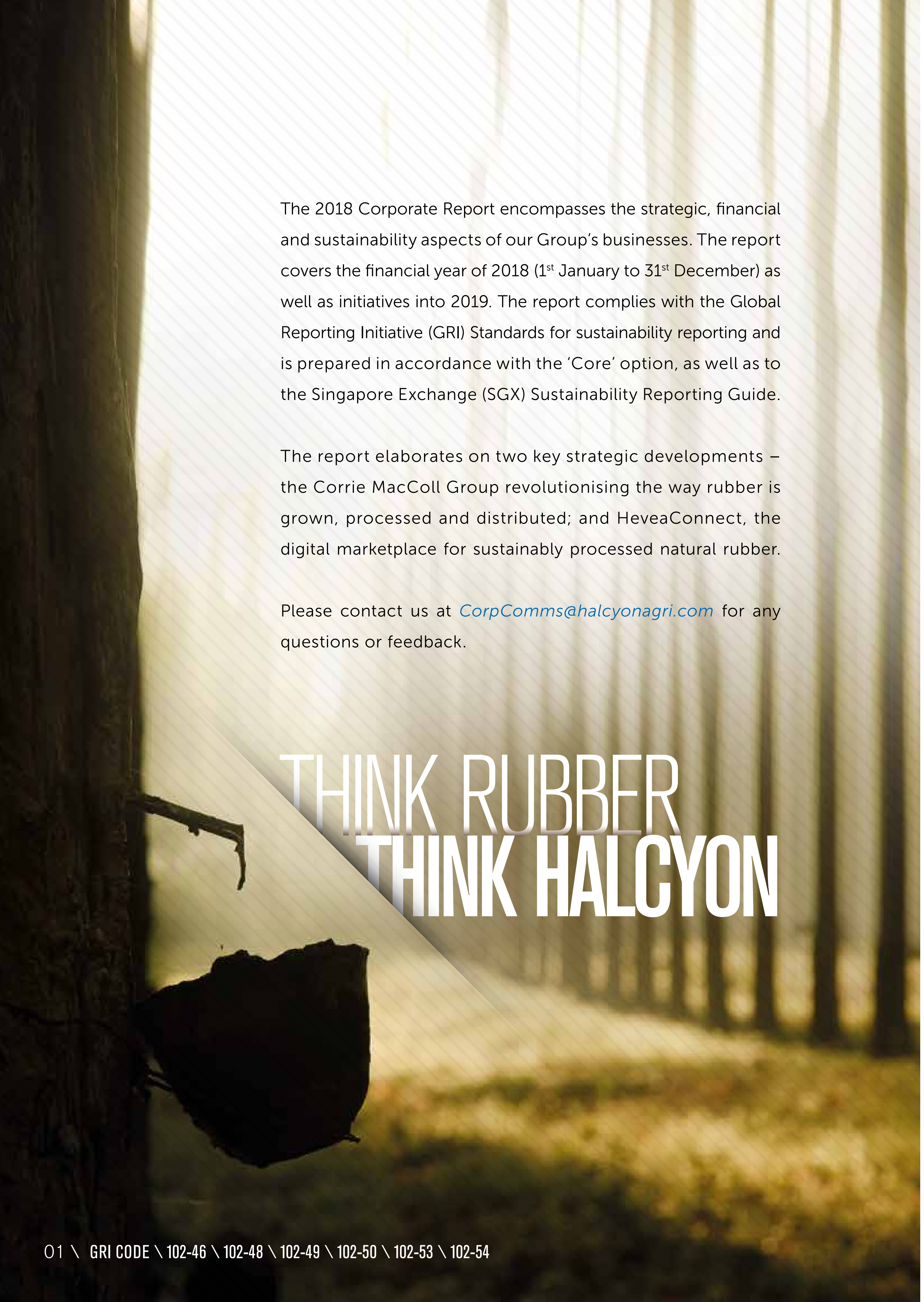
FUTURE RUBBER

Corporate Report 2018

Book One: Strategy and Sustainability

HALCYON



The 2018 Corporate Report encompasses the strategic, financial and sustainability aspects of our Group's businesses. The report covers the financial year of 2018 (1st January to 31st December) as well as initiatives into 2019. The report complies with the Global Reporting Initiative (GRI) Standards for sustainability reporting and is prepared in accordance with the 'Core' option, as well as to the Singapore Exchange (SGX) Sustainability Reporting Guide.

The report elaborates on two key strategic developments – the Corrie MacColl Group revolutionising the way rubber is grown, processed and distributed; and HeveaConnect, the digital marketplace for sustainably processed natural rubber.

Please contact us at *CorpComms@halcyonagri.com* for any questions or feedback.

THINK RUBBER
THINK HALCYON

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CHAIRMAN'S WELCOME MESSAGE

LIU HONGSHENG

Chairman

Dear Shareholders

Welcome to the 2018 Corporate Report of Halcyon Agri Corporation Limited. The report covers an overview of the Group's operations, financials and sustainability practices. The management team has gone to great lengths to produce a document that is both informative and educational. We realise that many aspects of Halcyon Agri's global business are complex and therefore not easy to understand, and I am personally amazed by just how many products contain natural rubber and how many such applications we supply. It fascinates me to think that we supply the raw material for 60 million catheters and over 200 million vehicle tyres!

2018 was a challenging year and one where Halcyon Agri is probably better measured by its intrinsic progress than by its financial performance. Rubber prices remained below break-even levels for most of the year, and in most origins, farmers struggled to supply the material we required. A notable exception was Thailand, where processors – our subsidiary Teck Bee Hang included – enjoyed positive margins for most of the year.

Looking ahead, I am confident that Halcyon Agri's initiative to decommoditise natural rubber and redesign its price determination mechanism will bear fruit. This non-substitutable product is both a vital ingredient to the mobility sector, and very challenging to produce. Most industrial raw materials are subject to significant degrees of substitution risk, or are abundantly available, and therefore suitable for price discovery via a futures exchange. In the case of natural rubber, a tropical crop with tight geographical boundaries, six years to first cash flow, and labour intensive harvesting, pricing should be determined on a cost-plus basis, and not via futures markets.

In closing, I would like to thank Halcyon's management and staff, my fellow board members, as well as all stakeholders of Halcyon Agri. I greatly appreciate your loyalty, dedication and strong contribution.

Liu Hongsheng

OUR BUSINESS AT A GLANCE

17,000+ Dedicated Employees

100+ Locations

Headquartered in Singapore, we have sales offices, warehouses, terminals, laboratories, factories, plantations and a wide distribution network across the world

38 Production Facilities

1.4 Million mT Sales Volume

1.6 Million mT Production Capacity

11% Market Share of Natural Rubber Supplied to Worldwide Tyre Production

15% Standard Indonesian Rubber Market Share

Indonesia supplies 21% of the world's Natural Rubber

10% Natural Rubber and Latex Market Share

All figures above are based on Halcyon's analysis of sales and customer information and IRSG data.

ABOUT HALCYON

Our Growth

2018 is a year of milestones met. The year started with the full integration of the Corrie MacColl Group cementing Halcyon Agri as the world's leading latex and specialised rubber distributor. We also became the leading rubber exporter and processor of Standard Indonesian Rubber (SIR) with the integration of the five factories acquired in Indonesia, bringing our global production facilities from 33 factories in 2017 to 38 factories in 2018. We realised our digitisation strategy with the launch of HeveaConnect for sustainably processed natural rubber, with backing from South East Asia's leading financial institution DBS Bank Ltd and Japan's leading trading house ITOCHU Corporation. We closed the year with record sales volumes of 1.4 million metric tonnes (mT).

	CORRIE MACCOLL	HALCYON RUBBER COMPANY	SINRIO
PLANTATIONS	100,000ha / 31,000ha[1] Cameroon 10,000ha / 4,500ha[1] Malaysia		1,600ha / 1,400ha[1] Ivory Coast
PROCESSING	Total Capacity : 55,000mT Cameroon	Total Capacity : 826,000mT Indonesia	Total Capacity : 711,000mT Malaysia Thailand China Ivory Coast
DISTRIBUTION	· Alan L Grant · Centrotrade · Kelvin Terminals · Momentum Technologies International · Momentum Technologies Laboratories · Wurfbain Polymer	· Hevea Global	· New Continent Enterprises · Halcyon Agri Shanghai
	GLOBAL MARKETPLACE	GLOBAL MARKETPLACE	CHINA

[1] Planted Areas

OUR OPERATIONS

Country	Operations	Country	Operations
Singapore	HQ, Sales/Distribution	Cameroon	1 Factory/Plantations
Indonesia	19 Factories	Ivory Coast	2 Factories/Plantation
Malaysia	Sales/Distribution/3 Factories/Plantation	United Kingdom	Sales/Distribution/Regional HQ
Thailand	Sales/5 Factories	Germany	Sales/Distribution
China	Sales/8 Factories	Netherlands	Sales/Distribution/Tank Terminal
Vietnam	Representative Office	USA	Sales/Distribution/Laboratory Testing/ Warehousing/Tank Terminal

The strategic review of all our assets led to the establishment of three business segments as shown in the table below. As owners of plantations and factories in rubber-producing regions across West Africa, Indonesia, Malaysia, Thailand and China, we have control over how we grow and process the raw natural rubber. Our distribution network is extensive and includes some of the world's oldest trading houses serving our tyre and non-tyre customers worldwide. Our extensive network of warehouses, terminals, laboratories and sales offices allows for efficient distribution of a range of natural rubber grades, latex and specialty rubber for the tyre and non-tyre industries.

Our *website*, updated in 2018, shows the list of products we have and explains how our natural rubber supply chain works.

GLOBAL FRANCHISE

OUR MERCHANDISING CAPABILITIES ACROSS THE VALUE CHAIN

CORRIE MACCOLL

Alan L Grant/Centrotrade/Wurfbain/ Momentum Technologies International
- Dedicated global team servicing non-tyre & specialty tyre markets
- Supplies natural & synthetic rubber, selected rubber chemicals and ancillary products
- Distribution of 400,000 mT across 60 countries
- Regional champions for Europe and North America
- Global 3rd-party procurement capability
- Among the world's oldest and most reputable rubber trading names

Kelvin Terminals/ Momentum Technologies Laboratories
- Full-suite distributor and provider of logistics solutions
- Warehouses & tank storage in key ports, hot rooms & centralised logistics management
- Independent accredited testing laboratories

HALCYON RUBBER COMPANY

Hevea Global
- Exclusive merchandising arm for the Group, servicing most of the tyre majors
- Exclusive marketing responsibility for 19 Indonesian factories
- Leading producer of Standard Indonesian Rubber at 826,000 mT
- Setting the industry standard with HEVEA*PRO*, our commitment to uphold the highest standard in global rubber production
- Factories are HEVEA*PRO* audited with TÜV SÜD and ISO 9001 certifications

SINRIO

New Continent Enterprises
- Spearheads Halcyon Agri's China-focused business
- Distributes Technically Specified Rubber from China, Ivory Coast*, Malaysia and Thailand
- 'Point-to-point' model eliminates intermediary, connecting customers directly to producers
- Factory processing capability of 711,000 mT from 18 factories

Halcyon Agri Shanghai
- Distribution of locally sourced Standard Chinese Rubber from SINRIO's factories in China

*Ivory Coast was listed under HRC in 2017

SIGNIFICANT EVENTS

January 2018

8 Jan
Completed purchase of RCMA's Polymer business at US$31.8 million

February 2018

26 Feb
Acquisition of Corrie MacColl Trading Limited subsequently renamed as Corrie MacColl Limited

26 Feb
Announced cash dividend of 2 SG cents

April 2018

23 Apr
Became leading exporter and producer of Standard Indonesian Rubber with 19 factories in Indonesia

August 2018

29 Aug
Incorporation of HeveaConnect, a digital marketplace for sustainably processed natural rubber

September 2018

25 Sep
Awarded 'Most Transparent Company in Manufacturing' by SIAS Investors' Choice Awards

27 Sep
Partnered with BSF Asia in Sports for the Disabled and main sponsor of the International Wheelchair Rugby Tournament 2018/2019

November 2018

19 Nov
Sustainable Natural Rubber Supply Chain Policy launched

19 Nov
Sustainability Council for Cameroonian operations announced

December 2018

6 Dec
Announced cessation to all land clearing and felling operations in SudCam and HeveCam

17 Dec
Halcyon and DBS Bank announced HeveaConnect partnership

February 2019

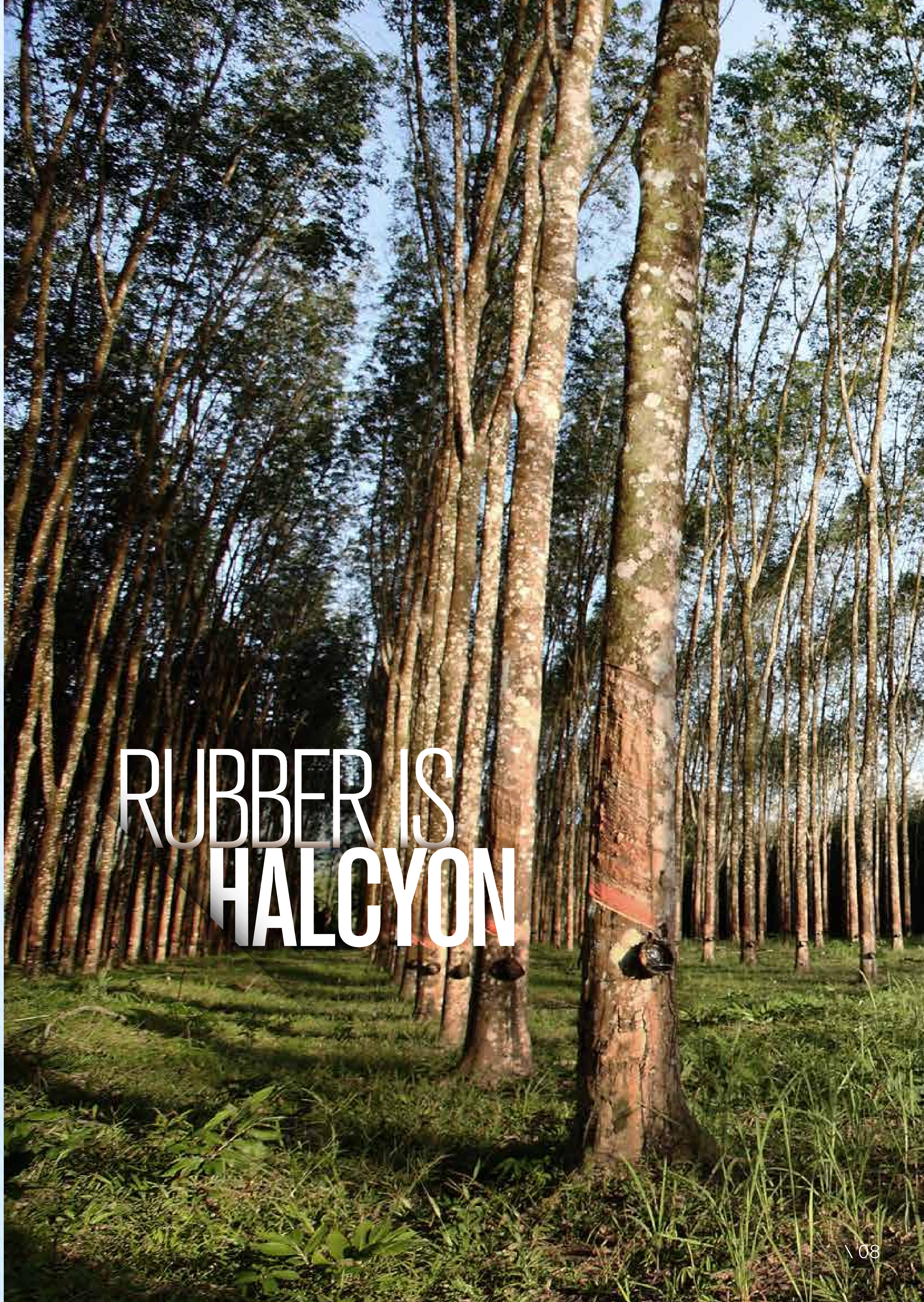
10 Feb
Launch of Open Day for Sports for the Disabled in Ipoh

22 Feb
PT. Aneka Bumi Pratama of Indonesia and Von Bundit Co., Ltd of Thailand announced adoption of HEVEA*PRO* adding potential volume of 1 million mT to HeveaConnect

March 2019

7 Mar
ITOCHU Corporation completed investment into HeveaConnect

11 Mar
Announced redemption of US$150 million 4.5% Senior Perpetual Securities on 26 April 2019



CHIEF EXECUTIVE OFFICER'S REVIEW

By Robert Meyer

At the end of 2018, Halcyon Agri Corporation Limited was 8 years and 8 months old.

Looking back, we acquired our first two factories in 2011, and the immediate focus thereafter was on synchronising the processing operations with our risk-averse marketing model, and, that being done, listing the company on SGX in February 2013. Following that, we expanded our operations both geographically and along the value chain. By the end of 2015, we owned 14 factories, our first greenfield rubber plantation project, and the beginnings of a global distribution network. In our second big growth push, 2016 saw us embark on our most ambitious project to date, the acquisition of Sinochem's global natural rubber business, which included the privatisation of GMG Global Ltd. In 2018, we rounded off our Indonesian portfolio with the acquisition of another five factories, and made a final addition to our global distribution business – by now the world's leading - towards the end of that year.

Halcyon Agri now owns and operates 38 factories, employs over 17,000 people in 35 countries and owns plantations covering more than 100,000 hectares (of which 40,000 are planted). **In 2018 we became the biggest supplier of dry rubber and latex globally**, with an aggregate delivered volume of 1,432,335 mT.

Taking stock, it seems that 2018 was an important year not just for our group, but also for many facets of the global economy and perhaps even for civil society. **Several geopolitical and societal developments strike me as being of particular significance:**

1. The U.S. will not cede its position as the world's leading economy to China without a fight
2. Income inequality within developed economies is producing irrational outcomes at the ballot, and the ever-widening wealth gap between frontier and developed economies has unleashed migratory forces that potentially threaten the World Order
3. Climate change is upon us regardless if politicians and world leaders are prepared to acknowledge or to deal with it

The ongoing tariff dispute between the U.S. and China is a testament to the first point. While there is much political posturing, the strategic rationale for the tariff conflict may well lie in two ideological and systemic differences.

Firstly, most post-war U.S. administrations have engaged in global interventionist policies, while China has continued to pursue its policy of 'non-interference in the domestic affairs of other countries'. Secondly, the American conviction is that government stays out of the business arena, while state-owned enterprises in China account for 30%-40% of Chinese Gross Domestic Product (GDP).

Several decades of pursuing these policies have resulted in imbalances that endanger the friendly coexistence of the two most successful political and macroeconomic systems since World War II.

In an apparent paradox, the U.S. can lay claim to the world's most thriving economy on one hand, and the most indebted government on the other. The National Debt is due, in no small part, to the U.S. providing global security and military support services in the name of upholding the democratic order. In current day, **the United States government has become the world's largest debtor, relying on the world's largest creditor and its principal lender, China, to provide continuously increasing amounts of funding**. Hindsight suggests that this was a tenable situation so long as the American economy was much bigger than the Chinese economy in absolute terms, but the last two years have seen increased friction between the world's leading economic superpowers.

The key driver of the American economy has always been innovation and creativity, both of which require robust safeguarding of intellectual property (IP) to deliver a sustained competitive advantage. At the point in time where China's GDP is threatening to eclipse that of the U.S., Chinese infringement of American IP has become the battle-cry for a critical mission: **defend the economic status quo, with all else up for renegotiation**. Adding further pressure to the American economic outlook, Chinese state-owned enterprises (SOE) have been on a global acquisition spree, cleverly navigating the *laissez-faire* capital markets of the West to gain control of strategically important technologies, raw materials and market access.

The inevitable American response, such as the imposition of trade tariffs, more stringent CFIUS intervention in SOE-driven mergers and acquisitions, and intensified U.S. efforts to denuclearise the Korean peninsula, has increased **global volatility** and taken over the centrestage of global newswires.

Much has been written about income inequality, not only within the U.S. and Europe, but also between regional neighbours such as the European border states and the Middle East North Africa (MENA) region. A **deep sense of disillusionment seems to have taken hold of large parts of the developed world**, leading to irrational outcomes at the ballot box and, as seen recently in France, demonstrations and street protests. The migratory forces originating from the MENA region into Europe are a source of much anxiety for large tracts of the European Union (EU) population, and threaten the prevailing mindset of tolerance and acceptance.

As to my third point on climate change: At the 2018 World Economic Forum (WEF) in Davos, Sir David Attenborough, famed broadcaster and natural historian, warned that human activity has brought about the end of climatic stability. To quote: *"If people can truly understand what is at stake, I believe they will give permission for business and governments to get on with the practical solutions. Get it right, and humans can create a world with clean air and water, unlimited energy and sustainable fish stocks, but only if decisive action is taken now."* A WEF survey taken just prior to the event showed that **environmental threats are now the biggest danger to the global economy**[i].

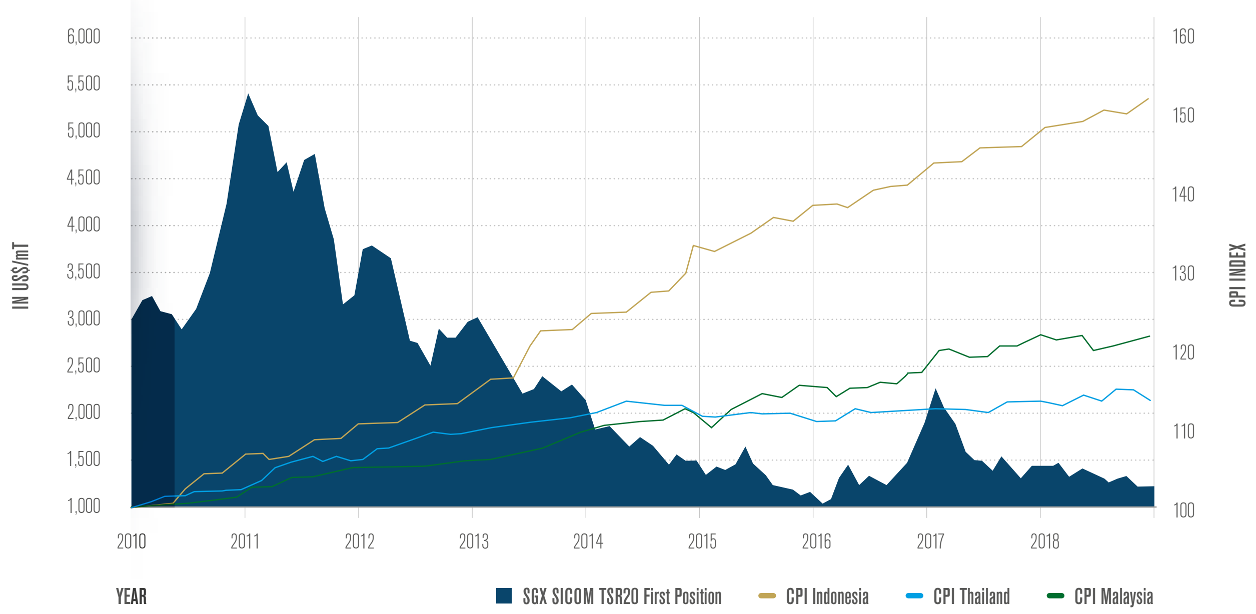
How do these developments impact Halcyon Agri and the global market for natural rubber?

The outlined shifts in geopolitical agendas and voter consciences may well bring to an **end this current era of Globalisation**. Instead, key indicators point towards a resurgence in national security awareness, for instance of the high risk of a supply disruption for a raw material of significant economic importance, such as natural rubber. In September 2017, the European Commission identified natural rubber as a **critical raw material for the European Union**[ii].

Furthermore, an inconvenient, but very real truth is that the technology and low-interest-rate driven economic cycle of the last 10 years has failed to deliver a sustainable price environment for key crops such as natural rubber. While global asset prices and capital market pricing benchmarks have doubled, even trebled, rubber prices have tumbled. Farmers who planted rubber trees during the high-price period of 2005-2011, have had to realise that this has been a poor investment, thus far. **Without exception, all origins of natural rubber have experienced significant consumer price inflation (CPI) over the last 10 years**, which has caused labour costs to more than double in Indonesia, for example. This is in stark contrast to the FOB price of natural rubber, which remains locked 40% below the 10-year average price!

Rubber Price & CPI Indices

(2010 to 2018)



Ecological concerns, brought about by changing weather patterns, impact the natural rubber industry beyond the immediate agricultural effects of climate change. In 2017, General Motors announced a sustainable sourcing strategy[iii] for tyres and the natural rubber they contain. Other major automotive manufacturers have since launched similar initiatives, which has brought a group of principal industry actors together to form the **Global Platform for Sustainable Natural Rubber**[iv] (GPSNR). Halcyon Agri is a founding member of this important platform, which has defined its sustainability principles and has commenced operations.

Oddly absent, in the first iteration of sustainability principles, is the notion of fair prices. **Ensuring sustainable economic outcomes along rubber's value chain has long been a focal point of Halcyon's corporate strategy**. In part because higher prices deliver us better operating margins, but largely because we depend on a continued supply of smallholder-produced raw material to meet the ever-growing demand for natural rubber. The reality is that subsistence farmers produce more than 90% of global natural rubber supply. Rising CPI and minimum wages have made even the most basic and unskilled jobs in construction or manufacturing pay twice as much as the average farmer can earn from tapping his rubber trees.

Lured by the high-price period from 2005 to 2011, increased planting mainly in Thailand, Indochina and Ivory Coast has masked a significant increase in global demand. Annual consumption has expanded by more than 30% to 13.8 million mT between 2010 and 2018. **In absolute terms, demand has grown by 3 million mT over eight years – which has required an increase in planted acreage by 30,000 square kilometres – roughly the size of Belgium!** There is little reason to believe that demand growth will slow down, but how can we expect supply to keep up when prices are at historical lows and further land clearing for new plantings is no longer feasible?

In addition to the increasingly complex framework of supply, demand and sustainability principles, 2018 saw a group of relative newcomers to the natural rubber industry firmly taking their seat at the table, **Non-Governmental Organisations or NGOs**. Equipped with war chests that are much bigger than any rubber planters could ever be, they **pursue a twin agenda**: socio-economic development of indigenous communities, and ecological conservation. With prior experience from the pulp & paper and oil palm sectors, NGOs have gained much traction in the rubber business within a very short period of engagement. They are a force for good, and one that, carefully harnessed and directed, will help rubber market participants to build a sustainable future.

So let us take stock of where we are today. **The New Normal, as we might call it, is a state of contradiction: increased demand and supply, low prices leading to record-lows in actual farmer incomes, set against a backdrop of rising ecological and socio-economic awareness**. The obvious remedy might be to cut down trees, and then prices might rise? Perhaps, but who will bear the immediate economic loss? Political agendas, a painful reality in most rubber-producing regions, render this obvious remedy inexpedient. Austere logic has never won many votes.

My view is that technology has the potential to reverse rubber's declining fortunes. Mobility **apps are making it easier and cheaper for people to commute**. Historical entry barriers, such as vehicle ownership itself, regulatory hurdles such as driving permits, and even basic health requirements, are falling away. Consequently, **the world is likely to consume more mobility at lower levels of per capita GDP** – which suggests further expansion of rubber demand. Tyre technology will have to evolve to cater to these new developments, as will regulation, but driven miles - *the single largest demand driver for natural rubber* – **is a metric that is likely to keep increasing**.

While some countries still permit legal deforestation, the global market place will not accept an irresponsible supply chain much longer. **Sustainably farmed and produced rubber must offer better returns than commodity grade rubber**, and technology will help to distinguish the one from the other. Mobile **technology provides the technical means to connect with smallholders**, to assess their farming, harvesting and delivery models and to monetise that information along with the physical product.

The benefits of new technology are thus twofold: one, **stimulating rubber demand** by making 'mobility' more accessible, two, **stabilising supply chain returns** by financially rewarding responsible and sustainable behaviour.

Halcyon Agri has spearheaded the development of this technological evolution of the industry. In 2018, we incorporated HeveaConnect as a digital marketplace to merchandise our TÜV SÜD -audited HEVEA*PRO* grade of responsibly produced rubber. As we further integrate traceability and ultimately agronomical data, we will expand the sustainable certification options to HEVEA*TRACE* and HEVEA*GROW*.

In December, HeveaConnect received an unprecedented endorsement in the form of a **direct equity investment** by South East Asia's largest financial institution, **DBS Bank Ltd**. A forerunner in digital financial services, DBS Bank will support the growth of HeveaConnect to include a suite of financing options for value chain participants. Trade finance, simplified documentation, and smallholder microfinancing – these are exciting future possibilities for discerning producers and consumers of HEVEA*PRO*. From its launch in Q1 2019, HeveaConnect will invite other producers to invest in its share capital and to adopt the HEVEA*PRO* methodology. In March 2019, **ITOCHU Corporation** of Japan joined the ranks of HeveaConnect shareholders - another milestone event.

In order to prepare Halcyon Agri for these anticipated future shifts, we embarked on a **strategic review** of our asset base in 2018. Two key realisations stand out: Firstly, fundamentals differ greatly across origins, mainly due to labour costs and raw material availability; secondly, and most importantly, **Halcyon Agri's market capitalisation represents a deep discount to the sum-of-the-parts value** of our constituent entities. This is frustrating and seems to stem from the diverging cash flow & income profiles of the individual business units, coupled with a certain conglomerate discount.

In response, we have formulated a strategic road map for 2019/2020 that will not only tick the boxes outlined above, but also generate significant liquidity to **accelerate the deleveraging of our balance sheet**. In the face of rising macro-economic uncertainties, potentially rising interest rates and ultimately rebounding rubber prices, **balance sheet strength** is a source of **enduring competitive advantage** – especially now that we have substantially completed our asset buy & build programme.

The salient points of our strategic road map are:

- ➢ Consolidate our TSR production platforms to **focus on the global market for tyre rubber**; this will ultimately lead to a combination of our HRC and SINRIO units into one global franchise with four origination & processing platforms
- ➢ **Carve-out HeveaConnect** and invite other producers to adopt the HEVEA*PRO* standard, as well as broaden its shareholder base to include strategic partners who can contribute to achieving the vision of a sustainable natural rubber industry
- ➢ **Spin-off Corrie MacColl into a separate listed entity**, thereby offering investors the tailored option of investing in Halcyon Agri, and/or Corrie MacColl

Complementing the above, we will rationalise non-core investments, which will further strengthen our balance sheet and facilitate sustainable and recurring distributions to shareholders.

Finally, a couple of thoughts on the **natural rubber market**, which remains doggedly stuck in a narrow trading range at historically low levels. In the context of demand, supplier economics and consumer price inflation in most producing economies, this is counterintuitive.

There is however, a plausible reason for this. In the high-price period from 2005 to 2012, **non-traditional origins** (NTO) entered the fray: North-east Thailand, Vietnam, Cambodia and Ivory Coast have planted approximately **2 – 2.5 million hectares of rubber**, most of which are currently being tapped. In 2018, a safe estimate is that NTO rubber amounted to almost **3.5 million mT of total output**. This NTO volume is substantial and has, in the period from 2012 - 2018, outpaced the growth in global demand.

NTO producers face a couple of problems though: **Rubber factory homologation** requirements of global tyre majors, coupled with increased ecological and social oversight by NGOs **make it difficult to find acceptance for NTO production in the global marketplace**. There is only one certain destination for this cargo, and that is China, where the degree of scrutiny of both factory quality and supply chain integrity is less rigorous. China, being very much a spot buyer however, forces **NTO producers to hedge their production in the rubber futures market**, which has consequently remained depressed.

This pressure on the rubber futures markets has caused problems in traditional origins, where production costs tend to be higher. Compounded by the distorting effects of misguided policy responses, the persistent low prices are now having an **adverse impact on the replanting of old rubber** trees in Indonesia, Malaysia and Southern Thailand. **Public perception is that natural rubber is an oversupplied commodity, when, in effect, this is not the case**. There may well be too much NTO rubber, but supply from traditional, homologated origins is increasingly tight.

To conclude, Halcyon Agri is prepared for the challenges that lie ahead. Our HeveaConnect initiative is both timely and necessary. By opening the HEVEA*PRO*, HEVEA*TRACE* and HEVEA*GROW* sustainability standards to third-party producers, we have equipped the natural rubber market with a tool to differentiate pricing and **reward responsible behaviour**. The vast majority of our assets are strategically well placed and will provide us with **dependable income as we decouple from the pricing vagaries of the futures markets**. Finally, we have a clear and actionable plan to delever our balance sheet and unlock significant amounts of trapped value for our shareholders.

At this point, I would like to thank all members of the Halcyon Agri family for their hard work and dedication. My sincere appreciation extends to our esteemed Board Members, our Joint-venture Partners, our bankers and all other external stakeholders for their unwavering support. 2018 was a disappointing year financially, but I can assure you that the best is yet to come.

Robert Meyer
Co-founder and Chief Executive Officer

i *https://www.cnbc.com/2018/01/17/world-entering-critical-period-of-intensified-risks-in-2018-wef-says.html*
ii *https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017DC0490*
iii *https://www.gmsustainability.com*
iv https://www.wbcsd.org/Sector-Projects/Tire-Industry-Project/News/Stakeholders-launch-Global-Platform-for-Sustainable-Natural-Rubber

BOARD OF DIRECTORS

Our Board of Directors includes respected lawyers, bankers, accountants, investors and experts in mergers & acquisitions, sustainability, agriculture, human resources, chemicals and logistics – all of the components needed to ensure that a global company in the rubber industry is well-run and prepared for the future.

01 **Alan Nisbet**
Lead Independent Director

02 **Randolph Khoo**
Independent Director

03 **Liew Choon Wei**
Independent Director

04 **Raymond Ferguson**
Independent Director

05 **Jeremy Goon**
Independent Director

06 **Liu Hongsheng**
Non-Executive Chairman

07 **Robert Meyer**
Executive Director and Chief Executive Officer

08 **Pascal Demierre**
Executive Director

09 **Qin Jinke**
Non-Executive Director

10 **Wang Wei**
Non-Executive Director

01 Alan Nisbet
Lead Independent Director

Mr Alan Nisbet is a highly experienced accountant and serves as Lead Independent Director and Chairman of the Audit Committee. He joined the Board in 2013 and is also in the Remuneration, Nominating, and Strategy & Investment Committees. His other current roles include:

- *Principal at Kanni Advisory, a consultancy firm*
- *Independent Director and Chairman of the Audit Committee of Ascendas Property Trustee Pte Ltd (the Trustee-Manager of Ascendas India Trust)*
- *Independent Director and a member of the Audit Committee and Remuneration Committee at KrisEnergy Limited*
- *Independent Director of Keppel REIT Management Limited (the Manager of Keppel REIT)*
- *Independent Director and Chairman of the Audit Committee at Standard Chartered Bank (Singapore) Limited*

Mr Nisbet was a member of the Institute of Singapore Chartered Accountants until his retirement. He graduated with a Diploma of Business Studies (Accounting) from the Caulfield Institute of Technology, Melbourne, Australia.

02 Randolph Khoo
Independent Director

One of Singapore's foremost lawyers, Mr Randolph Khoo is Independent Director and Chairman of the Nominating Committee. He joined the Board in 2013 and is also part of the Audit and Remuneration Committees.

He is currently the Deputy Managing Director for Dispute Resolution at Drew & Napier LLC and also heads the disputes practices of its China, India and International Trade Desks and Private Client Services Group. His other current roles include:

- *Advocate and Solicitor of the Supreme Court Singapore, a Notary Public and a Commissioner for Oaths*
- *Panel Arbitrator, Singapore Institute of Arbitrators and Law Society of Singapore Arbitration Scheme*
- *Panel Arbitrator, Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission and Shenzhen Court of International Arbitration*
- *Panel Arbitrator, Kuala Lumpur Regional Centre for Arbitration and the Malaysian Institute of Arbitrators*
- *Panel Arbitrator, Chinese Arbitration Association, Taipei*
- *Panel Arbitrator, Institute of Modern Arbitration of the Russian Federation*
- *Panel Arbitrator (Foreign National), Indian Council of Arbitration*
- *Fellow of arbitral institutes of Singapore, Malaysia, Hong Kong, the UK, India and New Zealand*
- *Member of the International Bar Association, Society of International Law (Singapore), Law Society of Singapore and the Singapore Academy of Law*

Mr Khoo graduated with a Bachelor of Law from the National University of Singapore with various academic prizes.

03 Liew Choon Wei
Independent Director

Mr Liew Choon Wei is Independent Director and Chairman of the Remuneration Committee. He was appointed to the Board in 2014 and also sits on the Audit and Nominating Committees. He joined Ernst & Young LLP in Singapore in 1979 and was Audit Partner for its largest real estate, commodities, banking, media, hospitality and retail clients before retiring in 2013. His current roles include:

- *Independent Director at Frasers Hospitality Asset Management Pte Ltd (manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (trustee-manager of Frasers Hospitality Business Trust)*
- *Independent Director, Chairman of the Audit Committee and Nominating Committee and member of the Remuneration Committee of F J Benjamin Holdings Ltd*
- *Independent Director at The Hour Glass Limited, Chairman of its Audit Committee and member of the Nominating and Remuneration Committees*
- *Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants*

04 Raymond Ferguson
Independent Director

An international banker with more than 20 years of senior management experience, Mr Raymond Ferguson is Independent Director and Co-Chairman of the Strategy and Investment Committee. He joined the Board in 2016. He is also Founder and Chief Executive at Caber Partners Pte Ltd, a Singapore licensed fund manager, Chairman of Singapore Life Pte Ltd, a Singapore life insurance company, Chairman of Youtap Ltd, a global mobile payments firm, and a Non-Executive Director of LenndoEFl, an alternative data credit scoring, identity verification and insights company. He is also Chairman of HeveaConnect Pte. Ltd., a digital marketplace for sustainable natural rubber.

He previously served as:

- *Regional Chief Executive Officer, Southeast Asia at Standard Chartered Bank*
- *Chief Executive Officer at Standard Chartered Bank (Singapore) Limited*
- *Chairman and Director of several Standard Chartered Bank's subsidiary boards*
- *Executive Vice President and Group Chief Officer at Arab Banking Corporation, B.S.C.*

Mr Ferguson is also:

- *Associate of the Chartered Institute of Bankers in Scotland*
- *Distinguished Fellow of the Institute of Banking and Finance Singapore*
- *Member of the Singapore Institute of Directors*
- *Advisor, Singapore Institute for International Affairs*

Mr Ferguson holds a master's degree in Business Administration from Henley Management College and Brunel University.

05 Jeremy Goon
Independent Director

Mr Jeremy Goon contributes his extensive experience in sustainability issues in his role as Independent Director. He was appointed to the Board in 2017. He is Chief Sustainability Officer at Wilmar International Limited and Executive Director of their Plantation Division. He is also Council Member of the Malaysian Palm Oil Association (MPOA) and Board of Trustees of the Malaysian Palm Oil Certification Council (MPOCC) as well as a member of the Steering Committee of the Tropical Forest Alliance 2020. He was also previously:

- *Head of European Operations for Kuok Oils and Grains Pte Ltd in Germany and The Netherlands*
- *Vice President of the Executive Board of the Roundtable for Sustainable Palm Oil (RSPO), where he represented the MPOA*
- *Co-Chair of the RSPO Greenhouse Gas Working Committee*

Mr Goon graduated with a Bachelor of Arts in Law and Management Science from Keele University in the United Kingdom.

06 Liu Hongsheng
Non-Executive Chairman

Mr Liu Hongsheng brings decades of experience in business and human resources to his roles as Halcyon Agri's Non-Executive Chairman and Co-Chairman of the Strategy and Investment Committee. He joined the Board in 2017. He is currently Director and Chief Executive Officer of Sinochem International Corporation Ltd. His previous posts include:

- *Vice President at Sinochem International Corporation Ltd*
- *Senior Vice President at Sinochem International Corporation Ltd, Chemicals Segment*
- *General Manager at Sinochem International Corporation Ltd, Logistics Business Division*
- *Deputy Head of Human Resources at China's Ministry of Foreign Trade and Economic Cooperation*
- *First Secretary of the Economic and Commercial Counsellor's Office at the Chinese Embassy in Thailand*

Mr Liu holds a bachelor's degree in Philosophy from Peking University and an executive master's degree in Business Administration from Shanghai Maritime University.

07 Robert Meyer
Executive Director and Chief Executive Officer

Mr Robert Meyer is Halcyon Agri's Chief Executive Officer. He also serves as Executive Director and sits on the Strategy and Investment Committee. He founded Halcyon Management Partners Pte Ltd, the precursor to Halcyon Investment Corporation Pte Ltd, in 2004. In 2010, Mr Meyer co-founded Halcyon Agri. As Chief Executive Officer, Mr Meyer is in charge of formulating and executing the business strategy of the Group, and of overseeing its day-to-day management.

Mr Meyer graduated with a Bachelor of Arts in Business Management from the European Business School, Schloss Reichartshausen. Prior to his business studies, Mr Meyer completed a commercial banking apprenticeship with Dresdner Bank AG in Hamburg, Germany.

08 Pascal Demierre
Executive Director

Mr Pascal Demierre is Halcyon Agri's Executive Director and a member of the Audit and Remuneration Committees. He co-founded Halcyon Agri and joined the Board in 2010. He is responsible for all corporate matters, including mergers & acquisitions, legal, corporate governance, corporate structuring, information technology, human resources and general administration. He also holds appointments in other organisations, including:

- *Independent Director at The Hour Glass Limited*
- *Council member at Alliance Française, Singapore*

Mr Demierre graduated with a Bachelor of Law (Upper Second) from King's College London, in the United Kingdom. He also obtained a graduate diploma in Law from the National University of Singapore.

