[aggregate]
[innovate]
[sustain]

HALCYON

ABOUT THE REPORT

BOOK 1
Disrupt to Sustain: Our business fundamentals

BOOK 2
People and Planet: Our pillars of sustainability

BOOK 3
Profit: Our corporate governance and 2019 financial statements

Our vision is to be the leader in the natural rubber industry in meeting the United Nation's Sustainable Development Goals (SDGs) and we outline our efforts and achievements in this report working towards this vision. We also detail developments and initiatives moving into 2020 and beyond.

The report also contains our Environmental Social and Governance (ESG) material factors approved by the Board and describes our commitment to investing in technology and innovation in our continued quest to fulfil our sustainability vision of measuring our performance across the three pillars of People, Planet and Profit.

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

This report has been prepared in accordance with the GRI Standards: Core option, as well as with the Singapore Exchange's (SGX) Sustainability Reporting Guide. This report covers the financial year of 2019 (1st January to 31st December)

BOOK 1

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CHAIRMAN'S WELCOME MESSAGE

Dear Shareholders,

Welcome to the 2019 Annual Report of Halcyon Agri Corporation Limited. Our theme this year is [aggregate], [innovate] and [sustain]. In selecting this narrative, we would like to showcase the journey that lies behind us, the present day challenges we face and the possible solutions that we are working on.

Looking beyond our sector, there are many new and exciting business models that have successfully created value for customers and producers alike. Our objective is the same: by leveraging our world-class asset base and our global reach, we aim to bring technology into the natural rubber sector with the aim to enhance sustainability. We all need better outcomes: Farmers require reasonable and less volatile prices, processors require incentives to modernise their factories, and consumers need product innovation and enhanced supply chain transparency. Modern technology holds the key to a multilateral solution, and Halcyon Agri is uniquely positioned to develop feasible solutions and drive their adoption in the sector.

My greetings and appreciation go to our workers and staff, to our customers and suppliers, to our bankers and investors. We are united in our support for Halcyon Agri. I hope you enjoy this year's report.

Liu Hongsheng
Chairman of the Board of Directors

各位股东：

欢迎您阅读合盛2019年度报告。我们今年的主题是[整合]、[创新]和[可持续]。在选择这一描述时，我们想展示我们过往的旅程、目前面临的挑战以及正在努力中的可行方案。

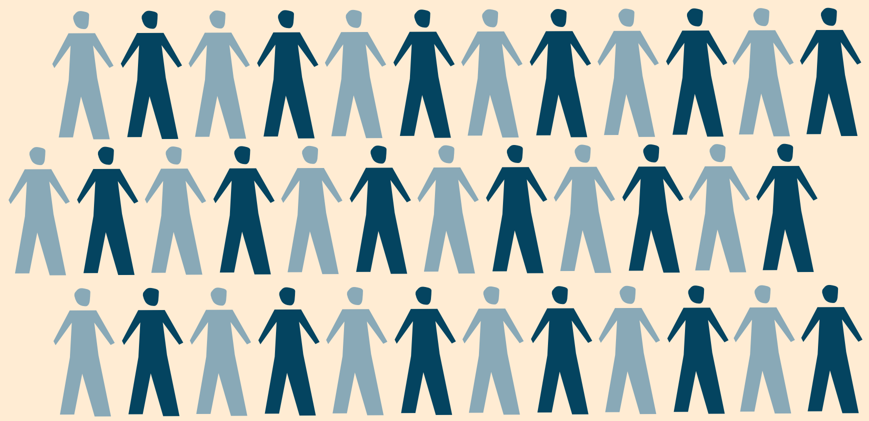
纵观我们的行业之外，有许多激动人心的新商业模式已经成功地为客户和生产商创造了价值。我们的目标是相同的：通过利用我们世界一流的资产基础和我们的全球影响力，旨在将技术引入天然橡胶行业，以增强其可持续性。我们都需要实现更高的目标：胶农需要合理、更加稳定的收入，加工商需要激励来实现工厂现代化，消费者需要产品创新和增强的供应链透明度。现代技术是多边解决方案的关键，而合盛公司在制定可行的解决方案和推动其在行业内的实施方面具有独特的优势地位。

我向我们的各位员工、业务伙伴、银行以及投资者们致以问候和感谢！我们团结一致的支持合盛公司！希望您能够欣赏今年的年报。

刘红生
合盛农业集团公司董事长

LIU HONG SHENG
CHAIRMAN

HALCYON AT A GLANCE



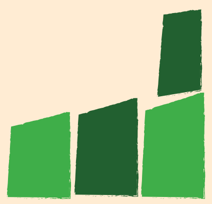
16,000+
Respected Employees

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

16% Standard Indonesian Rubber Market Share
(Indonesia supplies 21% of the world's natural rubber)

9% Globel Natural Rubber and Latex Market Share

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



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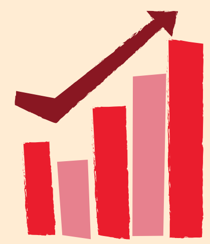
Production Facilities



1.3 Million mT
Sales Volume

1.6 Million mT
Production Capacity

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

Dear Shareholders,

Building a natural rubber business requires a long-term view and steadfast financial commitment. Our original supply is field latex, harvested from rubber trees, and the final use is a rubber product, be it a tyre, a glove, or a chew toy for your dog.

In between these end-points lies the lifecycle of natural rubber. Halcyon Agri has developed an integrated supply chain that covers all critical links: plantations, processing, warehouses, latex tanks and testing laboratories.

Our mission, however, is not simply to aggregate. Halcyon Agri has evolved from building a world-class asset base, to disrupting the way natural rubber is graded and priced. Technically Specified Rubber ("TSR") is a concept that is outdated - in today's world, the quality of natural rubber is not exhaustively defined along six parameters. Our customers know this, and so do we. Besides much more granular technical parameters, producers of natural rubber must adhere to a broader responsibility framework: the basic principle must be to "do no harm", and to sustain the individuals, the societies and the ecosystems that produce this quintessential ingredient to modern life.

"The basic principle must be to "do no harm", and to sustain the individuals, the societies and the ecosystems that produce this quintessential ingredient to modern life."

"责任框架：基本原则必须是"不侵害"，并让参与生产这现代生活必需品的个人以及相关社区和生态系统得以持续发展。"

In this report, I would like to review three important topics: our asset base, our strategy to disrupt and innovate, and the geopolitical relevance of the sector as a whole.

Part I: Our business model and the underlying asset base

In the 12 months ended 31st December 2019, Halcyon Agri's operating businesses sold 1,279,201 metric tonnes ("mT"), and generated revenues of US$1.9 billion, Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of US$71.7 million, Operating Profits of US$38.3 million and a Net Loss attributable to the owners of the Company of US$1.6 million.

Halcyon Agri consists of two main operating businesses, Halcyon Rubber Company Pte Ltd ("HRC") and Corrie MacColl Limited ("CMC"), as well as a nascent Digital Suite of rubber-related investments and projects.

HRC houses our supply chain for tyre applications. This division operates five geographical manufacturing platforms that operate 36 factories: 19 in Indonesia, five in Thailand, two in Malaysia, two in Ivory Coast and eight in China. In 2019, HRC supplied the global tyre industry with 946,067 mT of natural rubber, which equates to a global market share of around 10%. The business model here is to purchase raw material from smallholder farmers, process it to HeveaPRO standard, and then merchandise it to the global tyre industry. To turn a profit, this midstream business must generate sufficient processing margin in between smallholder raw material purchase plus processing costs and associated overheads, and the finished product.

HRC produced EBITDA of US$36.5 million, after adjusting for one-off items, and required US$20.1 million in interest costs to do so. A critical measure in analysing this business is the sum of these two factors, which I refer to as 'core operating profit', which stood at US$16.4 million for 2019. Working backwards, HRC generated US$17 per mT in core operating profit.

CMC caters to the global non-tyre and speciality-tyre market segments and operates a wide storefront covering in-house plantation rubber and concentrated latex as well as third party natural and synthetic rubber, again in both dry and liquid forms. CMC consists of two units: CMC plantations ("CMCP"), which owns our vast plantation holdings in Cameroon (HeveCam and Sudcam) and Malaysia (JFL), and CMC International ("CMCI"), the origination and fulfilment platform.

CMCI typically carries the product all the way to the customers, providing a full suite of logistics and technical services. The business model is to buy-and-sell third party products with a profit, thus supporting the financial cost of developing our plantation assets. Once these are mature, our plantations will provide meaningful volumes of product in replacement of third party supplies, and will take the lead in profit generation for CMC.

CMCI sold 358,951 mT in 2019 and generated EBITDA of US$12.1 million. Net of allocated interest costs of US$2.8 million, CMCI generated a core operating profit of US$9.3 million.

CMCP produced 19,597 mT in FY2019, 40% of which was harvested as concentrated latex, and generated US$12.5 million in revenues. The current maturity profile of our plantations is still unfavourable. We harvest circa 13,500 hectares, mainly in HeveCam, out of a total planted area of circa 37,500 hectares globally. The necessary plantation infrastructure at JFL and SudCam has been almost fully developed, including a state-of-the-art factory at SudCam, whereas neither estate has commenced production to a meaningful degree. In 2019, due to the circumstances outlined above, CMCP produced a core operating loss of US$16.0 million, on an adjusted basis.

It is important to note that our basis of valuation for CMCP's plantation assets has changed in 2019. Up until last year, we had to apply two diverging accounting treatments for our plantations in Malaysia and Cameroon. Due to the diverging nature of the latex timber markets in these two countries, the accounting standards deemed the former a "Biological Asset", the latter a "Bearer Plant". While terms do not sound terribly different, the implications are substantial: a Bearer Plant is valued at Historical Cost less Accumulated Depreciation and Accumulated Impairment, while a Biological Asset is carried at Fair Value less Cost to Sell, which is to be measured by an external valuer every year. In 2019, CMCP developed a business plan to merchandise the harvested timber from our old trees at HeveCam into sawn timber for the furniture and building materials industries. This benefits us in two ways: Firstly, the revenues of such timber are much higher than chipping the wood for biomass energy. Secondly, we are now able to harmonise the accounting treatment for our global plantation holdings under the common Biological Asset valuation framework. The net impact of this change for 2019 is an increase in carrying value for our Cameroonian plantations of US$53.3 million, which has been booked in our fourth-quarter income statement.

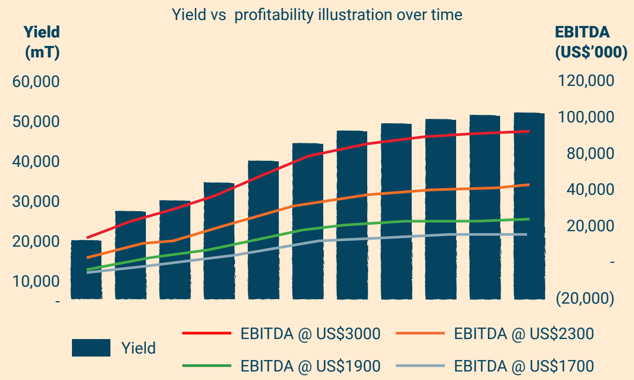
"The financial performance of an established plantation business is compelling, and there is no better time to grow into increased output from maturing trees than at the bottom of the price cycle."

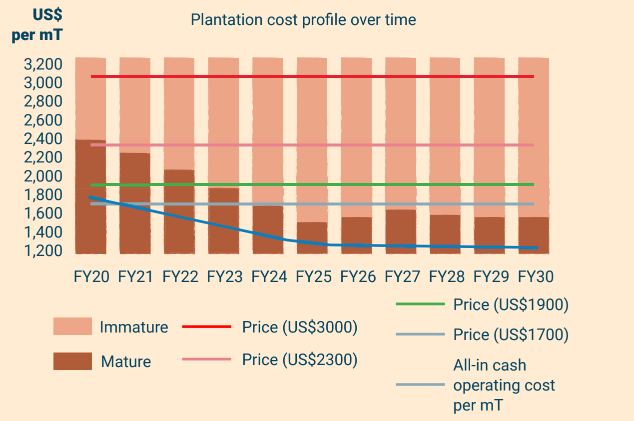
"天然橡胶种植园成熟后的财务业绩将令人瞩目。橡胶价格现处于周期底部情况下是提升未来产量最合适的时机。"

Going forward, the economics of CMC will change. As the planted areas come on-stream, the output of CMCP will grow from current levels to 46,000 mT in 2025 and will plateau at 65,000 mT per annum from 2036 onwards. Once we past the cash flow breakeven point in 2021, the annual increase in output will drive down the unit costs of production. CMCP is a fixed cost producer of natural rubber and latex, and as the unit costs decrease, our profits per tonne increase. Factor in a cyclical recovery of rubber prices and the upside profit potential is virtually unlimited.

The following graphs show the development in EBITDA at a blended price level of US$1,700, US$1,900, US$2,300 and US$3,000 per mT, as compared to 2019's achieved sales price of circa US$1,500 per mT. As you can see, the financial performance of an established plantation business is compelling, and there is no better time to grow into increased output from maturing trees than at the bottom of the price cycle.

The natural rubber industry is more than 100 years old, and its market place has not adapted to modern circumstances. The pricing for this product is determined on futures markets in China, Tokyo and Singapore, which increasingly represent the views of macro and quant traders, and much less the domain-specific knowledge of informed natural rubber market sellers and buyers.





Note: The data set out above are for illustration purposes only. It is important to note that the above analysis is based on historical numbers, and is not necessarily representative of future financial performance.

At the time of writing, global markets are subject to extreme pressures, brought about by the fear about the Covid-19 virus pandemic. Global financial and commodities markets have become excessively volatile, with daily movements of 5% or more. Natural rubber markets have long faced the same issue: algorithms dominate, and trading frequency has accelerated beyond the human capacity to make rational decisions.

In natural rubber, this is particularly damaging, for two reasons:

1. There is no substitute for natural rubber; it is the non-substitutable natural ingredient in every tyre.
2. We rely on smallholder farmers to produce it, and their cost of production reflects their cost of living, of survival. They do not act rationally according to the definition of Adam Smith: *a subsistence farmer tends to produce more when prices are low, and less when prices are high*: his daily income is price multiplied by volume. Low price, and he needs to produce more; high price and he can afford to work a little less. At current rubber futures market levels, smallholders cannot afford to continue producing, they are at risk. As they abandon this crop in search of something else to plant or do, the supply of rubber is in peril. Rubberwood has a substantial market value, and a tree, once cut down, takes seven years to be replaced.

Underlying these fundamental problems are bigger picture issues, which have now brought non-governmental agencies into our world. Externalities remain unpriced in the smallholder model, as farmers technically do not pay for the land, and turn to their governments in times of trouble. This leads to uncontrolled deforestation when prices are high and to social distress when they are low.

