 2015	1	6	4	1	2	**Total: 57,000** NA (3)	57,000	NA (3)
Liew Choon Wei • Independent Director since 1 October 2014 • Last re-elected on 23 April 2015	2	6	4	1	2	**Total: 57,000** NA (3)	57,000	NA (3)

Notes:

(1) Mr Meyer attended the meetings by invitation

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

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

The total remuneration of independent and non-executive Directors (the "Directors' Fees") of S$191,000 for FY2015 is paid in accordance to the Directors' Fee structure disclosed in the annual report for the financial year ended 31 December 2014 ("FY2014"), and is within the threshold limit of S$300,000 approved by the shareholders of the Company (the "Shareholders") on 23 April 2015.

The profile of each Director (including academic and professional qualifications) is presented in this annual report under the heading "Board of Directors".

Corporate Governance Report

BOARD MATTERS

The Company is steered by an effective Board which is responsible to protect and enhance long-term shareholder value. The Board is of appropriate size and comprises members with the right mix of competencies and experiences, who understand clearly their roles and scope of responsibilities, and is led by an effective Chairman. With three (3) out of five (5) members being Independent Directors, there is a strong and independent element on the Board which creates the appropriate environment for objective judgement on corporate affairs independently.

The NC continues to command the process for assessing 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 is satisfied that with the contributions from all Directors who are committed to their roles and responsibilities as Directors of the Company, the Board and its sub-committees had operated effectively during FY2015.

The Board's Conduct of its Affairs

Duties of the Board. The core functions of the Board 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, monitor and review the function and performance of the Group's management;
(d) review and approve annual budgets, financial plans, major acquisition and divestment plans, funding and investment proposals;
(e) ensure compliance with relevant laws and regulations and the adequacy of internal controls, risk management and financial reporting;
(f) review and approve the appointment of Directors and key management personnel; and
(g) promote sustainable development.

Delegation of Authority. The Board benefits from delegating certain functions and authority of the Board to the three (3) board committees, namely, the AC, NC and RC (collectively the "Board Committees"). The delegation of authority allows the Board to capitalise on the expertise of non-executive Directors, encourage independent oversight and enable the Board to discharge its responsibilities competently. The Board delegates only those functions that can be performed more efficiently and effectively by Board Committees, and all decision-making remains the ultimate responsibility of the Board as a whole. Each of the Board Committees functions within clearly defined terms of references which have been approved by the Board. Details of the scope and function of the Board Committees are set out on pages 30 to 38 of this annual report.

The executive Directors and the management of the Group (collectively, the "Management") led the day-to-day management, administration and operation of the Group and is accountable to the Board for its performance. To ensure proper system of controls are in place, the Board has adopted an internal framework to ensure that the material transactions, including but not limited to the matters set out below, are reserved for the Board's decision and approval:

(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.

Board Meetings. Six (6) Board meetings were held in FY2015, four (4) of which were quarterly meetings which were scheduled at regular intervals and the other two (2) were held to discuss major strategic transactions. The Board has also met up casually to discuss and receive updates from Management on the development of acquisitions which took place during the year, as well as to discuss strategic directions of the Group in conjunction with such acquisitions.

The Board reviews the Group's financial performance, annual budget, corporate strategy, business plans, potential acquisitions, risk management policies and significant operational matters in Board meetings. The Chairman oversees the setting of Board meetings' agenda and the Directors are encouraged to propose any topic that is deemed appropriate to be discussed in the Board meetings.

To ensure meetings are held with maximum Director's participation, all Board meetings are planned and scheduled in advance in consultation with the Directors. In addition, Directors who are not able to be present physically in the Board meetings may participate in the Board and Board Committee meetings by telephonic conference, as permitted under the Company's constitution (the "Constitution"). The Constitution also

Corporate Governance Report

provides that the Board may make decisions and grant approval by way of written resolutions. A list of written resolutions approved by the Board and Board Committees will be compiled and circulated during the Board and Board Committee meetings. Each member of the Board had abstained from voting on any resolution in which they have an interest. In the event any member of the Board or Board Committees has an interest in a matter being deliberated upon by the Directors, he will abstain from participating in the review and approval process relating to that matter.

The Board has conducted paperless meetings since 2014 and continues to employ board portal technologies to facilitate meetings proceeding. The board portal enhances effectiveness in the boardroom and helps to improve the information flow to and among Board members. Directors are provided with board materials relating to meeting agendas in a timely manner and such information can be readily accessible on Directors' tablet device, PC or desktop.

The Director's attendance at the Board and Board Committee meetings during FY2015 are set out in Key Information on Each Director as set out on page 27 of this annual report.

Board Access to Information. The Board is updated on the Group's performance, financial position and prospects regularly, to ensure that the Directors are fully cognisant of the decisions and actions of Management. At least one week prior to each Board and/or Board Committee meeting, relevant documents and information relating to the agenda items, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations and internal audit reports are disseminated to the Directors through the board portal, to allow sufficient time for Directors 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.

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.

Each member of the Board has complete access to information regarding the Group that is required for the discharge of his duties and responsibilities. A Director may also seek independent legal and other professional advice, concerning any aspect of the Group's operations or undertakings, at the Company's expense.

Board Composition and Balance

Board Composition. The Board presently has five (5) members comprising two (2) executive Directors and three (3) Independent Directors. There was no new appointment or changes to the members of the Board since the previous annual general meeting ("AGM") of the Company. The Independent Directors continued to make up 60% of the members of the Board throughout the financial year, exceeding the requirement of the Code that mandate independent directors to constitute at least 50% of the board of directors for companies where, amongst others, the Chairman of the Board and CEO is the same person. The current board composition ensures that there is a strong and an independent element in the Board, and that the Independent Directors would be able to constructively challenge and help develop proposals on strategies independently.

The Board comprises Directors who are retired audit firm partners, Directors from legal background and Directors who have years of experience in formulating corporate strategy and in-depth knowledge of the rubber business. There has been no female representation in the Board. The Board acknowledges that finding credible female directors is a challenge due to the lack of an adequate pool of suitable candidates.

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 the 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 Board will, consistent with any further expansion of the Group, review the need to appoint new directors to the Board at the appropriate juncture.

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Chairman and Chief Executive Officer

Single Leadership Structure. The Board has adopted a single leadership structure since it was listed on the SGX-ST in 2013, with the roles of the Chairman and the CEO assumed by Mr Robert Meyer. Since it was listed, the Group has embarked on an acquisition led expansion strategy, and has grown rapidly via successfully acquiring and integrating a number of the longest established and highest quality businesses in the natural rubber industry. The Company's expansion strategy might not have been executed efficiently or successfully if the Company did not adopt a single leadership structure. The structure has essentially ensured that the decision-making process of the Group was not unnecessarily impeded and has enabled the Group to grasp business opportunities efficiently.

Mr Meyer possesses in-depth industry knowledge and understands the current market, which supports the formulation of the Group's strategic direction. He is instrumental in developing the business of the Group and growing the Group's operations under the expansion strategy. As the Chairman, Mr Meyer leads all general meetings and Board meetings, steers effective, productive and comprehensive discussions amongst members of the Board and Management on strategic, business and other issues pertinent to the Group. In his role as CEO, he assumes the executive responsibility for day-to-day management, leads and implements all major initiatives, such as expansion related strategies, acquisitions and capital investments of the Group.

Balance of Power. The single leadership structure does not jeopardise the accountability and capacity of the Board for independent decision making. All major approvals are reserved for the Board's decision in consultation with the Board as a whole, without any individual or group of individuals exercising any considerable concentration of power or influence. The Board is therefore able to exercise objective judgement on corporate affairs independently.

Lead Independent Director. Mr Alan Nisbet remains the Lead Independent Director and continues to avail himself to address the 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 Management, to aid and facilitate provision of well-balanced viewpoints to the Board.

Board Membership and Performance Evaluation

The NC is responsible for the board membership and the process for nomination and appointment of Directors to the Board, as well as the annual evaluation of Board performance. The NC comprises four members and is chaired by Mr Randolph Khoo. A majority of the NC members including the chairman are Independent Directors. All matters relating to appointments and re-appointments to the Board as well as the appointment of key management personnel are the main responsibilities of the NC.

The NC functions within clearly written terms of reference approved by the Board and its principal activities are as follows:

Board Appointment and Composition. The NC makes 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. The process of nomination starts with the review of the structure, size and composition of the Board to identify the balance of skills, knowledge and experience required for the Board to discharge its responsibilities effectively. Where appropriate or if circumstances suggest that a new appointment is beneficial to the Board, NC will propose a new appointment or review and evaluate the competencies of candidates proposed by the Management, to ensure the new director fulfils the needed and desired competencies and supplements the Board's existing attributes. In its evaluation of board appointments, the NC considers factors such as the ability of the prospective candidates to contribute to discussions, deliberations and activities of the Board as well as the balance of Independent Directors on the Board. 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 Constitution also provides the procedures for the appointment of new Directors, re-election and removal of Directors.

The NC is also tasked to recommend and review board succession plans for the Company's Directors, in particular, for the Executive Chairman and CEO. Where necessary or appropriate, the NC may tap on 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.

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Review of Board Independence. The independence of each Director has been and will be assessed by the NC on an annual basis and as and when circumstances require, to determine whether a Director is independent. Each of the Independent Directors are required to submit a declaration form confirming that he is to be considered as independent under the guidelines set out in the Code. All the Independent Directors have confirmed that they are independent. Based upon the declaration forms, NC assesses the independency of directors taking into consideration the length that the Director has served on the Board, and whether the Director has any relationship with the Company, its related corporations, its 10% Shareholders or its officers.

Following its review, the NC has determined that the Independent Directors are independent and there has been no element that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the Group's affairs. It was also noted that none of the members of the Board have served for a continuous period of nine (9) years or more.

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.

Board Orientation and Training. The Board recognises that proper induction is an important process for introducing any newly appointed Director to the various systems, practices, business and policies of the Company and its Board. The NC oversees and makes recommendations to the Board on the training and professional development programs for Directors as well as the induction for a newly appointed Director. During the year, the Board has set out a formal induction process which applies to Directors who are appointed to the Board for the first time, and has approved and adopted a Policy on Induction of New Directors (the "Induction Policy"). The Induction Policy serves to ensure that the new Director gains an understanding of his role as a Director of the Company, as well as the framework within which the Group operates, including information about the Group, its operations, governance systems and all other details necessary to enable the new Director to perform his or her roles.

The Induction Policy also sets out the requirement for the Company to issue a formal letter of appointment setting out the duties and obligations of a Director together with comprehensive and useful documents covering the Group's business activities, strategic directions, policies and key areas of operations of the Group to newly appointed Directors. The induction programme will be tailored for each new Director (depending on his or her requirements, skills, qualifications and experience) and will, as a minimum, include an arrangement for a new Director who has no prior experience as a director of a listed company to attend relevant training to familiarise himself with the roles and responsibilities of a director of a public listed company, such as seminars conducted by the Singapore Institute of Directors. New Directors would be offered the opportunity to visit the Group's major operational sites and meet with any of the senior executives of the Group.

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.

In anticipation of the significant changes to the auditor reporting standards effective for periods ending on or after 15 December 2016 which will have a direct impact on the Group's financial statements, the Group's external auditors, Ernst & Young LLP, were invited to and had presented to the Board, the new requirements and implications of such changes, as well as an overview of changes in accounting standards, laws and regulations to the Board during the year.

Commitment to the Board. Directors of the Company are required to notify the Board of any new appointment of directorship or other executive commitments, for the Board or NC to consider and to evaluate, whether or not such Director is able to and has adequately carried out his duties as a Director of the Company.

To ensure that each Director is able to devote sufficient time and attention 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 of the Company is allowed to hold is as follows:

(a) directorships without other executive roles – Six (6)
(b) directorships with other executive roles – Four (4)

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Rotation and Re-election of Directors. The retirement of Directors by rotation and selection of Directors to retire are clearly stated in the Company's Constitution. At each AGM, Directors who constitute not less than one-third of the Board is required to retire from office by rotation, and a Director shall submit himself for re-nomination and re-election at regular intervals of at least once every three years. At the forthcoming AGM, Mr Pascal Demierre and Mr Nisbet, being the Directors who have been longest in office since their last election, shall submit themselves for re-nomination and re-election. As Mr Nisbet is a member of the NC, he had abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his re-election as a Director.

The NC has reviewed and noted that both Mr Nisbet and Mr Demierre do not have any relationship including immediate family relationships with the other Directors, the Company or its 10% Shareholders. At the recommendation of NC and with the approval of the Board, resolutions for the re-appointment of Mr Demierre and Mr Nisbet as Directors of the Company will be tabled at the forthcoming AGM for Shareholders' approval.

Mr Demierre will, upon re-election as a Director, remain as Executive Director and a member of the AC and RC. Mr Nisbet will be considered independent for the purposes of Rule 704(7) of the Listing Rules and upon re-election as a Director, he will remain as the Lead Independent Director, chairman of the AC and a member of the NC and RC.