09 Qin Jinke
Non-Executive Director

Mr Qin Jinke joined the Board in 2018 and is a Non-Executive Director. He has been with Sinochem International Corporation for nearly 20 years and is now its Chief Financial Officer. He joined Sinochem in 2001 and has held senior positions in its auditing, finance and accounting departments, including:

- *Deputy Chief Financial Officer at Sinochem International Corporation*
- *General Manager of the Finance Department*
- *Vice General Manager of the Finance Department*
- *General Manager of the Accounting and Tax Office*
- *Chief Financial Officer at Metallurgy and Energy Division*
- *Assistant General Manager of the Auditing Department*

10 Wang Wei
Non-Executive Director

Mr Wang Wei is a seasoned investor and investment analyst who was appointed to the Board in 2017 as a Non-Executive Director. He serves as Executive Director of the China-Africa Development Fund's (CADFund) Infrastructure and Energy Investment Department. He is presently Director at HNA & CADF Logistics, Nanjing Ocean (CM) Co. Ltd and Ansogli Power (Ghana) Ltd. His previous roles include:

- *Consultant with APCO Worldwide LLC (Beijing)*
- *Consultant with KPMG Huazhen LLP*

Mr Wang holds a master's degree in International Relations, and a Bachelor of Arts in International Economics and Trade, from the China Foreign Affairs University. He is also an alumnus of Johns Hopkins University-Nanjing University, Center for Chinese and American Studies.

SENIOR MANAGEMENT

Andrew Trevatt
Chief Commercial Officer
Managing Director – SINRIO

Mr Andrew Trevatt is a co-founder of Halcyon Agri and oversees the daily commercial affairs of the company. He has more than 30 years of experience in the natural rubber industry, having worked in the United Kingdom, The Netherlands, the United States of America and Singapore.

Mr Trevatt also assumes responsibility for the SINRIO group.

Ng Eng Kiat
Group Chief Operating Officer

Mr Eng Kiat Ng joined Halcyon Agri in 2013 as Chief Financial Officer where he was responsible for corporate finance, treasury, tax and capital management. From 2017 to 2018, he was Country Head of our Indonesian office and Managing Director of SINRIO.

He is presently the Group Chief Operating Officer responsible for the day-to-day business operations of the Group.

Jeremy Loh
Chief Financial Officer

Mr Jeremy Loh is the Chief Financial Officer at Halcyon Agri and is responsible for the Group's financial affairs, including corporate finance, treasury and capital management.

He joined Halcyon Agri in 2016 as the Deputy Chief Financial Officer and brings with him almost 20 years of financial control and risk expertise to the Group. His work experiences include senior roles at international banks and auditing firms in Singapore, Thailand and Malaysia.

Leonard Beschizza
Managing Director
Halcyon Rubber Company (HRC)

Mr Leonard Beschizza co-founded Halcyon Agri in 2010 and is in charge of the HRC business unit. His responsibilities include merchandising and risk management functions, as well as oversight of the Indonesian factory operations. He was previously responsible for our operations in China, Malaysia and Thailand. He draws from more than four decades of in-depth knowledge of the natural rubber and agricultural industry. He is also an expert in the palm oil and cocoa industries.

James Bugansky
Managing Director
Corrie MacColl Plantations

Mr James Bugansky joined Halcyon Agri in 2013, and is in charge of all our plantation assets globally, including JFL Plantations in Kelantan, Malaysia and the HeveCam and SudCam estates in Cameroon. He brings with him more than 40 years of experience.

Horst Sakreida
Managing Director
Corrie MacColl International

Mr Horst Sakreida joined Halcyon Agri in 2015, having spent 40 years in the rubber industry. He has extensive natural rubber and latex distribution experience and is responsible for the commercial and risk management of our Global Non-Tyre & Specialty Tyre segment. This unit includes Centrotrade, Wurfbain Polymer, Alan L Grant, Corrie MacColl Rubber, Kelvin Terminals and Momentum Technologies International.

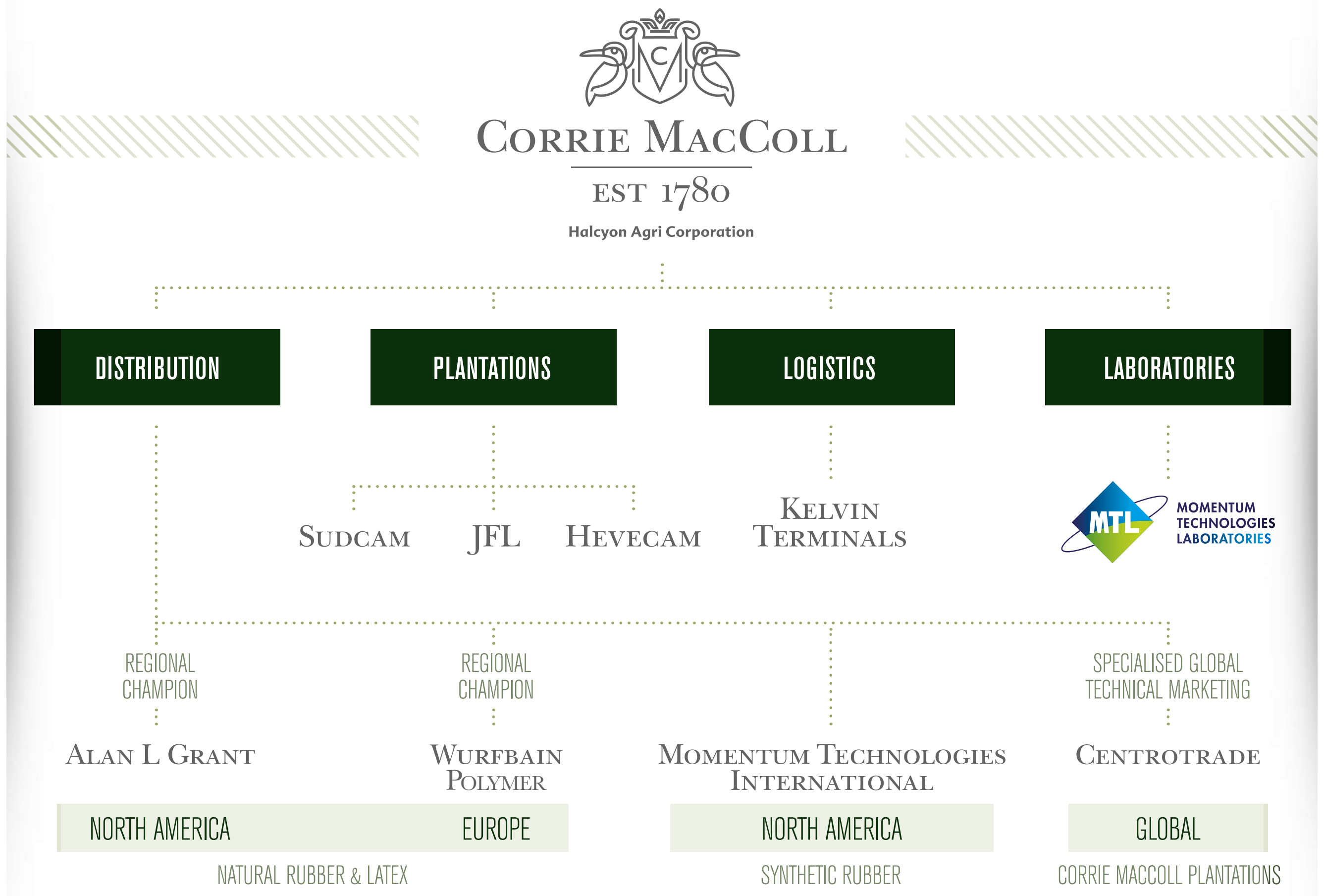
STRATEGIC SPOTLIGHT
Corrie MacColl

A PARTNER in POLYMERS

At Corrie MacColl, we take a modern approach to fair and sustainable value creation in the origination and distribution of the vital material that is natural rubber. As a sustainable model corporate citizen, we are extensively invested in ecological conservation, economic growth and social development. Our rubber is grown, sourced and produced to the highest quality, matching supply and demand with as little impact as possible.

We are consciously positioned to serve today's rubber consumer through our customer-centric merchandising model. Demand for made-to-measure rubber for use in diverse, premium and specialty applications is fulfilled by our entrenched position in key procurement and distribution markets and custom-made delivery programmes to customers.

Our products are delivered to over 1,000 customers in 350 cities through our second-to-none logistical assets, flanked by our dedicated technical advisory and support unit.



We supply Natural Latex for the annual production of

- **3.9 Billion** Balloons
- **3 Billion** Condoms
- **60 Million** Catheters
- **32 Million** Metres of Medical Tubing
- **870,000** Mattresses

1 Our plantations drive positive change through third-party certified, all-encompassing social and environmental standards, securing rural development and ecological conservation

2 Outgrower programme targeting in excess of 10,000 smallholders, preserving and improving quality of human life through secured income and food security

3 25,000-hectare biodiversity reserve for ecological conservation

4 Trusted partners in rubber with globally diversified, deep-seated relationships with premium suppliers, fulfilling all footprints of customer requirements

5 Value commitment through extensive midstream investment in technical infrastructure and logistical assets second-to-none in the industry

6 Entrenched position in key distribution markets serving a diversified range of customers with demand for made-to-measure rubber

Company Data

8,000 Dedicated Employees in 19 Cities

1,000 Customers in 350 Cities

Sales And Volume Data

20,000mT Factory Production

400,000mT Distribution Volume

9% Global Latex Market Share

11% Global Latex Market Share ex China

24% USA Non-Tyre Market Share

196,000 Pallets Shipped

All figures above are based on Corrie MacColl's analysis of sales and customer information and IRSG data.

CORRIE MACCOLL

Plantations

Corrie MacColl Plantations (CMP) develops and manages 110,000 hectares (ha) of rubber plantations in Malaysia and Cameroon of which almost 40,000 ha are planted. 2018's output was 19,000 mT with a 10-year plan to reach full capacity. This will be enhanced by yield maximisation through the implementation of our highest agronomical and collection standards as well as the maturing of our trees.

CMP is a non-traditional plantation operator. We have taken a thoughtful, measured and considered approach to investing in a viable future not only for rubber, but for the environment and communities in which we operate. We recently set-up a 25,000 ha protected biodiversity reserve, as part of our drive for ecological conservation. Our endeavour to create responsible, inclusive and sustainable societies is evidenced by the establishment of an outgrower programme, directly engaging with surrounding communities. We are deeply committed to establishing a benchmark business model capable of concurrently providing rural development, ecological conservation and adequate shareholder returns.

Sustainability Council

2019 will see the formation of a Sustainability Council with members representing business and industry, community leaders, NGOs and relevant government representatives.

The role of the Council is to bring together multi-stakeholder groups throughout the entire value chain, and to monitor the Group's sustainability standards, provide expert opinion and advise on the Group's implementation of its Sustainable Natural Rubber Supply Chain Policy (SNRSCP) and other external party recommendations. An updated Environmental and Social Impact Assessment will be conducted in 2019, in partnership with NGOs.

Outgrower Programme

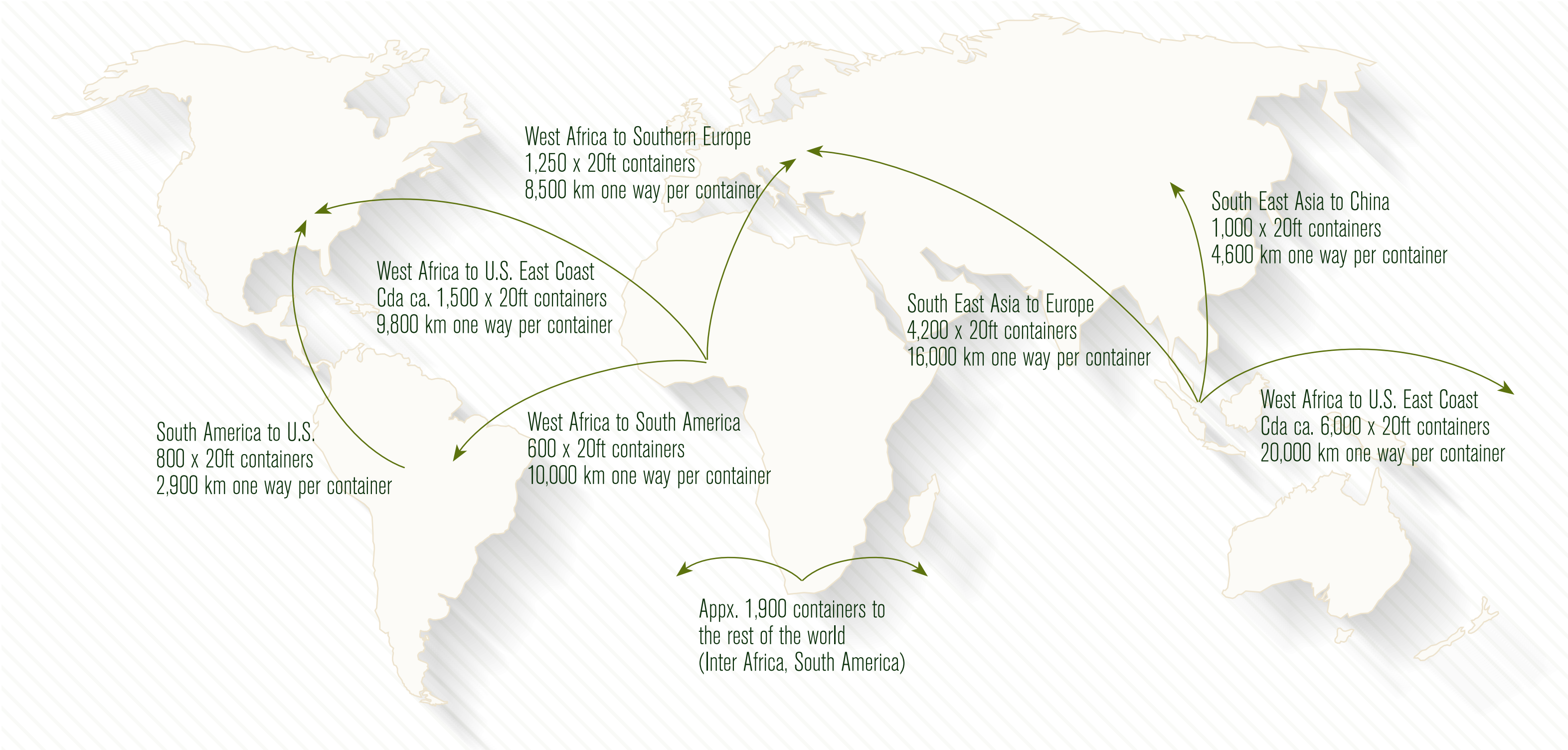
Investment has been focused on a large scale outgrower programme aimed at empowering in excess of 10,000 smallholders. Up to 27,000 ha has been selected, consisting of degraded forest, fallow land, old rubber plantations and converted crops belonging to landowners surrounding our plantations. Through direct engagement with surrounding local villagers, the programme will finance and assist the development of smallholder rubber crops. CMP will leverage its agronomical expertise by teaching plantation best practices while adding a secured source of income through a commitment to purchasing the raw material. Now in its final development stage, the programme targets the initial planting of 500 ha in 2019. Land within High Conservation Value or High Carbon Stock areas will be exempted from clearing or felling, and appropriate land deeds must be secured prior to development.

The programme brings with it many opportunities. It will enable CMP to educate and empower local communities on a large scale. The teaching of agronomical practices and guaranteed purchasing of the raw material is in line with CMP's drive towards the long-term employment of local Cameroonians. The vision of developing latex based smallholders will increase the value of their product and therefore their income. The programme will also involve cultivation of additional crops within areas not feasible for rubber.

This will integrate a food security programme into smallholder development, encourage trade between farmers and create an opportunity for income during immaturity periods. As for CMP's business, our fully traceable rubber currently seen only within our plantations will be extended to outgrower rubber, paving the way for similar engagement with smallholders, worldwide.

Global Distribution

OUR GLOBAL DISTRIBUTION BUSINESS



Corrie MacColl International (CMI), our distribution, logistics and technical support unit employs over 150 people, located across 19 cities globally. Our customer focused, value-add model concentrates primarily on the non-tyre & specialty-tyre sector.

Strategically located across key markets, our distribution team is broken down into regional champions, a dedicated synthetic rubber provider and a specialised technical marketing business. This allows for a customer-centric approach in delivering our products from supplier to the doorstep of our customers. In 2018, our teams distributed a total of 400,000 mT to over 1,000 customers in more than 60 countries. Our made-to-measure rubber for use in diverse, premium and specialty applications were used by manufacturers across industries including medical, mattresses, adhesives, roofing & paving, balloons and conveyor belts, just to name a few. Our entrenched position in key markets with custom-made delivery programmes to customers, and our value commitment evidenced through extensive investment in technical infrastructure and incomparable logistical assets in the industry, makes us the global leader in specialty rubber distribution.

Our key markets are served by our regional champions Wurfbain Polymer (WB) and Alan L Grant (ALG), Europe and America respectively, for all things natural rubber, rubber chemicals and ancillary products. Our global, specialised technical marketing business, Centrotrade, assumed exclusive rights to the distribution of CMP's business, while serving their key customers with third-party sourced rubber and latex. Momentum Technologies International (MTI) is our dedicated synthetic rubber provider, primarily focused on the American market. Together, the teams distributed 149,000 mT of latex, 219,000 mT of dry rubber and 35,000 mT of synthetic rubber globally.

Europe and America saw large volumes of 127,000 mT and 125,000 mT respectively. Across both markets, our latex distribution saw a commanding market share, what we put down to our deep-seated relationships with premium suppliers. In Asia, the majority of rubber delivered into the non-tyre & specialty-tyre sector is purchased direct from suppliers. We delivered a total of 77,000 mT of which the majority was latex (60,000 mT) and concentrated mainly in the China and Malaysia markets. Other key destinations include Turkey, South Africa and South America, notably Brazil.

Logistics, Technical & Laboratories

In 2018, CMI accounted for over 20,000 container deliveries. Our centrally managed logistics department oversees product transfer from point of origination to customer delivery. In our target markets, we have a suite of network services to meet the diverse requirements of our clients.

Kelvin Terminals, our natural and synthetic latex storage terminal located in the Terneuzen, Netherlands, is Europe's leading tank installation, with capacity to hold up to 6,500 mT. Our strategic positioning means just-in-time delivery to the Benelux Union in under 24 hours, and the remainder of Europe in under 72 hours.

Our American latex customers are served by three latex terminals strategically located in Baltimore (1,900 mT), Norfolk (1,200 mT) and Savannah (2,300 mT). To support our dry rubber distribution, we operate a dedicated warehouse in Richmond, Virgina with 2,600 mT capacity and a 150 mT hot room used to bring any rubber delivered during winter months, back to optimum temperature.

The last addition to our support services is Momentum Technologies Laboratories (MTL). This year, US$1 million was committed to expanding the existing synthetic rubber facility in Akron through an investment in a natural rubber and latex laboratory. With our dedicated and centralised technical advisory and support unit, the state-of-the-art facility has the capabilities to formulate, design and test rubber, provide certification of analysis as well as custom mix compounds. Being third-party accredited by A2LA allows for peace of mind and confidence for customers and stakeholders that all results are held to a higher standard and kept in complete confidence. Having the laboratory is key to supporting the full gamut of technical services for our partners.

Solar Power Project

Kelvin Terminals is currently undergoing a capacity expansion of 50% and refurbishment of the office and laboratory complex. At the same time, the terminal is taking the opportunity to dramatically reduce its carbon footprint through investment in photo-voltaic solar panels to generate its own electricity, and also in air-source heat pumps to cut its dependence on diesel as the main source of heating for both the latex storage tanks and the site office and laboratory complex.

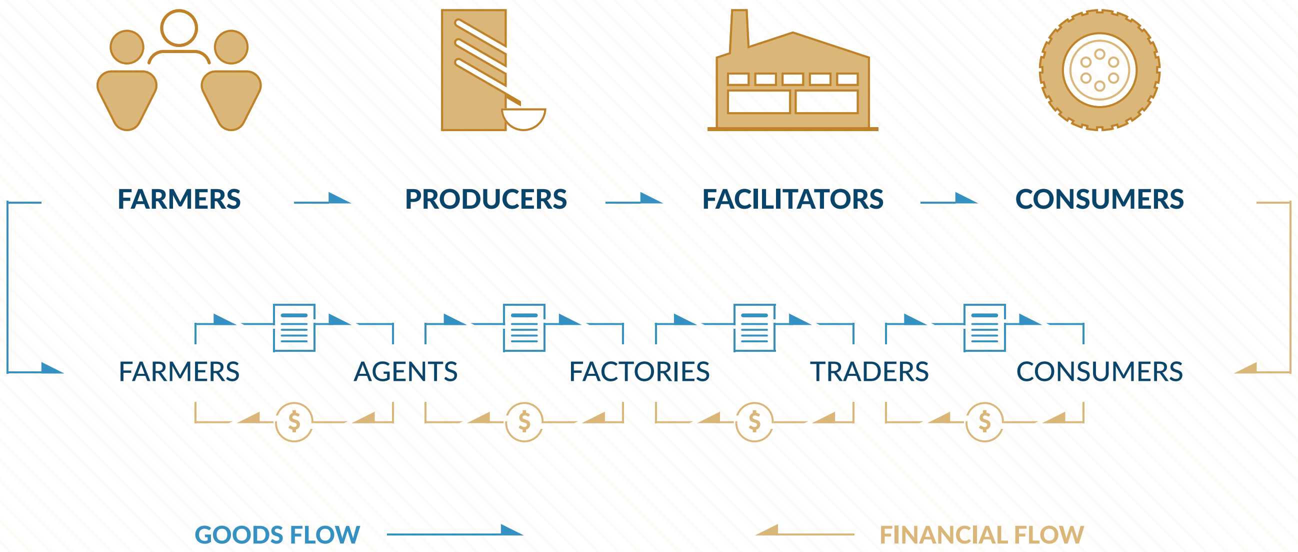
126 solar panels are being installed on the roof of the new tank hall, with a predicted output capacity of 51,000 kWh per annum. On completion of the project in early 2019, the terminal will be capable of producing close to 100% of the electrical energy required to power all site operations. At the same time the existing diesel oil fuelled boiler, which provides heat to maintain the temperature of the latex in the terminal, will be replaced by a series of air-source heat pumps. Powered by our renewable solar energy, these will completely eliminate our dependence on fossil fuels in Terneuzen. In terms of carbon footprint, our emissions in 2019 are forecast to be reduced by 93% from 2017 and 2018 levels. As we increase our imports from certified CO_2-neutral latex sources, our next target is to be able to maintain that carbon-neutrality on delivery from our tank facilities, or even on a delivered customer basis.

STRATEGIC SPOTLIGHT
HeveaConnect

CHANGING THE GAME

In our 2017 Sustainability Report, we wrote about how the natural rubber industry is not sustainable at current market prices. Volatility has to be reduced, and the traditional natural rubber supply chain has to change. In August 2018, we incorporated HeveaConnect, a digital marketplace for sustainably-processed natural rubber that could help restore fair prices that truly reflect the cost of supply of a critical resource, where all natural rubber stakeholders, be it farmers, producers or consumers, can benefit. In 2018, South East Asia's largest financial institution DBS Bank announced their partnership with us in HeveaConnect. By March of this year, Japan's leading trading house ITOCHU Corporation and two natural rubber processors in Indonesia and Thailand confirmed their adoption of HEVEA*PRO*, to be sold on HeveaConnect.

HeveaConnect intends to set the industry standard in the natural rubber supply chain — HEVEA*PRO* at the factory level, HEVEA*GROW* at the farmer level and HEVEA*TRACE* which will map the source of the raw material used in the production of HEVEA*PRO*, from tree to the customer.



HeveaConnect will provide price visibility and fair pricing, as well as a responsible and traceable supply chain, helping to address Environmental, Social and Governance (ESG) factors of material to us. Last but not least, HeveaConnect will provide the tools to help ensure the implementation of our Sustainable Natural Rubber Supply Chain Policy across the value chain. Please do visit HeveaConnect's *website* for more details and updates.

THE BOTTOM LINE

In 2018, following the strategic review of the assets arising from the acquisition of GMG Global and SINRIO, three business segments were set up according to key customer segments:

- Halcyon Rubber Company (HRC)
- Sinochem International Rubber Investment Overseas (SINRIO)
- Corrie MacColl Group

As part of the review, we identified opportunities for the divestment of non-core assets in SIAT S.A (SIAT), a former associate of the Group. The proceeds from the disposal were partially reinvested into numerous bolt-on acquisitions in 2018 such as:

- Completion of the purchase of the Corrie MacColl Group, which houses Alan L Grant, Momentum Technologies International, Kelvin Terminals and Wurfbain Polymer
- Completion of the purchase of five rubber factories in two separate transactions into HRC

These investments further strengthen Halcyon's position as the world's leading natural rubber supply chain manager. The businesses of HRC and Corrie MacColl acquired in FY2018 contributed about 61,000 mT and 205,000 mT in terms of sales volume respectively to the Group (c.19% of total Group FY2018 sales volume). They also contributed a combined US$12.8 million of operating profit to the Group in FY2018.

Operating Results

Equipped with the contribution of the acquisitions made in FY2018, the Group reported a third consecutive year of record-high sales volume in FY2018 of 1,432,335 mT, which is 16.7% higher than 1,227,027 mT in the previous year. However, revenue dropped by 0.8%, from US$2,158.4 million in FY2017 to US$2,141.0 million in FY2018 reflecting the depressed market price levels. As a comparison, the average 2018 SICOM TSR20 market price per metric tonne was US$1,365, 17% lower than the average 2017 market price of US$1,647.

As the average selling prices decreased our margins came under pressure, resulting in FY2018 gross profits of US$118.4 million, 21.3% lower than that of US$150.6 million recorded in FY2017. Our operating profits decreased 92.4% from US$59.3 million recorded in FY2017 to US$4.5 million in FY2018, which is caused by the reduction in gross profit as abovementioned, coupled with the absence of FY2017 one-off gains of US$21.5 million.

The effect of margin compression, the absence of one-off gains, as well as the non-recurrence of share of associates' profits, resulted in our EBITDA dropping from US$64.9 million in FY2017 to US$36.2 million in FY2018. Net financing costs have decreased 6.6% year-on-year from US$22.7 million to US$21.3 million, mainly due to the replacement of S$125 million medium-term notes in FY2017 with US$150 million worth of perpetual securities.

The above factors resulted in a loss per share of 0.53 U.S. cents in FY2018, a reversal from 1.95 U.S. cents earnings per share in FY2017.

Balance Sheet

Our net assets have reduced from US$833.2 million in 2017 to US$735.9 million in 2018 mainly due to the following factors:

- Strengthening of U.S. Dollars vs local currency resulting in foreign currency translation losses
- Distribution of a final and a special dividend of SG cents 0.01 each as well as distributions to holders of perpetual securities
- Full year loss in FY2018

The Group has a stable funding base where financing tenors are matched, cash balances are unencumbered and fixed assets are sustainably financed.

The table below summarises management's assessment of the Group's capital structure:

(US$ million)	31-Dec-18	31-Dec-17
Working capital employed [1]	539.4	427.7
Working capital loans	520.4	207.6
% Efficiency of Working Capital Funding	**96.5%**	**48.5%**
Operational long term assets [2]	938.7	718.1
Term loans	391.6	403.0
% Fixed Asset Gearing	**41.7%**	**56.1%**
Cash and cash equivalents [3]	122.9	153.4
Non-core assets [4]	46.8	144.5
Total Equity (excluding Perpetual Securities)	**587.2**	**684.5**
Perpetual Securities	148.7	148.7
Total Equity (including Perpetual Securities)	**735.9**	**833.2**

[1] *Working capital employed for the Group is defined as the sum of operational trade and other receivables, net derivative assets, pledged deposits and inventories, netted off against trade and other payables. In Dec-18, loan receivable from third-party has been reclassified from non-core assets.*

[2] *Operational long term assets of the Group are defined as intangible assets, property, plant and equipment, plantation and biological assets, other non-current assets, net off against non-current liabilities. In Dec-18, plantation assets and Property, Plant & Equipment (PPE) in Malaysia have been reclassified from non-core assets.*

[3] *Cash and cash equivalents as stated in the cash flow statement.*

[4] *Non-core assets as at Dec-18 include investment properties only. As at Dec-17, non-core assets include investment properties, loan receivable from third-party and plantation assets & PPE located in Malaysia.*

The increase in efficiency of working capital funding was due to a lower working capital loan balance in Dec-17, as disposal proceeds from divestitures were used to temporarily free up headroom for debt facilities, to be redrawn later on to fund working capital of new investments of the Group.

Fixed asset gearing has reduced from Dec-17 to Dec-18, representing the Group's commitment to continue to finance investments in longer-gestation projects through equity.

The Group continues to explore options to deleverage, including listing of the Corrie MacColl Group on the London Stock Exchange.

CHART 1
REVENUE

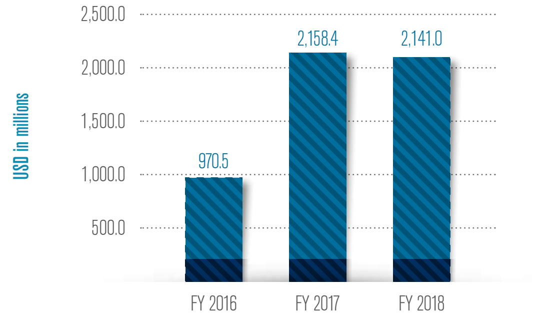


CHART 2
SALES VOLUME

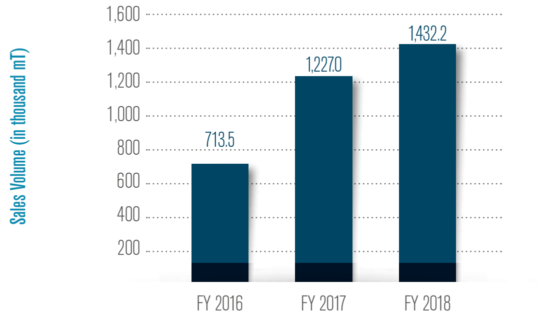


CHART 3
PROFITABILITY

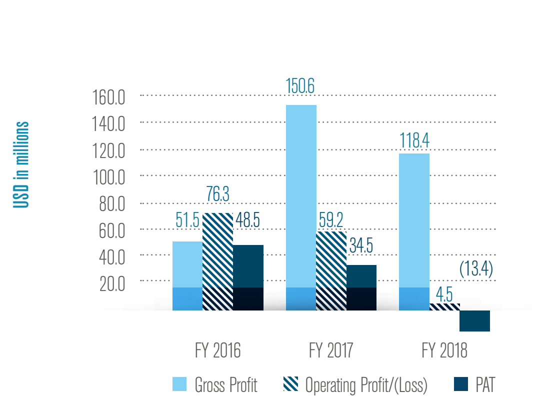
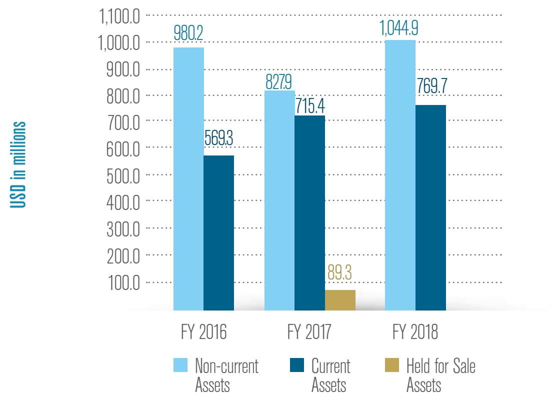


CHART 4
ASSET BASE



Cash Flows

Our cash inflows from operations (before working capital changes) is US$41.4 million, a decrease from US$58.5 million in the previous year, due to lower profits in FY2018. The working capital continues to be funded by working capital loans.

The Group recorded a net cash outflow of investing activities of US$201.2 million in FY2018 against net cash inflow of US$113.4 million in FY2017, mainly due to the nature of the capital transactions that took place – in which the proceeds from the divestment in SIAT stake in FY2017 are recycled to fund acquisitions of Corrie MacColl and the five Indonesian rubber factories in FY2018. In the interim, the divestment proceeds were used to pare down FY2017 loan balances (along with the proceeds from the issuance of perpetual securities), resulting in lower net cash inflow from financing activities in FY2017. These proceeds have been redrawn in FY2018 to fund the abovementioned acquisitions.

	Corrie MacColl		HRC		SINRIO		Total	
USD in Million	2018	2017	2018	2017	2018	2017	2018	2017
Sales Volume (kmT)	388.9	247.7	523.8	626.0	570.7	626.3	1,432.3	1,227.0
Revenue	631.5	421.3	742.9	1,061.0	837.4	1,126.9	2,141.0	2,158.4
Gross Profit	46.3	25.9	18.9	88.7	53.3	36.0	118.4	150.6
Operating Profit/(Loss)	14.2	9.2	(24.6)	45.4	6.9	(10.2)	4.5	59.2
EBITDA	21.1	15.0	(11.4)	57.9	15.2	(1.8)	36.2	64.9

Note: Intragroup elimination column and corporate segment not displayed separately.
Please refer to Note 33 in the consolidated financial statements for details where relevant.

Segmental Review

Corrie MacColl

The bottom line contribution from Corrie MacColl to the Group has improved from the previous year, due to the results of the acquired businesses and subsidiaries. The expanded market presence further strengthened our market positioning in the regional latex and natural rubber market, leading to improved operating profits from US$9.2 million to US$14.2 million.

HRC

Despite additional revenue contribution from the 2018 acquired subsidiaries, scarcity of raw materials, especially in Indonesia, not only limited the output of the segment but also resulted in margin compression as higher prices were paid to secure raw material supply, to fulfil our sales commitments.

This has resulted in HRC reporting an operating loss of US$24.6 million in FY2018, in comparison to operating profit of US$45.4 million in FY2017.

SINRIO

This segment generated positive returns in FY2018, mainly due to the adoption of selective selling strategies, with a focus on profitability instead of volume. While segmental volume and revenue has decreased year-on-year, SINRIO has reversed from an operating loss of US$10.2 million in FY2017, to turn in an operating profit of US$6.9 million in FY2018.

Sales Volume	
Corrie MacColl	388.9 k mT
HRC	523.8 k mT
SINRIO	570.7 k mT

Revenue		
Corrie MacColl	US$	631.5m
HRC	US$	742.9m
SINRIO	US$	837.4m

Gross Profit		
Corrie MacColl	US$	46.3m
HRC	US$	18.9m
SINRIO	US$	53.3m

Operating Profit/(Loss)		
Corrie MacColl	US$	14.2m
HRC	US$	(24.6)m
SINRIO	US$	6.9m

EBITDA		
Corrie MacColl	US$	21.1m
HRC	US$	(11.4)m
SINRIO	US$	15.2m

Total Assets		
Corrie MacColl	US$	1008.3m
HRC	US$	614.5m
SINRIO	US$	368.0m

Total Equity		
Corrie MacColl	US$	429.0m
HRC	US$	63.4m
SINRIO	US$	140.7m

Operating Return on Assets	
Corrie MacColl	1.4%
HRC	(4.0%)
SINRIO	1.9%

Operating Return on Total Equity	
Corrie MacColl	3.3%
HRC	(38.8%)
SINRIO	4.9%

Risk Management

Risk is intrinsic to our business and risk management is imperative to business sustainability. The Group proactively manages risks and embeds the risk management process into the Group's planning, decision-making process as well as its day-to-day operations. Our risk registers are reviewed continuously to ensure any necessary risk treatments are addressed and updated.

The risk registers are presented to the company's Audit Committee, highlighting significant risks, measures taken by the management and residual risk exposures that 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.

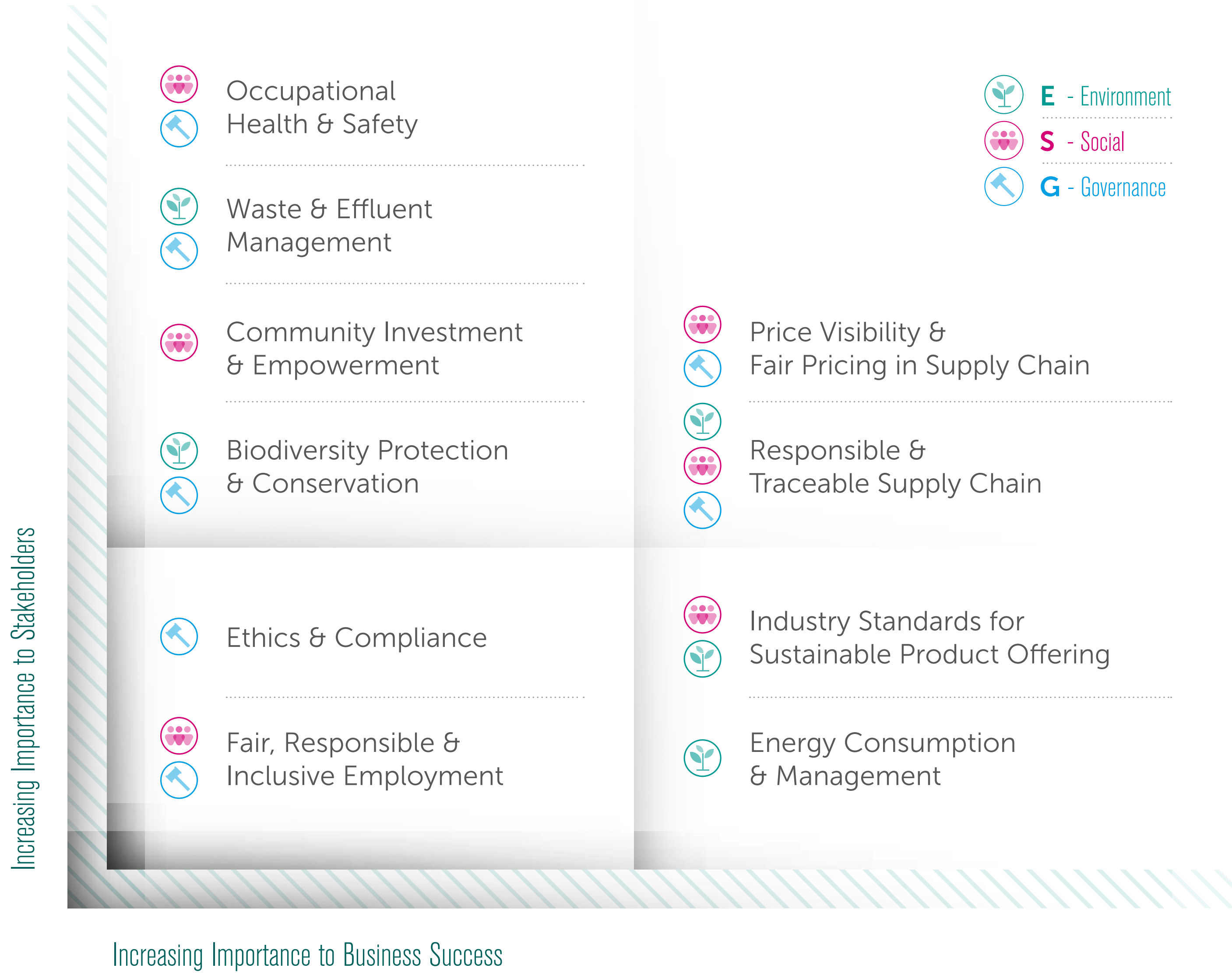
RISK	CAUSES	IMPACT	MITIGATION MEASURES
PRICE RISK Fluctuations in the price of natural rubber and rubber products	Weather, currency movements, future market activities, market interventions, political and geopolitical disruptions	Exposure to price volatility directly impacts the Group's profitability	• Utilise different future markets and physical markets to mitigate • Daily reports on market positioning to facilitate management's decision-making process
CREDIT AND COUNTER PARTY RISK Customer defaults and counterparty's failure to meet contractual obligations	• Adverse market movements and change in supply and demand equation • Inadequate screening of the customer and counterparty	• Customer defaults resulting in loss of revenue • Breach of counterparty obligation resulting in additional costs	• Transact only with creditworthy customers or counterparties • Periodic review of credit terms granted • Credit insurance to protect against potential default
LIQUIDITY RISK Insufficient liquidity to consistently meet obligations as well as to cater to changing business models	Longer lead time for working capital	Insufficient working capital resulting in inability to meet obligations on time which impacts the Group's reputation	• Manage liquidity by matching fund's sources and usages • Maintain sufficient headroom on unutilised committed banking facilities at all times
INTEREST RATE RISK Fluctuation in interest rate for loans and borrowings	Macroeconomic outlook, currency movement, political and geopolitical disruptions	Interest rate hikes could increase the Group's financing costs, which would negatively impact the Group's results as well as liquidity	• Matching of cash availability with the repayment terms of facilities • Actively monitor interest rate trends
FOREIGN EXCHANGE RISK Fluctuation in forex rates	Macroeconomic outlook, currency movement, political and geopolitical disruptions	Inadequate hedging and unfavourable movements in exchange rates resulting in FX losses	• Monitor exchange rate movements on an ongoing basis • Employ hedging instruments to manage the exposure if required
BIOLOGICAL ASSETS RISK Suboptimal performance of biological assets	Unpredictable planting/replanting conditions (e.g. soil and weather conditions, plant diseases and pests)	Inefficient asset utilisation and lost profits as the Group would have to procure from third-party sources to make up for the suboptimal yield of existing trees	In-house team of experienced plantation staff, supported by the services of qualified professionals as required for planting/replanting matters
SOCIAL AND POLITICAL RISK Risk of changes in socio-economic and political climate	Socio-economic and political development (e.g. issues of labour laws, human rights, environmental protection) that have serious impact on local population	Improper management of such issues could tarnish the Group's reputation	• Leverage the expertise and knowledge of local management and consultants to actively monitor the social and political risks • Ensure effective risk mitigation measures are implemented in a timely manner
LEGAL AND COMPLIANCE RISK The Group operates in many different geographic locations with diverse cultures and local customs	Not updated with changes of legal and regulatory requirements in respective geographical locations	Failure to comply with local laws and regulations may result in the Group being involved in litigations pertaining to claims and disputes	• Consult with internal and external legal advisors • Proactively engage in discussions with local governments, regulators and industry leaders

SUSTAINABILITY

Materiality Assessment

In 2017, we performed a peer benchmarking assessment of sustainability-related disclosures to generate a list of potential material matters. There were 12 material Environmental, Social and Governance (ESG) factors approved by the Board and in 2018, we further deliberated and prioritised on the most material sustainability matters. The Board having considered sustainability issues as part of its strategic formulation, determined the 10 material ESG matters shown here, and the Board will continue to oversee the management and monitoring of these issues.