Halcyon Agri is a pioneer in looking for solutions to these issues. To this end, we have formulated our Digital Suite, which consists of three main pillars:

HeveaConnect ("HC")
A digital marketplace for natural rubber, which allows for bilateral negotiations and trades between producers and consumers for perfectly specified physical rubber. A joint venture between Halcyon Agri, DBS Bank Ltd and ITOCHU Corporation, HeveaConnect was successfully launched in 2019 and has clocked trades worth more than US$150 million to date.

"HeveaConnect天然橡胶电子交易市场能让天然橡胶生产商和消费者就指定标准的天然橡胶产品直接进行双边谈判和实物交易。"

Halcyon Data Centre ("HDC")
Halcyon has engaged Siemens of Germany, a leading player in the Industry 4.0 realm, to develop a cloud-based data tool for TSR factories. Currently, on trial in Palembang, the HDC solution enables the streamlining of operations, optimisation of production efficiency, and represents a great leap forward towards production transparency and data transmission along the supply chain. The HDC system will be rolled out across our Indonesian processing factories in the course of 2020 and 2021.

HalcyonCoin
There are two plausible applications of distributed-ledger-technology ("DLT") in the natural rubber business: monetising inventory, thus making it available to a broader investor universe, and capturing supply chain data, such as carbon sequestration or improvements in energy or effluent data.

Both cases serve as a way to mobilise additional funding and capture incremental value for the up- and midstream of the natural rubber industry. Halcyon Agri is developing the HalcyonCoin concept with leading players in the Fintech space and I am excited about the opportunities that lie ahead.

These digital tools will work together: HC will help to discover price premiums for rubber that meets increasingly higher sustainability criteria, HDC will help factories to continuously drive efficiency and improve their carbon footprint and HalcyonCoin will offer incremental value and liquidity to responsible producers and farmers.

Part III: The Belt and Road Initiative and geopolitical considerations

"中国推进“一带一路”倡议的过程中，战略性的串联了原材料的重要原产地及其新兴消费市场。"

In last years' message to shareholders, I laid out my views regarding the increasingly competitive relationship between the United States and China. While Phase One of the "Trade Deal" has since been signed, the developing Covid-19 crisis has not just caused a slowdown in globalisation but has brought it to a complete standstill. Social isolation, increased border security and an outright travel ban do not make for improving global relationships. The superpower blame game is just starting, and the United States and Germany are heading for presidential and parliamentary elections respectively, later this year. Never before has the world faced a crisis of this complexity: the Covid-19 attack is simultaneously challenging established social and behavioural norms, political systems and global financial markets. Personally, I fear that we might be witnessing the birth of a New World Order.

Let us not forget, however, that natural rubber is essential to the way we live. In a post Covid-19 world of social distancing, mass-rapid transport systems and other shared economy assets (vehicles, real estate and offices) represent a risk of contagion, and individual modes of transport might be a safer way to travel.

In a 2015 presentation, Bill Gates, the founder of Microsoft, warned of the dangers of a viral attack and compared threat levels of pathogens to those of missiles. His assessment at the time proved to be eerily prescient as to the events that are unfolding today. In responding to a viral threat, his suggestion is to mobilise the military capabilities of the major global powers, as they possess the most efficient logistical capabilities.

Be it trade-war, germ-war, or a combination of both: global supply chains need to be reassessed and probably rebuilt. The concept of Strategic Materials and Buffer Stocks will partially replace the notion of Just-in-Time global supplies.

In their pursuit of the Belt and Road Initiative ("BRI"), China is connecting critical origins of raw materials as well as emerging consumer markets in a strategic way. Being a BRI member country is the new version of being a "Most Favoured Nation" under the auspices of the World Trade Organisation. Connect, but keep separate; provide access, without systematically having to merge.

The natural rubber business has always been Chinese. The earliest Singapore-based rubber baron, Mr Tan Kah Kee, donated the bulk of his fortune to his erstwhile homeland, and most successful players in the natural rubber industry have maintained very close links to the Mainland. The Japanese invasion of Malaya in 1941 is manifest to their strategic ambition to safeguard access to important raw materials, including natural rubber. In 1950, the Korean peninsula suffered a continuation of war atrocities, effectively playing host to a proxy fight between competing superpowers for access to raw materials.

Tyres need natural rubber, and the world needs tyres. Military and strategic competition is bound to intensify, and China has a historical advantage in most origins of natural rubber. Over the last 20 years, mainland Chinese entities have successfully established majority ownership of many rubber companies, including Halcyon Agri, and have funded our industry through difficult times.

It is unlikely that any other nation can usurp China's dominant position in the natural rubber market, but I do see a chance that the digital dimension holds the key to a functioning global rubber market, with due consideration of the ongoing viability of smallholder farmers, future-proof ecological agendas and balanced geopolitical interests.

In closing, I would like to extend my sincere appreciation to our many stakeholders, both internal and external. A special mention goes to the NGO community, and to the people of Cameroon, Indonesia, Malaysia, Thailand, China and Ivory Coast. You allow us to operate plantations and factories in your countries, you provide us with human and ecological resources, in order to deliver on our mission to develop a truly sustainable natural rubber industry.

I would also like to reiterate that Halcyon supports the United Nations Sustainable Development Goals (UNSDGs) in creating a lasting positive impact on society. As a signatory of the UN Global Compact (UNGC), we remain committed to upholding UNGC's universal principles on human rights, labour, environment and anti-corruption for all our stakeholders.

ROBERT MEYER
CEO

Rubber Market Notes for 2019

2019 saw further consolidation in the natural rubber market. In Thailand, some of the larger processors cut back output volumes in the face of a temporary market dislocation driven by a since-bankrupted Chinese trader. In Indonesia, several old and outdated factories closed down for good due to lack of raw materials and difficulties in selling their product. In aggregate, global rubber production is currently estimated to have fallen by 250,000 mT, or slightly more than 1.5%.

Global demand for natural rubber is estimated to have remained constant in 2019, suggesting a reduction in global inventories of circa 100,000 mT.

Unsurprisingly, natural rubber prices, referenced by the 1st position of the SICOM TSR20 contract, appreciated by circa US$200/ mT to close the year at US$1450/ mT, an increase of 15%. This price increase took place amidst unfriendly macro conditions: the global automobile industry is in disarray, annual auto sales estimated to have contracted by 3%, which would mark the industry's worst performance since the Global Financial Crisis. The Trade War took its toll on global flows and sentiment, as did Brexit and the increasingly uncertain outlook on the German economy.

Supply

All traditional rubber-growing areas currently face adverse conditions, to varying degrees. Indonesia has to deal with diseases that have affected many of its old trees, especially in Sumatra, Malaysia has labour issues and Thailand has to contend with disease in the South, drought in the North and provenance issues in the North East. Farmers have responded to the low price levels of the past four years by not replanting, and there has been very little new planting since 2013.

Non-traditional origins also have their lot to bear: not only are they off-limits to many Western consumers due to deforestation and land-grabbing allegations, but Vietnam, Cambodia and Laos all face unusually dry conditions due in part to the Indian Ocean Dipole and in part due to hydro-dam projects in China and Laos. Africa and South America, on the other hand, seem to be unaffected by disease, weather or provenance, but they account for less than 5% of global supply.

Demand

The global vehicle parc currently stands at 1.3 billion vehicles[1], and has been growing at circa 4% annually. Recent estimates suggest that total vehicle production in 2019 was 92 million units, which suggests that 40 million vehicles were scrapped in 2019, or 3.2% of global vehicle parc.

Assuming that the average vehicle has five tyres (which represents a blend of passenger cars, light and heavy trucks and off-the-road vehicles), the automobile industry currently accounts for 500 million new tyres annually. The average tyre contains 3kg[2] of natural rubber, which suggests that the tyres for the automobile industry represent 1.5 million mT in annual demand, which is 15% of 9.9 million mT that the global tyre industry is reported to have consumed in 2019[3]. The conclusion is that the remaining 85% of demand is the replacement tyre business.

Working backwards, this shows that each existing vehicle represents 7kg of annual demand for natural rubber, suggesting that, on average, 4.5 tyres are replaced every two years. This may sound excessive for passenger cars driven in Singapore, but makes plausible sense when considering busses, trucks and taxis – and a global context of many more bad roads than good ones!

There are several key insights here:

1. Existing vehicles account for 85% of the annual tyre-industry demand for natural rubber, which makes "miles driven" rather than new car sales, the most important driver of natural rubber demand.
2. The global vehicle parc is currently growing at a CAGR of 4%, which means that by 2022, the replacement-tyre demand for natural rubber would have gone up by a staggering 1 million metric tonne.

While the growth rate may slow down in the current macroeconomic and geopolitical context, the trend towards electrification is likely to enhance the demand for natural rubber. The growth in absolute number of vehicles may slow down, but incentives will drive vehicle scrap rates and their replacement with electric vehicle's. Each vehicle uses 20kg in its year of manufacture, and only 7kg for each year thereafter.

If global demand for natural rubber stagnated in 2019, then this is because tyre makers and traders reduced inventories. Reported stockpiles in China are down and the Thai government has all but disposed of its strategic stockpile. Latest filings by listed tyre makers show an increase in finished goods inventories (due to the slowdown in OEM sales) and a decrease in raw material stocks as well, the latter probably caused by the former.

[1]Based on latest available data from International Organisation of Motor Vehicle Manufacturers

[2]Based on surveys by BOUNCE

[3]Reported by International Rubber Study Group

Investing in Sustainable Growth for an Equitable Supply Chain

In our first Annual Report published in 2013, we outlined our vision to be the leading global natural rubber producer on all fronts: quality of production, sustainability and profitability. We were also at the time keenly aware that the rubber market was well known for its price volatility which did not factor in the true value of rubber – a non-substitutable key ingredient for the world's mobility needs – and that the historical measure of determining its price was unsustainable and would not result in an equitable supply chain.

Initially operating in the midstream of the global supply chain with just two factories in Indonesia, we started seeking investment opportunities in the upstream and downstream to bolster our existing distribution network and to ensure that our factories had stable access to high-quality raw material.

2014 and 2015 then saw us grow via a series of acquisitions to become a global supply chain business with three core operations: originate, produce and distribute.

In 2016, we took a significant step by purchasing Sinochem's natural rubber assets: factories in China together with plantations in West Africa, the world's largest functioning rubber plantation. The year 2018 saw us cementing our position as the world's leading latex and specialised rubber distributor with the acquisition of some of the world's oldest rubber trading names, as we expanded our distribution channels in Europe and USA for the latex business.

While integrating our acquired assets, we have significantly invested in the sustainability of our plantations and put in place measures to balance economic development with ecological preservation. We have also introduced schemes to ensure that we work alongside the local communities living in and around our plantations to give them opportunities for education, empowerment and socio-economic development.

2019 also saw us pushing ahead with technical and digital innovations across our supply chain from source to destination, to optimise margins and seek new avenues of growth. We intend to continue our efforts in cutting-edge digital technologies along our value chain into 2020 and beyond.

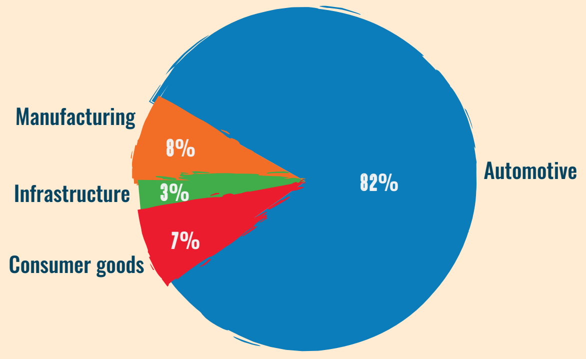
With all the pieces in place, we are now in a unique position with a non-substitutable product and full range of assets across the supply chain to positively change the natural rubber industry. We believe that all smallholders should be enabled to form co-operatives in order to independently organise enough capital to rejuvenate their biological assets in line with the modern understanding of sustainability.

Ultimately, the rubber tree is a carbon sequester and provider of sustainable income (provided we can settle on an equitable pricing model). It offers the world a unique product that goes into a wide array of goods from household to medical products to tyres, and where there is no substitute.

But we cannot do this alone – in order to drive this change, global players must understand the need to introduce sustainability into the natural rubber industry and worldwide effort is required to raise the large amounts of capital needed.

Our Trade Flows

Our scale, global diversification and trade flows are unrivalled. Halcyon sends 1.2 million mT of natural rubber (dry rubber and latex) originating in 13 countries to destinations across every continent.



Our natural rubber products are an essential and irreplaceable part of:
- Tyres
- Consumer goods: adhesives, beddings, balloons, condoms, and medical supplies
- Manufacturing essentials: compounder, vibration control, conveyor belt, sealants, flooring
- Infrastructure products: bitumen, bridge components

Halcyon's Footprint Along the Belt and Road Initiative

The Belt and Road Initiative (BRI) envisages heavy investment in infrastructure and commerce along historical land and maritime silk routes. Projects under the BRI include transportation, energy, urbanisation and telecommunications, and natural rubber is an essential component of all these.

Approximately 46% of Halcyon's rubber sales by volume serve the regions covered by the BRI. The 126 BRI countries closely match our trade flows and the locations of our assets and offices as well as the locations of our customers. A recent study by the World Bank also notes that the improvements in supply chain efficiency brought about by the BRI would lead to long-term benefits for the rubber industry.

OUR GLOBAL FOOTPRINT

Halcyon Rubber Company Group ("HRC")

Indonesia

Accumulated over a series of acquisitions and minority buy-outs, we own and operate 19 TSR factories with a combined installed capacity of 826,000 mT annually. The centrepiece of our Indonesian platform is formed by the former subsidiaries of the Lee Rubber Company from Singapore, which we acquired in 2014. The carrying value of these assets in our balance sheet is US$105.3 million, along with goodwill on the consolidation of US$252.1 million, which implies a valuation of US$432 per installed mT of annual output. It is noteworthy that these plants are unique in that they have been 'grandfathered', and are exempt from minimum local ownership rules.

Besides our operating assets, we also own investment properties such as shophouses, commercial buildings and residential real estate across Indonesia with a market value of US$24.3 million as at 31st December 2019.

It is fair to state that this Indonesian factory portfolio is unique in both scale and reach. Structured into four regional management clusters, our investment in Indonesia forms the core of our HRC processing business.

Thailand

Teck Bee Hang Co., Ltd. is one of the oldest natural rubber companies in Thailand. Established by Lee Rubber Company in 1954, Teck Bee Hang owns and operates five TSR factories with a combined installed capacity of 275,000 mT in Thailand's southern provinces. In addition to these factories, Teck Bee Hang owns a portfolio of investment properties, most recently valued at US$18.6 million. Besides the equity that we own on a standalone basis, Teck Bee Hang also owes our group companies circa US$105 million, which is secured by mortgages over most of their fixed assets. The unique financial structure of this asset has its roots in history and predates Halcyon's purchase of GMG Global Ltd in 2016. The book value of the factories is US$26.8 million, which works out to be US$97 per mT of installed capacity.

Malaysia

HRC owns two SMR factories with a combined installed capacity of 220,000 mT per annum. The combined book value of the Malaysian factories is US$19.5 million, which equates to US$89 per mT of installed annual capacity.

