HALCYON AGRI

CHANGING THE GAME

ANNUAL REPORT 2016

CONTENTS

HALCYON AGRI

Halcyon Agri creates value for its customers by connecting and bringing together businesses across the entire natural rubber value chain.

Listed on the Singapore Exchange in 2013 as a rubber producer with two factories in Indonesia, Halcyon Agri has rapidly advanced to become a world-leading natural rubber supply chain manager with an extensive portfolio of industry assets and a global distribution network, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber.

With strong capabilities across each segment of the supply chain, we offer our customers a comprehensive suite of products to precisely meet their needs, in a timely and efficient manner.

2013 → 2017

2013		2017
2 FACTORIES Indonesia	Rubber Processing	33 FACTORIES Indonesia, Malaysia, Thailand, China, Cameroon and Ivory Coast
0 HECTARES NIL	Plantation Land	120,000 HECTARES Malaysia, Cameroon and Ivory Coast
110,000 mT	Annual Distribution	2,000,000 mT
2 LOCATIONS Factories and offices	Presence	54 LOCATIONS Factories, offices and logistic assets
650	Human Resources	13,000+
SIR	Origins & Grades	SIR, SMR, STR, SCR, SAR, LATEX

REINVENTING RUBBER TO BE CUSTOMER-CENTRIC

At Halcyon Agri, we believe that not all natural rubber is created equal. We take a customer-centric approach: actively engaging our customers to understand their needs, and focusing on providing products that meet exacting standards, whenever and wherever our customers need it.

The world is witnessing the evolution of the natural rubber industry and we are preparing to lead this change by rethinking the way we conduct our business.

2

INDUSTRIAL DISTRIBUTION & LATEX

Centrotrade Group is a dedicated global team servicing the world's non-tyre makers. Through Centrotrade Group, we supply both natural and synthetic rubber (dry or liquid), as well as selected rubber chemicals and other ancillary products, to the global marketplace of non-tyre producing rubber customers.

With our **Cameroon** plantation assets, we have self-produced premium Cameroonian grades of dry rubber and latex within our product offering. We are on the ground in **Asia**, **Europe** and the **United States**, and our highly experienced team offers technical consultations together with professional terminal and handling expertise, to ensure safe storage and timely delivery.

1

GLOBAL TYRE MAJORS

We have the No. 1 portfolio of rubber processing assets in **Indonesia** as well as facilities in all major production regions globally, which together have an annual production capability of 1.4 million tonnes: more than 11% of global production. Our tyre major merchandising arm - **Hevea Global** has exclusive rights to market the natural rubber produced from our 14 Standard Indonesia Rubber factories and 2 factories in the **Ivory Coast**.

Our HEVEA*PRO* industrial operating framework is constantly raising the standards of natural rubber, and through continuous collaboration with our customers, we produce client-driven customised grades and we are on our way to change natural rubber from a commodity to a bespoke industrial raw material.

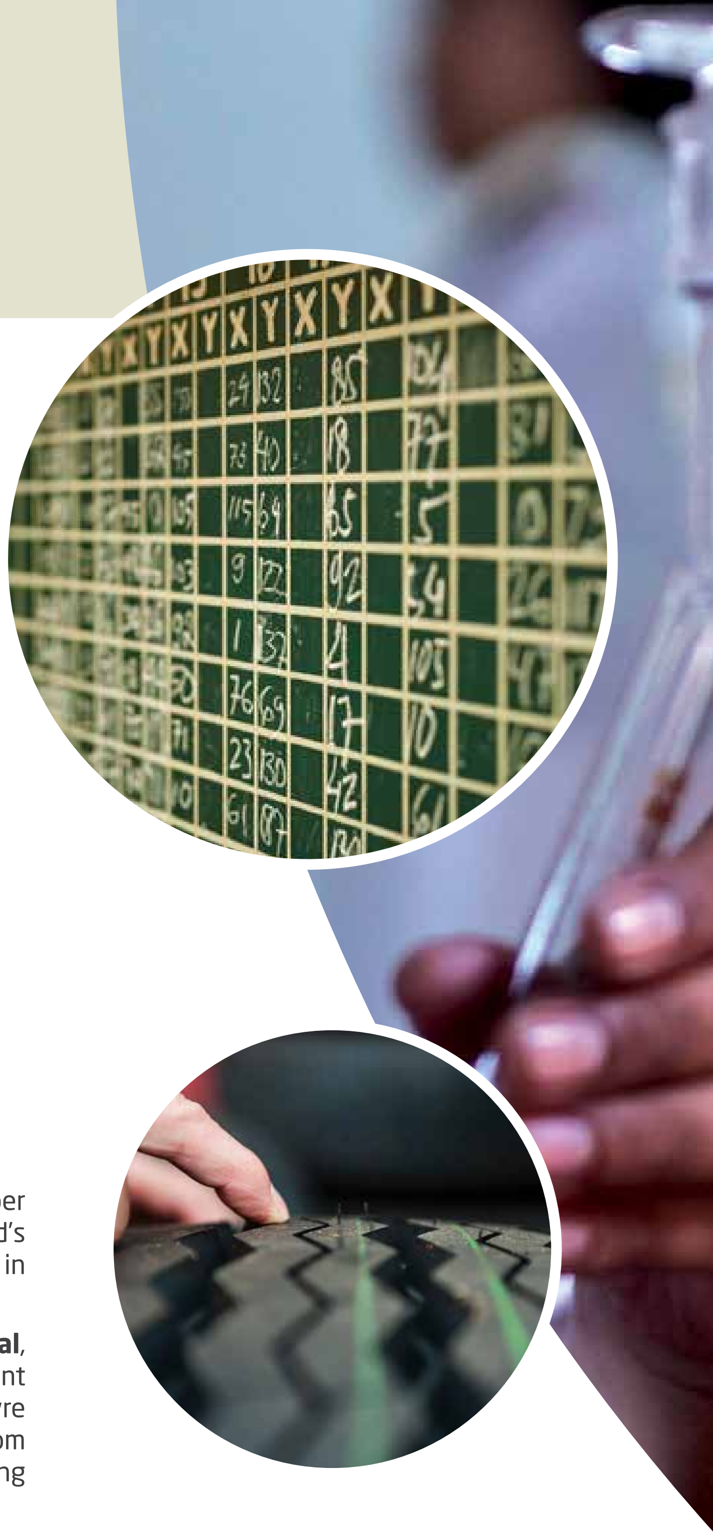
3

CHINA TYRE MAJORS

New Continent Enterprises focuses on supplying the China market with natural rubber of Malaysian, Thai and Chinese origins, and assumes operational control of our factories and plantations in these areas.

We have taken a different approach to China market with our supply chain management business model. Equipped with the production assets that produce the products needed in the China market as well as the extensive distribution lines, we assume both producer and dealer roles and thus connect our customers directly to the producers.

CHANGING THE GAME



1 GLOBAL TYRE MAJORS

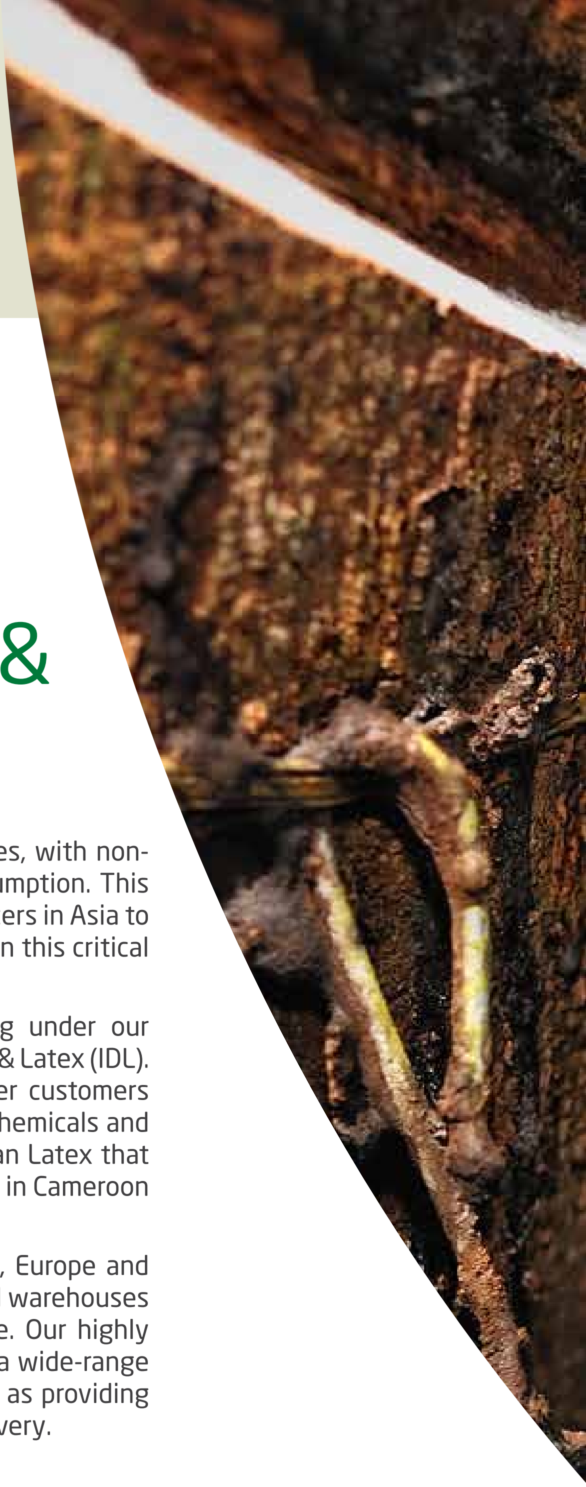
The global production and distribution of natural rubber is undergoing an evolution, and as one of the world's largest natural rubber producers, we play a vital role in this transformation.

Our tyre-major merchandising arm, **Hevea Global**, represents a customer-centric supply chain management business model focused on providing global tyre manufacturers with the tailored product they need, from our top portfolio of Indonesian natural rubber processing factories, as well as our Ivory Coast assets.

Halcyon Agri sets the standard for quality, responsibility and sustainability in natural rubber production. Our HEVEA*PRO* brand of natural rubber is produced based around four core attributes: Quality, Environment Health & Safety, Social Responsibility and Security. Under the HEVEA*PRO* charter, our factories have intensified their quality control management to narrow and fine-tune the specifications of our products to produce customer-driven customised grades, leading to better efficiencies for our customers.

We have succeeded in building the significant scale, scope and reach to cement our position as industry definers and are now looking to change natural rubber from a commodity to a truly customised industrial product.


HEVEAPRO
Quality
Environment
Health & Safety
Social
Responsibility
Security



2 INDUSTRIAL DISTRIBUTION & LATEX

The uses for natural rubber extend well beyond the world of tyres, with non-tyre industrial applications representing a quarter of global consumption. This significant market segment ranges from large medical glove producers in Asia to independent compounders in the United States, all of whom rely on this critical and non-substitutable industrial raw material for their businesses.

These needs are met by Halcyon Agri's global team operating under our **Centrotrade Group**, internally referred to as Industrial Distribution & Latex (IDL). IDL supplies the global marketplace of non-tyre producing rubber customers with natural and synthetic rubber (dry or liquid), selected rubber chemicals and other ancillary products as well as the premium grade Cameroonian Latex that is produced under our complete custody from our plantation assets in Cameroon (namely Hevecam and Sudcam).

Headquartered in Germany, Centrotrade has sales offices in Asia, Europe and the United States, with logistical assets including tank storage and warehouses which are strategically located in key cities and ports worldwide. Our highly experienced team offers technical consultations to customers on a wide-range of different products available, to best match their needs, as well as providing professional terminal and handling expertise to ensure timely delivery.

3 CHINA TYRE MAJORS

Our subsidiary, **New Continent Enterprises**, which spearheads Halcyon Agri's unique China-focused business, has been active in the natural rubber market for almost 40 years with an outstanding reputation as a reliable and steadfast supplier.

China is the world's largest consumer of natural rubber, driven by a massive population size and rapid economic growth. Natural rubber trading in China is consistently price-sensitive, operating on low product inventory which has encouraged the use of intermediaries and disconnected the producer from consumer.

Through New Continent Enterprises, Halcyon Agri is connecting the consumer directly to producers, which in this case are our processing factories in China, Malaysia and Thailand. We distribute the preferred grades of Chinese, Thai and Malaysian Technically Specified Rubber, using our countrywide logistics network offering just-in-time delivery to China customers. The elimination of intermediary interference removes our customers' sourcing risk, and leverages our supply chain management business model.

Chairman's Statement

Dear Shareholders

In my inaugural address since taking over chairmanship of the Board of Halcyon Agri Corporation Limited in January 2017, it gives me great pleasure to present to you our 2016 Annual Report.

In 2016, my predecessor, Mr Qin Hengde and our CEO, Mr Robert Meyer together with their respective teams were able to realise our common long-held vision to create the world's leading natural rubber franchise. The combination of GMG Global Ltd with Sinochem International Corporation's natural rubber assets and business under the corporate umbrella and management of Halcyon Agri was a landmark success for all parties involved. We have created a global platform that services all consumers of natural rubber with a customer-centric business model. Being able to offer HEVEA*PRO* standard natural rubber from all key origins – China, Indonesia, Malaysia, Thailand, Cameroon and Ivory Coast – endows Halcyon Agri with a competitive advantage that truly sets it apart from its industry peers.

For Sinochem, natural rubber has formed a part of our core business model since our inception in 1953. We understand the non-substitutable benefits of rubber, and the crucial part this product plays in several key industrial and consumer good sectors such as "mobility" and "health & safety". Over the years, the market place has evolved, and participants around the world are beginning to look beyond the mere utility of a product, and now also question its sustainability and impact on future generations. This is the conceptual origin of our strategy to consolidate the natural rubber industry, thereby establishing a global franchise with a forward-looking management team that benchmarks our activities globally against best practices found in other industries. The natural rubber business may be a century old, but it has an integral relevance to modern life, and it will evolve and modernise, and we are prepared to lead the change.

Going forward, I look forward to meeting many of you personally at our upcoming AGM. I would like to extend my heartiest appreciation to Halcyon Agri's Board of Directors, the management team and staff, as well as the many external stakeholders such as customers, suppliers and banks. Thank you for your support of Halcyon Agri and may we be able to work together for mutual benefit for many years to come.

Liu Hongsheng
Non-Executive Chairman


签约仪式
PROJECT SIGNING CEREMONY
March 28.2016


中化国际
SINOCHEM INTERNATIONAL
HALCYON AGRI
项目签约仪式
PROJECT SIGNING CEREMONY
GRAND HYATT
SHANGHAI


签约仪式
SIGNING CERE
arch 28.2016

CEO's Statement

Dear Shareholders

In last year's message, I pointed out the divergence of trends between steady GDP growth and commodity prices – especially rubber prices – which had sunk to unsustainable lows.

In January 2016, the first position of the SGX TSR20 rubber futures closed at US$1,049 per tonne, a price point that, for the prevailing bear sentiment at that time, turned out to be the sacrificial canary in the coalmine.

Aided in part by the Agreed Export Tonnage Scheme (AETS), an initiative by the rubber associations of Indonesia, Thailand and Malaysia to curb export volumes for 6 months from March to August 2016, the rubber market bounced back and, with extreme volatility, rallied to close the year at US$2,002 per tonne.

Amidst the market tensions surrounding the price recovery, and the lingering doubts as to its sustainability, Halcyon Agri and Sinochem International Corporation managed to successfully conclude a landmark project that had been in the making for almost 12 months.

"We are the only rubber business with factories or plantations in all major natural rubber producing areas, namely West Africa, Indonesia, Malaysia, Thailand and China."

Strategic Review

In a memorable ceremony on 28 March 2016 in Shanghai, Pascal Demierre and I signed the definitive documents to create the world's pre-eminent natural rubber company. Over the next 9 months, we seamlessly executed a series of transactions to consolidate the natural rubber business of Sinochem International Corporation (including GMG Global Ltd), under the ownership of Halcyon Agri.

The three-stage deal commenced with Sinochem acquiring approximately 180 million Halcyon Agri shares in July (or just over 30% of the company), thereby triggering a Mandatory General Offer ("MGO").

Immediately after the close of the MGO in August, Halcyon Agri launched a Voluntary General Offer ("VGO") for GMG Global, offering 933 new Halcyon Agri shares for every 1,000 GMG Global shares. As part of the overall merger transaction, Sinochem undertook to accept our offer for its 51.12% shareholding in GMG Global. In order to communicate our intentions and business strategy clearly, we adopted an interactive format: on 28 September, we invited all GMG Global shareholders to a town hall meeting at Raffles City Convention Centre, where my team and I presented our business plan for Halcyon Agri and fielded questions by the audience.

Later in October, Halcyon Agri completed its purchase of Sinochem's global natural rubber business in an all-share deal against issuance of 280 million new Halcyon Agri shares. This acquisition added to our operating assets a market-leading distribution franchise in China, a portfolio of 8 natural rubber factories in Hainan and Yunnan, as well as a global rubber trading platform based in Singapore.

Our transparent and open approach worked, and we obtained the required level of support from the former shareholders of GMG Global, including its founding family shareholders, to fully absorb GMG Global as a wholly-owned subsidiary. We have been given a strong mandate for this transaction: by certain pre-deal Halcyon Agri shareholders who agreed not to accept the MGO, by Sinochem who agreed to inject their entire natural rubber business into Halcyon Agri, and by more than 7,500 GMG Global shareholders who elected to become Halcyon Agri shareholders.

Our Global Franchise

Today, Halcyon Agri is a unique business. We are active participants, often market makers, in virtually all aspects of the global natural rubber industry.

We are the only rubber business with factories or plantations in all major natural rubber producing areas, namely West Africa, Indonesia, Malaysia, Thailand and China. This geographical reach allows us to offer seamless origination based, for example, on freight advantages for our customers. It also facilitates price discovery, as we have live exposure to operating conditions in all key origins and destinations.

As with previous acquisitions, we have wasted little time in integrating the new assets. We have merged offices; rationalised inefficiencies and duplications; and we have formed global centres of excellence for key functions, and structured the assets into 4 management platforms and 3 main operating businesses:

- Our original business, the production and merchandising of Standard Indonesian Rubber ("SIR") to major tyre producers globally has grown in scale. **Hevea Global**, our market facing entity, now has exclusive marketing responsibility for 14 SIR factories with a capacity of 620,000 tonnes annually. With the successful introduction of our HEVEA*PRO* industrial operating framework in 2016, we produce a consistent product in factories that are innovators in the field of sustainable rubber processing methods. With the acquisition of GMG Global, we have added a second origination platform to the Hevea Global franchise, Ivory Coast. We have two factories there now, ITCA and TRCI, both of which enjoy excellent consumer recognition and are run by experienced teams. In the course of 2017, we will introduce a management platform to streamline operations in both factories and facilitate further investment in Ivory Coast.

CEO's Statement

- Our second business, internally referred to as IDL (Industrial Distribution & Latex), is run by the **Centrotrade Group** of companies. Headquartered in Germany, Centrotrade supplies both natural and synthetic rubber (dry or latex), as well as selected rubber chemicals and other ancillary products, to the global marketplace of non-tyre rubber consumers. With the absorption of GMG Global, Centrotrade will assume responsibility for the Cameroonian plantation business, where we have 28,700 hectares of planted rubber plantations, as well as a land bank of almost 44,500 additional hectares to be further developed and planted. Out of our total plantation acreage in Cameroon, 45,200 hectares are freehold, truly a rare and unique asset. Hevecam, the original GMG Global plantation, commenced replanting in 2013, and in Sudcam, tapping of 1,500 hectares will commence in 2018. In the course of 2017, we will refurbish the Hevecam factory and implement the HEVEA*PRO* framework.
- Finally, we have integrated our Malaysian platform and our new assets in Thailand, with our distribution business in China. This business has a market-leading position in distributing natural rubber to the top-tier tyre makers in China, and our "point-to-point" model of distributing in-house production to top-tier tyre makers has taken much sourcing risk away from our key accounts. Tyre-grade natural rubber inventories are currently low in China, and **New Continent Enterprises**, our subsidiary that runs the China business, has been able to garner strong support for our Hevea KB, Euroma and Teck Bee Hang symbols. As one of the most established physical rubber dealers in Singapore, New Continent Enterprises is able to complement our own factory output with additional sourcing volumes from some of the best third-party producers in the business.

Gain in Net Worth

The merger of Halcyon Agri and Sinochem's global natural rubber business under the Halcyon Agri umbrella has created a unique franchise in the rubber market. It has also created significant value for the shareholders of Halcyon Agri, both pre and post-merger. In total, Halcyon Agri recorded a net gain on bargain purchase of US$117 million in the fourth quarter. This gain, which has been offset against the entire goodwill paid for the Chinese asset portfolio, is recorded in our Q4 income statement as "other income". It is important to note that this is a net figure that was carefully calculated by revaluing every single material asset and liability of both GMG Global and the Sinochem's natural rubber business. We have taken great care to impair any asset of which the recoverability is uncertain.

The last point to note is the development of our per share net worth and income. The table below shows per share income and net asset data of Halcyon Agri since 2011.

While we issued a total of 994,919,941 new shares to finance the purchases of GMG Global and the Sinochem natural rubber businesses, which is equivalent to a nominal dilution of 166%, we *gained US$20.85 cents per share in net assets*, more than doubling our net worth per share from US$16.81 cents at the end of 2015, to US$37.66 cents per share at the end of last year. This gain in net worth per share is a testament to the strategic value and income potential that all major parties to the transaction ascribe to Halcyon Agri going forward.

US cents per share	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Net income	1.52	3.40	2.46	-2.24	1.13	4.66
Net asset value	9.66	13.09	21.65	19.97	16.81	37.66

Note: Net income and Net asset value exclude non-controlling interests

Outlook

At the time of writing this report, rubber markets are on a roller-coaster ride, with daily volatility in the key futures prices of 3% to 5% having almost become the norm, not the exception. This volatility is not healthy, and has indeed moved to pole position on my personal list of sustainability threats. The world needs natural rubber – without it, key aspects of modern life namely mobility and health & safety are threatened. But rubber does not need extreme levels of volatility as this only deters long-term investors and instead attracts short-term speculators. With rubber trees still requiring at least 5 years to first yield, the rubber industry cannot be supported by short-term capital.

Halcyon Agri has developed its business to become a well-diversified, industrial operator in the natural rubber space, with activities that span the globe and cover the waterfront. Besides our physical assets, which are nicely depicted in the previous pages, our key assets are our people.

The Halcyon Agri family now counts 13,700 full time employees, with 200 in our global administration & management team (120 in Singapore, 62 in Shanghai and 18 in Eschborn), and I personally am grateful to all of them for their hard work and desire to excel. Integrating businesses is not an easy task: maintaining a flexible, non-discriminating mind-set runs contrary to human nature, and yet is the most critical trait when welcoming new colleagues and bidding farewell to others. Accepting change, welcoming progress and hitting the ground running with new assignments, sits at the very core of Halcyon Agri culture. While we have grown to become a multi-national corporation in scale, scope and reach, we remain, at heart and in fact, a close-knit band of committed entrepreneurs with outstanding support crews.

The future of Halcyon Agri looks bright: both our physical and human resources are ready to outperform, and we are well underway to do our part to reboot the natural rubber industry such that it may remain a sustainable activity for generations to come.

I extend my heartfelt gratitude to my colleagues around the world, to my fellow directors and co-shareholders. 2016 was indeed a game changing year for us, and it would not have been possible without you.

To our customers, our suppliers, our bankers and other external stakeholders, I thank you for your strong support and loyalty.

Robert Meyer
Chief Executive Officer

Board of Directors

Liu Hongsheng

Li Dajun

Liu Hongsheng

Non-Executive Chairman

Mr Liu joined the Board and was appointed as Non-Executive Chairman on 16 January 2017. He is a Co-Chairman of the Strategy and Investment Committee. Mr Liu is an Executive Director and President of Sinochem International Corporation. His previous roles in Sinochem International Corporation include Vice President of Sinochem International Corporation, Senior Vice President in the chemicals segment and General Manager of the logistics business division.

Prior to joining Sinochem in 2000, he was a Deputy Head of the Human Resources department of the Ministry of Foreign Trade and Economic Cooperation, and First Secretary of the Economic & Commercial Counsellor's Office at the Chinese Embassy in Thailand.

Mr Liu holds a Bachelor Degree in philosophy from Peking University and an Executive Master's Degree in Business Administration (EMBA) from Shanghai Maritime University.