Halcyon Agri's Materiality Matrix



Our Material ESG factors

The table below describes each ESG factor. Examples of activities or projects relating to the ESG factors are shown throughout this report.

Price Visibility and Fair Pricing in Supply Chain

The key narrative of Halcyon's sustainability drive. The reason for the development of HeveaConnect, for sustainably processed natural rubber at fair prices where all natural rubber stakeholders from smallholders to consumers can benefit.

Responsible and Traceable Supply Chain

A key element of Halcyon's sustainability policy and GPSNR principles. Progress on Rubberway, a risk assessment tool for raw material source jointly developed with Michelin, will be reported together with raw material tracing to source through HEVEA*TRACE* which feeds into HeveaConnect.

Occupational Health and Safety

A crucial issue due to the labour intensive nature of our factory and plantation operations. Keeping track of occupational injury and disease rate statistics is important as we constantly work towards improving working conditions. The implementation of HEVEA*PRO*'s EHS standards has helped reduce occupational incident and injury rates.

Waste and Effluent Management

Water is a crucial component of natural rubber processing with high amounts of sludge/waste generated. This report shares statistics on waste generated, disposed and recycled at an operational level. This report also shares statistics on the volume of water used in operations and recycled as well as effluent discharge parameters.

Community Investment and Empowerment

A key element of the Halcyon Global Village, our corporate social responsibility programme where we support activities financially as well as with volunteering. On top of our regular Corporate Social Responsibility (CSR) activities at factory and plantation level, Halcyon Agri supports Sports for the Disabled at a corporate level.

Biodiversity Protection and Conservation

A primary focus of Halcyon's sustainability policy and GPSNR principles. This report will discusses the set up of the Sustainability Council for the Cameroonian operations and activities at SudCam and HeveCam.

Industry Standards for Sustainable Product Offering

The vision for HeveaConnect is to set the industry standards for sustainable natural rubber. HEVEA*PRO*, HEVEA*GROW* and HEVEA*TRACE* standards provide the tools to help ensure the implementation of Halcyon's sustainability policy.

Energy Consumption and Management

Energy is a crucial element of natural rubber processing. This report discusses our energy emissions and the steps we take to manage our energy use better to minimise greenhouse gas emissions.

Ethics and Compliance

Anti-corruption is included in our sustainability policy and is one of the 12 GPSNR principles. We share mechanisms we have in place to ensure compliance with business ethics and code of conduct.

Fair, Responsible and Inclusive Employment

Factory operations are human-intensive, and as a large employer with a workforce of more than 16,000 factory and plantation workers, we must address issues of minimum wage, child and forced labour.

Stakeholder Engagement

Our stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on, socially and economically. Our economic and social role is tied to our capacity to create value through a multi-stakeholder approach. The table below shows eight groups of stakeholders and the impact and significance of each of them. Examples are shown throughout this report on our approach to our stakeholders. Our *2017 Sustainability Report* provides more details on methods of engagement and frequency.

Our Employees

- Fair employment practices with no discrimination
- Annual performance review and feedback sessions
- Ensure country employment laws and regulations are followed
- Stringent occupational health and safety measures in place
- Proper grievance and whistleblowing procedures in place with assurance of confidentiality and appropriate actions taken
- Internal communication and sharing of updates amongst the countries and subsidiaries through various channels
- Training and career development programmes
- CSR activities and social activities
- Collective bargaining agreement with factory workers

Our Customers

- Transparency and accountability from us
- Consistent, quality and efficient delivery
- Meeting their sustainability policies
- Quality and price of the product
- Supply chain resilience
- Reduce environmental risks
- Response to criticisms from NGOs through various channels
- On-site assessment of our factories and plantations at their own timeframe

Our Community

- Well-being of the local community
- Reduce environmental and societal risks
- Education campaigns on health issues
- CSR programmes along our 7 pillars to address concerns raised
- Infrastructure projects
- Meetings with community leaders

Our Suppliers

- Market price, market access, rubber prices
- Education about how to prevent diseases
- Training on proper usage of agricultural methods, pesticides and fertilisers
- Training on health & safety and environment protection

The Smallholders

- Land rights
- Rubber prices volatility
- No child labour
- Infrastructure projects to improve access and safety
- Training on proper usage of agricultural methods, pesticides and fertilisers to address concerns with low yield and diseases
- Traceability projects

Regulatory bodies, governments, industry associations and certification bodies

- Timely disclosure of sustainability issues via various channels
- Compliance with rules and regulation
- Regulatory updates
- Renewals of certifications
- Site assessments to update certifications
- Communication of sustainability and business updates in our Annual Reports, Sustainability Reports and website

The Civil Society

- Deforestation concerns
- Land and indigenous rights concerns
- Free Prior and Informed Consent (FPIC) process
- Biodiversity conservation
- No political affiliations
- Open letters and responses posted on our websites
- Communication and meetings with NGOs
- WWF visit to plantation and villages

The financial community: financial institutions, investors, regulators, analysts and shareholders

- Financial reporting through varous channels
- Risk management, compliance with laws and regulations
- Transparency and comprehensive reporting through various channels
- Ethical business practices
- Timely disclosure of information thorugh various channels. Channels include company newsletter, website, press release, quarterly briefings, industry talks, interviews, AGM and EGM

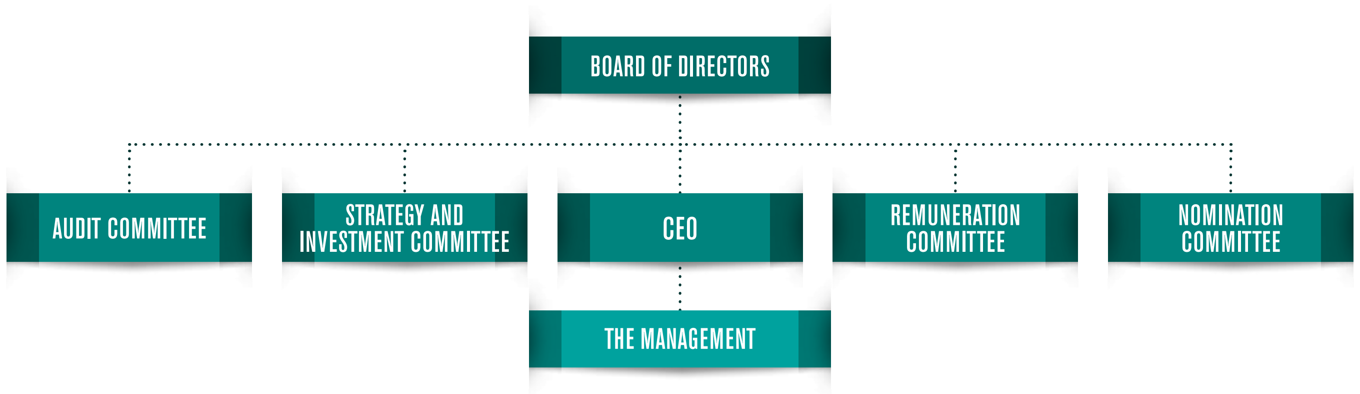
Maintaining Sound Corporate Governance

We are committed to upholding the highest standards of corporate governance to create long-term shareholder value. Under the Board's leadership, six key capitals – financial, manufacturing, intellectual, human, social and natural capital are allocated efficiently and productively in the best interests of our shareholders and other stakeholders. We adhere to all material principles and guidelines of the Code of Corporate Governance 2012, the disclosure guide developed by the Singapore Exchange Securities Trading Limited (SGX-ST), and all other applicable laws, rules and regulations. We also engage proactively with regulators, governments, industry leaders and industry associations to understand the local legal requirements across the jurisdictions where we operate. The details of the Group's corporate governance practices can be found in *Book Two* of the 2018 Corporate Report.

Corporate Governance Structure

The Board embraces the principle of empowerment. While the Board delegates certain functions to the Chief Executive Officer (CEO), Board Committees and Management, the responsibility of overseeing the design, implementation and monitoring of the GRI Standards in conformance with the 'Core' option and in accordance to the SGX Sustainability Reporting Guide, ultimately remains with the Board.

The CEO leads the management of the issues we cover in the GRI Standards that are indivisible from the day-to-day operations while Management maintains a structured risk management approach that incorporates a continuous process of identification, evaluation and effective management of the risk factors. The Board also appoints professional firms to identify impacts, risks, and opportunities, as well as conduct comprehensive studies on issues or concerns relating to the GRI risks as and when necessary.



SUSTAINABILITY

Ethics and Compliance

We act with integrity, fairness and transparency and we do not tolerate corruption in any form. Our business principles underpin how our corporate culture delivers growth and positive contributions to the host communities where we operate. The Board oversees these principles, recorded in our standardised Global Employee Policy made available and easily accessible by all employees. We encourage our partners and suppliers to adhere to the principles by undertaking declarations of commitment to integrate these principles into their operations.

Furthermore, we hold regular engagement sessions with them to understand any issues they might face in integrating these principles in their operations and provide assistance where required. Where needed, we will visit our supplier sites to ascertain demonstrable integration of the principles in their operations.

Halcyon Agri's Business Principles

- Uphold corporate governance and compliance
- Promote ethical business practices
- Maintain a safe working environment and nurture and reward colleagues
- Engage responsibly with our customers, suppliers and partners with integrity
- Contribute to society and sustainable environment

Our employees are also expected to uphold strict standards of ethical business conduct and are made aware of the standards through our mandatory induction programmes. As in 2017, we maintained an unblemished record of zero confirmed cases of corruption in 2018. We have a whistleblowing policy outlined in our employee handbook. All grievances can be directed to a dedicated email that goes to the Audit Committee members. We encourage our employees to raise any concerns relating to suspected improprieties. In the event of a reported whistleblowing case, the Audit Committee ensures an investigation is instituted followed by the appropriate actions. In 2018, an anonymous letter was mailed to SGX and some of our customers. The Board and Management examined the content of the letter to determine the grievance. After the investigation, the Board and Management concluded that no action was required as there was no concrete accusations of corruption or non-compliance.

We recognise the risk of regulatory penalties and the resulting loss of reputation arising from non-compliance with relevant legal requirements. As we expand rapidly through acquisitions, we proactively keep abreast of applicable legal requirements in the countries we operate. In 2018, we did not record any material breaches of relevant laws and regulations in our respective jurisdictions of operations.

Grievance/Whistleblowing/Corruption Cases

Focus Areas	2016	2017	2018	2019
Grievances	4	1	0	Target: 0
Corruption	0	0	0	Target: 0
Whistleblowing	0	0	0	Target: 0

Halcyon Agri's Regulatory Compliance Cases

Focus Areas	2016 Performance	2017 Performance	2018 Performance	2019 Target
Corporate Governance and Economic Aspect Halcyon Agri Products Environmental Aspect	0 Zero cases of non-compliance	0 Zero cases of non-compliance	0 Zero cases of non-compliance	To maintain 0 Zero cases of non-compliance

Global Platform for Sustainable Natural Rubber (GPSNR)

In October 2018, natural rubber stakeholders convened in Singapore for the ceremonial launch of an independent platform to lead improvements in the socio-economic and environmental performance of the natural rubber value chain. Halcyon was one of the 18 founding members. Other founding members who signed on the GPSNR Member Statement included 11 members of the Tire Industry Project (TIP), Ford Motor Company, ITOCHU Corporation, PT Kirana Megatara, SIPEF, The Socfin Group, and Southland Global Pte Ltd. In joining the platform, we demonstrate our commitment to the integration of principles for sustainable natural rubber into our operational activities. HeveaConnect represents our first step towards a sustainable natural rubber supply chain.

Stakeholders including tyre manufacturers, other rubber users, suppliers and processors, vehicle makers and NGOs, contributed to the development of the GPSNR. This included alignment on a wide-reaching set of priorities for the natural rubber supply chain. The GPSNR will work to harmonise standards across 12 principles to improve respect for human rights, prevent land-grabbing and deforestation, protect biodiversity and water resources, improve yields, and increase supply chain transparency and traceability. Some of these principles are reflected in our material ESG factors seen on *page 36*.

Development of the platform was initiated by the CEOs of the World Business Council for Sustainable Development (WBCSD) and TIP in November 2017 and has since been led by a working group of TIP member companies. TIP will financially support the platform during start-up and its first two years of operations while a paying membership base is being established. The GPSNR, headquartered in Singapore with a dedicated secretariat, will maintain its independence. The inaugural GPSNR General Assembly kicked-off operations in March 2019.

Sustainable Natural Rubber Supply Chain Policy (SNRSCP)

In November 2018, Halcyon launched its Sustainable Natural Rubber Supply Chain Policy (SNRSCP) which applies to the Group and other stakeholders with whom Halcyon trades. As the world's leading supplier of natural rubber and the owner of large plantation concessions, we understand our role and obligation to minimise impact on the environment while continuing to meet the growing demand for a raw material vital to modern life. The policy addresses seven principles:

01 Ecosystem protection
To achieve zero-net deforestation and ensure responsible cultivation, harvesting and processing of natural rubber across the value chain

02 Good agricultural practices and yield improvement
To promote effective and safe methods to maximise yields, including providing training, encouraging natural fertilisers and improving environmental conservation practices

03 Working conditions and living environment
To protect the rights of all supply chain stakeholders and create a positive work environment

04 Responsible land acquisition and use
To promote a socially and environmentally responsible value chain and improve the livelihoods and economic viability of local communities, ensuring FPIC methodology and guidelines are applied

05 Traceability
To actively facilitate the development of traceability across the supply chain

06 Ethics and transparency
To prevent corruption across the value chain, practice free and fair competition and develop a transparent grievance mechanism process for all stakeholders

07 Policy implementation and compliance
To ensure corruption-free and transparent implementation and reporting of this policy across the value chain

The Group is committed to adhering to the principles stated in the SNRSCP and providing customers with a premium sustainable product. We will also work closely with our suppliers to ensure they integrate the principles of the SNRSCP within their operational activities. We will send out letters to suppliers to acknowledge and ensure compliance with the principles of the SNRSCP in 2019. To monitor compliance with the policy, Halcyon will commission random audits as and when required.

Biodiversity Protection and Conservation

World Wildlife Fund (WWF) Visit to SudCam Plantation

In the face of allegations from NGOs, Halcyon invited World Wildlife Fund (WWF) to visit our SudCam plantation in Cameroon in August 2018. The visit enabled WWF to gain an understanding of the situation on the ground and provide some guidance to SudCam on how to address environmental and social issues and move towards a sustainable natural rubber plantation practices. This included gathering background information from documentation and discussions with the local communities and SudCam employees.

In summary, the villages reported improved relations with SudCam since it was acquired by Halcyon.

The local communities acknowledged that Halcyon has contributed to local development by implementing drinking water facilities, building rubber training centres, constructing primary schools and a well-resourced hospital as well as fostering greater dialogue. The villages did express dissatisfaction with certain aspects of SudCam's engagement, especially the lack of access to employment within SudCam operations. SudCam continues to provide jobs to riverine communities. Currently, 178 out of the 841 workers of SudCam are from neighbouring villages. In addition, subcontractors employ more than 1,000 workers, of which the majority are from riverine communities. Villagers have access to medical services and are supported in the establishment of small-scale rubber plantations. Halcyon will continue collaborating with local communities and step up its social investments. SudCam anticipates employing approximately 10,000 workers in the coming years. Taking into consideration their families, SudCam would ensure housing and food for about 50,000 inhabitants.

Local communities expressed concern about the limited space left for their farming activities and the collection of forest products and SudCam will work to address this. They absolved SudCam of any direct responsibility in restricting their access to land. Land allocation was determined by the Government of Cameroon and not SudCam/Halcyon and the process was not aligned with FPIC as defined by the UN-REDD Programme. The local communities insisted SudCam should find a solution to the land access issue given that the company is the entity now developing the area.

All three SudCam concessions are former logging concessions. In line with government regulations, a logging company appointed by the government cleared the areas of all economically valuable timber. The remaining trees were cleared by SudCam in preparation for planting rubber trees. SudCam is reviewing the return of 13,000 ha of its south concession to the government as most of the concession is classified as High Conservation Value (HCV) because of its function as an elephant corridor.

The full WWF report is published on our *website* together with the SNRSCP.

Zero-Net Deforestation

Halcyon acknowledges the legacy issues prior to our acquisition of SudCam, particularly regarding access to land, limited space for local farming activities and the slow implementation of a concrete environmental management plan. Halcyon is committed to achieving zero-net deforestation in all its plantations and will implement an integrated landscape management approach in consultation with key environmental and social civil society organisations.

All clearing and felling operations have been ceased, until the Sustainability Council has been formed and oriented to conduct necessary inquiries. Halcyon remains fully committed to the people of Cameroon and will create additional business pathways that enable the development of a local ecosystem of smallholders and outgrower farmers complementary to estates in HeveCam and SudCam.

Halcyon is working on next steps based on the recommendations of WWF and will share updates in the next report.

HEVEA*PRO* and ISO Industry Standards

In 2018, we audited all of our factories across four pillars of Quality Standards, Environmental Health & Safety, Supply Chain Security and Social Responsibility. Social Responsibility was the latest pillar added to the HEVEA*PRO* standards in 2017, increasing the number of total audit points to about 1,000. Three of our factories attained the highest rating of 'Platinum' in 2018 as compared to only one in 2017 after being independently audited by TÜV SÜD.

All our factories possess ISO 9001 certification. In 2018, 19 factories were certified ISO 14001. All of our Indonesian factories except for the recently acquired ones have ISO 14001 certification. We aim to have all factories certified and transited to the ISO 14001: 2015 standards by 2021. Factories exporting products to the U.S. have acquired the Customs-Trade Partnership Against Terrorism (C-TPAT) certification. Our Indonesia factories have also obtained SNI (Indonesian National Standard) certification that ensures safe and quality products are sold to the Indonesian market. We further aim to have all our factories certified to ISO 45001: 2018 by the end of 2021.

Our Four Core Principles

01 Quality Standards

02 Environmental, Health & Safety

03 Social Responsibility

04 Supply Chain Security

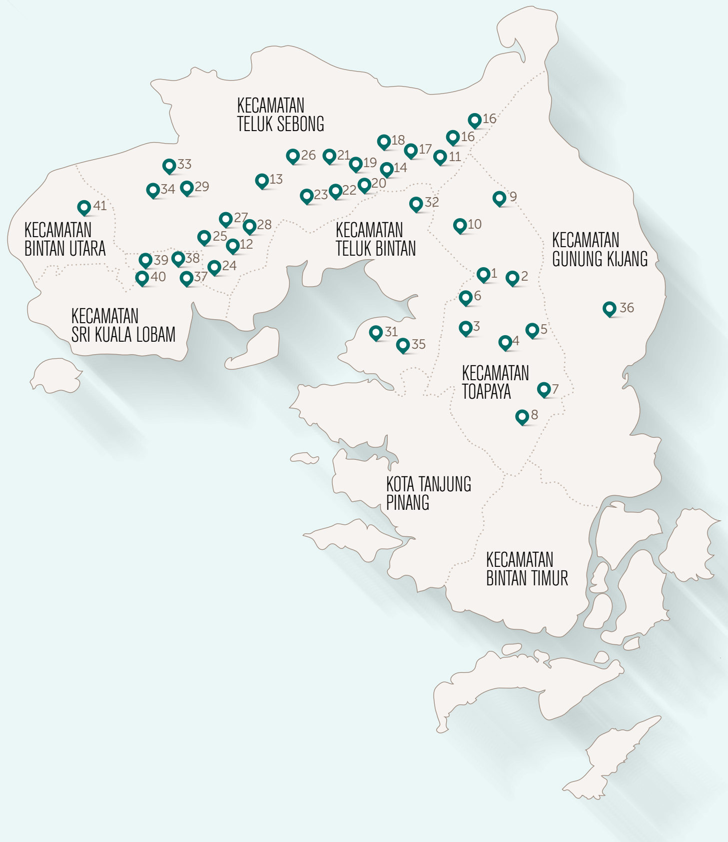
Certifications & Industry Standards

Country	Name of Factory	ISO 9001	ISO 14001	ISO 18001	C-TPAT	HEVEA*PRO* TÜV SÜD Rating
Malaysia	HKB 1 & 2 (Perak)	•	•	•		Platinum
	JJ (Euroma Kedah)	•	•			Platinum
Indonesia	SCM (Hock Lie Rantau Prapat)	•			•	Gold
	SDH (Hock Lie Sunggal)	•			•	Silver
	SCX (Hok Tong I)	•	•		•	Platinum
	SGO (Hok Tong II)	•	•		•	Gold
	SDR (Hevea MK I)	•	•		•	Gold
	SEA (Hevea MK II)	•	•		•	Gold
	SDQ (Remco Palembang)	•			•	Gold
	SCY (Sunan Rubber)	•	•		•	Gold
	SBG (Remco Jambi)	•	•		•	Gold
	SCL (Hok Tong Jambi)	•	•		•	Gold
	KAB (Sumber Djantin Pontianak)	•	•			Silver
	KAZ (Hok Tong Pontianak)	•	•		•	Gold
	KBD (Sumber Alam Pontianak)	•	•			Silver
	KBM (GMG Sentosa Pontianak)	•				Gold
	KBE (Sumber Djantin Sambas)	•	•			Gold
	KBP (Sumber Djantin Sanggau)	•	•			Silver
	KBQ (Bumi Jaya Tanjung)	•	•			Gold
	SAR (Pulau Bintan Djaya)	•				Silver
China	BX1B (Jinghong)	•	•	•		Gold
	AX (Hainan)	•	•			Gold
	CX (Hainan)	•	•			Gold
Africa	TRCI (Ivory Coast)	•				Gold
	ITCA (Ivory Coast)	•			•	Gold
	HeveCam (Cameroon)	•				Gold
Thailand	TBH H8S (Surathani)	•	•	•		Gold
	TBH H2Y (Yala)	•				Gold
	TBH H6N (Narathiwat)	•				Gold

HEVEA*PRO* TÜV SÜD Rating: SILVER GOLD PLATINUM

CASE STUDY
Traceability Projects

Bintan Islands, Indonesia



Traceability of our natural rubber supply chain is a key principle of our sustainability policy and a material ESG factor. In June 2018 we partnered CropIn, a digital agriculture solutions provider, to conduct traceability studies in Bintan Islands. Using the digital application created by CropIn, we interviewed smallholder rubber farmers with the help of the local government using smartphones. Through the exercise, we identified 60 farmer groups comprising a total of 1,038 smallholder farmers. Only 40 farmer groups comprising of about 300 farmers remain actively involved in the natural rubber trade while the rest tap rubber periodically. The mapping of active farmers group in various regions of Bintan Islands can be seen in the map.

GPS coordinates were obtained for about 95% of farmer groups. Difficulties were faced in gathering information on land size, type of clones planted, average yields, farmer access to electricity and financial services. Farmers were also suspicious and apprehensive as to why interviews were being conducted without incentives being provided. They were also instructed by their agents and dealers not to disclose information. Collecting massive amounts of data through the application was a laborious and tedious process. As such, we were not able to obtain sufficient data sets to conduct a feasibility study on traceability. The traceability exercise concluded in November 2018.

While we managed to identify our sources of natural rubber in Bintan Islands, the pilot study highlights the challenges faced in tracing our natural rubber supply chain. Low rubber prices, convoluted supply chains, resistence by incumbents and the lack of technological infrastructure and incentives pose a major hindrance to data collection. The next step for Halcyon would be to scale up its traceability efforts by initiating such studies in Palembang, Pontianak and Jambi. For the next study, we will seek assistance from local NGOs who have on-the-ground expertise in dealing with local communities to secure buy-in. We hope a partnership with an NGO knowledgeable of local rubber communities in Palembang, Pontianak and Jambi will help us to overcome the challenges we faced in the pilot.

RUBBERWAY

Year	Factories	Intermediaries	Smallholders
2017	6	313	197
2018	8	348	334

In 2018, we extended Michelin's RUBBERWAY programme in Indonesia on risk mapping of the natural rubber supply chain to two additional factories; SCM (Hock Lie Rantau Prapat) and SAR (Pulau Bintan Djaya). In doing so, we have almost doubled our outreach to smallholder farmers from 197 to 334. As smallholders account for up to 80% of total natural rubber production, we plan to develop a detailed roadmap with Michelin to scale up the outreach to smallholder farmers. This will be shared in our 2019 report. Reaching out to smallholders directly has been a key issue the natural rubber industry is grappling with and we believe that the formation of the Global Platform for GPSNR will provide solutions to address the needs for the smallholder farmers. Our pilot traceability study in Bintan Islands highlights the problems faced in reaching out to smallholder farmers.

Continental and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

In 2017, we signed a memorandum of understanding (MOU) with Continental and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to pilot a traceability system to increase the traceable production of rubber in West Kalimantan over the next three years. In total, 400 farmers will be trained to grow high-quality rubber by clearly defined sustainability criteria. Continental has secured a vendor to develop an IT traceability system to ensure full traceability of raw material from source to factory gate.

Prior to signing the MOU, GIZ had conducted a baseline household income study with 200 families on agroforestry systems in the Kapuas Hulu district in July 2017. As of mid-2018, around 150 farmers have been registered for this project. GIZ is working to bring in more participants and progress has been slow due to various reasons, particularly weak rubber prices. GIZ has secured a warehouse for collecting raw material within Mentabah village in the Kapuas Hulu District. Farmers will be paid factory gate price at the warehouse and payments will be made through bank transfers. The warehouse will be opened for most days during the week and IT personnel will be stationed there to collate and enter traceability data into the IT system. The raw material will then be transported to Halcyon's processing facility, KAZ (Hok Tong Pontianak). The traced rubber will be segregated at KAZ and used to fulfil Continental's orders.

A training manual has been developed by GIZ on implementation of good agricultural practices, management and social and environmental standards. Overarching themes include:

- Farm economics
- Soil fertility management, location selection, species selection, crop protection, tapping, post-harvest treatment and quality management
- Land rights, registration, conflict resolution, local financing opportunities, child labour and formation of farmers' associations
- Scope for income diversification and simple book-keeping

DEVELOPING HUMAN CAPITAL

At Halcyon Agri, we believe in good management and equal opportunity for all. We recognise all contributions from our employees and that we must work together to make the company a viable, healthy and profitable organisation. We understand that no business or company is free from day-to-day problems and hence, we have policies in place to guide us and we share best practices to help resolve issues.

Mission Statement

- To provide a pleasant, nurturing and growth-oriented environment, which encourages our employees to be highly productive and to grow personally and professionally
- To develop diversified markets, which provide stability and adequate financial returns allowing us to achieve our vision and to provide full opportunities for all employees
- To sustain our vision and mission by constantly seeking renewal via continuous education and learning, and the application of new technologies and skills
- To support our customers by providing superior products of exceptional value, which help them gain a competitive advantage in their markets
- To operate with integrity and clear business conscience, and to achieve perfect health, safety and environmental records
- To develop a world-class group of companies serving the rubber industry

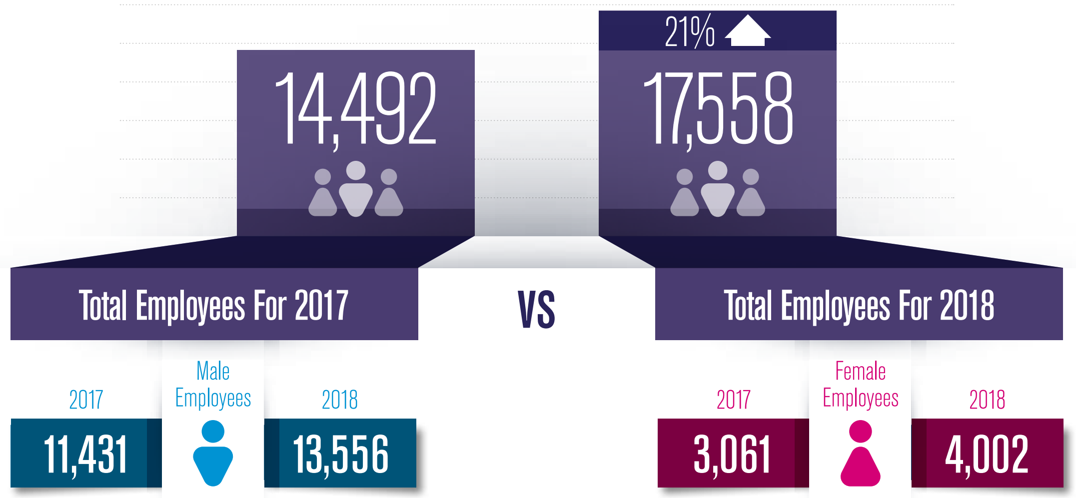
Halcyon Agri Values

Our values direct how we behave and our approach to achieving our goals:

PERFORMANCE | RESPONSIBILITY | QUALITY | INTERGRITY

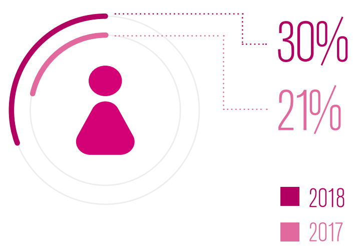
Employee Demographics

We expanded our presence in the rubber industry as we absorb employees from the Corrie MacColl Group as well as employees under the five Indonesian factories acquired in 2018. Our staff strength grew by 21% for total full-time employees.



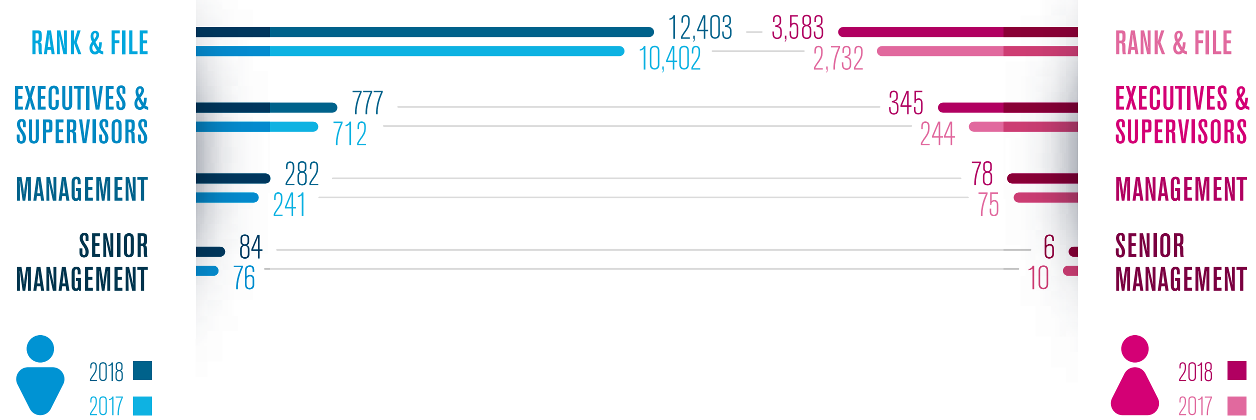
The natural rubber business is a seasonal industry where it is fairly common to have contract workers and part-time employees which may not be advantageous to the individual employees as well as to us. Female workers are also always in smaller numbers than male workers due to the nature of the industry. However, as part of our diversity model in 2018, we increased the total number of female employees across most categories.

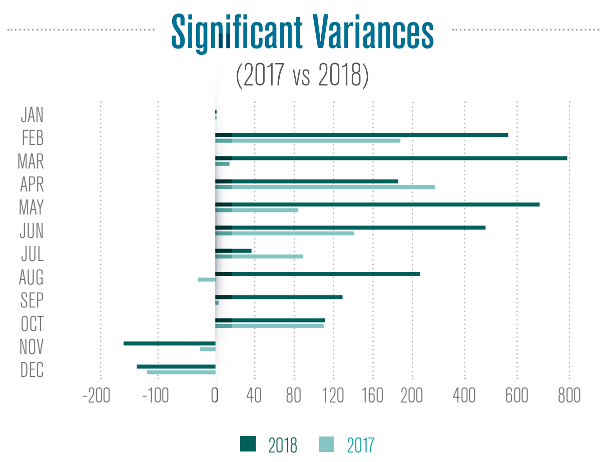
Growth in Number of Female Employees

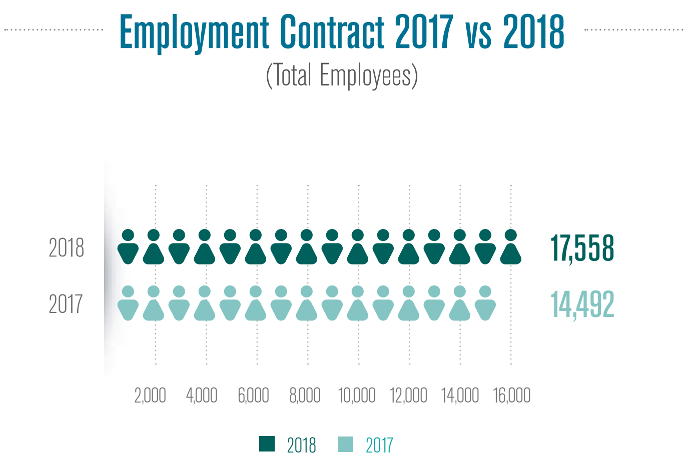


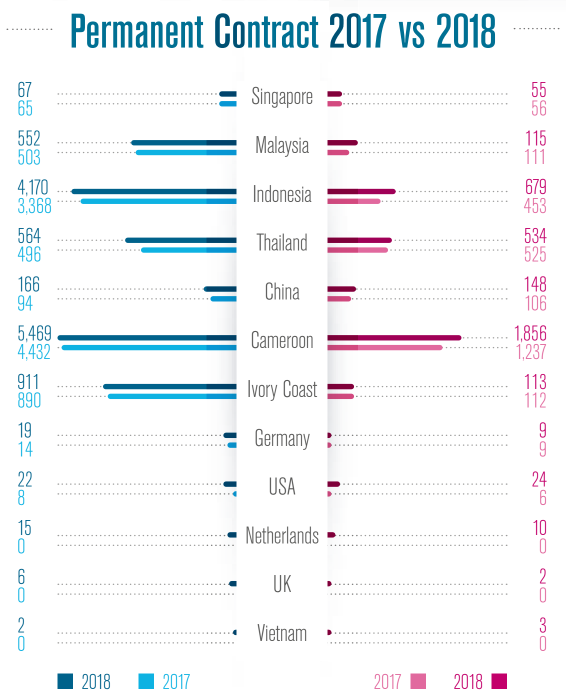
2018 New Hire

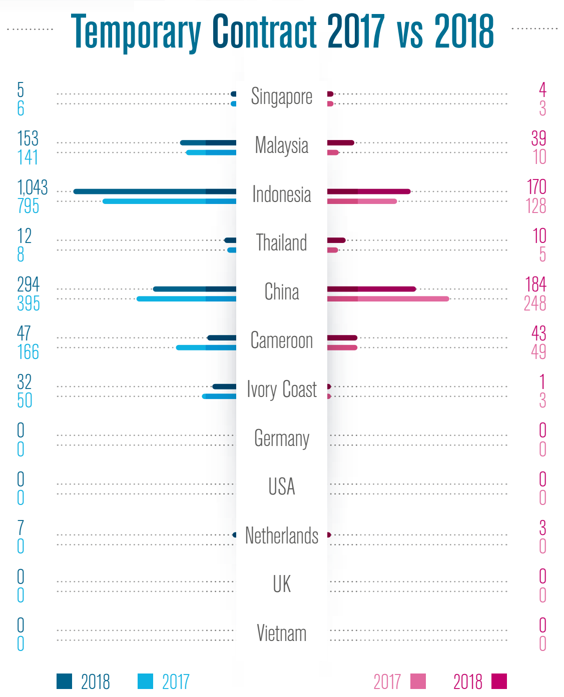
Total New Hire Male	Total New Hire Male & Female	Total New Hire Female
2,669	3,895	1,226
Total Male Turnover Details	**Total Male & Female Turnover Details**	**Total Female Turnover Details**
1,490	2,035	545

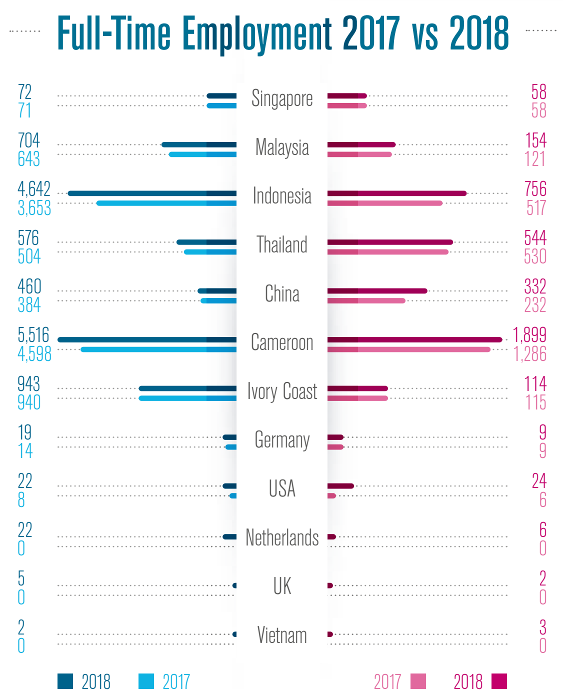


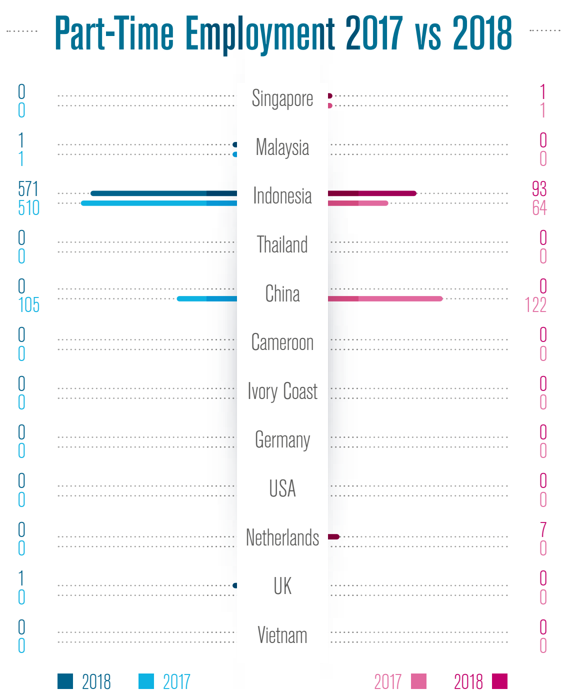












Occupational Health and Safety

We recognise that effective Occupational, Health & Safety (OHS) Management is critical to the success of our business. With a large global workforce, we have a responsibility in protecting the health, wellbeing and safety of our employees. We are committed to operate our business in an environmentally-sound manner and to provide a safe and healthy workplace for all employees, suppliers, contractors and visitors.

We made the following commitments:

- Incorporate OHS requirements into our business management decisions
- Continually improve our OHS performance through setting objectives and regularly monitor them
- Hold managers and supervisors accountable for the OHS performance of their facilities and departments
- Provide appropriate resources and training

Each subsidiary's Management is responsible for having an OHS management system in place to achieve the Group's overall objectives, namely:

- Comply with relevant legal, industry standards and Group corporate requirements
- Administer all significant OHS risks through continual improvement in the working environment effective and operational procedures, safe systems and methods of work
- Lead a positive organisation culture in which employees value good OHS practices as a way of life

All employees are responsible and accountable for achieving the Group's objectives and are encouraged to participate in and contribute to the company OHS management efforts. Our factories have a formal joint management-worker OHS committee.

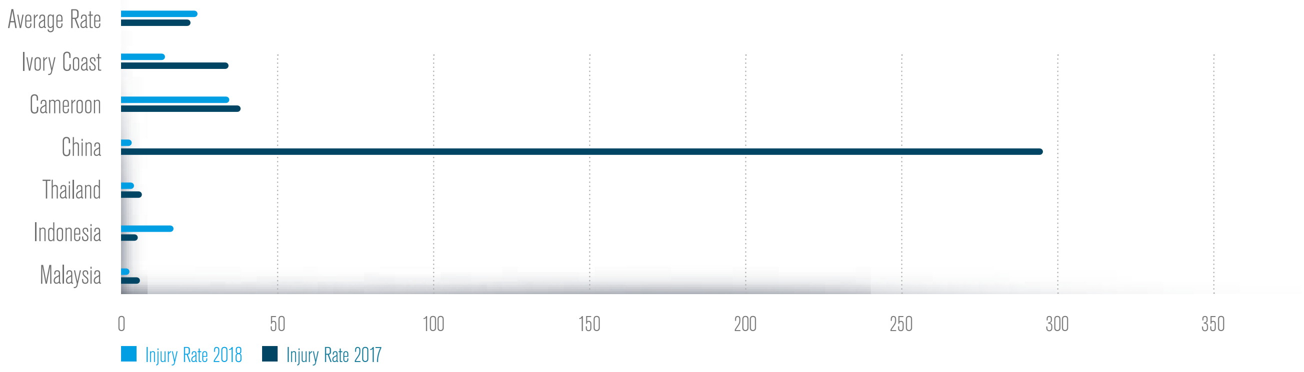
Injury Rate

In 2018, our workers spent a total of 30,600,551 hours in our factory and plantation operations. Though our overall injury rate increased slightly in 2018 (24) compared to 2017 (22), we saw reductions in injury rates across all the countries where we have factory and plantation operations, except for Indonesia. This spike in number for Indonesia can be attributed to our newly acquired factories in early 2018, which have yet to undergo a full year cycle of our HEVEA*PRO* standards.