China

Acquired from Sinochem in 2016, our PRC factory assets are located in Yunnan and Hainan provinces. In total, we have eight factories here with a combined installed capacity of 160,000 mT per annum. Most recent valuations suggest a carrying cost of US$295 per mT of installed annual capacity. We are among the top natural rubber producer in both provinces.

Ivory Coast

Ivory Coast is one of our most dynamic investments and one that has required substantial management time to reorganise over the last three years. Here, we now own the entire share capital of Société de Développement du Caoutchouc Ivoirien (SDCI), which in turn owns two factories, with a combined annual capacity of 56,000 mT. As at 31st December 2019, we value each metric tonne of installed capacity at US$224 in our balance sheet.

Besides factories, we own 70% of Tropical Rubber Côte d'Ivoire, a small plantation company which owns a leasehold land covering 1,615 hectares, just outside the city limits of Abidjan, the commercial capital of Ivory Coast. We carry this land at cost, or US$2.2 million in our balance sheet, and are currently evaluating various options to either replant the oldest portions of the estate, or perhaps to monetise it in other ways.

Singapore

The combined annual output of our Indonesian, Ivorian and Malaysian platforms is merchandised by Hevea Global, the very first operating entity to form Halcyon Agri. We also own New Continent Enterprises, an established rubber-trading firm that trades both in-house and third-party physical rubber products, as well as rubber futures. New Continent Enterprises is set-up with a dual function: it manages our Chinese distribution entity, Halcyon Agri Shanghai, and also provides risk management services to other group companies.

In aggregate, Hevea Global and New Continent Enterprises have a net asset value of US$46.1 million, which they use to merchandise almost one million mT tonnes of natural rubber annually.

Corrie MacColl Group ("CMC")

Europe

Corrie MacColl Limited, the holding entity for the CMC Group, is incorporated in London and operates a small office in the city.

The sales and marketing teams of Corrie MacColl Europe are spread across four offices, namely Zaandam, London, Hamburg and Frankfurt. The result of the merger between the European parts of the RCMA Polymer business, Centrotrade Deutschland and the former New Continent Deutschland outfit, this is a business with unrivalled scale and reach in both Europe and the United Kingdom.

Of particular mention is the Kelvin Terminals asset in Terneuzen, Netherlands. Here, we own and operate Europe's largest tank installation for both natural and nitrile latex, as well as a state-of-the-art laboratory.

United States

Arguably, the flagship of the CMC Group, Corrie MacColl North America operates out of Norfolk, Virginia, and is the product of a successful merger between Alan L Grant, Centrotrade Rubber and Momentum Technologies.

Dedicated teams handle end-to-end supply chain management for three key product groups: dry rubber, liquid latex and synthetic polymers.

The Akron, Ohio based subsidiary, Momentum Technology Laboratories, forms an important part of our technical support group and offers testing services across many applications.

China

Shanghai CMI Rubber is a start-up and represents CMC's intention to leverage our global client reach and technical expertise into the PRC market. This business is based in Shanghai, where it co-locates with Halcyon Agri Shanghai.

Malaysia

Centrotrade Malaysia is an established supplier of liquid latex into the Malaysian rubber glove industry. Formerly ED&F Man, this entity provides regional sourcing and risk management services to the world's largest provider nation of dipped rubber products.

We acquired JFL, which owns a total of 10,000 hectares of 99-year leasehold agricultural land in 2014 and have since almost fully developed this brownfield asset into a mixed-crop plantation business with 4,300 hectares planted with natural rubber, and 1,600 hectares planted with partially mature oil palm.

We will start tapping the rubber acreage in 2020, and expect this asset to yield at least 6,000 mT of natural rubber and 38,000 mT of fresh fruit bunch annually from 2025 onwards. JFL's combined value for its plantation and biological assets is US$61.0 million as at the end of this financial year.

Thailand

Centrotrade Hatyai houses a small team that provides field latex and other raw materials for a particular client with whom we have a broad and global relationship.

Cameroon

The centrepiece of CMC: In Cameroon, we own 90% of HeveCam, the largest operating plantation in the country. Spread over a total concession of circa 53,000 hectares, HeveCam consists of three estates with a total planted area of circa 21,600 hectares. The balance is untouched and forms the high-conservation value portion of this asset.

We also own 80% of SudCam, a brownfield project that commenced in 2012, where we completed our revised planting programme in 2019. Our total concession covers a size of circa 59,000 hectares, of which we have planted circa 9,800 hectares. Here, we have defined a 25,000 hectare community forest, and circa 10,000 hectares of high-conservation value.

Both assets have state-of-the-art processing plants each consisting of a concentrated latex line, a CV line and a TSR line.

The combined value of our plantation and biological assets in Cameroon, as opined by Knight Frank, is US$399 million as at 31st December 2019.

Where Does Your Source of Mobility Comes From?

Essentially, it comes from the tyres that allow your current mode of transport to take you from A to B. As you sit behind the wheel of your car driving your children to school, or in the back of a taxi that takes you to the airport (where you board a plane that would be grounded if not for its tyres), did you ever wonder what material makes up a significant percentage of those tyres? The answer is unequivocably **NATURAL RUBBER.**

So where is this critical raw material produced? Only from countries bordering the equator, with Thailand and Indonesia being the largest producers. Over 90% of Indonesian raw material is produced by 2.4 million farmers with an average smallholding of about 1.5 hectares. Each rubber tree produces approximately 2.5 kg of rubber per annum so imagine how many millions of trees are needed to guarantee the convenience and luxury of mobility that we all take for granted on a daily basis. The farmer sells his cup lumps to our factories at a price determined by a commodity futures market, over which neither we nor the farmer has control. Given the prevailing low prices, his income is now significantly below the Indonesian government's gazetted minimum wage for employees. A typical benchmark for Indonesian cost of living is the cost of a kilo of rice. Historically one kilo of rubber would have purchased two kilos of rice. Today the ***reverse*** is the case where **two kilos of rubber are needed to purchase one kilo of rice.**

Natural rubber's place in a global context

In 2017, the European Union commission added natural rubber to its list of **Critical Raw Materials,** the vast majority for which, including natural rubber, the EU is dependent on imports from non-EU countries. **Natural rubber is simply an irreplaceable component of tyres.** Different applications require different levels, but natural rubber cannot be replaced. The demand for natural rubber in passenger tyres is determined by global vehicle density as well as by total mileage driven. Global vehicle density and utilisation are largely determined by GDP growth.

It should be abundantly clear to vehicle owners et al, that without the existence of these smallholder farmers, the mobility that they take for granted in everyday life would be severely compromised. As well, the very livelihood and existence of smallholders are in peril by the current poor return for their labours and product. The only way to keep the world moving is to enforce the ***sustainable*** supply of natural rubber, which primarily includes ensuring that the smallholders are properly compensated.

Consumers (e.g. vehicle owners) are demanding more sustainable products and in turn, automobile and tyre manufacturers are demanding full transparency and sustainability in respect of supply chains. But without a fair price reflective of the efforts and investment required to produce this critical and irreplaceable product: there will be no, in the true sense of the word, sustainability.

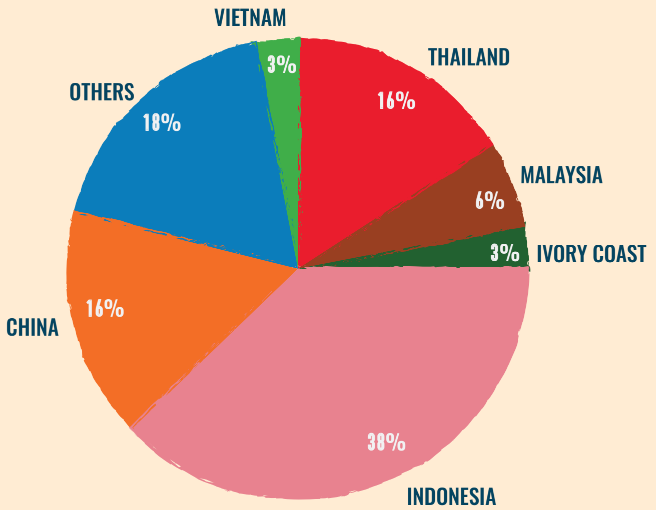
#DIDYOUKNOW

Indonesia supplies 21% of the world's natural rubber mainly to global tyre manufacturers.

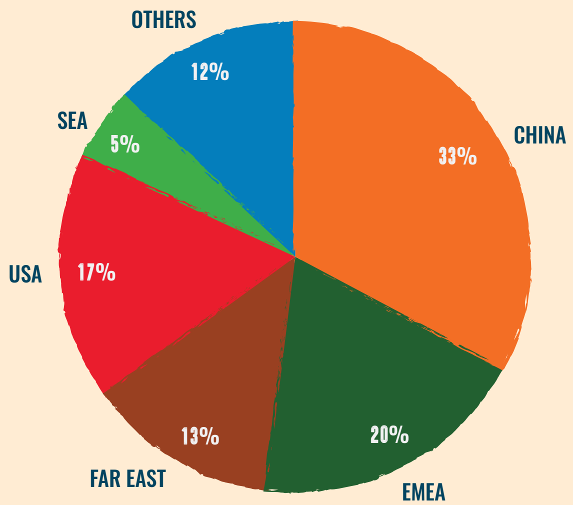
WHERE DOES OUR RUBBER GO?

As the world's leading rubber franchise, we have full control over the entire value chain: how rubber is grown, sourced, produced and distributed. Halcyon's factories are located in most rubber-producer countries, and we are the owner of the world's largest commercial plantations. Combined with the ability to leverage our extensive network of warehouses, terminals, laboratories and sales points across the world, this allows us to distribute a wide range of natural rubber grades, latex and specialty rubber for the tyre and non-tyre industries. Our top three delivery destinations are China, EMEA and USA. Our sales are mainly to the tyre industry.

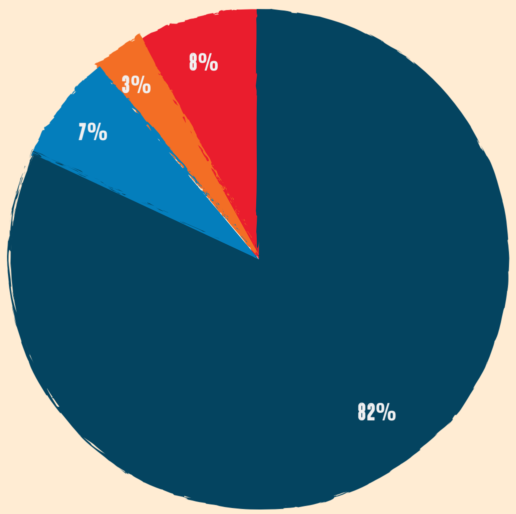
Origins of our rubber



Delivery destinations of our cargo

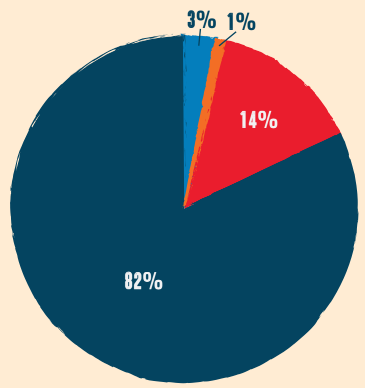


Breakdown of volume by industry



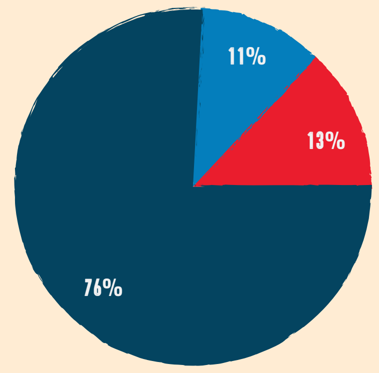
Tyres | Consumer Goods | Infrastructure | Manufacturing

Industries using our product in China



China is the world's single largest consumer of natural rubber. The bulk of our sales are to the automotive industry, with 26% of our China deliveries sold directly to domestic joint ventures of international tyre majors.The other significant segment of our Chinese rubber sales is to the rubber compounding and textile industries.

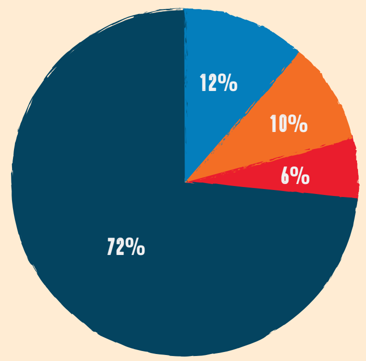
Industries using our product in EMEA



The EMEA region (Europe including UK, Middle East and Africa), with its mature automotive industry, accounts for 20% of the Group's total deliveries. Our top EMEA customers are based in the main regional automotive hubs of Germany, Turkey and Finland, accounting for 13%, 12% and 9% of our offtake in EMEA. While our volumes for consumer goods in the EU are lower, these typically represent high-margin businesses and typical products that fall in this category include:

- Adhesives and tape
- Footwear
- Vibration control for building and non-building structures
- Medical supplies such as gloves and catheters

Industries using our product in USA



The tyre majors in the US are our anchor customers and the top five customers in the US account for 60% of our tyre sales in the US.

The US consumer business purchased our concentrated latex products and are used in dipping products such as balloons and condoms. The thriving medical industry in the US also use our product in catheters, gloves and medical tubing. Additionally, our dry rubber also goes into the production of everyday products such as:

- Adhesives and tape
- Beddings – latex mattresses
- Footwear

We have a significant infrastructure segment, where our trading business in the US also acts as a supply chain partner to our customers, sourcing for synthetic rubber used to produce bitumen emulsion necessary in the construction of roads.

Tyres | Consumer Goods | Infrastructure | Manufacturing

Digital Disruption to Transform the Rubber Industry

In our last report, we described how technology is necessary to reverse rubber's declining fortunes. Technology is needed to tackle unsustainable pricing and create a sustainable supply chain where all stakeholders of the value chain will benefit.

Halcyon is spearheading the digital evolution of rubber with various initiatives.

- The incorporation of HeveaConnect as a digital marketplace to trade rubber from our TÜV SÜD audited and HeveaPRO certified factories marks the first step in our digital disruption of the natural rubber industry. We are working to further integrate traceability and agronomical data to expand the sustainable certification options to HeveaTRACE and HeveaGROW.
- With 38 production facilities in major rubber growing areas, we have collaborated with Siemens and launched an ambitious digitisation programme to build the next generation of our data centre.
- In Indonesia – which suppliers 21% of the world's natural rubber – we have also embarked on a digital programme to connect directly with smallholders to facilitate transportation from farm to factory, and to provide better pricing visibility to smallholders, thus improving their livelihoods.

A digital marketplace for sustainable, traceable rubber

2019 was a watershed year for us with the launch of the HeveaConnect platform. The platform aims to promote greater price transparency in the natural rubber market, and to move away from reference-based price fixing, which remains opaque and unrepresentative of sustainable pricing requirements. The biggest losers under the current pricing mechanism are the six million subsistence smallholders who are now affected by crippling costs, bad weather and diseases.