Board Performance Evaluation. The NC is responsible to determine how the performance of the Board, the Board Committees and Directors may be evaluated and to propose objective performance criteria. During the year, the performance of the Board is assessed by the NC on its overall effectiveness in accomplishing its goals and discharging its responsibilities, based upon the following criteria:

(a) Board size and composition;
(b) Board's governance processes;
(c) Board information and accountability;
(d) Board's performance in relation to discharging its principal functions;
(e) where practical, 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); and
(f) Board Committees' performance and effectiveness in relation to discharging their responsibilities set out in their respective terms of reference.

An evaluation questionnaire was tabulated and circulated to all Directors via the board portal, for Directors to rate and provide feedback on the performance of the Board and where appropriate, the Board Committees for FY2015. The assessment provides insights into the functioning of the Board, whilst identifying areas that might need strengthening and development. Directors are invited to provide their views and suggestions for any specific areas where improvements may be made to improve the Board effectiveness. Each Director is also encouraged to complete a self-assessment form to assess his individual contributions to the effectiveness of the Board, which may aid awareness or as an indicator for any training required.

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 FY2015, the NC is satisfied that the Board and its Board Committees operate effectively, have met their respective performance objectives and each Director has been devoting sufficient attention and contributing to the overall effectiveness of the Board. Notwithstanding that certain Directors have multiple board representations, these multiple directorships are not in conflict with the interests of the Company. No external facilitator was used in the evaluation process.

REMUNERATION MATTERS

The Company has in place a framework for executive remuneration and for fixing the remuneration packages of individual Directors and key management personnel. The RC promotes transparency of the remuneration setting process, and recommends specific remuneration packages for each executive Director and the CEO (or executive of equivalent rank) as well as each key management personnel. When recommending the Group's remuneration structure, the RC aims to align the interests of Directors and key management personnel with the interests of Shareholders. The remuneration of each individual Director is explicitly disclosed on a named basis, on page 34 of this annual report.

Remuneration Committee

Oversight of the Group's remuneration matters including the remuneration policy is the key function of the RC. The RC ensures that the remuneration framework is in line with the Group's business strategy, objectives, values and long term sustainability of the business. The RC is chaired by an Independent Director, Mr Liew Choon Wei, and comprises Mr Nisbet, Mr Khoo and Mr Demierre. The RC is of the view that retaining an RC member who is also in an executive position is essential and will foster constructive discussions in proposing the executives' remuneration to the Board. The observation of the executive Director who has better understanding of the job duties of executives is valuable to ensure that the remuneration packages are commensurate with the job scope and level of responsibilities of each of the executives. 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 no Director or member of the RC is allowed to participate in the deliberation, and has to abstain from voting on any resolution, relating to his own remuneration or that of employees related to him.

The key responsibilities of the RC are as follows:

Developing Group Remuneration Policies. The RC is responsible for approving the terms of the Group's long-term incentive plans, severance policies and agreeing individual remuneration packages for the Board and the key management personnel. It recommends to the Board a framework of remuneration and the specific remuneration packages of each executive Director and the CEO (or executive of equivalent rank) as well as each key management personnel for endorsement by the entire Board. It is also tasked 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 being fair and to avoid rewarding poor performance. In respect of long-term incentive schemes (if any) including share schemes as may be implemented, the RC is responsible to consider whether Directors should be eligible for benefits under such long-term incentive schemes. 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. The Company engaged Mercer (Singapore) Pte Ltd ("Mercer"), an independent professional firm to review the remuneration of the CEO, Executive Director and Chief Financial Officer ("CFO"), benchmarked against comparable peer groups. The report from Mercer has indicated that the total compensation level is in line with the competitive market's median. Save for the aforementioned assignment, Mercer 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, the CEO 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.

Agreeing the Level and Mix of Remuneration. The key considerations of the RC in recommending the level and mix of remuneration are:

(a) to link rewards with performance and offers appropriate remuneration and employment conditions to build, motivate and retain Directors, key management personnel and talent;
(b) to align the interests of Directors and key management personnel with the interests of Shareholders; and
(c) industry practice including the pay and employment conditions within the industry.

During the financial year, two (2) RC meetings were held to review and make recommendations on the remuneration framework and to determine specific remuneration packages (including Directors' fees, salaries, allowances, bonuses and benefits-in-kind) for the Directors and key management personnel, including the CEO. In its recommendation, 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. The service contract of the CEO which expired on 31 December 2015 has been renewed for another three (3) years with appropriate increment to basic salary taking into consideration the responsibilities of the CEO which have substantially increased as a result of the expansion of the Group, and the aim of placing more weight on performance-related rewards.

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Remunerations of non-executive Directors. The Directors' Fees which comprises a basic fee and attendance fees are reviewed annually by the RC to benchmark such fees against the amounts paid by other listed companies of similar size. It is commensurate with the contribution and responsibilities of the non-executive Directors, and takes into account their level and quality of contribution including attendance and time spent at Board and Board Committee meetings. The Company submits the quantum of Directors' Fees for each financial year, which is to be paid quarterly in arrears, to the Shareholders for approval at the AGM.

The RC has reviewed and recommended a revised structure of Directors' Fees to include a basic fee for the chairman of the NC and RC. The Board has approved the following Directors' Fees structure for the financial year ending 31 December 2016:

	Basic Fee per annum (S$)				Attendance Fee (S$)
	Board	Audit Committee	Nominating Committee	Remuneration Committee	Board and Board Committees
Chairman	Nil [(1)]	20,000	3,000	6,000	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 will not be paid a director's fee

Shareholders' approval will be sought at the forthcoming AGM of the Company on 26 April 2016, 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 2016.

Remuneration of Key Management Personnel. The disclosure of the remuneration of the three (3) Key Management Personnel (who are not Directors or the CEO) of the Group for FY2015 pursuant to the Code is as follows:

Name	**Position**	**Salary (%)**	**Allowance/ Benefit (%)**	**Variable Bonus (%)**	**Remuneration Band [(1)]**
Andrew Trevatt	Chief Commercial Officer	76	-	24	Band 3
Ng Eng Kiat	Chief Financial Officer	61	-	39	Band 2
James Bugansky	Global Head - Plantations & Processing Technology	68	-	32	Band 3

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 (3) key management personnel (who are not Directors or the CEO) was approximately S$1,704,000 for FY2015. The Company maintained 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.

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Summary of RC Observations for FY2015. The Group's remuneration policies is appropriate, effective, meets the commercial requirements to remain competitive and allows flexibility in response to prevailing circumstances. Qualitative evaluation, such as vocational competence, responsibility at work and activity in the workplace, as well as the quality of work in relation to the demands and goals of duties, has been used to evaluate and assess Management's performance in FY2015. The Board is satisfied that the Management has devoted the necessary time and energy to fulfilling its commitments, and has met the aforementioned performance conditions in FY2015. The remuneration packages for Directors and key management personnel adequately commensurate with their contributions and performance, taking into consideration the substantial scope of work and responsibilities arising from the Company's execution of expansion strategy which has transformed the Group from a midstream rubber producer to one of the world's leading natural rubber supply chain managers. None of the Management received any termination, retirement and post-employment benefits, 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 schemes provided by the Company or the Group, and the Company has yet to introduce any long term incentive plans.

ACCOUNTABILITY AND AUDIT

The Board is accountable to the Shareholders for all aspects of the Company and is mindful of its obligations to safeguard and enhance long-term shareholder value. The Board endeavours to ensure that Shareholders are furnished with timely information, full disclosure of material information and aims to present a balanced and understandable assessment of the Company's performance, position and prospects to the Shareholders. It is responsible for the governance of risks and ensuring that an effective risk management and sound system of controls are in place. The Board's function relating to overseeing both internal and external audits is delegated to the AC.

Accountability

The Board reviews and approves the release of the Company's quarterly and full-year financial results within the timeline stipulated under the Listing Rules. These financial results are prepared and presented in compliance with statutory requirements including the applicable accounting standards and the Listing Rules.

Regular updates covering operational performance, financial results, marketing and business development and other relevant information are provided by the Management to the Board to assist the Board to make a balanced and informed assessment of the Company's performance, position and prospects, in order to disseminate appropriate information to the Shareholders. 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

The Board recognises that inadequate risk management can result in severe consequences. 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. It devotes significant attention to maintaining an effective system of risk management and internal controls, to ensure that risks are managed in the best interest of the Group in achieving its strategic objectives.

In assessing the effectiveness of the Group's 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.

As the Group is expanding, it has established a dedicated team which is responsible for developing and maintaining risk management controls as well as monitoring and reporting any key issues to the Management. Each of the Group's departments or functions is reviewed for the effectiveness of its internal controls at least annually, or when circumstances warrant the review process such as the integration after completion of an acquisition.

Internal Audit

The internal audit function of the Group has been outsourced to a professional firm, Nexia TS Risk Advisory Pte Ltd (the "IA") since May 2013. 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.

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The IA conducts a review, evaluates and tests the effectiveness of the material internal controls including financial, operational, compliance and information technology controls that are in place in each of the Group's key operating units. 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 an 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 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.

Audit Committee

The Board's functions relating to the risk management, financial reporting process, the internal controls system, and also the audit process (both internal and external) are assigned to the AC. The Lead Independent Director, Mr Nisbet, chairs the AC. The AC's members comprise Mr Liew, Mr Khoo and Mr Demierre. The members of the AC are professionals who have extensive experience in senior management positions, including retired audit partners from Big-Four accounting firms, a lawyer from a well-known law firm as well as an Executive Director who knows the business and contributes to a constructive relationship between Management and the AC.

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 internal controls system, the audit process and also risk management. Significant findings in the course of its review are reported to the Board.

Pursuant to the written Terms of Reference endorsed by the Board, AC has the following key functions:

(a) oversight of financial reporting;
(b) review and evaluate with internal and external auditors, scope of the audit and reporting obligation, the adequacy and effectiveness of the internal control system, including financial, operational, compliance and information technology controls, and risk management policies and framework;
(c) review and consider the appointment or re-appointment of the external and internal auditors and matters relating to their resignation or dismissal thereof;
(d) report 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) review interested person transactions (within the definition of the Listing Rules) involving the Group in accordance with the Listing Rules;
(f) review and approve future hedging policy, instruments used for hedging and foreign exchange policy and practice of the Group;
(g) review whistleblowing investigations within the Group and ensure appropriate follow-up actions, if any; and
(h) generally undertake such other functions and duties as may be required by the Listing Rules.

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.

The AC performed, *inter alia*, the following core duties and activities in FY2015:

Financial Reporting. The AC reviewed the quarterly 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 these are in compliance with the requirements of the Singapore Financial Reporting Standards ("SFRS"). The AC, when satisfied that the financial results and related announcements meet the statutory requirements, would submit and recommend the release of the financial results and related announcements to the Board.

External and Internal Audit. The overall scope of external and internal audits have been reviewed by the AC prior to each audit process, to ensure that material areas are covered and sufficient attention is paid to higher risk areas.

The AC has conducted a review of the scope and results of audit by the Company's external auditors, Ernst & Young LLP ("EY"), its cost effectiveness, as well as its independence and objectivity. EY keeps the AC abreast of changes to accounting standards and issues which have direct impact on the Group's financial statements. New and Revised Singapore Standards on Auditing which are effective for audits of financial statements for periods ending on or after 15 December 2016 have been presented by EY to the AC and the Board, to prepare the Board of the revised auditor reporting standards which would post significant implications and challenges to all parties, including the Management, the Company's stakeholders and the auditors.

The AC has approved the IA audit plan which is scheduled for all the Group's key operating units for the review period from 2015 until 2017. The AC reviewed the internal audit reports presented by the IA which compiled the detailed findings and recommendations for each of the Group's key operating units. Any material non-compliance or failure in internal controls, recommendations for improvements and remedy actions taken by Management are reported to the AC. If action plans to mitigate the risks are required, the AC would instruct and ensure the Management undertakes follow-up actions. The AC reviews the adequacy and effectiveness of the internal audit function annually, and believes that the internal audit conducted by the IA for FY2015 attained professional standards including those promulgated by the Institute of Internal Auditors, and is satisfied that the internal audit function was effective, has adequate resources and appropriate standing within the Group during FY2015.

The AC (excluding Mr Demierre) 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 Demierre, being an Executive Director, has been excluded from the aforesaid meeting(s) to ensure that the AC remains a platform for external and internal auditors to provide their independent opinions without the influence of Management. This arrangement is essential 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.

Risk Management and Internal Controls. 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. It has reviewed the up-to-date risk register, the implementation and execution of the standard operating procedures, as well as remedy actions recommended by the IA and implemented by Management. The AC reports annually to the Board of its view on the effectiveness and adequateness of the Group's internal controls, including financial, operational, compliance and information technology controls.