Our overall injury lost day rate improved significantly in 2018 (65 in 2018 compared to 115 in 2017). The severity of injuries has also reduced resulting in fewer lost-workdays. The improvement is a testament to the HEVEA*PRO* standards adopted over the last two years to manage environmental, health and safety aspects in our operations. Moving forward we hope to reduce our overall injury lost day rate to below 50 and our injury rate to below 20.

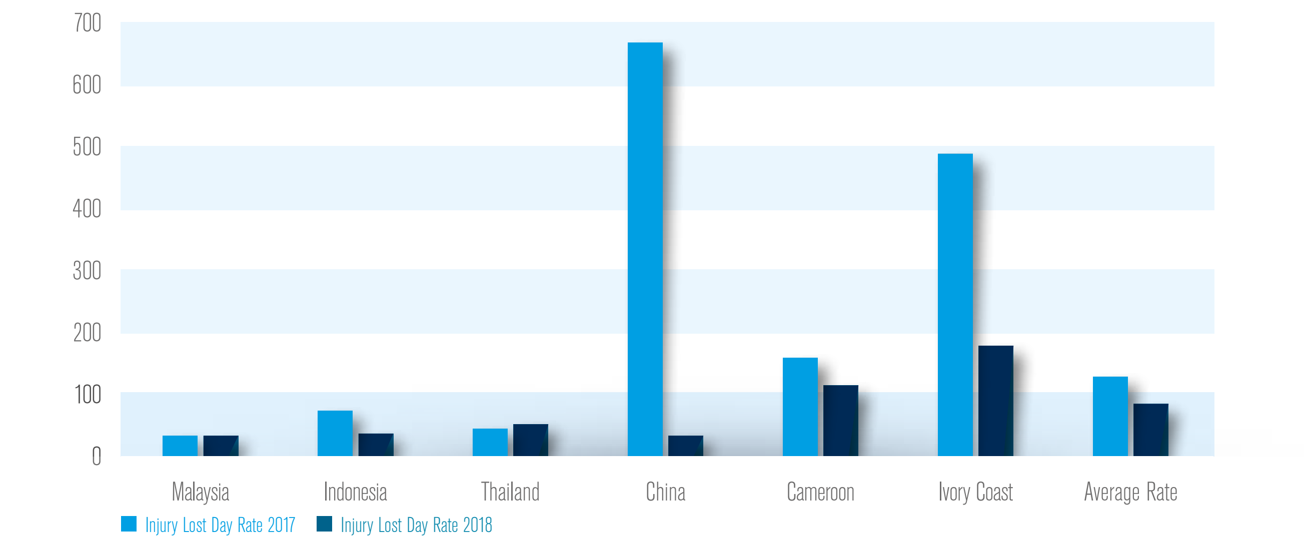
In 2018, we attempted to monitor our absenteeism rates across all our plantation and factory operations. However, we had trouble in collecting accurate data. We are fine-tuning this process to ensure that we have data to report on for 2019. 2018 also resulted in zero workplace fatalities across all of Halcyon's factory and plantation operations.

Injury Rate For Plantation And Factory Operation



Injury Rate = (Number of new cases of occupational injury X 1,000,000) / Total hours worked during a specific period

Injury Lost Day Rate For Plantation And Factory Operation



Injury Lost Day Rate = (Number of days lost as a result of new cases of occupational injury X 1,000,000) / Total hours worked during a specific period

Workplace Fatalities

2016 Performance	2017 Performance	2018 Performance	Target for FY2019
5 fatalities	2 fatalities	0 fatalities	0 fatalities

Action Plan

- Increased training on Occupational Health & Safety and increased awareness creation
- Improve and enhance HEVEA*PRO* Environmental Health & Safety standards

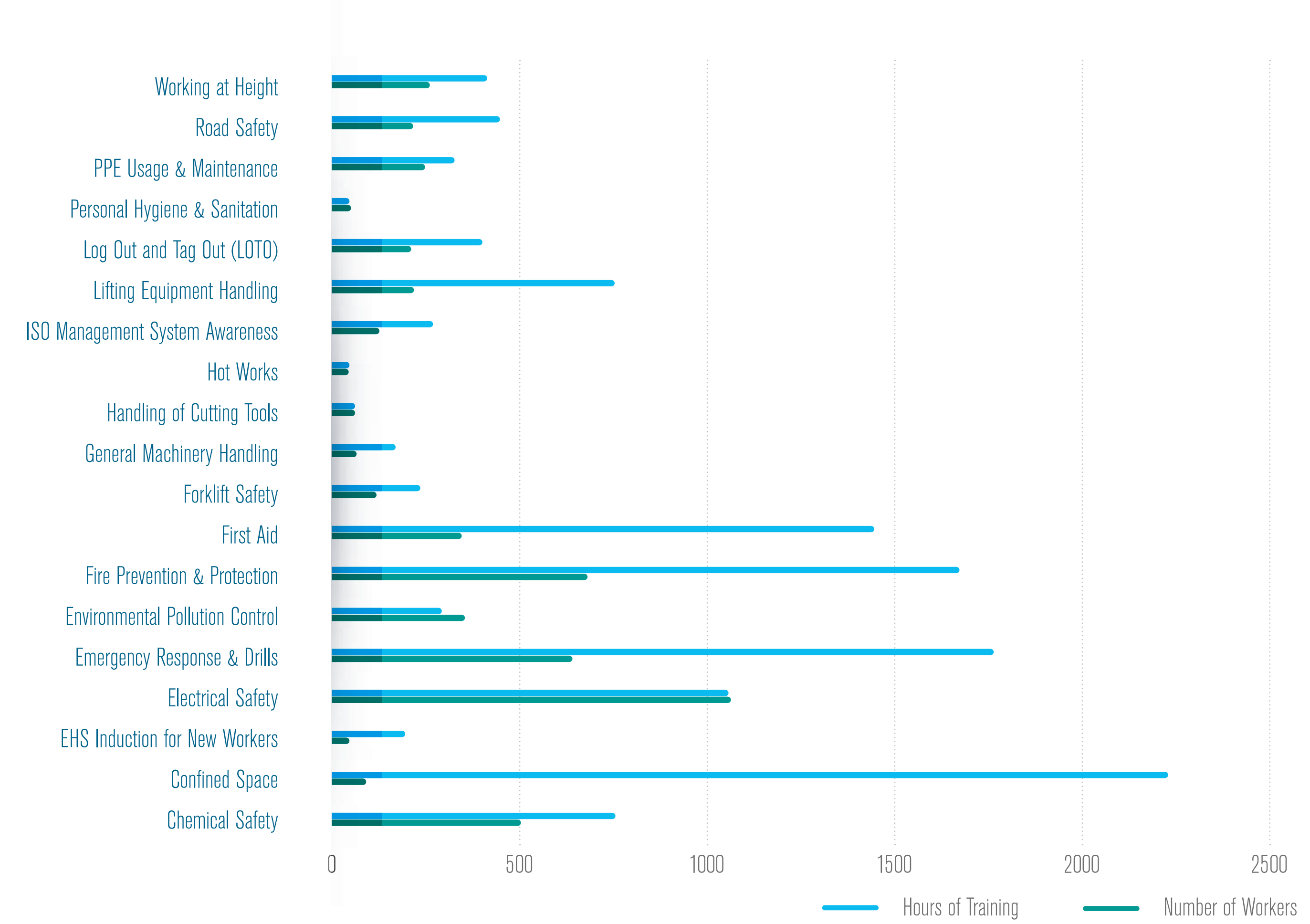
Career Development and Training

In 2018, we proactively started to monitor training hours across our factory and plantation operations globally through an online data centre. Training was conducted on chemical safety, confined space work, electrical safety, induction for new workers, emergency response & drills, environmental protection control, fire prevention & protection, first aid, working at height, road safety, personal protective equipment (PPE) usage & maintenance, personal hygiene & sanitation, log out & tag out (LOTO), hot works, forklift safety, lifting equipment handling, handling of cutting tools, general machinery handling and ISO management system awareness.

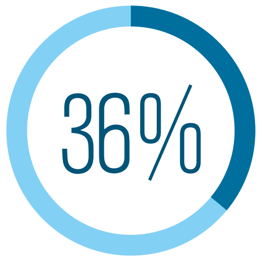
Training was conducted both in-house and by external parties. Our plantation operations in HeveCam focused on confined workspace due to the high-risk nature of work in latex storage and collection tanks. Fire poses a risk to our business and hence significant training hours were dedicated to emergency response & drills and fire prevention & protection. Most of our workers were also trained in basic first aid.

In 2018, a total of 4,891 workers were trained for 12,183 hours on environmental and occupational health & safety issues. This works out to about an average of 2.5 hours of training per worker. Insights from these statistics will enable us to formulate effective policies and practices to ensure a safe and productive workplace for our employees. We will continue to collate these statistics year-on-year to benchmark them to identify correlations and patterns in relation to workplace incidents.

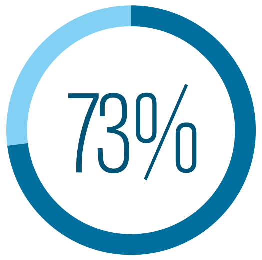
2018 Global OHS Training Records



CARING FOR THE ENVIRONMENT



Non-Hazardous Waste Recycling Rate



Rubber Processing Sludge Reused

Water Recycling Rate

Waste, Effluent and Chemical Management

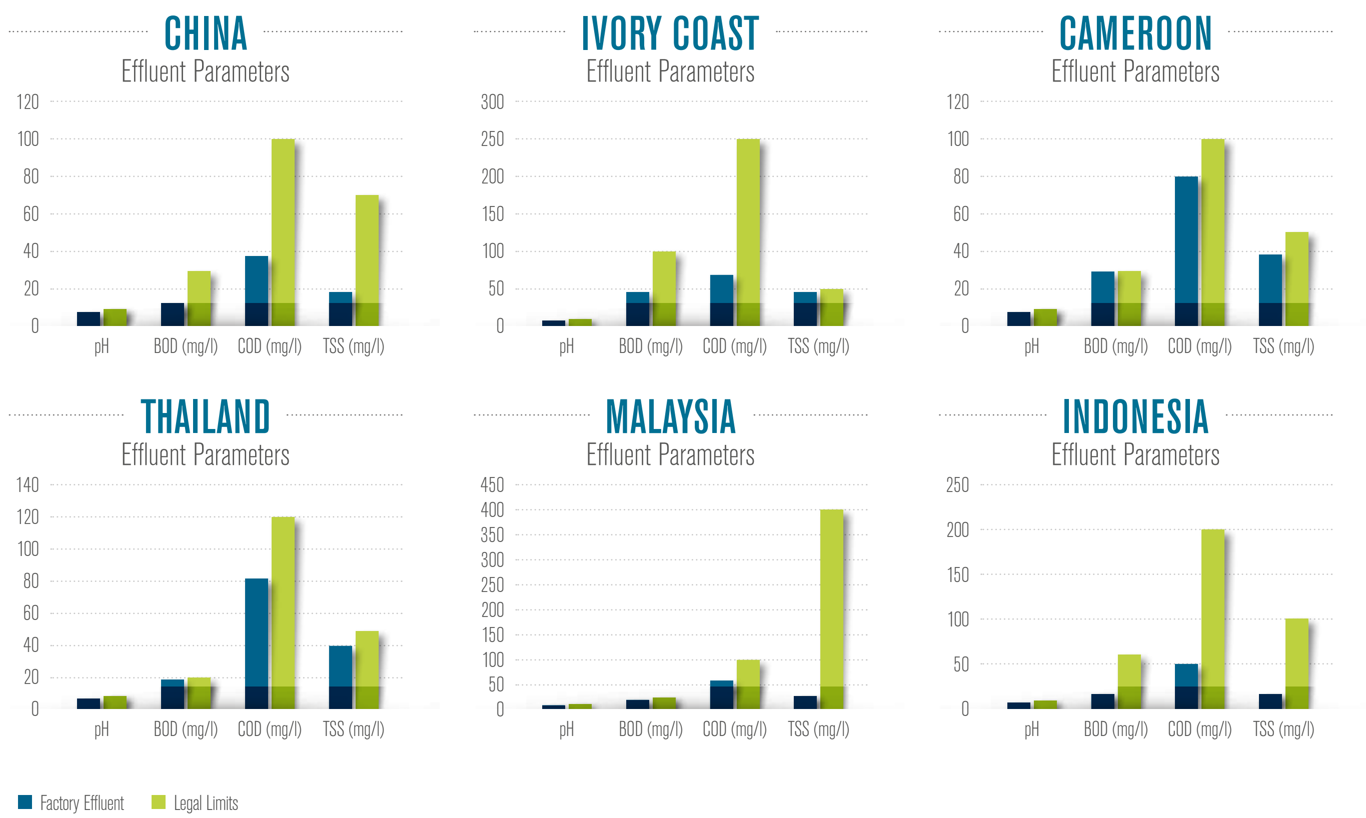
Rubber processing generates large volumes of waste. These include scrap rubber, pallets, rags, packaging material, used chemicals, oil and grease. We are committed to reducing waste in our operations by recycling and reintegrating waste into our production process. Waste chemicals are collected by licensed hazardous waste collectors and scrap rubber is reprocessed in our factories. Plastic is a material component of our packaging needs and we intend to track our plastic use moving forward to actively reduce the amount. In 2018, we achieved a 36% recycling rate of our non-hazardous waste across our factory and plantation operations. We aim to achieve a 5-10% increase in waste recycling rates by the next reporting cycle.

Wastewater is treated in our water treatment facilities in our factories. Aerobic, anaerobic and microbial activated sludge processes are utilised to treat our wastewater to meet regulatory effluent parameters before it is recycled or discharged into water bodies. All our factories are subject to inspections from regulatory authorities periodically to ensure compliance.

The treatment of wastewater generates significant volumes of sludge. Due to the low calorific value of the sludge, we are unable to use it as biofuel, an option we had explored. The sludge is recycled as fertilisers and distribution to our factory workers and local communities for their farming activities. In 2018, we reused about 73% of sludge generated from the wastewater treatment process. Moving forward, we target to reuse 100% of all the sludge generated.

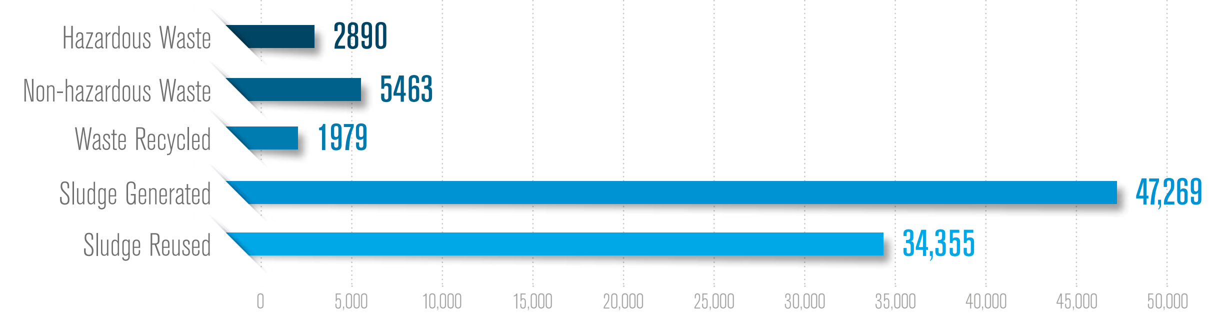
Wastewater contains higher concentrations of biological matter and suspended solids. Our rubber factories are located near rivers and other water sources into which industrial wastewater is discharged. If effluence is not sufficiently treated, this poses a threat to natural ecosystems and to the communities who live around water bodies and use it for their daily needs. The output is monitored daily for the following parameters: Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), pH and Total Suspended Solids (TSS).

Moving forward we target to have improved effluent quality of at least 5% below legal limits for BOD, COD & TSS parameters across all the geographies we operate. We intend to achieve this by reviewing our wastewater treatment system processes to enhance their treatment efficiency. We also plan to reduce contamination of raw material at source by improving our contamination picking procedures that would result in better effluent quality.

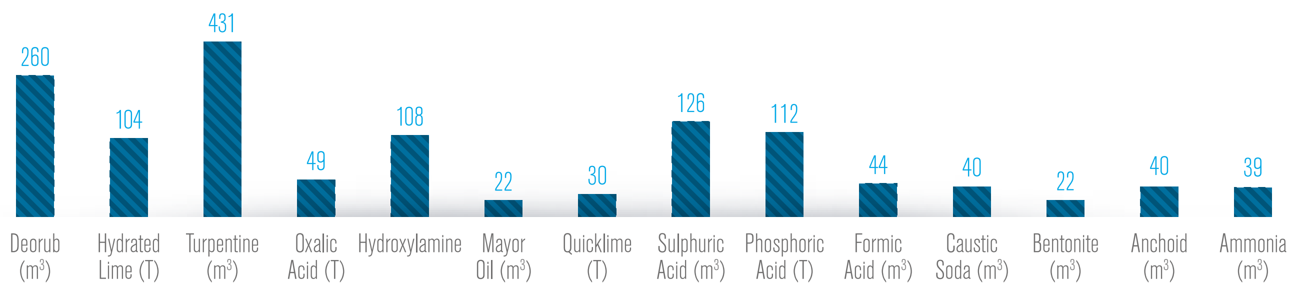


Chemicals are required in rubber processing and latex storage. Chemicals provide the required specifications of our customers for the finished products. Chemicals play a crucial role in altering the natural polymer structure of our raw materials. They affect the properties of the final products such as plasticity, nitrogen, dirt & ash content and plasticity retention index (PRI). Key chemicals used include Deorub, turpentine, oxalic acid, sulphuric acid, phosphoric acid and hydrated lime. In 2018, we monitored the use of key chemicals used as they have a direct correlation to the amount of hazardous waste generated in our operations. We aim to reduce chemical use as much as possible without compromising the quality and durability of our finished products.

2018 Global Factory Waste Generation & Reuse (tonne)



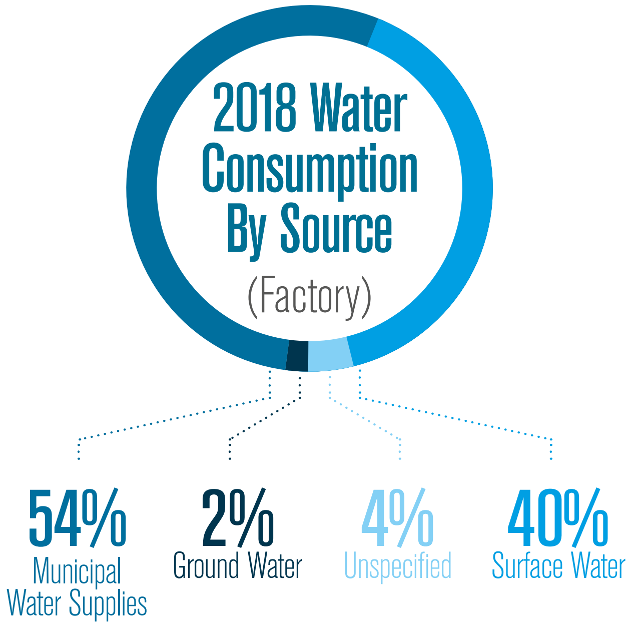
Amount Of Chemical Used In Factory Processing Operations 2018 (m^3)

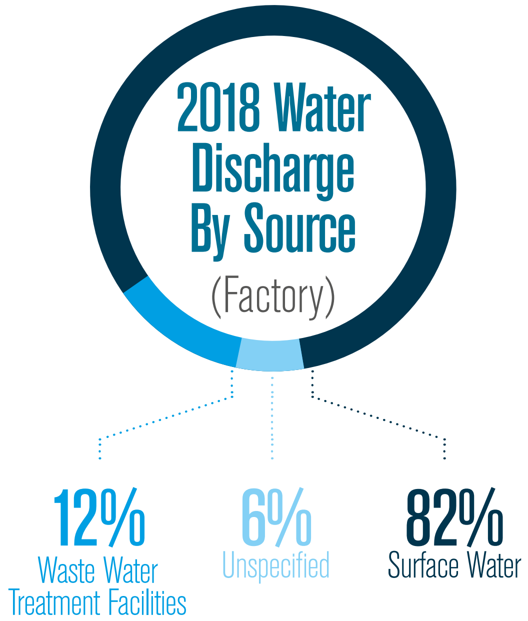


Water Consumption and Management

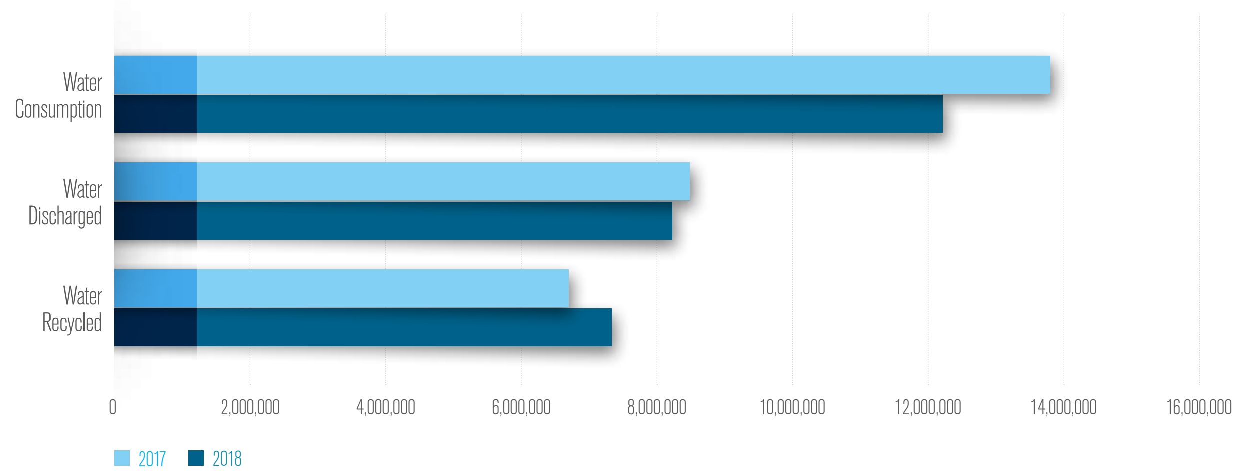
Water is a crucial component of rubber processing. Significant volumes of water are required to clean rubber before it is processed. With climate change intensifying, it is crucial for Halcyon to manage its water risk and resources. Most of our factories are located in areas of high concentration of communities. It is essential that we conduct our business responsibly and are mindful of stakeholders who depend on water bodies and basins for their livelihoods. We actively monitor water consumption in our factory operations during each shift.

To minimise the withdrawal of fresh water from local utilities and water bodies (rivers), we also recycle water back to our factory operations after treatment where possible. The respective EHS officers and factory managers are responsible for managing the effluent discharge from our factories. Our factories are subject to regular inspections by local regulatory authorities. Through our HEVEA*PRO* standards, better sensitisation of factory workers on sustainable water management and efficient wastewater treatment facilities, we had improved our water recycling rate from 49.5% in 2017 to 59.5% in 2018. We target to increase by another 5% in our water recycling rate for the year 2019.





2017 vs 2018 Water Management (m^3)



With climate change exacerbating, it is essential that we manage our exposure to water risk in our operations. In 2018, we started mapping and identifying our site-specific water risk for all our factory operations. We commenced this exercise using the World Resources Institute (WRI) Aqueduct Water Risk Atlas tool. The overall water risk of each site was determined by considering the physical risk quantity & quality and the regulatory & reputational risk. Factories close to water basins such as the Mekong (China), Batang Hari (Indonesia) and Sungai Kapuas (Indonesia) were identified through the exercise.

Most of our factory operations are situated in areas of low-medium water risk. Our factories in China being located close to the Mekong water basin pose medium-high water risk. Some of our Indonesian factories in Medan and South Kalimantan pose medium-high water risk together with our Thailand factory in Narathiwat. Moving forward in 2019, we will extend our water risk mapping exercise to cover our plantation operations too. We will also focus on derisking factories with medium-high water risk by working with NGO partners. We intend to identify and engage key stakeholders that surround water bodies and basins where we source water for factory use. We will also benchmark water use with other relevant industries, map out available water resources and develop mitigation plans for episodes of water shortage due to droughts.

Rubber Processing Water Risk Map

Factory	Country	Overall Water Risk	Physical Risk Quality	Physical Risk Quantity	Regulatory & Reputational Risk
HeveCam	Cameroon	Low to medium risk (1-2)	Low risk (0-1)	Low risk (0-1)	High risk (3-4)
ITCA/TRCI	Ivory Coast	Low to medium risk (1-2)	Low risk (0-1)	Low risk (0-1)	High risk (3-4)
AX/CX	China	Medium to high risk (2-3)	Medium to high risk (2-3)	Medium to high risk (2-3)	Medium to high risk (2-3)
BX/MT/MM/ML/MR	China	Medium to high risk (2-3)	Low to medium risk (1-2)	Low to medium risk (1-2)	Medium to high risk (2-3)
SGB/SCL/SDR/ SEA/SCX/SGO/ SDQ/SCY/KBP	Indonesia	Low to medium risk (1-2)	Low risk (0-1)	Low risk (0-1)	High risk (3-4)
SCM/SAR/KAZ/KBM/ KBD/KBE/KAB	Indonesia	Low to medium risk (1-2)	Low to medium risk (1-2)	Low risk (0-1)	High risk (3-4)
SDH	Indonesia	Medium to high risk (2-3)	Medium to high risk (2-3)	Low to medium risk (1-2)	High risk (3-4)
KBQ	Indonesia	Medium to high risk (2-3)	Low risk (0-1)	Low to medium risk (1-2)	High risk (3-4)
JJ/HL	Malaysia	Low to medium risk (1-2)	Low risk (0-1)	Low to medium risk (1-2)	Low risk (0-1)
H6	Thailand	Medium to high risk (2-3)	Low to medium risk (1-2)	Medium to high risk (2-3)	Low to medium risk (1-2)
H7/H1/H2/H8	Thailand	Low to medium risk (1-2)	Low risk (0-1)	Low to medium risk (1-2)	Low to medium risk (1-2)

Energy Consumption and Management

Natural rubber processing is highly energy intensive. For our long-term business continuity, we need to secure reliable energy sources. Consequently, we are concerned about our energy emissions as well as the potential climate change risks to our operations and our communities. Our factory operations currently use energy from the grid. As for our dryers, energy comes from a variety of sources such as coal, diesel and natural gas. We are taking active steps to manage our energy use better and minimise greenhouse gas emissions.

Total Energy Consumption
(2017 vs 2018)

	Electricity (MWh)	Biomass (T)	Gas (MMBTU)	Diesel (m3)	Coal (T)
2017	173,395	4,911	575,613	6,026	1,380
2018	158,990	13,480	534,201	6,357	901

For example, we adopted statistical process control (SPC) to closely monitor the temperatures inside our dryers to ensure optimal heat use. We conduct dryer energy use benchmarking across all factories as one of our four key processing metrics for each work shift. The other key processing metrics are factory electricity use and manning efficiency. Some of the factories use crushed palm kernels as an energy source for the dryers.

In 2018, we initiated a group-wide carbon emission reporting exercise for all factory operations in line with Greenhouse Gas Protocol and Intergovernmental Panel on Climate Change (IPCC) 5th Assessment Report. We monitored our Scope 1 & 2 emissions for our latex and natural rubber production operations only. Scope 1 emissions (direct emissions) accounted for 26% of total emissions while Scope 2 (purchased electricity) accounted for 74% of total emissions. Our Scope 1 and 2 emissions intensity were 0.06 tCO2e and 0.17 tCO2e per tonne of natural rubber respectively.

Natural gas (61%) and diesel (34%) were the two main types of fuels that contributed to most of our Scope 1 emissions. Within the next 2-3 years, we hope to phase out the use of coal (4%) in our production processes. We also intend to increase the use of palm kernel in our fuel mix to at least 5% within the next 2-3 years to decarbonise our energy portfolio. We are also actively exploring options to utilise renewable energy (solar) in our operations. 2018 is our base year for any direct initiatives undertaken to reduce our Scope 1 and 2 emissions in the future.

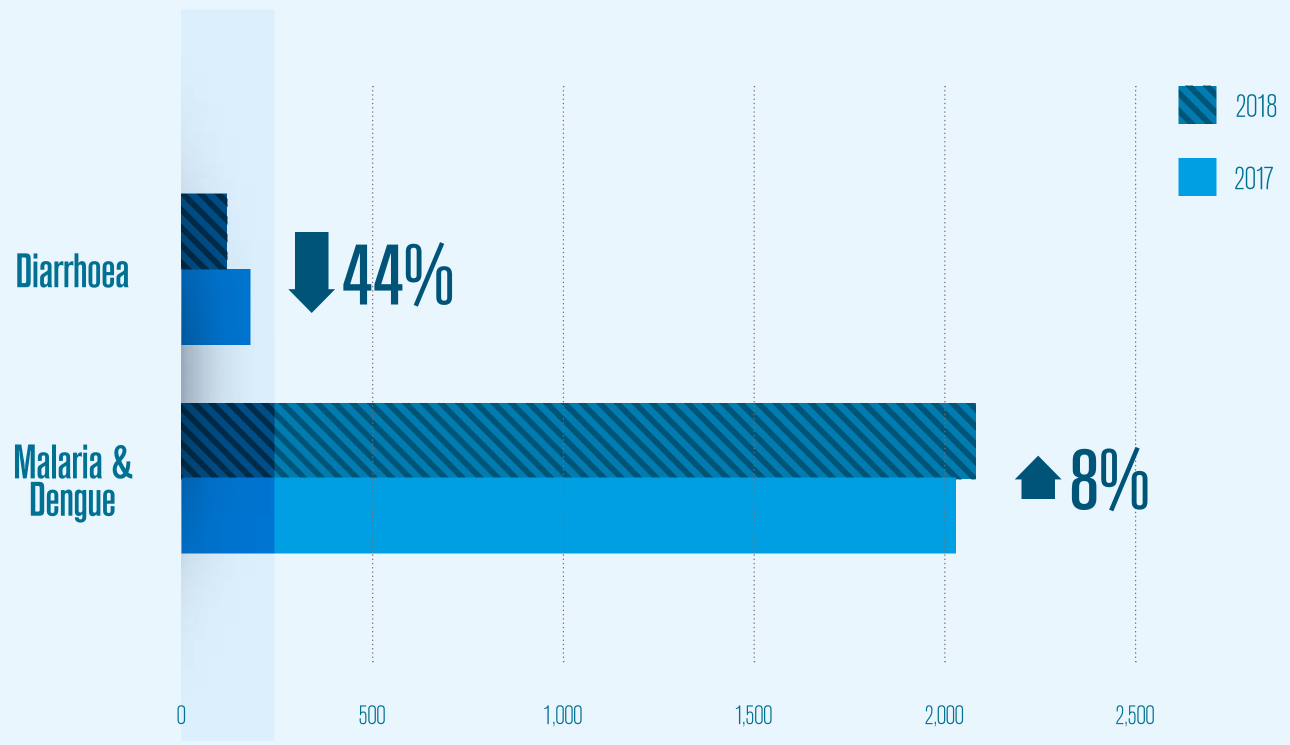
CASE STUDY

LifeStraw Community Water Filters in HeveCam

In 2018, we collaborated with Vestergaard to install 10 LifeStraw Community water filters for the communities in our HeveCam plantation. With a high microfiltration capacity that removes odour, turbidity, bacteria, viruses and protozoa, the filters were placed in selected hospitals, schools and villages. Members of the community were sensitised on the use of the water filters. We monitored the incidences of vector-borne water diseases such as dengue and malaria as well as incidences of diarrhoea.

We have found that the incidents of diarrhoea had reduced by 44% with the installation of the filters. To tackle the onset of dengue and malaria which increased by 8%. In 2018, we increased the frequency of our education programmes on better Water Sanitation & Hygiene (WASH) practices. We also scaled up immunisation, distributed more mosquito nets and eradicated sources of high mosquito breeding potential. Our goal is to reduce the incidences of dengue and malaria in HeveCam by 30% within the next two years.

HeveCam Disease Incident Rates 2018

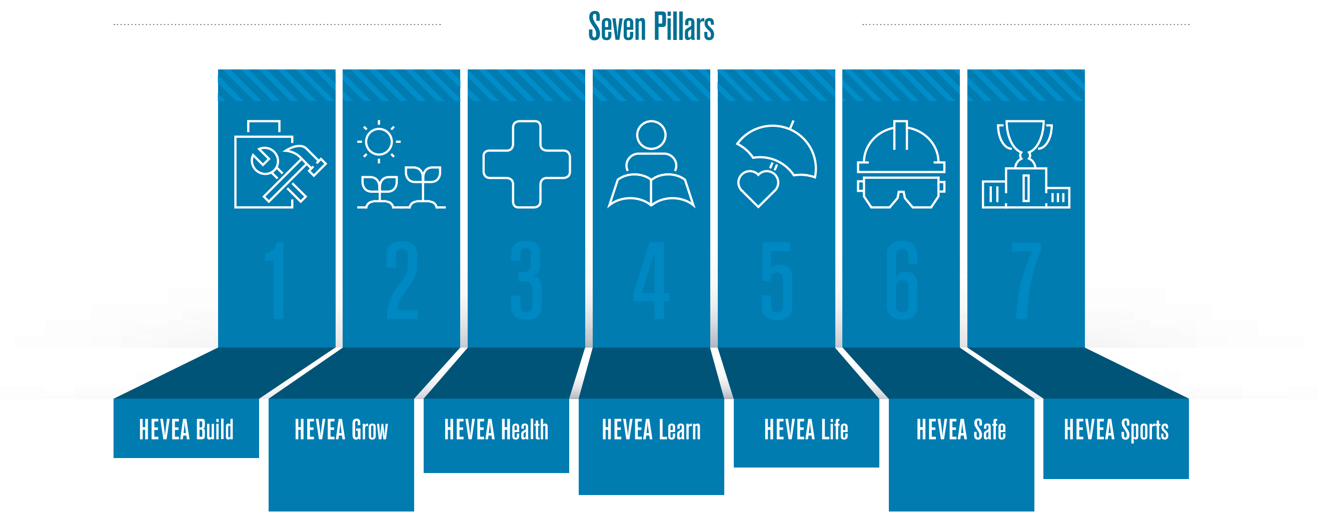


COMMUNITY INVESTMENT AND EMPOWERMENT

As a large employer with operations close to communities and villages, we roll out many activities which involve monetary investment as well as community hours to support these activities. One of our material ESG factors, our community activities and investment are aligned with seven pillars and listed below are some examples of our CSR activities.

- **Build:** Infrastructure projects such as repairing roads, street lamps, roofs of mosques and schools, gutters and water supply facilities
- **Grow:** Workshops on nursery management and effective use of fertilisers for smallholders
- **Health:** Free health screening and donation drive for specific medical needs. Workshops on control of mosquito-borne diseases. Boring of water wells
- **Learn:** Sponsorship programme with special education schools. Scholarship assistance for needy students and salary support for teachers at selected schools
- **Life:** Blood donation drives and provision of food aid for needy families and orphanages
- **Safe:** Workshops at schools to educate students and staff on safety management and fire hazards. Workshops on pest control methods
- **Sports:** Joint activities with communities. Sports activities and training for the disabled

Our newsletter Halcyon Days share some of these activities and can be accessed via our *website*.



Partnership with BSF Asia on Sports for the Disabled

Our 2018/2019 Corporate Social Responsibility programme is focussed on sports for the disabled. Within our communities and towns where we have operations, our Halcyon Global Village, we know there are young adults with disabilities, and we believe that sports can help them build better coordination and foster a sense of camaraderie amongst everyone involved, from participants to volunteers to coaches. In 2018, we started to work with BSF Asia, a non-profit based in Indonesia that focuses on sports for the disabled. BSF Asia has been developing sports for the disabled activities since 2009, first in Bali, Indonesia and now in other ASEAN countries such as Vietnam, Timor-Leste and Cambodia. BSF's coaches are all volunteers and include Paralympian and Special Olympics winners.

Together with BSF Asia, our goal is to reach out to people with disabilities within our communities and encourage them to participate in the appropriate sports. We will hold out reach programmes and work with the local NGOs and government associations in each country to reach out to the disabled community across South East Asia. BSF Asia will then work with each participant to identify the type of sports suitable for the individual and help develop the skills needed for the sports.

Our first outreach was in October 2018 in Ipoh. We did another event in February this year and recruited more than 50 participants in Ipoh. Halcyon Agri was the title sponsor for the 2018 International Wheelchair Rugby Tournament in Singapore and will continue to be the title sponsor in 2019.

2nd Singapore 4s International Wheelchair Rugby Tournament

Our corporate CSR day at our Singapore headquarters was spent volunteering at the 2nd Singapore 4s International Wheelchair Rugby tournament where Halcyon was the title sponsor. The event, organised by BSF Asia, was held at the Canadian International School from 17th to 21st October 2018. We watched as teams from Singapore, Malaysia, Indonesia and the U.S. played against each other rounding off with Indonesia vs Malaysia in the finals.

Indonesia won the game 45-41. Our volunteers and supporters came from various departments including Human Resources, Information Technology, Sales, Finance, Treasury, Risk, Legal and Strategy & Marketing. Wheelchair Rugby is recognised by the Singapore Disability Sports Council, practised in over 25 countries around the world, and is recognised as a summer Paralympic Sport.

Launch of Para-sports Program in Ipoh, Malaysia

In September 2018, we launched our para-sports program in our Hevea KB processing facility in partnership with BSF Asia. The event was attended by over 100 participants from NGOs, government officials, customers, local charity groups and included our colleagues from Singapore, Malaysia and Indonesia. Through the program, we aim to provide a safe and supportive sports environment where disabled youths are treated with dignity, respect and reintegrated back into society. The program provides youth with opportunities to develop new skills, form friendships with like-minded individuals, enhance their social networks, obtain a high level of professional training, improve their wellbeing and enrich their lives through sports.

Type of para-sports include wheelchair basketball, boccia, blind soccer, volleyball and archery. Persatuan Hock Kean Perak has graciously allowed us to use their school, SJK @ Poi Lam, Ipoh as a training facility. The newly built school has disability access, 24-hour security, covered and open-air courts and a football field. Hevea KB will supply equipment required for the respective sports. The Hevea KB team will reach out to NGOs, suppliers, customers, local communities and government organisations to enlist volunteers and participants for the program. The first training session is targeted for early 2019 with a games event to be held in mid-2019.

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		HeveaConnect	Pg. 29
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102-5	Ownership and legal form	About Halcyon	Pg. 5 – 6
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		Halcyon's Website	https://www.halcyonagri.com/what-we-do/natural-rubber-supply-chain/
102-10	Significant changes to the organisation and its supply chain	About Halcyon	Pg. 5 – 7
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HALCYON

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FUTURE RUBBER

Corporate Report 2018

Book Two:
Corporate Governance and Financial Reports

HALCYON

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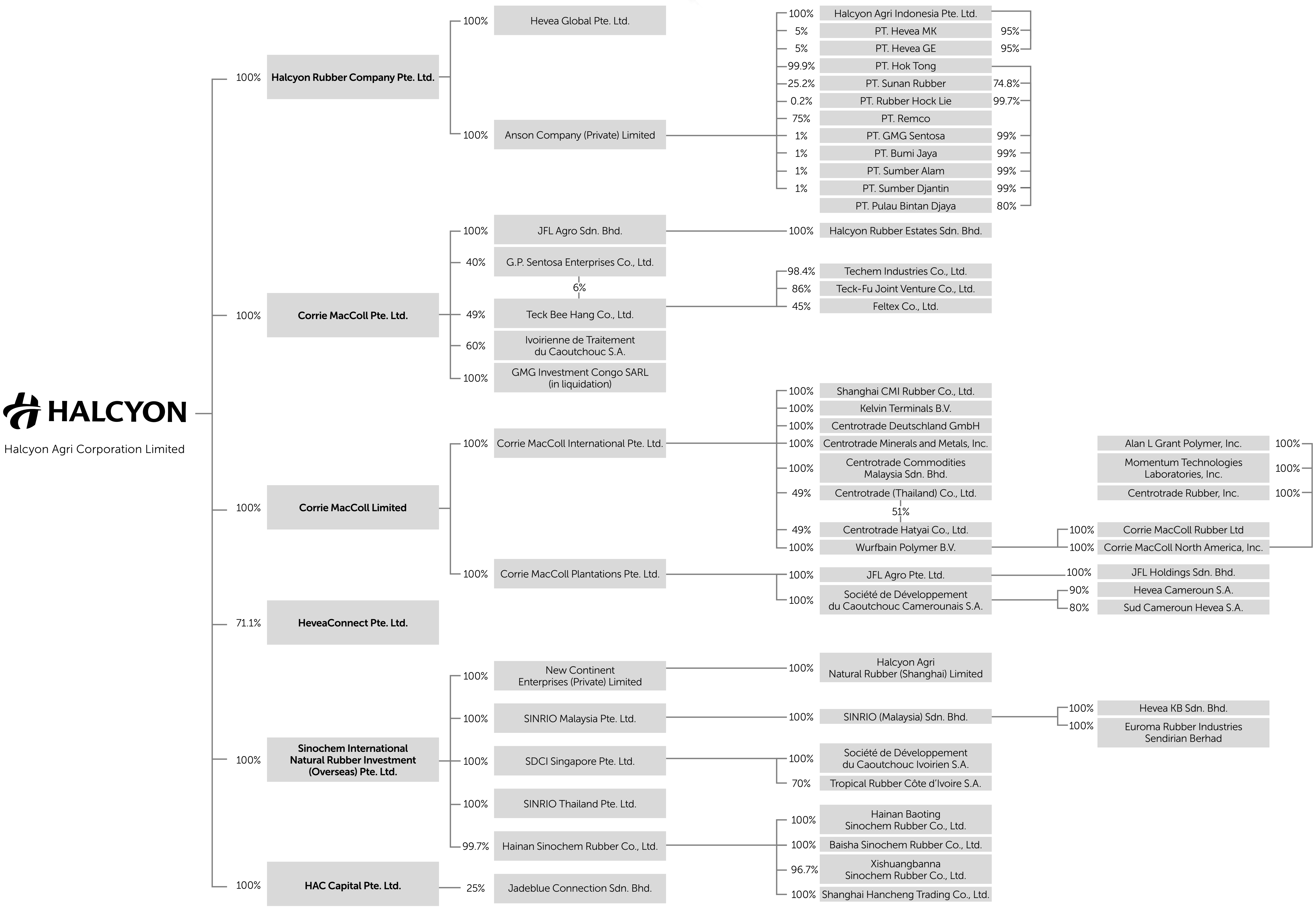

Corporate Information

Board of Directors

Liu Hongsheng	(Non-Executive 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)
Wang Wei	(Non-Executive Director)
Jeremy Goon	(Independent Director)
Qin Jinke	(Non-Executive 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	

Strategy and Investment Committee

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

Company Secretary

Liew Guat Yi

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

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Singapore 239922
Tel: +65 6460 0200
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Auditors

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Tel: +65 6535 7777
Fax: +65 6532 7662
Audit Engagement Partner:
Lee Lai Hiang
(for the financial years ended
31 December 2014 to 31 December 2018)

Principal Bankers

China Construction Bank Corporation
DBS Bank Ltd.
Crédit Agricole Corporate and Investment Bank
United Overseas Bank
ING Bank N.V.
Deutsche Bank AG
PT. Bank Central Asia
Afriland First Bank
Bank of China
Taipei Fubon Commercial Bank Co., Ltd.
Banque Internationale Du Cameroun Pour L'epargne Et Le Credit
CTBC Bank Co., Ltd.