Li Dajun

Executive Deputy Chairman

Mr Li was appointed as Executive Deputy Chairman on 15 November 2016 and is also a member of the Nominating Committee. He is responsible for overseeing all key aspects of the Group's business functions.

Mr Li was Senior Vice President at Sinochem International Corporation and General Manager of Sinochem Crop Protection Products Co., Ltd. He joined Sinochem International Corporation in 2002 and his previous appointments include General Manager (Agrochemical Business) of Sinochem International Corporation, General Manager of Sinochem International Corp Care Co., Ltd., and General Manager of Sinochem Argo Co., Ltd. Mr Li also served as Assistant Lecturer at Taiyuan Institute of Education, principal staff member of Department of Foreign Trade and Economic Cooperation in Shaanxi province and currently serves as Director (since 2006) and Chairman of Nantong Jiangshan Agrochemical & Chemicals Co., Ltd.

Mr Li holds two Bachelor Degrees, one in Biology from Shaanxi Normal University and the other in International Trade from the University of International Business and Economics, and a Master's Degree in Business Administration from Fudan University – BI Norwegian School of Management.

Robert Meyer

Pascal Demierre

Robert Meyer

Executive Director and CEO

Mr Meyer is Executive Director and Chief Executive Officer of the Group, and is also a member of the Strategy and Investment Committee. He is in charge of formulating and executing the strategic business development of the Group. His responsibilities include overseeing the core aspects of the business such as 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.

Pascal Demierre

Executive Director

Mr Demierre was appointed to the Board on 8 July 2010, and also sits on the Audit Committee and the Remuneration Committee. He is responsible for all corporate matters including mergers & acquisitions, legal, corporate governance, corporate structuring, information technology, human resources and general administration.

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

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

Board of Directors

Alan Nisbet

Randolph Khoo

Alan Nisbet

Lead Independent Director

Mr Nisbet is the Lead Independent Director and is also the Chairman of the Audit Committee. He also sits on the Remuneration Committee, Nominating Committee and Strategy and Investment Committee. He is currently the principal of Kanni Advisory, a consultancy firm that specialises in financial and business advisory services.

He is a member of the Board and the Human Resources and Finance Committee of the Accounting and Corporate Regulatory Authority (ACRA), and Vice Chairman of the Public Accountants Oversight Committee, which is responsible for the oversight of public accountants providing audit services in Singapore. He is a Director and the Chairman of the Audit Committee of Ascendas Property Trustee Pte Ltd (the Trustee-Manager of Ascendas India Trust), a Director and a member of Audit Committee and Remuneration Committee of KrisEnergy Ltd, and an Independent Director and Chairman of the 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, USA and Singapore, and was involved in the co-ordination and oversight of various aspects of the professional services rendered, including share valuations and due diligence reviews on behalf of multi-national and Singapore companies. Mr Nisbet was Head of Audit & Assurance Services for Deloitte Southeast Asia and was previously responsible for the establishment and operations of the Deloitte Enterprise Risk Service (ERS) function in Singapore and led that practice division for four years. In that capacity, he led and delivered corporate governance, risk management, internal audit and IT security services to Deloitte's clients.

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.

Randolph Khoo

Independent Director

Mr Khoo is an Independent Director and Chairman of the Nominating Committee. He also sits on the Audit Committee and the Remuneration Committee. He is currently a Director of Drew & Napier LLC, a corporation of advocates and solicitors, heads the dispute resolution practices of its China, India and International Trade Desks and Private Client Services Group.

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, Shanghai International Economic And Trade Arbitration Commission, Shenzhen Court of International Arbitration, Kuala Lumpur Regional Centre for Arbitration, Chinese Arbitration Association, Taipei and the Malaysian Institute of Arbitrators. He is also a member of the International Bar Association, Society of International Law (Singapore), Law Society of Singapore and the Singapore Academy of Law.

Mr Khoo has been recognised by Chambers Global 2016 and the Asia Pacific Legal 500 as a leading practitioner in the area of dispute resolution in Singapore and China for the past four years, in addition to being endorsed by Best Lawyers International 2016 for arbitration and mediation in Singapore.

He graduated with a Degree in Law from the National University of Singapore with various academic prizes in 1989 and joined Drew & Napier LLC in 1990 after graduation.

Liew Choon Wei

Raymond Ferguson

Liew Choon Wei

Independent Director

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

He is an Independent Director and Chairman of Nominating Committee of F J Benjamin Holdings Ltd (a company listed on the Mainboard of the SGX-ST), and also sits on the Board of The Hour Glass Limited as an Independent Director, a member of the Audit Committee and the Remuneration Committee. Mr Liew is also an Independent Director of the Frasers Hospitality Asset Management Pte Ltd (a manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (a trustee-manager of Frasers Hospitality Business Trust), since July 2014. He has been the Chairman of the Internal Audit Committee of Kuok (Singapore) Limited since March 2015.

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 in March 2013.

He is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants and formerly a practising Fellow of the Association of Chartered Certified Accountants.

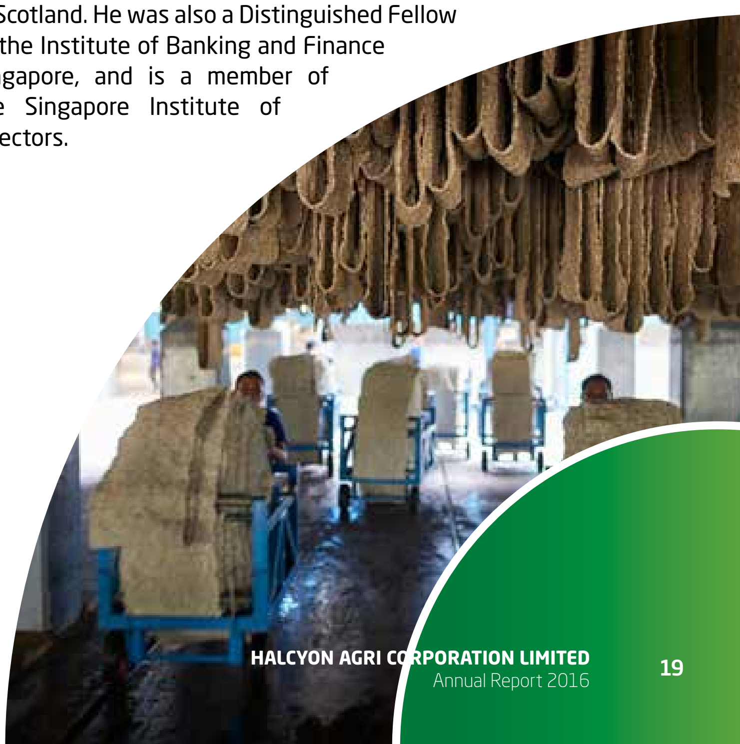
Raymond Ferguson

Independent Director

Mr Ferguson was appointed as an Independent Director on 15 November 2016 and is a Co-Chairman of the Strategy and Investment Committee.

Mr Ferguson is an experienced international banker with over twenty years of senior management experience. He has served as Chairman and Director of several Standard Chartered Bank (SCB) subsidiary boards. His last role with SCB was Chief Executive Officer of SCB, Singapore from Aug 2009 until March 2014, in addition to his role as Regional Chief Executive Officer, Southeast Asia, a position which he held from December 2007 to January 2012. He was the Group Deputy Chief Executive Officer, Executive Vice President and Group Chief Banking Officer of Arab Banking Corporation from April 2014 to January 2017, and is currently the Executive Chairman of Caber Financial Pte Ltd.

Mr Ferguson holds a Masters Degree in Business Administration from Henley Management College and Brunel University, and is an Associate of the Institute of Bankers in Scotland. He was also a Distinguished Fellow of the Institute of Banking and Finance Singapore, and is a member of the Singapore Institute of Directors.



Senior Management

Andrew Trevatt

Ng Eng Kiat

Kashimoto Michikazu

Andrew Trevatt

Chief Commercial Officer

Andrew Trevatt is responsible for commercial affairs of the Group. He has more than 30 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

Chief Executive Officer - Indonesia

Ng Eng Kiat joined Halcyon Agri in 2013. He is responsible for the Group's financial affairs, including corporate finance, treasury, capital management and acquisition financing. In addition, he is closely involved in the Group's merger and acquisition strategies and activities, including the detailed supervision of the integration of such newly acquired businesses.

He is also the Chief Executive Officer – Indonesia, responsible for leading the development and execution of the Group's long-term strategy for its operations in Indonesia.

Prior to his appointment as the Group Financial Controller of Halcyon Investment Corporation Pte Ltd in 2011, he was in the audit and assurance services with KPMG LLP, Malaysia (2002 to 2005), Ernst and Young LLP, United Kingdom (2005 to 2010) and Ernst and Young LLP Singapore (2010 to 2011).

Eng Kiat 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.

Kashimoto Michikazu

Managing Director - New Continent Enterprises

Kashimoto Michikazu joined Halcyon Agri in October 2015 as Global Head - Risk, Liquidity & Hedging and was promoted to the role of Global Head – Trading in October 2016. He is currently the Managing Director of New Continent Enterprises which runs the China business.

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 31 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.

James Bugansky

Chief Executive Officer - Africa

James Bugansky is responsible for leading the development and execution of the Group's long-term strategy for its operations in Africa. He joined Halcyon Agri in October 2013 and was responsible for analysing, maintaining and ultimately improving the Group's technical resources in factories and rubber plantation estates.

Prior to his appointment, he had worked as an exclusive consultant for Halcyon Agri since May 2013. James has

James Bugansky

Leonard Beschizza

Tan Poh Tee

more than 37 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 Halcyon Agri, he was an independent consultant and worked for GMG Global as the General Manager, Industrial Performance/ EHS.

Leonard Beschizza

Chief Executive Officer – Malaysia and Thailand

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

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 44 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.

Tan Poh Tee

Managing Director – Hevea Global

Tan Poh Tee joined Halcyon Agri as Managing Director of Hevea Global in February 2017. He is responsible for all commercial and business development activities.

Poh Tee has more than 31 years of experience in the natural rubber industry. He started work at Cargill's grain division in 1983 and moved into its rubber division as a Junior Trader in 1986. During his 22 years of service with Cargill, he played a leading role in supervising its natural rubber operations in New York, London, Japan, Malaysia, Thailand, Vietnam and Singapore, and also led the Cargill team in the formation of a joint venture company, R1 International Pte Ltd. Poh Tee joined the Southland group in 2005, establishing and heading the operations of Feng Nian Company Pte Ltd (n.k.a. Southland Global Pte Ltd) as its Managing Director until 2016.

Poh Tee graduated with a Bachelor of Arts from the National University of Singapore in 1983.

Senior Management


Lee Chestnutt


Guenter Mueller


Horst Sakreida

Lee Chestnutt

Global Head - HEVEA*PRO* Technology and Standards

Lee Chestnutt joined Halcyon Agri in 2013 as Head of Operations for Group's factory in Ipoh, Malaysia and was appointed as the Global Head - HEVEA*PRO* Technology and Standards on 1 January 2017. He is responsible for ensuring that all Halcyon Agri assets and products conform to the highest standards as laid out in the HEVEA*PRO* mandate, which covers environmental, health and safety as well as quality, product specifications and processing technology.

He started work in 1992 as a process engineer for the United Kingdom Atomic Energy Authority, in their high enriched Uranium processing plant. In 1995, he entered the rubber industry, worked for Goodyear Tire and Rubber Company as Project Manager and subsequently Production Director in their plantation based in Sumatra, Indonesia, before transferring to its purchasing office in Singapore. He last role with Goodyear was Manager-Supply & Quality Development, focussing on developing high quality supply of rubber from Africa for use in European tyre plants.

Lee graduated from the University of Newcastle-Upon-Tyne with a Bachelor's Degree (Honours) in Chemical & Process Engineering.

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 31 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 Halcyon Agri 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 1988. 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 Halcyon Agri Industrial Distribution & Latex division.

2016 Year in Review

Market Environment

2016 started off in a typically bearish fashion, similar to the past few years. Prices hit a low of US$1,049 per tonne for the TSR20 in early January, bottoming out at a level not seen since the end of 2008. Macro sentiment has continued to exert pressure on natural rubber prices and drive it to levels below cost for most rubber producers. Natural rubber prices remained close to their lowest levels through January and early February. We witnessed many smallholder farmers moving away from tapping amidst sinking incomes which could no longer meet their basic living expenses.

As part of governmental efforts to tackle the slump in natural rubber prices, the rubber associations of Thailand, Indonesia and Malaysia convened a meeting and agreed on the Agreed Export Tonnage Scheme or AETS for short, imposing export quotas by company and by factory, which aimed to boost prices by curbing exports of natural rubber. Whilst many industry players were sceptical, the implementation of AETS for the 6 months from March to August curbed natural rubber exports to 2014 levels, and brought a positive impact to rubber prices. Prices climbed over 20% and reached US$1,500 - US$1,600 per tonne in mid-April, before giving up most gains, with a return to US$1,200 - US$1,300 per tonne as consumers were restrained due to the global economy's poor performance.

The result of the Brexit Referendum on 23 June was expected to pile on the misery onto natural rubber and other financial and commodity markets. However, in retrospect, we realise that the effect was very short-lived and in fact looked to be the start of a turning point for natural rubber prices – we witnessed a consolidation in pricing and a gradual beginning of a rally in the industry.

In October 2016, natural rubber inventory in China's Qingdao Bonded Zone fell about 68% to 83,000 tonnes, from a peak of 260,000 tonnes in January, dropping to their lowest levels in recent years. This fuelled spot demand and led to a sharp price increase, albeit with some pull back through to the end of the year. We believe this to be the start of a bullish trend in natural rubber prices after 3 consecutive years of stagnation and decline.

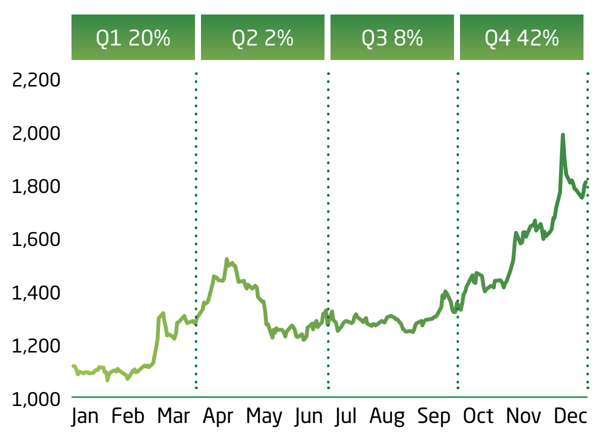
Political changes in the United States again caused a stir in the market late in the year; however as with Brexit, this was short-lived. Global markets recovered quickly.

While AETS is no longer in place, reasonable demand meant that the natural rubber market has slowly reverted towards the basic fundamentals of supply and demand. Whilst we have seen extreme volatility in 2016 (particularly in December), prices have surpassed the US$2,000 per tonne mark, levels which have not been seen since March 2014.

Much to the delight of rubber market participants, rubber prices maintained at sustainable levels at the end of 2016 and continue into 2017. The rally has been further fuelled by concerns over output in Thailand, which suffered from heavy rains and flooding reducing output during its annual traditional peak production period. Many estimates of 2017 are beginning to show a deficiency in rubber supply, again a phenomenon which the industry has not experienced since the heady heights of 2011.

Price movements in the main futures markets showing impressive gains throughout the year and recorded a minimum overall gain of 65%. Volumes in the SICOM Rubber Futures hit record highs as funds and speculators scrambled for a piece of the action in natural rubber market.

Figure 1: Natural Rubber Market Price 2016



2016 Year in Review

Operations Review

In 2016 we have succeeded in substantially increasing and expanding the scale of Halcyon Agri group's operations, broadening the scope of the business by adding operations in new geographies and extending our reach by adding new customers and markets. The combined assets brought together under our acquisition of GMG Global Ltd and the natural rubber assets of Sinochem International Corporation are complementary to one another, increasing our rubber plantation hectarage, moving into new production regions and adding to our distribution capabilities. Halcyon Agri is now the world-leading, and most comprehensive natural rubber supply chain manager.

Origination

Our upstream segment took a major leap forward as we took control of two African plantations, Sudcam and Hevecam, located in Cameroon. This increased our total rubber plantation land by more than 12 times, in excess of 122,000 hectares, and increased the total planted area to more than 32,000 hectares. Accordingly, the production of natural rubber sourced from owned plantations has grown significantly, and will continue to expand over time with further planting and maturing of our trees. We recorded a major milestone with the first sales of own grown natural rubber in 2016 amounting to 2,887 tonnes, which originate from our African plantations. Our plantation development in Malaysia remains on schedule with approximately a quarter of the plantable area planted, and the first tapping in Malaysia is expected in 2020.

Production

The total sales of natural rubber produced in our own factories in 2016 increased by 27% to 484,791 tonnes. However, our production was curtailed by the Agreed Export Tonnage Scheme (AETS) that took effect in March and saw Indonesia, Malaysia and Thailand curb exports with an aim to shore up multi-year lows in natural rubber prices.

We have increased the size of our midstream segment by roughly 90%, making the Group one of the world's largest producers of Technically Specified Rubber (TSR) in terms of production capacity. We have also significantly broadened the Group's operations, and now produce TSR in 33 factories located in 5 countries, namely China, Indonesia, Ivory Coast, Malaysia and Thailand, and have added African Latex to our product offering.

As a result, we now have a total annual production capacity of 1.4 million tonnes, covering all major rubber producing regions with a comprehensive product suite to offer our customers. The implementation of our HEVEA*PRO* industrial operating framework has been met with great success with new levels of production standards being met in our factories, and enhances the production efficiency of our assets. Over the course of the next 18 months, these HEVEA*PRO* standards and specifications will be implemented into all the newly acquired factories under our operations.

Distribution

Further downstream in our distribution business, we continued to put emphasis on managing our margins and to focus on risk adverse distribution opportunities during the low rubber price environment in 2016, which saw our distribution volumes drop by 7% year-on-year compared to 2015.

Looking ahead, we have increased the Group's annual distribution capability to 2.0 million tonnes per annum, and continue to be market leaders in distributing both dry and wet natural rubber throughout Europe and the United States. With the completion of the integration of our new Shanghai-led sales and distribution team, our distribution network now reaches far into China, and is supported by a comprehensive network of sales offices, logistics assets and an extensive customer base across the country. This complements our production of Chinese preferred grades of TSR from our Chinese, Malaysian and Thai processing factories.

In total, we presently have sales offices and logistics assets in 39 cities, spanning Asia, Europe, Africa and North America.

In an environment of increasingly stringent customer emphasis on sustainability and corporate social responsibility, the ability to control our supply chain from the natural rubber tree through the processing system, into the Group's global distribution network provides Halcyon Agri with the potential to give our customers a premium product offering that aligns with their own sustainability and responsibility agendas.

Figure 3: Sales of Own Products ('000 tonnes)

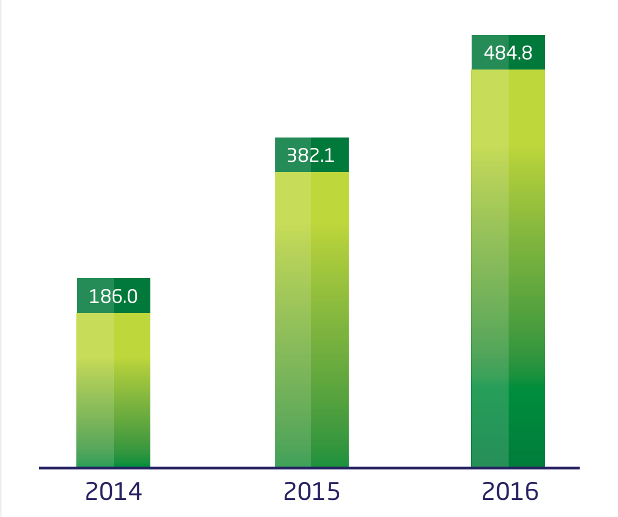


Figure 2: Total Planted Area - Rubber Trees (hectares)

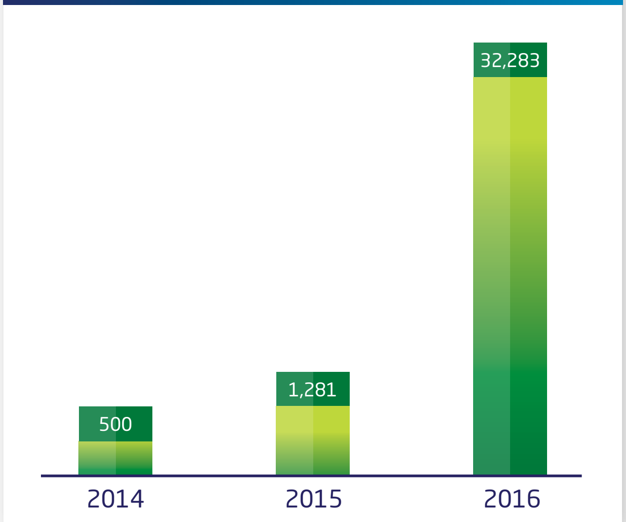
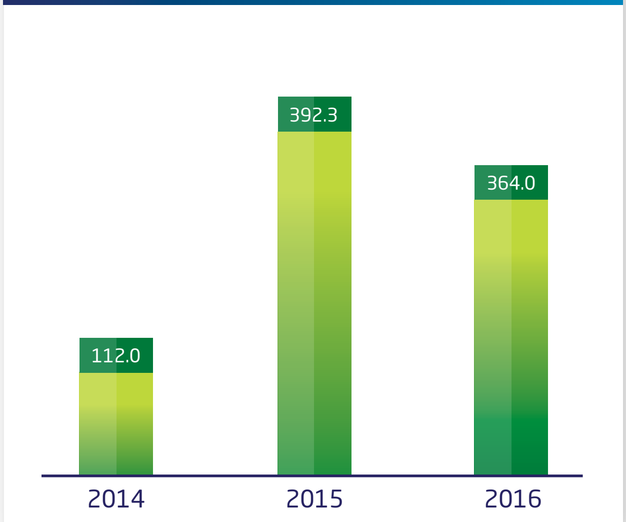


Figure 4: Distribution Volume ('000 tonnes)



2016 Year in Review

Financial Review

Income statement

The Group recorded a 1.6% year-on-year increase in revenue from US$994.7 million in FY 2015 to US$1.0 billion in FY 2016, corresponding to the increase of sales volume from 667,800 tonnes in FY 2015 to 739,210 tonnes in FY 2016. This was attributable to contributions from the natural rubber business and assets of GMG Global Ltd and Sinochem International Corporation, which were acquired by the Group in the fourth quarter of FY 2016. The impact of higher sales volume was partially offset by the reduction in revenue per tonne from US$1,490 in FY 2015 to US$1,367 in FY 2016, in line with the low natural rubber prices experienced through 2016.

The extremely low rubber prices during the first 9 months of FY 2016 led to margin compression in our processing units, and the Group's gross profit decreased by US$11.3 million or 18.1% from US$62.2 million in FY 2015 to US$50.9 million in FY 2016. In addition, the 6 months AETS initiative, which restricted our export volumes, also disturbed our fixed cost leverage as they were not efficiently covered as a result of underutilisation of production capacity.

Despite operating within a very low price environment and under the volume restrictions of the AETS during 2016, the Group's profit after tax increased 14 times to US$71.9 million in FY 2016, compared to US$4.7 million in FY 2015.

The basic and diluted earnings per share marked a higher than 400% increase, from US$1.56 cents in FY 2015 to US$8.49 cents in FY 2016.

Balance sheet

The Group's net assets increased by US$522.7 million from US$125.1 million as at 31 December 2015 to US$647.8 million as at 31 December 2016. The 417.8% increase was a result of consolidation of the assets acquired in the fourth quarter of 2016, pursuant to the acquisition of GMG Global and Sinochem's global natural rubber business.

The net asset value per ordinary share has increased approximately 100%, from US$20.85 cents as at end of FY 2015 to US$40.62 cents as at 31 December 2016.

Cash flow

The Group recorded a net decrease in cash of US$4.4 million in FY 2016, attributable to:

- US$49.6 million outflow from operating activities, due to increase in working capital requirements towards end of the year, as a result of sharp rise in rubber price in the last quarter of 2016;
- US$37.8 million generated from investing activities, being cash available under the newly acquired subsidiaries, offset by the capital expenditure on property, plant and equipment and plantation assets; and
- US$7.4 million generated from financing activities, mainly due to proceeds from various loan facilities, offset by associated interest costs.