Since its launch in April 2019, the platform has at time of writing handled in excess of 100,000 mT of spot cargo deals and efforts are underway to increase adoption and add other tradable instruments (such as Long Term Contracts). The coming launch of the HeveaConnect Mobile application will also allow users to negotiate and confirm sales terms on the go. There are on-going trials to introduce automated production data capturing to reduce input error, using Internet of Things (IoT) technology.

Proactive engagement and collaboration with stakeholders and key NGOs have resulted in initiatives to drive improvement in the livelihood of smallholders. Together with their input, we are setting governance guidelines and frameworks to shape the future of the industry.

We are currently expanding our offerings to allow for the tracking of sustainable practices in rubber plantations and smallholder rubber plots (HeveaGROW) and traceability requirements in the sourcing of natural rubber (HeveaTRACE). This would allow all participants along the supply chain to trace the source of each batch of natural rubber, and reflecting the true value of supply and demand where farmers and producers are compensated fairly.

Harnessing data to optimise factory operations

Through continuing investment in technology and innovation, Halcyon aims to provide greater value to our customers over the long term. With 38 processing facilities across different regions, there is a need to centrally collect real-time data across our factories. This allows us to gain meaningful insights into our operations, optimise our processes and reduce operational costs and risk.

We collaborated with Siemens to build the next generation Halcyon Data Centre (HDC 2.0) which is currently being piloted in one of our Indonesian factories. The platform is a cloud-based IoT operating system connecting key factory infrastructure with the digital world. Managers can spot real-time information and quickly work to resolve any issues that occur during processing, and use the data to share best practices. IoT devices will be deployed to capture operational ESG data for process optimisation and external accountability.

We expect to launch HDC 2.0 in the second quarter of 2020.

We are also working on another IoT project with Siemens to capture environmental data such as water and energy consumption, and working environment conditions. This will enable us to optimise our consumption of natural resources, automate data collection, and also improve workplace health and safety.

Connecting to smallholders to improve transparency

We have embarked on a digitisation programme to develop a mobile application for smallholders to gain visibility on offer prices of procurement stations around them. The app would allow smallholders to have direct access to a procurement point closest to their farm, agree on a fair price, and seamlessly arrange transportation to the factory directly with us.

Apart from tracking the movement of rubber all the way to our factory, it also contains information such as weight, dry rubber content and price. We are at the initial stage of this initiative and the target is to roll it out in Indonesia by the end of 2020.

Sharpens Focus to Serve Global Tyre Customers

Streamlining for efficiency

2019 saw the re-alignment of our tyre majors business under the umbrella of the Halcyon Rubber Company (HRC), a pre-eminent supplier of natural rubber to the global tyre fraternity. The consolidation of global tyre majors processing and supply platform under one roof has allowed us to optimise our market position in terms of profitability, hedging optimisation and asset utilisation.

The enlarged HRC also allowed us to offer our tyre major customers a wider range of rubber from different origins from a central point.

Cluster management model

We have introduced a cluster management model which decentralises management for quicker decisions and to encourage better communication and problem solving. This approach enables the sharing of best practices between HRC's factories and benchmarking to the highest standards, and encourages management to hone their leadership abilities by granting them ownership of unit-based goals.

This model also enables easy and quick deployment of resources across our production facilities, for example moving raw material from one factory to the next in order to meet production volume requirements and customer needs.

Other benefits include optimising our raw material procurement, better factory utilisation and enabling standardisation of best practices, allowing for more efficient resource allocation while keeping costs down.

Increasing capacity at our factory in Kalimantan

In 2019, we made a large investment in our PT Bumi Jaya (KBQ) processing facility in Indonesia, with the intention to increase our production output from 2,000 to 3,000 mT per month before ultimately reaching a monthly capacity of 5,000 mT. We also invested in new equipment for the wet and dry lines and in the hanging sheds.

As Kalimantan is a relatively low cost region for raw materials, we hope to be able to offer more products from this factory to our customers.

Smallholders from areas around our factory would also benefit as we will be able to offer them better pricing as we buy in larger volumes, reducing our reliance on intermediaries for raw materials and enhance our outreach to the smallholders.

Sustainable Agro-Industrial Plantation

In our 2018 Corporate Report, we introduced our version of an improved future for the natural rubber industry: the return of the agro-industrial plantation with an updated framework of social inclusion and environmental conservation.

We have invested significantly in these plantations so that we can develop an eco-system that would in many ways resemble a social enterprise, where thousands of people and their dependents are invested economically and socially. From the smallholders we buy our raw materials from, to our employees and their dependents, and to the villagers living in the communities surrounding our plantation. This social enterprise produces a globally unique product for profit, for all stakeholders, not just our shareholders.

Our product is marketed globally through a network of specialist sales teams across North America, Europe, Southeast Asia and China. Similar to the pricing structure of chemicals and pharmaceuticals, the rubber sold through Corrie MacColl is adapted to each customer's needs and actual demand, and reflects its true operational and production cost.

Corrie MacColl also supports our customers with a full logistical suite of distribution assets, including access to a technical advisory team and laboratories across the world.

Water wheel and ram pump at our JFL plantation in Malaysia

Utilising the steep slopes and streams at our plantation located in Ulu Nenggiri in Malaysia, we built a waterwheel to capture water and generate electricity for irrigation at our oil palm plantation. The waterwheel generates 3-5 kW of electricity in the remote parts of our plantation, sufficient to supply power for street lighting for to improve safety and security. For irrigation, the water flows through a hydraulic ram pump, which uses the stream's kinetic energy to pump part of the water volume to collection tanks at the top of the hill.

Ram pumps achieve the seemingly impossible task of pumping water to a higher height without the need for added energy input. This provides a unique method of utilising water sources in hilly areas. Initial tests have shown that the pump could raise water by up to 200 metres. The stored water is then channelled and distributed via gravity to the oil palm crop. Consistent irrigation of up to two litres per day per plant is expected to increase yield by 20% compared with standard production in hilly areas.

Our technical advisory services

As a market leader, we actively engage at all levels of the standards development process with leading organisations. To this end, our technical and laboratory services teams are actively participating with ASTM International, an international standards organisation that develops and publishes voluntary technical standards for a wide range of materials, products, systems, and services. Participation in these committees that cover broad range of segments which our customers are servicing helps us network, support and address their concerns, including in the areas of sustainability. We have also been actively providing input to improve new and existing standards on sustainability issues, to an ISO advisory group.

We actively investigate and keep track of developments in alternative natural rubber and bio-based materials. This includes guayule, Russian dandelion and plastics derived from plant sources. For guayule, we intend to focus on distribution, development of standards, and a special focus on medical device manufacturers. For bio-based plastics, we view these as a potential additive to speed up end-of-life landfill or disposal cycles and as a possible zero waste packing material for rubber bales and pallets.

Expansion of client capabilities with new equipment and a 1,200 sq. ft lab

Following a $1 million investment, Momentum Technologies Laboratories (MTL) expanded its offerings with new equipment and a 1,200 sq. ft testing lab. The Ohio-based natural rubber and latex facility now spans 7,000 sq. ft.

The third-party testing laboratory is A2LA/ISO 17025 certified, and tests more than 90 different ASTM methods. The expansion has allowed MTL to offer construction product testing, including for polymer-modified asphalt, roofing materials and coatings and below-grade coatings. The new equipment in the laboratory include a new rubber process analysis, a Wallace plastometer, Mooney viscometer, a tensile machine, compounding mixer and a mill.

The expansion allows MTL to find new methods of integrating natural rubber and latex into the paving and roofing materials industry, advancing on their accreditation to perform MiamiDade County and Energy Star testing for roofing materials. This investment will also see greater supply chain efficiency for the global teams.

There are plans to grow MTL further globally, with plans underway for sites in The Netherlands and Cameroon.

Our plantation yields

The plantation business is a long-term investment, as each planted rubber tree requires an average of six years to mature before we can start tapping to yield the first drop of latex. The profits will start to accrue as the plantation ramps up its production, weighing down unit cost, mostly fixed in nature. The time horizon of investment in rubber trees is illustrated based on CMCP's plantations in Cameroon.

As noted in Figure 1, the expected plantation yield from our Cameroon plantation in FY20 is approximately 18,000 mT upon plantation maturity of 42%. Following the progressive maturity of our rubber trees, the yields start to ramp up and are expected to double in five years. Subsequently, as the plantation progresses into peak production upon full maturity by FY34, the yields will start to plateau at approximately 65,000 mT per annum.

A rubber tree has an expected life cycle of 25-30 years upon the commencement of tapping, and upon the end of its economic useful life, it is harvested for conversion into lumber and a new tree will then take its place. This represents the emergence of immature areas in FY39 again, as the earlier cohorts of trees have reached the age of 30 years and the replanted trees will have no returns for the next six to seven years

The all-in cash operating cost consists of plantation costs, processing costs, selling and distribution costs as well as general and administration costs. A decreasing unit cost leads to an increase in profit at a stable price environment.

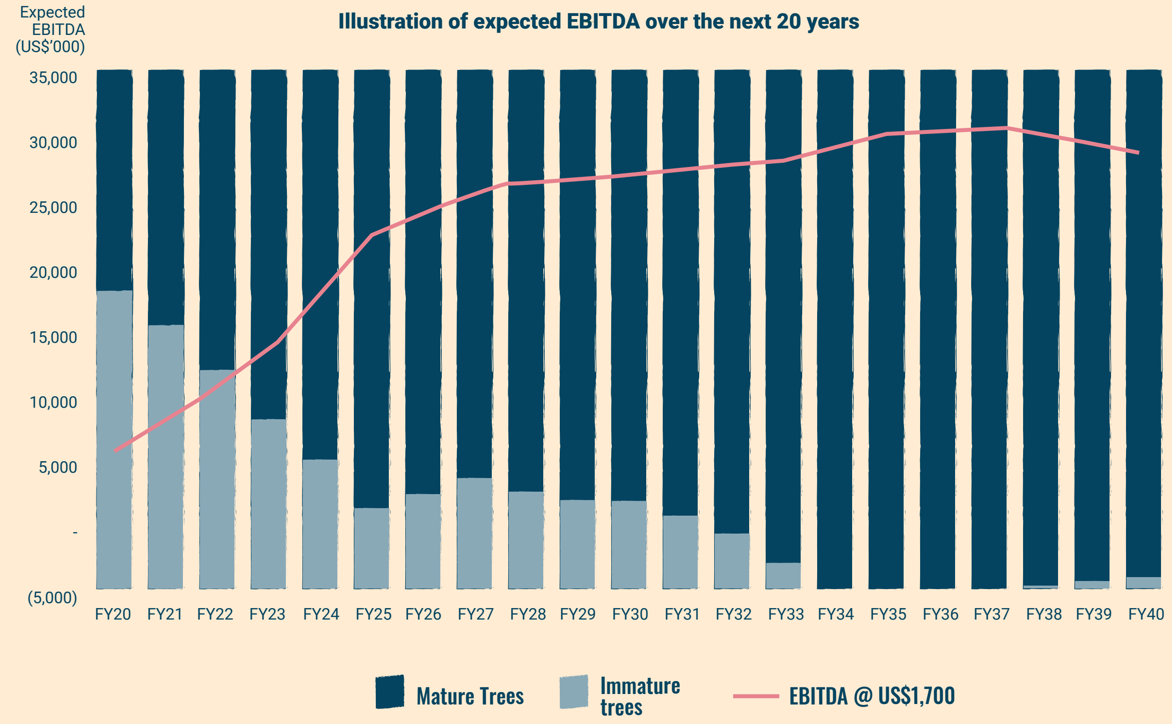
In terms of financial return, please refer to Figure 3 for an illustration on the evolution of unit costs at different maturity profiles. In the initial period, the unit costs are relatively high at US$1,800, mainly due to the plantation areas that have recently turned mature but does not yield sufficient latex and revenue, by extension, to cover the fixed operating costs.

As the plantation mature, the cost absorption starts to improve following a ramp-up of yield, representing the declining costs of the plantation, which eventually stabilises at US$1,250 at full maturity.

Applying the price of US$1,700 per mT, representing the blended average historical prices for past five years, across a 20-year horizon, the plantation is expected to break even in 2021, as the ramp-up of yield generates sufficient revenue beyond breakeven period at estimated 26,000 mT. As the unit cost stabilises, the incremental yield generates better profit to the Group.

The profits of plantation business are most sensitive to market prices given that they maintain full control over its cost structure. A US$100 swing in price will affect the EBITDA by approximately 25%.

Figure 1



Please note the data set out above are for illustration purposes only. It is important to note that the above analysis is based on historical numbers, and is not necessarily representative of future financial performance.