Corporate Governance Report

Halcyon Agri Corporation Limited (the "Company" or "HAC" and together with its subsidiaries, the "Group") maintains and upholds a high standard of corporate governance practices, and integrates sustainability development into the Group's business approach. It promotes an innovative business model, and focuses on growing sustainable businesses, creating and maximising long-term shareholder value, and places emphasis on the interests of its stakeholders.

This report describes the Group's ongoing efforts to observe the corporate governance framework, and the practices implemented throughout the financial year ended 31 December 2018 ("FY2018"). The Board has reviewed the principles and provisions under the revised Code of Corporate Governance 2018 (the "2018 Code") published by the Monetary Authority of Singapore, which took effect on 1 January 2019, and has adopted certain practices under this 2018 Code.

The Board is pleased to report that the Group has adhered to all material principles and guidelines of the Code of Corporate Governance 2012 (the "2012 Code") and wherever applicable, the 2018 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 our corporate governance framework and practices 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 2012 Code can be found on pages 85 to 87 of this Corporate Report 2018 (the "annual report").

KEY FEATURES OF THE BOARD

Overview of Board Composition

1 Non-executive Non-independent Chairman
- Liu Hongsheng

2 Executive Directors
- Robert Meyer
- Pascal Demierre

5 Independent and Non-executive Directors (the "Independent Directors" or "ID")
- Alan Nisbet
- Randolph Khoo
- Liew Choon Wei
- Raymond Ferguson
- Jeremy Goon

2 Non-executive and Non-independent Directors
- Wang Wei
- Qin Jinke

- Separation of the role of Chairman and Chief Executive Officer ("CEO")
- Chairman and CEO are not related to each other, there is no familial relationship existing between them
- Independent Directors make up 50% of the Board
- No Director has served for more than nine (9) years
- Diversity of skills, knowledge and broad range of experience – the Board comprises Directors ranging from lawyers, retired audit firm partners, a finance industry veteran, an experienced sustainability officer from a public-listed agricultural business and Directors who have years of experience in formulating corporate strategy and have in-depth knowledge of the rubber business
- Collectively they possess extensive global business experience
- None of the Directors hold more than six (6) directorships (without other executive roles) or four (4) directorships (with other executive roles) in listed companies
- No alternate directors appointed
- Each Director has been submitted for re-nomination and re-appointment at least once during the past three (3) years

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")	**Three (3) members:** • Randolph Khoo (Chairman) • Alan Nisbet • Liew Choon Wei All members are Independent Directors	• Succession plan, appointment and re-appointment of Directors and key management personnel ("KMP") • Performance of the Board • Board and Director independence • Board orientation, training and development
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 KMP • Remuneration for non-executive Directors
Strategy and Investment Committee ("StratCom")	**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

Key Information of Director

DIRECTOR • Age • Position and Appointment date • Last re-elected date (if applicable) • Present and past three (3) years Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2018) General Meeting	Board	AC	NC	RC	Strat - Com	ID	TOTAL REMUNERATION (SGD) (FY2018) Basic/ Fixed Salary	Directors' Fee	Other Variable
(Number of scheduled meetings held)	3	4	5	1	1	4	1			
Liu Hongsheng • 52 • Non-executive Non-independent Chairman since 16 January 2017 • Last re-elected on 28 April 2017 • Executive Director of Sinochem International Corporation Co., Ltd.	2	4	–	–	–	4	–	**Total: 110,250** NA[2]	110,250	NA[2]
Robert Meyer • 45 • Executive Director and CEO since 8 July 2010 • Last re-elected on 28 April 2017	3	4	4[1]	–	1[1]	4	1[1]	**Total: 900,000** 900,000	NA[3]	Nil
Pascal Demierre • 45 • Executive Director since 8 July 2010 • Last re-elected on 23 April 2018 • Independent Director of The Hour Glass Limited	3	4	4	–	1	2[1]	1[1]	**Total: 660,000** 660,000	NA[3]	Nil
Alan Nisbet • 68 • Lead Independent Director since 7 January 2013 • Last re-elected on 23 April 2018 • Independent Director of KrisEnergy Ltd, Standard Chartered Bank (Singapore) Limited, Ascendas Property Fund Trustee Pte Ltd (trustee-manager of Ascendas India Trust) and Keppel REIT Management Limited (manager of Keppel REIT)	3	4	5	1	1	4	1	**Total: 109,125** NA[2]	109,125	NA[2]

Key Information of Director

DIRECTOR	MEETING ATTENDANCE (1 January to 31 December 2018)							TOTAL REMUNERATION (SGD) (FY2018)		
• Age • Position and Appointment date • Last re-elected date (if applicable) • Present and past three (3) years Directorships in other listed companies (if any)	General Meeting	Board	AC	NC	RC	Strat - Com	ID	Basic/ Fixed Salary	Directors' Fee	Other Variable
	(Number of scheduled meetings held)									
	3	4	5	1	1	4	1			
Randolph Khoo • 55 • Independent Director since 7 January 2013 • Last re-elected on 23 April 2018	2	4	5	1	1	–	1	**Total: 87,250** NA[2]	87,250	NA[2]
Liew Choon Wei • 64 • Independent Director since 1 October 2014 • Last re-elected on 28 April 2017 • Independent Director of F J Benjamin Holdings Ltd, The Hour Glass Limited, Frasers Hospitality Asset Management Pte Ltd (manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (trustee-manager of Frasers Hospitality Business Trust)	3	4	5	1	1	–	1	**Total: 87,250** NA[2]	87,250	NA[2]

Key Information of Director

DIRECTOR • Age • Position and Appointment date • Last re-elected date (if applicable) • Present and past three (3) years Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2018) General Meeting	Board	AC	NC	RC	Strat - Com	ID	TOTAL REMUNERATION (SGD) (FY2018) Basic/ Fixed Salary	Directors' Fee	Other Variable
(Number of scheduled meetings held)	3	4	5	1	1	4	1			
Raymond Ferguson • 56 • Independent Director since 15 November 2016 • Last re-elected on 28 April 2017	3	4	–	–	–	4	1	NA(2)	**Total: 61,250** 61,250	NA(2)
Wang Wei • 39 • Non-executive Non-independent Director since 3 May 2017 • Last re-elected on 23 April 2018	–	4	–	–	–	–	–	NA(2)	**Total: 54,000** 54,000	NA(2)
Jeremy Goon • 46 • Independent Director since 2 November 2017 • Last re-elected on 23 April 2018	3	4	–	–	–	–	–	NA(2)	**Total: 54,000** 54,000	NA(2)
Qin Jinke • 48 • Non-executive Non-independent Director since 1 January 2018 • Last re-elected on 23 April 2018	2	4	–	–	–	3(1)	–	NA(2)	**Total: 54,000** 54,000	NA(2)

Notes:
(1) Attendance by invitation
(2) Non-executive Directors are not paid salary, allowance and bonus
(3) Executive Directors are not paid director's fee

The aggregate remuneration of S$617,125 paid to the non-executive Directors (the "Directors' Fees") for FY2018 is within the threshold limit of S$750,000 approved by Shareholders on 23 April 2018. The Directors' Fees were remunerated according to the Directors' Fee structure disclosed in the annual report for the financial year ended 31 December 2017.

Remuneration of each of the executive Directors comprising basic salary as well as a variable bonus (if any) that is computed based on the Group's consolidated profit before tax, is subject to review by the RC and the Company's Board, and is paid in accordance with their service agreement with the Company.

The profile of each Director (including academic and professional qualifications) is presented in this annual report under the section "Board of Directors". For shareholdings of Directors in the Company and its related corporations (if any), please refer to page 89 of this annual report.

BOARD MATTERS

The Company is committed to conduct its business with integrity, fairness and transparency and will not tolerate any acts, attempted acts, or assistance with any form of bribery or corruption whether direct or indirect. The Company's Board is effective, comprises professionals with a broad range of experience and industry expertise, who discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board embraces value creation, innovation, sustainability and ethical business practices, and has embedded them in setting the strategic directions of the Company.

The Board's Conduct of Affairs

Duties of the Board. The principal functions of the Board are to:

(a) establish corporate values and ethical standards of conduct for the Group;

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

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

(d) establish and maintain a sound risk management framework and adequate internal controls, setting risk appetite to achieve an appropriate balance between risk and the Group's performance;

(e) supervise, monitor and review the function and performance of the Group's management and ensure that necessary financial and human resources are in place for the Company to meet its objectives;

(f) review and approve annual budgets, financial plans, major acquisitions and divestment plans, funding and investment proposals;

(g) ensure transparency and accountability to key stakeholder group including compliance with relevant laws and regulations as well as the financial reporting standards;

(h) review and approve the appointment of Directors and KMP; and

(i) instil an ethical corporate culture and 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 StratCom (collectively the "Board Committees"). Each Board Committee functions within clearly defined formalised terms of reference ("TOR") which have been approved by the Board. While these Board Committees are tasked with certain responsibilities, all major decision-making remains the ultimate responsibility of the Board as a whole. Except for a co-chairman of StratCom who is not an independent Director, all other Board Committees are led by an Independent Director, to encourage independent oversight and enable the Board to discharge its obligations more effectively. Detailed functions and involvement of the Board Committees are described on pages 75 to 83 of this annual report.

To ensure the changes to the requirements under the Listing Manual and the provisions of the 2018 Code are fully captured and reflected in the Board Committees' TOR, the NC, RC and AC reviewed and proposed certain amendments to their TOR. The updated TOR have been approved by the Board and adopted by the respective Board Committees with effect from 28 February 2019.

The Board embraces the principle of empowerment - that governance and management are more effective and efficient when they are separated. The day-to-day management, operation and administration of the Group are led by the executive Directors and the senior management of the Group (collectively, the "Management"). The Management collaborates closely with the non-executive Directors and provide insights on the Group's operations. They are accountable to the Board for their performance in pursuing the long-term success of the Group.

The Board has in place, a written Policy on Board Delegation of Authority (the "Delegation Policy") which set out the framework and mechanisms by which the Board delegates specific standing powers and limits of authority to specified positions, to provide clear directions to Management on matters that must be approved by the Board. The Delegation Policy is aimed at balancing the need for empowering and devolving decision-making to appropriate levels for operational efficiency and ensuring that proper systems of control are in place. 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 thresholds;

(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 which fall within the meaning of the Listing Rules; and

(g) risk management strategies.

All material transactions are reserved for the Board's decision as a whole, without any individual or group of individuals exercising any considerable concentration of power or influence, or being allowed to dominate the Board's decision making.

Board Meetings. Four (4) meetings were scheduled and held at regular intervals in FY2018 to review, among others, the Group's financial performance, annual budget, corporate strategy, business plans, potential acquisitions, risk management policies, executive remuneration and significant operational matters. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis, when required, to discuss and receive updates from Management on the development of corporate actions that took place during the year.

The Chairman oversees the setting of Board meeting agendas 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.

As guided under 2018 Code, the Board has approved and adopted a written Policy on Director's Conflicts of Interest to complement the Company's existing corporate governance practice, and serves to guide the Directors in recognising and handling conflict situations. In the event any member of the Board or Board Committees has an interest in a matter being deliberated upon by the Directors, he will recuse himself from discussions and abstain from participating in the approval process involving the issue of conflict.

In line with the Company's commitment to promote sustainable business practices, conservation of the environment and technological advancement, the Board has done away with voluminous hard-copy Board papers 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 the Board and Board Committee meetings for FY2018 is set out on pages 70 to 72 of this annual report.

Board Access to Information. Complete documents and adequate information relating to meeting agenda items, including background and explanatory notes, financial statements, budgets, forecasts and progress reports of the Group's business operations and internal audit reports are circulated at least one week prior to each Board and/or Board Committee meeting through the board portal, to allow sufficient time for Directors to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Senior management personnel who can provide additional insights into the matters at hand, if required, will be invited to attend the meetings to address queries from the Directors. Monthly analysis of the Group's performance and financial position, overview of the market environment, summary of corporate and treasury activities are provided to the Board, to provide insights on the Group's operations and ensure that Directors are fully cognisant of the decisions and actions of Management. All information requested by the Director is provided in a timely manner.

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 advises the Board on corporate and administrative matters, facilitates Director's orientation and professional development, and 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.

Where necessary, a Director may also seek independent legal and other professional advice concerning any aspect of the Group's operations or undertakings at the Company's expense.

Board Composition and Balance

Board Composition. The Board presently consists of ten (10) members: a non-executive non-independent Chairman, two (2) executive Directors, five (5) Independent Directors and two (2) non-executive non-independent Directors. A majority of the Board comprise Directors with no management or business relationship with the Company. The requirement of the 2012 Code that mandates independent directors constituting at least 50% of the board of directors for companies where, amongst others, the Chairman of the Board is not an independent director, is met. There is a strong and independent element on the Board, with the Independent Directors constructively challenge and assist in developing proposals on strategies. The Board continued to function effectively during the year and was able to exercise objective judgement on corporate affairs independently.

The Company views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In accordance with the 2018 Code, the Board has documented its practices toward diversity under a Policy on Board Diversity (the "Diversity Policy"). The Diversity Policy promotes the inclusion of different perspectives and ideas, endorses the principle that diverse Board should include and make good use of differences between the Directors in terms of professional experience, skills, knowledge, length of service, industry discipline, cultural and educational background, gender, age, ethnicity and other relevant factors. The Board recognises the potential benefits of gender diversity in the boardroom and welcomes female directors on board. Where the candidates for appointment as director are relatively equivalent in their levels of required skills and experience, the Board is committed to advancing female candidates, in order to achieve gender diversity and add a broader perspective on the Board.

Taking into account the scope and nature of the Group's operations as well as its strategic direction, and having regard to the Diversity Policy, the Company and the Board are satisfied that the Board is of an appropriate size for effective decision-making, has a well-diversified Board with right mix of expertise and collectively possesses the necessary core competencies in diverse areas including accounting, finance, law, sustainability development, business and management, strategic planning and global business experience, for the Board to effectively discharge its duties.

The Board has considered the recommendation of the 2018 Code which stipulates that the independent directors to make up a majority of the Board where the Chairman is not independent director. Based on the feedback and comments received through the annual board performance evaluation for the current and preceding years, and with reference to the common board size of six (6) directors for Singapore-listed companies[1], the Board concluded that the current board composition (board size of ten (10) members with 50% of independent directors and 80% of non-executive directors) has high degree of independence and with the right structure to enable the Board to function at optimum levels. Correspondingly, the Board will not increase its size or appoint an additional independent director at the near future.

Chairman and Chief Executive Officer

Separation of the Role of Chairman and the CEO. There is a clear division of responsibilities between the leadership of the Board and the executive responsible for managing the Company's business. The roles of Chairman and the post of CEO are held by separate persons, to ensure a degree of checks and balance. The Chairman and CEO are not related to each other in any manner. The two (2) key roles have fundamentally disparate responsibilities and functions, but complement each other in the overall objective of creating value for Shareholders, and play vital roles in providing the Group with strong leadership and vision.

As the Chairman of the Board, Mr Liu Hongsheng leads and ensures the effectiveness of all general meetings and Board meetings. He is responsible for promoting culture of openness and debate of the Board, steering productive and comprehensive discussions between members of the Board and Management on strategic, business and other issues pertinent to the Group, as well as ensuring effective communication with Shareholders and other stakeholders. 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 Robert Meyer, the CEO since 2013, has developed the Group's business to become a leading natural rubber industry operator with activities that span the globe. He possesses in-depth industry knowledge, understands the current market, and has the foresight to support the formulation of the Group's strategic direction, including the initiative to transition the global natural rubber industry, which is heavily reliant on traditional paper-based processes, into a unified digital marketplace. Assisted by the management team, the CEO make decisions in all matters affecting the operations, performance and strategy of the Group's businesses, with the exception of those matters reserved for the Board or specifically delegated by the Board to the Board committees. He 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 the sustainable development and growth of the Group's business.

Lead Independent Director. Mr Alan Nisbet has been the Lead Independent Director since 2013 and continues to avail himself to address Shareholders' concerns and acts as a counter-balance in the decision-making process. The Lead Independent Director plays an additional facilitative role within the Board and provides a channel to non-executive directors for confidential discussion on any concerns and to resolve conflicts of interest as and when necessary. He convenes and chairs meetings with Independent Directors without the involvement of the Management, at least once a year, 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. 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. Any recommendations or suggestions arising from the Independent Directors' discussions will be communicated to the Management.

The roles, duties and responsibilities of the Chairman, CEO, Lead Independent Director and Directors of difference classes (executive, non-executive and independent director) are detailed under a Memorandum on Director's Duties and Responsibilities which has been distributed to each Director upon his appointment, and accessible in the board portal.

Board Membership and Performance Evaluation

The NC comprises three (3) members and is chaired by Mr Randolph Khoo since its inception in 2013. All members of the NC (including the chairman) are Independent Directors. The Lead Independent Director, Mr Nisbet, is also a member of the NC. The NC makes as well as reviews recommendations to the Board on all nominations for appointments and re-appointments to the Board, the appointment of KMP, the training and development programmes for the Board, 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 Board regularly and continually review its structure, size and composition 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 additional skills or experience is required and that a replacement and/or 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 a formal and written guide to conduct due diligence checks to assess the suitability of a candidate for appointment as a Director of the Company. To ensure that the Company has the opportunity to benefit from all available talent, the evaluation of potential new director is made based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, 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.

[1]The Singapore Directorship Report 2018 published by Singapore Institute of Directors indicates that 78.3% of Singapore-listed companies having seven (7) directors or less, and the most common size to be six (6) directors.

In its review of proposal for appointment or re-appointment of each Director as well as KMP, NC will take into consideration the composition and progressive renewal of the Board, as well as each Director's competencies, principal commitment, contribution and performance (including attendance to the meeting, preparedness, participation and candour). Such appointment or re-appointment which has been recommended by the NC will be deliberated by the Board as a whole, and the appointment are reserved for the Board's decision. 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 succession plans for the Company's Directors and senior management, in particular for the Chairman, the CEO and the KMP, taking into account the challenges and opportunities facing the Group and the skills and experience needed in the future. The Company integrates executive development programs into CEO and KMP succession planning, and builds talent internally through training, so that the best internal candidates are identified early and flagged at the Board level. 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 reviews and determines whether a Director is independent on an annual basis, and as and when circumstances require. Each of the Independent Directors has submitted a declaration form confirming that he is to be considered as independent under the requirements of Rule 210(5)(d) of the Listing manual as well as the provisions set out in the 2018 Code. Taking into consideration the declarations submitted by the Independent Directors, as well as the length that the Director has served on the Board, the NC has determined that each of the Independent Directors is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers, 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 in the best interests of the Group. It was also noted that none of the members of the Board have served for a continuous period of nine (9) years or more, and none of them or their family members was employed by, or received significant payment from or provided material services to the Group, in FY2018 or in any of the past three (3) financial years.

Board Orientation, Training and Development. 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 Board has adopted a set of best practice for Director's training and development and have integrated this into its existing induction policy.

The Policy on Induction, Training and Development for Directors (the "Training Policy") serves (i) to assist the new Director who is appointed to the Board for the first time to gain an understanding of his or her roles, duties, obligations and responsibilities as a Director of the Company, as well as the framework within which the Group operates; and (ii) to encourage all Directors regularly review his or her training and professional development needs, to ensure the Directors have appropriate competencies to effectively fulfill their responsibilities to the Company and its Shareholders as well as stakeholders.

The induction programme is tailored for each new Director (depending on his or her requirements, skills, qualifications and experience) and will, as a mandatory requirement, request the new Director who has no prior experience as a director of a listed company to attend the Listed Entity Director (LED) Programme organised by the Singapore Institute of Directors with the support of the SGX-ST, to familiarise himself or herself with the roles and responsibilities of a director of a public listed company. A formal letter of appointment setting out the duties and obligations of a Director and the time commitment required, as well as information about the Group, its operations, business, practices and governance systems, is also issued to each newly appointed Director.

To ensure each Director fulfils the needed and desired competencies, and keep abreast of changes to the regulatory environment, Directors are encouraged to attend courses which are relevant to the Directors in discharging their roles and responsibilities, at the Company's expense. The list of available seminars and courses is circulated to Directors through the board portal. Reading materials in connection with professional developments and applicable regulatory updates or amendments to relevant laws, rules and regulations are also disseminated to Directors through the board portal. Comprehensive and useful information covering the duties and obligations of a Director, terms of reference of Board Committees, Group's business activities, strategic directions, policies and key areas of operations of the Group, are also provided in the resource centre under the board portal, and is accessible to all Directors. All 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.

The CEO and Management regularly update the Board and provide insights on business and strategic developments at meetings. The Group's external auditors, Ernst & Young LLP, regularly brief the AC members on changes to and new developments of accounting and reporting standards and/or regulatory environment.

Commitment to the Board. Directors of the Company are required to notify the Board of any new appointment of directorships to listed companies or other executive commitments, for the Board or NC to consider and to evaluate whether such Director is able to commit the time to 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 carrying 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 annual general meeting ("AGM"), Directors constitutes 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 and each member of the Board has submitted himself for re-nomination and re-appointment at least once, during the past three (3) years.

Mr Liu, Mr Meyer, Mr Liew Choon Wei and Mr Raymond Ferguson, being Directors who have been longest in office since their last election, have submitted themselves for re-nomination and re-election. Each of them has abstained himself from making any recommendation and/or participating in any deliberation 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 Meyer, Mr Liew and Mr Ferguson as Directors of the Company will be tabled at the forthcoming AGM for Shareholders' approval.

The NC has reviewed and noted that Mr Liew and Mr Ferguson, being Independent Directors, do not have any relationship as described under Rule 210(5)(d) of the Listing Manual, no immediate family relationships with the other Directors, the Company or its substantial shareholders, and they will be considered independent for the purposes of Rule 704(7) of the Listing Rules (where applicable).

Each of the Directors subject to re-election at the forthcoming AGM, will, upon re-appointment as a Director, hold the same office in the Board and Board Committees immediately held before his re-appointment.

Board Performance Evaluation. The NC decides how the Board's performance may be evaluated and continues to take charge of the annual assessment of the effectiveness of the Board as a whole and of each Board Committee, as well as the contribution of the Chairman and each Director to the effectiveness of the Board. The performance of the Board and Board Committee 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 governance processes;

(c) Board information and accountability;

(d) Board's performance in relation to discharging its principal functions;

(e) where practical, financial references 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, qualification and effectiveness in relation to discharging their responsibilities set out in their respective terms of reference.

The evaluation of Chairman aims to assess his leadership, commitment as well as his relationship with Board members, whereas the individual directors are evaluated based on his dedication and understanding of role, preparedness and participation in the meetings, as well as quality of inputs to matters deliberated by the Board.

A formal 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, the Board Committees, the Chairman and each Director for FY2018. 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 requested to complete an assessment of each Director's contributions, including himself, to the effectiveness of the Board, on anonymous basis.

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 any training required 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 FY2018, the NC and the Board are satisfied that the Chairman as well as each Director has contributed to the overall effectiveness of the Board and demonstrates commitment to his roles on the Board, and that the Board and 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

The StratCom consists of four (4) members, co-chaired by the Board's Chairman, Mr Liu and an Independent Director, Mr Ferguson. StratCom's governing processes, duties and responsibilities have been documented under written TOR approved by the Board. StratCom supports the Board in the following areas:

(a) defining and monitoring the Company's strategic direction;

(b) reviewing and evaluating significant capital deployment and asset management; and

(c) working with the Management to oversee and review significant strategic decisions as well as major investment or divestment plans.

Four (4) StratCom meetings were held in FY2018 to review the Group's prospects and long-term development strategic planning.

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. The RC ensures that the remuneration strategy is in line with the Group's business strategy, objectives and values, taking into account the long-term sustainability of the Group's business as well as the long-term interests of Shareholders, investors and other stakeholders. Reviewing and making recommendations to the Board on the framework of remuneration for the Board and KMP as well as the specific packages for each Director and the KMP, are the key functions of the RC. When recommending performance-related remuneration for senior management, the RC aims to ensure the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account the strategic objectives of the Group.

Remuneration Committee

The RC is chaired by an Independent Director, Mr Liew, and comprises Mr Nisbet, Mr Khoo and Mr Demierre. The RC is of the view that an executive Director would have a better understanding of each senior executive's role and job scope, and that including Mr Demierre, an executive Director, on the RC is valuable in ensuring that the remuneration packages are commensurate with the job duties and responsibilities of senior executives. Retaining an RC member who is also in an executive position will not lead to a conflict of interest or impede the independence of the RC as no Director or member of the RC is allowed to participate in the deliberation, and has to abstain from voting on any resolution, relating to his own remuneration or that of employees related to him. RC's TOR specify that independent directors shall make up at least 75% of the RC members whenever its members comprise an executive Director.

The key responsibilities and authorities 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 members and KMP. 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 to the Board for consideration and approval. The Board is ultimately accountable for all remuneration decisions.

The RC ensures that the remuneration and incentive framework, policies and practices are appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and KMP to successfully manage the Company for the long term. The RC considers all aspects of remuneration (including directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind and severance packages) and aims to be fair and avoid rewarding poor performance. It also reviews the Company's obligations arising in the event of termination of the executive Directors' and KMP's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. It 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 KMP.

The Company has engaged Mercer (Singapore) Pte Ltd ("Mercer"), an independent professional firm to review the setting of key performance indicators for the Company's senior management for FY2018. Save for the aforementioned assignment, Mercer does not have any other relationship with the Company and its independence and objectivity are not affected.

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

Other than the service contracts for the CEO and the Executive Director, the Company currently does not impose contractual provisions to reclaim incentive components of remuneration paid in prior years in the service agreements or employment agreements of the KMP. Notwithstanding this, the Company is not precluded from exercising the right to reclaim such incentives in exceptional circumstances including for example, 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 offer appropriate remuneration and employment conditions to build, motivate and retain Directors, KMP and talent;

(b) to align the interests of Directors and KMP with the interests of Shareholders and other stakeholders;

(c) risk policies of the Company, such that the remuneration is symmetric with risk outcome and sensitive to the time horizon of risk, and

(d) country-specific practices including the pay and employment conditions within the industry.

Remuneration framework as well as specific remuneration packages for each Director and KMP, including the CEO, are reviewed and discussed in the RC meeting. When it recommends the remuneration package to the Board, the RC take into consideration the aforementioned factors, the strategic direction of the Group and industry practice, and benchmarks the remuneration package against relevant industry players to ensure that it is adequate and appropriate to draw in and motivate high-performing executives. Specific remuneration packages for each Director and KMP in respect of FY2018 have been approved by the Board.

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. No changes were proposed to the Directors' Fees structure, and the Directors' Fees structure for the financial year ending 31 December 2019 ("FY2019") remains the same as FY2018, and is as follows:

	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 23 April 2019 in respect of the proposed payment of Directors' Fees of up to S$750,000 (payable quarterly in arrears) for FY2019. The executive Directors are remunerated under their respective service contracts and will not be paid a director's fee. The remuneration of each individual Director for FY2018 is explicitly disclosed on a named basis, on pages 70 to 72 of this annual report.

Remuneration of KMP. In conjunction with the expansion of the Group's operations, the Group has created the position of Chief Operating Officer in the course of FY2018. Mr Ng Eng Kiat (former Chief Financial Officer) was nominated and appointed to head the Group's operations. With the addition of this new position, the Company has three (3) KMP (who are not Directors or the CEO) for FY2018. Disclosure of their remuneration pursuant to the 2018 Code is as follows:

Name	Position	Salary (%)	Allowance/ Benefit (%)	Variable Bonus (%)	Remuneration Band(1)
Andrew Trevatt	Chief Commercial Officer	92.3	–	7.7	Band 2
Ng Eng Kiat	Chief Operating Officer and Managing Director - SINRIO (2)	92.3	–	7.7	Band 2
Loh Jui Hau	Chief Financial Officer	91.7	–	8.3	Band 1

Note:
(1) Remuneration Bands are as follows:
Band 1: From S$250,000 up to S$500,000
Band 2: From S$500,001 up to S$750,000
(2) Designation in FY2018

The total remuneration paid to the three (3) KMP (who are not Directors or the CEO) for FY2018 was approximately S$1,536,000, and has been approved by the Board.

Summary of RC Observations for FY2018. The Group's remuneration policies are appropriate, effective, meet the commercial requirements to remain competitive, are sensitive to the time horizon of risk and allow flexibility in response to prevailing circumstances, and align with the long-term interest of the Group. Currently, there are no employee share schemes provided by the Company or the Group, and the Company does not have any long-term incentive plans. None of the Directors and KMP received any termination, retirement and post-employment benefits. All Directors and the KMP are remunerated on an earned basis. The remuneration packages for Directors and KMP for FY2018 are commensurate with their contributions, taking into consideration the scope of work, performance, potential and responsibilities of these individuals. Remuneration packages for each KMP is principally based on the achievement of the objectives of his functions as set up in the KPI prepared by Mercer and agreed by each individual. 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 also been used to evaluate and assess Management's performance in FY2018. The Board is of the view that the current level and structure of remuneration aligns with the long-term interests and risk management policy of the Company and it is satisfied that the Directors and Management devoted the necessary time and energy to fulfilling their commitments, and have met the aforementioned performance conditions in FY2018. There is no employee in the Group who is a substantial shareholder of the Company or immediate family member of a Director or the CEO or substantial shareholders.

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 system of risk management and internal controls is 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, before submission to the Board for approval. The Company's quarterly and full year financial results are provided to Shareholders and published on the SGX-ST within the timeline stipulated under the Listing Rules, after they are approved by the Board.

The Management provides monthly reports covering operational performance, financial results, market environment, corporate and business development and other relevant information to the Board, to assist the Board to make a balanced and informed assessment of the Company's performance, position and prospects. Such regular updates and timely reports 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 determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objection and value creation. It 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, and undertake remedial actions to rectify control lapses. It devotes significant attention to maintaining an effective system of risk management and internal controls, to safeguard the interest of the Company and its Shareholder, and ensure that risks are managed in the best interests of the Group. The principal risks facing the Company are described under the section Risk Management on page 34 of this annual report.

In assessing the effectiveness of the Group's internal controls, the Board focuses on identifying control gaps in the business process, areas for improvement and areas where controls can be strengthened. This process assists in ensuring 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, monitoring and maintaining risk management controls and reporting any key issues to Management. A risk management committee ("RMC") formed by the Management which comprises the CEO, Chief Operating Officer, Chief Commercial Officer and Chief Financial Officer is responsible to assess and determine the nature and extent of the financial risks which the Company is allowed to take. Under the initiative of RMC, a Group Risk Management Policy which imposed appropriate measures and limits to control commercial risk exposures has been approved by the Board and adopted by the Group, and be reviewed regularly to ensure it is symmetric with market environment and Group's operations.

The internal controls practice of each of the Group's departments or functions is reviewed annually or when circumstances warrant the review process, such as during the integration process after completion of an acquisition, to enhance and standard operating procedures and ensure the newly acquired business is fully compliant with the Group's policies and procedures. The Management has identified certain control lapses in the procurement process in the Ivory Coast's operations, and that the procurement system had since been improved and tighter controls are in force.

Internal Audit

Nexia TS Risk Advisory Pte Ltd ("Nexia") 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 professional service provider has a broad range of expertise, resources, advanced degrees and technological specialisation to undertake the internal audit of the Group, especially for the Group's business which has global presence.

To ensure that the review on internal controls is conducted effectively, Nexia's primary reporting line is to the AC, and it is granted unfettered access to all the Company's documents, records, properties and personnel. It reviews, then evaluates and tests the effectiveness of the internal controls on material 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 improvement to internal control procedures, where required.

Nexia reports to the AC on all matters concerning internal controls including any issue identified in the course of internal audit as well as the administration and implementation of the Group's internal policies and procedures.

Audit Committee

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 two (2) 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 two (2) years and none of the AC members hold any financial interest in such 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 and risk management systems as well as the audits processes. Significant findings in the course of its reviews are reported to the Board.

Pursuant to the written TOR endorsed by the Board, AC has the following key functions:

(a) oversight of financial reporting, monitor integrity of the Group's financial statements and any public financial reporting;

(b) review and evaluate with internal and external auditors, scope of the audits and reporting obligation, the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems;

(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 risk management and internal control systems, 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 ensure it could discharge its functions properly, AC 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 executive officer 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. It may commission an independent audit on internal controls and risk management for its assurance, or where it is not satisfied with the systems of internal controls and risk management.

The AC performed, among others, the following core duties and activities in FY2018:

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. It reviews the quarterly and full year financial results and related announcements, and oversees significant financial reporting issues and assessments, in particular, reviews the Group's application and consistency of financial and accounting policies, judgments and practices. 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. Any significant issues and judgement that AC considered in relation to the financial statements and the actions to address such concerns will also be reported to the Board.

External and Internal Audits. AC reviews the overall scope of external and internal audits prior to each audit process, to ensure material areas are covered and sufficient attention is paid to higher risk areas.

The scope and results of auditing by the Company's external auditors, Ernst & Young LLP ("EY"), its cost effectiveness, as well as its independence and objectivity are reviewed by the AC annually. EY keeps the AC abreast of changes to accounting standards and presents to the AC, any issues which have direct impact on the Group's financial statements.

During the course of review of the Company's financial statements for FY2018, the AC has discussed each of the key audit matters ("KAMs") with the Management as well as EY. The AC has assessed and considered the Management's approach, methodology and assumptions 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 EY's report with respect to the KAMs. For more information on the KAMs, please refer to pages 91 and 92 of this annual report.

Internal audits are performed accordingly to the audit plan and scope agreed between Nexia and the AC. Nexia presented the internal audit reports, which compile the detailed findings relevant to the Group's key operating units which it had reviewed, 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, effectiveness, independence and scope of the internal audit function annually, including the internal audit plans, activities, budget for internal audit and organisational structure of Nexia. It believes that the internal audit conducted by Nexia for FY2018 attained professional standards, including those promulgated by The Institute of Internal Auditors. The AC 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 internal audits, led by Ms Pamela Chan who has 12 years of relevant experience, and Nexia has appropriate standing within the Group during FY2018, and that the quantum of fee paid or payable to Nexia should not put its objectivity at risk.

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 safeguard 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.

Governance of Risk. The AC is tasked to assist the Board to oversee Management in the design, implementation and monitoring of the internal controls and risk management systems. This includes identifying weaknesses and recommending areas for improvement and additional risk mitigations, where necessary. The Management reviews the conditions of the industry and any factors or events that may affect the Group's operations, and presented its observation of the potential risks to the AC during quarterly meetings. Any material changes to the key risks areas are also reported to the AC as soon as they are identified. AC has reviewed the up-to-date risk register, the implementation and execution of standard operating procedures, as well as remedial actions recommended by the internal auditor and implemented by Management. The AC reports annually to the Board, its view on the effectiveness and adequacy of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

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 periodically, with any recommendations regarding updates or amendments being made to the Board as required.

Interested Person Transactions ("IPT"). The AC reviews IPTs (if any) at its quarterly meetings and annually with the Company's external auditors, to ensure that established procedures for monitoring the IPTs have been complied with. The AC is satisfied that the guidelines and review procedures established to review IPTs have been complied with in FY2018. Further information relating to the IPTs during FY2018 is provided under the section "Interested Person Transactions".

Summary of the Board and AC's Observations for FY2018

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 FY2018:

(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) considering the weakness in the procurement process of the Ivory Coast's operations has been rectified, 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 Nexia;

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

(c) actions taken by the Management according to internal auditor's recommendations;

(d) remedial actions taken by the Management to rectify the control lapses identified and to enhance the procurement process in the Ivory Coast; and

(e) reports from EY,

the Board, with the concurrence of the AC, is of the opinion that the Group's present risk management and internal controls systems are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group. 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 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 FY2018 is appropriate. Having considered the relevant provisions under the applicable regulations, the cooperation extended by the Management and the fact that the non-audit services were provided by a separate team from EY and that the non-audit fees comprise less than 30% of the total fees paid and/or payable to EY, AC is of the view that the independence or objectivity of EY is not impaired. 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 122 of this annual report. Taking into consideration all relevant factors (with reference to the audit quality indicators as published by the Accounting and Regulatory Authority) including the adequacy of resources, experience of supervisory and professional staff to be assigned to the audit process, the quality of work carried out by EY, the size and complexity of the Group, its businesses and operations, AC has recommended that EY be re-appointed as the Company's external auditors for FY2019. The appointment of external auditors of the Group complies with Rules 712 and 715 of the Listing Rules. Pursuant to Rule 713 of the Listing Manual, a successor audit partner-in-charge has been identified for FY2019 in place of Ms Lee Lai Hiang, who has been the audit partner for five (5) consecutive audits.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

The Company's corporate governance practices promote fair and equitable treatment of all Shareholders. Shareholders, as the owners of the Company, are entitled to attend and vote at 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") as well as the provisions of the Company's Constitution. All the applicable provisions under The Companies (Amendment) Act 2014 and The Companies (Amendment) Act 2017 concerning the shareholders' rights, including the multiple proxies regime, have been incorporated into the Company's Constitution.

The Company recognises that effective communication with investors assists the creation and maintenance of an informed market, and enhances corporate governance by encouraging a culture of transparency in relation to its corporate activities and proposals. It has in place an Investor Relations Policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with Shareholders. The Company employs various platforms, including briefing for analysts after the release of its quarterly financial results, to effectively engage the Shareholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information.

Disclosure of Information. The Company gives Shareholders a balanced and understandable assessment of its performance, position and prospects. 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. 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 to Shareholders through the following platforms:

(a) SGXnet announcements and news release;

(b) Annual Report and notice of general meetings issued to all Shareholders;

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

(d) the Company's general meeting; and

(e) the corporate website (http://www.halcyonagri.com) maintained by the Company that allows all stakeholders to stay informed of material updates in a timely manner.

Apart from statutory announcements, the Company also produces presentation materials and a newsletter – Halcyon Days – which publishes the Group's achievements, updates to business operations, important dates and recapitulate any big announcements periodically. Halcyon Days is available on the Company website and the latest version is made available to Shareholders at the Company's general meeting. Materials relating to financial results, press releases, annual reports and the Group profile and various other investor-related information on the Group are also available on the Company's website.

Dividend Policy. The Company currently does not have a fixed dividend policy, to allow greater flexibility on the capital management. It continually reviews strategic options to enhance shareholders value, including potential acquisitions or realisation of assets. Any of such strategic actions would affect the allocation of fund. The Company recorded a net loss and consequently did not declare any dividends in respect of FY2018, and will review and/or determine its dividend policy at an appropriate time.

Conduct of Shareholder Meetings

General meetings remain the Company's principal forum for dialogue with Shareholders. The Board supports and encourages active shareholder participation at general meetings. The participation of Shareholders was encouraging and Shareholders actively communicated their views in the general meetings which were held in FY2018.

The Company's general meetings provide an opportune forum for Shareholders to meet the Board and senior management and to interact with them. The Directors and Management actively engage Shareholders before and after general meetings, to understand the view of Shareholders, to gather inputs and address their concerns. General meetings are attended by all Directors whenever possible, and would normally be chaired by the Chairman of the Board. 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 address Shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

Updates on the Company's performance and position are presented to the Shareholders in the general meetings, and such presentation materials are made available on the SGX-ST and the Company's website prior to the meetings, for the benefit of 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, as well as published on the Company's website.

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 are allowed to appoint multiple proxies.

Sufficient and necessary information required for Shareholders to make informed decisions is provided or accompanied by the notice convening each general meeting. At general meetings, each distinct issue is proposed as a separate resolution and Shareholders are given the right to express their views and exercise their voting rights on each resolution to be debated and decided upon. The Company has mandated poll voting since 2014. The polling agent appointed by the Company will explain the rules and tabulation procedures used for poll voting at the Company's general meetings, before the polling starts. At each general meeting, an independent scrutineer is appointed to count and validate the votes prior to declaration of poll results by the Chairman. Details on voting outcomes including the number of votes cast for and against each resolution together with the respective percentages 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.