Figure 5: Revenue (US$m)

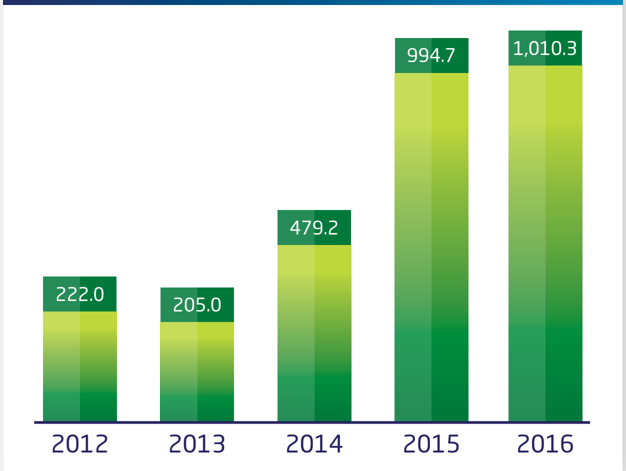
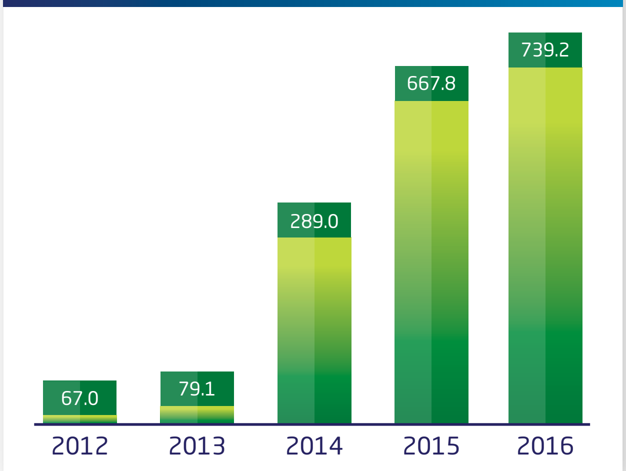


Figure 6: Sales Volume ('000 tonnes)

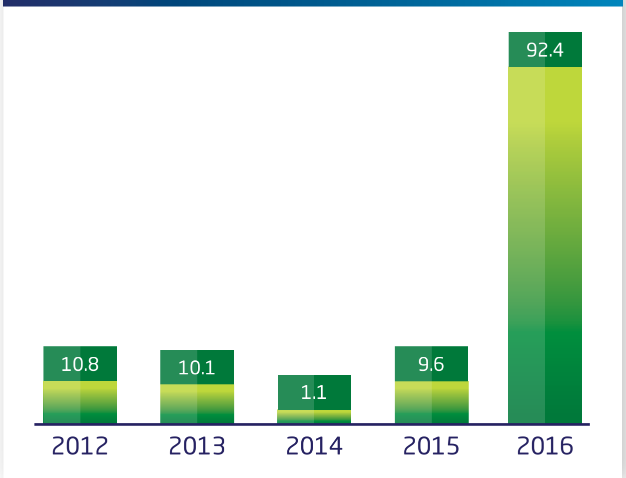


Working capital

As at 31 December 2016, net working capital amounted to US$204.2 million, as set out below:

(US$ million)	31 December 2016	31 December 2015
Cash and bank balances	66.6	70.5
Trade receivables	98.1	65.0
Inventories	320.0	102.9
Less: Trade payables	(46.3)	(11.2)
Less: Working capital loans (current)	(234.2)	(166.9)
Net working capital	**204.2**	**60.3**

Figure 7: Net Income (US$m)



Note: Net income adjusted to exclude non-recurring items

Figure 9: Net Asset Value per Share (US$ cents)

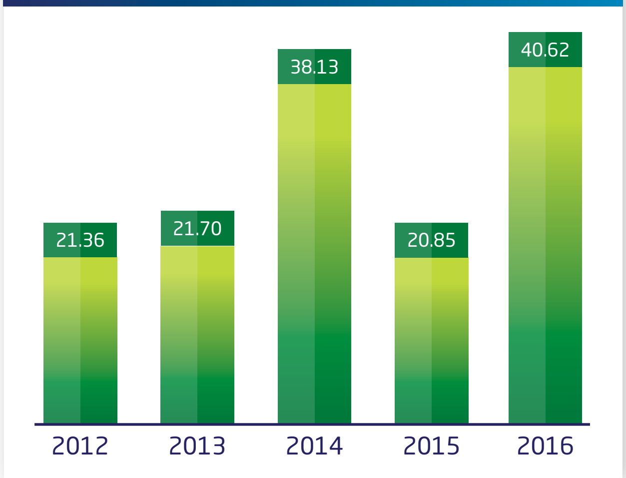
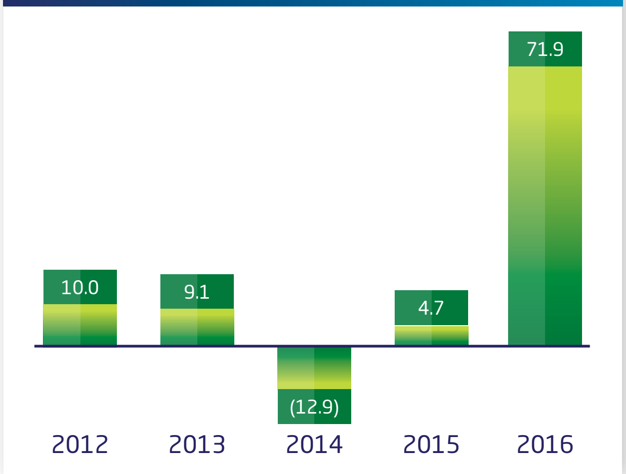


Figure 8: Profit after Tax (US$m)



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, foreign exchange risk and operational risks including biological asset risk, social and political risk, legal and compliance risk.

In order to protect and create value for 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 which have an impact on the Group. Our risk management policy is enhanced on an ongoing basis to match the expanded scale and scope of our business.

Price Risk

Prices of natural rubber and rubber products are influenced by various factors including weather, currency movements, futures market activities, market interventions, political and geopolitical disruptions. The Group, like other participants in the natural rubber industry, is exposed to the risk of fluctuations in the price of natural rubber.

We avail ourselves to all the avenues present in the different futures markets as well as physical markets to mitigate the price risk. Senior management and all other relevant personnel have access to daily reports on the Group's activities and positioning, and will act according to the Group's evolving needs, to minimise risk exposure to customers, suppliers and the markets.

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 normal business activities if its customers or counterparties fail to meet their contractual obligations.

To mitigate such risks, the Group only transacts with customers or 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 by our credit insurance policies.

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, ranges from 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 obtains borrowings which are subject to fixed and/or floating interest rates. 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 by monitoring the trend of the prevailing interest rate during 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 in which its operations are based, i.e. Indonesian Rupiah, Malaysian Ringgit, Thai Baht, Euro, CFA Franc, China Renminbi and Singapore Dollars. We monitor exchange rate movements on an ongoing basis and may employ hedging instruments to manage the exposure, if required.

Biological Assets Risk

The Group's mature rubber tree plantations, mostly located in Africa, are replanted after 25-35 years when latex yields decrease to uneconomic levels. Replanting and new planting initiatives are dependent on factors such as soil conditions, plant disease, pests, weeds and weather conditions. The Group maintains a strong in-house team of experienced plantation staff, further supported by the services of qualified professionals engaged as required, to provide advice on matters pertaining to the renewal of biological assets and/or the conduct of new planting initiatives.

Social and Political Risk

The socio-economic and political environments in which the Group operates are complex and varied. Political uncertainties, labour relations, human rights and environmental protection issues and the implications of undue social and economic stratification or marginalisation have a serious impact on the local population and the Group's business.

The Group is geographically diversified with operations in Europe, the United States, Africa and Asia. Social and political risks are monitored and potential adverse effects assessed on a regular basis, in some cases, daily. By leveraging on the expertise and knowledge of local management and external professional services, effective risk mitigation measures are implemented.

Legal and Compliance Risk

The Group operates in many different geographic locations with very diverse cultures and local customs. Its businesses are subject to local regulations and standards, which may impact or limit flexibility in responding to market conditions or changes to cost structures. The respective business unit heads and country heads are tasked with the responsibility of complying with applicable laws and regulations and the Board oversees the discharge of their responsibilities.

The legal risks that arise include but are not limited to inadequate documentation and uncertainty about practical enforceability of contracts and rights (whether accorded or negotiated). Claims or disputes that may or may not lead to litigation could also result as a consequence of doing business. The Group identifies and manages legal risks through the use of internal and external legal advisers. In addition, the Group also engages proactively in discussions and consultations with regulators, governments, industry leaders and chambers to understand local requirements to the fullest extent possible.

2016 Year in Review

Corporate Social Responsibility

At Halcyon Agri, corporate responsibility encompassing occupational health and safety, environmental protection, and social investment, are strategic considerations right at the heart of everything that we do. We recognise how ethical and ecologically sustainable business practices need to be integral in our strategy for long term growth. 2016 has been a year where we have continued to demonstrate our commitment towards leadership in corporate responsibility within the natural rubber sector, while growing our business.

Responsibility to our Stakeholders

We remain committed to working with stakeholders and we engage 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. We fine-tuned the review in 2016 through a comprehensive materiality exercise conducted by a third party.

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 2016, we have continued to participate in, and initiate, one-on-one meetings with customers and environmental NGOs, to seek alignment on policies and action programmes. Since 2015, we have been part of the IRSG's Sustainable Natural Rubber Initiative (SNRi), and we continue to be active on its Panel of Advisors for the SNRi scheme. 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 the workgroup, therefore helping to shape the development of this initiative.

Recognising that a key hinge towards a sustainable industry lies at the top of the value chain, we have worked with farmers and suppliers, in partnership with a key customer in 2016, to bring about the materialisation of our code-named Project Darwin. This project involves the utilisation of mobile information technology to trace and map the supply of our raw material. This initiative has started in Indonesia and is being monitored to identify any challenges faced by the farmers, and to subsequently implement programmes that provide assistance to them to achieve the project's objective.

Responsibility to the Environment

In conjunction with the expansion of our operational assets from 14 factories and 10,000 hectares of plantation land in 2014 to 33 factories and 120,000 hectares of land in 2016, our drive and investment towards fully integration of environmental, health and safety (EHS) management systems across all operations has increased accordingly. As we continue our commitment towards the Group 5-year EHS management plan, we have engaged additional dedicated skilled regional EHS managers in Southeast Asia, China and Africa.

As part of our EHS management system procedures, quarterly factory audits have been made compulsory and any non-compliances will be closely monitored and rectified. A special independent audit team was established in Indonesia in 2016, formed by members from different factories within the regional cluster. This practice promotes a non-bias review as well as facilitates sharing of best practices across the entities within the Group. It will be gradually rolled out to factories in all other regions where the Group operates.

Compliance with international environmental management standards remains a priority. In 2016, our subsidiaries, Euroma Rubber, PT Hok Tong and Hevea KB, were awarded or re-certified for the internationally-acclaimed ISO 14001 certification. All our other factories are on track for certification in 2017.

A key environmental aspect of our business has been identified as monitoring and control of trade effluent. We rely heavily on water in our processes and take a firm stance on using it 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. In the past year, we have upgraded and expanded water treatment facilities of our Indonesia factories at Rantau Prapat and Palembang.

During the year, we continued to maintain a strict regime for the maintenance and replacement of our production machinery. This policy has helped to minimise downtime, improve energy efficiency, lower greenhouse gas emissions, and keep air and water emissions within regulatory limits. We continued our efforts to shift to cleaner sources of energy and the number of our facilities running on natural gas has steadily increased.

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 as part of the EHS plan.

Responsibility to Our Employees

Safety is a fundamental part of Halcyon Agri's 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.

We understand the seriousness of health and safety risks, and the potentially huge impact on business. We are committed to use our utmost efforts to eliminate hazards from the workplace, and just as importantly, invest in training our people to work safely, reduce safety risk, and to respond to emergency situations.

We are acutely aware that creating a safe working environment is not a static target, therefore, based on the concrete management platform developed so far, we are continuously reassessing our safety and health risks and controls, learning from accidents and incidents, as well as promoting information exchange between factories.

Halcyon Agri stands by and constantly reviews its internal ethic and human rights policies. We are an equal opportunity employer and offer opportunities to all regardless of gender, race, and background, without discrimination. Since it was listed on SGX-ST, Halcyon Agri is continually working to assure these values to the expanded Group which operates in four geographical regions. Additionally we continue to reach out to our suppliers through programmes implemented in Halcyon Agri, such as Project Darwin.

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 continued to provide appropriate social amenities to our employees and their families. In 2016, we engaged community stakeholders across six sites in Palembang Indonesia to better understand their needs and concerns. Their feedback has allowed us to maximise the effectiveness and sustainability of our HEVEA*PRO* Community Support Program. Similar exercises will be carried out across the Group in 2017.

We stand by our belief that our EHS management systems which extend to include residential areas within our compounds has given rise to safer living environments with lesser risk of endemic diseases such as dengue and malaria. Rest and relaxation areas providing refreshments have been set up in our factories for the benefit of suppliers, many of which have travelled long distances to reach us. The spirit of volunteerism is strong and is fully supported by senior management.

HEVEA*PRO* Community Support Programme

The vast majority of Halcyon Agri workers are from rural areas, where access to education, proper healthcare, electricity, safe drinking water and other critical services remains elusive. For example, in the African countries where we operate, close to 50% of the population lives below the poverty line. Our workers from these communities work hard for us, and in turn, we make every effort to support and improve their lives and living conditions.

HEVEA*PRO* Community Support Programme

Our HEVEA*PRO* Community Support Programme aims to build vibrant and stable communities. As our plantation and processing assets are primarily located in developing countries, our focus is on the key elements of community development - better access to health care and basic amenities, facilitating education and employment opportunities, as well as investing in infrastructure development such as schools and hospitals.

Indonesia, Southeast Asia

In Palembang, Indonesia, our Programme partners directly with six community schools, providing salaries for the teachers, running a school scholarship initiative which provides additional benefits to the best performing students, and finances a sponsorship programme for 500 children each year, who would otherwise not have the means to attend school. Our operations are open to interns as a stepping-stone to working life, and we regularly open our grounds for community services such as anti-drug programmes and blood donation drives. We provide ongoing neighbourhood medical and nutrition support for mothers and newborns, and have established a number of community reading centres. Our infrastructure development includes roads and pathways, as well as community and religious buildings. All in all, our Programme directly benefits approximately 24,000 people a year, who reside in the communities near our factories.

Cameroon, Africa

In Cameroon, we employ 5,000 staff and together with their families, we house a total population of 30,000 residents on our Hevecam and Sudcam plantations which is expected to double in the next 10 years. We provide accommodation, electricity, running water and other basic amenities for all residents, paid in full under our Programme. The residents in Hevecam plantation are segmented into 17 villages and we have 4 villages in Sudcam plantation, with every village having a government-certified primary school, medical dispensaries, sporting and community grounds. On a central level, we operate two fully operational hospitals, complete with over 150 beds and 2 ambulances, for more critical medical cases. There is a government-certified bilingual high school and technical high school, police stations, government state services and markets. Sudcam operates a cashless system to provide assistance in cash management to their employees, a system we hope to replicate in the more matured Hevecam grounds.

The swimming pool in our Hevecam compound is currently being upgraded, and offers extracurricular swimming lessons through the village schools, a rare privilege in an area where most of the population is unable to swim. We are proud that generations of families live on the Hevecam estate, many of whom started as children of employees, and became employees themselves. Education has opened the door for some of the younger generation to take on administration roles, making the move from worker to professional.

Our support goes beyond the plantation's borders, with our team making biannual visits to regional orphanages to volunteer, give financial aid and food support.

Our HEVEA*PRO* Community Support Progamme means that our operating assets and the surrounding communities tie together as a single family, benefiting all involved. In the coming years, our goal is to expand our reach to include our key partners and customers to bring greater strength and scope to our community support initiatives.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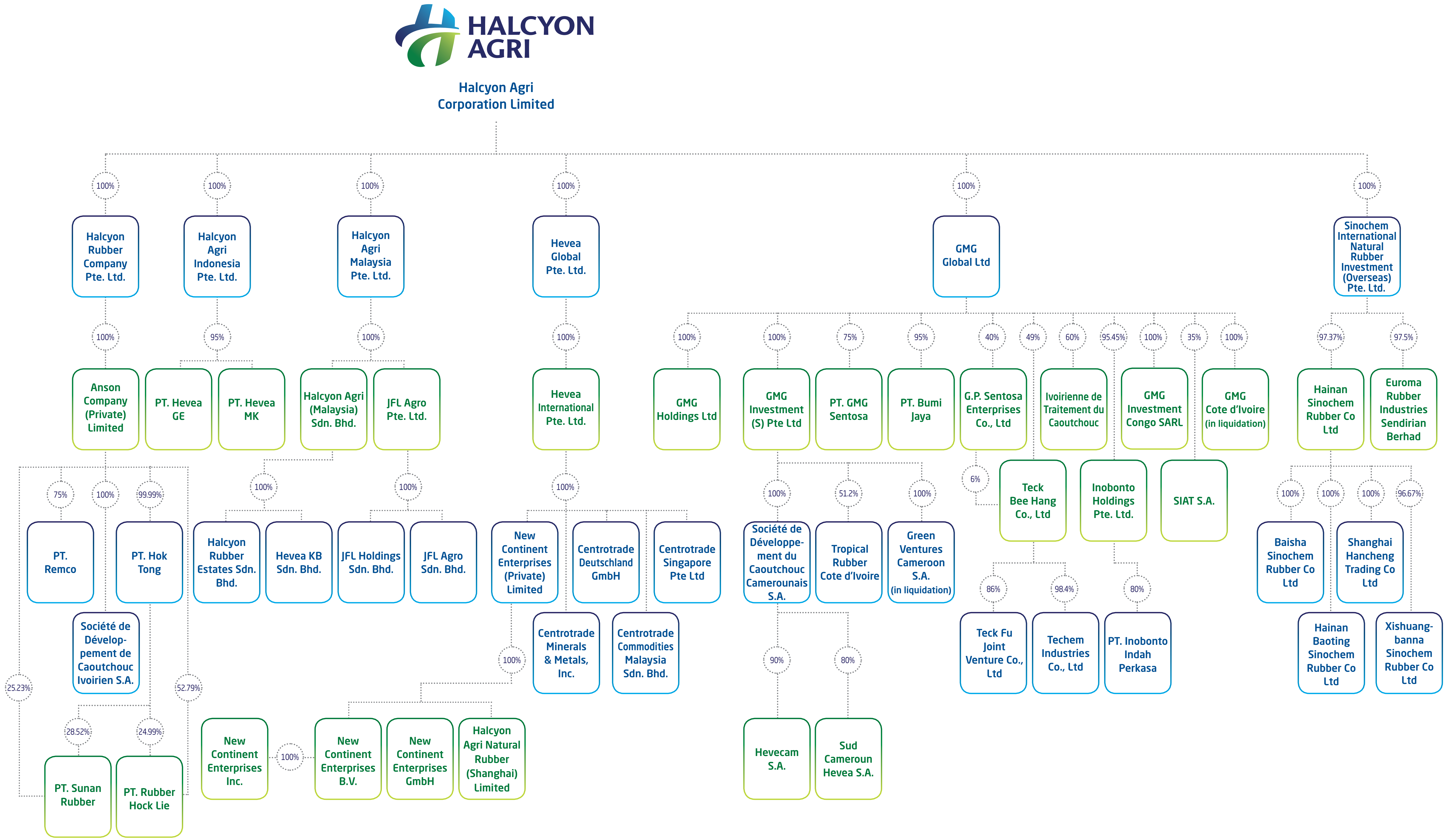
Corporate Structure



Corporate Information

Board of Directors

Liu Hongsheng *(Non-Executive Chairman)*
Li Dajun *(Executive Deputy Chairman)*
Robert Meyer *(Executive Director and CEO)*
Pascal Demierre *(Executive Director)*
Alan Nisbet *(Lead Independent Director)*
Randolph Khoo *(Independent Director)*
Liew Choon Wei *(Independent Director)*
Raymond Ferguson *(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
Li Dajun

Strategy and Investment Committee

Liu Hongsheng *(Co-Chairman)*
Raymond Ferguson *(Co-Chairman)*
Alan Nisbet
Robert Meyer

Company Secretary

Liew Guat Yi

Registered Office

250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101
Tel : +65 6430 9270
Fax : +65 6430 9272

Corporate Headquarters

180 Clemenceau Avenue
#05-02 Haw Par Centre
Singapore 239922
Tel : +65 6460 0200
Fax : +65 6460 0417

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

China Construction Bank Corporation
DBS Bank Ltd.
Afriland First Bank
BNP Paribas
Rabobank International
Industrial and Commercial Bank of China Limited
Banque Internationale Du Cameroun Pour L'epargne Et Le Credit
United Overseas Bank
Banque De Developpement Des Etats De L'Afrique Centrale

Corporate Governance Report

In Halcyon Agri Corporation Limited (the "Company" or "HAC" and together with its subsidiaries, the "Group"), we believe that corporate governance is imperative for sustainable growth and a healthy corporate culture. The Company and its management are committed, and devoted to upholding the highest standards of good corporate governance to create and maximise long-term shareholder value.

The board of directors of the Company (the "Board") is pleased to report that throughout the financial year ended 31 December 2016 ("FY2016"), the Group has adhered to all material principles and guidelines of the Code of Corporate Governance 2012 (the "Code"), the disclosure guide developed by the Singapore Exchange Securities Trading Limited ("SGX-ST") in January 2015, together with other applicable laws, rules and regulations, including the Listing Manual (the "Listing Rules") of the SGX-ST.

The disclosure of corporate governance framework and practices that were in place in FY2016 and set out in this report, has been approved by the Board. To provide shareholders of the Company (the "Shareholders") a quick access to particular area(s) of interest, a summary disclosure on the Company's compliance with the Code can be found on pages 54 to 56 of this annual report.

KEY FEATURES OF THE BOARD

Overview of Board Composition

1 Non-executive Non-independent Chairman

- Liu Hongsheng

3 Executive Directors

- Robert Meyer
- Pascal Demierre
- Li Dajun

4 Independent and Non-executive Directors (the "Independent Directors")

- Alan Nisbet
- Randolph Khoo
- Liew Choon Wei
- Raymond Ferguson

- Separation of the role of Chairman and Chief Executive Officer
- Independent Directors make up 50% of the Board
- No Director has served for more than nine (9) years
- Appropriate mix of skills, knowledge and broad range of experience – the Board comprises Directors ranging from lawyers, retired audit firm partners, finance industry veteran and Directors who have years of experience in formulating corporate strategy and have in-depth knowledge of the rubber business
- Ethnically diverse Board collectively possess extensive regional experience in multiple countries
- None of the Directors hold more than six (6) directorships (without other executive roles) or four (4) directorships (with other executive 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 arrangements
Nominating Committee ("NC")	**Four (4) members**: • Randolph Khoo (Chairman) • Alan Nisbet • Liew Choon Wei • Li Dajun 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 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
Strategy and Investment Committee ("StraCom") (A new committee established in February 2017)	**Four (4) members**: • Liu Hongsheng (Co-Chairman) • Raymond Ferguson (Co-Chairman) • Alan Nisbet • Robert Meyer Two (2) out of four (4) members are Independent Directors	• Development and strategy direction • Major investment or divestment plans • Capital and assets management

Corporate Governance Report

Key Information of Director

DIRECTOR • Age • Position and Appointment date • Last re-elected date (if applicable) • Present Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2016) General Meetings	Board	AC	NC	RC	TOTAL REMUNERATION (SGD) (FY2016) Based/ Fixed Salary	Directors' Fee	Other Variable
(Number of scheduled meetings held)	2	4	4	3	2			
Liu Hongsheng • 51 • Non-executive Non-independent Chairman since 16 January 2017 • Executive Director of Sinochem International Corporation Co., Ltd.	-	-	-	-	-	**Total: Nil** Nil	Nil	Nil
Li Dajun • 53 • Executive Deputy Chairman since 15 November 2016	-	1 (1)	-	-	-	**Total: 85,000** 85,000	NA (2)	Nil
Robert Meyer • 44 • Executive Director and CEO since 8 July 2010 • Last re-elected on 23 April 2015	2	4	2 (1)	3	1 (1)	**Total: 2,100,000** 900,000	NA (2)	1,200,000
Pascal Demierre • 44 • Executive Director since 8 July 2010 • Last re-elected on 26 April 2016 • Independent Director of The Hour Glass Limited	2	4	4	2 (1)	2	**Total: 840,000** 480,000	NA (2)	360,000
Alan Nisbet • 67 • Lead Independent Director since 7 January 2013 • Last re-elected on 26 April 2016 • Independent Director of KrisEnergy Ltd, Standard Chartered Bank (Singapore) Limited and Ascendas Property Trustee Pte Ltd (the trustee-manager of Ascendas India Trust)	2	4	4	3	2	**Total: 73,000** NA (3)	73,000	NA (3)

DIRECTOR • Age • Position and Appointment date • Last re-elected date (if applicable) • Present Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2016) General Meetings	Board	AC	NC	RC	TOTAL REMUNERATION (SGD) (FY2016) Based/ Fixed Salary	Directors' Fee	Other Variable
	(Number of scheduled meetings held)							
	2	4	4	3	2			
Randolph Khoo • 53 • Independent Director since 7 January 2013 • Last re-elected on 23 April 2015	2	4	4	3	2	NA [3]	**Total: 56,000** 56,000	NA [3]
Liew Choon Wei • 63 • Independent Director since 1 October 2015 • Last re-elected on 23 April 2015 • Independent Director of F J Benjamin Holdings Ltd, The Hour Glass Limited, Frasers Hospitality Asset Management Pte Ltd (a manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (a trustee-manager of Frasers Hospitality Business Trust)	2	4	4	3	2	NA [3]	**Total: 59,000** 59,000	NA [3]
Raymond Ferguson • 54 • Independent Director since 15 November 2016	-	1 [1]	-	-	-	NA [3]	**Total: 5,625** 5,625	NA [3]

Notes:

(1) Attendance by invitation

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

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

The aggregate remuneration of S$199,250 paid to the non-executive Directors (including S$5,625 paid to Mr Qin Hengde for his services from 15 November 2016 to 31 December 2016) (the "Directors' Fees") for FY2016 is within the threshold limit of S$300,000 approved by Shareholders on 26 April 2016. The Directors' Fees were remunerated according to the Directors' Fee structure disclosed in the annual report for the financial year ended 31 December 2015.