Whistleblowing Framework. All whistleblowing matters come under the purview of the AC, to ensure independent investigation of such matters and for appropriate follow-up action. The Group has in place and it has published on its website, the channel to raise concerns about any suspected improprieties. Its whistleblowing policy provides employees and third-parties 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. There were no reports received through the whistleblowing mechanism during FY2015. 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.

Interested Person Transactions ("IPT"). The AC reviews interested person transactions (where applicable) at its quarterly meetings 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 FY2015. Further information relating to the IPTs during FY2015 is provided under the section "Interested Person Transactions".

Summary of the Board and AC's Observations for FY2015

The Board is of the view that the AC comprises members with requisite qualifications and sufficient financial management expertise to discharge the AC's functions competently. It has received assurance from the Executive Chairman and CEO, and CFO that for FY2015:

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

With the assurance from the Executive Chairman and CEO together with the CFO, and 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 according to the IA's recommendations; and
(d) reviews performed by the 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 to address the financial, operational, compliance and information technology risks of the Group in respect of FY2015. However, the Board notes that the risk management and internal controls provide 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 also 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.

The AC and the Board have reviewed and they are satisfied that the aggregate amount of audit fees paid and/or payable to EY in connection with the audit as well as non-audit services for FY2015 is appropriate and that neither the independence nor its objectivity is put at risk as the non-audit services were provided by a separate team within EY. For details of fees paid and/or 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 79 of this annual report. The AC has considered a variety of factors including adequacy of resources, experience of supervisory and professional staff to be assigned to the audit process, and the size and complexity of the Group, its businesses and operations, and it has recommended that EY be re-appointed as the Company's external auditors for FY2016. The appointment of EY and EY global network as the external auditors of the Group complies with Rules 712 and 715 of the Listing Rules.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

The Company's corporate governance practices promote fair and equitable treatment of all Shareholders. Shareholders, as the owners of the Company, are entitled to attend and vote at the general meeting, to a share of the Company's profits and all other rights pursuant to The Companies Act (Chapter 50) of Singapore and the provision of the Company's Constitution. The Board welcomes the adoption of multiple proxies regime to enfranchise indirect investors and CPF members under The Companies (Amendment) Act 2014 (the "Amendment Act"), and believes that it enhances corporate governance and encourages more active shareholder participation.

To facilitate Shareholders' rights, 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 SGXNET, to ensure fair communication with the Shareholders.

Disclosure of Information. 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. 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; and
(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 other investor related information on the Group which serves as an important resource for investors.

Apart from statutory announcements, the Company issues its newsletter – Halcyon Days, which publishes the Group's achievements, updates to the business operations, important dates and recapitulate any big announcements. The Halcyon Days is available on the Company's website and the Shareholders receive the latest version at the Company's general meeting.

Corporate Governance Report

Dividend Policy. The Company currently does not have a fixed dividend policy. The Company continues to pursue its expansion strategy and a considerable amount of non-recurring transaction related costs were incurred for acquisitions completed in FY2015. These costs had an impact on the Group's financial performance and accordingly, the Company had not declared any dividends in respect of FY2015.

Conduct of Shareholder Meetings

General meetings remain the Company's principal forum for dialogue with Shareholders, to gather views or inputs, and address Shareholders' concerns. The Company's general meetings provide an opportune forum for Shareholders to meet the Board and senior management, and to interact with them.

The Board supports and encourages active shareholders' participation at general meetings. The participation of Shareholders was encouraging and Shareholders actively communicate their views during the general meetings which were held in FY2015.

The Company's general meetings are attended by all Directors and chaired by 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.

Shareholders are properly informed of the meeting schedule and the agenda of meeting at least 14 or 21 days (as the case may be) prior to the date appointed for the general meeting. The Company issues and publishes the notice of general meeting to all Shareholders by advertising in newspapers and disseminating it through SGXNET.

Rules (including the appointment of proxy(ies) and voting procedures) that govern the attendance for general meetings are clearly set out in the notice of general meeting as well as the proxy form disseminated. Pursuant to the Constitution, every Shareholder 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. Notwithstanding, those specified intermediaries such as CPF, banks and capital market services license holders which provide custodial services would now be able to appoint multiple proxies under the Amendment Act with effect from 3 January 2016. The Board is aware of the drafting inaccuracy under the Amendment Act, whereby the Company will need to amend its Constitution if it wishes to extend the cut-off time for submission of proxy forms to 72 hours before the time scheduled for a general meeting. As such, the Board will review the need to amend the Company's Constitution to extend the cut-off time for submission of proxy forms at an appropriate time. Currently, all proxy forms are required to be lodged and submitted to the Company or its share registrar 48 hours before the time scheduled for a general meeting.

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 Company has mandated poll voting since 2014, and will continue to put all resolutions tabled in general meetings to be voted on a poll. Details on voting outcomes including the number of votes cast for and against each resolution together with the respective percentage are announced in the general meeting, and to the public through SGXNET.

The proceedings of the general meetings are properly recorded, including significant 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.

DEALING IN SECURITIES

The Company complies with Rule 1207(19) of the Listing Rules on dealings in securities. It issues quarterly notice to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing two (2) weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one (1) 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 securities are also 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.

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS

The Group does not have a general mandate from Shareholders for interested person transactions ("IPT"). The assessment of IPTs is under the purview of the AC, to ensure that any transaction to be entered into with interested persons (as defined in the Listing Rules) will be assessed independently, and any such transaction is carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders.

Any IPT will be disclosed in the Company's quarterly and full-year results announcement. During FY2015, save for the exchange offer where Angsana Capital Ltd. ("Angsana") was issued 179,092,000 new ordinary shares of the Company (the "New HAC Shares") at the exchange price of S$0.5027 per New HAC Share in exchange for the 75,000,000 preference shares in the Company's subsidiary, Halcyon Rubber Company Pte. Ltd. (the "Exchange Offer") which was completed on 30 November 2015, there was no other IPT entered into by the Company or its subsidiaries. Angsana is indirectly owned by Mr Robert Meyer, the Executive Chairman and CEO of the Company. The Exchange Offer is pursuant to the joint investment which was approved by the Shareholders in an extraordinary general meeting of the Company held on 4 August 2014.

Save as disclosed above, there were no other IPTs which were more than S$100,000 entered into by the Group during FY2015.

MATERIAL CONTRACTS

Other than the transaction disclosed under the heading "Interested Person Transactions" and the services agreements entered into with executive Directors, 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 FY2015 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2014.

DISCLOSURE ON COMPLIANCE WITH THE CODE

Express disclosure requirements pursuant to the Corporate Governance Disclosure Guide issued by the SGX-ST on 29 January 2015.

Principle and Guidelines	Page reference in this Annual Report
General Compliance with all the principles and guidelines of the Code	Yes. Page 25
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Page 28
Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	Page 27
Guideline 1.5 The type of material transactions that require board approval under guidelines	Page 28
Guideline 1.6 The induction, orientation and training provided to new and existing directors	Page 31
Guideline 2.1 Compliance with the guideline on the proportion of independent directors on the Board	Page 29

Corporate Governance Report

Principle and Guidelines	Page reference in this Annual Report
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	Pages 25 and 31
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	Not Applicable
Guideline 2.6 (a) The Board's policy with regard to diversity in identifying director nominees (b) Whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate (c) Steps that the Board has taken to achieve the balance and diversity necessary to maximise its effectiveness	Page 29
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	Not Applicable
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	Pages 26 and 30 to 32
Guideline 4.4 (a) Maximum number of listed company board representations which directors may hold, and the reasons for this number should be disclosed (b) Specific considerations in deciding on the capacity of directors	Page 31
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Page 30
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 27 and 31
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted.	Page 32
Guideline 6.1 Types of information which the Company provides to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company, and the frequency of such information provided	Page 29

Corporate Governance Report

Principle and Guidelines	Page reference in this Annual Report
Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	Pages 26 and 33
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	Page 33
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Page 33
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	Pages 34 and 35
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	Page 34
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	Page 34
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S$50,000	Page 35
Guideline 9.5 Details and important terms of employee share schemes	Page 35

Corporate Governance Report

Principle and Guidelines	Page reference in this Annual Report
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	Page 35
Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give 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	Page 38
Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board	Pages 26 and 36
Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	Page 38
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Page 37
Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	Page 37
Guideline 13.1 Whether the Company have an internal audit function	Pages 35 and 36
Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	Page 39
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	Page 39

Financial Contents

Directors' Statement

The directors are pleased to present their statement 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 statements of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

1. Opinion of the directors

In the opinion of the directors,

(i) The consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

2. Directors

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

Robert Meyer
Alan Nisbet
Pascal Demierre
Randolph Khoo Boo Teck
Liew Choon Wei

3. Arrangements to enable directors to acquire shares or debentures

Except as described in paragraph five below, 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' Statement

4. 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:

Name of director	Direct interest		Deemed interest	
	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)]	-	-	36,350,000	179,642,000
Pascal Demierre [(1)]	21,774,576	21,774,576	-	-
Alan 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 2016.

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.

5. 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.

Directors' Statement

6. Audit committee

The Company's audit committee (AC) carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, and it had performed the following core duties and activities (not exhaustive) during the financial year ended 31 December 2015:

a) Reviewed the audit plans, scope of audit and reporting obligation of the internal and external auditors;
b) Reviewed the quarterly and full year financial statements as well as the auditor's report, before their submission to the board of directors (the "Board");
c) Reviewed the effectiveness of the internal control systems, including financial, operational, compliance and information technology controls;
d) Held a private discussion with the internal and external auditors to discuss matters which would be more appropriately deliberated without the presence of the Company's management, such as the cooperation of and assistance given by the Company's management to the internal and external auditors;
e) Reviewed legal and regulatory matters that may have a material impact on the financial statements;
f) Reviewed and evaluated the services of external auditors including amount of fees paid and/or payable to the external auditor as well as their independence and objectivity;
g) Reviewed the nature and extent of non-audit services provided by the external auditor;
h) Recommended the re-appointment of the external auditors to the Board;
i) Reported to the Board, the material matters deliberated by the AC with appropriate recommendations (as the case may be);
j) Reviewed interested person transactions which fall under the scope of the Listing Manual of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

During the year, four AC meetings were held and attended by all members. The AC also had a private discussion with internal and external auditors, without the presence of the Company's management.

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

7) Auditor

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

On behalf of the Board of Directors:

____

Robert Meyer
Director

____

Pascal Demierre
Director

Singapore
24 March 2016

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 50 to 121, which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and 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 financial statements 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.

Independent Auditor's Report

To the Members of Halcyon Agri Corporation Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statements 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 financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

24 March 2016

Consolidated Income Statement

For the financial year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Revenue	4	994,712	479,247
Cost of sales		(932,536)	(454,344)
Gross profit		62,176	24,903
Other income	5	8,275	567
Selling expenses		(14,000)	(3,439)
Administrative expenses		(13,894)	(8,355)
Administrative expenses – non-recurring		(6,802)	(13,926)
Operating profit/(loss)		35,755	(250)
Finance income		635	950
Finance costs	6	(24,126)	(10,514)
Profit/(loss) before taxation	8	12,264	(9,814)
Income tax expense	7	(5,915)	(3,051)
Profit/(loss) for the financial year		6,349	(12,865)
Profit/(loss) attributable to:			
Owners of the company		8,467	(9,429)
Non-controlling interests		(2,118)	(3,436)
		6,349	(12,865)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	9	44,949	4,932
Adjusted EBITDA	9	49,180	18,858
Earnings/(loss) per share ("EPS/(LPS)"):			
Basic and diluted (cents per share)	10	1.94	(2.34)

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Profit/(loss) for the financial year		6,349	(12,865)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(38,694)	(18,947)
Fair value adjustment on cash flow hedges		(2,189)	(511)
Recognised in the profit and loss accounts on occurrence of hedged transactions		511	-
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on retirement benefit obligation (net of tax)		440	(324)
Other comprehensive loss for the financial year		(39,932)	(19,782)
Total comprehensive loss for the financial year		(33,583)	(32,647)
Total comprehensive loss attributable to:			
Owners of the Company		(21,689)	(22,153)
Non-controlling interests		(11,894)	(10,494)
		(33,583)	(32,647)