Stakeholder Engagement. Ethical and ecologically sustainable business practices are fundamental to the Company's strategy for long-term growth. The Board remains committed to working with stakeholders and engages them at all levels including customers, competitors, industry associations, employees, regulators, and suppliers. The Company adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served. It has arrangements in place to identify and engage with the material stakeholders groups. Other information on the Group's engagement with stakeholders is set out in page 37 of this annual report.

One of the Company's major initiatives with the objective of connecting material stakeholders in the rubber industry, is the launch of HeveaConnect, a digital marketplace for all natural rubber stakeholders which supports the Company's commitment towards a more sustainable rubber industry. HeveaConnect aims to promote greater price transparency in the natural rubber market, and serves as an all-inclusive platform for farmers, producers, tyre manufacturers, as well as facilitators such as financial institutions, logistics and warehousing suppliers. Its goal is to be the leading digital marketplace for sustainable natural rubber and a trading platform, which embraces supply chain transparency.

DEALING IN SECURITIES

The Company observes and complies with Rule 1207(19) of the Listing Rules on dealings in securities and 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 will also be sent to the Group's Directors, officers and employees as and when circumstances are deemed appropriate, 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 reminded periodically not to trade in the Company's securities at any time while in possession of unpublished price sensitive information, and to refrain from dealing in the Company's securities on short-term considerations. They are also advised to be mindful of the laws on insider-trading at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS

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

Any contract to be made with an interested person will not be proceeded with unless the pricing is determined in accordance with the Group's usual business practices and policies, consistent with the usual margin given or price received by the Group for the same or substantially similar type of transactions with the unrelated parties, and that the terms are not more favourable to the interested person than those extended to or received from unrelated parties. Where it is impractical or not possible to compare against the terms of other transactions with unrelated third parties or in situations where the products or services may be purchased only from an interested person, such IPT must be reviewed and approved by the AC, and the AC member who is perceived to be related to the interest person is refrained from deliberating, reviewing and approving that particular transaction. A review on all IPTs entered into by the Group (if any), will be incorporated into the Group's internal audit plan.

During FY2018, there were no IPTs which were more than S$100,000 entered into by the Group or subject to Listing Rules 905, 906 and 907.

MATERIAL CONTRACTS

Other than the service agreements entered into with the CEO and the Executive Director, 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 FY2018 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2017.

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 68
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Page 73
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 70 to 72
Guideline 1.5 The type of material transactions that require board approval under guidelines	Page 73
Guideline 1.6 The induction, orientation and training provided to new and existing directors	Page 76
Guideline 2.1 Compliance with the guideline on the proportion of independent directors on the Board	Page 74
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 68 and 76
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	Pages 74 and 75
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	Not Applicable

Principle and Guidelines	Page reference in this Annual Report
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 69, and 75 to 77
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 76
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Pages 75 and 76
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 70 to 72, and 76
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 77
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	Pages 74, 76 and 80
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 69, and 78 to 79
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 78
Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 78 and 79
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 70 to 72, and 79
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 70 to 72
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	Page 79

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	Not Applicable
Guideline 9.5 Details and important terms of employee share schemes	Page 79
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 79
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 82
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 69 and 81 to 83
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	Pages 82 and 122
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	Page 82
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 81 to 83
Guideline 13.1 Whether the Company have an internal audit function	Pages 80 to 82
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	Pages 83 and 84
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	Page 83

Financial Contents

Directors' Statement

The directors 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 statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement 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 2018 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
Robert Meyer
Pascal Demierre
Alan Nisbet
Randolph Khoo
Liew Choon Wei
Raymond Ferguson
Wang Wei
Jeremy Goon
Qin Jinke

3. Arrangements to enable directors to acquire shares or debentures

Except as disclosed in this report, 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]	–	–	55,400,000	55,500,000
Pascal Demierre [1]	11,200,000	11,300,000	24,825	24,825
Alan Nisbet	–	–	400,000	400,000
4.5% senior perpetual securities issued by the Company in denominations of US$200,000				
Robert Meyer [1]	US$800,000	US$1,300,000	–	–

[1] By virtue of section 7 of the Companies Act, Chapter 50 of Singapore these directors are deemed to have an interest in all the related corporations of the Company.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2019.

Except as disclosed in this statement, 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.

6. **Audit committee**

   The Company's audit committee (AC) carried out its functions in accordance with section 201B (5) of the Companies Act, Chapter 50 of Singapore, and it had performed the following core duties and activities (not exhaustive) during the financial year ended 31 December 2018:

   a) Reviewed the audit plans, adequacy, effectiveness, 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, as well as the risk management systems;
   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 the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on; and
   l) Reviewed interested person transactions which fall under the scope of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   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. 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
26 March 2019

Opinion

We have audited the financial statements 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 2018, the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 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 then ended.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"s). 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 judgment, 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. Impairment of goodwill and process know-how

As at 31 December 2018, the Group's goodwill and process know-how amounted to US$287,399,000 and US$10,000,000 respectively. They represent approximately 40% 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. In addition, judgment has also been exercised by management in identifying the appropriate CGUs for the impairment test.

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. We assessed and tested these assumptions which the outcome of the impairment test is most sensitive and data inputs by comparing them to historical performance of the CGU and industry outlook 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 also reviewed the Group's process in identifying changes to CGUs to which goodwill and/or intangible assets have been allocated to. 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 an impairment.

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

2. Accounting for acquisitions

During the financial year ended 31 December 2018, the Group completed three acquisitions as disclosed in Note 14(a)(i).

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 judgment regarding the allocation of the purchase price to the assets and liabilities acquired, including: identifying intangible assets acquired in the acquisitions and estimating the value of such intangible assets.

We have, amongst others, read the sales and purchase agreements in relation to these acquisitions to obtain an understanding of the transactions and the key terms. We tested the identification and fair valuation of the acquired assets and liabilities by corroborating the result of the identification against our discussion with management and understanding of the businesses of the newly acquired entities. We involved our internal specialist to assist us in reviewing the valuation methodologies used by management and the external valuation expert engaged by management 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).

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 SFRS(1), 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 judgment and maintain professional skepticism throughout the audit. We also:

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

26 March 2019

Consolidated Income Statement
For the financial year ended 31 December 2018

	Note	2018	2017
		US$'000	US$'000
Revenue	4	2,141,034	2,158,383
Cost of sales		(2,022,591)	(2,007,825)
Gross profit		118,443	150,558
Other income	5	6,655	24,920
Selling expenses		(43,859)	(49,295)
Administrative expenses		(81,521)	(79,610)
Administrative expenses – foreign exchange gain		5,342	12,783
Impairment losses on financial assets		(585)	(107)
Operating profit		4,475	59,249
Finance income	6(a)	4,900	2,950
Finance costs	6(b)	(26,174)	(25,674)
Share of (loss)/profit of associates		(165)	10,043
(Loss)/Profit before tax	8	(16,964)	46,568
Income tax credit/(expense)	7	3,551	(12,038)
(Loss)/Profit for the financial year		(13,413)	34,530
(Loss)/Profit attributable to:			
Owners of the Company		(8,484)	31,027
Non-controlling interests		(4,929)	3,503
		(13,413)	34,530
(Loss)/Earnings per share ("LPS/EPS"):			
Basic and diluted (cents per share)	10	(0.53)	1.95

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 2018

	Note	2018	2017
		US$'000	US$'000
(Loss)/Profit for the financial year		(13,413)	34,530
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(31,711)	45,723
Realisation of foreign currency translation reserve upon liquidation of a subsidiary		(5,333)	–
Net fair value loss on derivative financial instruments at fair value through other comprehensive income		(315)	–
Net fair value loss on equity instruments at fair value through other comprehensive income		(4)	–
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain/(loss) on retirement benefit obligation (net of tax)		3,132	(1,197)
Other comprehensive (loss)/income for the financial year net of tax		(34,231)	44,526
Total comprehensive (loss)/income for the financial year net of tax		(47,644)	79,056
Attributable to:			
– Owners of the Company		(40,766)	72,725
– Non-controlling interests		(6,878)	6,331
Total comprehensive (loss)/income for the financial year net of tax		(47,644)	79,056

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

Statements of Financial Position
As at 31 December 2018

	Note	Group 2018 US$'000	Group 31 Dec 2017 US$'000	Group 1 Jan 2017 US$'000	Company 2018 US$'000	Company 31 Dec 2017 US$'000	Company 1 Jan 2017 US$'000
ASSETS							
Non-current assets							
Intangible assets	11	300,903	200,416	200,496	1,164	–	–
Property, plant and equipment	12	294,972	244,929	244,781	168	1,025	207
Plantation related properties	16	370,183	328,164	281,703	–	–	–
Biological assets	16	10,208	8,861	6,821	–	–	–
Investment properties	13	46,799	25,256	39,791	–	–	–
Deferred tax assets	15	15,056	14,346	13,227	–	–	–
Deferred charges		352	531	207	–	–	–
Other assets		1,787	1,793	259	–	–	–
Loans and other receivables	19	3,491	3,641	3,209	–	–	–
Investment in subsidiaries	14(a)	–	–	–	680,010	600,824	615,640
Investment in associates	14(b)	1,190	–	189,700	–	–	–
Total non-current assets		1,044,941	827,937	980,194	681,342	601,849	615,847
Current assets							
Cash and bank balances	17	125,214	152,229	66,625	770	706	430
Trade receivables	18	146,745	121,689	98,066	–	–	–
Loans and other receivables	19	146,186	111,058	51,874	808,726	671,089	372,056
Tax receivables		9,386	2,175	1,767	–	–	–
Derivative financial instruments	20	44,190	22,885	30,889	670	–	–
Inventories	21	297,941	305,347	319,973	–	–	–
Consumable biological assets	16	17	49	134	–	–	–
		769,679	715,432	569,328	810,166	671,795	372,486
Assets of disposal group classified as held-for-sale	22	–	89,384	–	–	–	–
Total current assets		769,679	804,816	569,328	810,166	671,795	372,486
Total assets		1,814,620	1,632,753	1,549,522	1,491,508	1,273,644	988,333
LIABILITIES AND EQUITY							
Current liabilities							
Derivative financial instruments	20	1,920	145	58,786	670	–	–
Trade payables	23	34,570	38,757	46,265	–	–	–
Other payables	24	55,682	60,443	42,699	123,150	155,335	33,776
Loan payables	25	520,400	207,551	244,645	293,750	2,750	2,750
Provision for taxation		12,418	21,040	19,813	1	412	412
Finance lease obligation	30(b)	42	496	497	–	496	465
		625,032	328,432	412,705	417,571	158,993	37,403
Liabilities of disposal group classified as held-for-sale	22	–	16,463	–	–	–	–
Total current liabilities		625,032	344,895	412,705	417,571	158,993	37,403
Net current assets		144,647	459,921	156,623	392,595	512,802	335,083

Statements of Financial Position

As at 31 December 2018

		Group			Company		
	Note	2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Non-current liabilities							
Loan payables	25	391,640	402,960	460,372	297,817	299,367	357,654
Retirement benefit obligations	26	19,024	19,024	17,153	–	–	–
Deferred tax liabilities	15	38,643	30,782	38,710	36	25	25
Finance lease obligation	30(b)	132	86	600	–	86	581
Other payables	24	4,263	1,843	1,850	–	–	–
Total non-current liabilities		453,702	454,695	518,685	297,853	299,478	358,260
Net assets		735,886	833,163	618,132	776,084	815,173	592,670
Capital and reserves							
Share capital	27	603,874	603,874	603,874	603,874	603,874	603,874
Perpetual securities	28	148,690	148,690	–	148,690	148,690	–
Capital reserve	29(a)	1,617	711	455	–	–	–
Other reserves	29(b)	(3,313)	–	–	–	–	–
Accumulated (losses)/profits		(51,651)	(5,694)	(33,279)	23,520	62,609	(11,204)
Foreign currency translation reserve	29(c)	7,749	42,672	–	–	–	–
Equity attributable to owners of the Company		706,966	790,253	571,050	776,084	815,173	592,670
Non-controlling interests		28,920	42,910	47,082	–	–	–
Total equity		735,886	833,163	618,132	776,084	815,173	592,670
Total liabilities and equity		1,814,620	1,632,753	1,549,522	1,491,508	1,273,644	988,333

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 2018

	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/(losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		Attributable to owners of the Company								
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
At 1 January 2018 *		603,874	148,690	711	–	(5,694)	42,672	790,253	42,910	833,163
Effect of adopting SFRS(I) 9		–	–	–	–	(564)	–	(564)	–	(564)
At 1 January 2018 (SFRS(I) framework)		603,874	148,690	711	–	(6,258)	42,672	789,689	42,910	832,599
Loss for the year		–	–	–	–	(8,484)	–	(8,484)	(4,929)	(13,413)
Other comprehensive (loss)/income		–	–	–	(315)	2,956	(34,923)	(32,282)	(1,949)	(34,231)
Total comprehensive loss for the year		–	–	–	(315)	(5,528)	(34,923)	(40,766)	(6,878)	(47,644)
Contributions by and distributions to owners										
Dividends on ordinary shares	35	–	–	–	–	(24,088)	–	(24,088)	–	(24,088)
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(354)	(354)
Statutory reserve fund		–	–	906	–	(906)	–	–	–	–
Non-controlling interests arising from acquisition of a subsidiary	14(a)	–	–	–	–	–	–	–	258	258
Distribution to perpetual securities holders	28	–	–	–	–	(6,750)	–	(6,750)	–	(6,750)
Total contributions by and distributions to owner		–	–	906	–	(31,744)	–	(30,838)	(96)	(30,934)
Changes in ownership interests in subsidiaries										
Issuance of shares of a subsidiary to non-controlling interests		–	–	–	877	–	–	877	123	1,000
Acquisition of non-controlling interest without a change in control	14(a)	–	–	–	–	(8,121)	–	(8,121)	(7,139)	(15,260)
Total changes in ownership interests in subsidiaries		–	–	–	877	(8,121)	–	(7,244)	(7,016)	(14,260)

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 2018

	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/(losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		Attributable to owners of the Company								
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
Others										
Changes to reserve		–	–	–	(208)	–	–	(208)	–	(208)
Put option granted to non-controlling interest of a subsidiary		–	–	–	(3,667)	–	–	(3,667)	–	(3,667)
Total others		–	–	–	(3,875)	–	–	(3,875)	–	(3,875)
At 31 December 2018		603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920	735,886

*Reconciliation between 1 January 2018 balance under FRS framework, as previously reported, to 1 January 2018 balance prepared based on SFRS(I) framework prior to adopting SFRS(1) 9 has been disclosed in Note 37.

Statements of Changes in Equity
For the financial year ended 31 December 2018

	Note	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated profits/(losses)	Foreign currency translation reserve	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		Attributable to owners of the Company								
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group										
At 1 January 2017 (FRS framework)		603,874	–	455	–	48,116	(77,448)	574,997	47,082	622,079
Cumulative effects of adopting of SFRS(I)		–	–	–	–	(81,395)	77,448	(3,947)	–	(3,947)
At 1 January 2017 (SFRS(I) framework)		603,874	–	455	–	(33,279)	–	571,050	47,082	618,132
Profit for the year		–	–	–	–	31,027	–	31,027	3,503	34,530
Other comprehensive (loss)/income		–	–	–	–	(1,042)	42,740	41,698	2,828	44,526
Total comprehensive income for the year		–	–	–	–	29,985	42,740	72,725	6,331	79,056
Contributions by and distributions to owners										
Issuance of perpetual securities (net of transaction costs)	28	–	148,690	–	–	–	–	148,690	–	148,690
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(183)	(183)
Statutory reserve fund		–	–	256	–	(256)	–	–	–	–
Distribution to perpetual securities holders	28	–	–	–	–	(3,375)	–	(3,375)	–	(3,375)
Disposal of a group of subsidiaries		–	–	–	–	–	(68)	(68)	(1,082)	(1,150)
Total contributions by and distributions to owner		–	148,690	256	–	(3,631)	(68)	145,247	(1,265)	143,982
Changes in ownership interests in subsidiaries										
Acquisition of non-controlling interests without a change in control		–	–	–	–	1,746	–	1,746	(9,753)	(8,007)
Effect of additional investment in a subsidiary		–	–	–	–	(515)	–	(515)	515	–
Total changes in ownership interests in subsidiaries		–	–	–	–	1,231	–	1,231	(9,238)	(8,007)
At 31 December 2017		603,874	148,690	711	–	(5,694)	42,672	790,253	42,910	833,163

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 2018

	Note	Share capital	Perpetual securities	Accumulated profits/(losses)	Total equity
		US$'000	US$'000	US$'000	US$'000
Company					
At 1 January 2017 (FRS and SFRS(I) framework)		603,874	–	(11,204)	592,670
Profit for the year representing total comprehensive income for the year		–	–	77,188	77,188
<u>Contributions by and distributions to owners</u>					
Issuance of perpetual securities (net of transaction costs)	28	–	148,690	–	148,690
Distribution to perpetual securities holders		–	–	(3,375)	(3,375)
Total transactions with owners in their capacity as owners		–	148,690	(3,375)	145,315
At 31 December 2017 (FRS and SFRS(I) framework)		603,874	148,690	62,609	815,173
Impact of adopting of SFRS(I) 9		–	–	(5)	(5)
At 1 January 2018		603,874	148,690	62,604	815,168
Loss for the year representing total comprehensive loss for the year		–	–	(8,246)	(8,246)
<u>Contributions by and distributions to owners</u>					
Dividends on ordinary shares	35	–	–	(24,088)	(24,088)
Distribution to perpetual securities holders	28	–	–	(6,750)	(6,750)
Total transactions with owners in their capacity as owners		–	–	(30,838)	(30,838)
At 31 December 2018		603,874	148,690	23,520	776,084

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 2018

	Note	2018	2017
		US$'000	US$'000
Operating activities			
(Loss)/Profit before tax		(16,964)	46,568
Adjustments for:			
Depreciation expense		28,479	26,792
Amortisation of intangible assets		372	79
Retirement benefit expense		4,690	3,521
Interest income		(4,900)	(2,950)
Interest expense		26,174	25,674
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised		(54)	2,026
Fair value gain on investment properties	5	(4,515)	(1,258)
Fair value gain on biological assets	5	(1)	(259)
Unrealised foreign exchange loss/(gain)		1,730	(10,508)
Loss on disposal of property, plant and equipment and investment properties		79	173
Write off of property, plant and equipment		2,781	95
Gain on realisation of foreign currency translation reserve upon liquidation of a subsidiary		(5,333)	–
Gain on disposal of an associate	14(b)	–	(18,130)
Gain on disposal of a group of subsidiaries		–	(3,406)
Impairment loss on financial assets		585	107
Share of loss/(profit) of associates		165	(10,043)
Operating cash flows before changes in working capital		33,288	58,481
Trade and other receivables		(50,340)	(44,887)
Inventories		22,453	(49,839)
Trade and other payables		(29,711)	10,029
Cash used in operations		(24,310)	(26,216)
Interest received		4,371	2,407
Interest paid		(18,828)	(9,641)
Tax paid		(14,165)	(9,229)
Net cash used in operating activities		(52,932)	(42,679)
Investing activities			
Proceeds from disposal of property, plant and equipment and investment properties		1,517	708
Acquisition of subsidiaries (net of cash acquired)		(109,579)	–
Acquisition of non-controlling interests		(15,260)	(8,007)
Payment on transaction cost		(208)	–
Proceeds from issuance of shares of a subsidiary to non-controlling interests		1,000	–
Proceeds from disposal of subsidiaries		–	10
Proceeds from disposal of an associate		–	225,053
Loan extended to a third party		–	(49,911)
Capital expenditure on property, plant and equipment and plantation assets		(78,714)	(54,493)
Net cash (used in)/generated from investing activities		(201,244)	113,360

Consolidated Cash Flow Statement
For the financial year ended 31 December 2018

	Note	2018	2017
		US$'000	US$'000
Financing activities			
Net proceeds/(repayment) of borrowings		280,593	(113,310)
Net (repayment)/proceeds of term loans and syndicated loan facility		(15,330)	19,427
Net proceeds/(repayment) of other working capital loans		295,923	(45,446)
Net repayment of Medium Term Notes ("MTN")		–	(87,291)
Repayment of obligation under finance lease arrangement		(582)	(568)
Net proceeds from issuance of perpetual securities	28	–	148,690
Interest paid on term loans and syndicated facility		(12,356)	(9,727)
Interest paid on MTN and advance to MTN Trust Account		–	(5,820)
Dividend distributed to perpetual securities holders	28	(6,750)	(3,375)
Dividend paid on ordinary shares	35	(24,088)	–
Repayment of shareholder loan for newly acquired subsidiaries		(10,306)	–
Dividend paid to non-controlling interests		(354)	(183)
Decrease/(increase) in pledged deposits		2,288	(4,480)
Net cash generated from financing activities		228,445	11,227
Net (decrease)/increase in cash and cash equivalents		(25,731)	81,908
Cash and cash equivalents at the beginning of year		153,372	66,625
Effect of exchange rate changes on the balance of cash held in foreign currencies		(4,710)	4,839
Cash and cash equivalents at the end of year		122,931	153,372
Cash and cash equivalents:			
– from continuing operations	17	122,931	149,056
– from disposal group classified as held-for-sale		–	4,316
Cash and cash equivalents at the end of year		122,931	153,372
Fixed deposits – pledged:			
– from continuing operations	17	2,283	3,173
– from disposal group classified as held-for-sale		–	1,516
Fixed deposits – pledged at the end of year		2,283	4,689
		125,214	158,061

Reconciliation of borrowings arising from financing activities:

	Group	
	Loan payables	**Finance lease**
	US$'000 (Note 25)	US$'000 (Note 30(b))
At 1 January 2017	705,017	1,097
Net repayment of borrowings	(113,310)	(568)
Non-cash items:		
– Foreign exchange movement	17,251	–
– Others	1,553	53
Total non-cash items	18,804	53
At 31 December 2017	610,511	582
Net proceeds/(repayment) of borrowings	280,593	(582)
Non-cash items:		
– Acquisition of subsidiaries	29,064	–
– Foreign exchange movement	(9,328)	–
– Others	1,200	174
Total non-cash items	20,936	174
At 31 December 2018	912,040	174

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

1. Corporate information

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

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

As at 31 December 2018, 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 (a) 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 (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.1 (b) for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States Dollar ("USD" or "US$") and all values in the tables are rounded to the nearest thousand ("US$'000") unless otherwise indicated.

(b) First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening statement of financial positions were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

<u>Deferred tax on unremitted foreign sourced income</u>

With the adoption of SFRS(I) by the Group from 1 January 2018 onwards, the Group will no longer be able to apply the Recommended Accounting Practice 8 exemption of not providing deferred tax liability for unremitted foreign sourced income which it has no intention of remitting into Singapore. As a result, the Group recognised deferred tax liabilities of US$4,668,000 and deferred tax expense of US$720,000 with a corresponding decrease in the opening retained earnings of US$3,947,000 as of 1 January 2017.

<u>Exemptions applied on adoption of SFRS(I)</u>

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

i) Exemption for cumulative translation differences

   Cumulative currency translation differences for foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, an amount of US$77,448,000 of foreign currency translation reserve was adjusted against the opening retained earnings as at 1 January 2017.

ii) The comparative information do not comply with SFRS(I) 9 Financial Instruments: Disclosures to the extent the disclosures relate to item within the scope of SFRS(I) 9.

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

2.1 (b) First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the matters described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

iii) SFRS(I) 9 Financial instruments

On 1 January 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirement of FRS39.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or fair value through other comprehensive income ("FVOCI"). The Group previously recorded impairment based on the incurred loss model where there is objective evidence that a financial asset is impaired.

Under adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivable of US$337,000 and other receivables of US$227,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of US$564,000 as at 1 January 2018.

The Company recognised an additional impairment on the Company's amounts due from subsidiaries of US$4,000 and other receivables of US$1,000 upon adoption of SFRS(I) 9 as at 1 January 2018.

The reconciliation for loss allowances for the Group are as follows:

	Group		
	Trade receivables	**Other receivables**	**Total**
	US$'000	US$'000	US$'000
Opening loss allowances as at 1 January 2018	911	–	911
Amount restated through opening retained earnings	337	227	564
Adjusted loss allowances (Note 18(c)/19)	1,248	227	1,475

The reconciliation for loss allowances for the Company are as follows:

	Company		
	Amounts due from subsidiaries	**Other receivables**	**Total**
	US$'000	US$'000	US$'000
Opening loss allowances as at 1 January 2018	–	–	–
Amount restated through opening retained earnings	4	1	5
Adjusted loss allowances (Note 19)	4	1	5

Refer to Note 37 for reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the consolidated statement of financial position and consolidated income statement of the Group.

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

2.1 (b) First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") (cont'd)

iv) SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 established a five-step model to account for revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has assessed the impact of adopting SFRS(I) 15 and concluded the financial impact is not material to the Group.

2.2 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
SFRS(I) 16 Leases	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1 -28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, 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 SFRS(I) 16 are described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on statement of financial positions 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 exemptions 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. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt the new standard on the required effective date by applying SFRS(I) 16 retrospectively with the right-of-use assets is recognised at the date of initial application (1 January 2019) at an amount equal to the lease liability, using the Group's current incremental borrowing rates.

In addition, the Group plans to elect the following practical expedients:

(i) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

(ii) to apply single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from the ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets of approximately US$11,000,000 and lease liabilities of approximately US$11,000,000 for its leases previously classified as operating leases.

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

2.3 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 SFRS(I) 3 and may be accounted for using the pooling of interest method or the acquisition method. Acquisition method is applied when the transaction has substance from the perspective of the Group in accordance with SFRS(I) 3.

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 SFRS(I) 1-39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.10(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any 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. Summary of significant accounting policies (cont'd)

2.4 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.

2.5 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.

2.6 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 statement of financial position 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.

2.7 Foreign currency

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling as at the statement of financial position 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)

2.7 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 statement of financial position date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. 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 95 years

Freehold land is not depreciated.

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

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.

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

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

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

2.9 Investment properties

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

Investment properties are initially measured at cost, including transaction costs.

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

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

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

2.10 Intangible assets

(a) Goodwill

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

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

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

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

(b) Other intangible assets

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

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

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

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

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

(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.

(iii) Computer software

Acquired computer software licences are initially capitalised 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 5 years.

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

2.11 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.

2.12 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 at the end of the rubber production life 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 as immature plantations at the time of planting. Mature plantations are stated at cost less accumulated depreciation and impairment. The Group has reassessed its depreciation methodology for plantation assets as its significant investment in bearer plants over the last few years is starting to reach maturity. The Group concluded that depreciating the mature plantations by the expected yield pattern of the bearer plants over their useful lives, estimated at 30 years, is more reflective of the pattern in which the assets future benefit are expected to be consumed. 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 Malaysian plantations and produce that grows on oil palm trees in the Malaysian plantations, rubber latex in the African plantation and bud wood nursery. 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.

2.13 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)

2.14 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Debt instruments

(i) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date of derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

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

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

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

(c) Gain/loss on commodity contracts

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

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that resulted from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposures, irrespective of timing of the default (an ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore the Group does not track changes in credit risk, but instead recognises a loss allowance based on ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassess the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 90 days past due.

The Group considers a financial asset in default when contractual payments are 365 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal and external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 Cash and cash equivalents

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

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

2.17 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 SFRS(I) 1-2 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 the 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 is 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.

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.

2.18 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.

2.19 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.

2.20 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. Service costs which include current service cost, past service cost and gains or losses on non-routine settlement are recognised as expense in profit or loss. Net interest is calculated by applying the discount rate based on high quality long term bonds at the beginning of the period to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

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

2.20 Employee benefits (cont'd)

(a) Retirement benefit costs (cont'd)

Defined benefit costs are categorised as follows:
- Service cost;
- 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.

2.21 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.

(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.

2.22 Non-current assets held-for-sale and discontinued operations

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held-for-sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated or amortised.

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

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring promised goods or services to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue from sale of goods is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.

(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.

(b) Deferred tax

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

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

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

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

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

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

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

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

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 Perpetual securities

The perpetual capital securities do not have a maturity date and the Company is able to elect to defer or not making a distribution subject to the terms and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual capital securities issue and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Costs directly attributable to the issue of the perpetual capital securities are deducted against the proceeds from the issue.

On the election of the Company to repay the perpetual securities, the perpetual securities will be reclassified as a financial liability under SFRS(I) 1-39. The financial liability is initially recognised at fair value and any difference between the carrying amount of the liability and the previously recognised equity instrument is recognised in equity.

No gain or loss is recognised in the profit or loss on the reclassification.

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 statement of financial position 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. Summary of significant accounting policies (cont'd)

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 33, 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 judgements, 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) 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 Malaysia 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 its Malaysia plantations as biological assets, which is within the scope of SFRS(I) 1-41, and are stated at fair value less estimated costs to sell; and

ii) the rubber trees in its African plantations as bearer plant which are measured under SFRS(I) 1-16 at accumulated cost (before maturity) and using cost model (after maturity).

(b) 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 process know-how has been allocated to, based on value-in-use approach. Estimates used in deriving the value-in-use, are 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 goodwill and process know-how is impaired requires an estimation of the value in use of the cash-generating-unit to which the goodwill and process know-how have been allocated.

The value in use calculation requires the Group to estimate the future cash flows expected to arise, the growth rate used for extrapolation purposes and a suitable discount rate in order to calculate present value. The key assumptions applied in the determination of the value in use including a sensitivity analysis are disclosed and further explained in Note 11 to the financial statements. The Group's carrying amount of goodwill and process know-how at 31 December 2018 is US$297,399,000 (2017: US$199,887,000).

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

3.2 Key sources of estimation uncertainty (cont'd)

(b) Purchase price allocation

Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair values of the assets and liabilities acquired, including intangible assets. 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. Details of purchase price allocation are disclosed in to Note 14(a)(i).

4. Revenue

	Group	
	2018	**2017**
	US$'000	US$'000
Sale of goods	2,141,034	2,158,383

Sales of rubber is recognised at point in time. Please refer to Note 33 for disaggregation of revenue.

5. Other income

	Group	
	2018	**2017**
	US$'000	US$'000
Fair value gain on investment properties (Note 13)	4,515	1,258
Fair value gain on biological assets (Note 16)	1	259
Gain on disposal of an associate (Note 14(b))	–	18,130
Gain on disposal of subsidiaries	–	3,406
Others	2,139	1,867
	6,655	24,920

6. (a) Finance income

	Group	
	2018	**2017**
	US$'000	US$'000
Interest income:		
– Loans and receivables	3,797	542
– Deposits	1,103	2,408
	4,900	2,950

6. (b) Finance costs

	Group	
	2018	**2017**
	US$'000	US$'000
Interest expense on:		
– Term loans	19,364	18,431
– Medium term notes ("MTN")	–	4,951
– Working capital loans	18,694	8,715
– Finance lease obligation	22	52
	38,080	32,149
Less: interest expense capitalised in:		
– Plantation and biological assets (Note 16)	(11,906)	(6,475)
Total finance costs	26,174	25,674

7. Income tax credit/(expense)

	Group 2018 US$'000	Group 2017 US$'000
Consolidated income statement		
Current tax		
Current tax expense	(5,383)	(13,371)
Over/(under) provision in prior years	2,252	(51)
Deferred tax		
Tax credit relating to the origination and reversal of temporary differences (Note 15)	6,682	1,384
Income tax credit/(expense) recognised in profit or loss	3,551	(12,038)

Relationship between tax credit/(expense) and accounting (loss)/profit

Reconciliation between tax credit/(expense) and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Group 2018 US$'000	Group 2017 US$'000
(Loss)/Profit before taxation	(16,964)	46,568
Tax at the domestic income tax rate of 17% (2017: 17%)	2,884	(7,917)
Effect of non-deductible expenses	(7,715)	(4,434)
Effect of non-taxable income	7,551	3,166
Effect of tax exempt income	78	83
Interest income deducted at source	–	286
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,059	(2,385)
Deferred tax asset not recognised	(6,550)	(3,435)
Utilisation of previously unrecognised deferred tax asset	2,175	2,858
Reversal of temporary differences relating to deferred tax liability for foreign sourced income	1,539	–
Effect of tax incentive at lower rate	(691)	(189)
Share of result of associates	28	–
Over/(under) provision in prior years	2,252	(51)
Others	(59)	(20)
Income tax credit/(expense) recognised in profit or loss	3,551	(12,038)

Two of the subsidiaries within the Group, Hevea Global Pte Ltd ("HG") and New Continent Enterprises (Private) Limited ("NCE") were granted the Global Trader Programme ("GTP") Incentive subject to the fulfilment of certain conditions. The GTP award was granted to HG from 1 July 2016 for a period of 4 years and 6 months and NCE's GTP was renewed from 1 January 2019 for a period of 5 years. The qualifying income of HG and NCE shall be taxed at the concessionary tax rate of 10%.

8. (Loss)/Profit before tax

	Group	
	2018	**2017**
	US$'000	US$'000
(a) (Loss)/Profit before tax has been arrived at after charging/(crediting):		
Non-recurring expenses (included within administrative expenses):		
– Acquisition related expenses	460	764
Depreciation of property, plant and equipment and plantation related properties included in:		
– Cost of sales	21,602	20,484
– Selling expenses	94	98
– Administrative expenses	6,783	6,210
	28,479	26,792
Foreign exchange gain included in:		
– Cost of sales	(1,750)	(175)
– Administrative expenses	(5,342)	(12,783)
	(7,092)	(12,958)
Amortisation of intangible assets (Note 11)	372	79
Professional fees	7,301	5,117
Directors' remuneration	1,156	4,093
Directors' fees (Note 32)	457	355
Audit fees:		
– paid to auditors of the Company	1,220	880
– paid to other auditors	172	106
Non-audit fees:		
– paid to auditors of the Company	285	124
Operating lease expense (Note 30)	2,685	2,693
Loss on disposal of property, plant and equipment and investment properties	79	173
Write off of property, plant and equipment	2,781	95
Impairment losses on financial assets	585	107
Inventories recognised as an expense in cost of sales [1]	2,022,591	2,007,825

[1] Included unrealised fair value loss on open forward commodity contracts and adjustment on inventories of US$8,052,000 (2017: US$2,026,000)

(b) Employee benefits expenses (including directors' remuneration):		
– Defined benefit plan	4,690	3,521
– Defined contribution plans	2,702	2,070
– Staff welfare	5,757	4,908
– Staff salaries	94,897	87,529
	108,046	98,028
Included in:		
– Cost of sales	59,782	50,445
– Selling expenses	7,145	6,209
– Administrative expenses	41,119	41,374
	108,046	98,028

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

	Group	
	2018	2017
	US$'000	US$'000
(Loss)/Profit before taxation	(16,964)	46,568
Adjustments for:		
Depreciation expense (Note 8)	28,479	26,792
Finance costs (Note 6(b))	26,174	25,674
Loss on disposal of investment properties and property, plant and equipment and write off of property, plant and equipment	2,860	268
Interest income	(4,900)	(2,950)
Amortisation of intangible assets (Note 8)	372	79
Share of loss/(profit) of associates	165	(10,043)
Gain on disposal of an associate (Note 5)	–	(18,130)
Gain on disposal of subsidiaries (Note 5)	–	(3,406)
EBITDA	36,186	64,852
Add: Non-recurring expenses (Note 8)	460	764
Less: Fair value gain on investment properties (Note 5)	(4,515)	(1,258)
Adjusted EBITDA	32,131	64,358

10. (Loss)/Earnings per share ("LPS/EPS")

	Group Basic and diluted	
	2018	2017
	US$'000	US$'000
(Loss)/Profit for the year attributable to owners of the Company	(8,484)	31,027
	Number of ordinary shares '000 Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012
(Loss)/Earnings per share (US Cents)	(0.53)	1.95

11. Intangible assets

Group	Process know-how	Goodwill	Customer related intangibles	Trademark	Computer software	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:						
At 1 January 2017	10,000	189,887	700	34	–	200,621
Exchange difference	–	–	–	(1)	–	(1)
At 31 December 2017 and 1 January 2018	10,000	189,887	700	33	–	200,620
Additions	–	–	–	–	138	138
Acquisition of subsidiaries (Note 14(a)(i))	–	97,512	2,100	–	–	99,612
Transfer from property, plant and equipment (Note 12)	–	–	–	–	1,109	1,109
At 31 December 2018	10,000	287,399	2,800	33	1,247	301,479
Accumulated amortisation:						
At 1 January 2017	–	–	123	2	–	125
Amortisation for the year (Note 8)	–	–	70	9	–	79
As at 31 December 2017 and 1 January 2018	–	–	193	11	–	204
Amortisation for the year (Note 8)	–	–	280	9	83	372
At 31 December 2018	–	–	473	20	83	576
Net carrying amount:						
At 1 January 2017	10,000	189,887	577	32	–	200,496
At 31 December 2017	10,000	189,887	507	22	–	200,416
At 31 December 2018	10,000	287,399	2,327	13	1,164	300,903

The amortisation of customer related intangibles, trademark and computer software is included in administrative expenses in the consolidated income statement.

Company	Computer software
	US$'000
Cost:	
At 1 January 2018	–
Additions	138
Transfer from property, plant and equipment (Note 12)	1,109
At 31 December 2018	1,247
Accumulated amortisation:	
At 1 January 2018	–
Amortisation for the year	83
At 31 December 2018	83
Net carrying amount:	
At 31 December 2018	1,164

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 HRC Group. As explained in Note 2.10(b)(i), the intangible asset has been assessed as having indefinite life so long as there is a demand for such rubber. The Group expects continuance for such demand.

Goodwill

Goodwill acquired through business combinations have been allocated to following cash-generating units ("CGU"), for impairment testing:

	Group
	2018
	US$'000
A CGU within HRC Group	253,130
A CGU within SINRIO Group	4,491
A CGU within Corrie MacColl Group	29,778
	287,399

Changes to CGU

With effect from 1 January 2018, the Group restructured the Group's operation into 3 main business segments after carrying out review of its operations to streamline its operating structure. Similarly, the CGU to which goodwill and intangible assets have been allocated to, have been reallocated in 2018 to different CGUs, which are certain business units within each business segment.

Customer related intangibles

Customer related intangibles relates to non-contractual customer relationships acquired through business combination. The intangible asset has a remaining amortisation period of 6 to 9 years (31 December 2017: 7 years, 1 January 2017: 8 years).

Computer software

Computer software has a remaining amortisation period of 4 years.

Trademark

Trademark has a remaining amortisation period of 2 years.

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 2018. No impairment loss was recognised as at 31 December 2018 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 five years cash flow projections from financial budgets approved by management and assumed a terminal growth rate thereafter.

Key assumptions used in the value in use calculations

Cash generating units/intangible assets	**Carrying amount as at 31 December 2018**	**Discount rate (pre-tax)**	**Growth rate**
	US$'000		
HRC Group:			
-Goodwill	253,130	10%	2%
-Process know-how	10,000	10%	2%
SINRIO Group:			
-Goodwill	4,491	10%	2%
Corrie MacColl Group:			
-Goodwill	29,778	10%	2%
Total	297,399		

11. Intangible assets (cont'd)

Key assumptions used in the value in use calculations (cont'd)

Cash generating units/intangible assets	Carrying amount as at 31 December 2017	Discount rate (pre-tax)	Growth rate
	US$'000		
Processing segment:			
-Goodwill	183,282	10%	2%
-Process know-how	10,000	10%	2%
Distribution segment:			
-Goodwill	6,605	10%	5%
Total	199,887		

Cash generating units/intangible assets	Carrying amount as at 1 January 2017	Discount rate (pre-tax)	Growth rate
	US$'000		
Processing segment:			
-Goodwill	183,282	10%	1% to 2%
-Process know-how	10,000	10%	2%
Distribution segment:			
-Goodwill	6,605	10%	2% - 3%
Total	199,887		

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

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

Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates.

Rubber price – The forecasted rubber price is based on estimated rubber price published by one external industry report.

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.

Additions of goodwill arising from acquisitions

HRC Group

The goodwill of US$69,848,000 from the acquisition of PT Pulau Bintan Djaya, PT Sumber Djantin and PT Sumber Alam comprises of the value to continue growing the HAC Group's business acquisitions and investments, thereby establishing itself as a leading global natural rubber supply chain manager. This increases the scale and scope of HAC Group's HRC Group segment and propels the HAC Group to be the largest crumb rubber producer and exporter in Indonesia. The acquisitions derive synergic benefits through common corporate infrastructure, supplier consolidation and sharing best practices and economies of scale. None of the goodwill recognised is expected to be deductible for income tax purposes.

Corrie MacColl Group

The goodwill of US$27,664,000 comprises the heritage and strong reputations of Wurfbain, RCMA Americas, Corrie MacColl & Son Ltd and Alan L. Grant Rubber. Newly acquired or incorporated assets and subsidiaries, namely Wurfbain Polymer B.V., Alan L Grant Polymer, Inc., Corrie MacColl Rubber Ltd., Centrotrade Hatyai Co. Ltd., and Kelvin Terminals B.V. (collectively known as "Corrie MacColl") participates actively throughout the value chain, from sourcing of raw materials to marketing, transporting, importing and exporting all leading grades of natural rubber, latex and synthetic rubber. Its business operations are backed by strategically located warehouses and experienced teams, offering seamless supply chain solutions that meet the needs of its clients globally. None of the goodwill recognised is expected to be deductible for income tax purposes.

Details of goodwill arising from acquisitions are disclosed in Note14(a)(i).