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

Corporate Governance Report

BOARD MATTERS

The Company's Board is effective, comprising professionals with a broad range of experience and industry expertise, who understand clearly their roles and scope of responsibilities. The strategic directions of the Board may change over time in response to external factors such as economic environment, but its ultimate target and objective remains to protect and enhance long-term shareholder value.

The Board's Conduct of 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 acquisitions 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 capitalises on the expertise of Independent Directors and benefits from delegating certain functions and authority of the Board to the four (4) board committees, namely, the AC, NC, RC and StraCom (collectively the "Board Committees"). Except for a Co-Chairman of StraCom who is a non-independent non-executive Director, all other Chairmen of the Board Committees are Independent Directors to encourage independent oversight and enable the Board to discharge its obligations more effectively. Except for the newly established StraCom which has yet to finalise its written terms of reference, each of the other Board Committees functions within clearly defined formalised terms of reference which have been approved by the Board, and all decision-making remains the ultimate responsibility of the Board as a whole. Any amendment to these terms of reference requires approval of the Board. Details of the scope and function of the Board Committees are set out on pages 42 to 50 of this annual report.

The day-to-day management, operation and administration of the Group is led by the executive Directors and the management of the Group (collectively, the "Management"), who are accountable to the Board for their performance. To ensure proper systems of control are in place, the Board has adopted an internal framework to ensure that 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. Four (4) meetings were scheduled and held at regular intervals in FY2016 to review the Group's financial performance, annual budget, corporate strategy, business plans, potential acquisitions, risk management policies and significant operational matters. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. In FY2016, the Board met on four (4) informal occasions to discuss and receive updates from Management on the development of acquisitions which took place during the year, and also met with candidates for appointment as Directors of the Company.

The Chairman oversees the setting of Board meetings' agenda and Directors are encouraged to propose any topic that is deemed appropriate to be discussed. Draft meeting agendas are circulated to the Chairmen of the Board and Board Committees in advance for comments, to ensure that all material topics are attended to.

To ensure meetings are held with maximum Director participation, all Board meetings are planned and scheduled in advance after consultation with 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 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 is compiled and circulated during Board and Board Committee meetings. In the event any member of the Board or Board Committees has an interest in a matter

Corporate Governance Report

being deliberated upon by the Directors, he will recuse himself from the discussion and abstain from participating in the approval process relating to that matter.

The Board has conducted paperless meetings since 2014 and continues to employ board portal technologies to facilitate meeting proceedings. All materials for Board and Board Committees meetings are provided in a timely manner and uploaded onto the encrypted, secure board portal which is readily accessible on Directors' tablet devices, laptops or desktop computers. The board portal enhances effectiveness in the boardroom and helps to improve information flow to and amongst Board members.

The record of Directors' attendance at Board and Board Committee meetings for FY2016 is set out in pages 38 and 39 of this annual report.

Board Access to Information. To allow sufficient time for Directors to comprehensively understand the issues to be deliberated upon and make informed decisions thereon, Directors are provided with the relevant documents and information relating to meeting agenda items, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations and external/internal audit reports at least one week prior to each Board and/or Board Committee meeting through the board portal. Senior management personnel who can provide additional insights into the matters at hand, if required, will be invited to attend the meetings to address queries from the Directors. The Board is also updated on the Group's performance, financial position and prospects regularly to ensure that Directors are fully cognisant of the decisions and actions of Management.

Directors have direct access to Management and each member of the Board may request for information regarding the Group that is required for the discharge of his duties and responsibilities. The Directors also have separate and independent access to the Company Secretary at all times. The Company Secretary or her 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.

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's size has increased during FY2016 in conjunction with the expansion of the Group. It presently has eight (8) members: a non-executive Chairman, three (3) executive Directors and four (4) Independent Directors. 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 is not an independent director, has been met throughout the financial year. 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. With the Independent Directors constructively challenging and independently assisting in developing proposals on strategies, the Board continues to function effectively and is able to exercise objective judgement on corporate affairs independently.

The Company has a well-diversified Board which consists of a pool of qualified Directors with different educational background, professional qualifications, business experiences, age and ethnicity. With the change of the Company's parentage in FY2016, the Board now includes representatives from its holding company, Sinochem International Corporation Co., Ltd. ("Sinochem") (a company listed and quoted on the Shanghai Stock Exchange) who sit alongside longtime audit partners retired from CPA firms, finance industry veteran, senior lawyers and Directors who have years of experience in formulating corporate strategy and with in-depth knowledge of the rubber business. The Board recognises the potential benefits of gender diversity in boardroom and welcomes female directors on board. However, there have been challenges finding credible and suitable female directors, resulting in no female representation on the Board. The Board will continue to actively review any opportunity to appoint female board members.

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 an 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. Notwithstanding this, the Board will regularly and continually review the structure, size and composition of the current Board and plan for new appointments to the Board where it deems it necessary or appropriate to do so.

Corporate Governance Report

Chairman and Chief Executive Officer

Change of Single Leadership Structure - Separation of the Role of Chairman and the CEO. Since the Company was listed on the SGX-ST in 2013, until end 2016, the Board adopted a single leadership structure with the roles of the Chairman and the CEO being assumed by Mr Robert Meyer. The single leadership structure proved to be effective and has successfully transformed the Group from a midstream natural rubber producer with two (2) factories in Indonesia to an integrated natural rubber supply chain manager with a global presence. Amid the increased time commitment of the Chairman and CEO's roles following completion of the general offer for GMG Global Ltd and the acquisition of all the natural rubber assets of Sinochem, the roles of Chairman and the CEO have been separated. The two have disparate responsibilities and functions, but complement each other in the overall objective of creating value for Shareholders.

Mr Liu Hongsheng was appointed as the non-executive Chairman on 16 January 2017. As the Chairman of the Board, he is responsible for leading all general meetings and Board meetings, and steering effective, productive and comprehensive discussions between members of the Board and Management on strategic, business and other issues pertinent to the Group. The Chairman takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the support of the Board, Management and Company Secretary. Mr Li Dajun, the Executive Deputy Chairman, will serve as chairman in the absence of the Chairman, or when a motion involving the Chairman is being discussed.

Mr Robert Meyer, the CEO since 2013, possesses in-depth industry knowledge and understands the current market, which supports the formulation of the Group's strategic direction. Assisted by the management team, the CEO oversees the day-to-day management, leads and implements all major initiatives (such as expansion related strategies, acquisitions and capital investments of the Group), and plays an instrumental role in developing the business of the Group and growing the Group's operations.

Lead Independent Director. Mr Alan Nisbet remains the Lead Independent Director and continues to avail himself to address 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, in order to enhance the capacity of the Board for independent decision making.

Board Membership and Performance Evaluation

The NC comprises four (4) members and is chaired by Mr Randolph Khoo. A majority of the NC members (including the chairman) are Independent Directors. The NC makes recommendations to the Board on all nominations for appointments and re-appointments to the Board, the appointment of key management personnel, and is responsible for the annual evaluation of Board performance.

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 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, the NC will propose a new appointment or review and evaluate the competencies of candidates proposed by the Management. The NC has adopted formal guidance to assist its conduct of due diligence checks and documentation relevant to the qualifications of Directors. In its evaluation of board appointments, the NC considers factors such as the ability of prospective candidates to contribute to discussions, deliberations and activities of the Board as well as the balance of Independent Directors on the Board, to ensure any new director fulfils the needed and desired competencies, and supplements the Board's existing attributes. 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 spells out the procedures for the appointment of new Directors, along with the 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 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 suitable candidates.

Review of Board Independence. The NC conducts a review and determine whether a Director is independent on an annual basis, and as and when circumstances require. 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. Taking into consideration the declaration submitted by the Independent Directors, as well as the length that the Director has served on the Board, 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.

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

Board Orientation and Training. The Board recognises that proper induction to the Group is important 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 for training and professional development programs available to Directors as well as induction for newly appointed Directors. The induction programme is 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 or herself 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.

A Policy on Induction of New Directors (the "Induction Policy") setting out a formal induction process which applies to Directors who are appointed to the Board for the first time, is in place. The Induction Policy serves to ensure that new Directors gain an understanding of his or her 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 Board issues a formal letter of appointment to newly appointed Directors setting out the duties and obligations of a Director and the time commitment required. Comprehensive and useful information covering the duties and obligations of a Director, terms of reference of Board Committees, business activities, strategic directions, policies and key areas of operations of the Group, are provided in the resource centre under the board portal, and is accessible to all Directors.

The CEO updates the Board and provides his insights on business and strategic developments at each meeting. The Group's external auditors, Ernst & Young LLP, regularly briefs the AC members on developments in accounting and reporting standards.

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 also encouraged to attend, at the Company's expense, courses which are relevant to the Directors in discharging their roles and responsibilities. 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.

Commitment to the Board. Directors of the Company are required to notify the Board of any new appointment of directorships or other executive commitments, for the Board or NC to consider and to evaluate whether 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)

Rotation and Re-election of Directors. At each AGM, Directors who constitute not less than one-third of the Board are 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 (3) years. These requirements are clearly stated in the Company's Constitution.

Directors appointed in 2016 to fill the casual vacancies - being Mr Liu, Mr Li and Mr Ferguson - shall hold office only until the forthcoming AGM. Pursuant to the Constitution, they are eligible and will submit themselves for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at the forthcoming AGM. In addition, Mr Meyer and Mr Liew, being Directors who have been longest in office since their last election, will submit themselves for re-nomination and re-election at the forthcoming AGM. As both of them are members of the NC, they had abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own re-election as the Directors. At the recommendation of the NC and with the approval of the Board, resolutions for the re-appointment of Mr Liu, Mr Li, Mr Ferguson, Mr Meyer and Mr Liew as Directors of the Company will be tabled at the forthcoming AGM for Shareholders' approval.

The NC has reviewed and noted that each of the Independent Directors who submitted himself for re-appointment does not have any relationship including immediate family relationships with the other Directors, the Company or its 10% Shareholders, and Mr Liew will be considered independent for the purposes of Rule 704(8) of the Listing Rules.

Board Performance Evaluation. 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 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 Committee 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 FY2016. 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 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 function 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 FY2016, the NC and the Board are satisfied that each Director has been devoting sufficient attention and has contributed to the overall effectiveness of the Board, and that the Board and its Board Committees operate effectively and have met their respective performance objectives. Notwithstanding that certain Directors have multiple board representations, these multiple directorships are not in conflict with the interests of the Company, and are within the maximum number of listed company board representations each Director of the Company is allowed to hold. No external facilitator was used in the evaluation process.

Strategy and Investment Committee

In conjunction with the expansion of the Group, the Board established the StraCom in February 2017 to support the Board in defining and monitoring the Company's strategic direction and to evaluate the Company's capital deployment. StraCom shall work with the Management to oversee and review significant strategic decisions including capital and assets management, as well as major investment or divestment plans.

All aspects of StraCom including its governing processes, duty and responsibilities are being documented and its terms of reference will be submitted to the Board for review and approval.

REMUNERATION MATTERS

The Company's remuneration policy seeks to drive business strategy and create long-term shareholder value by attracting and motivating employees who are committed to long-term career growth with the Company. 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 promotes transparency of the remuneration setting process and recommends specific remuneration packages for each executive Director and the CEO (or executives of equivalent rank) as well as key management personnel. When recommending senior management's remuneration structure, the RC aims to align the interests of such individuals with the interests of Shareholders. The remuneration of each individual Director is explicitly disclosed on a named basis, on pages 38 and 39 of this annual report.

Remuneration Committee

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 including an executive Director on the Remuneration Committee is valuable in ensuring that the remuneration packages are commensurate with the job duties and responsibilities of senior executives, as an executive Director has a better understanding of the job duties and level of responsibilities for each senior executive. 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 recommending the terms of the Group's long-term incentive plans, severance policies and for agreeing individual remuneration packages for the Board and key management personnel, while being fair and avoiding rewarding poor performance. In respect of long-term incentive schemes (if any, including share schemes as may be implemented), the RC is responsible for considering 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, seek advice from external consultants in framing its remuneration policy and determining the level and mix of remuneration for Directors and key management personnel, so that the Company remains competitive. In anticipation of possible reshuffling of senior management, no remuneration consultant was engaged to review the remuneration of Directors or key management personnel in FY2016.

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.

The Company currently does not impose contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration from the key management personnel paid in prior years. Notwithstanding this, the Company is not precluded from exercising the right to reclaim such incentives in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

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 FY2016, 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. The new service agreements for the CEO and the two (2) Executive Directors, together with the employment contract for the Chief Commercial Officer, were reviewed by RC and approved by the Board. Amid the expanded operation of the Group following the acquisitions completed in 2016, the NC, RC and Board have collectively reviewed the requirements of the Group, and have approved the reshuffling of the roles and responsibilities as well as the remuneration package of some senior management positions.

In its recommendation on the remuneration package, the RC had taken into consideration the strategic direction of the Group, industry practice and benchmarks against relevant industry players to ensure that adequate and competitive remuneration policies and practices are in place to draw in and motivate high-performing executives.

Remuneration of Non-executive Directors. Directors' Fees - which comprise 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. In conjunction with the expansion of the Group and taking into account the level and quality of contribution including attendance and time commitment of non-executive Directors, the RC has reviewed and recommended a revised structure of Directors' Fees with increments commensurate with the contributions and responsibilities of non-executive Directors. The Board has approved the following Directors' Fees structure for the financial year ending 31 December 2017:

	Basic Fee per annum (SGD)					Attendance Fee (SGD)
Position	**Board**	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**	**Strategy and Investment Committee**	**Board and Board Committees**
Chairman	100,000	37,500	12,500	12,500	6,250	1,000 for each day of attending any Board or Board Committee meeting
Member	50,000	12,500	6,250	6,250	3,125	

The Company submits the quantum of Directors' Fees of each financial year, which is to be paid quarterly in arrears, to Shareholders for approval at its AGM. Shareholders' approval will be sought at the forthcoming AGM of the Company on 28 April 2017 in respect of the proposed payment of Directors' fees of up to S$750,000 (payable quarterly in arrears) for the financial year ending 31 December 2017. The Executive Directors are remunerated under their respective service contracts and will not be paid a director's fee.

Remuneration of Key Management Personnel. The disclosure of the remuneration of three (3) Key Management Personnel (who are not Directors or the CEO) of the Group for FY2016 pursuant to the Code is as follows:

Name	**Position**	**Salary (%)**	**Allowance/ Benefit (%)**	**Variable Bonus (%)**	**Remuneration Band [1]**
Andrew Trevatt	Chief Commercial Officer	81	-	19	Band 3
Ng Eng Kiat	Chief Financial Officer	56	-	44	Band 3
James Bugansky	Global Head - Plantations & Processing Technology [2]	70	-	30	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

(2) Designation in FY2016

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The total remuneration payable to the three (3) key management personnel (who are not Directors or the CEO) was approximately S$1,763,110 for FY2016. 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 given the sensitivity and confidentiality of remuneration matters and due to strong competition within the industry for key talent.

Summary of RC Observations for FY2016. The Group Remuneration Policies are appropriate, effective, meet the commercial requirements to remain competitive and allow 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 FY2016. The Board is satisfied that the Management devoted the necessary time and energy to fulfilling its commitments, and have met the aforementioned performance conditions in FY2016. The remuneration packages for Directors and key management personnel are commensurate with their contributions and performance, taking into consideration the substantial scope of work and responsibilities arising from the unprecedented merger in natural rubber industry which established the Group as a leading global natural rubber supply chain manager. 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 and answerable to the Shareholders for all aspects of the Company. It 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. The Board is responsible for the governance of risks and ensuring that effective risk management and controls are in place. Its function relating to overseeing both internal and external audits is delegated to the AC.

Accountability

The Company's financial results are prepared and presented in compliance with statutory requirements including applicable accounting standards and Listing Rules. The AC reviews, deliberates the Company's quarterly and full-year financial results, and recommends the release of such results to the SGX-ST for the Board's approval. The Company's quarterly and full year financial results are provided to Shareholders within the timeline stipulated under the Listing Rules, after they are approved by the Board.

The Board aims to ensure that appropriate information is disseminated to Shareholders. Accordingly, to assist the Board to make a balanced and informed assessment of the Company's performance, position and prospects, updates covering operational performance, financial results, marketing and business development and other relevant information are regularly provided by Management to the Board. Such regular updates also allow the Board to monitor the Group's performance as well as Management's performance relating to the goals and objectives set by the Board.

Risk Management and Internal Controls

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 the system of internal controls. The Board also ensures 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, so that risks are managed in the best interests of the Group.

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 areas where controls can be strengthened. This is to ensure that primary key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

The Company has a dedicated team which is responsible for developing and maintaining risk management controls as well as monitoring and reporting any key issues to Management. Each of the Group's departments or functions is reviewed for effectiveness of its internal controls annually or when circumstances warrant the review process, such as during the integration process after completion of an acquisition. There have been ongoing reviews and realignment of the risk management and internal controls of the entities acquired in FY2016, to ensure that they are fully compliant with the Group's policies and procedures.

Internal Audit

Nexia TS Risk Advisory Pte Ltd (the "IA") has been the Group's internal auditor since May 2013. The Board believes that outsourcing the internal audit function to a professional firm is beneficial as the IA is has a broad range of expertise, advanced degrees and technological specialisation to undertake the internal audit of the Group.

The IA reviews, then evaluates and tests the effectiveness of the material internal controls on business process 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 possible improvement to internal control procedures, where appropriate.

To ensure that the review on internal controls is conducted effectively, the IA has access to the AC and is granted unfettered access to all the Company's documents, records, properties and personnel. The IA reports functionally and administratively to the AC and AC Chairman, although it also reports administratively to the Executive Directors and CEO on matters concerning internal communications and information flows, and the administration of the Group's internal policies and procedures.

Audit Committee

Responsibility for the Board's functions relating to risk management, the financial reporting process, the internal controls system, and also the audit process (both internal and external) are assigned to the AC. The AC is chaired by the Lead Independent Director, Mr Nisbet, and comprises 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 with extensive accounting and financial management expertise, a reputable 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 AC members are therefore appropriately qualified to discharge their responsibilities. None of the AC members were previous partners or directors of the Company's external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

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.

To enable the AC to discharge its functions properly, it has the explicit authority to investigate any matters within its terms of reference and has full access to and the cooperation of Management. The AC has full discretion to invite any Director or senior management to attend an AC meeting to answer questions which the AC may have. It also 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 FY2016:

Financial Reporting. The AC safeguards the integrity in financial reporting and ensures such reporting is in compliance with the requirements of the Singapore Financial Reporting Standards ("SFRS"). It is tasked to review the quarterly and full year financial results and related announcements, and to oversee significant financial reporting issues and assessments. The AC, when satisfied that the financial results and related announcements meet 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 that sufficient attention is paid to higher risk areas.

During the course of review of the Company's financial statements for FY2016, the AC has reviewed and discussed each of the key audit matters ("KAMs") with the Management as well as the external auditor, Ernst & Young LLP ("EY"). The AC has assessed and considered the Management's approach, methodology and assumption applied to each of the KAMs, and was satisfied with the appropriateness of the analyses performed by the Management. The AC agrees and concurs with the basis and conclusions included in the EY's report with respect to the KAMs. For more information on the KAMs, please refer to pages 62 and 63 of this annual report.

The AC has conducted a review of the scope and results of audit by 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. It has presented to the AC the requirements of the New and Revised Singapore Financial Reporting Standards and the methodology applied when identifying key audit matters for FY2016 external audit.

The Group's key operating units increased substantially pursuant to the completion of acquisitions which took place in FY2016. The IA plan previously approved by the AC has been revised to include such newly acquired assets and has been approved by the AC. The AC will review the IA plan as and when the circumstances require, for instance, when there is a change of materiality of the operating units or a shift in business focus. The IA presents the internal audit reports which compile the detailed findings and recommendations for each of the Group's key operating units to the AC during quarterly meetings. Any material non-compliance or failure in internal controls, recommendations for improvements and remedial actions taken by Management are reported to the AC. If action plans to mitigate the risks are required, the AC would instruct and ensure that 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 FY2016 attained professional standards (including those promulgated by the Institute of Internal Auditors), and is satisfied that the internal audit function has adequate resources given that there is a team of eight (8) members assigned to the Company's IA, led by Mr Gary Ng who has 12 years of relevant experience, and the IA has appropriate standing within the Group during FY2016.

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 deficiencies 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 its view on the effectiveness and adequateness of the Group's internal controls, including financial, operational, compliance and information technology controls.

Whistleblowing Framework. The Group has in place and has published on its website a 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. All whistleblowing matters come under the purview of the AC, to ensure independent investigation of such matters and for appropriate follow-up action. The whistleblowing 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 (if any) at its quarterly meetings and annually with the Company's external auditors, to ensure that established procedures for the 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 FY2016. Further information relating to the IPTs during FY2016 is provided under the section "Interested Person Transactions".

Summary of the Board and AC's Observations for FY2016

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 assurances from the CEO and CFO that for FY2016:

(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 assurances from the 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 IA's recommendations; and
(d) reports from 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 in addressing the financial, operational, compliance and information technology risks of the Group in respect of FY2016. However, the Board notes that the risk management and internal controls provide reasonable, but not absolute, assurance against material misstatements 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 FY2016 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 from 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 99 of this annual report. The AC has considered a variety of factors including the adequacy of resources, experience of supervisory and professional staff to be assigned to the audit process, 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 the financial year ending 31 December 2017. The appointment of external auditors of the Group complies with Rules 712 and 715 and/or 716 of the Listing Rules. The Board and AC are satisfied that the appointment of different auditing firm for certain Singapore-incorporated subsidiaries of the Group would not compromise the standard and effectiveness of the audit of the Company.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Shareholders, as the owners of the Company, are entitled to attend and vote at general meetings, to a share of the Company's profits and all other rights pursuant to The Companies Act (Chapter 50) of Singapore (the "Companies Act") and the provisions of the Company's Constitution. The Company's corporate governance practices promote fair and equitable treatment of all

Shareholders. The Board welcomes the adoption of a 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 and to ensure fair communication with the Shareholders, all information about the Company's new initiatives which would be likely to materially affect the price or value of the Company's shares are promptly disseminated through SGXnet.

Disclosure of Information. It is the policy of the Board that all Shareholders are 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) the Company's AGM; and
(e) the Company's website at http://www.halcyonagri.com at which Shareholders can access materials on financial results, press releases, annual report and the Group profile. The website also contains various other investor-related information on the Group.

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

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 FY2016. These costs had an impact on the Group's financial performance and accordingly, the Company did not declare any dividends in respect of FY2016.

Conduct of Shareholder Meetings

General meetings remain the Company's principal forum for dialogue with Shareholders, to gather inputs, and to address Shareholders' concerns. The Board supports and encourages active shareholder participation at general meetings. The participation of Shareholders was encouraging and Shareholders actively communicated their views during the general meetings which were held in FY2016.