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

Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
ASSETS					
Non-current assets					
Intangible assets	11	200,534	197,773	-	-
Property, plant and equipment	12	99,489	113,926	122	147
Plantation related properties	16	35,491	41,875	-	-
Biological assets	16	6,360	338	-	-
Investment properties	13	21,420	20,551	-	-
Deferred tax assets	15	3,175	2,673	-	-
Deferred charges		146	175	-	-
Other assets		2	49	-	-
Investment in subsidiaries	14	-	-	168,008	104,297
Total non-current assets		366,617	377,360	168,130	104,444
Current assets					
Cash and bank balances	17	70,541	77,456	3,064	1,186
Trade receivables	18	65,030	64,964	-	-
Other receivables	19	27,427	25,579	95,281	107,484
Tax receivables		3,324	2,436	-	-
Derivative financial instruments	20	24,250	5,117	-	-
Inventories	21	102,875	88,075	-	-
Total current assets		293,447	263,627	98,345	108,670
Total assets		660,064	640,987	266,475	213,114
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	20	7,567	821	-	-
Trade payables	22	11,249	26,990	-	-
Other payables	23	18,349	23,899	10,000	3,836
Loan payables	24	191,874	58,538	2,750	5,936
Provision for taxation		1,553	294	15	47
Finance lease obligation	28(b)	435	405	435	405
Total current liabilities		231,027	110,947	13,200	10,224
Net current assets		62,420	152,680	85,145	98,446
Non-current liabilities					
Loan payables	24	270,150	338,215	94,404	104,215
Retirement benefit obligations	25	10,703	11,033	-	-
Deferred tax liabilities	15	20,486	18,780	25	25
Finance lease obligation	28(b)	1,046	1,481	1,046	1,481
Total non-current liabilities		302,385	369,509	95,475	105,721
Net assets		126,652	160,531	157,800	97,169

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

Statements of Financial Position

As at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		US$'000	US$'000	US$'000	US$'000
Capital and reserves					
Share capital	26	156,551	92,993	156,551	92,993
Capital reserves	27	143	143	-	-
Accumulated profits		6,025	8,290	1,249	4,176
Hedging reserve	27	(2,189)	(511)	-	-
Foreign currency translation reserve	27	(58,116)	(16,830)	-	-
Equity attributable to owners of the Company		102,414	84,085	157,800	97,169
Non-controlling interest		24,238	76,446	-	-
Total equity		126,652	160,531	157,800	97,169
Total liabilities and equity		660,064	640,987	266,475	213,114

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

Statements of Changes in Equity

For the financial year ended 31 December 2015

	Note	Share capital US$'000	Capital reserve US$'000	Accumulated profits US$'000	Foreign currency translation reserve US$'000	Hedging reserve US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to owners of the Company						
Group								
At 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 loss 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 and 1 January 2015		92,993	143	8,290	(16,830)	(511)	76,446	160,531
Profit/(loss) for the year		-	-	8,467	-	-	(2,118)	6,349
Other comprehensive income/(loss)		-	-	515	(28,993)	(1,678)	(9,776)	(39,932)
Total comprehensive income/(loss) for the year		-	-	8,982	(28,993)	(1,678)	(11,894)	(33,583)
Contributions by and distributions to owners								
Dividend paid to non-controlling interest		-	-	-	-	-	(143)	(143)
Effect of acquisition of non-controlling interest via issuance of Company's shares (net of share issuance cost)	26	63,558	-	(11,247)	(12,293)	-	(40,171)	(153)
Total transactions with owners in their capacity as owners		63,558	-	(11,247)	(12,293)	-	(40,314)	(296)
At 31 December 2015		156,551	143	6,025	(58,116)	(2,189)	24,238	126,652

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

Statements of Changes in Equity

For the financial year ended 31 December 2015

	Note	Share capital US$'000	Accumulated profits US$'000	Total equity US$'000
Company				
At 1 January 2014		63,713	2,019	65,732
Profit for the year representing total comprehensive income for the year		-	5,309	5,309
Contributions by and distributions to owners				
Issue of share capital (net of share issuance cost)	26	29,280	-	29,280
Dividend paid	32	-	(3,152)	(3,152)
Total transactions with owners in their capacity as owners		29,280	(3,152)	26,128
At 31 December 2014 and 1 January 2015		92,993	4,176	97,169
Loss for the year representing total comprehensive loss for the year		-	(2,927)	(2,927)
Contributions by and distributions to owners				
Issue of share capital (net of share issuance cost)	26	63,558	-	63,558
Total transactions with owners in their capacity as owners		63,558	-	63,558
At 31 December 2015		156,551	1,249	157,800

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Operating activities			
Profit/(loss) before taxation		12,264	(9,814)
Adjustments for:			
Depreciation expense	12	9,141	5,182
Amortisation of intangible asset	11	53	-
Retirement benefit expense	25	1,991	962
Interest income		(635)	(950)
Interest expense	6	24,126	10,514
Fair value gain on open forward commodities contracts and inventories, unrealised		(12,514)	(5,536)
Fair value gain on investment properties	13	(2,571)	-
Fair value gain on biological assets	16	(4,914)	-
Unrealised foreign exchange gain		(7,662)	(5,561)
Amortisation fee for syndicated loan facility	8	2,108	-
Loss on disposal of other assets		13	-
Operating cash flow before working capital changes		21,400	(5,203)
Trade and other receivables		22,129	(5,979)
Inventories		1,142	9,177
Trade and other payables		(19,722)	10,476
Cash generated from operations		24,949	8,471
Interest received		635	950
Interest paid		(5,614)	(2,535)
Tax paid		(1,149)	(2,757)
Net cash generated from operating activities		18,821	4,129
Investing activities			
Proceeds from disposal of property, plant and equipment		69	39
Deposits paid on acquisition of subsidiaries		-	(1,000)
Acquisition of subsidiaries (net of cash acquired)		(1,860)	(336,396)
Payment of deferred cash settlement in relation to previous year acquisition of subsidiaries		(14,621)	-
Capital expenditure on property, plant and equipment and plantation assets		(10,825)	(14,037)
Proceeds from disposal of other assets		34	-
Net cash used in investing activities		(27,203)	(351,394)

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

Consolidated Cash Flow Statement

For the financial year ended 31 December 2015

	Note	2015 US$'000	2014 US$'000
Financing activities			
Proceeds from syndicated loan facility – term loan		176,855	-
Repayment of syndicated loan facility – term loan		(11,270)	-
Net proceeds from syndicated loan facility – working capital loan		176,580	-
Proceeds from syndicated bridge facility		-	234,000
Repayment of syndicated bridge facility		(271,800)	(2,576)
Repayment of other term loans		(4,561)	-
Net repayment of other working capital loans		(39,782)	(19,369)
Interest paid on term loans and syndicated facility		(12,694)	(4,484)
Interest paid on Medium Term Notes ("MTN")		(5,927)	-
Proceeds received under finance lease arrangement		-	2,200
Capital contribution from non-controlling interest		-	60,202
Net proceeds from issuance of MTN		-	97,323
Net proceeds from issuance of shares		-	14,485
Share issuance expense	14	(153)	-
Repayment of obligation under finance lease arrangement		(405)	(314)
Dividend paid		-	(3,152)
Dividend paid to non-controlling interest		(143)	-
Decrease in pledged deposits	17	1,675	1,336
Net cash from financing activities		8,375	379,651
Net (decrease)/increase in cash and cash equivalents		(7)	32,386
Cash and cash equivalents at the beginning of year		75,781	49,677
Effect of exchange rate changes on the balance of cash held in foreign currencies		(5,233)	(6,282)
Cash and cash equivalents at the end of year		70,541	75,781

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

Notes to the Financial Statements

For the financial year ended 31 December 2015

1. Corporate information

Halcyon Agri Corporation Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Main 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 2015. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2015

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 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
FRS 114 *Regulatory Deferral Accounts*	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
Amendments to FRS 111 *Accounting for Acquisitions of Interest in Joint Operations*	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
(d) Amendments to FRS 34 *Interim Financial Disclosure*	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
Amendments to FRS 7: *Disclosure initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 110 and FRS 28 *Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except for FRS 115, FRS 16 and FRS 41, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 115, FRS 16 and FRS 41 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a 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 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 when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

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

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

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

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

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.

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 represents the equity in subsidiaries not attributable, directly or indirectly, 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. 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.

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.

(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.

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

2.8 *Property, plant and equipment (cont'd)*

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

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. Summary of significant accounting policies (cont'd)

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.

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

2.10 *Intangible assets (cont'd)*

(b) *Other intangible assets (cont'd)*

(i) Process know-how

The useful life of the process know-how was estimated to be indefinite because based on the current demand for rubber, management believes there is no foreseeable limit to the period over which the process know-how are expected to generate net cash inflows for the Group.

(ii) Customer relationship

Customer relationship acquired was initially recognised at cost and was subsequently carried at cost less accumulated amortization and accumulated impairment losses. These costs are amortised to the income statement using the straight line method over 10 years.

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.

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.

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

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

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.

(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 expired. 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.

(c) *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. 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.

2.14 *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.

Notes to the Financial Statements

For the financial year ended 31 December 2015

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

2.14 *Impairment of financial assets (cont'd)*

(a) *Financial assets carried at amortised cost (cont'd)*

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.

2.15 *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.

2.18 *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.

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

2.18 Provisions (cont'd)

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

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

2.21 *Revenue (cont'd)*

(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.

2.22 *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.

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

2.22 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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.

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.

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);

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

2.24 *Hedge accounting (cont'd)*

- 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.

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 2015 and 2014.

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 hedging 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.

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

2.25 *Contingencies (cont'd)*

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.

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) Valuation of rubber inventories

As disclosed in Note 2.16, the Group's natural rubber inventories are carried at the fair market value less cost to sell at the end of each reporting period, an alternative policy allowed by FRS 2 Inventories for commodity broker or trader.

The Group's operating activities, including procurement of raw materials, selling of finished goods and entering into forward commodity (natural rubber) contracts are subject to movements in the market prices of natural rubber. The Group has two main types of sales contracts and purchase contracts; long term contracts ("LTCs") and spot contracts ("Spot"). The prices for LTCs are usually determined based on the average market price for certain delivery months, whereas the prices for Spot contracts are usually agreed on the day the Spot contracts are entered. In addition to the management of the price risk between the sales and purchase activities, which are the key driver and contributor to the Group's profitability, the Group also provided other ancillary services such as processing and distribution. The profit for these ancillary services is recognised in the profit or loss only when these services are performed by the Group.

As such, management believes the Group's business model meets the definition of commodity broker or trader under FRS 2 and therefore, the existing accounting policy better reflects the performance of the Group.

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

3.1 *Judgments made in applying accounting policies (cont'd)*

(b) 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 process know-how related 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 process know-how related intangible asset at 31 December 2015 is US$10,000,000 (2014: US$10,000,000) (Note 11).

The Group has considered a number of factors, including the demand for constant viscosity ("VK") rubber and its technical properties, and concluded the useful life of the VK process know-how related intangibles to be indefinite.

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 carrying amount of provision for tax as at 31 December 2015 is US$1,553,000 (2014: US$294,000). The carrying amounts of deferred tax assets and liabilities are disclosed in Note 15.

(b) Useful live 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 2015 is US$99,489,000 (2014: US$113,926,000) (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 2015 is US$10,000,000 (2014: US$10,000,000) (Note 11).

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

3.2 *Key sources of estimation uncertainty (cont'd)*

(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. 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.

The carrying amount of the Group's goodwill as at 31 December 2015 is US$189,887,000 (2014: US$187,773,000).

4. Revenue

	Group	
	2015	**2014**
	US$'000	**US$'000**
Sale of goods	994,712	479,247

5. Other income

	Group	
	2015	**2014**
	US$'000	**US$'000**
Fair value gain on investment properties (Note 13)	2,571	-
Fair value gain on biological assets (Note 16)	4,914	-
Others	790	567
	8,275	567

6. Finance costs

	Group	
	2015	**2014**
	US$'000	**US$'000**
Interest expense on:		
- Term loans	11,739	4,649
- MTN	6,382	2,918
- Working capital loans	5,875	2,830
- Finance lease obligation	130	117
	24,126	10,514

7. Income tax expense

	Group	
	2015	2014
	US$'000	US$'000
Current tax		
Current tax expense	3,541	2,248
(Over)/under provision in prior years	(330)	307
Deferred tax		
Deferred tax expense relating to the origination and reversal of temporary differences (Note 15)	2,704	496
	5,915	3,051

Relationship between tax expense and accounting profit/(loss)

Reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 31 December 2014 are as follows:

	Group	
	2015	2014
	US$'000	US$'000
Profit/(loss) before taxation	12,264	(9,814)
Tax at the domestic income tax rate of 17% (2014: 17%)	2,085	(1,668)
Effect of non-deductible expenses	4,331	4,223
Effect of non-taxable income	(1,252)	(903)
Effect of tax exempt income	(20)	2
Interest income deducted at source	(167)	(286)
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,257	716
Additional tax allowance from Productivity and Innovation Credit	(78)	(97)
Deferred tax asset on losses not recognised	793	504
Utilisation of previously unrecognised deferred tax asset	(1,064)	-
Effect of tax incentive at lower rate	(375)	2
(Over)/under provision in prior years	(330)	307
Others	(265)	251
Income tax expense recognised in profit or loss	5,915	3,051

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 July 2014 for a period of 4 years and 6 months. The qualifying income of HG and NCE shall be taxed at the concessionary tax rate of 10%. HG is currently in discussion with the relevant authority to extend its incentive period beyond 30 June 2016.