Figure 2 Yield vs maturity over time

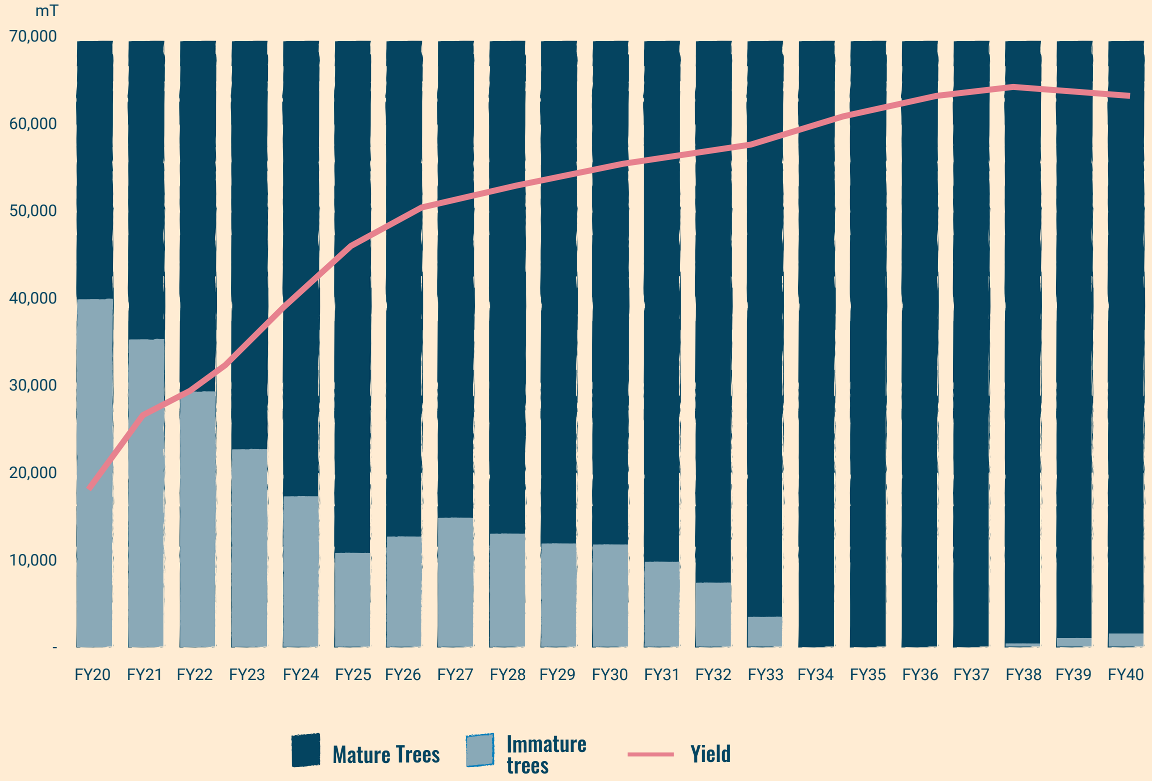
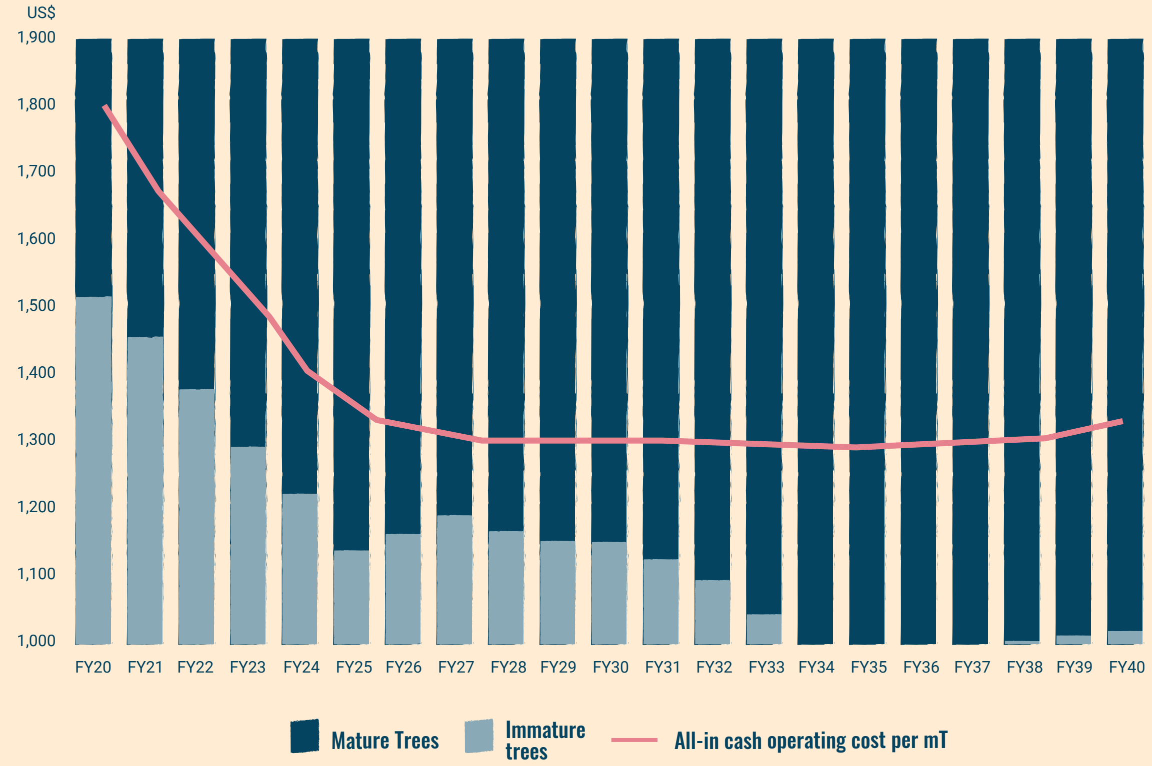


Figure 3 Cost profile vs maturity over time



Please note the data set out above are for illustration purposes only. It is important to note that the above analysis is based on historical numbers, and is not necessarily representative of future financial performance.

Redefining The Industry to Develop a Higher Quality and Sustainable Product

The HeveaPRO industry standards were developed in 2015 and are designed to be a product level management system to ensure the sustainability of natural rubber. The standards further ensure consistently high-quality products and efficient operations of crumb rubber processing facilities. They have been peer-reviewed by third party certification bodies and leading tyre majors.

Quality: the standards incorporate the 12 core principles of the Global Platform for Natural Rubber (GPSNR) and supplier codes of conduct of tyre companies and have been referenced to leading international management systems adopting both a process and system-based approach.

EHS: stringent EHS standards means that factory workers can carry out their daily operations in a safe and healthy environment, increasing their productivity and reducing lost time. The standards also mitigate environmental impact and reduce the carbon footprint.

Supply chain security: ensures that finished goods and final products are delivered in a secured manner to the customer's doorstep. Benefits include reduced inspections & fines, fast flow of security-compliant cargo at national borders, priority business resumption and front-of-line privilege for inspection of containers.

Social responsibility: addresses community needs and ensures they are empowered to share grievances.

Addressing the UN SDGs and Sustainability Policy Requirements
The standards have 1,227 audit checklist points and cover:

- 260 points that address 15 of the 17 United Nations Sustainable Development Goals (SDGs)
- Social Responsibility and Supply Chain Security addresses 25 common features found in tyre majors' sustainable procurement policies and practices
- 84 audit points supporting GPSNR's desire to define sustainable natural rubber for the industry

The standards mitigate ESG-related supply chain risks and create greater transparency within the natural rubber supply chain. They also address upstream issues of smallholders livelihood enhancement and community engagement.

"Considering the current social requirement of the United Nations SDGs, evaluating the sustainability of processing factories are essential to the natural rubber industry.

HeveaPRO standards incorporate ISO standards on quality, environment, health and safety and social responsibility as well as customer requirements and security standards such as C-TPAT and other relevant international guidelines on sustainability. ITOCHU considers HeveaPRO the best standard to ensure the level of sustainability for the factory."

*- **Mr. Yajima Hisashi,** President Director, PT. Aneka Bumi Pratama (A member of ITOCHU Group)*

Driving Impact and Continual Process Improvement

Quality control
The standards focus on three pillars of the quality system to achieve sustainable quality: (1) defect prevention (FMEA, Control Plan, SPC & Prioritised Reduction Plan), (2) early detection (Final QC, Product Audit) and (3) recovery (8D Problem Solving Approach). These pillars ensure continual improvement in process and product quality performance.

The implementation of these standards has resulted in a reduction in internal product nonconformity rates and cases of quality complaints and rejection. These have in turn resulted in better customer-supplier relationships.

Environment, health and safety
The standards aim to reduce occupational injuries, occupational disease incidences, lost day rates, absenteeism, minimise negative environmental impacts and improve overall factory productivity. They ensure continual and progressive improvement in environmental, health and safety performance. Since the implementation of the standards, there have been reduced injury lost day rates leading to improved operational efficiency. Workplace fatalities remain at zero. Factories have also been able to reduce total overtime man-hours and has led to increased productivity and reduced manpower costs.

The standards have reduced water-use and increased water-recycling rates resulting in increased process efficiency: year-on-year reduction in GHG Scope 1 & Scope 2 (purchased electricity) emissions and emissions intensity have been recorded. The standards have also seen processing facilities significantly scaling up the use of biomass as a renewable energy source in their reduction and concurrently reducing and phasing out of the use of coal. Processing facilities are being pushed towards decarbonising their energy portfolio and transit from non-renewables to renewables.

Data-driven improvement and innovation
Data-driven process change and improvement. The Halcyon Data Centre captures and stores measurable and verifiable processing data. The Halcyon Data Centre is a decentralised database for individual factories with standardised data collection modules. These stand-alone modules cover each stage of the rubber production process and allow processing facilities to opt-in or opt-out according to their needs. This gives factories increased access to production information and allow them to implement data-driven improvement within processes as well as increase the overall quality of data recorded in crumb rubber processing facilities.

The digitalisation of the HeveaPRO Factory Traceability System
The Halcyon Data Centre remains the most robust system that captures and stores modularised information on crumb rubber facility processing parameters. To complement that, the HeveaPRO QR Code Factory Traceability System was implemented to provide customised pallet information. Found on the pallet itself, it allows a customer to download the product test report by scanning the QR code and entering a unique access code. Besides test reports and processing parameters, the QR code can also provide information relating to raw material composition and sourcing origins which forms a key aspect of product traceability and transparency – a key sustainability requirement of all tyre majors.

By harnessing IoT technology, the HeveaPRO Factory Traceability System includes real-time collection of processing data. IoT sensors will collect information on key processing and environmental parameters which improves data accuracy and reduces the risk of human error.

Collecting Real-time Manufacturing Data using IoT sensors for Sustainable Manufacturing
Washing/size reduction: pH, turbidity, electricity usage, water consumption, contamination level
Drying: Temperature, humidity, dwell time, outputs
Baling: Weight, quantity, surface contamination, metal contamination, light intensity, hand tools control
Laboratory: Plasticity, mooney viscosity, dirt, VM, ash, nitrogen, dry rubber content (DRC)

HeveaPRO further promotes data transparency. Buyers of HeveaPRO rubber enjoy peace of mind knowing that processes and data in the factory have been audited by a third party and the production data is readily available for verification. With the most mature standards in the industry, HeveaPRO has built a foundation for harmonised standards. It provides a hands-on approach to guiding processors to implement standards for consistent and positive results. The Halcyon Data Centre allows for the aggregation of robust data to prove the sustainability credentials of HeveaPRO rubber.

Financial Performance Review

Key business developments

In 2019, we have made significant strides to place ourselves in pole position to be a sustainable disruptor in the natural rubber industry:

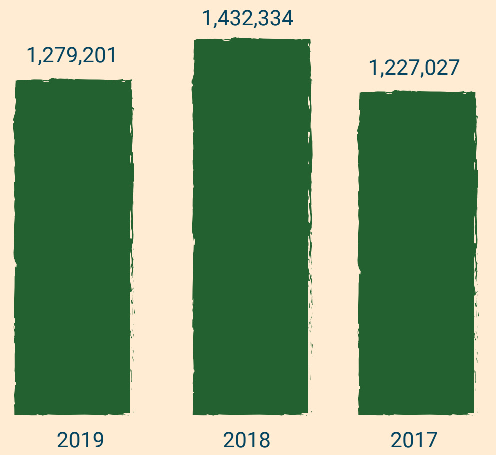
- Creation of the world's leading tyre majors supply platform - In view of the recent development in the natural rubber market, as well as the anticipated convergence in the quality and sustainability requirements at the consumers' end, we have combined our tyre majors processing and supply assets (previously placed under Sinochem International Natural Rubber Overseas (SINRIO) Group and Halcyon Rubber Company (HRC) Group respectively) into a singular global platform under the now enlarged HRC Group.
- Sustainable and responsible monetisation of harvested old trees - Sustainable usage of all parts of Corrie MacColl's assets in Cameroon, maintained under well-developed sustainable practices, the plantations have approximately two million trees due for replanting over the next four years. Realising the opportunity in the sustainable plantation-sourced rubberwood in USA, Europe and China, which now no longer permit the importation of non-certified tropical hardwoods, the Group will process harvested rubber trees as part of a replanting programme into rough sawn tropical lumber for global furniture and construction industries.
- Digital disruption initiatives gaining market traction - HeveaConnect has commenced trading in April 2019 with circa 80,000 mT (with a total contract value of US$120 million) being traded through the platform in FY2019.
- Future-proofing production process - Continuous investment in technology and digitalisation of production processes, in which we have allocated US$0.5 million for the development of Halcyon Data Centre 2.0, and trial implementation of Internet of Things (IoT) technology in our Indonesia factories.

Selected key financial statistics

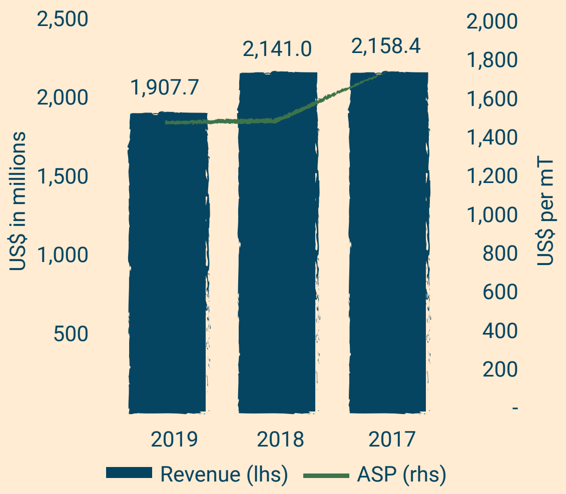
		2019	2018	2017
Sales volume	mT	1,279,201	1,432,335	1,227,027
Revenue	US$m	1,907.7	2,141.0	2,158.4
EBITDA	US$m	71.7	36.2	64.9
Core operating profit[1]	US$m	47.2	22.6	56.1
Operating profit	US$m	38.3	4.5	59.2
Return on assets[2]	%	3.7	2.0	4.0
Return on equity[3]	%	12.2	6.2	9.5
Return on capital employed[4]	%	6.3	3.2	5.2

Notes
1. Core operating profit = EBITDA less working capital interest
2. Return on assets = EBITDA divided by total assets
3. Return on equity = EBITDA divided by total equity (excluding perpetual securities)
4. Return on capital employed (ROCE) = EBITDA divided by (term debt plus total equity (including perpetual securities of US$148.7 million))

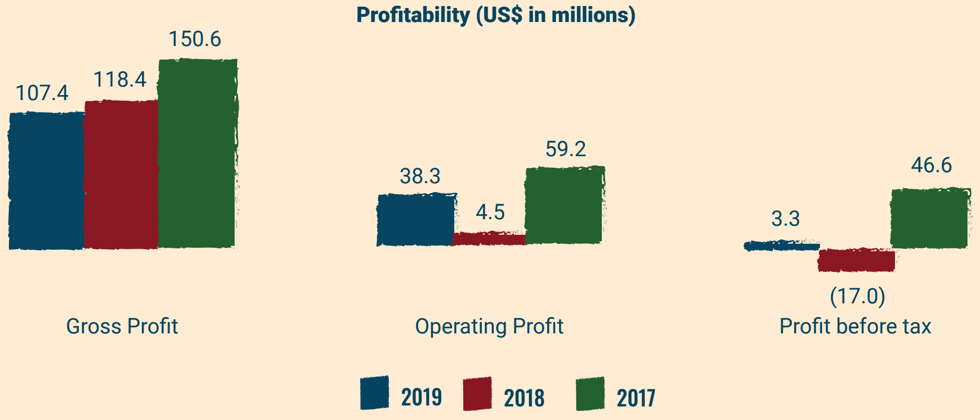
Sales volume
(in mT)



Revenue and ASP



Profitability (US$ in millions)



2019 presented highly challenging market conditions for Halcyon, with the confluence of weakened demand, tight supply and low prices, causing the sales volume to contract by 10.7% from 1,432,335 mT in FY2018 to 1,279,201 mT in FY2019.