12. Property, plant and equipment

Group	Leasehold improvements and renovation	Office equipment	Computers and software	Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Asset under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:										
At 1 January 2017	7,032	7,758	4,272	97,353	71,873	6,686	56,888	8,300	11,056	271,218
Additions	120	1,222	367	4,545	3,645	2,123	–	–	5,908	17,930
Disposals	–	(414)	(122)	(731)	(2,611)	(2,936)	–	–	(7)	(6,821)
Write offs	(761)	(513)	–	(1)	(47)	–	–	–	(10)	(1,332)
Transfer from plantation related properties (Note 16)	–	–	–	14,566	–	–	–	–	5,934	20,500
Reclassifications	21,411	4,106	109	(18,298)	3,606	2	28	–	(10,964)	–
Reclassification to assets of disposal group classified as held-for-sale (Note 22)	–	(149)	(269)	(9,483)	(7,631)	(166)	(2,773)	(8,981)	(297)	(29,749)
Exchange difference	633	877	268	7,874	3,346	640	1,484	681	1,250	17,053
At 31 December 2017 and 1 January 2018	28,435	12,887	4,625	95,825	72,181	6,349	55,627	–	12,870	288,799
Additions	790	4,028	734	846	7,163	2,774	297	–	15,364	31,996
Acquisition of subsidiaries	20	367	36	13,730	9,439	330	13,951	–	6	37,879
Disposals	–	(217)	(246)	(1)	(369)	(577)	–	–	(13)	(1,423)
Write offs	(1,999)	(548)	(137)	(18)	(2,097)	–	–	–	(52)	(4,851)
Transfer to plantation related properties (Note 16)	–	–	–	–	–	–	–	–	(1,545)	(1,545)
Transfer to intangible assets (Note 11)	–	–	–	–	–	–	–	–	(1,109)	(1,109)
Reclassifications	(24,437)	786	209	29,141	2,647	(264)	56	–	(8,138)	–
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	149	269	9,483	7,631	166	2,773	8,981	297	29,749
Exchange difference	(232)	(303)	(477)	(1,550)	(6,916)	(1,978)	(3,609)	–	(1,273)	(16,338)
At 31 December 2018	2,577	17,149	5,013	147,456	89,679	6,800	69,095	8,981	16,407	363,157
Accumulated depreciation and impairment:										
At 1 January 2017	552	2,633	1,009	6,989	9,133	1,851	4,270	–	–	26,437
Disposals	–	(350)	(121)	(498)	(2,610)	(2,775)	–	–	–	(6,354)
Depreciation for the year (Note 8)	793	1,516	726	7,109	11,472	1,237	2,189	–	–	25,042
Write offs	(715)	(487)	–	–	(35)	–	–	–	–	(1,237)
Reclassification to assets of disposal group classified as held-for-sale (Note 22)	–	(54)	(62)	(227)	(2,175)	(44)	–	–	–	(2,562)
Exchange difference	(470)	191	39	2,377	179	246	(18)	–	–	2,544
At 31 December 2017 and 1 January 2018	160	3,449	1,591	15,750	15,964	515	6,441	–	–	43,870
Disposals	–	(94)	(211)	–	(217)	(400)	–	–	–	(922)
Depreciation for the year (Note 8)	1,741	1,677	822	7,248	11,758	1,424	2,024	–	–	26,694
Write offs	(40)	(455)	(123)	(13)	(2,056)	–	–	–	–	(2,687)
Transfer to plantation related properties (Note 16)	–	697	33	545	708	312	–	–	–	2,295
Reclassifications	–	(213)	190	–	25	(2)	–	–	–	–
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	54	62	227	2,175	44	–	–	–	2,562
Exchange difference	(210)	(261)	(52)	(214)	(947)	(1,507)	(436)	–	–	(3,627)
At 31 December 2018	1,651	4,854	2,312	23,543	27,410	386	8,029	–	–	68,185
Net carrying amount:										
At 1 January 2017	6,480	5,125	3,263	90,364	62,740	4,835	52,618	8,300	11,056	244,781
At 31 December 2017	28,275	9,438	3,034	80,075	56,217	5,834	49,186	–	12,870	244,929
At 31 December 2018	926	12,295	2,701	123,913	62,269	6,414	61,066	8,981	16,407	294,972

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

Company	Renovation	Computers	Office equipment	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:					
At 1 January 2017	189	199	11	–	399
Additions	12	11	7	856	886
At 31 December 2017 and 1 January 2018	201	210	18	856	1,285
Additions	13	51	–	253	317
Transfer to intangible assets (Note 11)	–	–	–	(1,109)	(1,109)
Reclassification	–	7	(7)	–	–
Write off	–	(90)	(7)	–	(97)
At 31 December 2018	214	178	4	–	396
Accumulated depreciation:					
At 1 January 2017	30	151	11	–	192
Depreciation for the year	33	35	–	–	68
At 31 December 2017 and 1 January 2018	63	186	11	–	260
Depreciation for the year	35	30	–	–	65
Write off	–	(90)	(7)	–	(97)
At 31 December 2018	98	126	4	–	228
Net carrying amount:					
At 1 January 2017	159	48	–	–	207
At 31 December 2017	138	24	7	856	1,025
At 31 December 2018	116	52	–	–	168

Assets held under finance lease

As at 31 December 2017, the Company pledged plant and equipment with an aggregate cost of US$2,200,000 under a finance lease agreement. These plant 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 2017 was US$931,000 (1 January 2017: US$1,097,000). The finance lease has been fully repaid during the financial year.

During the financial year, a subsidiary of the Group pledged vehicles with an aggregate cost of US$219,000 under a finance lease agreement. The carrying amount of the vehicles held under finance lease at the end of the financial year was US$218,000.

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$59,933,000 (31 December 2017: US$38,702,000, 1 January 2017: US$30,764,000) to secure the Group's and the Company's loans and borrowings (Note 25).

13. Investment properties

	Group 2018 US$'000	Group 2017 US$'000
Statement of financial position:		
At 1 January	25,256	39,791
Additions	30	–
Fair value gain recognised in profit or loss (Note 5)	4,515	1,258
Acquisition of subsidiaries (Note 14(a)(i))	3,616	–
Disposal/write off	(1,712)	(414)
Reclassification from/(to) assets of disposal group classified as held-for-sale (Note 22)	16,656	(16,656)
Exchange difference	(1,562)	1,277
At 31 December	46,799	25,256
Income statement:		
Rental income from investment properties:		
– Minimum lease payments	20	27
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	7	27

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 2018, 31 December 2017 and 1 January 2017. The valuations were performed by independent valuers with 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 34.

The investment properties held by the Group as at 31 December 2018 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Residential houses in Palembang, Indonesia	Residential	Leasehold	1 – 25 years
Lands in Palembang, Indonesia	Vacant land	Leasehold	1 – 16 years
Offices in Palembang, Indonesia	Offices	Leasehold	1 – 15 years
Shophouses in Medan, Indonesia	Shophouse	Leasehold	3 years
Offices in Medan, Indonesia	Offices	Leasehold	4 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	4 years
Residential house in Banjarmasin, Indonesia	Residential	Leasehold	11 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	20 years
Land in Pontianak, Indonesia	Vacant land	Leasehold	18 – 19 years
Shophouse in Rantau, Indonesia	Shophouse	Leasehold	13 years
Land in Riau, Indonesia	Vacant land	Leasehold	4 years
Shophouse in Riau, Indonesia	Shophouse	Leasehold	16 years
Commercial offices in Hainan, China	Commercial office	Leasehold	18 – 19 years
Shophouses in Pontianak, Indonesia	Shophouse	Leasehold	4 – 8 years
Land in Songkhla, Thailand	Vacant land	Freehold	–
Land in Pattani, Thailand	Vacant land	Freehold	–
Residential houses and offices in Pattani, Thailand	House and office	Freehold	–
Land and building in Chantaburi, Thailand	Vacant land	Freehold	–
Land and building 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	–
Residential houses in Trang, Thailand	Residential	Freehold	–
Land in Yala, Thailand	Vacant land	Freehold	–
Land in Narathiwas, Thailand	Vacant land	Freehold	–
Residential houses and offices in Narathiwas, Thailand	House and office	Freehold	–

14. Investment in subsidiaries and associates

(a) Investment in subsidiaries

	Company		
	2018	2017	1 Jan 2017
	US$'000	US$'000	US$'000
At 1 January	600,824	615,640	168,008
Additions	78,936	1,184	447,632
Disposals	–	(16,000)	–
Incorporation of a new subsidiary	250	–	–
At 31 December/1 January 2017	680,010	600,824	615,640

During the financial year ended 31 December 2017, the Company has disposed off equity interest in Hevea Global Pte Ltd to Halcyon Rubber Company Pte Ltd, a wholly owned subsidiary of the Company.

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest		
			2018	31 Dec 2017	1 Jan 2017
Held by the Company					
Halcyon Rubber Company Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00	100.00
Corrie MacColl Pte. Ltd. (formerly known as Halcyon Rubber & Plantations Pte. Ltd.) (1)	Singapore	Investment holding	100.00	100.00	100.00
Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd. (1)	Singapore	Natural rubber trading and investment holding	100.00	100.00	100.00
HAC Capital Pte. Ltd. (1) (6)	Singapore	Investment holding	100.00	100.00	–
Corrie MacColl Limited (formerly known as Corrie MacColl Trading Limited) (4)	United Kingdom	Investment holding	100.00	–	–
HeveaConnect Pte. Ltd. (1) (5)	Singapore	Natural rubber trading and supply chain platform	90.10	–	–
Hevea Global Pte. Ltd. (1) (6)	Singapore	Natural rubber trading	–	–	100.00
Halcyon Agri Indonesia Pte. Ltd. (1) (6)	Singapore	Investment holding	–	–	100.00
SINRIO Malaysia Pte. Ltd. (formerly known as Halcyon Agri Malaysia Pte. Ltd.) (1) (6)	Singapore	Investment holding	–	–	100.00

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Halcyon Rubber Company Pte. Ltd.					
Anson Company (Private) Limited (1)	Singapore	Investment holding	100.00	100.00	100.00
Hevea Global Pte. Ltd. (1)	Singapore	Natural rubber trading	100.00	100.00	–
Subsidiaries of Anson Company (Private) Limited					
Halcyon Agri Indonesia Pte. Ltd. (1) (6)	Singapore	Investment holding	100.00	100.00	–
PT. Hok Tong (2)	Indonesia	Natural rubber processing	99.99	99.99	99.99
PT. Remco (2)	Indonesia	Natural rubber processing	75.00	75.00	75.00
PT. Sunan Rubber (2) (6)	Indonesia	Natural rubber processing	–	53.75	53.75
PT. Rubber Hock Lie (2) (6)	Indonesia	Natural rubber processing	–	99.91	77.78
SDCI Singapore Pte. Ltd. (1) (6)	Singapore	Investment holding	–	100.00	–
Subsidiary of Hevea Global Pte. Ltd.					
Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	–	–	100.00
Subsidiaries of Halcyon Agri Indonesia Pte. Ltd.					
PT. Hevea MK (2)	Indonesia	Natural rubber processing	100.00	100.00	95.00
PT. Hevea GE (2)	Indonesia	Natural rubber processing	100.00	100.00	95.00
Subsidiary of PT. Hok Tong					
PT. Bumi Jaya (2) (6)	Indonesia	Natural rubber processing	100.00	100.00	–
PT. Sunan Rubber (2) (6)	Indonesia	Natural rubber processing	100.00	–	–
PT. Rubber Hock Lie (2) (6)	Indonesia	Natural rubber processing	99.91	–	–
PT. GMG Sentosa (2) (6)	Indonesia	Natural rubber processing	100.00	–	–
PT. Pulau Bintan Djaya (2)	Indonesia	Natural rubber processing	80.00	–	–
PT. Sumber Alam (2)	Indonesia	Natural rubber processing	100.00	–	–
PT. Sumber Djantin (2)	Indonesia	Natural rubber processing	100.00	–	–

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Corrie MacColl Pte. Ltd. (formerly known as Halcyon Rubber & Plantations Pte. Ltd.)					
G.P. Sentosa Enterprises Co., Ltd. (3)	Thailand	Investment holding	100.00	100.00	100.00
Teck Bee Hang Co., Ltd. (3)	Thailand	Natural rubber processing	55.00	55.00	55.00
Ivoirienne de Traitement de Caoutchouc S.A. (2)	Ivory Coast	Natural rubber processing	60.00	60.00	60.00
GMG Investment Congo SARL (3)	Democratic Republic of Congo	In liquidation	100.00	100.00	100.00
JFL Agro Sdn. Bhd. (2) (6)	Malaysia	Investment holding	100.00	–	–
PT. GMG Sentosa (2) (6)	Indonesia	Natural rubber processing	–	75.00	75.00
Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	–	100.00	–
Corrie MacColl Plantations Pte. Ltd. (formerly known as Cameroon Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	–	100.00	100.00
GMG Holdings Ltd (3)	Singapore	Struck off during the year	–	100.00	100.00
GMG Côte d'Ivorie (3)	Ivory Coast	Liquidated during the year	–	100.00	100.00
PT. Bumi Jaya (2) (6)	Indonesia	Natural rubber processing	–	–	95.00
Subsidiaries of Teck Bee Hang Co., Ltd.					
Techem Indusries Co., Ltd. (3)	Thailand	Manufacture & distribution of plastic products	54.10	54.10	54.10
Teck-Fu Joint Venture Co., Ltd. (3)	Thailand	Natural rubber processing	47.30	47.30	47.30

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest		
			2018	31 Dec 2017	1 Jan 2017
Subsidiary of JFL Agro Sdn. Bhd.					
Halcyon Rubber Estate Sdn. Bhd. (2) (6)	Malaysia	Dormant	100.00	–	–
Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd.					
New Continent Enterprises (Private) Limited (1) (6)	Singapore	Natural rubber trading and distribution	100.00	100.00	–
SINRIO Malaysia Pte. Ltd. (formerly known as Halcyon Agri Malaysia Pte. Ltd.) (1) (6)	Singapore	Investment holding	100.00	100.00	–
Hainan Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	99.71	99.71	97.37
SDCI Singapore Pte. Ltd. (1) (6)	Singapore	Investment holding	100.00	–	–
SINRIO Thailand Pte. Ltd. (1) (5)	Singapore	Investment holding	100.00	–	–
Euroma Rubber Industries Sendirian Berhad (2) (6)	Malaysia	Natural rubber processing	–	–	97.50
Subsidiaries of New Continent Enterprises (Private) Limited					
Halcyon Agri Natural Rubber (Shanghai) Limited (2)	People's Republic of China	Natural rubber trading and distribution	100.00	100.00	100.00
New Continent Enterprises GmbH (4)	Germany	Dissolved during the year	–	100.00	100.00
New Continent Enterprises B.V. (4)	Netherlands	Dissolved during the year	–	100.00	100.00
Subsidiary of New Continent Enterprises B.V.					
New Continent Enterprises Inc. (4)	United States	Dissolved during the year	–	100.00	100.00
Subsidiaries of SINRIO Malaysia Pte. Ltd. (formerly known as Halcyon Agri Malaysia Pte. Ltd.)					
SINRIO (Malaysia) Sdn. Bhd. (formerly known as Halcyon Agri (Malaysia) Sdn. Bhd.) (2)	Malaysia	Investment holding	100.00	100.00	100.00
JFL Agro Pte. Ltd. (1) (6)	Singapore	Investment holding	–	100.00	100.00

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiaries of SINRIO (Malaysia) Sdn. Bhd. (formerly known as Halcyon Agri (Malaysia) Sdn. Bhd.)					
Hevea KB Sdn. Bhd. (2)	Malaysia	Investment holding	100.00	100.00	100.00
Euroma Rubber Industries Sendirian Berhad (2) (6)	Malaysia	Natural rubber processing	100.00	100.00	–
Halcyon Rubber Estates Sdn. Bhd. (2) (6)	Malaysia	Dormant	–	100.00	100.00
Subsidiaries of Hainan Sinochem Rubber Co., Ltd.					
Xishuangbanna Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	96.67	96.67	96.67
Baisha Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Dormant	100.00	100.00	100.00
Hainan Baoting Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	100.00	100.00	100.00
Shanghai Hancheng Trading Co., Ltd. (2)	People's Republic of China	Dormant	100.00	100.00	100.00
Subsidiaries of SDCI Singapore Pte. Ltd.					
Société de Développement du Caoutchouc Ivoirien S.A. (2)	Ivory Coast	Investment holding	100.00	100.00	–
Tropical Rubber Côte d'Ivoire S.A. (2) (6)	Ivory Coast	Natural rubber plantation and processing	70.00	70.00	–
Subsidiaries of Corrie MacColl Limited (formerly known as Corrie MacColl Trading Limited)					
Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	100.00	–	–
Corrie Maccoll Plantations Pte. Ltd. (formerly known as Cameroon Holdings Pte. Ltd.) (1) (6)	Singapore	Investment holding	100.00	–	–
Subsidiaries of Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.)					
Centrotrade Deutschland GmbH (2)	Germany	Natural rubber trading and distribution	100.00	100.00	100.00
Centrotrade Minerals and Metals, Inc. (3)	United States	Natural rubber trading and distribution	100.00	100.00	100.00
Centrotrade Malaysia Commodities Sdn. Bhd. (2)	Malaysia	Natural rubber trading and distribution	100.00	100.00	100.00
Wurfbain Polymer B.V. (2)	The Netherlands	Investment holding, trading and distribution of natural rubber and latex	100.00	100.00	–

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest 2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Corrie MacColl International Pte. Ltd. (formerly known as Centrotrade Holdings Pte. Ltd.) (cont'd)					
Kelvin Terminals B.V. (formerly known as RCMA Terminals B.V.) [4]	The Netherlands	Storage and trading of natural rubber, latex and synthetic rubber	100.00	–	–
New Continent Enterprises (Private) Limited [1] [6]	Singapore	Natural rubber trading and distribution	–	–	100.00
HAC Capital Pte. Ltd. [1] [6]	Singapore	Investment holding	–	–	100.00
Centrotrade (Thailand) Co., Ltd. [3] [5]	Thailand	Investment holding	49.00	–	–
Shanghai CMI Rubber Co., Ltd. [5]	People's Republic of China	Trading and distribution of natural rubber and rubber related products	100.00	–	–
Subsidiaries of Wurfbain Polymer B.V.					
Corrie Maccoll Rubber Ltd [4]	United Kingdom	Other business support service activities	100.00	100.00	–
Corrie Maccoll North America, Inc.[4] [5]	United States	Investment holding	100.00	–	–
Alan L Grant Polymer, Inc. [2] [6]	United States	Trading and distribution of natural rubber, latex and synthetic rubber	–	100.00	–
Subsidiaries of Corrie MacColl North America, Inc.					
Alan L Grant Polymer, Inc. [2] [6]	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	–	–
Momentum Technologies Laboratories, Inc. [4] [5]	United States	Provides laboratory services specialising in thermoplastic elastomers, resins, latex, polymers, and additives	100.00	–	–
Centrotrade Rubber, Inc. [4] [5]	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	–	–
Subsidiaries of Centrotrade (Thailand) Co., Ltd					
Centrotrade Hatyai Co., Ltd. (formerly known as RCMA (Hatyai) Limited) [3]	Thailand	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	–	–

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporaton	Principal activities	Proportion (%) of Group effective ownership interest		
			2018	31 Dec 2017	1 Jan 2017
Subsidiaries of Corrie MacColl Plantations Pte. Ltd. (formerly known as Cameroon Holdings Pte. Ltd.)					
Societe de Development Du Caoutchouc Camerounais S.A. (2)	Cameroon	Investment holding	100.00	100.00	100.00
JFL Agro Pte. Ltd. (1) (6)	Singapore	Investment holding	100.00	–	–
Tropical Rubber Côte d'Ivoire S.A. (2) (6)	Ivory Coast	Natural rubber plantation and processing	–	–	51.20
Subsidiaries of Société de Développement du Caoutchouc Camerounais S.A.					
Hevea Cameroun S.A. (2)	Cameroon	Natural rubber plantation and processing	90.00	90.00	90.00
Sud Cameroun Hevea S.A. (2)	Cameroon	Natural rubber plantation and processing	80.00	80.00	80.00
Subsidiaries of JFL Agro Pte. Ltd.					
JFL Holdings Sdn. Bhd. (2)	Malaysia	Natural rubber and oil palm plantation	100.00	100.00	100.00
JFL Agro Sdn. Bhd. (2) (6)	Malaysia	Investment holding	–	100.00	100.00

(1) *Audited by Ernst & Young LLP, Singapore.*
(2) *Audited by member firms of EY Global in the respective countries.*
(3) *Audited by other firms of Certified Public Accountants.*
(4) *Not required for statutory audit in the country of incorporation.*
(5) *Newly incorporated during the year.*
(6) *Intra-group transfer of shareholding.*

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

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries

Corrie MacColl

On 9 January 2018, the Group completed the acquisition of all of the rubber trading and distribution business of RCMA Group in Europe, the United States, Singapore and Thailand for a purchase consideration of US$31,759,000 which have been fully satisfied in cash. With the completion of the acquisition, Kelvin Terminals B.V. and Centrotrade Hatyai Co. Ltd. became subsidiaries of the Group. The acquired businesses based in Europe, United States and United Kingdom have been included into Wurfbain Polymer B.V., Alan L Grant Polymer, Inc. and Corrie MacColl Rubber Ltd. respectively.

Details of the consideration paid, the assets acquired and liabilities assumed, and the effects on the cash flows of the Group, at the acquisition date with respect to Corrie MacColl acquisition, were as follows:

	Fair value recognised ton acquisition
	US$'000
Intangible asset	2,100
Property, plant and equipment	2,082
Trade and other receivables	1,267
Inventories	3
Cash and bank balances	887
Total assets	6,339
Derivative financial instruments – liabilities	(2)
Trade and other payables	(1,397)
Deferred tax liabilities	(845)
Total liabilities	(2,244)
Total identifiable net assets at fair value	4,095
Add: Goodwill arising from acquisition (Note 11)	27,664
Purchase consideration	31,759

	Effects on cash flows of the Group
	US$'000
Purchase consideration in cash	31,759
Less: Cash and bank balances of business acquired	(887)
Net cash outflow on acquisition of Corrie MacColl	30,872

The purchase price allocation review is finalised as at 31 December 2018.

Transaction costs

Transaction costs related to the acquisition of US$553,000 have been recognised in the Group's profit or loss.

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

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

Corrie MacColl (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, Corrie MacColl has contributed revenue of US$362,332,000 and profit of US$4,490,000 to the Group for the year. As the business combination had taken place at the beginning of the year, the full year impact to the Group's revenue & Group's loss is not expected to be material.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,161,000. Their gross proceeds amounts of US$1,161,000 are expected to be collected.

Corrie MacColl Limited (formerly known as Corrie MacColl Trading Limited) ("CML")

On 26 February 2018, the Group acquired 100% of the issued and paid-up share capital in CML, a limited liability company incorporated in England and Wales, for a total cash consideration of £91,502 (equivalent to approximately US$129,000).

	Fair value recognised on acquisition
	US$'000
Other assets	129
Total identifiable net assets at fair value	129
Purchase consideration	129

	Effects on cash flows of the Group
	US$'000
Purchase consideration	129
Less: Consideration payable	(129)
Net cash outflow on acquisition of subsidiary	–

Corrie MacColl Limited is an investment holding company and hence the impact of acquisition on the Group's revenue and profit or loss is immaterial.

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

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

PT. Pulau Bintan Djaya ("PBD")

On 27 February 2018, PT. Hok Tong (a 99.99% owned subsidiary of the Company) ("Hok Tong") completed the acquisition of 80% of the issued and paid-up share capital of PBD, which owns a natural rubber processing factory (together with all associated land, buildings, plant and machinery) located in Bintan Timur, Indonesia.

In conjunction with the aforesaid acquisition, Hok Tong has granted an irrevocable put option to one of the vendors for a period of two (2) years (effective from 27 February 2018), entitling the right to the vendor to require Hok Tong to acquire all its remaining 20% equity interest in PBD on the same terms and conditions of the said acquisition.

	Fair value recognised on acquisition
	US$'000
Property, plant and equipment	6,837
Investment property	184
Trade and other receivables	3,614
Inventories	406
Cash and bank balances	955
Total assets	11,996
Derivative financial instruments – liabilities	(105)
Trade and other payables	(1,458)
Loan payables	(7,578)
Retirement benefit obligations	(341)
Deferred tax liabilities	(1,225)
Total liabilities	(10,707)
Total identifiable net assets at fair value	1,289
Less: Non-controlling interest measured at the non-controlling interest's proportionate share of PBD's net identifiable assets	(258)
Net assets acquired	1,031
Add: Goodwill arising from acquisition (Note 11)	13,644
Purchase consideration	14,675

	Effects on cash flows of the Group
	US$'000
Purchase consideration	14,675
Less: Cash and bank balances of a subsidiary acquired	(955)
Net cash outflow on acquisition of a subsidiary	13,720

The purchase price allocation review is finalised as at 31 December 2018.

Transaction costs

Transaction costs related to the acquisition of US$86,000 have been recognised in the Group's profit or loss.

Impact of the acquisition on profit or loss

From the acquisition date, PBD has contributed revenue of US$24,967,000 and loss of US$420,000 to the Group for the year. If the business combination had taken place at the beginning of the year, the Group's revenue would have been US$2,146,080,000 and the Group's loss for the year would have been US$13,781,000.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,402,000. Their gross proceeds amounts of US$1,402,000 are expected to be collected.

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

(a) Investment in subsidiaries (cont'd)

(i) Acquisition of subsidiaries (cont'd)

PT. Sumber Djantin ("PTSD") and PT. Sumber Alam ("PTSA")

On 23 April 2018, the Group acquired 100% of the issued and paid-up share capital of PTSD and PTSA for purchase consideration of US$65,503,227. Both PTSD and PTSA own four natural rubber processing factories in West Kalimantan, Indonesia.

	Fair value recognised on acquisition
	US$'000
Property, plant and equipment	28,960
Investment property	3,432
Trade and other receivables	1,936
Inventories	18,663
Cash and bank balances	517
Total assets	53,508
Derivative financial instruments – liabilities	(572)
Trade and other payables	(15,028)
Loan payables	(21,486)
Retirement benefit obligations	(4,579)
Deferred tax liabilities	(2,544)
Total liabilities	(44,209)
Total identifiable net assets at fair value	9,299
Add: Goodwill arising from acquisition (Note 11)	56,204
Purchase consideration	65,503

	Effects on cash flows of the Group
	US$'000
Purchase consideration in cash	65,503
Less: Cash and bank balances of subsidiaries acquired	(516)
Net cash outflow on acquisition of subsidiaries	64,987

The purchase price allocation review of PTSD and PTSA is deemed to be provisional as at 31 December 2018 as the valuation of the retirement benefit had not been completed by the date the financial statements was authorised for issue. Goodwill arising from this acquisition and the affected accounts will be adjusted accordingly on a retrospective basis when the valuation is completed.

Transaction costs

Transaction costs related to the acquisition of US$150,000 have been recognised in the Group's profit or loss.

Impact of the acquisition on profit or loss

From the acquisition date, PTSD and PTSA have contributed revenue of US$59,649,000 and profit of US$348,000 to the Group for the year. If the business combination had taken place at the beginning of the year, the Group's revenue would have been US$2,158,464,000 and the Group's loss for the year would have been US$20,093,000.

Trade and other receivables acquired

Trade and other receivables acquired comprise of trade receivables with fair values of US$1,275,000. Their gross proceeds amounts of US$1,275,000 are expected to be collected.

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

(a) Investment in subsidiaries (cont'd)

(ii) Acquisition of minority interest in subsidiaries, without change in control

During the financial year, the Group has increased in its shareholding in the following subsidiaries:

1) PT. GMG Sentosa ("GMG Sentosa")

On 11 February 2018, Hok Tong has acquired 25% of the issued and paid-up share capital in GMG Sentosa from the non-controlling interests for a cash consideration of US$1. Subsequent to the acquisition, the Group's total equity interest in GMG Sentosa has increased from 75% to 100%. The carrying amount of the net liabilities of GMG Sentosa at February 2018 was US$25,484,000.

2) PT. Sunan Rubber ("Sunan")

On 28 February 2018, Hok Tong completed the acquisition of 46.25% of the issued and paid-up share capital of Sunan from the non-controlling interests, for total cash consideration of approximately US$15,260,000. Subsequent to the acquisition, the Group's total equity interest in Sunan has increased from 53.75% to 100%. The carrying amount of the net assets of Sunan at February 2018 was US$29,202,000.

Summary of the effect of change in the Group's ownership interest in the above subsidiaries on the equity attributable to owners of the Company are as follow:

	Consideration paid for acquisition of non-controlling interests	Increase/(Decrease) in equity attributable to non-controlling interests	Decrease in equity attributable to owners of the Company
	US$'000	US$'000	US$'000
At 31 December 2018			
GMG Sentosa	*	6,371	(6,371)
Sunan	15,260	(13,510)	(1,750)
Total	15,260	(7,139)	(8,121)

** Consideration paid for acquisition of non-controlling interests is US$1.*

(iii) Striking-off a subsidiary

During the financial year, the Group struck off its wholly-owned dormant subsidiary, GMG Holdings Ltd. As a result of the deregistration, realisation of cumulative foreign currency translation gain upon liquidation of the subsidiary US$5,333,000 was recognised.

(b) Investment in associates

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

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
SIAT S.A.	–	–	188,605
Feltex Co., Ltd	1,190	–	1,095
	1,190	–	189,700

In 2017, the Group has disposed of its investment in an associate, SIAT S.A. and its subsidiaries ("SIAT") for a net sales consideration of US$223,653,000. The carrying amount of the investment in SIAT as date of disposal was US$205,523,000. The resulting gain on disposal of US$18,130,000 was included in other income (Note 5).

Investment in Feltex Co., Ltd. amounting to US$1,348,000 which is held through Teck Bee Hang Co., Ltd. was reclassified to assets of disposal group classified as held-for-sale as at 31 December 2017. In 2018, following the positive changes in TBH's business and operations, the Group reassessed that TBH Group fits into the Group's latest business strategy and there will be no immediate plan to dispose/discontinue the operations of TBH Group. Therefore, in 2018, Feltex Co., Ltd. has been reclassified back into investment in associate.

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

(b) Investment in associates (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest		
			2018	31 Dec 2017	1 Jan 2017
Held through subsidiaries					
Feltex Co., Ltd [(1)]	Thailand	Natural rubber processing	24.80	24.80	24.80
SIAT S.A. [(2)]	Belgium	Investment holding	–	–	35.00

[(1)] Audited by other firms of Certified Public Accountants.
[(2)] SIAT S.A. and its subsidiaries were disposed on 31 October 2017.

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

	Group	
	2018	2017
	US$'000	US$'000
Total comprehensive (loss)/income net of tax	(367)	34,578

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		
	2018	31 Dec 2017	1 Jan 2017	2018	2017	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Differences in depreciation for tax purposes	3,330	3,298	358	(55)	266	(36)	(25)	(25)
Tax losses carry forward	12,138	10,216	2,763	4,994	876	–	–	–
Retirement benefit liabilities	3,475	3,960	2,961	367	528	–	–	–
Fair value uplift of biological assets	(1,268)	(1,299)	(717)	7	(89)	–	–	–
Fair value uplift of investment properties	(3,395)	(1,135)	(2,004)	(160)	(158)	–	–	–
Fair value uplift of property, plant and equipment acquired in business combination	(31,572)	(20,534)	(20,141)	185	951	–	–	–
Unremitted foreign source income	(4,502)	(5,411)	(3,947)	909	(720)	–	–	–
Forward currency contracts	(2,126)	(5,140)	(4,327)	998	(649)	–	–	–
Others	333	(391)	(429)	(563)	379	–	–	–
Tax credit				6,682	1,384			
Net deferred tax liabilities	(23,587)	(16,436)	(25,483)			(36)	(25)	(25)
Reflected in the statement of financial position as follows:								
Deferred tax assets	15,056	14,346	13,227			–	–	–
Deferred tax liabilities	(38,643)	(30,782)	(38,710)			(36)	(25)	(25)
Deferred tax liabilities, net	(23,587)	(16,436)	(25,483)			(36)	(25)	(25)

15. Deferred tax (cont'd)

	Group	
	2018	**2017**
	US$'000	US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(16,436)	(25,484)
Tax credit during the year recognised in profit or loss	6,682	1,384
Tax (credit)/expense during the year recognised in other comprehensive income	(1,040)	328
Reclassification of net deferred tax liabilities of disposal group classified as held-for-sale (Note 22)	(6,858)	6,858
Deferred taxes arising from business combinations (Note 14(a)(i))	(4,614)	–
Utilisation of Group relief	(2,384)	–
Exchange difference	1,063	478
At 31 December	(23,587)	(16,436)

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$59,226,000 and US$10,071,000 (31 December 2017: US$49,914,000 and US$7,269,000, 1 January 2017: US$43,892,000 and US$3,308,000) respectively that are available for offset against future taxable profits. The tax losses have no expiry date except for an amount of US$50,668,000 which will expire in five years (31 December 2017: US$24,192,000, 1 January 2017: US$26,472,000) and US$Nil which will expire after five years (31 December 2017: US$2,279,000, 1 January 2017: US$8,376,000).

The related deferred tax benefits of US$16,518,000 (31 December 2017: US$11,524,000, 1 January 2017: US$10,820,000) were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$30,863,000 (31 December 2017: US$32,403,000, 1 January 2017: US$22,950,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2018 as the distributable profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

16. Plantation and biological assetst

	Plantation related properties							
	Prepaid land leases	Land use rights	Plantation	Plantation establistment costs	Total plantation related properties	Non-current biological assets	Consumable biological assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Group								
Cost								
At 1 January 2017	31,117	101,639	40,276	110,030	283,062	6,821	134	290,017
Additions	–	–	816	34,857	35,673	890	–	36,563
Capitalisation of depreciation	–	–	–	336	336	–	–	336
Transfer to property, plant and equipment (Note 12)	–	–	(14,222)	(6,278)	(20,500)	–	–	(20,500)
Reclassification	–	–	1,045	(1,045)	–	–	–	–
Fair value adjustment (Note 5)	–	–	–	–	–	370	(111)	259
Exchange difference	3,243	8,342	4,333	17,617	33,535	780	26	34,341
At 31 December 2017	34,360	109,981	32,248	155,517	332,106	8,861	49	341,016
Additions	–	–	–	50,156	50,156	1,522	–	51,678
Capitalisation of depreciation	–	–	–	359	359	–	–	359
Transfer from/(to) property, plant and equipment (Note 12)	–	–	16,463	(12,623)	3,840	–	–	3,840
Fair value adjustment (Note 5)	–	–	–	–	–	33	(32)	1
Exchange difference	(628)	–	(1,774)	(7,987)	(10,389)	(208)	–	(10,597)
At 31 December 2018	33,732	109,981	46,937	185,422	376,072	10,208	17	386,297

16. Plantation and biological assets (cont'd)

	Plantation related properties							
	Prepaid land leases	Land use rights	Plantation	Plantation establistment costs	Total plantation related properties	Non-current biological assets	Consumable biological assets	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation								
At 1 January 2017	937	–	422	–	1,359	–	–	1,359
Depreciation for the year (Note 8)	336	–	1,750	–	2,086	–	–	2,086
Exchange difference	116	–	381	–	497	–	–	497
At 31 December 2017	1,389	–	2,553	–	3,942	–	–	3,942
Depreciation for the year (Note 8)	359	–	1,785	–	2,144	–	–	2,144
Exchange difference	(36)	–	(161)	–	(197)	–	–	(197)
At 31 December 2018	1,712	–	4,177	–	5,889	–	–	5,889
Carrying amount								
At 1 January 2017	30,180	101,639	39,854	110,030	281,703	6,821	134	288,658
At 31 December 2017	32,971	109,981	29,695	155,517	328,164	8,861	49	337,074
At 31 December 2018	32,020	109,981	42,760	185,422	370,183	10,208	17	380,408

The basis of classification of rubber trees is disclosed in Note 2.12 and Note 3.1(a).

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	66,339	1,581

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 plantations, all of which are grown for commercial sales as part of normal business operations.

Interest expense amounting to US$11,906,000 was capitalised in 2018 (31 December 2017: US$6,475,000, 1 January 2017: US$749,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.00% - 7.15% (31 December 2017: 6.00% - 8.25%, 1 January 2017: 6.00% - 8.25%), which is effective interest rate of borrowings.

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 13.0% (31 December 2017: 15.4%, 1 January 2017: 15.4%).

Change in estimates

During the financial year, the Group has reassessed its depreciation methodology for plantation assets as its significant investment in bearer plants, made over the last few years, is starting to reach maturity. The Group concluded that depreciating the mature plantation by the expected yield pattern of the bearer plants over their useful lives, which are estimated at 30 years, are more reflective of the pattern in which the assets future benefit are expected to be consumed. The revision in estimate has been applied on a prospective basis from 1 January 2018. The effect of the above revision on depreciation charge in current year and future periods as follows:

	2018	2019	2020	Later
	US$'000	US$'000	US$'000	US$'000
Decrease/(Increase) in depreciation expense	227	260	189	(676)

17. Cash and bank balances

	Group			Company		
	2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Cash at bank and on hand	65,323	112,461	58,532	770	706	430
Short term deposits	57,608	36,595	8,093	–	–	–
Cash and cash equivalents	122,931	149,056	66,625	770	706	430
Short term deposits – pledged	2,283	3,173	–	–	–	–
Total cash and bank balances	125,214	152,229	66,625	770	706	430

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, depending on immediate cash requirements of the Group, and earn interest at the respective short term deposit rates. The weighted average effective interest rate as at 31 December 2018 for the Group is (0.34%) per annum (31 December 2017: 5.05%, 1 January 2017: 2.84%).

Cash and bank balances of US$2,283,000 (31 December 2017: US$3,173,000, 1 January 2017: US$1,618,000) of the Group have been charged as security for the Group's general banking facilities (Note 25) and performance guarantee.

As at each reporting date, the carrying amounts of cash and bank balances denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	31 Dec 2017	1 Jan 2017	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	9,021	11,691	15,574	–	–	–
Singapore Dollar	724	1,468	1,162	35	–	–
Euro	1,974	1,414	2,128	56	29	–
Pound Sterling	437	–	–	7	–	–
Swedish Krona	706	–	–	–	–	–

18. Trade receivables

	Group		
	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000
External parties	146,745	121,689	98,066

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.

As at each reporting date, the carrying amounts of trade receivables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		
	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000
United States Dollar	13,352	16,824	11,265
Euro	14,904	25	536
Pound Sterling	3,033	–	–
Swedish Krona	1,127	–	–

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

		Group	
	Note	31 Dec 2017	1 Jan 2017
		US$'000	US$'000
Total gross trade receivables		122,600	98,818
Allowance for impairment	(b)	(911)	(752)
Trade receivables, net		121,689	98,066

(a) Receivables that are past due but not impaired

The Group has trade receivables amounting to US$19,264,000 as at 31 December 2017 and US$28,289,000 as at 1 January 2017 that are past due but not impaired. These receivables are mainly secured with credit enhancement and the analysis of their aging at the statement of financial position date is as follows:

	Group	
	31 Dec 2017	1 Jan 2017
	US$'000	US$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	17,984	24,157
30 to 60 days	696	3,245
More than 61 days	584	887
	19,264	28,289

18. Trade receivables (cont'd)

(b) Receivables that are impaired

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

	Group	
	31 Dec 2017	**1 Jan 2017**
	US$'000	US$'000
Trade receivables – nominal amounts	911	752
Less: Allowance for impairment	(911)	(752)
	–	–

	Group
	2017
	US$'000
Movement in allowance accounts:	
At 1 January	752
Charge for the year	107
Written off	(42)
Exchange difference	94
At 31 December	911

(c) Expected credit losses ("ECL")

The movement in allowance for expected credit losses of trade receivables computed based on ECL are as follows:

	Group
	2018
	US$'000
Opening loss allowance as at 1 January	911
Adoption of SFRS(I) 9 (Note 2.1(b)(iii))	337
Adjusted loss allowances as at 1 January	1,248
Charge for the year	144
Written off	(746)
Exchange difference	(35)
At 31 December	611

19. Loans and other receivables

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets						
Non-current:						
Loan to non-controlling interests of a subsidiary	3,491	3,641	3,209	–	–	–
Current:						
Amount due from an associate	–	–	318	–	–	–
Loan to an associate	–	–	3,684	–	–	–
Loan to a third party	50,623	51,603	–	–	–	–
Other receivables	14,204	7,226	4,134	71	94	2
Amounts due from subsidiaries	–	–	–	807,912	670,440	368,317
Deposits	17,701	20,854	18,730	314	278	3,406
	82,528	79,683	26,866	808,297	670,812	371,725
Non-financial assets						
Current:						
Prepayments	29,422	16,193	10,704	317	232	256
Other tax receivables	34,236	15,182	14,304	112	45	75
Total non-financial assets	63,658	31,375	25,008	429	277	331
Total current loan and other receivables	146,186	111,058	51,874	808,726	671,089	372,056
Total non-current loan and other receivables	3,491	3,641	3,209	–	–	–

19. Loans and other receivables (cont'd)

The loan to non-controlling interests of a subsidiary is unsecured, repayable in 2025 and earns interest at 5% per annum (2017: 5%).

The loan to a third party was secured by the borrower's equity interest in a company, and receivables and bank balances of the borrower, with interest at 6.5% per annum (2017: 5.5%) and repayable in 2019.

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

Included in other tax receivables as at 31 December 2017 is value added tax receivables in certain subsidiaries amounting to US$26,053,000 for which the Group has made a fair value downward adjustment of US$16,449,000.