8. Profit/(loss) before taxation

	Group 2015 US$'000	Group 2014 US$'000
(a) Profit/(loss) before taxation has been arrived at after charging/(crediting):		
Non-recurring expenses (Note 9):		
- Acquisition related expenses	402	13,161
- Expense on Consent Solicitation Exercise ("CSE")	–	765
- Amortisation of fee incurred for the syndicated loan facility	2,108	–
- Professional fees incurred for syndicated loan facility	4,292	–
	6,802	13,926
Depreciation of property, plant and equipment included in:		
- Cost of sales	7,469	4,121
- Selling expenses	76	70
- Administrative expenses	1,596	991
	9,141	5,182
Foreign exchange gain included in:		
- Cost of sales	(1,961)	(7,047)
- Administrative expenses	(10,072)	(4,172)
	(12,033)	(11,219)
Amortisation of intangible asset	53	–
Professional fees	1,391	1,368
Directors' remuneration	1,346	851
Directors' fees (Note 30)	139	141
Audit fees:		
- paid to auditors of the Company and its associates	470	392
- paid to other auditors	56	20
Non-audit fees:		
- paid to auditors of the Company	39	415
Operating lease expense	961	522
Inventories recognised as an expense in cost of sales	932,536	454,344

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For the financial year ended 31 December 2015

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

	Group	
	2015 US$'000	2014 US$'000
(b) Employee benefits expenses (including directors' remuneration):		
- Defined benefit plan	1,991	1,029
- Defined contribution plans	1,054	187
- Staff welfare	496	159
- Staff salaries	29,587	13,582
	33,128	14,957
Included in:		
- Cost of sales	15,552	7,642
- Selling expenses	3,725	910
- Administrative expenses	13,851	6,405
	33,128	14,957

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

	Group	
	2015 US$'000	2014 US$'000
Profit/(loss) before taxation	12,264	(9,814)
Adjustments for:		
Depreciation expense (Note 8)	9,141	5,182
Finance costs (Note 6)	24,126	10,514
Interest income	(635)	(950)
Amortisation of intangible asset (Note 8)	53	-
EBITDA	44,949	4,932
Add: Non-recurring expenses (Note 8)	6,802	13,926
Less: Fair value gain on investment properties (Note 5)	(2,571)	-
Adjusted EBITDA	49,180	18,858

10. Earnings per share

	Group	
	Basic and diluted	
	2015 US$'000	2014 US$'000
Profit/(loss) for the year attributable to owners of the Company	8,467	(9,429)
	Number of ordinary shares '000 Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	435,924	402,167
Earnings/(loss) per share ("EPS/(LPS)"): US Cents	1.94	(2.34)

11. Intangible assets

Group	Process know-how US$'000	Goodwill US$'000	Customer related intangibles US$'000	Total US$'000
Cost:				
At 1 January 2014	10,000	–	–	10,000
Addition:				
- Acquisition of subsidiaries	–	187,773	–	187,773
At 31 December 2014 and 1 January 2015	10,000	187,773	–	197,773
Addition:				
- Acquisition of subsidiaries (Note 14a(i))	–	2,114	700	2,814
At 31 December 2015	10,000	189,887	700	200,587
Accumulated amortisation:				
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–	–
Amortisation for the year	–	–	53	53
At 31 December 2015	–	–	53	53
Net carrying amount:				
At 31 December 2014	10,000	187,773	–	197,773
At 31 December 2015	10,000	189,887	647	200,534

The amortisation of customer related intangibles is included in administrative expenses in the consolidated income statement.

11. Intangible assets (cont'd)

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	
	2015	**2014**
	US$'000	**US$'000**
Processing segment	183,282	183,282
Distribution segment	6,605	4,491
	189,887	187,773

Customer related intangibles

Customer related intangibles relates to non-contractual customer relationships acquired through business combination. The intangible asset has an average remaining amortisation period of nine years (2014: Nil).

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 2015. No impairment loss was recognised as at 31 December 2015 as the recoverable amounts of the respective CGU to which goodwill and process know-how have been allocated to were in excess of their respective carrying values. The recoverable amount of the CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a 5-year period.

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 2015 US$'000	Discount rate (pre-tax)	Growth rate
Processing segment:			
- Goodwill	183,282	8.6%	2% - 3%
- Process know-how	10,000	8.6%	2%
Distribution segment:			
- Goodwill	6,605	8.6%	2% - 3%
Total	199,887		

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.

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 2014	1,833	430	471	3,196	2,184	1,341	3,021	5,059	17,535
Additions	808	738	409	2,579	4,075	598	1,128	1,933	12,268
Acquisition of subsidiaries	182	381	169	31,915	29,415	673	34,257	1,439	98,431
Disposals	(44)	-	-	-	-	-	-	-	(44)
Reclassification/transfer	1,354	-	-	3,671	272	-	-	(5,297)	-
Exchange difference	(304)	(62)	(7)	(2,494)	(2,200)	(106)	(2,138)	(127)	(7,438)
At 31 December 2014 and 1 January 2015	3,829	1,487	1,042	38,867	33,746	2,506	36,268	3,007	120,752
Additions	293	741	105	9	928	467	1,100	3,944	7,587
Acquisition of subsidiaries	-	86	25	-	-	118	-	-	229
Disposals	-	-	-	-	(115)	(31)	-	-	(146)
Reclassification/transfer	452	2	2	158	547	32	-	(1,287)	(94)
Transfer to investment property	-	-	-	(440)	-	-	-	-	(440)
Exchange difference	(418)	(146)	(8)	(4,234)	(3,857)	(309)	(4,035)	(483)	(13,490)
At 31 December 2015	4,156	2,170	1,166	34,360	31,249	2,783	33,333	5,181	114,398
Accumulated depreciation and impairment:									
At 1 January 2014	294	115	188	382	575	320	124	-	1,998
Disposals	(5)	-	-	-	-	-	-	-	(5)
Depreciation charge for the year	382	298	234	1,243	1,775	387	863	-	5,182
Exchange difference	(77)	(18)	(2)	(68)	(92)	(26)	(66)	-	(349)
At 31 December 2014 and 1 January 2015	594	395	420	1,557	2,258	681	921	-	6,826
Disposals	-	-	-	-	(46)	(31)	-	-	(77)
Depreciation for the year	445	620	310	1,987	3,541	583	1,655	-	9,141
Transfer to investment property	-	-	-	(60)	-	-	-	-	(60)
Exchange difference	(84)	(67)	-	(191)	(348)	(93)	(138)	-	(921)
At 31 December 2015	955	948	730	3,293	5,405	1,140	2,438	-	14,909
Net carrying amount:									
At 31 December 2014	3,235	1,092	622	37,310	31,488	1,825	35,347	3,007	113,926
At 31 December 2015	3,201	1,222	436	31,067	25,844	1,643	30,895	5,181	99,489

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

Company	**Renovation US$'000**	**Computers US$'000**	**Office equipment US$'000**	**Total US$'000**
Cost:				
At 1 January 2014	84	95	-	179
Additions	3	58	11	72
Disposal	(44)	-	-	(44)
At 31 December 2014 and 1 January 2015	43	153	11	207
Additions	10	38	-	48
At 31 December 2015	53	191	11	255
Accumulated depreciation:				
At 1 January 2014	2	9	-	11
Depreciation charge for the year	11	40	3	54
Disposal	(5)	-	-	(5)
At 31 December 2014 and 1 January 2015	8	49	3	60
Depreciation charge for the year	8	59	6	73
At 31 December 2015	16	108	9	133
Net carrying amount:				
At 31 December 2014	35	104	8	147
At 31 December 2015	37	83	2	122

Assets held under finance lease

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$1,225,000 (2014: US$1,533,000).

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$87,065,000 (2014: US$30,516,000) to secure the Group's and the Company's loans and borrowings (Note 24).

13. Investment properties

	Group	
	2015 US$'000	2014 US$'000
Balance sheet:		
At 1 January	20,551	-
Fair value gain recognised in profit or loss	2,571	-
Transfer from property, plant and equipment	380	-
Acquisition of subsidiaries	-	22,056
Exchange difference	(2,082)	(1,505)
At 31 December	21,420	20,551
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	38	36
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	6	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

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2015 and 31 December 2014. 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. Details of valuation techniques and inputs used are disclosed in Note 33.

Assets pledged as security

The Group has pledged certain investment properties amounting to US$21,226,000 (2014: Nil) to secure the Group's loans and borrowings (Note 24).

The investment properties held by the Group as at 31 December 2015 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
6 Residential houses in Palembang, South Sumatera, Indonesia	Residential	Leasehold	4 - 28 years
4 plots of lands in Palembang, South Sumatera, Indonesia	Vacant land	Leasehold	3 – 19 years
4 offices in Palembang, South Sumatera, Indonesia	Offices	Leasehold	4 - 18 years
8 units of shophouses in Medan, North Sumatera, Indonesia	Shophouse	Leasehold	6 years
7 units of offices in Medan, North Sumatera, Indonesia	Offices	Leasehold	7 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	7 years
Residential house in Banjarmasin, South Kalimantan, Indonesia	Residential	Leasehold	14 years
Land in Medan, North Sumatera, Indonesia	Vacant land	Leasehold	6 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	4 years
Residential house in Pontianak, West Kalimantan, Indonesia	Residential	Leasehold	13 years
Land in Pontianak, West Kalimantan, Indonesia	Vacant land	Leasehold	22 years
Shophouse in Rantau, North Sumatera, Indonesia	Shophouse	Leasehold	16 years
Residential house in Rantau, North Sumatera, Indonesia	Residential house	Leasehold	16 years
Land in Siak, Riau, Indonesia	Vacant land	Leasehold	8 years

14. Investment in subsidiaries

	Company 2015 US$'000	Company 2014 US$'000
At 1 January	104,297	16,000
Acquisition of subsidiaries	63,711	88,297
At 31 December	168,008	104,297

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2015	Proportion (%) of ownership interest 2014
Held by the Company:				
Hevea Global Pte Ltd [1]	Singapore	Natural rubber trading	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	100.00	59.46
Subsidiaries of Halcyon Agri Indonesia Pte Ltd:				
PT Hevea MK [2]	Indonesia	Natural rubber processing	95.00	95.00
PT Hevea GE [2]	Indonesia	Natural rubber processing	95.00	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	100.00
Subsidiaries of Halcyon Agri (Malaysia) Sdn Bhd				
Halcyon Rubber Estate Sdn Bhd [2]	Malaysia	Investment holding	100.00	100.00
Hevea KB Sdn Bhd [2]	Malaysia	Natural rubber processing	100.00	100.00
Subsidiaries of JFL Agro Pte Ltd				
JFL Agro Sdn Bhd [2]	Malaysia	Plantation estate management	100.00	100.00
JFL Holdings Sdn Bhd [2]	Malaysia	Leasing of agricultural land	100.00	100.00
JFL Rubber Sdn Bhd [3]	Malaysia	Dormant	100.00	100.00
Subsidiary of Halcyon Rubber Company Pte Ltd				
Anson Company (Private) Limited [1]	Singapore	Natural rubber trading and investment holding	100.00	100.00
Subsidiaries of Anson Company (Private) Limited				
PT Hok Tong [2]	Indonesia	Natural rubber processing	99.99	99.99
PT Remco [2]	Indonesia	Natural rubber processing	75.00	75.00
PT Sunan Rubber [2]	Indonesia	Natural rubber processing	53.75	53.75
PT Rubber Hock Lie [2]	Indonesia	Natural rubber processing	77.78	77.78

14. Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2015	2014
Subsidiary of Hevea Global Pte Ltd				
Hevea International Pte Ltd [(1)]	Singapore	Investment holding	100.00	100.00
Subsidiaries of Hevea International Pte Ltd				
New Continent Enterprises (Private) Limited [(1)]	Singapore	Natural rubber trading and distribution	100.00	50.00
Centrotrade Singapore Pte Ltd [(1)]	Singapore	Natural rubber trading and distribution	100.00	-
Centrotrade Minerals & Metals, Inc. [(3)]	United States	Natural rubber trading and distribution	100.00	-
Centrotrade Malaysia Commodities Sdn Bhd [(3)]	Malaysia	Natural rubber trading and distribution	100.00	-
Centrotrade Deutschland GmbH [(2)]	Germany	Natural rubber trading and distribution	100.00	-
Subsidiaries of New Continent Enterprises (Private) Limited				
New Continent Enterprises GmbH [(4)]	Germany	Natural rubber distribution	100.00	100.00
New Continent Enterprises B.V [(4)]	Netherlands	Investment holding	100.00	100.00
MCF China Limited [(3)]	People's Republic of China	Natural rubber distribution	100.00	100.00
Subsidiary of New Continent Enterprises B.V				
New Continent Enterprises Inc. [(4)]	United States	Natural rubber distribution	100.00	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.