The reduction in volume directly resulted in FY2019 revenue of US$1,907.7 million, to be 10.9% lower than US$2,141.0 million recorded in the preceding financial year. The Group's average selling prices have remained stable (US$1,495 in FY2018; US$1,491 in FY2019), compared to a slight elevation of average SICOM prices from US$1,365 per mT in FY2018 to US$1,406 per mT in FY2019, with the latter mostly buoyed by the price rally in Q4 2019 amid market realisation of supply shortage.

Despite the slight increase in average selling prices, the prevailing price levels are considered to be under constant suppression, and it is reflected in the unit gross profit that remain compressed (US$83 in FY2018; US$84 in FY2019). Therefore, the decrease in gross profit from US$118.4 million in FY2018 to US$107.4 million in FY2019 is volume-driven.

Operating profits of the Group have increased from US$4.5 million in FY2018 to US$38.3 million in FY2019, in contrast to the movement in gross profit. This is mainly contributed by the recognition of fair value gain on biological assets of US$52.7 million arising from the reclassification of our Cameroonian rubber plantations from bearer plant. The improvement in infrastructure surrounding our Cameroonian plantations catalysed the commercialisation of our harvested rubber trees, have caused the trees to be accounted for as biological assets. The fair value gain is set off by circa US$7.8 million of one-off expenses, mostly incurred to address the post-merger integration matters of the Group.

Net financing costs increased by 63.4% from US$21.3 million to US$34.8 million, mainly due to the redemption of US$150 million perpetual securities in April 2019 with proceeds from loans and borrowings, further compounded by the higher effective interest rates.

The efficiency of deployment of our resources in funding our operations have seen the relevant metrics, return on assets, return on equity and return on capital employed to record year-on-year improvements.

Performance by segment

US$M unless otherwise stated	CMC Group		HRC Group		Corporate		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Sales volume (in kmT)	378.5	388.9	946.1	1,076.2	-	-	1,279.2	1,432.3
Revenue to third party	595.0	626.3	1,312.7	1,514.7	-	-	1,907.7	2,141.0
Gross profits	30.7	46.3	76.6	72.2	-	-	107.3	118.5
Operating profit/(loss)*	45.4	14.3	8.0	2.3	(15.2)	(12.0)	38.3	4.5
EBITDA *	54.5	20.8	30.0	23.9	(14.2)	(11.9)	71.7	36.2

*Adjusted for management fees

CMC Group
Bottom line contribution of the segment towards the Group's operating profit have improved from previous year, mainly driven by the recognition of fair value gain on biological assets relating to our Cameroonian plantations as aforementioned.

The gain was set off by lower contribution margins from the distribution business, as the extended period of wintering in Thailand and Vietnam have caused a spike in latex input costs, and to remain elevated for the rest of the year. This is further aggravated by an overall slowdown in regional markets caused by uncertainty surrounding Brexit as well as the US-China trade war that lingered throughout the year, resulting in our customers to be more cautious in their procurement.

HRC Group
Segmental operating profits, adjusted for the management fee, have also improved as compared to the previous year, owing to the benefits from its recalibration of sales strategy, allowing effective capturing of sales premium, which is reflected in the improvement in unit margins. This was set off by the lower sales volume, caused by overall market slowdown as well as raw material scarcity induced by the outbreak of tree diseases.

Corporate
The segment covers the key administrative and support functions for the Group. Operating loss increased from US$12.0 million in FY2018 to US$15.2 million in FY2019, mainly due to the absence of the one-off forex gain in FY2018 of US$6.6 million, that arose following the liquidation of a dormant subsidiary. Excluding the one-off gain in FY2018, the reduction in corporate costs represents the Group's effort in seeking efficiency in the midst of a challenging operating environment.

Financial position

The Group's net assets have decreased from US$735.9 million in December 2018 to US$589.0 million in December 2019 mainly due to the redemption of US$150 million perpetual securities in April 2019, set off by the foreign currency translation gains following the strengthening of the local currency against US Dollars.

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

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

(US$ million)	Balance at 31 Dec 19	Balance at 31 Dec 18
Working capital employed[1]	595.0	542.1
Working capital loans	572.6	520.5
% Efficiency of Working Capital Funding	**96.2%**	**96.0%**
Operational long term assets[2]	1,017.4	936.2
Term debts	551.1	391.6
% Fixed Asset Gearing	**54.2%**	**41.8%**
Cash and cash equivalents[3]	55.6	122.9
Non-core assets[4]	44.7	46.8
Total equity (excluding Perpetual Securities)	**589.0**	**587.2**
Perpetual Securities	-	148.7
Total equity (including Perpetual Securities)	**589.0**	**735.9**
Gearing[5]	0.94 times	0.92 times
Net asset value (NAV) per share[6]	US$0.37	US$0.37

Notes:

1. Working capital employed for the Group is defined as the sum of operational trade and other receivables, net derivative assets, pledged deposits, inventories, assets held for sale, netted off against trade and other payables.
2. Operational long term assets of the Group is defined as intangible assets, PPE, plantation and biological assets, and other non-current assets and right-of-use assets, net off against non-current liabilities.
3. Cash and cash equivalents adjusted to working capital employed.
4. Non-core assets mainly made up of investment properties.
5. Gearing = (Term debts plus perpetual securities) divide total equity (excluding perpetual securities)
6. NAV per share = Total equity (excluding perpetual securities) divide total shares outstanding (1,595,011,941 shares)

Working capital funding efficiency continues to maintain at 96% levels, in line with the management's strategy to have its working capital assets (which are mostly liquid) to be fully funded by working capital loans.

Fixed asset gearing increased from 41.8% in December 2018 to 54.2% in December 2019, mainly due to the redemption of the perpetual securities, which are equity in nature, being financed partially by term debts, and the remaining through the existing cash balances. This was set off by the increase in asset base due to continuous investment into immature upkeep across our plantation platform.

Cash flows

US$ in millions	2019	2018
Operating cash flow before working capital changes	15.3	33.3
Changes in working capital	(30.0)	(57.6)
Payments of taxes and working capital loan interests	(26.9)	(28.6)
Net cash flow from operating activities	**(41.6)**	**(52.9)**
Net cash flow from investing activities	**(65.5)**	**(201.2)**
Net cash flow from financing activities	**38.7**	**228.4**
Net changes in cash and cash equivalents	**(68.4)**	**(25.7)**

Operating cash flows

Operating cash flows before working capital changes decreased from US$33.3 million in FY2018 to US$15.3 million in FY2019, in line with the decline in sales volume as aforementioned. In spite of that, net cash used in operating activities improved from US$52.9 million in FY2018 to US$41.6 million in FY2019, due to the partial release of net working capital invested in previous year upon the acquisition of new businesses.

Investing cash flows

Net cash used in investing activities has come down significantly, from US$201.2 million in FY2018 to US$65.5 million in FY2019. This is largely due to the substantial completion of the asset buy-and-build programme in the previous year, where the Group has acquired Corrie MacColl and the five Indonesian rubber factories. In addition, the capital expenditures have reduced from US$78.7 million in FY2018 to US$68.2 million in FY2019, mainly driven by the Group's ongoing efforts in reviewing the efficiency of its immature upkeep costs, as well as the cost benefits following the Group's announcement of cessation in new planting at the end of FY2018. The annual cost for immature upkeep will reduce progressively along with the maturing of the plantations.

Financing cash flows

Net cash generated from financing activities has reduced from US$228.4 million in FY2018 to US$38.7 million in the current year, as the Group inherited a lower debt base from FY2017, where the proceeds from the perpetual securities issuance as well as the disposal of SIAT S.A., a former associate, have been used to pare down working capital loans. In FY2018, the Group redrawn the proceeds from working capital facilities to finance the working capital investments of the newly acquired businesses. In FY2019, as the perpetual securities have been refinanced by term debts, the remaining cash inflows are mainly the drawdowns to fund net working capital.

Capital structure management

Our treasury management

Treasury management is carried out by the business units, and coordinated by Group treasury function, in accordance with established policies and guidelines. Policies and guidelines have been regularly updated to take into account changes in the operating environment. Working capital requirements and capital expenditures are funded by a mix of short-term and long- term loans.

We closely monitor relevant emerging regulations which may potentially impact the way that we obtain our finances or introduce any operating constraints. We are kept updated of the latest development in debt markets and to arrange new financing as opportunities arise. Our consistent approach has helped us in building a strong working relationship with the banks.

Cash and cash equivalents, as well as undrawn committed facilities, are available for drawdown at short notice.

Our financing profile

Halcyon has access to different sources of financing. We decide on the financing approach that is best suited for our prevailing business needs, bearing in mind the risk of concentration. Hence, we have a diversified source of financing and borrow on both a secured and unsecured basis.

As of 31st December 2019, the Group had total bank borrowings of US$1,123.7 million, comprising:

- Working capital loans of US$572.6 million (51%): These are mainly related to the financing of working capital turn, in which the cash conversion cycle typically takes a lead time of circa 90 days.
- Term loans of US$551.1 million (49%): These loans bear a repayment tenor of more than one year, and drawn to finance our investments into factory assets and plantations.

Our capital management

In managing our capital structure, we try to find the right balance between shareholders' funds and external borrowings in order to maximise shareholders return.

In achieving the optimal capital structure, we may either renew and refinance existing borrowings, obtain new borrowings, or deleverage by way of rights issue, capital raise at subsidiaries level, as well as opportunistic disposal of non-core assets.

Having access to flexible and cost-effective financing allows us to quickly respond to opportunities. In our view, the Group has adequate sources of financing to meet our business requirement in the foreseeable future. We also use a combination of short-term and long-term debts in financing our operations, depending on the cash flow profile of the prevailing investments. Most of our drawdowns are in US dollars, being the underlying currency of natural rubber trades.

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	CAUSE	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 credit worthy 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 results 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

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, as well as the Strategy and 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, Chairman of the Remuneration Committee and member of the Audit and Risk Management Comittee 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.

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
- Panel Arbitrator, Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission and Shenzhen Court of International Arbitration
- Panel Arbitrator 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 United Kingdom, 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.

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), member of the Audit Committee, Remuneration Committee and Nominating Commitee
- Independent Director, Chairman of the Nominating Committee and member of the Audit Committee and 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 Committee
- Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants

Simon Lam
Independent Director

Mr Simon Lam Chun Kai is Independent Director appointed to the Board in 2019. He brings many years of corporate experience, particularly in the petroleum and petrochemicals industries, and has served as:

- Chairman of Shell Companies in Singapore
- Chief Executive Officer at CNOOC and Shell Petrochemicals Company Limited
- Venture Director of Shell Eastern Petrochemical Complex
- Chief Executive Officer at Jurong Aromatics Corp, Singapore

He has previously sat on the boards of a number of government and industry bodies, including:

- Maritime and Port Authority of Singapore
- Science Centre Singapore
- International Chamber of Commerce
- Energy Market Authority of Singapore
- Hertel Group, Netherland
- Royal Vopak, Netherland
- Sinochem International Corporation Ltd

Mr Lam received his tertiary education at Adelaide University, South Australia, and is a Chartered Member of IChemE, United Kingdom.

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. Mr Goon has management experience in edible oils processing operations, trading, brand management, marketing and sustainability and has held several senior positions in the Kuok Group of Companies since 2002. He also serves in various capacities in trade organisations such as the Malaysian Palm Oil Association, Malaysian Palm Oil Council and Tropical Forest Alliance 2020. His current roles include:

- Chief Sustainability Officer of Wilmar International Limited ("Wilmar") and Executive Director of Wilmar's Plantation Operations, and also heads the Corporate and Investor Relations functions of Wilmar
- Director and General Manager of the FFM Berhad ("FFM") and also serves as Chairman/Director of FFM's subsidiaries and associates

Mr Goon holds a Bachelor of Arts (Honours) in Management Science & Law from Keele University, United Kingdom.

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 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.

Robert Meyer
Executive Director &
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 complete commercial banking apprenticeship with Dresdner Bank AG in Hamburg, Germany.

Pascal Demierre
Executive Director &
Chief Corporate Officer

Mr Pascal Demierre is Halcyon Agri's Executive Director and Chief Corporate Officer, 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.

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 Ltd 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
- 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

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 Managing 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.

Jeremy Loh
Chief Financial Officer

Andrew Trevatt
Chief Commercial Officer
Corrie MacColl Group

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.

Mr Loh holds a bachelor's degree in Accounting from Monash University Malaysia.

Mr Andrew Trevatt is a co-founder of Halcyon Agri and has overseen the daily commercial affairs of the Group since 2010. He has more than 30 years of experience in the natural rubber industry, having worked in various rubber and commodity-related companies in the United Kingdom, The Netherlands, the United States of America and Singapore.

Mr Trevatt has now taken on the role of Chief Commercial Officer for the CMC Group and is responsible for implementing and managing its overall commercial and sales strategies.

Ng Eng Kiat
Managing Director
Halcyon Rubber Company Group

Mr Eng Kiat Ng joined Halcyon Agri in 2013 as Chief Financial Officer. In addition to his CFO's role, Mr Ng also oversaw the Group's operations in China and Indonesia between 2017 and 2018. He was appointed Group Operating Officer in mid-2018 where he was overall responsible for the Group's operations.

In late 2019, Mr Ng assumed the role of Managing Director for HRC Group and is responsible for the overall performance of Halcyon Agri's global tyre-focussed processing and distribution platform.

Mr Ng graduated from the Multimedia University in Malaysia in 2002 with a bachelor's degree (Honours) in Accounting. He is also a member of the Association of Chartered Certified Accountants and the Institute of Singapore Chartered Accountants.

Ode to Rubber
A personal view

As we drive or are driven from our houses to our workplaces do we ever ask ourselves about the origin of the materials that are used to produce the tyres that give our cars, buses or taxis the mobility to arrive at our destination?

As we decorate our living rooms in preparation for our children's birthday parties and wrap their birthday or Christmas presents do we ever ask ourselves the origin of the materials that are used to produce the balloons or the adhesive wrapping tape? The list goes on – surgical gloves to protect us from infection when we are being examined by doctors and nurses, simple things like elastic bands that we probably do not give a moment's thought to but all of which form an invaluable and essentially irreplaceable part of our everyday lives.

The answer is, of course, NATURAL RUBBER

There are of course many things that in this day and age would appear irreplaceable but I hazard to say that life without any of the aforementioned products is truly unimaginable.

But where does this incredible natural product start its humble life and how does its life's journey begin. What journey does it undertake to become an integral and irreplaceable component of the countless and essential products, a fraction of which are highlighted above, and without which our lives would be immeasurably poorer?

As we chart this journey allow us to draw a brief parallel with our own journey through life.

Like all living organisms, both humans and natural rubber go through various stages of life until they become fully mature. Some of us grow up to become doctors, teachers, pilots and all manner of vocations. Similarly natural rubber plants after many years of nurturing and care become trees which in turn produce a raw material that ends its life as a component of tyres, surgical gloves, balloons, adhesives …….