The Company's general meetings provide an opportune forum for Shareholders to meet the Board and senior management and to interact with them. Meetings are attended by all Directors and would normally be chaired by the Chairman of the Board. The Chairmen of the Board Committees are also available at the meetings to answer any questions relating to the operations of the Board Committees. The Company's external auditors are also 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 notice of general meeting issued to all Shareholders is advertised in newspapers and disseminated 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. 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 (2) proxies to vote on his/her behalf at the general meetings during his/her absence. Notwithstanding, specified intermediaries such as CPF, banks and capital market services license holders which provide custodial services would 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. Currently, all proxy forms may 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 mandated poll voting since 2014, before mandatory poll voting came into

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force on 1 August 2015. The polling agent appointed by the Company will explain the rules for poll voting at the Company's general meetings, before the polling starts. 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 in accordance with the format prescribed under the Listing Rules.

The proceedings of general meetings, including significant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management are properly recorded. Minutes of general meetings are available to Shareholders upon request.

The Board noted that the Ministry of Law and the Ministry of Finance plan to introduce various amendments to the Companies Act in 2017. Accordingly, the Board will review the need to amend the Company's Constitution at an appropriate time.

DEALING IN SECURITIES

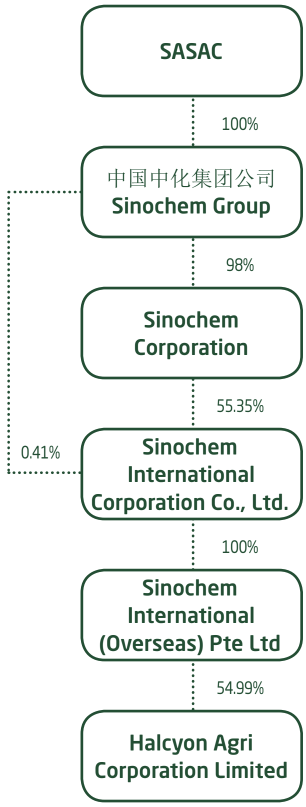
The Company complies with Rule 1207(19) of the Listing Rules on dealings in securities. It issues quarterly notices to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing two (2) weeks before the announcement of the Company's financial 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.

INTERESTED PERSON TRANSACTIONS

The Company is 54.99% indirectly owned by Sinochem International Corporation Co., Ltd. ("SIC"), a company listed on the Shanghai Stock Exchange, which is 55.76% indirectly owned by 中国中化集团公司 (also known as Sinochem Group), a key state-owned enterprise ("SOE") of the People's Republic of China ("PRC") (collectively, Sinochem Group and its subsidiaries are referred to as "Sinochem") supervised by Central State-owned Assets Supervision and Administration Commission of the State Council ("SASAC"). The PRC's government exercises supervisory rights over the performance of all SOEs through SASAC.

Pursuant to the definition under the PRC's Company Law, SASAC is the Company's ultimate shareholder and as an undertaking under the PRC's central government ownership, Sinochem reports to SASAC. The relationship between the Company and SASAC is illustrated below:



Rights and responsibilities of SASAC. Sinochem's 54.99% stake in the Company constitutes Chinese state-owned assets. Under the Constitution of the PRC, Chinese state-owned assets belong to the entire nation, and all Chinese SOEs are expected to advance the interests and well-being of the entire Chinese nation in their governance and operation.

Authorised by the PRC's State Council, SASAC acts as the agent of the PRC government, performs shareholders' responsibilities. It enhances the Chinese SOEs' management of state-owned assets according to Company Law of the PRC and other laws and administrative regulations. SOE regulations require that the SASAC and SOE's executives sign a contract articulating the executives' duty to maintain and enhance the value of the SOE.

Pursuant to the regulations governing Chinese SOEs, to safeguard Chinese state-owned assets for the benefit of the Chinese nation, Sinochem Group and its subsidiaries (including the Company) are required to submit periodic reports to SASAC, and consult SASAC for major strategic decisions.

Article 6 of the law of the PRC on the State-Owned Assets of Enterprises of 2008 ("Article 6"). Article 6 requires SASAC to exercise its ownership rights based on the general principles of separation of government bodies and enterprises and non-intervention in business operations. As such, Article 6 prevents SASAC from exercising a decisive management influence over Sinochem Group and its subsidiaries (including the Company). Viewed in this light, SASAC's rights are limited to approving the scope of business activities of Sinochem Group's and its subsidiaries (including the Company). The responsibilities to decide on the financial and operating matters of the Company resides primarily with the Board of Directors and management of the Company.

Pursuant to the above, and with reference to the definition of "control" under Section 239 of the Securities and Futures Act ("SFA") and read with the definition of "controlling shareholder" under the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005 ("SFR"), SASAC is not considered a controlling shareholder of the Company under the SFA and SFR.

Details of interested person transactions ("IPT"). Details of IPT for FY2016 pursuant to Listing Rule 1207(17) are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000.00 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000.00)
Shanghai Dehuan Real Estate Co, Ltd.	S$2,723,829.34	Not applicable, the Group does not have a general mandate for IPT

Note: Shanghai Dehuan Real Estate Co, Ltd. is a subsidiary of Sinochem International Corporation Co., Ltd.

MATERIAL CONTRACTS

Other than the transaction disclosed under the heading "Interested Person Transactions" and the service agreements entered into with CEO and the 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 FY2016 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2015.

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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 36
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Page 40
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	Pages 38 and 39
Guideline 1.5 The type of material transactions that require board approval under guidelines	Page 40
Guideline 1.6 The induction, orientation and training provided to new and existing directors	Page 43
Guideline 2.1 Compliance with the guideline on the proportion of independent directors on the Board	Page 41
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 42 and 43
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 41
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 37, and 42 to 44
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 43

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Principle and Guidelines	Page reference in this Annual Report
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Page 42
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 38, 39 and 43
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 44
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 43
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 37, and 45 to 47
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 45
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 45 and 46
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 38, 39, 46 and 47
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	Pages 38 and 39
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	Pages 46 and 47

Principle and Guidelines	Page reference in this Annual Report
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 47
Guideline 9.5 Details and important terms of employee share schemes	Page 47
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 47
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 50
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 37 and 48
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 50
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Page 50
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	Pages 48 to 50
Guideline 13.1 Whether the Company have an internal audit function	Page 48
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 51
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	Page 51

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 2016.

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 2016 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:

Liu Hongsheng
Li Dajun
Robert Meyer
Pascal Demierre
Alan Nisbet
Randolph Khoo Boo Teck
Liew Choon Wei
Raymond Ferguson

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.

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:

	Direct interest		**Deemed interest**	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Robert Meyer [1]	-	-	179,642,000	55,000,000
Pascal Demierre [1]	21,774,576	10,550,000	-	24,825
Alan Nisbet	-	-	400,000	200,000

(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.

Save for the ordinary shares of the Company which Mr Alan Nisbet are deemed to be interested had increased to 400,000 on 13 January 2017, there were no other changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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 2016:

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) Assessed and concluded the key audit matters with external auditor;
d) Reviewed the effectiveness of the internal control systems, including financial, operational, compliance and information technology controls;
e) 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;
f) Reviewed legal and regulatory matters that may have a material impact on the financial statements;
g) Reviewed and evaluated the services of external auditor including the amount of fees paid and/or payable to the external auditor as well as their independence and objectivity;
h) Reviewed the nature and extent of non-audit services provided by the external auditor;
i) Recommended the re-appointment of the external auditor to the Board;
j) Reported to the Board, the material matters deliberated by the AC with appropriate recommendations (as the case may be);
k) 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
3 April 2017

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

Opinion

We have audited the financial statement of Halcyon Agri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

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

1. Accounting for acquisitions

During the financial year ended 31 December 2016, the Group completed two acquisitions that have resulted in the Company acquiring controlling interest in GMG Global Ltd ("GMG Group") and Sinochem International Natural Rubber Investment (Overseas) Pte Ltd ("SINRIO Group").

We considered the audit of accounting for these acquisitions to be a key audit matter as these are significant transactions during the year which require significant management judgement regarding the allocation of the purchase price to the assets and liabilities acquired and adjustments made to align accounting policies of the newly acquired entities with those of the Group. This exercise also require management to determine the fair value of the assets and liabilities acquired and to identify intangible assets acquired in the acquisition.

We have, amongst others, read the sales and purchase agreements and the circulars issued to the shareholders in relation to these acquisitions to obtain an understanding of the transactions and the key terms; assessed whether the appropriate accounting treatment has been applied to these transactions; assessed the valuation for the considerations paid and traced share issuance to the share register.

We tested the identification and fair valuation of the acquired assets including: intangible assets acquired and liabilities by corroborating this identification based on our discussion with management and understanding of the business of GMG Group and SINRIO Group. We involved our internal specialist to assist us in reviewing the valuation methodologies used by management and the external valuation expert in the fair valuation of acquired assets and liabilities. We assessed the reasonableness of the valuation assumptions such as discount and growth rates by comparing these assumptions to source data and market data. We have also assessed the competence and relevant experience of the experts engaged by management.

We also assessed the adequacy of the related disclosures in the financial statements regarding these acquisitions in Note 14(a).

2. Impairment of goodwill and process know-how

As at 31 December 2016, the Group's goodwill and process know-how amounted to US$189,887,000 and US$10,000,000 respectively. These represent approximately 30.9% of the Group's net assets.

We focused on the impairment assessment of goodwill and process know-how because the impairment testing of the cash generating units ("CGUs") attributable to these intangibles rely on estimates of value-in-use ("VIU") based on the CGU's expected future cash flows. We considered audit of these cash flow projections to be a key audit matter as these involved significant management judgment, and are based on assumptions that are affected by expected future market and economic conditions.

The Group uses assumptions in respect of future market and economic conditions such as forecasted rubber price, forecasted sales volume, growth rates and pre-tax discount rates in the VIU computation. We assessed and tested those assumptions which the outcome of the impairment test is most sensitive, the methodologies and data used by management by comparing them to historical performance of the CGU, industry outlook and analyst reports. We engaged our valuation specialists to assist us with the audit of the reasonableness of management's valuation methodologies and certain assumptions used.

We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in impairment.

We also assessed the adequacy of the disclosures concerning those key assumptions to which the outcome of the impairment test is most sensitive. The disclosures on goodwill and process know-how and key assumptions are included in Note 11.

3. Classification of rubber trees as bearer plants or non-bearer plants

The Group's rubber trees are located in diverse locations which include Kelantan, Malaysia and Cameroon and Ivory Coast on the African continent.

As at 31 December 2016, the Group has accounted for the rubber trees in African continent amounting to US$144,206,000 as bearer plants and the rubber trees in Malaysia amounting to US$6,821,000 as non-bearer plants.

The Group has made the classification of its rubber trees as either bearer plants or non-bearer plants based on whether the rubber trees have a dual use in the context of Group's business plan for respective rubber plantation, pertinent facts and circumstances surrounding the trees and relevant local market or industry considerations. Rubber trees are not considered bearer plants if there is a commercially viable plan and ability to harvest, process and sell the rubber trees as lumber in established markets and the Group intends to sell the rubber trees as lumber at end of the rubber trees latex production life. Significant judgment has been exercised by management to determine its business plan and whether there is a commercially viable plan to sell rubber trees as lumber in an established market. This judgement will impact the classification and accounting treatment of the rubber plantation. We have determined this as a key audit matter due to the significant judgement involved.

Our audit procedures included, amongst others, reviewing the Group's business plan for respective rubber trees, analysing management's assessment relating to their evaluation of whether the respective rubber trees within the Group meet the definition of bearer plant and verifying management's evaluation of the commercial viability of the local lumber market when there is a plan to sell the rubber trees by collaborating it with current market outlook. We also assessed the adequacy of the disclosures related to the classification of rubber trees as bearer plants or non-bearer plants in Note 3.1(b) and Note 16.

4. Valuation of biological assets

The biological assets of the Group includes fresh fruit bunches of oil palm, rubber latex in African continent and rubber trees in Malaysia. As at 31 December 2016, the biological assets of the Group amounted to US$6,955,000. They represent approximately 1.1% of the Group's net assets.

We considered audit of the fair valuation of biological assets as a key audit matter as there is estimation involved in the valuation process which required the determination of oil palm and rubber long term average price, volume of fresh fruit bunches, market price for lumber, yield rates, discount rates, production cost, production cycle and oil palm and rubber trees life span.

We have, amongst others, assessed the independence and competency of the experts engaged by management to determine the valuation of the biological assets. We engaged our valuation specialists to assist us with the audit of the reasonableness of management's valuation methodologies and certain assumptions used. We assessed the reasonableness of the valuation assumptions such as discount and growth rates, market prices of the agricultural produce, long term average price of the rubber, by comparing these assumptions to source data and market data. We also assessed the adequacy of the disclosures related to the valuation of the biological assets in Note 16 and Note 32.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

Auditor's responsibilities for the audit of the financial statements (cont'd)

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lee Lai Hiang.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

3 April 2017

Consolidated Income Statement

For the financial year ended 31 December 2016

	Note	2016 US$'000	2015 (Restated) US$'000
Revenue	4	1,010,310	994,712
Cost of sales		(959,368)	(932,536)
Gross profit		50,942	62,176
Other income	5	122,129	6,088
Selling expenses		(17,622)	(14,000)
Administrative expenses		(33,261)	(13,894)
Administrative expenses – non-recurring	8	(21,787)	(6,802)
Operating profit		100,401	33,568
Finance income		1,735	635
Finance costs	6	(28,442)	(24,126)
Share of profit of associates		1,581	–
Profit before taxation	8	75,275	10,077
Income tax expense	7	(3,333)	(5,390)
Profit for the financial year		71,942	4,687
Profit/(loss) attributable to:			
Owners of the Company		74,380	6,805
Non-controlling interests		(2,438)	(2,118)
		71,942	4,687
Earnings per share ("EPS"):			
Basic and diluted (cents per share)	10	8.49	1.56

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 2016

	Note	2016 US$'000	2015 (Restated) US$'000
Profit for the financial year		71,942	4,687
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(20,756)	(38,558)
Fair value adjustment on cash flow hedges		-	(2,189)
Recognised in the profit and loss accounts on occurrence of hedged transactions		2,189	511
Items that will not be reclassified subsequently to profit or loss			
Share of associates' other comprehensive loss		(2,783)	-
Actuarial (loss)/gain on retirement benefit obligation (net of tax)		(965)	440
Other comprehensive loss for the financial year		(22,315)	(39,796)
Total comprehensive income/(loss) for the financial year		49,627	(35,109)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		52,541	(23,215)
Non-controlling interests		(2,914)	(11,894)
		49,627	(35,109)

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

Statements of Financial Position

As at 31 December 2016

	Note	Group		Company	
		2016	2015 (Restated)	2016	2015
		US$'000	US$'000	US$'000	US$'000
ASSETS					
Non-current assets					
Intangible assets	11	200,496	200,534	-	-
Property, plant and equipment	12	244,826	99,489	207	122
Plantation related properties	16	281,703	35,789	-	-
Biological assets	16	6,821	4,054	-	-
Investment properties	13	39,791	21,420	-	-
Deferred tax assets	15	13,227	3,175	-	-
Deferred charges		207	146	-	-
Other assets		259	2	-	-
Loans and other receivables	19	3,209	-	-	-
Investment in subsidiaries	14(a)	-	-	615,640	168,008
Investment in associates	14(b)	189,700	-	-	-
Total non-current assets		980,239	364,609	615,847	168,130
Current assets					
Cash and bank balances	17	66,625	70,541	430	3,064
Trade receivables	18	98,066	65,030	-	-
Loans and other receivables	19	60,669	27,427	372,056	95,281
Tax receivables		1,767	3,324	-	-
Derivative financial instruments	20	30,889	24,250	-	-
Inventories	21	319,973	102,875	-	-
Consumable biological assets	16	134	-	-	-
Total current assets		578,123	293,447	372,486	98,345
Total assets		1,558,362	658,056	988,333	266,475
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	20	58,786	7,567	-	-
Trade payables	22	46,265	11,249	-	-
Other payables	23	44,305	18,349	33,776	10,000
Loan payables	24	244,645	191,874	2,750	2,750
Provision for taxation		4,148	1,553	412	15
Finance lease obligation	28(b)	497	435	465	435
Total current liabilities		398,646	231,027	37,403	13,200
Net current assets		179,477	62,420	335,083	85,145

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

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 US$'000	Group 2015 (Restated) US$'000	Company 2016 US$'000	Company 2015 US$'000
Non-current liabilities					
Loan payables	24	460,372	270,150	357,654	94,404
Retirement benefit obligations	25	14,297	10,703	-	-
Deferred tax liabilities	15	34,763	20,004	25	25
Finance lease obligation	28(b)	600	1,046	581	1,046
Other payables	23	1,850	-	-	-
Total non-current liabilities		511,882	301,903	358,260	95,475
Net assets		647,834	125,126	592,670	157,800
Capital and reserves					
Share capital	26	603,874	156,551	603,874	156,551
Capital reserves	27	455	143	-	-
Accumulated profits/(losses)		74,748	4,363	(11,204)	1,249
Hedging reserve	27	-	(2,189)	-	-
Foreign currency translation reserve	27	(78,325)	(57,980)	-	-
Equity attributable to owners of the Company		600,752	100,888	592,670	157,800
Non-controlling interests		47,082	24,238	-	-
Total equity		647,834	125,126	592,670	157,800
Total liabilities and equity		1,558,362	658,056	988,333	266,475

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 2016

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Capital reserve	Accumulated profits	Foreign currency translation reserve	Hedging reserve		
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
At 1 January 2015		92,993	143	8,290	(16,830)	(511)	76,446	160,531
Profit/(loss) for the year		-	-	6,805	-	-	(2,118)	4,687
Other comprehensive income/(loss)		-	-	515	(28,857)	(1,678)	(9,776)	(39,796)
Total comprehensive income/(loss) for the year		-	-	7,320	(28,857)	(1,678)	(11,894)	(35,109)
Contributions by and distributions to owners								
Dividend paid to non-controlling interests		-	-	-	-	-	(143)	(143)
Effect of acquisition of non-controlling interests via issuance of Company's shares (net of share issuance cost)		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 and 1 January 2016 (As restated)		156,551	143	4,363	(57,980)	(2,189)	24,238	125,126
Profit/(loss) for the year		-	-	74,380	-	-	(2,438)	71,942
Other comprehensive income/(loss)		-	-	(3,683)	(20,345)	2,189	(476)	(22,315)
Total comprehensive income/(loss) for the year		-	-	70,697	(20,345)	2,189	(2,914)	49,627
Contributions by and distributions to owners								
Dividend paid to non-controlling interests		-	-	-	-	-	(180)	(180)
Statutory reserve fund		-	312	(312)	-	-	-	-
Non-controlling interests arising from acquisition of subsidiaries		-	-	-	-	-	25,938	25,938
Issuance of Company's shares (net of share issuance cost)	26	447,323	-	-	-	-	-	447,323
Total transactions with owners in their capacity as owners		447,323	312	(312)	-	-	25,758	473,081
At 31 December 2016		603,874	455	74,748	(78,325)	-	47,082	647,834

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 2016

	Note	Share capital US$'000	Accumulated profits/ (losses) US$'000	Total equity US$'000
Company				
At 1 January 2015		92,993	4,176	97,169
Loss for the year representing total comprehensive income for the year		-	(2,927)	(2,927)
Contributions by and distributions to owners				
Issuance 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 and 1 January 2016		156,551	1,249	157,800
Loss for the year representing total comprehensive loss for the year		-	(12,453)	(12,453)
Contributions by and distributions to owners				
Issuance of share capital (net of share issuance cost)	26	447,323	-	447,323
Total transactions with owners in their capacity as owners		447,323	-	447,323
At 31 December 2016		603,874	(11,204)	592,670

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 2016

	Note	2016	2015 (Restated)
		US$'000	US$'000
Operating activities			
Profit before taxation		75,275	10,077
Adjustments for:			
Depreciation expense	8	12,303	9,141
Amortisation of intangible assets	8	72	53
Retirement benefit expense	8	2,390	1,991
Interest income		(1,735)	(635)
Interest expense	6	28,442	24,126
Fair value gain on open forward commodities contracts and inventories, unrealised	8	(11,598)	(12,514)
Fair value gain on investment properties	5	(1,717)	(2,571)
Fair value gain on biological assets	5	(2,374)	(2,727)
Net bargain purchase on acquisition of subsidiaries	5	(116,953)	–
Unrealised foreign exchange loss/(gain)		356	(7,662)
Amortisation fee for syndicated loan facility	8	11,706	2,108
Amortisation fee for term loan		42	–
Loss on disposal of property, plant and equipment and investment properties	8	256	–
Write off of property, plant and equipment	8	161	–
Loss on disposal of other investment	8	–	13
Share of profit of associates		(1,581)	–
Operating cash flow before changes in working capital		(4,955)	21,400
Trade and other receivables		44,067	22,129
Inventories		(81,574)	1,142
Trade and other payables		423	(19,722)
Cash (used in)/generated from operations		(42,039)	24,949
Interest received		1,735	635
Interest paid		(9,297)	(5,614)
Tax paid		(13)	(1,149)
Net cash (used in)/generated from operating activities		(49,614)	18,821
Investing activities			
Proceeds from disposal of property, plant and equipment and investment properties		746	69
Acquisition of subsidiaries (net of cash acquired)		53,090	(1,860)
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		(16,060)	(10,825)
Proceeds from disposal of other assets		–	34
Net cash generated from/(used in) investing activities		37,776	(27,203)

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 2016

	Note	2016	2015 (Restated)
		US$'000	US$'000
Financing activities			
Net (repayment)/proceeds from syndicated loan facility – term loan		(176,730)	165,585
Net (repayment)/proceeds from syndicated loan facility – working capital loan		(183,000)	176,580
Repayment of syndicated bridge facility		-	(271,800)
Net proceeds/(repayment) of other term loans		270,803	(4,561)
Net proceeds/(repayment) of other working capital loans		118,588	(39,782)
Interest paid on term loans and syndicated facility		(12,440)	(12,694)
Interest paid on Medium Term Notes ("MTN")		(5,838)	(5,927)
Interest paid in advance to Trust Account - MTN		(3,040)	-
Share issuance expense	14	(309)	(153)
Repayment of obligation under finance lease arrangement		(444)	(405)
Dividend paid to non-controlling interests		(180)	(143)
Decrease in pledged deposits	17	-	1,675
Net cash generated from financing activities		7,410	8,375
Net decrease in cash and cash equivalents		(4,428)	(7)
Cash and cash equivalents at the beginning of year		70,541	75,781
Effect of exchange rate changes on the balance of cash held in foreign currencies		512	(5,233)
Cash and cash equivalents at the end of year		66,625	70,541

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 2016

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.

As at 31 December 2016, the Company is 54.99% owned by Sinochem International (Overseas) Pte. Ltd, a company incorporated and domiciled in Singapore. The penultimate holding company is Sinochem International Corporation Co., Ltd. ("SIC"), which is domiciled in the People's Republic of China and listed on the Shanghai Stock Exchange. SIC is 55.76% indirectly owned by 中国中化集团公司 (also known as Sinochem Group), a state-owned enterprise of the People's Republic of China.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries and associates are disclosed in Note 14(a) and Note 14(b) to the financial statements respectively.

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 Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

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 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company except as discussed below.

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

2.2 Changes in accounting policies (cont'd)

Amendments to FRS 16 Property, Plant and Equipment and FRS 41 Agriculture: Bearer Plants

The amendments changed 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 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 Government Grants and Disclosure of Government Assistance will apply. The Group has accounted for the oil palm plantations as bearer plants and applied the amendments retrospectively.

The impact of the amendments to the Group's assets and equity as at 31 December 2016 and to the Group's total comprehensive income for the year ended 31 December 2016 are not practicably determinable.

The effects of the amendments are as follows:

	Group	
	31 Dec 2015 Restated US$'000	**31 Dec 2015 As initially stated US$'000**
Statement of financial position		
Plantation related properties	35,789	35,491
Biological assets	4,054	6,360
Deferred tax liabilities	20,004	20,486
Accumulated profits	4,363	6,025
Foreign currency translation reserves	(57,980)	(58,116)
Earnings per share		
Basic and diluted (cents per share)	1.56	1.94

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.3 ***Standards issued but not yet effective***

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements of FRSs (December 2016)	
- Amendments to FRS 112: Classification and Measurement of Share-based Payment Transactions	1 January 2017
- Amendments to FRS 28: Measuring and Associate or Joint Venture at fair value	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of investment property*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Except for FRS 109, FRS 115 and FRS 116, 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 109, FRS 115 and FRS 116 are described below.