(4) Not required for statutory audit in the country of incorporation.

a) Acquisition of subsidiaries

(i) Acquisition of Centrotrade entities

On 30 June 2015, the Group legally completed the acquisition of entire equity interest in Centrotrade Deutschland GmbH, Centrotrade Commodities Malaysia Sdn. Bhd., Centrotrade Singapore Pte Ltd and Centrotrade Minerals & Metals, Inc. (the "Centrotrade entities"). Consequent to the completion of the Centrotrade acquisition, Centrotrade entities became indirectly owned subsidiaries of the Company.

Centrotrade entities are leading distributor of rubber products. The acquisition would establish the Group with a world-leading sourcing and distribution network for natural rubber products.

The purchase price allocation of the acquisition of Centrotrade entities was finalised during the year.

14. Investment in subsidiaries (cont'd)

a) Acquisition of subsidiaries (cont'd)

(i) Acquisition of Centrotrade entities (cont'd)

The fair value of the identifiable assets and liabilities of the Centrotrade entities as at the Centrotrade acquisition date were:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	229
Deferred tax assets	176
Cash and cash equivalents	3,754
Trade and other receivables	27,937
Derivative financial instruments - assets	2,877
Inventories	21,537
Trade and other payables	(22,273)
Provisions	(610)
Borrowings	(27,133)
Derivative financial instruments - liabilities	(1,774)
Deferred tax liabilities	(217)
Total identifiable net assets at fair value	4,503
Customer related intangibles (Note 11)	700
Goodwill arising from acquisition (Note 11)	2,114
Total purchase consideration	7,317
Consideration transferred	
Cash paid	6,614
Deferred cash settlement	703
Total purchase consideration	7,317

Effect of the acquisition of Centrotrade entities on cash flow

	US$'000
Total consideration settled in cash for 100% equity interest acquired	7,317
Less: Deferred cash settlement	(703)
Consideration settled in cash	6,614
Less: Cash and cash equivalents of subsidiaries acquired	(3,754)
Less: Deposit paid in prior year	(1,000)
Net cash outflow on acquisition in current year	1,860

14. Investment in subsidiaries (cont'd)

a) Acquisition of subsidiaries (cont'd)

(i) Acquisition of Centrotrade entities (cont'd)

Goodwill arising from acquisition

The goodwill of US$2,114,000 comprise the value of synergistic benefits as the Centrotrade entities further enhance the Group's merchandising activities to other industrial customers who consume natural rubber and latex and extract additional distribution profits for the Group.

Impact of the acquisition on profit or loss

From the acquisition date, the Centrotrade entities contributed revenue of US$149,783,000 and profit of US$8,637,000 to the Group's profit for the year. If business combination had occurred on 1 January 2015, management estimates that the Group's revenue would have been higher by US$55,761,000 and the Group's profit for the year would have been higher by US$281,000.

(ii) Acquisition of additional interest in a subsidiary, without loss of control

On 30 November 2015, the Company acquired an additional 40.54% equity interest in Halcyon Rubber Company Pte Ltd ("HRC") from its non-controlling interests via issuance of the Company's ordinary shares, valued at US$63,711,000. Consequent to the acquisition, HRC became wholly owned subsidiary of the Company. The carrying value of the net assets of HRC and its subsidiaries ("HRC Group") at 30 November 2015 which was attributable to the Group was US$99,088,000 and the carrying value of the additional interest acquired was US$63,711,000.

The effect of change in the Group's ownership interest in HRC Group on the equity attributable to owners of the Company, amounted to a decrease of US$153,000.

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

During the year, the Group paid US$14,621,000 of deferred cash settlement in relation to the acquisition of New Continent Enterprises (Private) Limited and its subsidiaries (the "NCE Group") in prior year.

14. Investment in subsidiaries (cont'd)

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	Carrying amount of NCI	Profit after tax allocated to NCI
		2015	2015	2015
		%	US$'000	US$'000
PT Sunan Rubber	Indonesia	46.25	11,865	915
PT Remco	Indonesia	25.00	12,318	996

	Principal place of business	Proportion of ownership interest held by NCI	Carrying amount of NCI	Loss after tax allocated to NCI
		2014	2014	2014
		%	US$'000	US$'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 subsidiaries that have material NCI as follows:

Summarised financial information

	PT Sunan Rubber	PT Remco
	2015	2015
	US$'000	US$'000
Total assets	28,739	53,420
Total liabilities	(3,085)	(4,147)
Revenue	49,802	86,709
Total comprehensive loss	(773)	(1,355)
Net cash (used in)/generated from operations	(5,274)	3,374

	HRC Group
	2014
	US$'000
Total assets	417,126
Total liabilities	(265,966)
Revenue	166,412
Total comprehensive loss	(22,432)
Net cash used in operations	(9,202)

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	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Differences in depreciation for tax purposes	(970)	(745)	(238)	53	(25)	(25)
Tax losses carry forward	912	162	919	(5)	-	-
Retirement benefit liabilities	2,676	2,756	340	331	-	-
Reversal of deferred tax assets recognised on acquisition	-	-	-	(1,416)	-	-
Fair value uplift of biological assets	(1,083)	-	(1,179)	-		
Fair value uplift of investment properties acquired in business combination	(5,080)	(4,938)	(643)	-	-	-
Fair value uplift of property, plant and equipment acquired in business combination	(11,352)	(12,931)	892	388	-	-
Others	(2,414)	(411)	(2,795)	153	-	-
Deferred tax expense			(2,704)	(496)		
Net deferred tax liabilities	(17,311)	(16,107)			(25)	(25)
Reflected in the statement of financial position as follows:						
Deferred tax asset	3,175	2,673			-	-
Deferred tax liabilities	(20,486)	(18,780)			(25)	(25)
Deferred tax liabilities, net	(17,311)	(16,107)			(25)	(25)

	Group	
	2015 US$'000	2014 US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(16,107)	(584)
Tax expense during the year recognised in profit or loss	(2,704)	(496)
Tax credit during the year recognised in OCI	147	108
Deferred taxes arising from business combinations	(41)	(16,498)
Exchange difference	1,394	1,363
At 31 December	(17,311)	(16,107)

Unrecognised tax losses and unabsorbed capital allowances

At the end of reporting period, the Group has tax losses and unabsorbed capital allowances amounting to US$8,710,000 and US$5,115,000 (2014: US$1,875,000 and US$4,070,000) respectively that are available for offset against future taxable profits. The related deferred tax benefits of US$2,658,000 (2014: US$1,250,000) were not recognised as the recoverability was considered not probable.

15. Deferred tax (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$12,200,000 (2014: US$12,877,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2015 as the distributable profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

16. Plantation assets

Group	Plantation related properties: Prepaid land leases US$'000	Plantation related properties: Plantation improve-ments US$'000	Plantation related properties: Total plantation related properties US$'000	Biological assets US$'000	Total US$'000
Cost					
At 1 January 2014	-	-	-	-	-
Acquisition of a subsidiary	42,399	589	42,988	205	43,193
Additions	-	1,636	1,636	133	1,769
Capitalisation of depreciation	-	378	378	-	378
Exchange difference	(2,611)	(138)	(2,749)	-	(2,749)
At 31 December 2014	39,788	2,465	42,253	338	42,591
Additions	141	1,383	1,524	1,714	3,238
Capitalisation of depreciation	-	366	366	-	366
Fair value adjustment	-	-	-	4,914	4,914
Exchange difference	(7,408)	(601)	(8,009)	(606)	(8,615)
At 31 December 2015	32,521	3,613	36,134	6,360	42,494
Accumulated depreciation					
At 1 January 2014	-	-	-	-	-
Depreciation	378	-	378	-	378
At 31 December 2014	378	-	378	-	378
Depreciation	366	-	366	-	366
Exchange difference	(101)	-	(101)	-	(101)
At 31 December 2015	643	-	643	-	643
Carrying amount					
At 31 December 2014	39,410	2,465	41,875	338	42,213
At 31 December 2015	31,878	3,613	35,491	6,360	41,851

Plantations

Biological assets mainly consist of oil palm and rubber that are grown for commercial sales as part of normal business operations. Planted areas for oil palm and rubber plantation are approximately 566 hectares and 1,281 hectares (2014: 450 hectares and 500 hectares respectively). As at 31 December 2015, apart from the 30 hectares oil palm plantation that are ready for harvesting, the remaining oil palm and rubber plantations are not ready for commercial harvesting.

The valuation approach and inputs used in the fair value measurement of the Group's biological assets are disclosed in Note 33.

17. Cash and bank balances

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Cash at bank and on hand	43,269	44,688	3,064	1,186
Short term deposits	27,272	31,093	–	–
Cash and cash equivalents	70,541	75,781	3,064	1,186
Short term deposits – pledged	–	1,675	–	–
Total cash and bank balances	70,541	77,456	3,064	1,186

Cash and bank balances comprise cash held by the Group and Company and short term bank deposits. The carrying amounts of these assets approximate their fair value.

Fixed deposits were made for varying periods of between one to twelve months, depending on immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate as at 31 December 2015 for the Group is 3.68% per annum (2014: 6.64%).

In 2014, cash and bank balances of US$1,675,000 have been pledged for general banking facilities (Note 24).

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

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Indonesian Rupiah	22,714	24,164	–	–
Singapore Dollar	3,547	4,744	2,856	199
Euro	2,321	778	–	–
Chinese Yuan Renminbi	574	518	–	–
Malaysia Ringgit	137	166	–	–

18. Trade receivables

	Group	
	2015 US$'000	2014 US$'000
External parties	65,030	64,964

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$62,903,000 (2014: US$44,078,000) which were pledged as security for a trade financing facility.

18. Trade receivables (cont'd)

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

	Group	
	2015 US$'000	2014 US$'000
Euro	9,559	9,080
Indonesian Rupiah	54	-
Chinese Yuan Renminbi	73	180

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

		Group	
	Note	2015 US$'000	2014 US$'000
Current		60,766	61,987
Past due but not impaired	(a)	4,264	2,977
Impaired		44	49
Total gross trade receivables		65,074	65,013
Allowance for impairment	(b)	(44)	(49)
Trade receivables, net		65,030	64,964

(a) Receivables that are past due but not impaired

The Groups has trade receivables amounting to US$4,264,000 (2014: US$2,977,000) 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	
	2015 US$'000	2014 US$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	3,568	426
30 to 60 days	120	1,109
More than 61 days	576	1,442
	4,264	2,977

18. Trade receivables (cont'd)

(b) Receivables that are 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	
	2015 US$'000	2014 US$'000
Trade receivables – nominal amounts	44	49
Less: Allowance for impairment	(44)	(49)
	–	–
Movement in allowance accounts:		
At 1 January	49	–
Acquisition of a subsidiary	–	59
Written off	–	(10)
Exchange differences	(5)	–
At 31 December	44	49

19. Other receivables

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Financial assets				
Other receivables	2,738	2,007	–	46
Amounts due from subsidiaries	–	–	94,912	106,103
Deposits	12,536	8,341	219	1,178
	15,274	10,348	95,131	107,327
Non-financial assets				
Prepayments	2,535	3,407	98	133
Advances to a supplier	–	8,010	–	–
Other tax receivables	9,618	3,814	52	24
	12,153	15,231	150	157
	27,427	25,579	95,281	107,484

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$8,837,000 (2014: US$3,700,000) which has been deposited with a bank as collateral for a loan payable (Note 24).

19. Other receivables (cont'd)

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

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Indonesian Rupiah	7,697	7,873	-	-
Chinese Yuan Renminbi	535	1,072	-	-
Singapore Dollar	136	933	53	381
Malaysia Ringgit	1,758	499	-	-
Euro	3,586	430	-	-

20. Derivative financial instruments

	Group			
	2015		2014	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Forward currency contracts	475	-	278	(569)
Forward commodity (natural rubber) contracts	23,775	(7,567)	4,839	(252)
Total	24,250	(7,567)	5,117	(821)

The Group utilises forward commodity (natural rubber) contracts and forward currency 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	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Forward contracts on commodities:						
- Sales	237,898	370,552	23,775	-	-	(252)
- Purchases	125,117	447,573	-	4,839	(7,567)	-
Forward currency contracts	76,278	70,337	475	278	-	(569)
			24,250	5,117	(7,567)	(821)

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

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21. Inventories

	Group	
	2015	2014
	US$'000	US$'000
At cost:		
- Consumables	3,099	4,638
At fair value:		
- Raw materials	25,455	11,228
- Work-in-progress	13,616	16,300
- Finished goods held for resale	60,705	55,909
	99,776	83,437
	102,875	88,075

The inventories as at the end of each reporting period in 2015 and 2014 include fair value adjustments of US$(550,000) and US$(16,000) respectively.

Inventories with carrying amount of US$91,991,000 (2014: US$16,986,000) has been pledged as security for a trade financing facility (Note 24).