So let's describe the journey of natural rubber from beginning to its final destination as a finished product. We start with a tiny seed that is potted and after two months has grown into a small plant ready to take up residence in the ground. From there it is nurtured, fed and generally cared for, just as one would our own child and to develop that analogy further the journey that from a tiny seed to plant to tree to maturity ready to produce latex which in turn becomes raw material ready to be processed into a semi-finished product before finding its way to a factory for its final destination as a tyre, surgical glove or balloon is analogous with the life of a human being – from embryo to being born, to school, to university to becoming a useful and integral member of society as a doctor, nurse, paramedic…….

Can you imagine life without paramedics? But how does the paramedic get to an emergency to attend to a patient? - yes by ambulance and the ambulance's mobility depends on tyres, which in turn depend on …….

Once the patient arrives at the hospital, the wheels on the trolley also have a natural rubber component and of course, the doctors and nurses attending to the patient be it in the ER or in the operating theatre will use a plethora of items, gloves, tapes, masks all with an irreplaceable natural rubber component.

In the vast majority of applications, there is no material that one can use to substitute natural rubber, yes there is synthetic rubber and whilst it certainly is a component of a tyre, natural rubber represents approximately 20% to 35% respectively of the total of materials used in the production of passenger and truck tyres.

> **"In the vast majority of applications, there is no material that one can use to substitute natural rubber"**

The list is endless and too long to list in this summary but one final application that many of our lay readers may not have known about is the production of natural rubber damping bearings which are effective in providing protection to structures from the damaging effect of earthquakes.

So where is this summary leading to?

Much of what I have written is fairly obvious and known to most if not all of us but what, in all likelihood, is not known to the majority of consumers of all the products mentioned in this article?

What is it that is probably only known to the millions of farmers or smallholders whose livelihoods and whose family's livelihoods depend on this irreplaceable item? To the processor of the rubber at the hundreds of rubber processing factories in Asia and Africa and to the manufacturers of the finished products?

I will tell you what it is! It is that while the price of natural rubber is to a degree determined by the laws of supply and demand, the actual pricing mechanism for rubber has little to do with the cost of producing latex, the first step in the value chain – i.e. the cost of producing the raw material for which the smallholder has made a six to seven year investment nurturing the small seed to grow into a mature adult that produces latex from which all of the aforementioned products are derived. You would be shocked, or at least you should be, to learn that the average income for a smallholder in Indonesia is significantly lower than the government's gazetted minimum wage, a minimum wage by the way of the princely sum of US$ 215 per month. A benchmark for income used to be **one kilo of rubber would buy two kilos of rice** – the staple diet of Indonesians. At today's prices, prices that have prevailed more or less for the last three years, one needs approximately **two kilos of rubber to buy one kilo of rice**.

"While the price of natural rubber is to a degree determined by the laws of supply and demand, the actual pricing mechanism for rubber has little to do with the cost of producing latex, the first step in the value chain"

So what is the pricing mechanism for natural rubber?

Rubber is prices based on a number of commodity futures markets, in the commercial centres of Shanghai, Tokyo and Singapore. Commodity markets are by their very nature speculative vehicles to the degree that the Shanghai rubber futures market (SHFE) can trade more in one day than the total annual production/consumption. I was told many years ago that 95% of the turnover on the Tokyo rubber futures market (TOCOM) was speculative.

Synthetic rubber (SBR) – a major component of tyres - on the other hand, is priced based on the raw material that is used to produce the semi-finished product. There is no commodity futures market for SBR hence the speculative element is minimal compared to its close cousin natural rubber.

I am due to retire in the middle of 2020 having been in the rubber business for 50 years. In that time I have worked for a trading company, a plantation company and for the last 10 years for Halcyon Agri details of which I do not have to describe as they are more than adequately covered in this report but whose business is inextricably linked to the natural rubber smallholders. In these 10 years, with the exception of two and a half years of exceptionally high prices, I have seen the lot of our upstream partners go from bad to worse. Sustainability is a word we hear bandied around and quite rightly so but sustainability should also encompass price. Farmers need a reward for their efforts for them to lead a sustainable life without which they will eventually abandon their smallholdings, convert them to cash crops or seek jobs in what is becoming an infrastructure driven economy in Indonesia. Where then the raw material for those irreplaceable products or what price will we have to pay for these essentials of our life?

"Farmers need a reward for their efforts for them to lead a sustainable life without which they will eventually abandon their smallholdings"

My final plea, therefore, and I know it one extremely close to the heart of Halcyon's CEO, Robert Meyer, is to work towards de -commoditising rubber. Let's make it a price based on cost of production and one that gives the farmer a decent return.

"Let's make it a price based on cost of production and one that gives the farmer a decent return"

It certainly is not rocket science to create a value mechanism all the way along the chain that gives every participant in that chain a fair return for their investment and labours. Yes this may well kill the rubber futures markets but should we as consumers, or human beings for that matter, really care more about that than the plight of the smallholders and the future supply of this essential ingredient? After all, there are many other commodity markets and financial instruments for the followers of charts and algorithms to ply their "trade".

With that, I bring to a close what started as a small commentary and ended as maybe a long-winded plea for change. I thank you for taking the time to read these thoughts which I **emphasise** are my own personal thoughts and are not to be seen as those of Halcyon Agri.

LEONARD PETER SILVIO BESCHIZZA

MANAGING DIRECTOR

Our Commitment for Sustainable Rubber

As the world's leading natural rubber company, we can drive industry and consumer change for an equitable natural rubber industry where suppliers, manufacturers and stakeholders can work together to develop and adopt a set of sustainability standards for the production of a crucial raw material needed across a wide range of sectors (transport, health and leisure to name a few). While demand is unstoppable, unsustainably low rubber prices have left a significant impact on the natural rubber farmers' livelihoods as well as increased environmental pressure.

As a founding member of the Global Platform for Sustainable Natural Rubber (GPSNR), we joined the multi-stakeholders rubber community to lead improvements in the socioeconomic and environmental performance of the natural rubber value chain. We are also a participant of the **BOUNCE** platform which is an advocacy movement launched to raise awareness of the shortcomings of the natural rubber industry among consumers, and to open avenues to communicate the need for change back along the natural rubber supply chain. Halcyon is also adopting the United Nations Sustainable Development Goals (SDGs). The 17 Sustainable Development Goals are a universal call to action to improve the livelihoods for everyone across our value chain and protect the planet and safeguard our environment for future generations.

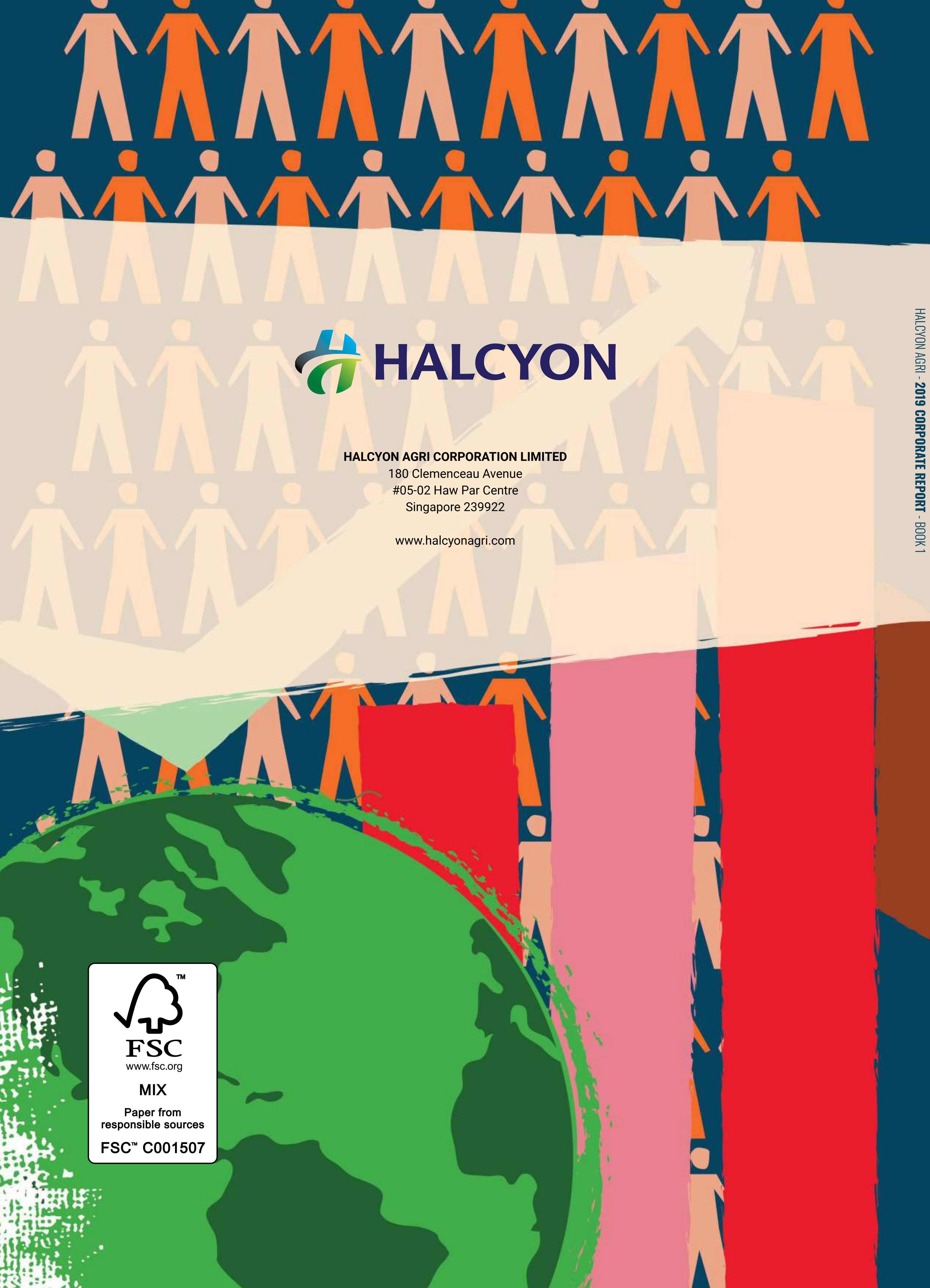
Book 2 in this report details our pillars of sustainability (People and Planet) which outlines why we are uniquely positioned to lead the conversation about sustainable growth to ensure an equitable supply chain where both the farmer and the end consumer will profit equally.

GPSNR

BOUNCE
DEMAND SUSTAINABLE RUBBER

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY · 2 ZERO HUNGER · 3 GOOD HEALTH AND WELL-BEING · 4 QUALITY EDUCATION · 5 GENDER EQUALITY · 6 CLEAN WATER AND SANITATION · 7 AFFORDABLE AND CLEAN ENERGY · 8 DECENT WORK AND ECONOMIC GROWTH · 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE · 10 REDUCED INEQUALITIES · 11 SUSTAINABLE CITIES AND COMMUNITIES · 12 RESPONSIBLE CONSUMPTION AND PRODUCTION · 13 CLIMATE ACTION · 14 LIFE BELOW WATER · 15 LIFE ON LAND · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS · 17 PARTNERSHIPS FOR THE GOALS



HALCYON

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[aggregate]
[innovate]
[sustain]

PEOPLE PLANET

Driving the Sustainability Agenda

This Book details our pillars of sustainability (People and Planet), demonstrating our commitment to sustainable growth and an equitable supply chain where both the farmer and end consumer will profit equally. The report discusses our material factors covering Environmental, Societal and Governance (ESG) topics and outlines our contributions towards meeting the UN's Sustainable Development Goals (SDGs).

All data refers to Halcyon Agri Group's operations in Asia, Europe, America and Africa unless stated otherwise. No restatements were made from the previous report except for refinements on a few past performance data as detailed under "Planet" section. There were no significant changes to our organisation and supply chain during the reporting period.

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

This report has been prepared in accordance with the GRI Standards: Core option, as well as with the Singapore Exchange's (SGX) Sustainability Reporting Guide. The report covers the financial year of 2019 (1st January to 31st December).

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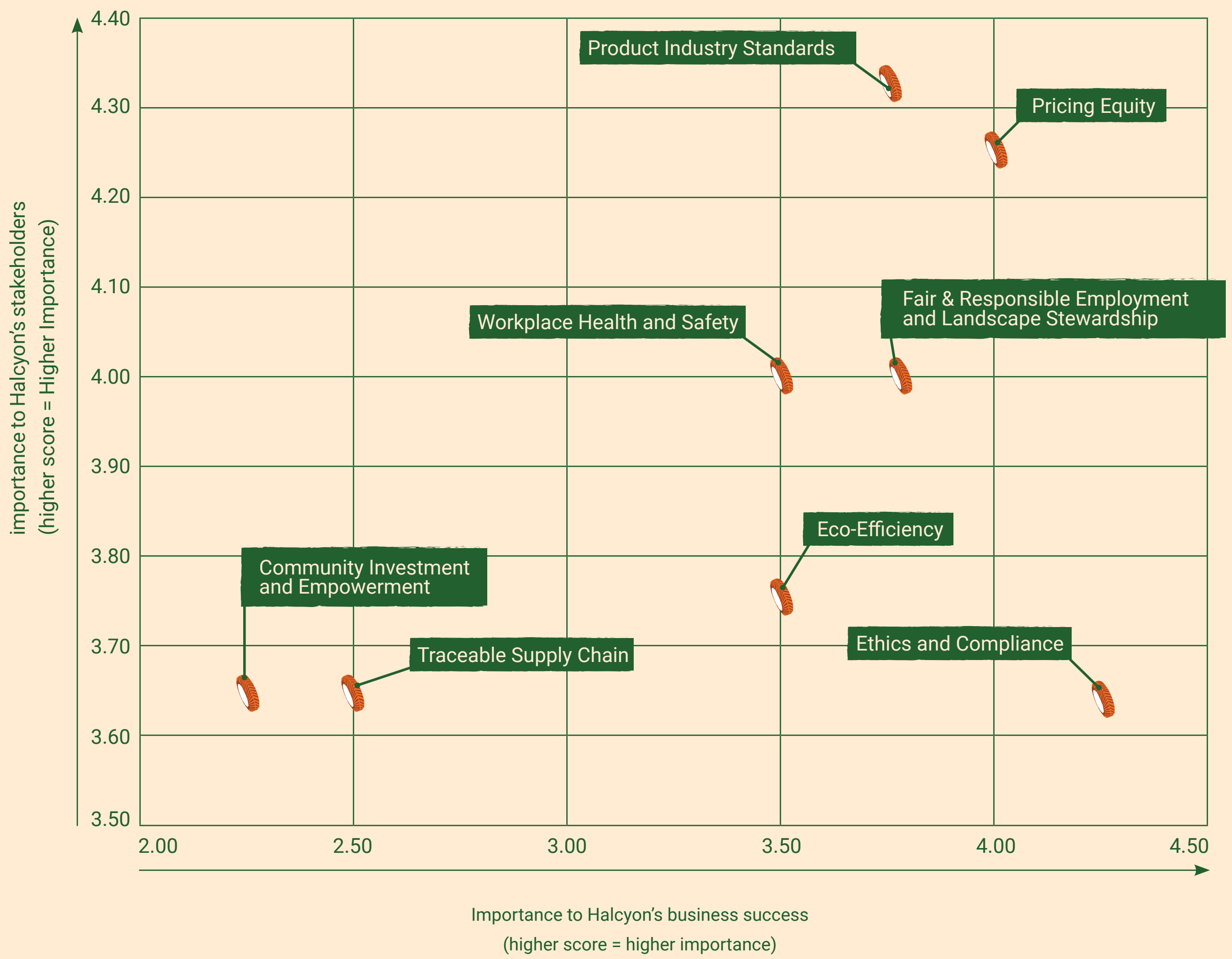
Materiality

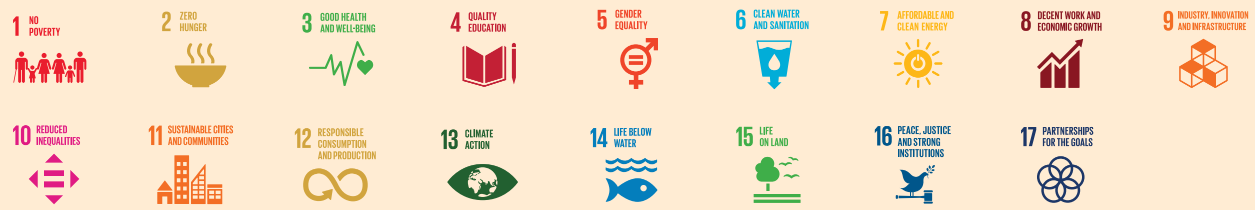
Guided by our SNRSCP commitments, we undertook a broad-ranging materiality assessment in 2019 which built on assessments conducted in previous years. In determining materiality, we took into account: where the issues matter across our supply chain, relevance to our key stakeholders and the risks and opportunities posed to our business.