Expected credit losses ("ECL")

The movement in allowance for expected credit losses of loans and other receivables computed based on ECL are as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	US$'000	US$'000	US$'000	US$'000
Opening loss allowance as at 1 January	–	–	–	–
Adoption of SFRS(I) 9 (Note 2.1(b)(iii))	227	–	5	–
Adjusted loss allowance as at 1 January	227	–	5	–
Charge for the year	441	–	56	–
At 31 December	668	–	61	–

As at each reporting date, the carrying amounts of loans and other receivables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	341	–	2,176	–	–	–
Singapore Dollar	1,411	6,493	1,204	112	45	75
Euro	2,358	–	–	–	–	–

20. Derivative financial instruments

	Group					
	2018		31 Dec 2017		1 Jan 2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	5,867	(1,920)	32	(145)	626	(577)
Forward commodity (natural rubber) contracts	38,323	–	22,853	–	30,263	(58,209)
Total	44,190	(1,920)	22,885	(145)	30,889	(58,786)

	Company					
	2018		31 Dec 2017		1 Jan 2017	
	Assets	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	670	(670)	–	–	–	–
Total	670	(670)	–	–	–	–

The Group utilises forward commodity (natural rubber) contracts and forward currency contracts to manage the fluctuations in natural rubber prices or exposure arising from foreign currencies.

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		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward contracts on commodity (natural rubber):									
– Sales	483,738	516,687	429,396	33,411	6,934	–	–	–	(58,209)
– Purchases	177,891	233,093	207,606	4,912	15,919	30,263	–	–	–
Forward currency contracts	419,857	118,925	85,432	5,867	32	626	(1,920)	(145)	(577)
				44,190	22,885	30,889	(1,920)	(145)	(58,786)

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

21. Inventories

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
At cost:			
– Consumables	29,965	23,796	20,580
At fair value:			
– Raw materials	54,180	91,717	128,141
– Work-in-progress	23,959	25,114	36,749
– Finished goods held for resale	189,837	164,720	134,503
	267,976	281,551	299,393
	297,941	305,347	319,973

The inventories as at the end of each reporting period in 2018, 31 December 2017 and 1 January 2017 include fair value (downward)/upward adjustments of US$(10,085,000), US$4,311,000 and US$56,452,000 respectively.

Inventories with carrying amount of US$43,949,000 (31 December 2017: US$53,389,000, 1 January 2017: US$4,006,000) have been pledged as security for a trade financing facility (Note 25).

22. Assets and liabilities of disposal group classified as held-for-sale

Discontinued operation refers to the Group's processing business in Thailand, Teck Bee Hang Co., Ltd and its subsidiaries ("TBH Group"), which was classified as asset held-for-sale as at 31 December 2017 under SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations, following the Group's strategic review undertaken during the financial year ended 31 December 2017. The decision was made at that time on the basis of the poor financial performance of TBH Group and also, unfavourable market environment in Thailand.

During the current financial year, positive changes have been made to TBH's business and operations leading to improvement in TBH's financial performance in 2018. As part of the Group's continuous assessment of its key business segments, it now determines that TBH Group fits into the Group's latest business strategy and initial plan to dispose/ discontinue the operations of TBH Group has changed significantly and an immediate sale is unlikely. As such, the Group decided to reclassify TBH Group from discontinued operations to continuing operations.

Accordingly, the comparative figures in the consolidated income statement and consolidated cash flow statement for financial year ended 31 December 2018 have been re-presented to reflect TBH Group as continuing operations.

<u>Statement of financial position disclosures</u>

The major classes of assets and liabilities of TBH Group classified as held-for-sale as at 31 December 2017 are as follows:

	Group
	2017
	US$'000
Assets:	
Investment in associate	1,348
Property, plant and equipment	27,187
Investment properties	16,656
Deferred tax assets	636
Cash and bank balances	5,832
Other working capital assets	37,725
Assets of disposal group classified as held-for-sale	89,384
Liabilities:	
Working capital liabilities	8,969
Deferred tax liabilities	7,494
Liabilities of disposal group classified as held-for-sale	16,463
Net assets of disposal group classified as held-for-sale	72,921

23. Trade payables

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
External parties	34,570	38,757	46,265

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

As at each reporting date, the carrying amounts of trade payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
United States Dollar	4,300	7,478	–
Euro	1,802	–	–

24. Other payables

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial liabilities						
Current:						
Other payables	14,917	24,357	17,849	105	914	910
Accrued operating expenses	20,576	26,041	16,393	1,377	4,109	2,020
Accrued interest expense	2,903	2,995	4,789	591	554	2,817
Amounts due to subsidiaries	–	–	–	120,997	149,590	27,873
Amounts due to non-controlling interests of a subsidiary	–	–	1,585	–	–	–
	38,396	53,393	40,616	123,070	155,167	33,620
Non-financial liabilities						
Current:						
Other tax payables	7,577	5,043	1,773	80	168	156
Advances from customers	9,709	2,007	310	–	–	–
	17,286	7,050	2,083	80	168	156
Non-current:						
Other payables	4,263	1,843	1,850	–	–	–
Total current other payables	55,682	60,443	42,699	123,150	155,335	33,776
Total non-current other payables	4,263	1,843	1,850	–	–	–

24. Other payables (cont'd)

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

As at 31 December 2017, certain amounts due to subsidiaries amounting to US$138,825,000 (1 January 2017: US$Nil) are non-trade related, unsecured, bears an average interest of 3.61% (1 January 2017: Nil) per annum and repayable on demand. The remaining amounts due to subsidiaries are non-trade related, unsecured, non-interest bearing and repayable on demand. As at 31 December 2018, the amounts due to subsidiaries are non-interest bearing, unsecured and repayable in demand.

As at 1 January 2017, 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.

As at each reporting date, the carrying amounts of other payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	42	4	8,483	–	–	–
Singapore Dollar	48	4,691	3,136	–	168	–
Euro	2,358	–	–	–	–	–

25. Loan payables

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current:						
– Working capital loans	519,091	196,585	234,165	293,750	2,750	2,750
– Term loans	1,309	10,966	10,480	–	–	–
	520,400	207,551	244,645	293,750	2,750	2,750
Non-current:						
– Working capital loans	1,375	4,125	6,875	1,375	4,125	6,875
– Term loans	390,265	397,785	366,790	296,442	295,242	265,042
– MTN	–	–	85,737	–	–	85,737
– Loan from non-controlling interest of a subsidiary	–	1,050	970	–	–	–
	391,640	402,960	460,372	297,817	299,367	357,654
Total loan payables	912,040	610,511	705,017	591,567	302,117	360,404

As at each reporting date, the carrying amounts of loan payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	60,263	12,110	44,249	–	–	–
Singapore Dollar	–	1,050	970	–	–	–

25. Loan payables (cont'd)

Working capital loans bear average interest rates of 3.59% (31 December 2017: 4.34%, 1 January 2017: 3.43%) per annum. Certain working capital loans amounting to US$78,412,000 (31 December 2017: US$18,988,000, 1 January 2017: US$Nil) 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).

Loan from non-controlling interest of a subsidiary is unsecured and bears an average interest rate of 4.00%. This amount has been repaid in February 2018.

The MTN with a face value of S$125 million was issued on 31 July 2014, unsecured and bear a fixed interest rate of 6.5% per annum. The MTN has been fully repaid as at 31 December 2017.

The Group and the Company has the following term loans:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Current						
Loan A	–	9,136	9,960	–	–	–
Loan B	–	920	520	–	–	–
Loan C	1,309	910	–	–	–	–
	1,309	10,966	10,480	–	–	–
Non-current						
Loan A	–	3,322	12,450	–	–	–
Loan B	–	–	1,039	–	–	–
Loan C	24,001	26,398	24,070	–	–	–
Loan D	296,442	295,241	265,042	296,442	295,242	265,042
Loan E	69,822	72,824	64,189	–	–	–
	390,265	397,785	366,790	296,442	295,242	265,042

Details of the term loans are as follow:

a) Loan A bears average effective interest rate of 3.61% (31 December 2017: 3.61%, 1 January 2017: 3.61%) per annum and repayable on monthly instalments. This loan is unsecured and had been repaid during the current financial year.

b) Loan B bears an average effective interest rate of 8.25% (31 December 2017: 8.25%, 1 January 2017: 8.25%) per annum and repayable on semi-annual instalments. This loan is secured and had been repaid during the current financial year.

c) Loan C bears average effective interest of 6.00% (31 December 2017: 6.00%, 1 January 2017: 6.00%) per annum and repayable on monthly instalments until 2026. This loan is unsecured.

d) Loan D bears an effective interest rate of 3.93% (31 December 2017: 3.21%, 1 January 2017: 2.69%) and is repayable in 2021. This loan is unsecured.

e) Loan E bears average effective interest rate of 7.15% (31 December 2017: 7.15%, 1 January 2017: 7.15%) per annum. Repayment will commence in 2021 on semi-annual instalments until 2027. This loan is unsecured.

26. Retirement benefit obligations

The Group provides defined post-employment benefits for its qualifying employees in accordance with relevant labour laws and regulations in Indonesia, Thailand, Cameroon and Ivory Coast.

Changes in retirement benefit obligations are as follows:

	Group	
	2018	**2017**
	US$'000	US$'000
At 1 January	19,024	17,153
Acquisition of subsidiaries	4,920	–
Benefit paid for the year	(6,283)	(1,500)
Changes charged/(credited) to profit or loss		
– Current service costs	1,999	2,034
– Interest cost on benefit obligations	1,238	1,091
– Past service costs	664	(5)
– Net actuarial gain recognised during the year	240	–
– Provision of long term employee benefit	73	124
– Excess benefit	476	277
Re-measurement losses/(gain) in other comprehensive income		
– Actuarial changes arising from changes in demographic assumptions	(108)	548
– Actuarial changes arising from changes in financial assumptions	(2,615)	1,171
– Experience adjustments	(1,441)	(195)
Exchange difference	(1,280)	404
Capitalised to plantation assets	–	39
	16,907	21,141
Reclassification from/(to) assets of disposal group classified as held-for-sale (Note 22)	2,117	(2,117)
At 31 December	19,024	19,024

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

	2018	**31 December 2017**	**1 January 2017**
	%	%	%
Indonesia (Headcount: 2018- 4,844, 31 December 2017- 3,805, 1 January 2017- 3,727)			
Discount rate	8.32	7.03	8.38
Future salary increment rate	7.00 – 9.00	8.00 – 10.00	8.25 – 10.00
Thailand (Headcount: 2018- 1,037, 31 December 2017- 987, 1 January 2017- 1,195)			
Discount rate	2.56	2.06	1.92
Future salary increment rate	1.00 – 4.00	1.00 – 4.00	1.60 – 3.00
Cameroon (Headcount: 2018- 7,259, 31 December 2017- 5,576, 1 January 2017- 4,637)			
Discount rate	3.50	3.50	3.50
Future salary increment rate	2.71 – 7.95	2.90 – 9.67	5.84
Ivory Coast (Headcount: 2018- 1,008, 31 December 2017- 1,003, 1 January 2017- 967)			
Discount rate	3.50 – 6.00	3.50 – 5.95	3.50 – 5.90
Future salary increment rate	3.50 – 5.00	2.00 – 3.50	2.00 – 3.50

26. Retirement benefit obligations (cont'd)

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.

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

	Increase in assumption 2018 US$'000	Decrease in assumption 2018 US$'000	Increase in assumption 2017 US$'000	Decrease in assumption 2017 US$'000
Group				
One percentage point change in the assumed discount rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	(301)	292	(417)	400
- (Decrease)/Increase on retirement benefit obligation	(1,227)	1,501	(1,601)	1,994
One percentage point change in the salary growth rate:				
- Increase/(Decrease) on the aggregate current service cost and interest cost	314	(217)	432	(372)
- Increase/(Decrease) on retirement benefit obligation	1,465	(1,324)	1,921	(1,660)

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 18.5 years (31 December 2017: 16.9 years, 1 January 2017: 15.0 years).

27. Share capital

	Group and Company			
	2018		2017	
	No. of shares '000	US$'000	No. of shares '000	US$'000
Issued and fully paid ordinary shares				
Balance at beginning and end of financial year	1,595,012	603,874	1,595,012	603,874

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. The ordinary shares of the Company have no par value.

28. Perpetual securities

During the financial year ended 31 December 2017, the Company issued perpetual securities with principal amount of US$150,000,000 bearing distributions at rate of 4.5% per annum. An amount of US$148,690,000 net of issuance costs, was recognised in equity.

The perpetual securities bear distributions which are payable semi-annually. Subject to the relevant terms and conditions of the perpetual securities, the Company may elect to defer or not making distributions on the perpetual securities and is not subject to any limits as to the number of times a distribution can be deferred.

The perpetual securities is classified as equity and distributions are treated as dividends. This is due to the reason that the Company has no contractual obligations to repay its principal or to pay any distributions, which means the instrument does not meet the definition as a financial liability under SFRS(I) 1-32 Financial Instruments: Disclosure and Presentation.

During the current financial year, the Board of Directors have approved to distribute payment amounting to US$6,750,000 (2017: US$3,375,000) to the holders of the securities.

In March 2019, the Group announced, of its intention to redeem all the perpetual securities on 26 April 2019 at 100% of the principal amount of the perpetual securities of US$150,000,000, together with distributions accrued to the redemption date.

29. 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) **Other reserves**

Other reserves pertain to fair value adjustments on derivative financial instruments, premium paid by non-controlling interests for interest in a subsidiary and redemption amount for put option issued to non-controlling interest of a subsidiary.

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.

30. Commitments and contingencies

(a) **Operating lease commitments – as lessee**

	Group	
	2018	**2017**
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense during the year (Note 8)	2,685	2,693

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
Not later than one year	2,867	2,438	1,435
Later than one year but not later than five years	5,651	3,529	3,269
Later than five years	11,420	11,634	11,960
	19,938	17,601	16,664

Operating lease payments mainly represent rentals payable by the Group for its office premises and commercial leases on certain premises.

30. Commitments and contingencies (cont'd)

(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					
	2018		31 Dec 2017		1 Jan 2017	
	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	48	42	517	496	553	497
Later than one year but not later than five years	139	132	86	86	625	600
Total minimum lease payments	187	174	603	582	1,178	1,097
Less: Amounts representing finance charges	(13)	–	(21)	–	(81)	–
Present value of minimum lease payments	174	174	582	582	1,097	1,097

	Company					
	2018		31 Dec 2017		1 Jan 2017	
	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000	Minimum lease payments US$'000	Present value of payments US$'000
Not later than one year	–	–	517	496	517	465
Later than one year but not later than five years	–	–	86	86	603	581
Total minimum lease payments	–	–	603	582	1,120	1,046
Less: Amounts representing finance charges	–	–	(21)	–	(74)	–
Present value of minimum lease payments	–	–	582	582	1,046	1,046

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

(c) **Commitment for sales, purchases and forward currency contracts**

The Group has committed sales, purchases and currency 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 2018, 31 December 2017 and 1 January 2017 are as disclosed in Note 20.

(d) **Corporate guarantees**

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

	Company		
	2018 US$'000	31 Dec 2017 US$'000	1 Jan 2017 US$'000
Subsidiaries	230,281	229,312	135,000

31. 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 2018	Group 31 Dec 2017	Group 1 Jan 2017	Company 2018	Company 31 Dec 2017	Company 1 Jan 2017
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets							
Cash and bank balances	17	125,214	152,229	66,625	770	706	430
Trade receivables	18	146,745	121,689	98,066	–	–	–
Loans and other receivables	19	86,019	83,324	30,075	808,297	670,812	371,725
Derivative financial instruments	20	44,190	22,885	30,889	670	–	–
		402,168	380,127	225,655	809,737	671,518	372,155
Financial liabilities							
Trade payables	23	34,570	38,757	46,265	–	–	–
Other payables	24	38,396	53,393	40,616	123,070	155,167	33,620
Loan payables	25	912,040	610,511	705,017	591,567	302,117	360,404
Finance lease obligation	30(b)	174	582	1,097	–	582	1,046
Derivative financial instruments	20	1,920	145	58,786	670	–	–
		987,100	703,388	851,781	715,307	457,866	395,070

(b) Financial risk management policies and objectives

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

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

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

(i) Foreign currency risk

As disclosed in Note 2.7 of the financial statements, the functional currency of the Company is the United States Dollar.

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.

The Group enters into foreign currency forward contracts to hedge the foreign currency exposure for some of its receivables.

<u>Foreign currency sensitivity</u>

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% 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 5% 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.

31. Financial risks and management (cont'd)

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

(i) Foreign currency risk (cont'd)

Foreign currency sensitivity (cont'd)

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, income will increase/(decrease) by:

	Group			Company		
	2018	**31 Dec 2017**	**1 Jan 2017**	**2018**	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
United States Dollar	(2,095)	446	(1,186)	–	–	–
Singapore Dollar	104	111	(89)	7	(8)	1
Euro [1]	754	72	133	3	1	–
Pound Sterling	174	–	–	–	–	–
Swedish Krona	92	–	–	–	–	–

[1] It excludes the effect of foreign currency exposure that has been materially hedged.

(ii) Interest rate risk

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

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for 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$3,351,000 (31 December 2017: decrease/increase by US$2,004,000, 1 January 2017: US$2,438,000). This is mainly attributable to the Group's exposure to interest rates on its balance due to the banks and financial institutions, and certain loan receivables.

(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. 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

31. Financial risks and management (cont'd)

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

(iii) Credit risk (cont'd)

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days of when they fall due, which are derived based on the Group's historical information.

To assess whether there is significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligation
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:
- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation
- There is disappearance of an active market for the financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and qualitative information about amount arising from expected credit losses for each class of financial assets.

(i) Trade receivables

The Group provides for expected credit losses ("ECL") for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analyse in accordance to days past due by grouping of customers which are:

- HRC Group
- Corrie MacColl Group and SINRIO Group

(ii) Other receivables

The Group provides for ECL for all financial assets based on general approach of 12-months ECL either individual or collective basis.

(iii) Credit risk

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 impairment loss on receivables) at the statement of financial position date is as follows:

31. Financial risks and management (cont'd)

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

(iii) Credit risk (cont'd)

	Group		
	2018	**31 Dec 2017**	**1 Jan 2017**
	US$'000	US$'000	US$'000
By country:			
Singapore	4,110	3,459	12,457
Asia (excluding Singapore and China)	36,445	30,141	21,901
China	13,806	15,885	18,140
United States of America ("USA")/Canada	44,373	30,406	16,683
Europe	39,603	33,840	25,061
Others	8,408	7,958	3,824
	146,745	121,689	98,066

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.

31. Financial risks and management (cont'd)

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

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments

	31 December 2018 US$'000						31 December 2017 US$'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- interest bearing	6.50	53,407	–	–	(2,784)	50,623	5.50	54,441	–	–	(2,838)	51,603
Trade and other receivables- non-interest bearing		178,650	3,491	–	–	182,141		149,769	3,641	–	–	153,410
Cash at banks and in hand		65,323	–	–	–	65,323		112,461	–	–	–	112,461
Short term deposits	(0.34) [1]	57,412	–	–	196	57,608	5.05	38,442	–	–	(1,847)	36,595
Total undiscounted financial assets		354,792	3,491	–	(2,588)	355,695		355,113	3,641	–	(4,685)	354,069
Financial liabilities:												
Trade and other payables		72,966	–	–	–	72,966		92,150	–	–	–	92,150
Finance lease creditors	1.89	48	139	–	(13)	174	3.50	517	86	–	(21)	582
Loan payables- variable rate	3.61	456,379	325,658	–	(54,182)	727,855	3.10	205,001	22,901	309,341	(48,261)	488,982
Loan payables- fixed rate	7.76	104,632	23,542	100,752	(44,741)	184,185	5.92	25,295	31,114	102,200	(37,080)	121,529
Total undiscounted financial liabilities		634,025	349,339	100,752	(98,936)	985,180		322,963	54,101	411,541	(85,362)	703,243
Company												
Financial assets:												
Trade and other receivables		808,297	–	–	–	808,297		670,812	–	–	–	670,812
Cash at banks and in hand		770	–	–	–	770		706	–	–	–	706
		809,067	–	–	–	809,067		671,518	–	–	–	671,518
Financial liabilities:												
Trade and other payables		123,070	–	–	–	123,070		155,167	–	–	–	155,167
Finance lease creditors		–	–	–	–	–	3.50	517	86	–	(21)	582
Loan payables- variable rate	3.66	315,456	325,658	–	(49,547)	591,567	3.08	12,280	22,901	309,341	(42,405)	302,117
		438,526	325,658	–	(49,547)	714,637		167,964	22,987	309,341	(42,426)	457,866

[1] Current Euro interbank offered rate ("Euribor") is a negative interest rate.

31. Financial risks and management (cont'd)

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

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments

	Weighted average effective interest rate	1 January 2017 US$'000 On demand or within one year	One to three years	Over three years	Adjustment	Total
	%					
Group						
Financial assets:						
Trade and other receivables- interest bearing		–	–	–	–	–
Trade and other receivables- non-interest bearing		124,932	3,209	–	–	128,141
Cash at banks and in hand		58,532	–	–	–	58,532
Short term deposits	2.84	8,322	–	–	(229)	8,093
Total undiscounted financial assets		191,786	3,209	–	(229)	194,766
Financial liabilities:						
Trade and other payables		86,881	–	–	–	86,881
Finance lease creditors	3.50	553	625	–	(81)	1,097
Loan payables- variable rate	2.49	236,179	19,978	280,694	(41,191)	495,660
Loan payables- fixed rate	5.80	28,447	116,033	123,228	(58,351)	209,357
Total undiscounted financial liabilities		352,060	136,636	403,922	(99,623)	792,995
Company						
Financial assets:						
Trade and other receivables		371,725	–	–	–	371,725
Cash at banks and in hand		430	–	–	–	430
		372,155	–	–	–	372,155
Financial liabilities:						
Trade and other payables		33,620	–	–	–	33,620
Finance lease creditors	3.50	517	603	–	(74)	1,046
Loan payables- variable rate	2.64	2,965	5,705	302,104	(36,107)	274,667
Loan payables – fixed rate	8.05	6,287	97,276	–	(17,826)	85,737
		43,389	103,584	302,104	(54,007)	395,070

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.

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$151,000 (31 December 2017: increased/decreased profit before tax by US$834,000, 1 January 2017: increased/decreased profit before tax by US$2,647,000) and increased/decreased equity by US$151,000 (31 December 2017: increased/decreased equity by US$834,000, 31 December 2017: increased/decreased equity by US$2,647,000).

32. 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	
	2018	**2017**
	US$'000	US$'000
Sale of goods to penultimate holding company	388	78,169
Purchase of goods from penultimate holding company	–	(4,001)

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	
	2018	**2017**
	US$'000	US$'000
Directors' fees (Note 8)	457	355
Short-term benefits	2,295	5,619
	2,752	5,974

33. 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 38 natural rubber processing facilities in Indonesia, Malaysia, Thailand, China, Cameroon and Ivory Coast, 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.

On 1 January 2018, the Group has streamlined its operating structure into the following key segments:

(a) Corrie MacColl Group – This business segment includes our plantation and processing business in Cameroon and Malaysia and our distribution business under the brand name of Centrotrade, Wurfbain, Corrie MacColl, Alan L. Grant, Momentum Technologies and Kelvin Terminals.

(b) HRC Group – This business segment includes our processing factories in Indonesia and Ivory Coast and distribution business in Singapore, whose customers are predominantly top-tier global tyre makers.

(c) SINRIO Group – This business segment includes our processing factories in China, Malaysia and Thailand, and our distribution business in Singapore and China, whose customers are predominantly tyre makers based in PRC.

(d) Corporate segment – covers group strategic management, corporate finance, group administration and legal matters, treasury, and taxation.

Segmental performance is continuously monitored to optimise the allocation of resources between segments.

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

33. Segment information (cont'd)

	Corrie MacColl Group		HRC Group		SINRIO Group		Corporate		Elimination			Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		2018	2017
	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	626,370	388,408	690,354	683,152	824,310	1,086,823	–	–	–	–		2,141,034	2,158,383
Inter-segment revenue	5,102	32,872	52,583	377,865	13,087	40,040	20,073	10,140	(90,845)	(460,917)	A	–	–
Total revenue	631,472	421,280	742,937	1,061,017	837,397	1,126,863	20,073	10,140	(90,845)	(460,917)		2,141,034	2,158,383
Gross profit	46,348	25,868	18,871	88,737	53,280	35,953	20,073	10,140	(20,129)	(10,140)	B	118,443	150,558
Operating profit/(loss)	14,186	9,169	(24,619)	45,423	6,897	(10,230)	8,069	14,887	(58)	–		4,475	59,249
Finance income												4,900	2,950
Finance costs												(26,174)	(25,674)
Share of result of associates												(165)	10,043
(Loss)/Profit before taxation												(16,964)	46,568
Income tax credit/(expense)												3,551	(12,038)
(Loss)/Profit for the financial year												(13,413)	34,530
Segment assets	1,008,340	915,516	614,540	661,887	367,984	464,188	1,494,485	1,326,362	(1,670,729)	(1,735,200)	C	1,814,620	1,632,753
Segment liabilities	579,356	477,152	551,178	543,782	227,277	402,350	716,085	510,606	(995,163)	(1,134,300)	D	1,078,733	799,590
Other information:													
Management fee expense/(income)	–	1,800	13,409	4,740	6,655	3,600	(20,064)	(10,140)	–	–		–	–
Depreciation expense	6,886	5,829	13,221	12,446	8,307	8,449	65	68	–	–		28,479	26,792
Fair value gain on investment properties	–	–	3,290	1,239	1,225	19	–	–	–	–		4,515	1,258
Unrealised fair value loss on open forward commodity contracts and adjustment on inventories	13,519	2,653	(14,351)	(6,011)	(7,220)	1,332	–	–	–	–		(8,052)	(2,026)
Capital expenditure	66,983	39,705	8,005	7,721	3,270	6,186	456	881	–	–		78,714	54,493

33. Segment information (cont'd)

As at 1 January 2017

	Corrie MacColl Group	HRC Group	SINRIO Group	Corporate	Elimination		Consolidated
	US$'000	US$'000	US$'000	US$'000	US$'000		US$'000
Segment assets	373,749	824,176	351,626	1,655,727	(1,655,756)	C	1,549,522
Segment liabilities	147,606	492,751	229,717	649,612	(592,243)	D	927,443

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements
A. Inter-segment revenues are eliminated on consolidation.
B. Management fee is eliminated on consolidation.
C. Elimination on investment in subsidiaries and intercompany balances.
D. Elimination on intercompany balances.

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	
	2018	2017
	US$'000	US$'000
Sales of natural rubber		
Singapore	157,073	124,971
Asia (excluding Singapore and China)	533,166	621,705
China	579,636	679,677
USA/Canada	378,548	208,080
Europe	444,213	467,407
Others	48,398	56,543
	2,141,034	2,158,383

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

	Group		
	2018	31 Dec 2017	1 Jan 2017
	US$'000	US$'000	US$'000
Non-current assets			
Singapore	18,900	17,700	21,383
Asia	562,273	421,555	447,620
Africa	410,576	370,621	309,022
Europe	26,161	3,472	188,882
Others	11,975	243	60
	1,029,885	813,591	966,967

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

34. 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			
	2018			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	44,190	–	–	44,190
Financial assets as at 31 December 2018	**44,190**	**–**	**–**	**44,190**
Non-financial assets:				
Inventories	–	267,976	–	267,976
Biological assets	–	–	10,225	10,225
Investment properties	–	–	46,799	46,799
Non-financial assets as at 31 December 2018	**–**	**267,976**	**57,024**	**325,000**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	1,920	–	–	1,920
Financial liabilities as at 31 December 2018	**1,920**	**–**	**–**	**1,920**

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

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

	Group			
	31 Dec 2017			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	22,885	–	–	22,885
Financial assets as at 31 December 2017	**22,885**	–	–	**22,885**
Non-financial assets:				
Inventories	–	281,551	–	281,551
Biological assets	–	–	8,910	8,910
Investment properties	–	–	25,256	25,256
Non-financial assets as at 31 December 2017	–	**281,551**	**34,166**	**315,717**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	145	–	–	145
Financial liabilities as at 31 December 2017	**145**	–	–	**145**

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

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

	Group			
	1 Jan 2017			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant un-observable inputs (Level 3)	Total
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	30,889	–	–	30,889
Financial assets as at 1 January 2017	**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 1 January 2017	–	**299,393**	**46,746**	**346,139**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	58,786	–	–	58,786
Financial liabilities as at 1 January 2017	**58,786**	–	–	**58,786**

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

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

	Company 2018 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Significant un-observable inputs (Level 3)**	**Total**
	US$'000	US$'000	US$'000	US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	670	–	–	670
Financial assets as at 31 December 2018	**670**	–	–	**670**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	670	–	–	670
Financial liabilities as at 31 December 2018	**670**	–	–	**670**

(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.

(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 (31 December 2017: 1.6 metric tonne), and discount rate of 11% (31 December 2017: 11%, 1 January 2017: 11%) for oil palm and rubber trees in Malaysia plantation, average yield per tapping cycle of 7.42 metric tonne per hectare (31 December 2017: 0.07 metric tonne per hectare, 1 January 2017: 0.03 metric tonne per hectare) and 0.01 metric tonne per hectare (31 December 2017: 0.01 metric tonne per hectare, 1 January 2017: 0.01 metric tonne per hectare) for oil palm in Malaysia and rubber latex in Africa plantations 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.

34. 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

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

		2018	
	Biological assets	**Investment properties**	**Total**
	US$'000	US$'000	US$'000
Group			
Opening balance	8,910	25,256	34,166
Fair value gain recognised in profit or loss	1	4,515	4,516
Additions	1,522	30	1,552
Acquisition of subsidiaries	–	3,616	3,616
Disposals	–	(1,712)	(1,712)
Reclassification from assets of disposal group classified as held-for-sale (Note 22)	–	16,656	16,656
Exchange differences	(208)	(1,562)	(1,770)
Closing balance	10,225	46,799	57,024

		2017	
	Biological assets	**Investment properties**	**Total**
	US$'000	US$'000	US$'000
Group			
Opening balance	6,955	39,791	46,746
Fair value gain recognised in profit or loss	259	1,258	1,517
Additions	890	–	890
Disposals	–	(413)	(413)
Reclassification to assets of disposal group classified as held-for-sale (Note 22)	–	(16,656)	(16,656)
Exchange differences	806	1,276	2,082
Closing balance	8,910	25,256	34,166

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2018, 31 December 2017 and 31 December 2016.

(iii) Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform the valuation of biological assets and investment properties. 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 SFRS(I) 13 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 23), other payables (Note 24), and loan payables (Note 25) 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 statement of financial position date.

35. Dividends on ordinary shares

	Group and Company	
	2018	2017
	US$'000	US$'000
Paid during the financial year		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2017: S$0.01 (2016: S$Nil) per share	12,044	–
– Special exempt (one-tier) dividend for 2017: S$0.01 (2016: S$Nil) per share	12,044	–
Total	24,088	–
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2018: S$nil (2017: S$0.01) per share	–	11,933
– Special exempt (one-tier) dividend for 2018: S$nil (2017: S$0.01) per share	–	11,933
Total	–	23,866

36. 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 2018, 31 December 2017 and 1 January 2017.

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 2018, 31 December 2017 and 1 January 2017.

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	
	2018	2017
	US$'000	US$'000
Loan payables (Note 25)	912,040	610,511
Finance lease obligation (Note 30(b))	174	582
Total borrowing	912,214	611,093
Adjust for: Working capital items		
– Trade receivables (Note 18)	(146,745)	(121,689)
– Inventories (Note 21)	(297,941)	(305,347)
– Cash and bank balances (Note 17)	(125,214)	(152,229)
– Trade payables (Note 23)	34,570	38,757
Net borrowing	376,884	70,585
Total equity	735,886	833,163
Gearing ratio	0.51	0.08

37. Comparative figures

The financial effects arising from first-time adoption of SFRS(I) to the consolidated statement of financial position and income statement of the Group as follows:

	Group		
	1 January 2017 (FRS)	SFRS(I) 1 adjustments	1 January 2017 (SFRS(I))
	US$'000	US$'000	US$'000
Consolidated statement of financial position			
Deferred tax liabilities	(34,763)	(3,947)	(38,710)
Accumulated profits	(48,116)	81,395	33,279
Foreign currency translation reserve	77,448	(77,448)	–

	31 December 2017 (FRS)	SFRS(I) 1 adjustments	1 January 2018 (SFRS(I))	SFRS(I) 9 adjustments	1 January 2018 (SFRS(I))
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated statement of financial position					
Trade receivables	121,689	–	121,689	(337)	121,352
Loans and other receivables	111,058	–	111,058	(227)	110,831
Deferred tax liabilities	(26,114)	(4,668)	(30,782)	–	(30,782)
Accumulated profits	(76,422)	82,116	5,694	564	6,258
Foreign currency translation reserve	34,776	(77,448)	(42,672)	–	(42,672)
Consolidated income statement					
Profit for the financial year	35,251	(721)	34,530	–	34,530

	Company		
	31 December 2017 (SFRS(I))	SFRS(I) 9 adjustments	1 January 2018 (SFRS(I))
	US$'000	US$'000	US$'000
Consolidated statement of financial position			
Loans and other receivables	671,089	(5)	671,084
Accumulated profits	62,609	(5)	62,604
Consolidated income statement			
Profit for the financial year	(8,246)	–	(8,246)

38. Event occurring after the reporting period

a) Issuance of shares by a subsdiary

In February 2019, the Group's subsidiary, HeveaConnect Pte. Ltd. ("HeveaConnect") entered into a share subscription agreement with ITOCHU Corporation ("ITOCHU") for ITOCHU to subscribe 66,807 shares for US$2,200,000 and an option to subscribe for additional shares for US$800,000. Subsequent to the shares issuance, the Group's total equity interest in HeveaConnect has changed from 90.1% to 71.1%.

b) Redemption of perpetual securities

In March 2019, the Group announced, of its intention to redeem all the perpetual securities on 26 April 2019 at 100% of the principal amount of the perpetual securities of US$150,000,000, together with distribution accrued to the redemption date.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 26 March 2019.

Statistics Of Shareholdings
As at 20 March 2019

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	1,896	17.53	110,962	0.01
100 – 1,000	3,478	32.16	1,515,548	0.09
1,001 – 10,000	3,823	35.34	16,372,757	1.03
10,001 – 1,000,000	1,590	14.70	79,221,134	4.97
1,000,001 AND ABOVE	29	0.27	1,497,791,540	93.90
TOTAL	**10,816**	**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	166,862,118	10.46
3	CITIBANK NOMINEES SINGAPORE PTE LTD	86,241,812	5.41
4	DBS NOMINEES (PRIVATE) LIMITED	76,750,351	4.81
5	GMG HOLDING (H.K.) LIMITED	72,922,374	4.57
6	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	52,500,000	3.29
7	RAFFLES NOMINEES (PTE.) LIMITED	50,749,638	3.18
8	GOI SENG HUI	25,000,000	1.57
9	OCBC SECURITIES PRIVATE LIMITED	11,880,834	0.74
10	NOMURA SINGAPORE LIMITED	11,711,047	0.73
11	PANWELL (PTE) LTD	11,601,183	0.73
12	ANDREW TREVATT	9,013,066	0.57
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,754,381	0.36
14	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	5,726,101	0.36
15	BESCHIZZA LEONARD PETER SILVIO	4,000,000	0.25
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,634,036	0.23
17	GE JIANMING	3,550,347	0.22
18	SEE YONG HANG	2,845,818	0.18
19	TAN NG KUANG	2,799,900	0.18
20	PHILLIP SECURITIES PTE LTD	2,349,722	0.15
	TOTAL	**1,482,949,383**	**92.98**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	Number of shares	%	Number of shares	%
Sinochem International (Overseas) Pte. Ltd.	877,056,655	54.99	–	–
Sinochem International Corporation [(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, Sinochem Corporation and Sinochem Group is deemed interested in the shares held by Sinochem International (Overseas) 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 20 March 2019, approximately 24.37% 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 is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of Halcyon Agri Corporation Limited (the "Company") will be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Tuesday, 23 April 2019 at 4.00 p.m. for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2018, 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 Regulation 91 of the Constitution of the Company and who, being eligible, offers himself for re-election. **(Resolution 2)**
3. To re-elect Mr Liu Hongsheng, the Director who is retiring pursuant to Regulation 91 of the Constitution of the Company and who, being eligible, offers himself for re-election. **(Resolution 3)**
4. To re-elect Mr Liew Choon Wei, the Director who is retiring pursuant to Regulation 91 of the Constitution of the Company and who, being eligible, offers himself for re-election. **(Resolution 4)**
5. To appoint Mr Lam Chun Kai @Lam Chung Kai as a Director of the Company pursuant to Regulation 95 of the Constitution of the Company. **(Resolution 5)**

   To note the retirement of Mr Raymond John Ferguson pursuant to Regulation 91 of the Constitution of the Company.
6. 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 2019. **(Resolution 6)**
7. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 7)**
8. To transact any other ordinary business which may be properly transacted at an AGM.

SPECIAL BUSINESS

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

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

   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 (the "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

   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 and subsidiary holdings) (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 and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

   (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("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 and subsidiary holdings) 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 of the SGX-ST; 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.

10. **Renewal of Share Buyback Mandate** **(Resolution 9)**

THAT:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares of the Company (the "Shares") not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(a) market purchase(s) ("Market Purchases") on the Singapore Exchange Securities Trading Limited ("SGX-ST") or on any other securities exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"); and/or

(b) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, Other Exchange) ("Off-Market Purchases"), otherwise than on a securities exchange, in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST or, as the case may be, Other Exchange as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

(2) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(a) the date on which the next annual general meeting of the Company is held;

(b) the date by which the next annual general meeting of the Company is required by law to be held; and

(c) the date on which purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated;

(3) in this Resolution:

"Average Closing Price" means the average of the closing market prices of a Share over the last five consecutive market days on which the Shares are transacted on the SGX-ST or, as the case may be, the Other Exchange, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the listing rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the basis set out below) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Maximum Percentage" means that number of issued Shares representing 10% of the issued Shares of the Company as at the date of the passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)); and

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares; and

(4) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/ or authorised by this Resolution.

By Order of the Board

Liew Guat Yi
Company Secretary
Singapore
8 April 2019

Explanatory Notes

Resolution 2: Re-election of Mr Gunther Robert Meyer as a Director

Mr Gunther Robert Meyer will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Executive Officer, and a member of the Strategy and Investment Committee. There are no relationships (including family relationships) between Mr Meyer and the other Directors, the Company and its substantial shareholders. Please refer to the sections on Board of Directors and Corporate Governance in the Company's Annual Report which is available at https://www.halcyonagri.com/investors-media/publications/ (the "Annual Report") for further information on Mr Meyer, including information on the current directorships in other listed companies (if any) and other principal commitments.

Resolution 3: Re-election of Mr Liu Hongsheng as a Director

Mr Liu Hongsheng will, upon re-election as a Director of the Company, remain as a Non-executive Non-independent Chairman and Co-chairman of the Strategy and Investment Committee. Mr Liu is a nominee director of Sinochem International (Overseas) Pte. Ltd. (54.99% shareholder) and is a co-worker of Mr Qin Jinke, a Non-executive Non-independent Director, at Sinochem International Corporation. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further information on Mr Liu, including information on the current directorships in other listed companies and other principal commitments. Save as disclosed in the Annual Report, there are no relationships (including family relationships) between Mr Liu and the other Directors, the Company and its substantial shareholders.

Resolution 4: Re-election of Mr Liew Choon Wei as a Director

Mr Liew Choon Wei will, upon re-election as a Director of the Company, remain as an Independent Director, 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 of the SGX-ST (the "Listing Manual"). There are no relationships (including family relationships) between Mr Liew and the other Directors, the Company and its substantial shareholders. Please refer to the sections on Board of Directors and Corporate Governance in the Annual Report for further information on Mr Liew, including information on the current directorships in other listed companies and other principal commitments.

Resolution 5: Appointment of Mr Lam Chun Kai @Lam Chung Kai as a Director

Mr Lam Chun Kai @Lam Chung Kai was nominated by Sinochem International (Overseas) Pte. Ltd. pursuant to Regulation 95 of the Constitution of the Company, for election onto the Board of Directors of the Company at the AGM. Please refer to the Company's announcement made on 8 April 2019 on the SGX-ST for information relating to Mr Lam Chun Kai @Lam Chung Kai, as set out in Appendix 7.4.1 to the Listing Manual.

Retirement of Mr Raymond John Ferguson as a Director

Mr Raymond John Ferguson has indicated that he does not wish to seek re-election as a Director of the Company, and he will retire from office at the conclusion of the AGM.

Resolution 6: Approval of Directors' fees of up to S$750,000

Resolution 6, if passed, will facilitate the payment of Directors' fees during the financial year ending 31 December 2019, in which the fees are incurred. Remuneration framework for the non-executive Directors (including the Chairman) remains unchanged from the framework for the financial year ended 31 December 2018. Directors' fees are computed based on the anticipated number of Board and Board Committee meetings, assuming full attendance by all of the non-executive Directors. The amount also caters for any fee increases and unforeseen circumstances, for example, the appointment of additional Directors, additional unscheduled Board meetings and/or the formation of additional Board Committee(s). Please refer to the section on Corporate Governance in the Annual Report for further information on the Directors' fees.

Resolution 8: Authority to the Directors to allot and issue shares

Resolution 8, if passed, will empower the Directors of the Company, effective from the conclusion of the above AGM until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and convertible securities in the Company (without seeking any further approval from shareholders in general meeting) within the limitation imposed by the Resolution 8, 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 8 would not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing of the Resolution 8. 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 and subsidiary holdings) at the time of passing of the Resolution 8.

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 and subsidiary holdings) at the time the Resolution 8 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 8 is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares.

Resolution 9: Renewal of Share Buyback Mandate

Resolution 9 is to renew the mandate to allow the Company to purchase or otherwise acquire its issued ordinary shares, on the terms and subject to the conditions set out in the Resolution 9. Please refer to the Company's Letter to Shareholders dated 8 April 2019, which is available at https://www.halcyonagri.com/investors-media/agm-egm-announcements/, for more details.

Notes

1. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM in his stead.
2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the AGM. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 72 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.

HALCYON

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