22. Trade payables

	Group	
	2015	2014
	US$'000	US$'000
External parties	11,249	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	
	2015	2014
	US$'000	US$'000
Euro	2,016	2,915
Indonesia Rupiah	337	91
Malaysia Ringgit	1,045	10
Singapore Dollar	23	23

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23. Other payables

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Financial liabilities				
Other payables	8,232	14,994	971	–
Accrued operating expenses	3,112	4,877	169	1,096
Accrued interest expense	2,671	3,495	2,479	2,676
Amount due to a subsidiary	–	–	6,314	–
	14,015	23,366	9,933	3,772
Non-financial liabilities				
Other tax payables	3,522	292	67	64
Advances from customers	812	241	–	–
	4,334	533	67	64
	18,349	23,899	10,000	3,836

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

Amount due to a subsidiary is non-trade related, unsecured and repayable on demand.

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

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Indonesia Rupiah	2,648	2,004	–	–
Malaysia Ringgit	2,133	469	–	–
Singapore Dollar	2,670	3,980	2,578	3,836
Euro	3,365	284	–	–

24. Loan payables

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Current:				
- Working capital loans	166,884	55,352	2,750	2,750
- Term loans	24,990	3,186	-	3,186
	191,874	58,538	2,750	5,936
Non-current:				
- Working capital loans	38,822	12,375	9,624	12,375
- Term loans	146,548	-	-	-
- Medium Term Notes ("MTN")	84,780	91,840	84,780	91,840
- Syndicated bridging loan	-	234,000	-	-
	270,150	338,215	94,404	104,215

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

	Group		Company	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Singapore Dollar	84,780	91,840	84,780	91,840
Euro	-	3,611	-	-

Working capital loans bear average interest rates ranging from 1.65% to 5.00% (2014: 1.87% to 5.00%) per annum. These loans are secured by a charge over certain of the Group's inventories (Note 21), trade receivables (Note 18) and property, plant and equipment (Note 12), investment properties (Note 13) and certain cash and bank balances (Note 17).

Term loans bears effective interest rate of 5.69% to 5.73% (2014: 7.5%) per annum. This loan was secured by a charge over certain of the Group's property, plant and equipment (Note 12), investment properties (Note 13), ordinary shares held by the Group in certain subsidiaries and deposit placed with the bank of US$8,837,000 (2014: Nil) (Note 19).

The MTN with a face value of S$125 million (2014: S$125 million) were 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 bridging loan in 2014 bore interest rate ranging from 4.90% to 5.68% per annum. The loan was secured by a pledge over the ordinary shares held by the Group in certain subsidiaries, certain of the Group's property, plant and equipment (Note 12), investment properties (Note 13) and deposit placed with the bank of US$3,700,000 (Note 19). The syndicated bridging loan was replaced with a term loan facility and working capital loan facility on 30 June 2015.

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 benefits is 3,614 (2014: 3,612).

Changes in retirement benefit obligations are as follows:

	Group	
	2015	**2014**
	US$'000	**US$'000**
At 1 January	11,033	648
Acquisition of subsidiaries	–	9,637
Benefit paid for the year	(629)	(213)
Changes charged to profit or loss		
Current service costs	1,022	622
Interest cost on benefit obligations	867	358
Past service costs	(35)	38
Net actuarial gain recognised during the year	–	1
Re-measurement of other long term employee benefits	7	10
Excess benefit	130	–
Re-measurement losses in other comprehensive income		
Actuarial changes arising from changes in demographic assumptions	200	(6)
Actuarial changes arising from changes in financial assumptions	(349)	320
Experience adjustments	(440)	145
Exchange difference	(1,103)	(527)
At 31 December	10,703	11,033

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

	2015	**2014**
	%	**%**
Discount rate	9.00	8.50
Future salary increment rate	9.00 – 10.00	9.00 – 10.00

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

25. Retirement benefit obligations (cont'd)

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

	Increase in assumption 2015 US$'000	Decrease in assumption 2015 US$'000	Increase in assumption 2014 US$'000	Decrease in assumption 2014 US$'000
Group				
One percentage point change in the assumed discount rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	(102)	125	(128)	158
- (Decrease)/Increase on retirement benefit obligation	(737)	869	(844)	1,007
One percentage point change in the salary growth rate:				
- Increase/(Decrease) on the aggregate current service cost and interest cost	227	(34)	154	(128)
- Increase/(Decrease) on retirement benefit obligation	753	(806)	985	(842)

The above sensitivity analysis is based on a change in an assumption while holding other assumptions constant. 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 15.8 years (2014: 15.9 years).

26. Share capital

	Group and Company			
	2015		2014	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January	421,000	92,993	370,000	63,713
Issue of shares	179,092	63,558	51,000	29,280
At 31 December	600,092	156,551	421,000	92,993

The Company had on 30 November 2015, issued and allotted 179,092,000 fully paid shares based on the issue price of S$0.5027 per share to acquire a non-controlling interest in a subsidiary (Note 14).

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 currency contracts and forward commodity contracts designated as cash flow hedges. Details on the Group hedging policies are shown in Note 29(b)(i) and Note 29(b)(v).

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	
	2015	2014
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense during the year	961	522

28. Commitments and contingencies (cont'd)

a) *Operating lease commitments – as lessee (cont'd)*

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

	Group	
	2015 US$'000	2014 US$'000
Not later than one year	950	658
Later than one year but not later than five years	1,195	515
	2,145	1,173

Operating lease payments mainly 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			
	2015		2014	
	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	435	517	405
Later than one year but not later than five years	1,120	1,046	1,637	1,481
Total minimum lease payments	1,637	1,481	2,154	1,886
Less: Amounts representing finance charges	(156)	-	(268)	-
Present value of minimum lease payments	1,481	1,481	1,886	1,886

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

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28. Commitments (cont'd)

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 2015 and 31 December 2014 are as disclosed in Note 20.

d) *Corporate guarantees*

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

	Company	
	2015 US$'000	2014 US$'000
Subsidiaries	403,000	427,000

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:

	Note	Group		Company	
		2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Financial assets					
Cash and bank balances	17	70,541	77,456	3,064	1,186
Trade receivables	18	65,030	64,964	-	-
Other receivables	19	15,274	10,348	95,131	107,327
Derivative financial instruments	20	24,250	5,117	-	-
		175,095	157,885	98,195	108,513
Financial liabilities					
Trade payables	22	11,249	26,990	-	-
Other payables	23	14,015	23,366	9,933	3,772
Loan payables	24	462,024	396,753	97,154	110,151
Finance lease obligation	28(b)	1,481	1,886	1,481	1,886
Derivative financial instruments	20	7,567	821	-	-
		496,336	449,816	108,568	115,809

29. Financial risks and management (cont'd)

(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 on the financial performance of the Group.

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 2.7 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 purchases are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollar, Euro, Indonesian Rupiah and Malaysian Ringgit. The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes.

In 2014, the Group has applied hedge accounting to certain forward currency contracts, which resulted in a fair value loss of US$511,000 included in the hedging reserve.

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	
	2015 US$'000	**2014 US$'000**	**2015 US$'000**	**2014 US$'000**
Group				
Singapore Dollars	87,473	95,820	3,683	5,677
Euro	5,381	6,810	15,466	10,288
Indonesian Rupiah	2,985	2,095	30,465	32,037
Malaysian Ringgit	3,178	479	1,895	665
Chinese Yuan Renminbi	25	-	1,182	1,770
Company				
Singapore Dollars	87,358	95,677	2,909	580

29. Financial risks and management (cont'd)

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

(i) Foreign currency risk (cont'd)

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.

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore Dollars	(8,379)	(9,014)	(8,445)	(9,568)
Euro	1,008	348	-	-
Indonesian Rupiah	2,748	2,994	-	-
Malaysian Ringgit	(128)	19	-	-
Chinese Yuan Renminbi	116	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.

Interest rate sensitivity

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 income for the financial year would increase/decrease by US$1,675,000 (2014: US$1,345,000). This is mainly attributable to the Group's exposure to interest rates on its balance due to the bank and financial institutions.

29. Financial risks and management (cont'd)

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

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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.

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.

Credit risk concentration profile

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

	Group	
	2015	**2014**
	US$'000	**US$'000**
By country:		
Singapore	12,971	31,849
Asia (excluding Singapore and China)	14,994	11,355
China	7,505	5,228
United States of America ("USA")/Canada	12,639	3,519
Europe	15,335	11,559
Others	1,586	1,454
	65,030	64,964

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

29. Financial risks and management (cont'd)

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

(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 and working capital management.

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

<u>Non-derivative financial instruments</u>

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 tables include 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 (cont'd)

	2015 US$'000						2014 US$'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		80,304	-	-	-	80,304		75,312	-	-	-	75,312
Cash at banks and in hand		43,269	-	-	-	43,269		44,688	-	-	-	44,688
Short term deposits	3.68	28,276	-	-	(1,004)	27,272	6.64	34,943	-	-	(2,175)	32,768
		151,849	-	-	(1,004)	150,845		154,943	-	-	(2,175)	152,768
Financial liabilities:												
Trade and other payables		25,264	-	-	-	25,264		50,356	-	-	-	50,356
Finance lease creditors	3.50	517	1,120	-	(156)	1,481	3.50	517	1,637	-	(268)	1,886
Loan payables-variable rate	4.53	185,776	206,337	692	(30,560)	362,245	3.60	67,911	269,694	4,232	(40,110)	301,727
Loan payables-fixed rate	6.02	21,401	106,078	-	(27,700)	99,779	7.50	9,394	20,664	99,647	(34,679)	95,026
		232,958	313,535	692	(58,416)	488,769		128,178	291,995	103,879	(75,057)	448,995

29. Financial risks and management (cont'd)

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

(iv) Liquidity risk

Non-derivative financial instruments (cont'd)

	2015 US$'000						2014 US$'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
Company												
Financial assets:												
Trade and other receivables		95,131	-	-	-	95,131		107,327	-	-	-	107,327
Cash at banks and in hand		3,064	-	-	-	3,064		1,186	-	-	-	1,186
		98,195	-	-	-	98,195		108,513	-	-	-	108,513
Financial liabilities:												
Trade and other payables		9,933	-	-	-	9,933		3,772	-	-	-	3,772
Finance lease creditors	3.50	517	1,120	-	(156)	1,481	3.50	517	1,637	-	(268)	1,886
Loan payables- variable rate	2.68	3,042	9,649	692	(1,008)	12,375	2.87	3,169	9,018	4,234	(1,296)	15,125
Loan payables- fixed rate	6.20	5,651	106,078	-	(26,949)	84,780	7.50	9,394	20,664	99,647	(34,679)	95,026
		19,143	116,847	692	(28,113)	108,569		16,852	31,319	103,881	(36,243)	115,809

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 liquidity analysis for derivative financial instruments 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.

Please refer to Note 20 for more details.

(v) Commodity price risk

Due to the nature of the Group's operations, the Group is exposed to changes in agricultural commodity prices.

In 2015, the Group has applied hedge accounting to certain forward commodity (natural rubber) contracts, which resulted in a fair value loss of US$2,189,000 (2014: nil) is included in the hedging reserve.

At the end of the reporting period, a 5% increase/decrease of the commodities price index, with all other variables held constant, would have decreased/increased profit or loss before income tax by US$529,000 (2014: US$741,000) and increased/decreased equity by US$538,000 (2014: Nil).

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	
	2015 US$'000	2014 US$'000
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
Acquisition of an additional 40.54% equity interest in a subsidiary from a company beneficially owned by a director of the Company (Note 14)	(63,711)	-

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	
	2015	**2014**
	US$'000	**US$'000**
Directors' fees	139	141
Short-term benefits	2,582	1,757
	2,721	1,898

31. Segment information

The Group is a global leader in natural rubber, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber. The Group sources a broad range of grades from all major origins globally, operates 14 natural rubber processing facilities in Indonesia and Malaysia, and distributes to an international customer base through its network of warehouses and sales offices in South East Asia, China, the United States of America 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 the Group and external third parties, employing agronomical models and ecological practices to achieve certain yields.

Processing segment - the procurement and processing of raw materials into high quality technically specified rubber ("TSR') in 14 processing factories

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	
	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Revenue to third party	3	-	463,606	311,398	531,103	167,849	-	-	-	-	994,712	479,247
Inter-segment revenue	-	-	92,484	6,721	53,031	7,162	3,687	8,660	(149,202)	(22,543)	-	-
Total revenue	3	-	556,090	318,119	584,134	175,011	3,687	8,660	(149,202)	(22,543)	994,712	479,247
Gross profit [1]	3	-	37,978	21,991	24,195	2,912	3,687	8,660	(3,687)	(8,660)	62,176	24,903
Operating profit/(loss)	4,223	(465)	20,242	7,323	10,840	1,019	505	(4,223)	(55)	(3,904)	35,755	(250)
Finance income											635	950
Finance costs											(24,126)	(10,514)
Profit/(loss) before taxation											12,264	(9,814)
Income tax expense											(5,915)	(3,051)
Profit/(loss) for the financial year											6,349	(12,865)
Segment assets	46,320	45,732	430,424	547,575	152,050	98,709	343,359	376,644	(312,089)	(427,673)	660,064	640,987
Segment liabilities	9,381	5,359	260,374	117,038	218,239	68,603	177,345	506,199	(131,927)	(216,743)	533,412	480,456
Other information:												
Depreciation expense	121	142	8,743	4,782	199	46	78	212	-	-	9,141	5,182
Capital expenditure	3,942	1,913	6,721	11,490	115	53	47	581	-	-	10,825	14,037

(1) Under the Processing segment, the cost of sales amounted to US$518.1 million (2014: US$296.1 million), of which the cost of raw materials amounted to US$464.8 million (2014: US$269.3 million) and processing costs amounted to US$53.3 million (2014: US$26.8 million).