<u>FRS 115 Revenue from Contracts with Customers</u>

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.

The new revenue standard will supersede all current revenue recognition requirements under FRS. A full retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group has performed a preliminary assessment of the impact of FRS 115. Based on this preliminary assessment, which is subject to changes arising from a more detailed ongoing analysis, the impact upon adoption of FRS 115 is not expected to be material to the Group's financial statements.

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

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

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

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

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

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

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.

(B) *Business combinations and goodwill*

Where a business combination involves entities or businesses under common control, it is outside the scope of FRS 103 and may be accounted for using the pooling of interest method or the acquisition method. Aquisition method is applied when the transaction has substance from the perspective of the Group.

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.

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

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

(B) *Business combinations and goodwill (cont'd)*

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 2.11(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.

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 unit 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.

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 *Associates*

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

The Group account for its investments in associates using the equity method from the date on which it becomes an associate. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

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

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

2.8 *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.

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.

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

2.8 *Foreign currency (cont'd)*

(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.

2.9 *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 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Leasehold improvements and renovation	-	10 years
Office equipment	-	2 years
Computers and software	-	1 to 5 years
Leasehold buildings	-	20 years
Plant and machinery	-	10 years
Vehicles	-	4 to 10 years
Leasehold land	-	20 to 96 years

Freehold land is not depreciated.

Plantation establishment costs, consisting of costs directly incurred during the period of plantation development, are not depreciated. The establishment costs will be transferred to plantation assets and will be subject to depreciation upon commencement of rubber tapping activities.

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.

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

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

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.

2.10 *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.

2.11 *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.

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

2.11 *Intangible assets (cont'd)*

(b) *Other intangible assets*

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

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

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

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

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(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.

2.12 *Land use rights*

Certain plantation lands in Cameroon were given land use rights by the State of Cameroon in 1996 for a period of 50 years plus 50 years, renewable at a nominal value to the Group. With the Group's continuing investment in replanting and extension on the plantation land, the Group is of the view that it is not likely that the land use rights will not be renewed at the expiry of its current term. As such, land use rights for those lands are deemed to have a perpetual life and no depreciation has been provided.

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

2.13 *Bearer plants and biological assets*

The classification of rubber trees as bearer plant or non-bearer plant depends on the business plan for respective rubber plantations, pertinent facts and circumstances surrounding the trees, plantation and relevant local market or industry considerations. Rubber trees are not considered bearer plant when there is commercial viable plan to sell the rubber tree as lumber to an established market.

Bearer plants consist of rubber trees in African plantations and the oil palm trees. Cultivation of seedlings is stated at cost. The accumulated cost will be classified to immature plantations at the time of planting. Mature plantations are stated at cost less accumulated depreciation and impairment, and depreciated over its estimated useful life of 25 years, upon commencement of commercial production. The useful life is reviewed at each financial year to ensure that the period of method is consistent with previous estimate and the expected pattern of consumption of the future economic benefits. The carrying value of bearer plants are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. A bearer plant is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the bearer plant is included in the profit or loss when the bearer plant is derecognised.

Biological assets consist of rubber trees in the Malaysia plantations and produce that grows on oil palm trees in the Malaysia plantations and rubber latex in the African plantation. These are measured at fair value less estimate 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.

2.14 *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.

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

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously.

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

2.15 ***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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2016

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

2.15 ***Financial instruments (cont'd)***

(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

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.

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.

2.16 ***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.

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

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

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

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

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

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

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

(b) *Financial assets carried at cost*

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

2.17 ***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.

2.18 ***Inventories***

Inventories except consumables are carried at the fair market value at the end of each reporting period, whereby the resulting unrealised gain or loss is recognised in profit or loss. This is an alternative policy allowed by FRS 2 Inventories for commodity broker or trader, as this better reflect the performance of the Group. 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.

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

2.18 *Inventories (cont'd)*

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.

2.19 *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.

2.20 *Provisions*

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

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

2.21 *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.

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

2.21 *Employee benefits (cont'd)*

(a) *Retirement benefit costs (cont'd)*

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.

2.22 *Leases*

(a) *As lessee*

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

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

2.22 *Leases (cont'd)*

(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 2.23(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.23 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Rental income*

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

2.24 *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.

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

2.24 ***Taxes (cont'd)***

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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.

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

2.24 *Taxes (cont'd)*

(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.

2.25 *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.

Fair valuation of shares are based on the prevailing market price as at the date of issuance.

2.26 *Hedge accounting*

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

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

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

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

- hedges of a net investment in a foreign operation.

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 instruments 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 2016 and 2015.

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

2.26 ***Hedge accounting (cont'd)***

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 recognized 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 recognized 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.

2.27 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.28 ***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 judgements 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 *Judgements made in applying accounting policies*

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

(a) *Purchase price allocation review*

The Group has exercised significant judgement regarding the allocation of the purchase price to the assets and liabilities acquired, including judgement made relating to: accounting for acquisitions of GMG Group and SINRIO Group based on acquisition method, identification of intangible assets, fair value adjustments to the carrying amount of assets and liabilities of the acquirees during the purchase price allocation review.

In addition, judgement has also been exercised to determine the adjustments made to align accounting policies of the newly acquired entities with those of the Group after considering various factors affecting different accounting policies, such as: business plan of the acquirees.

Please refer to Section 3.2(b) for the estimate made by the Group during the purchase price allocation review.

(b) *Classification of rubber trees as bearer plants or non-bearer plants*

The Group has rubber plantations in Malaysia and Africa.

The classification of rubber trees as bearer plant or non-bearer plant depends on the business plan for respective rubber plantations, pertinent facts and circumstances surrounding the trees, plantation and relevant local market or industry considerations. Rubber trees are not considered bearer plant when there is commercially viable plan to sell the rubber tree as lumber to an established market.

The Group has assessed that there is an established lumber market for rubber trees in Malaysian plantation and it is the Group's business plan to sell the rubber trees as lumber at the end of the rubber production life.

Therefore, the Group has accounted for:

i) the rubber trees in the Malaysian plantations as biological assets, which is within the scope of FRS 41, and are stated at fair value less estimated costs to sell; and

ii) the rubber trees in the African plantations as bearer plant which is measured under FRS16 at accumulated cost (before maturity) and using cost model (after maturity).

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

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

(c) *Impairment of goodwill and process know-how*

Judgement has been made by the Group to identify the cash-generating units and assess the future market and economic assumptions, such as: forecasted rubber price, forecasted sales volume, growth rate and pre-tax discount rates. The Group has estimated the recoverable amounts of cash-generating units to which goodwill and/or process know-how has been allocated to base on value-in-use approach.

Estimation has been made in deriving the value-in-use, as disclosed in Note 3.2(a).

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) *Impairment of goodwill and process know-how*

Determining whether intangible asset is impaired requires an estimation of the value in use of the carrying amount of cash-generating-unit to which the goodwill and/or process know-how have been allocated.

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 2016 is US$199,887,000 (2015: US$199,887,000) (Note 11).

(b) *Purchase price allocation review*

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the assets and liabilities purchased.

As mentioned in 3.1(a) above, the Group has exercised judgement to determine the fair value adjustments required during the purchase price allocation review. Significant estimates have been made to determine the fair value adjustments amount.

(c) *Biological assets*

The Group's biological assets are stated at fair value less estimated costs to sell, which has been estimated by management with the assistance of an independent valuer.

During the valuation process, the Group has made estimates relating to oil palm and rubber long term average price, volume of fresh fruit bunches and latex, market prices for lumber, yield rates, discount rates, production costs, production cycle and oil palm and rubber tree life spans.

The carrying amount of the Group's biological assets as at 31 December 2016 is approximately US$6,955,000 (2015: US$4,054,000).

4. Revenue

	Group	
	2016	2015
	US$'000	US$'000
Sale of goods	1,010,310	994,712

5. Other income

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Fair value gain on investment properties (Note 13)	1,717	2,571
Fair value gain on biological assets (Note 16)	2,374	2,727
Net bargain purchase on acquisition of subsidiaries (Note 14a)	116,953	-
Others	1,085	790
	122,129	6,088

6. Finance costs

	Group	
	2016	2015
	US$'000	US$'000
Interest expense on:		
- Term loans	13,156	11,739
- MTN	6,501	6,382
- Working capital loans	8,703	5,875
- Finance lease obligation	82	130
	28,442	24,126

7. Income tax expense

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Consolidated income statement		
Current tax		
Current tax expense	3,279	3,541
Under/(over) provision in prior years	1,103	(330)
Deferred tax		
Deferred tax (credit)/expense relating to the origination and reversal of temporary differences (Note 15)	(1,049)	2,179
Income tax expense recognised in profit or loss	3,333	5,390

	Group	
	2016	2015
	US$'000	US$'000
Statement of comprehensive income		
Deferred tax credit related to other comprehensive income		
- Actuarial movements on defined benefits plan	290	147

Relationship between tax expense and accounting profit

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 31 December 2015 are as follows:

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Profit before taxation	75,275	10,077
Tax at the domestic income tax rate of 17% (2015: 17%)	12,797	1,713
Effect of non-deductible expenses	6,922	4,331
Effect of non-taxable income	(19,465)	(1,252)
Effect of tax exempt income	(18)	(20)
Interest income deducted at source	(167)	(167)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(63)	2,104
Additional tax allowance from Productivity and Innovation Credit	-	(78)
Deferred tax asset not recognised	2,527	793
Utilisation of previously unrecognised deferred tax asset	(405)	(1,064)
Effect of tax incentive at lower rate	(48)	(375)
Under/(over) provision in prior years	1,103	(330)
Share of net profit of associates	(269)	-
Others	419	(265)
Income tax expense recognised in profit or loss	3,333	5,390

7. Income tax expense (cont'd)

Three of the subsidiaries within the Group, Hevea Global Pte Ltd ("HG"), New Continent Enterprises (Private) Limited ("NCE") and GMG Investment (S) Pte Ltd ("GMGI") 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 2016 for a period of 4 years and 6 months, NCE from 1 July 2014 for a period of 4 years and 6 months and GMGI from 1 January 2013 for a period of 5 years. The qualifying income of HG and NCE shall be taxed at the concessionary tax rate of 10% and GMGI at concessionary tax rate of 5%.

8. Profit before taxation

	Group	
	2016 US$'000	2015 US$'000
(a) Profit before taxation has been arrived at after charging/(crediting):		
Non-recurring expenses (Note 9):		
- Acquisition related expenses	4,767	402
- Expenses incurred on business integration and restructuring	2,161	-
- Expense on Consent Solicitation Exercise ("CSE")	920	-
- Amortisation of fee incurred for the syndicated loan facility	11,706	2,108
- Professional fees incurred for syndicated loan facility	-	4,292
- Others	2,233	-
	21,787	6,802
Depreciation of property, plant and equipment and plantation related properties included in:		
- Cost of sales	10,166	7,469
- Selling expenses	92	76
- Administrative expenses	2,045	1,596
	12,303	9,141
Foreign exchange loss/(gain) included in:		
- Cost of sales	2,530	(1,961)
- Administrative expenses	(573)	(10,072)
	1,957	(12,033)
Amortisation of intangible assets (Note 11)	72	53
Professional fees	2,476	1,391
Directors' remuneration	2,808	1,346
Directors' fees (Note 30)	144	139

8. Profit before taxation (cont'd)

	Group 2016 US$'000	Group 2015 US$'000
(a) Profit before taxation has been arrived at after charging/(crediting): (cont'd)		
Audit fees:		
- paid to auditors of the Company	560	470
- paid to other auditors	172	56
Non-audit fees:		
- paid to auditors of the Company	197	39
Operating lease expense	1,523	961
Fair value gain on open forward commodities contracts and inventories, unrealised	(11,598)	(12,514)
Loss on disposal of property, plant and equipment and investment properties	256	-
Write off of property, plant and equipment	161	-
Loss on disposal of other investment	-	13
Inventories recognised as an expense in cost of sales	959,368	932,536
(b) Employee benefits expenses (including directors' remuneration):		
- Defined benefit plan	2,390	1,991
- Defined contribution plans	2,081	1,054
- Staff welfare	1,933	496
- Staff salaries	41,360	29,587
	47,764	33,128
Included in:		
- Cost of sales	24,718	15,552
- Selling expenses	4,427	3,725
- Administrative expenses	18,619	13,851
	47,764	33,128

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For the financial year ended 31 December 2016

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

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Profit before taxation	75,275	10,077
Adjustments for:		
Depreciation expense (Note 8)	12,303	9,141
Finance costs (Note 6)	28,442	24,126
Loss on disposal of investment properties and property, plant and equipment (Note 8)	256	-
Write off of property, plant and equipment (Note 8)	161	-
Interest income	(1,735)	(635)
Amortisation of intangible assets (Note 8)	72	53
Share of profit of associates	(1,581)	-
Net bargain purchase on acquisition of subsidiaries	(116,953)	-
EBITDA	(3,760)	42,762
Add: Non-recurring expenses (Note 8)	21,787	6,802
Less: Fair value gain on investment properties (Note 5)	(1,717)	(2,571)
Adjusted EBITDA	16,310	46,993

10. Earnings per share

	Group	
	Basic and diluted	
	2016	2015 (Restated)
	US$'000	US$'000
Profit for the year attributable to owners of the Company	74,380	6,805
	Number of ordinary shares '000	
	Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	876,275	435,924
Earnings per share ("EPS"): US Cents	8.49	1.56

11. Intangible assets

Group	Process know-how US$'000	Goodwill US$'000	Customer related intangibles US$'000	Trademark US$'000	Total US$'000
Cost:					
At 1 January 2015	10,000	187,773	-	-	197,773
Addition:					
- Acquisition of subsidiaries	-	2,114	700	-	2,814
At 31 December 2015 and 1 January 2016	10,000	189,887	700	-	200,587
Addition:					
- Acquisition of subsidiaries (Note 14a(i))	-	-	-	36	36
Exchange difference	-	-	-	(2)	(2)
At 31 December 2016	10,000	189,887	700	34	200,621
Accumulated amortisation:					
At 1 January 2015	-	-	-	-	-
Amortisation for the year	-	-	53	-	53
As at 31 December 2015 and 1 January 2016	-	-	53	-	53
Amortisation for the year	-	-	70	2	72
At 31 December 2016	-	-	123	2	125
Net carrying amount:					
At 31 December 2015	10,000	189,887	647	-	200,534
At 31 December 2016	10,000	189,887	577	32	200,496

The amortisation of customer related intangibles and trademark 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	
	2016 US$'000	2015 US$'000
Processing segment	183,282	183,282
Distribution segment	6,605	6,605
	189,887	189,887

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 8 years (2015: 9).

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 2016. No impairment loss was recognised as at 31 December 2016 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 2016 US$'000	Discount rate (pre-tax)	Growth rate
Processing segment:			
- Goodwill	183,282	10%	1% to 2%
- Process know-how	10,000	10%	2%
Distribution segment:			
- Goodwill	6,605	10%	2% to 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$'000	Freehold land US$'000	Asset under construction US$'000	Total US$'000
Cost:										
At 1 January 2015	3,829	1,487	1,042	38,867	33,746	2,506	36,268	-	3,007	120,752
Acquisition of subsidiaries	-	86	25	-	-	118	-	-	-	229
Additions	293	741	105	9	928	467	1,100	-	3,944	7,587
Disposals	-	-	-	-	(115)	(31)	-	-	-	(146)
Transfer to investment properties	-	-	-	(440)	-	-	-	-	-	(440)
Reclassification	452	2	2	158	547	32	-	-	(1,287)	(94)
Exchange difference	(418)	(146)	(8)	(4,234)	(3,857)	(309)	(4,035)	-	(483)	(13,490)
At 31 December 2015 and 1 January 2016	4,156	2,170	1,166	34,360	31,249	2,783	33,333	-	5,181	114,398
Acquisition of subsidiaries	3,244	5,619	3,071	62,437	40,445	3,771	23,989	8,029	5,062	155,667
Additions	174	868	199	1,924	1,017	344	-	457	3,118	8,101
Disposals	(8)	(10)	-	(98)	(109)	(30)	-	-	-	(255)
Write off	(207)	(51)	(100)	-	-	-	-	-	-	(358)
Transfer to plantation related properties	37	(703)	63	-	(684)	(147)	-	-	(1,203)	(2,637)
Reclassification	(407)	21	-	-	802	-	-	-	(416)	-
Exchange difference	71	(139)	(127)	(1,270)	(847)	(35)	(434)	(186)	(686)	(3,653)
At 31 December 2016	7,060	7,775	4,272	97,353	71,873	6,686	56,888	8,300	11,056	271,263
Accumulated depreciation and impairment:										
At 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 and 1 January 2016	955	948	730	3,293	5,405	1,140	2,438	-	-	14,909
Disposals	-	(7)	-	(14)	(91)	(24)	-	-	-	(136)
Depreciation for the year	(330)	1,754	384	3,858	3,687	728	1,779	-	-	11,860
Write off	(82)	(21)	(94)	-	-	-	-	-	-	(197)
Reclassification	(31)	-	-	-	31	-	-	-	-	-
Exchange difference	40	(41)	(11)	(148)	101	7	53	-	-	1
At 31 December 2016	552	2,633	1,009	6,989	9,133	1,851	4,270	-	-	26,437
Net carrying amount:										
At 31 December 2015	3,201	1,222	436	31,067	25,844	1,643	30,895	-	5,181	99,489
At 31 December 2016	6,508	5,142	3,263	90,364	62,740	4,835	52,618	8,300	11,056	244,826

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 2015	43	153	11	207
Additions	10	38	–	48
At 31 December 2015 and 1 January 2016	53	191	11	255
Additions	146	8	–	154
Disposal	(10)	–	–	(10)
At 31 December 2016	189	199	11	399
Accumulated depreciation:				
At 1 January 2015	8	49	3	60
Depreciation for the year	8	59	6	73
At 31 December 2015 and 1 January 2016	16	108	9	133
Depreciation for the year	16	43	2	61
Disposal	(2)	-	-	(2)
At 31 December 2016	30	151	11	192
Net carrying amount:				
At 31 December 2015	37	83	2	122
At 31 December 2016	159	48	–	207

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$1,097,000 (2015: US$1,225,000).

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$30,764,000 (2015: US$87,065,000) to secure the Group's and the Company's loans and borrowings (Note 24).

13. Investment properties

	Group	
	2016	2015
	US$'000	US$'000
Balance sheet:		
At 1 January	21,420	20,551
Fair value gain recognised in profit or loss (Note 5)	1,717	2,571
Transfer from property, plant and equipment	–	380
Acquisition of subsidiaries (Note 14a)	17,465	–
Disposal	(884)	–
Exchange difference	73	(2,082)
At 31 December	39,791	21,420
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	25	38
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	15	6

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 2016 and 31 December 2015. The valuations were performed by independent valuers 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 32.

Assets pledged as security

In 2015, the Group had pledged certain investment properties amounting to US$21,226,000 as at 31 December 2015 to secure the Group's loans and borrowings (Note 24), which had been discharged upon loan repayment in 2016.

13. Investment properties (cont'd)

The investment properties held by the Group as at 31 December 2016 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Residential houses in Palembang, South Sumatera, Indonesia	Residential	Leasehold	3 - 27 years
Lands in Palembang, South Sumatera, Indonesia	Vacant land	Leasehold	2 – 18 years
Offices in Palembang, South Sumatera, Indonesia	Offices	Leasehold	3 - 17 years
Shophouses in Medan, North Sumatera, Indonesia	Shophouse	Leasehold	5 years
Offices in Medan, North Sumatera, Indonesia	Offices	Leasehold	6 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	6 years
Residential house in Banjarmasin, South Kalimantan, Indonesia	Residential	Leasehold	13 years
Land in Medan, North Sumatera, Indonesia	Vacant land	Leasehold	5 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	3 years
Residential house in Pontianak, West Kalimantan, Indonesia	Residential	Leasehold	12 years
Land in Pontianak, West Kalimantan, Indonesia	Vacant land	Leasehold	21 years
Shophouse in Rantau, North Sumatera, Indonesia	Shophouse	Leasehold	15 years
Residential house in Rantau, North Sumatera, Indonesia	Residential house	Leasehold	15 years
Land in Siak, Riau, Indonesia	Vacant land	Leasehold	7 years
Commercial offices in Hainan, China	Commercial office	Leasehold	20-21 years
Land in Songkhla, Thailand	Vacant land	Freehold	-
Land in Pattani, Thailand	Vacant land	Freehold	-
Houses and offices in Pattani, Thailand	House and office	Freehold	-
Land in Chantaburi, Thailand	Vacant land	Freehold	-
Factory buildings in Chantaburi, Thailand	Vacant factory	Freehold	-
Land in Nakornsri, Thailand	Vacant land	Freehold	-
Factory buildings in Nakornsri, Thailand	Vacant factory	Freehold	-
Land in Krabi, Thailand	Vacant land	Freehold	-
Land in Trang, Thailand	Vacant land	Freehold	-
Houses in Trang, Thailand	Residential	Freehold	-
Land in Yala, Thailand	Vacant land	Freehold	-
Land in Narathiwas, Thailand	Vacant land	Freehold	-
Houses and offices in Narathiwas, Thailand	House and office	Freehold	-

14. Investment in subsidiaries and associates

14 (a) Investment in subsidiaries

	Company	
	2016	2015
	US$'000	US$'000
At 1 January	168,008	104,297
Acquisition of subsidiaries	447,632	63,711
At 31 December	615,640	168,008

14. Investment in subsidiaries and associates (cont'd)

14 (a) Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	Proportion (%) of ownership interest 2015
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	100.00
GMG Global Ltd (3)	Singapore	Investment holding	100.00	-
Sinochem International Natural Rubber Investment (Overseas) Pte Ltd (1)	Singapore	Natural rubber trading and investment holding	100.00	-
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	Malaysia	Strike off during the year	-	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
Subsidiary of Hevea Global Pte Ltd				
Hevea International Pte Ltd (1)	Singapore	Investment holding	100.00	100.00

14. Investment in subsidiaries and associates (cont'd)

14 (a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Subsidiaries of Hevea International Pte Ltd				
New Continent Enterprises (Private) Limited (1)	Singapore	Natural rubber trading and distribution	100.00	100.00
Centrotrade Singapore Pte Ltd (1)	Singapore	Natural rubber trading and distribution	100.00	100.00
Centrotrade Minerals & Metals, Inc. (4)	United States	Natural rubber trading and distribution	100.00	100.00
Centrotrade Malaysia Commodities Sdn Bhd (4)	Malaysia	Natural rubber trading and distribution	100.00	100.00
Centrotrade Deutschland GmbH (2)	Germany	Natural rubber trading and distribution	100.00	100.00
Subsidiaries of New Continent Enterprises (Private) Limited				
New Continent Enterprises GmbH (5)	Germany	Natural rubber distribution	100.00	100.00
New Continent Enterprises B.V. (5)	Netherlands	Investment holding	100.00	100.00
Halcyon Agri Natural Rubber (Shanghai) Limited (formerly known as MCF China Limited) (4)	People's Republic of China	Natural rubber distribution	100.00	100.00
Subsidiary of New Continent Enterprises B.V				
New Continent Enterprises Inc. (5)	United States	Natural rubber distribution	100.00	100.00
Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte Ltd				
Euroma Rubber Industries Sendirian Berhad (3)	Malaysia	Natural rubber processing	97.50	-
Hainan Sinochem Rubber Co., Ltd (2)	People's Republic of China	Natural rubber processing	97.37	-
Subsidiaries of Hainan Sinochem Rubber Co., Ltd				
Xishuangbanna Sinochem Rubber Co., Ltd (2)	People's Republic of China	Natural rubber processing	96.67	-
Baisha Sinochem Rubber Co., Ltd (2)	People's Republic of China	Natural rubber processing	100.00	-
Hainan Baoting Rubber Co., Ltd (2)	People's Republic of China	Natural rubber processing	100.00	-
Shanghai Hancheng Trading Co., Ltd (2)	People's Republic of China	Dormant	100.00	-

14. Investment in subsidiaries and associates (cont'd)

14 (a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Subsidiaries of GMG Global Ltd				
GMG Holdings Ltd (3)	Singapore	Investment holding	100.00	-
PT Bumi Jaya (3)	Indonesia	Natural rubber processing	95.00	-
PT GMG Sentosa (3)	Indonesia	Natural rubber processing	75.00	-
Ivoirienne de Traitement de Caoutchouc (3)	Ivory Coast	Natural rubber processing	75.00	-
GMG Investment Congo SPRL (3)	Democratic Republic of Congo	Dormant	100.00	-
GMG Cote d'Ivoire (3)	Ivory Coast	Dormant	100.00	-
G.P. Sentosa Enterprises Co. Ltd (3)	Thailand	Investment holding	100.00	-
Teck Bee Hang Co. Ltd (3)	Thailand	Natural rubber processing	55.00	-
Inobonto Holdings Pte Ltd (3)	Singapore	Dormant	95.45	-
GMG Investment (S) Pte Ltd (3)	Singapore	Natural rubber trading and investment holding	100.00	-
Subsidiaries of Teck Bee Hang Co. Ltd				
Techem Industries Co., Ltd (4)(6)	Thailand	Manufacture & distribution of plastic products	54.10	-
Teck Fu Joint Venture Co., Ltd (4)(7)	Thailand	Natural rubber processing	47.30	-
Subsidiaries of GMG Investment (S) Pte Ltd				
Société de Développement du Caoutchouc Camerounais S.A. (formerly known as GMG International S.A.) (3)	Cameroon	Investment holding	100.00	-
Tropical Rubber Cote d'Ivoire (3)	Ivory Coast	Natural rubber plantation and processing	51.20	-
Green Ventures Cameroon S.A. (3)	Cameroon	Dormant	100.00	-
Subsidiary of Inobonto Holdings Pte Ltd				
PT Inobonto Indah Perkasa (3)	Indonesia	Rubber and oil palm plantation	76.40	-
Subsidiaries of Société de Développement du Caoutchouc Camerounais S.A.				
Hevecam S.A. (3)	Cameroon	Natural rubber plantation and processing	90.00	-
Sud Cameroun Hevea S.A. (3)	Cameroon	Natural rubber plantation and processing	80.00	-

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

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

(3) Audited by member firms of Deloitte Global in the respective countries.