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, plantation related properties, biological assets, investment properties, deferred charges and other assets) by geographical location are detailed below:

	Group	
	2015	**2014**
	US$'000	**US$'000**
Sales of natural rubber		
Singapore	209,119	196,312
Asia (excluding Singapore and China)	333,809	149,886
China	134,346	50,164
USA/Canada	145,844	50,410
Europe	157,940	30,303
Others	13,654	2,172
	994,712	479,247

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

	Group	
	2015	**2014**
	US$'000	**US$'000**
Non-current assets		
Indonesia	285,446	295,090
Malaysia	59,878	64,126
Singapore	15,097	15,395
Europe	2,942	-
Others	79	76
	363,442	374,687

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

32. Dividend

	Group and Company	
	2015	**2014**
	US$'000	**US$'000**
Declared and paid during the financial year ended 31 December 2014:		
Dividends on ordinary shares:		
- 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

(a) Fair value hierarchies

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.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2015 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	**Significant observable inputs other than quoted prices (Level 2) US$'000**	**Significant unobservable inputs (Level 3) US$'000**	**Total US$'000**
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	24,250	-	-	24,250
Financial assets as at 31 December 2015	**24,250**	-	-	**24,250**
Non-financial assets:				
Inventories	-	99,776	-	99,776
Biological assets	-	-	6,360	6,360
Investment properties	-	-	21,420	21,420
Non-financial assets as at 31 December 2015	**-**	**99,776**	**27,780**	**127,556**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	7,567	-	-	7,567
Financial liabilities as at 31 December 2015	**7,567**	-	-	**7,567**

33. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Group 2014 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total U$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	5,117	-	-	5,117
Financial assets as at 31 December 2014	**5,117**	-	-	**5,117**
Non-financial assets:				
Inventories	-	83,437	-	83,437
Biological assets	-	-	338	338
Investment properties	-	-	20,551	20,551
Non-financial assets as at 31 December 2014	**-**	**83,437**	**20,889**	**104,326**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	821	-	-	821
Financial liabilities as at 31 December 2014	**821**	-	-	**821**

(c) Level 2 fair value measurements

The fair value of inventories (except consumables) are calculated using quoted prices in relevant commodity exchanges at the end of the reporting period, making adjustments according to the stage of production of the inventories, port of loading, and grades of products. 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.

33. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements

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

Biological assets

The fair value of the Group's biological assets has been determined based on valuations by an independent professional valuer using the discounted cash flow valuation approach. The most significant inputs into the discounted cash flow valuation approach are the average annual yield and discount rate. The fair value of biological assets was computed using average annual yield of 18.5 metric tonne per hectare for oil palm and 1.6 metric tonne per hectare for rubber, and discount rate of 11% for both oil palm and rubber.

An increase in average annual yield per hectare will result in an increase to the fair value of biological assets, while an increase in discount rate will result in a decrease of estimated fair value.

Investment properties

The fair value of the Group's investment properties have been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property location, accessibility, topography, facilities and utilities, size and date of transaction.

(ii) Movements in Level 3 assets measured at fair value

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

	2015		
	Biological assets US$'000	**Investment properties US$'000**	**Total US$'000**
Group			
Opening balance	338	20,551	20,889
Fair value gain recognised in profit or loss	4,914	2,571	7,485
Additions	1,714	-	1,714
Transfer from property plant and equipment	-	380	380
Exchange differences	(606)	(2,082)	(2,688)
Closing balance	6,360	21,420	27,780

33. Fair value of assets and liabilities (cont'd)

(d) Level 3 fair value measurements (cont'd)

(ii) Movements in Level 3 assets measured at fair value (cont'd)

	2014		
	Biological assets US$'000	Investment properties US$'000	Total US$'000
Group			
Opening balance	–	–	–
Acquisition of subsidiaries	205	22,056	22,261
Additions	133	–	133
Exchange differences	–	(1,505)	(1,505)
Closing balance	338	20,551	20,889

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2015 and 31 December 2014.

(iii) Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

(d) 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 loan payables other than MTN (Note 24) approximate their respective fair values due to the relatively short-term maturity of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2015

33. Fair value of assets and liabilities (cont'd)

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

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

		Group and Company			
		2015		2014	
	Note	Carrying amount US$'000	Fair value US$'000	Carrying amount US$'000	Fair value US$'000
Financial liability:					
MTN	24	84,780	80,445	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 Group is required to comply with loan covenants imposed by their lenders. This externally imposed requirement has been complied with by the Group, including relevant subsidiary companies for the financial year ended 31 December 2015 and 31 December 2014.

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 2015 and 31 December 2014.

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	
	2015 US$'000	2014 US$'000
Loan payables (Note 24)	462,024	396,753
Finance lease obligation (Note 28(b))	1,481	1,886
Total borrowing	463,505	398,639
Adjust for: Working capital items		
- Trade receivables (Note 18)	(65,030)	(64,964)
- Inventories (Note 21)	(102,875)	(88,075)
- Cash and bank balances (Note 17)	(70,541)	(77,456)
- Trade payables (Note 22)	11,249	26,990
Net borrowing	236,308	195,134
Total equity	126,652	160,531
Gearing ratio	1.87	1.22

35. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation. These reclassifications have no impact on the Group's profit for the year.

The effects of the reclassification are as follows:

	Group
	2014
	US$'000
Decrease in biological assets	(378)
Decrease in property, plant and equipment	(41,497)
Increase in plantation related properties	41,875

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 24 March 2016.

Statistics of Shareholdings

As At 21 March 2016

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.23	12	0.00
100 - 1,000	25	2.91	21,419	0.00
1,001 - 10,000	341	39.70	2,432,700	0.41
10,001 - 1,000,000	469	54.60	36,636,610	6.10
1,000,001 AND ABOVE	22	2.56	561,001,259	93.49
TOTAL	**859**	**100.00**	**600,092,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	202,230,805	33.70
2	DBS NOMINEES (PRIVATE) LIMITED	73,739,561	12.29
3	HSBC (SINGAPORE) NOMINEES PTE LTD	52,931,476	8.82
4	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	52,500,000	8.75
5	BANK OF SINGAPORE NOMINEES PTE. LTD.	32,884,800	5.48
6	GOI SENG HUI	25,000,000	4.17
7	OCBC SECURITIES PRIVATE LIMITED	24,553,200	4.09
8	ANDREW TREVATT	19,400,000	3.23
9	CITIBANK NOMINEES SINGAPORE PTE LTD	16,896,134	2.82
10	DBSN SERVICES PTE. LTD.	14,800,000	2.47
11	SHAW VEE KING	10,219,689	1.70
12	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,231,000	1.37
13	VENSTAR INVESTMENTS II LTD	5,378,000	0.90
14	SIM SIEW TIN CAROL (SHEN XIUZHEN CAROL)	4,398,700	0.73
15	UOB KAY HIAN PRIVATE LIMITED	4,005,000	0.67
16	STF INVESTMENTS LTD	3,622,000	0.60
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,756,194	0.46
18	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	2,077,800	0.35
19	CLIFFORD CHEAH KING MUN	1,676,400	0.28
20	OR LAY HUAT DANIEL	1,371,500	0.23
	TOTAL	**558,672,259**	**93.11**

Statistics of Shareholdings

As At 21 March 2016

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest Number of shares	Direct Interest %	Deemed Interest Number of shares	Deemed Interest %
Angsana Capital Ltd.	179,092,000	29.84	-	-
Clear Tower Investments Limited	63,873,000	10.64	-	-
Credence Capital Fund II (Cayman) Limited	52,500,000	8.75	-	-
Singapore Tong Teik (Private) Limited	35,800,000	5.97	-	-
Gunther Robert Meyer (1)	-	-	179, 642,000	29.94
Keystone Pacific Pte. Ltd. (2)	-	-	179,092,000	29.84
Leon Emil Le Mercier (3)	-	-	63,873,000	10.64
Hong Wan Company Limited (4)	-	-	35,800,000	5.97
HSBC International Trustee Limited (5)	-	-	35,800,000	5.97
HSBC Private Banking Holdings (Suisse) SA (5)	-	-	35,800,000	5.97
HSBC Finance (Netherlands) (5)	-	-	35,800,000	5.97
HSBC Holdings PLC (5)	-	-	35,800,000	5.97

Notes:

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

- *179,092,000 shares held by Angsana Capital Ltd. by virtue of his controlling interests in Angsana Capital Ltd.; and*
- *550,000 shares held by his father, Mr Gunther Richard Meyer.*

(2) Keystone Pacific Pte. Ltd. is deemed interested in the shares held by Angsana Capital Ltd. By virtue of its controlling interest in Angsana Capital Ltd.

(3) Leon Emil Le Mercier is deemed interested in the shares held by Clear Tower Investments Limited by virtue of his controlling interest in Clear Tower Investments Limited.

(4) Hong Wan Company Limited is deemed interested in the shares held by Singapore Tong Teik (Private) Limited by virtue of its controlling interest in Singapore Tong Teik (Private) Limited.

(5) Hong Wan Company Limited is wholly owned by a trust for which HSBC International Trustee Limited acts as trustee. HSBC International Trustee Limited is wholly owned by HSBC Private Banking Holdings (Suisse) SA, which is, in turn, wholly owned by HSBC Finance (Netherlands), which is, in turn, wholly owned by HSBC Holdings PLC.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 21 March 2016, approximately 35.30% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual 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 Tuesday, 26 April 2016 at 11.00 a.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 2015 and the Directors' Statement and Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Pascal Guy Chung Wei Demierre, the Director who is retiring pursuant to Article 91 of the Constitution of the Company. **(Resolution 2)**

   Mr Pascal Guy Chung Wei Demierre will, upon re-election as a Director of the Company, remain as Executive Director, and a member of the Audit Committee and Remuneration Committee. He will be considered non-independent for the purpose of Rule 704(8) of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST").

3. To re-elect Mr Alan Rupert Nisbet, the Director who is retiring pursuant to Article 91 of the Constitution of the Company. **(Resolution 3)**

   Mr Alan Rupert Nisbet will, upon re-election as a Director of the Company, remain as the Lead Independent Director, Chairman of the Audit Committee, and a member of the Remuneration Committee and Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual.

4. 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 2016. **(Resolution 4)**

5. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may be properly transacted at an AGM.

SPECIAL BUSINESS

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

7. **Authority to Allot and Issue Shares** **(Resolution 6)**

   THAT pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Act") and Rule 806 of the Listing Manual, 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) 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 Instruments 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:

(1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the 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 (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (2) below);

(2) (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 (1) above, the percentage of total 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:

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

   (b) 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 options or awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

   (c) any subsequent bonus issue, consolidation or sub-division of Shares.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual 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 Constitution of the Company for the time being; and

(4) 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 the earlier.

[See Explanatory Note]

By Order of the Board

Teo Meng Keong
Company Secretary
Singapore
8 April 2016

Notice of Annual General Meeting

Explanatory Note – Resolution 6:

The Resolution 6, 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) within the limitation imposed by this Resolution 6, 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 6 would not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 6. 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 twenty per cent (20%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 6.

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 6 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 who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead.

2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the AGM. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

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

4. 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.

HALCYON AGRI CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200504595D)

PROXY FORM

ANNUAL GENERAL MEETING

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 2016.

*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 Tuesday, 26 April 2016 at 11.00 a.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 Ordinary Business		Number of votes For**	Number of votes Against**
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 and the Directors' Statement and Auditors' Report thereon		
Resolution 2	To re-elect Mr Pascal Guy Chung Wei Demierre as a Director of the Company		
Resolution 3	To re-elect Mr Alan Rupert Nisbet as a Director of the Company		
Resolution 4	To approve Directors' fees for the financial year ending 31 December 2016		
Resolution 5	To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
Special Business			
Resolution 6	To authorise the Directors to allot and issue shares		

**Delete accordingly*
***Please indicate the number of votes as appropriate*

Date this ________ day of ______________ 2016

Total Number of Shares held in CDP Register :	

____
Signature(s) of Members(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend entitled to attend, speak and vote at the AGM in his stead.

2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the AGM. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore and holds shares in that capacity; or

   (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased on behalf of CPF investors.

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

4. Where a member appoints more than one proxy, 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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