(4) Audited by other firms of Certified Public Accountants.

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

(6) The direct interest held by Teck Bee Hang Co. Ltd is 98.36%.

(7) The direct interest held by Teck Bee Hang Co. Ltd is 86.00%.

14. Investment in subsidiaries and associates (cont'd)

14 (a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries

GMG Global Ltd and its subsidiaries (the "GMG Group")

The Group completed the acquisition of GMG Global Ltd ("GMG acquisition") upon the close of voluntary general offer ("VGO exercise") on 11 November 2016. Following the completion of GMG acquisition, GMG Group became subsidiaries of the Group.

The Group has acquired GMG Group to enhance the scale and market position of the Group in the natural rubber supply chain, broaden the geographic scope of the Group's operations and product offering and diversification of the Group's revenue base.

Sinochem International Natural Rubber Investment (Overseas) Pte Ltd and its subsidiaries ("SINRIO Group")

On 3 October 2016, the Group completed the acquisition of SINRIO Group. Following the completion of SINRIO Group acquisition, SINRIO Group became subsidiaries of the Group.

The Group has acquired SINRIO Group to broaden the geographic scope of the Group's operations and product offering and extend the distribution reach of the Group into China.

The Group has carried out purchase price allocation review ("PPA review") for the acquisitions of GMG Group and SINRIO Group with the assistance of an independent valuer. As at the date of this financial statements, the PPA review is deemed to be provisional. The fair value of the identifiable assets and liabilities of GMG Group and SINRIO Group as at the acquisition date were:

14. Investment in subsidiaries and associates (cont'd)

14 (a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

	Fair value recognised on acquisition		
	US$'000	**US$'000**	**US$'000**
	GMG Group	**SINRIO Group**	**Total**
Intangible asset	-	36	36
Property, plant and equipment	94,040	61,627	155,667
Plantation related properties	247,125	-	247,125
Investment properties	15,724	1,741	17,465
Deferred tax assets	7,238	170	7,408
Other non-current assets	3,580	30	3,610
Investment in associates	197,960	-	197,960
Cash and bank balances	44,827	8,263	53,090
Trade and other receivables	54,049	55,470	109,519
Derivative financial instruments - assets	352	606	958
Inventories	63,051	22,024	85,075
Consumable biological assets	119	-	119
Derivative financial instruments - liabilities	(2,101)	(1,729)	(3,830)
Trade and other payables	(28,343)	(29,023)	(57,366)
Borrowings	(200,034)	(6,641)	(206,675)
Current tax liabilities	(2,005)	(181)	(2,186)
Finance lease	(60)	-	(60)
Retirement benefit obligations	(2,307)	-	(2,307)
Deferred tax liabilities	(8,390)	(4,742)	(13,132)
Other non-current liabilities	-	(1,953)	(1,953)
Total identifiable net assets at fair value	484,825	105,698	590,523
Non-controlling interest measured at the non-controlling interest's proportionate share of GMG Group/SINRIO Group's net identifiable assets	(23,366)	(2,572)	(25,938)
(Bargain purchase)/goodwill arising from acquisition (Note 5)	(125,143)	8,190	(116,953)
Total purchase consideration	336,316	111,316	447,632
Consideration transferred			
Equity instruments issued (GMG: 714,919,941 ordinary shares of HACL), (SINRIO: 280,000,000 ordinary shares of HACL)	336,316	111,316	447,632
Total purchase consideration	336,316	111,316	447,632

14. Investment in subsidiaries and associates (cont'd)

14 (a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 100% equity interest in GMG Group, the Company issued 714,919,941 ordinary shares with an average fair value of US$0.47 each. The fair value of these shares is the published price of the shares at the acquisition dates.

In connection with the acquisition of 100% equity interest in SINRIO Group, the Company issued 280,000,000 ordinary shares with a fair value of US$0.40 each. The fair value of these shares is the published price of the shares at the share issuance date.

The attributable cost of the issuance of the shares as consideration of US$309,000 have been recognised directly in equity as a deduction from share capital.

Trade and other receivables acquired

At the acquisition date, the carrying amount of the trade and other receivables amounted to US$121,577,000. As US$12,058,000 of the trade and other receivables are not expected to be collected, a downward fair value adjustment of US$12,058,000 has been made to reduce the carrying amount of the trade and other receivables of the acquired entities.

Net bargain purchase on acquisition of subsidiaries

The net bargain purchase on acquisition of subsidiaries of US$116,953,000 arose as the fair value of the net assets acquired is higher than the total purchase consideration (Note 5).

Impact of the acquisition on profit or loss

From the acquisition date, GMG Group contributed revenue of US$84,986,000 and loss of US$6,385,000 to the Group's profit for the year. If business combination had occurred on 1 January 2016, management estimates that the Group's revenue would have been higher by US$329,140,000 and the Group's profit for the year would have been lower by US$46,104,000.

From the acquisition date, SINRIO Group contributed revenue of US$189,330,000 and profit of US$2,089,000 to the Group's profit for the year. If business combination had occured on 1 January 2016, management estimates that the Group's revenue would have been higher by US$144,682,000 and the Group's profit for the year would have been higher by US$2,846,000.

Effect of the acquisitions on cashflow

Both of the acquisitions of GMG Group and SINRIO Group are via the issuance of new ordinary shares of the Company. As such, these acquisitions have resulted to net cash inflow to the Group of US$53,090,000 on the date of acquisition, being the cash held by the acquired entities at the date of acquisition.

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14. Investment in subsidiaries and associates (cont'd)

14 (b) Investment in associates

The Group's material investment in associates are summarised below:

	Group 2016 US$'000
SIAT S.A.	188,605
Others	1,095
	189,700

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2016	2015
Held through subsidiaries				
SIAT S.A. [(1)]	Belgium	Investment holding	35.00	-
Feltex Co., Ltd [(2)]	Thailand	Natural rubber processing	24.80	-
Subsidiaries of SIAT S.A.				
Compagnie Heveicole De Cavally [(1)]	Ivory Coast	Natural rubber plantation, processing and trading	35.00	-
Ghana Oil Palm Development Co Ltd [(1)]	Ghana	Oil palm plantation, processing and trading	35.00	-
Presco Plc [(1)]	Nigeria	Oil palm plantation, processing and trading	21.00	-
Siat Gabon [(1)]	Gabon	Natural rubber plantation, processing and trading	34.76	-
Siat Nigeria Ltd [(1)]	Nigeria	Oil palm plantation, processing and trading	35.00	-
Siat Cambodge [(3)]	Cambodia	Dormant	35.00	-
Compagnie Hévéicole de Prikro (CHP) [(1)]	Ivory Coast	Natural rubber plantation	35.00	-
Swift Rubber Singapore [(3)]	Singapore	Investment holding	35.00	-
Swift Rubber (Cambodge) [(1)]	Cambodia	Natural rubber plantation, processing and trading	31.50	-
Deroose Plant NV [(2)]	Belgium	Breeding, growing and selling of ornamental and industrial plant	28.48	-
Deroose Plant Inc [(2)]	USA	Breeding, growing and selling of ornamental and industrial plant	28.48	-
SFD-DRP Co. Ltd [(2)]	China	Breeding, growing and selling of ornamental and industrial plant	28.48	-

(1) Audited by member firms of Deloitte Global in respective countries.

(2) Audited by other firms of Certified Public Accountants.

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

14. Investment in subsidiaries and associates (cont'd)

14 (b) Investment in associates (cont'd)

Summarised financial information in respect of the Group's material associate in accordance with FRS, as well as reconciliation to the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

	SIAT S.A. 2016 US$'000
Current assets	109,375
Non-current assets	389,903
Current liabilities	(132,512)
Non-current liabilities	(108,231)
Net assets	258,535
Proportion of the Group's ownership	35%
Group's share of net assets	90,487
Goodwill on acquisition	90,961
Exchange difference	7,157
Carrying amount of the investment	188,605

Summarised statement of comprehensive income

	SIAT S.A. 2016 US$'000
Revenue	8,644
Profit after tax from continuing operations	4,817
Other comprehensive loss	(7,780)
Total comprehensive loss	(2,963)

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

	2016 US$'000
Loss after tax from continuing operations	(856)
Other comprehensive loss	-
Total comprehensive loss	(856)

15. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group				Company	
	Statement of financial position		Consolidated income statement		Statement of financial position	
	2016	2015 (Restated)	2016	2015 (Restated)	2016	2015
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Differences in depreciation for tax purposes	358	(970)	(1,276)	(238)	(25)	(25)
Tax losses carry forward	2,763	912	2,739	919	–	–
Retirement benefit liabilities	2,961	2,676	194	340	–	–
Fair value uplift of biological assets	(717)	(601)	(559)	(654)	–	–
Fair value uplift of investment properties acquired in business combination	(2,004)	(5,080)	(794)	(643)	–	–
Fair value uplift of property, plant and equipment acquired in business combination	(20,141)	(11,352)	844	892	–	–
Others	(4,756)	(2,414)	(99)	(2,795)	–	–
Deferred tax credit/ (expense)			1,049	(2,179)		
Net deferred tax liabilities	(21,536)	(16,829)			(25)	(25)
Reflected in the statement of financial position as follows:						
Deferred tax assets	13,227	3,175			–	–
Deferred tax liabilities	(34,763)	(20,004)			(25)	(25)
Deferred tax liabilities, net	(21,536)	(16,829)			(25)	(25)

15. Deferred tax (cont'd)

	Group	
	2016	2015 (Restated)
	US$'000	US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(16,829)	(16,107)
Tax credit/(expense) during the year recognised in profit or loss	1,049	(2,179)
Tax credit during the year recognised in OCI	290	147
Deferred taxes arising from business combinations (Note 14(a)(i))	(5,724)	(41)
Exchange difference	(322)	1,351
At 31 December	(21,536)	(16,829)

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$43,892,000 and US$3,308,000 (2015: US$8,710,000 and US$5,115,000) respectively that are available for offset against future taxable profits. The related deferred tax benefits of US$10,820,000 (2015: US$2,658,000) were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$22,950,000 (2015: US$12,200,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2016 as the distributable profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

16. Plantation assets

	Plantation related properties							
	Prepaid land leases US$'000	Land use rights US$'000	Plantation US$'000	Plantation establistment costs US$'000	Total plantation related properties US$'000	Non-current biological assets US$'000	Consumable biological assets US$'000	Total US$'000
Group								
Cost								
At 1 January 2015	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 (As previously stated)	32,521	-	-	3,613	36,134	6,360	-	42,494
Effect of adopting FRS41	-	-	-	325	325	(2,512)	-	(2,187)
Exchange difference	-	-	-	(27)	(27)	206	-	179
At 31 December 2015 (As restated)	32,521	-	-	3,911	36,432	4,054	-	40,486
Acquisition of subsidiaries	-	105,581	38,602	102,942	247,125	-	119	247,244
Additions	-	-	1,855	5,270	7,125	834	-	7,959
Capitalization of depreciation	-	-	-	347	347	-	-	347
Transfer from property, plant and equipment	-	-	1,204	1,433	2,637	-	-	2,637
Fair value adjustment (Note 5)	-	-	-	-	-	2,353	21	2,374
Exchange difference	(1,404)	(3,942)	(1,385)	(3,873)	(10,604)	(420)	(6)	(11,030)
At 31 December 2016	31,117	101,639	40,276	110,030	283,062	6,821	134	290,017

16. Plantation assets (cont'd)

	Plantation related properties							
	Prepaid land leases US$'000	Land use right US$'000	Plantation US$'000	Plantation establistment costs US$'000	Total plantation related properties US$'000	Non-current biological assets US$'000	Consumable biological assets US$'000	Total US$'000
Accumulated depreciation								
At 1 January 2015	378	-	-	-	378	-	-	378
Depreciation for the year	366	-	-	-	366	-	-	366
Exchange difference	(101)	-	-	-	(101)	-	-	(101)
At 31 December 2015	643	-	-	-	643	-	-	643
Depreciation for the year	347	-	443	-	790	-	-	790
Exchange difference	(53)	-	(21)	-	(74)	-	-	(74)
At 31 December 2016	937	-	422	-	1,359	-	-	1,359
Carrying amount								
At 31 December 2015	31,878	-	-	3,911	35,789	4,054	-	39,843
At 31 December 2016	30,180	101,639	39,854	110,030	281,703	6,821	134	288,658

The basis of classification of rubber trees is disclosed in Note 2.13 and Note 3.1(b).

Details of the Group's plantation assets are summarised as follows:

Country	**Malaysia**	**Cameroon**	**Cameroon**	**Ivory Coast**
Type of ownership	Leasehold	Freehold	Land use rights	Land use rights
Total land area (hectares)	9,844	45,200	66,232	1,581
Total planted area (hectares)	2,092 (rubber), 859 (oil palm)	7,510 (rubber)	21,266 (rubber)	1,415 (rubber)

16. Plantation assets (cont'd)

The Group's biological assets mainly consist of rubber trees in Malaysia plantations and produce that grows on oil palm trees in Malaysia plantation and latex in trees in Africa plantation, all of which are grown for commercial sales as part of normal business operations.

Interest expense amounting to US$749,000 was capitalised in 2016 (2015: nil).

A review of the recoverable amount for the plantation in Cameroon was determined based on the value in use calculation and the discount rate used is 15.4%.

17. Cash and bank balances

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Cash at bank and on hand	58,532	43,269	430	3,064
Short term deposits	8,093	27,272	–	–
Cash and cash equivalents	66,625	70,541	430	3,064
Short term deposits-pledged	–	–	–	–
Total cash and bank balances	66,625	70,541	430	3,064

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 2016 for the Group is 2.84% per annum (2015: 3.68%).

Cash and bank balances of US$1,618,000 of the Group have been charged as security for the Group's general banking facilities (Note 24).

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

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesian Rupiah	9,157	22,714	–	–
Singapore Dollar	1,969	3,547	–	2,856
Euro	2,417	2,321	–	–
Chinese Yuan Renminbi	3,022	574	–	–
Malaysia Ringgit	1,541	137	–	–
Thai Baht	5,407	–	–	–
CFA Franc	12,497	–	–	–

18. Trade receivables

	Group	
	2016 US$'000	2015 US$'000
External parties	98,066	65,030

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$19,020,000 (2015: US$62,903,000) which were charged as security for a trade financing facility.

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

	Group	
	2016 US$'000	2015 US$'000
Euro	9,928	9,559
Indonesian Rupiah	429	54
Chinese Yuan Renminbi	775	73
CFA Franc	2,571	–
Thai Baht	1,889	–

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

		Group	
	Note	2016 US$'000	2015 US$'000
Current		69,777	60,766
Past due but not impaired	(a)	28,289	4,264
Impaired		752	44
Total gross trade receivables		98,818	65,074
Allowance for impairment	(b)	(752)	(44)
Trade receivables, net		98,066	65,030

Notes to the Financial Statements

For the financial year ended 31 December 2016

18. Trade receivables (cont'd)

(a) Receivables that are past due but not impaired

The Groups has trade receivables amounting to US$28,289,000 (2015: US$4,264,000) 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	
	2016	**2015**
	US$'000	**US$'000**
Trade receivables past due but not impaired:		
Lesser than 30 days	24,157	3,568
30 to 60 days	3,245	120
More than 61 days	887	576
	28,289	4,264

(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	
	2016	**2015**
	US$'000	**US$'000**
Trade receivables – nominal amounts	752	44
Less: Allowance for impairment	(752)	(44)
	–	–
Movement in allowance accounts:		
At 1 January	44	49
Acquisition of subsidiaries	708	–
Exchange differences	–	(5)
At 31 December	752	44

19. Loans and other receivables

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Financial assets				
Non-current:				
Loan to non-controlling interests of a subsidiary	3,209	–	–	–
Current:				
Amount due from an associate	318	–	–	–
Loan to an associate	3,684	–	–	–
Other receivables	3,630	2,738	2	–
Amounts due from subsidiaries	–	–	368,317	94,912
Deposits	18,730	12,536	3,406	219
	26,362	15,274	371,725	95,131
Non-financial assets				
Current:				
Prepayments	12,887	2,535	256	98
Other tax receivables	21,420	9,618	75	52
Total non-financial assets	34,307	12,153	331	150
Total current loan and other receivables	60,669	27,427	372,056	95,281
Total non-current loan and other receivables	3,209	–	–	–

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

In 2015, included in deposits were an amount of US$8,837,000 which had been deposited with a bank as collateral for a loan payable (Note 24), which had been discharged upon loan repayment in 2016.

Included in other tax receivables is value added tax receivables in the respective tax jurisdictions of the subsidiaries amounting to US$24,425,000 for which the Group has made a downward fair value adjustment of US$8,044,000.

The loan to an associate was unsecured, earns interest at 3% per annum and repayable on demand.

The loan to non-controlling interests of a subsidiary is unsecured, repayable after 2018 and earns interest at 5% per annum.

19. Loans and other receivables (cont'd)

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

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesian Rupiah	7,584	7,697	-	-
Chinese Yuan Renminbi	10,404	535	-	-
Singapore Dollar	5,481	136	75	53
Malaysia Ringgit	1,586	1,758	-	-
Euro	827	3,586	-	-
Thai Baht	2,087	-	-	-
CFA Franc	15,149	-	-	-

20. Derivative financial instruments

	Group			
	2016		2015	
	Assets US$'000	Liabilities US$'000	Assets US$'000	Liabilities US$'000
Forward currency contracts	626	(577)	475	-
Forward commodity (natural rubber) contracts	30,263	(58,209)	23,775	(7,567)
Total	30,889	(58,786)	24,250	(7,567)

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	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Forward contracts on commodities:						
- Sales	429,396	237,898	-	23,775	(58,209)	-
- Purchases	207,606	125,117	30,263	-	-	(7,567)
Forward currency contract	85,432	76,278	626	475	(577)	-
			30,889	24,250	(58,786)	(7,567)

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

21. Inventories

	Group	
	2016	2015
	US$'000	US$'000
At cost:		
- Consumables	20,580	3,099
At fair value:		
- Raw materials	128,141	25,455
- Work-in-progress	36,749	13,616
- Finished goods held for resale	134,503	60,705
	299,393	99,776
	319,973	102,875

The inventories as at the end of each reporting period in 2016 and 2015 include fair value adjustments of US$56,452,000 and US$(550,000) respectively.

Inventories with carrying amount of US$4,006,000 (2015: US$91,991,000) has been pledged as security for a trade financing facility (Note 24).

22. Trade payables

	Group	
	2016	2015
	US$'000	US$'000
External parties	46,265	11,249

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	
	2016	2015
	US$'000	US$'000
Euro	4,247	2,016
Indonesia Rupiah	744	337
Malaysia Ringgit	3,444	1,045
Chinese Yuan Renminbi	18,416	-
CFA Franc	8,496	-

23. Other payables

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Financial liabilities				
Current:				
Other payables	17,589	8,232	910	971
Accrued operating expenses	18,259	3,112	2,020	169
Accrued interest expense	4,789	2,671	2,817	2,479
Amounts due to subsidiaries	–	–	27,873	6,314
Amounts due to non-controlling interests of a subsidiary	1,585	–	–	–
	42,222	14,015	33,620	9,933
Non-financial liabilities				
Current:				
Other tax payables	1,773	3,522	156	67
Advances from customers	310	812	–	–
	2,083	4,334	156	67
Non-current:				
Other payables	1,850	–	–	–
Total current other payables	44,305	18,349	33,776	10,000
Total non-current other payables	1,850	–	–	–

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

Amounts due to subsidiaries are non-trade related, unsecured and repayable on demand.

Amounts due to non-controlling interests of a subsidiary arose mainly from payments made on behalf of a subsidiary and are unsecured, interest-free and repayable on demand.

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

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Indonesia Rupiah	5,765	2,648	–	–
Malaysia Ringgit	2,058	2,133	–	–
Singapore Dollar	5,645	2,670	156	2,578
Euro	521	3,365	–	–
Chinese Yuan Renminbi	1,837	–	–	–
CFA Franc	8,795	–	–	–
Thai Baht	2,392	–	–	–

24. Loan payables

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Current:				
- Working capital loans	234,165	166,884	2,750	2,750
- Term loans	10,480	24,990	-	-
	244,645	191,874	2,750	2,750
Non-current:				
- Working capital loans	6,875	38,822	6,875	9,624
- Term loans	366,790	146,548	265,042	-
- MTN	85,737	84,780	85,737	84,780
- Loan from non-controlling interest of a subsidiary	970	-	-	-
	460,372	270,150	357,654	94,404
Total loan payables	705,017	462,024	360,404	97,154

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

	Group		Company	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Singapore Dollar	88,531	84,780	85,737	84,780
Malaysia Ringgit	10,755	-	-	-
Euro	949	-	-	-
CFA Franc	97,278	-	-	-
Indonesia Rupiah	3,368	-	-	-
Thai Baht	6,112	-	-	-

Working capital loans bear average interest rates ranging from 1.40% to 8.00% (2015: 1.65% to 5.00%) per annum. These loans are secured by a charge over certain of the Group's inventories (Note 21), property, plant and equipment (Note 12) and certain cash and bank balances (Note 17) and trade receivables (Note 18).

The MTN with a face value of S$125 million (2015: 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 2015 to 30 July 2017, and if not redeemed, will bear interest of 8.5% from 31 July 2017 to 31 July 2019 (maturity date).

24. Loan payables (cont'd)

Loan from non-controlling interests of a subsidiary is unsecured and bears an average interest rate of 4.00%.

The Group has the following term loans:

	Group	
	2016 US$'000	2015 US$'000
Current		
Loan A	-	24,990
Loan B	9,960	-
Loan C	520	-
	10,480	24,990
Non-current		
Loan A	-	146,548
Loan B	12,450	-
Loan C	1,039	-
Loan D	265,042	-
Loan E	24,070	-
Loan F	64,189	-
	366,790	146,548

Details of the Group's term loans are as follow:

a) Loan A bore effective interest rate of 5.69% to 5.73% per annum in 2015. This loan was secured by a charge over 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 (Note 19). This term loan has been fully repaid in current year.

b) Loan B bears average effective interest rate of 3.61% per annum and repayable on monthly instalments till March 2019. This loan is unsecured.

c) Loan C bears an average effective interest rate of 8.25% per annum and repayable on semi-annual instalments till July 2018. This loan is secured by a charge over the Group's property, plant and equipment (Note 12).

d) Loan D bears an effective interest rate of 2.69% in 2016 and is repayable in 2021. This loan is unsecured.

e) Loan E bears average effective interest of 6.00% per annum. Repayment will commence in 2018 and continue until 2026. This loan is unsecured.

f) Loan F bears average effective interest rate of 7.15% per annum. Repayment will commence in 2018 on semi-annual instalments until 2027. This loan is unsecured.

25. Retirement benefit obligations

The Group provides defined post-employment benefits for its qualifying employees in accordance with Indonesia Labor Law No. 13/2003 and Thai Labor Protection Act 1998 (Revised 2010). The number of employees entitled to the benefits is 4,717 (2015: 3,614).

Changes in retirement benefit obligations are as follows:

	Group	
	2016 US$'000	2015 US$'000
At 1 January	10,703	11,033
Acquisition of subsidiaries	2,307	-
Benefit paid for the year	(2,145)	(629)
Changes charged to profit or loss		
Current service costs	1,272	1,022
Interest cost on benefit obligations	986	867
Past service costs	-	(35)
Net actuarial gain recognised during the year	(153)	-
Re-measurement of other long term employee benefits	(36)	7
Excess benefit	321	130
Re-measurement losses/(gain) in other comprehensive income		
Actuarial changes arising from changes in demographic assumptions	(1)	200
Actuarial changes arising from changes in financial assumptions	538	(349)
Experience adjustments	712	(440)
Exchange difference	(207)	(1,103)
At 31 December	14,297	10,703

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

	2016 %	2015 %
Indonesia		
Discount rate	8.38	9.00
Future salary increment rate	8.25 - 10.00	9.00 – 10.00
Thailand		
Discount rate	1.92	-
Future salary increment rate	1.60 – 3.00	-

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 follows:

	Increase in assumption 2016 US$'000	Decrease in assumption 2016 US$'000	Increase in assumption 2015 US$'000	Decrease in assumption 2015 US$'000
Group				
One percentage point change in the assumed discount rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	(258)	302	(102)	125
- (Decrease)/Increase on retirement benefit obligation	(1,095)	1,289	(737)	869
One percentage point change in the salary growth rate:				
- Increase/(Decrease) on the aggregate current service cost and interest cost	295	(258)	227	(34)
- Increase/(Decrease) on retirement benefit obligation	1,260	(1,093)	753	(806)

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 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 14.2 years (2015: 15.8 years).

26. Share capital

	Group and Company			
	2016		2015	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
At 1 January	600,092	156,551	421,000	92,993
Issue of shares	994,920	447,323	179,092	63,558
At 31 December	1,595,012	603,874	600,092	156,551

During the financial year, the Company has allotted and issued a total of 994,919,941 new fully paid-up ordinary shares in the capital of the Company. 714,919,941 new shares were issued as consideration to acquire 767,584,636 ordinary share capital of GMG Global Ltd ("GMG") pursuant to the voluntary general offer made by the Company whereas 280,000,000 new shares were issued as consideration to acquire SINRIO Group. The ordinary shares of the Company has no par value.

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.

Capital reserve also includes funds arising from the Group's People's Republic of China ("PRC") subsidiaries which are required to transfer 10% of the net income to the reserve fund in accordance with PRC Articles of Association.

b) Hedging reserve

Hedging reserve represented 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	
	2016	**2015**
	US$'000	**US$'000**
Minimum lease payments under operating leases recognised as an expense during the year (Note 8)	1,523	961

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

	Group	
	2016	**2015**
	US$'000	**US$'000**
Not later than one year	1,109	950
Later than one year but not later than five years	1,965	1,195
	3,074	2,145

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			
	2016		**2015**	
	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	553	497	517	435
Later than one year but not later than five years	625	600	1,120	1,046
Total minimum lease payments	1,178	1,097	1,637	1,481
Less: Amounts representing finance charges	(81)	-	(156)	-
Present value of minimum lease payments	1,097	1,097	1,481	1,481

28. Commitments and contingencies (cont'd)

(b) ***Finance lease commitments – as lessee (cont'd)***

	Company			
	2016		2015	
	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	465	517	435
Later than one year but not later than five years	603	581	1,120	1,046
Total minimum lease payments	1,120	1,046	1,637	1,481
Less: Amounts representing finance charges	(74)	-	(156)	-
Present value of minimum lease payments	1,046	1,046	1,481	1,481

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

(c) ***Commitment for sales and purchases contracts***

The Group has committed sales and purchases contracts that are entered into for the use of the Group. The contractual or notional amounts of the committed contracts with fixed pricing terms that was outstanding as at 31 December 2016 and 31 December 2015 are as disclosed in Note 20.

(d) ***Corporate guarantees***

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

	Company	
	2016 US$'000	2015 US$'000
Subsidiaries	135,000	403,000

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 2016 US$'000	Group 2015 US$'000	Company 2016 US$'000	Company 2015 US$'000
Financial assets					
Cash and bank balances	17	66,625	70,541	430	3,064
Trade receivables	18	98,066	65,030	-	-
Loans and other receivables	19	29,571	15,274	371,725	95,131
Derivative financial instruments	20	30,889	24,250	-	-
		225,151	175,095	372,155	98,195
Financial liabilities					
Trade payables	22	46,265	11,249	-	-
Other payables	23	42,222	14,015	33,620	9,933
Loan payables	24	705,017	462,024	360,404	97,154
Finance lease obligation	28(b)	1,097	1,481	1,046	1,481
Derivative financial instruments	20	58,786	7,567	-	-
		853,387	496,336	395,070	108,568

(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 2.8 of the financial statements, the functional currency of the Company is the United States Dollars.

The Group faces foreign exchange risk as its borrowings, export sales and the costs of certain purchases are denominated in a currency other than the respective functional currencies of the Group entities, primarily Singapore Dollar, Euro, Indonesian Rupiah, Malaysian Ringgit, Chinese Yuan Renminbi, CFA Franc and Thai Baht. The Group also holds cash and short-term deposits denominated in foreign currencies for working capital purposes.

29. Financial risks and management (cont'd)

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

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

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	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Group				
Singapore Dollars	94,176	87,473	7,450	3,683
Euro	5,717	5,381	13,172	15,466
Indonesian Rupiah	9,877	2,985	17,170	30,465
Malaysian Ringgit	16,257	3,178	3,127	1,895
Chinese Yuan Renminbi	20,253	25	14,201	1,182
CFA Franc	114,569	-	30,217	-
Thai Baht	8,504	-	9,383	-
Company				
Singapore Dollars	85,895	87,358	75	2,909

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	
	2016 US$'000	2015 US$'000	2016 US$'000	2015 US$'000
Singapore Dollars	(8,673)	(8,379)	(8,582)	(8,445)
Euro	746	1,008	-	-
Indonesian Rupiah	729	2,748	-	-
Malaysian Ringgit	(1,313)	(128)	-	-
Chinese Yuan Renminbi	(605)	116	-	-
CFA Franc	(8,435)	-	-	-
Thai Baht	88	-	-	-

29. Financial risks and management (cont'd)

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

(ii) *Interest rate risk*

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

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

<u>Interest rate sensitivity</u>

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's income for the financial year would decrease/increase by US$2,438,000 (2015: increase/decrease by US$1,675,000). This is mainly attributable to the Group's exposure to interest rates on its balance due to the bank and financial institutions.

(iii) *Credit risk*

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.

29. Financial risks and management (cont'd)

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

(iii) *Credit risk (cont'd)*

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	
	2016	**2015**
	US$'000	**US$'000**
By country:		
Singapore	12,457	12,971
Asia (excluding Singapore and China)	21,901	14,994
China	18,140	7,505
United States of America ("USA")/Canada	16,683	12,639
Europe	25,061	15,335
Others	3,824	1,586
	98,066	65,030

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

(iv) *Liquidity risk*

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

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

Non-derivative financial instruments

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

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

	2016 US$'000						2015 US$'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		124,428	3,209	-	-	127,637		80,304	-	-	-	80,304
Cash at banks and in hand		58,532	-	-	-	58,532		43,269	-	-	-	43,269
Short term deposits	2.84	8,322	-	-	(229)	8,093	3.68	28,276	-	-	(1,004)	27,272
Total undiscounted financial assets		191,282	3,209	-	(229)	194,262		151,849	-	-	(1,004)	150,845
Financial liabilities:												
Trade and other payables		88,487	-	-	-	88,487		25,264	-	-	-	25,264
Finance lease creditors	3.50	553	625	-	(81)	1,097	3.50	517	1,120	-	(156)	1,481
Loan payables - variable rate	2.49	236,179	19,978	280,694	(41,191)	495,660	4.53	185,776	206,337	692	(30,560)	362,245
Loan payables- fixed rate	5.80	28,447	116,033	123,228	(58,351)	209,357	6.02	21,401	106,078	-	(27,700)	99,779
Total undiscounted financial liabilities		353,666	136,636	403,922	(99,623)	794,601		232,958	313,535	692	(58,416)	488,769

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

	2016 US$'000						2015 US$'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		371,725	-	-	-	371,725		95,131	-	-	-	95,131
Cash at banks and in hand		430	-	-	-	430		3,064	-	-	-	3,064
		372,155	-	-	-	372,155		98,195	-	-	-	98,195
Financial liabilities:												
Trade and other payables		33,620	-	-	-	33,620		9,933	-	-	-	9,933
Finance lease creditors	3.50	517	603	-	(74)	1,046	3.50	517	1,120	-	(156)	1,481
Loan payables - variable rate	2.64	2,965	5,705	302,104	(36,107)	274,667	2.68	3,042	9,649	692	(1,008)	12,375
Loan payables- fixed rate	8.05	6,287	97,276	-	(17,826)	85,737	6.20	5,651	106,078	-	(26,949)	84,780
		43,389	103,584	302,104	(54,007)	395,070		19,143	116,847	692	(28,113)	108,569

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 applied hedge accounting to certain forward commodity (natural rubber) contracts, which resulted in a fair value loss of US$2,189,000 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 increased/decreased profit before income tax by US$2,647,000 (2015: decreased/increased profit before tax by US$529,000) and increased/decreased equity by US$2,647,000 (2015: increased/decreased equity by US$538,000).

30. Related party transactions

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

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

	Group	
	2016	**2015**
	US$'000	**US$'000**
Sale of goods to penultimate holding company	65,251	-
Purchase of goods from penultimate holding company	(5,768)	-
Acquisition of 51.12% equity interest in GMG Group and 100% equity interest in SINRIO Group from immediate holding company	(311,131)	-
Acquisition of an additional 40.54% equity interest in a subsidiary from a company beneficially owned by a director of the Company	-	(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	
	2016	**2015**
	US$'000	**US$'000**
Directors' fees	144	139
Short-term benefits	3,464	2,582
	3,608	2,721

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 33 natural rubber processing facilities in Indonesia, Malaysia, Thailand, China and Africa, 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 latest agronomical models and best ecological practices to achieve world-leading sustainable yields. Revenue was mainly arising from the oil palm and rubber harvest from the Group's plantation.

Processing segment – the procurement and processing of raw materials into high quality technically specified rubber ("TSR') in our 33 processing factories, with a strong focus on Corporate Social Responsibility ("CSR") and the development of premium grades.

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

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

The results of the operating segments are reviewed continuously by the Group's executive team to optimise allocation of resources between the segments. Segmental performance is evaluated based on operating profit or loss which, in certain aspects, 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	
	2016	2015 (Restated)	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015 (Restated)
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue to third party	64	3	535,896	463,606	474,350	531,103	-	-	-	-	1,010,310	994,712
Inter-segment revenue	4,870	-	127,053	92,484	22,537	53,031	8,727	3,687	(163,187)	(149,202)	-	-
Total revenue	4,934	3	662,949	556,090	496,887	584,134	8,727	3,687	(163,187)	(149,202)	1,010,310	994,712
Gross profit [1]	122	3	30,386	37,978	21,529	24,195	8,727	3,687	(9,822)	(3,687)	50,942	62,176
Operating profit/(loss)	1,005	2,036	(3,611)	20,242	7,220	10,840	(18,292)	505	114,079	(55)	100,401	33,568
Finance income											1,735	635
Finance costs											(28,442)	(24,126)
Share of profit of associates											1,581	-
Profit before taxation											75,275	10,077
Income tax expense											(3,333)	(5,390)
Profit for the financial year											71,942	4,687
Segment assets	376,282	44,312	795,680	430,424	352,090	152,134	1,099,575	343,359	(1,065,264)	(312,173)	1,558,362	658,056
Segment liabilities	140,704	9,381	420,792	260,374	229,641	146,164	474,772	176,863	(355,381)	(59,852)	910,528	532,930
Other information:												
Depreciation expense	1,454	121	10,581	8,743	202	199	66	78	-	-	12,303	9,141
Capital expenditure	7,627	3,942	7,946	6,721	333	115	154	47	-	-	16,060	10,825

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	
	2016	**2015**
	US$'000	**US$'000**
Sales of natural rubber		
Singapore	189,322	209,119
Asia (excluding Singapore and China)	306,135	333,809
China	178,970	134,346
USA/Canada	136,256	145,844
Europe	165,453	157,940
Others	34,174	13,654
	1,010,310	994,712

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

	Group	
	2016	**2015**
		(Restated)
	US$'000	**US$'000**
Non-current assets		
Singapore	21,383	15,100
South East Asia (excluding Singapore)	512,186	343,300
Africa	375,517	-
China	57,513	-
Europe	343	2,900
Others	70	134
	967,012	361,434

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. 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 than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

(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 2016 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 un-observable inputs (Level 3) US$'000**	**Total U$'000**
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	30,889	–	–	30,889
Financial assets as at 31 December 2016	**30,889**	–	–	**30,889**
Non-financial assets:				
Inventories	–	299,393	–	299,393
Biological assets	–	–	6,955	6,955
Investment properties	–	–	39,791	39,791
Non-financial assets as at 31 December 2016	–	**299,393**	**46,746**	**346,139**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	58,786	–	–	58,786
Financial liabilities as at 31 December 2016	**58,786**	–	–	**58,786**

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

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

	Group 2015 (Restated) 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 un-observable inputs (Level 3) US$'000**	**Total U$'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	-	-	4,054	4,054
Investment properties	-	-	21,420	21,420
Non-financial assets as at 31 December 2015	-	**99,776**	**25,474**	**125,250**
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**

(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.

32. 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 major 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 is computed using average annual yield of 1.6 metric tonne per hectare, and discount rate of 11% for oil palm and rubber trees in Malaysia plantation, average yield per tapping cycle of 0.03 metric tonne per hectare and 0.01 metric tonne per hectare for oil palm in Malaysia and rubber latex in Africa plantation respectively.

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):

	2016		
	Biological assets US$'000	**Investment properties US$'000**	**Total US$'000**
Group			
Opening balance	4,054	21,420	25,474
Fair value gain recognised in profit or loss	2,374	1,717	4,091
Acquisition of subsidiaries	119	17,465	17,584
Additions	834	-	834
Disposal	-	(884)	(884)
Exchange differences	(426)	73	(353)
Closing balance	6,955	39,791	46,746

32. 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)*

	2015 (Restated)		
	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	2,727	2,571	5,298
Additions	1,714	–	1,714
Transfer from property plant and equipment	–	380	380
Exchange differences	(725)	(2,082)	(2,807)
Closing balance	4,054	21,420	25,474

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2016 and 31 December 2015.

(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.

(e) ***Fair value of financial instruments not measured at fair value and whose carrying amounts are reasonable approximation of fair value***

The carrying amounts of cash and bank balances (Note 17), trade receivable (Note 18), loans and 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.

(f) **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			
		2016		**2015**	
	Note	**Carrying amount US$'000**	**Fair value US$'000**	**Carrying amount US$'000**	**Fair value US$'000**
Financial liability:					
MTN	24	85,737	86,427	84,780	80,445

33. 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 the lenders. This externally imposed requirement has been complied with by the Group, including relevant subsidiary companies for the financial year ended 31 December 2016 and 31 December 2015.

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 2016 and 31 December 2015.

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	
	2016 US$'000	2015 US$'000
Loan payables (Note 24)	705,017	462,024
Finance lease obligation (Note 28(b))	1,097	1,481
Total borrowing	706,114	463,505
Adjust for: Working capital items		
- Trade receivables (Note 18)	(98,066)	(65,030)
- Inventories (Note 21)	(319,973)	(102,875)
- Cash and bank balances (Note 17)	(66,625)	(70,541)
- Trade payables (Note 22)	46,265	11,249
Net borrowing	267,715	236,308
Total equity	647,835	126,652
Gearing ratio	0.41	1.87

34. Comparative figures

Certain comparative figures have been restated to conform with amendments to FRS16 and FRS41 Agriculture – Bearer plants adopted by the Group.

The effects of the restatements are as follows:

	Group
	2015
	US$'000
Consolidated statement of financial position	
Increase in plantation related properties	298
Decrease in biological assets	(2,306)
Decrease in deferred tax liabilities	482
Decrease in accumulated profits	1,662
Decrease in foreign currency translation reserves	(136)
Consolidated income statement	
Decrease in other income	(2,187)
Decrease in income tax expense	(525)

35. Event occurring after the reporting period

The Company announced the proposed disposal by GMG to Fimave SA/NV ("Fimave") of its entire interest (representing 35% of the issued and paid-up capital in SIAT S.A.) for a sale consideration of €192,560,000 (equivalent to approximately S$290,804,112) on 25 December 2016.

Subsequently, a call option ("Call Option") had been granted to Fimave on 28 February 2017, upon receipt of the call option price of €5,000,000. The Call Option can be exercised by the Fimave on or before 15 July 2017 (or any later date agreed between the parties).

36. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 3 April 2017.

Statistics of Shareholdings

As At 28 March 2017

Issued and paid-up share capital	:	S$952,655,008.46
Number of issued shares	:	1,595,011,941
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Voting rights on a poll	:	1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1,820	16.03	107,400	0.01
100 - 1,000	3,623	31.90	1,591,369	0.10
1,001 - 10,000	4,178	36.79	17,894,601	1.12
10,001 - 1,000,000	1,709	15.05	81,613,350	5.12
1,000,001 AND ABOVE	26	0.23	1,493,805,221	93.65
TOTAL	**11,356**	**100.00**	**1,595,011,941**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SINOCHEM INTERNATIONAL (OVERSEAS) PTE LTD	877,056,655	54.99
2	UOB KAY HIAN PRIVATE LIMITED	166,596,981	10.44
3	RAFFLES NOMINEES (PTE) LIMITED	91,406,559	5.73
4	GMG HOLDING (H.K.) LIMITED	72,922,374	4.57
5	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	52,500,000	3.29
6	CITIBANK NOMINEES SINGAPORE PTE LTD	51,419,997	3.22
7	DBS NOMINEES (PRIVATE) LIMITED	48,505,706	3.04
8	DB NOMINEES (SINGAPORE) PTE LTD	25,186,573	1.58
9	GOI SENG HUI	25,000,000	1.57
10	PANWELL (PTE) LTD	11,601,183	0.73
11	NOMURA SINGAPORE LIMITED	11,058,763	0.69
12	ANDREW TREVATT	9,013,066	0.57
13	PHILLIP SECURITIES PTE LTD	7,550,633	0.47
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,355,483	0.40
15	OCBC SECURITIES PRIVATE LIMITED	6,138,099	0.38
16	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	5,601,334	0.35
17	CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,318,404	0.27
18	BESCHIZZA LEONARD PETER SILVIO	4,000,000	0.25
19	GE JIANMING	3,550,347	0.22
20	SEE YONG HANG	2,845,818	0.18
	TOTAL	**1,482,627,975**	**92.94**

Statistics of Shareholdings

As At 28 March 2017

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of shares	%	Number of shares	%
Sinochem International (Oversea) Pte. Ltd.	877,056,655	54.99	-	-
Sinochem International Corporation Co., Ltd. (1)	-	-	877,056,655	54.99
Sinochem Corporation (1)	-	-	877,056,655	54.99
Sinochem Group (1)	-	-	877,056,655	54.99
China-Africa Agrichemical Investment Corporation Limited	162,864,000	10.21	-	-
China-Africa Development Fund (2)	-	-	162,864,000	10.21
Mieke Bintati Gondobintoro	859,329	0.05	84,523,557 (3)	5.30
Jeffrey Gondobintoro	639,642	0.04	84,523,557 (3)	5.30

Notes:

(1) Each of Sinochem International Corporation Co., Ltd., Sinochem Corporation and Sinochem Group is deemed interested in the shares held by Sinochem International (Oversea) Pte. Ltd. ("SIO"), by virtue of its controlling interest in SIO.

(2) China-Africa Development Fund is deemed interested in the shares held by its wholly owned subsidiary, China-Africa Agrichemical Investment Corporation Limited.

(3) Mieke Bintati Gondobintoro and Jeffrey Gondobintoro are deemed interested in the 11,601,183 shares held by Panwell (Pte) Ltd and 72,922,374 shares held by GMG Holding (H.K.) Limited.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 28 March 2017, approximately 24.42% of the issued ordinary shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been 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, Room 507 (Level 5), 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Friday, 28 April 2017 at 9.30 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 2016, the Directors' Statement and the Independent Auditor's Report thereon. **(Resolution 1)**

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

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

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

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

4. To re-elect Mr Raymond John Ferguson, the Director who is retiring pursuant to Article 97 of the Constitution of the Company. **(Resolution 4)**

   Mr Raymond John Ferguson will, upon re-election as a Director of the Company, remain as the Co-Chairman of the Strategy and Investment Committee.

5. To re-elect Mr Li Dajun, the Director who is retiring pursuant to Article 97 of the Constitution of the Company. **(Resolution 5)**

   Mr Li Dajun will, upon re-election as a Director of the Company, remain as the Executive Deputy Chairman and a member of the Nominating Committee.

6. To re-elect Mr Liu Hongsheng, the Director who is retiring pursuant to Article 97 of the Constitution of the Company. **(Resolution 6)**

   Mr Liu Hongsheng will, upon re-election as a Director of the Company, remain as the Non-executive Chairman and Co-Chairman of the Strategy and Investment Committee.

7. To approve the sum of up to S$750,000 to be paid quarterly in arrears, to the non-executive Directors as Directors' fees for the financial year ending 31 December 2017. **(Resolution 7)**

8. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 8)**

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

Notice of Annual General Meeting

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following as Ordinary Resolution, with or without modification(s):

10. **Authority to Allot and Issue Shares** **(Resolution 9)**

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

Liew Guat Yi
Company Secretary
Singapore
10 April 2017

Explanatory Note – Resolution 9

The Resolution 9, if passed, will empower the Directors of the Company, effective from the conclusion of the 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 the Resolution 9, 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 the Resolution 9 would not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of the Resolution 9. 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 the Resolution 9.

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 the Resolution 9 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 the Resolution 9 is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares.

Notice of Annual General Meeting

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 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.

General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form 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.

Personal data privacy:

By submitting an instrument appointing proxy or proxies, and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy(ies) and/or representative(s) appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure of such individual's personal data for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HALCYON AGRI CORPORATION LIMITED

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

Important: Personal Data Privacy

By submitting an instrument appointing proxy or proxies and/or representative(s), a member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2017.

PROXY FORM

ANNUAL GENERAL MEETING

*I/We, ________________________________ (Name) *NRIC/Passport/Co. Reg. No. ______________________

of ____ (address)

being a *member/members of HALCYON AGRI CORPORATION LIMITED (the "**Company**"), hereby appoint:

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

*and/or

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

or failing him/her, the Chairman of the Annual General Meeting ("**AGM**"), as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the AGM of the Company to be held at RELC International Hotel, Room 507 (Level 5), 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Friday, 28 April 2017 at 9.30 a.m. and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the resolutions proposed at the Meeting as indicated hereunder. In the absence of specific directions the *proxy/proxies may vote or abstain from voting at *his/her discretion, as he/they may on any other matter arising at the AGM.

All resolutions put to vote at the AGM shall be decided by way of poll.

ORDINARY RESOLUTIONS		**Number of votes For****	**Number of votes Against****
Ordinary Business			
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2016, the Directors' Statement and the Independent Auditor's Report thereon		
Resolution 2	To re-elect Mr Gunther Robert Meyer as a Director of the Company		
Resolution 3	To re-elect Mr Liew Choon Wei as a Director of the Company		
Resolution 4	To re-elect Mr Raymond John Ferguson as a Director of the Company		
Resolution 5	To re-elect Mr Li Dajun as a Director of the Company		
Resolution 6	To re-elect Mr Liu Hongsheng as a Director of the Company		
Resolution 7	To approve Directors' fees for the financial year ending 31 December 2017		
Resolution 8	To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix its remuneration		
Special Business			
Resolution 9	To authorise the Directors to allot and issue shares		

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

Date this ________ day of ______________ 2017

Total Number of Shares held in:	
CDP Register	
Register of Members	

____
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 a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form 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.

Halcyon Agri Corporation Limited

Annual Report 2016

Halcyon Agri Corporation Limited
250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101
www.halcyonagri.com

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