Following guidance provided by the Global Reporting Initiative (GRI) and analysis of the areas most important to our stakeholders, we streamlined our material issues into nine key areas. This has since been approved by our Board.

Our materiality matrix illustrates the relative importance of material issues across our stakeholders and business. We will continue to engage with our stakeholders and refresh our analysis where appropriate.



The table in the next page provides further detail on how we define our material issues, where these issues are relevant across our supply chain, and the corresponding stakeholders, activities and GRI disclosures. The table also maps our material issues and activities against the United Nations (UN) Sustainable Development Goals (SDGs) following the Business Reporting on the SDGs developed by GRI and UN Global Compact.



Material Issue Description	Boundary	Key Stakeholders	Halcyon's Activities/ Initiatives	Relevant GRI Disclosures
Pricing Equity				
Just and fair distribution of the economic value of raw material across the supply chain	Relevant to both within and outside of Halcyon's operations. Halcyon's business depends on sustained supply from smallholders. Smallholder livelihoods are at stake	• Smallholders • Civil society (NGOs) • Regulatory agencies, industry associations and certification bodies • Financial community	• BOUNCE initiative • HeveaConnect trading platform • HeveaGROW training modules development • Smallholders financing study • Outgrower Programme implementation • Various community investment activities for smallholders	SDG: 1,8,9,10 GRI: Indirect Economic Impacts
Traceable Supply Chain				
Ability to trace raw material sources to identify our risk exposure against threats such as deforestation, environmental degradation or human rights and build transparency with our stakeholders	Relevant mainly outside of Halcyon's operations specifically with our smallholder suppliers	• Customers • Civil society (NGOs) • Regulatory agencies, industry associations and certification bodies • Financial community	HeveaTRACE and Rubberway	SDG:9,12,13,15 GRI: Supplier Social and Environmental Assessments
Workplace Health and Safety				
Protecting the safety and health of staff, workers and surrounding community	Mainly relevant within Halcyon's operations. Visitors, suppliers and contractors entering our operations would be required to comply with our policies	• Employees • Suppliers • Regulatory agencies, industry associations and certification bodies • Financial community	• Health and Safety performance, • HeveaPRO and management systems implementation, EHS trainings, • International SOS service	SDG: 3,8 GRI: Occupational Health and Safety
Fair and Responsible Employment				
Compliance to employment regulations and respecting the rights of staff and workers. Respect for human rights serve as a foundation principle for this material issue	Mainly relevant within Halcyon's operations	• Employees • Suppliers • Regulatory agencies, industry associations and certification bodies • Financial community	• HeveaPRO and management systems implementation, • Women's empowerment programmes	SDG:1,5,8 GRI: Employment

Material Issue Description	Boundary	Key Stakeholders	Halcyon's Activities/ Initiatives	Relevant GRI Disclosures
Eco-Efficiency				
Conducting business operations that minimise air, water and land pollution or ecological harm and conserving the use of natural resources such as water and energy and other production inputs	This issue is mainly relevant within Halcyon's operations but may affect stakeholders outside the organisation if not managed properly	• Customers • Civil society (NGOs) • Regulatory agencies, industry associations and certification bodies • Financial community	• Environmental performance • HeveaPRO and management systems implementation • Sudcam factory development	SDG: 6,7,9,12,13,14 GRI: Water, Energy, Emissions, Effluents and Waste
Landscape Stewardship				
Application of integrated landscape management and good agricultural practices; Respecting community rights; Commitment to no deforestation and responsible acquisition and use of land for the business	Impacts are relevant within and outside of Halcyon's operations	• Smallholders • Customers • Civil society (NGOs) • Local communities • Financial community	• SNRSCP Policy Update (No Deforestation • HeveaGROW • Community Forest • Outgrower Programme • Sustainability Council formation	SDG:12,15,16,17 GRI: Biodiversity
Ethics and Compliance				
Compliance to Halcyon's global standards and local regulations and adherence to universally-accepted standards and guidelines	Relevant within Halcyon's operations	• Employees • Customers • Local communities • Suppliers • Smallholders • Regulatory agencies, industry associations and certification bodies • Civil society (NGOs) • Financial community	• Corporate governance • HeveaPRO and management systems implementation • Environmental and socio economic compliance	SDG: 8,16 GRI: Anti-Corruption, Environmental Compliance, Socioeconomic Compliance
Community Investment and Empowerment				
Contributing to the social and/or economic improvement of stakeholders who have an influence and/or dependence on Halcyon's operations	Impacts mainly occur outside of Halcyon's operations. Halcyon can exercise its influence to address concerns of the community.	• Smallholders • Local communities • Civil society (NGOs)	Community Investment activities	SDG: 1,8,10,17 GRI: Local Communities, Indirect Economic Impacts

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 our eight key stakeholders and the methods and frequency of our engagement with them.

Employees

- Annual performance review and employee feedback sessions
- Training and development programmes, including empowering leaders in managing teams
- Quarterly publication of Halcyon Rubber Times Magazine and engagement via Facebook fan page
- Company-wide open-door policy and CEO townhalls in headquarters and other offices
- Grievance and whistleblowing procedures in place with assurance of confidentiality
- Worker unions or associations and collective bargaining arrangements with factory workers
- Volunteering and social activities

Customers

- Annual or periodic on-site assessments of our factories and plantations following customer timeframe
- Networking sessions hosted by industry associations at least once a year
- Periodic meetings and daily communication via phone and emails on topics such as quality and supply chain logistics
- As needed formal communications (letters) to customers to address concerns raised
- Media releases and updates shared with customers relating to company updates and news posted on our website

Smallholders

- Group meetings and discussions regarding concerns raised as and when needed, direct or via dealers
- Training on good agricultural practices as needed. We are on track to completing the HeveaGROW training modules for sharing with farmers in 2020.
- HeveaTRACE and Rubberway initiatives to identify and understand their situation

Suppliers

- Supplier performance feedback on a per project basis
- Sharing project management best practices when needed
- Briefing on environment, health and safety on site regulations (Processing)
- Training on proper usage of agricultural methods, pesticides and fertilisers (Plantations)
- Programmes are conducted as and when needed throughout the year

Civil Society

- Formal responses to civil society feedback posted on our websites or via email as needed
- Periodic or scheduled meetings with NGOs at our plantations or processing sites on a per issue or project basis.
- Establishment of the Cameroon Sustainability Council comprised of independent civil society participants
- Implementation of grievance procedures for access to remedy relating to our operations

Regulatory Agencies, Governments, Industry Associations and Certification Bodies

- Company information and updates online through disclosure of Annual Reports, Sustainability Reports, and news releases
- Periodic reporting of environment, health and safety compliance (regulatory agencies, governments)
- Third party assessments of our processing and plantation assets annually or as needed (certification bodies)
- Attendance in conferences, workshops and speaking engagements as scheduled by organisers (industry associations)

Financial Community: Financial Institutions, Investors, Regulators, Analysts and Shareholders

- Company information and updates online through disclosure of quarterly earnings, Annual Reports, Sustainability Reports and news releases
- Quarterly analysts briefing after the release of financial results
- AGM and EGM serve as important platforms for shareholders to communicate directly with the Board
- Finance and Investor Relations teams as intermediaries between Halcyon and investment community
- Senior management meetings with investors, analysts, and the media. Channels include conference calls, roadshows and industry conferences organised by major brokerage firms throughout the year

Local Communities

- Provision of a feedback channel at our processing and plantation sites to be treated confidentially
- Health campaigns within local communities conducted throughout the year
- Ad hoc and continuous in kind contributions to schools and educational institutions
- Technical or financial support for local infrastructure maintenance or development projects
- Periodic contribution to local socio-cultural activities and families in need

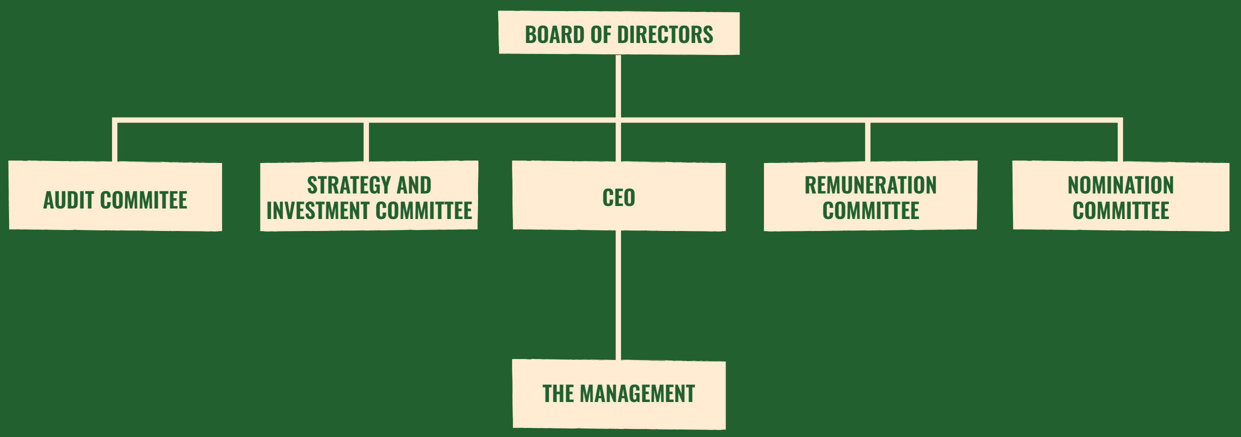
Corporate Governance

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, and all other applicable laws, rules and regulations. We engage proactively with regulators, governments, industry leaders and industry associations to understand local legal requirements across the jurisdictions where we operate.

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 company's sustainability vision and performance in compliance with the GRI Guidelines and SGX Sustainability Reporting Guide, ultimately remains with the Board.

The CEO leads the management of material issues 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. Supporting the CEO, the Chief Corporate Officer leads sustainability disclosure and engagement with our stakeholders with guidance from an Independent Director highly experienced in sustainability matters. The Board also appoints professional firms to identify impacts, risks, and opportunities, as well as to conduct comprehensive studies on issues or concerns relating to the material risks when needed.



Ethics and Compliance

We act with integrity, fairness and transparency and do not tolerate corruption in any form. Our business principles underpin how our corporate culture delivers growth and positive contributions to the communities where we operate. The Board oversees these principles, recorded in our standardised Global Employee Policy made readily available to all employees.

We encourage our partners and suppliers to adhere to these principles by undertaking declarations of commitment to integrate these principles into their operations. Furthermore, we hold regular engagement sessions with them to understand the issues they might face in integrating these principles in their operations and provide assistance where required. Where needed, we visit our supplier sites to ascertain demonstrable integration of the principles in their operations.

Halcyon Agri's Business Principles

1. UPHOLD CORPORATE GOVERNANCE AND COMPLIANCE
2. PROMOTE ETHICAL BUSINESS PRACTICES
3. MAINTAIN A SAFE WORKING ENVIRONMENT AND NURTURE AND REWARD COLLEAGUES
4. ENGAGE RESPONSIBLY WITH OUR CUSTOMERS, SUPPLIERS AND PARTNERS WITH INTEGRITY
5. CONTRIBUTE TO SOCIETY AND SUSTAINABLE ENVIRONMENT

Ethics and Compliance

The Group has put in place a number of policies and standards, and systems for raising risk concerns as part of a strong ethics and compliance function. Our employees are expected to comply with the Group's policies and uphold strict standards of ethical business conduct. Key policies including but not limited to anti-corruption & anti-bribery, human rights & ethical business practice, anti-harassment and environment, health & safety are embedded into a Global Employees Policies handbook which has been communicated to each employee through our mandatory induction programmes.

To supplement the implementation of the Group's policies, open door and whistleblowing policies are also in place to allow employees and/or third parties to share their questions, concerns, suggestions or complaints and to ensure that their area of concern is addressed in the most appropriate manner. All instances of whistleblowing, including those that do not warrant investigation or any further action, will be reported to the Audit Committee. Grievances can be also directed to a dedicated email that goes to the Audit Committee.

As in recent years, we maintained an unblemished record of zero confirmed cases of corruption in 2019. An anonymous note concerning a subsidiary company was brought to the Company's attention in 2019. Investigation has since been concluded and there is no credible evidence that any misconduct has occurred. We also did not record any material breaches of relevant laws and regulations in our respective jurisdictions except for effluent quality issues experienced by our Cameroonian and Ivory Coast operations.

Compliance Cases

Focus Area	2017	2018	2019	2020
Grievances	1	1	0	Target:0
Corruption	0	0	0	Target:0
Whistleblowing	0	0	1	Target:0

Our Global Employee Policies

- Equal Employment Opportunity and Diversity
- Health, Safety and Environment
- Competition and Antitrust
- Human Rights and Ethical Business Practice
- Responsible Use of Work Resources
- Workplace Harassment
- Anti-Corruption and Anti-Bribery
- Whistleblowing

Sustainable Natural Rubber Supply Chain Policy (SNRSCP)

As the world's largest supplier of natural rubber and the owner of large plantation concessions, Halcyon understands its role and obligation to minimise impact on the environment while continuing to meet the growing demand for a critical natural resource. In response, the Group updated its Sustainable Natural Rubber Supply Chain Policy (SNRSCP) in February 2020 to reflect our commitment to **NO DEFORESTATION** in all Halcyon operations. We are the first rubber producer to publicly announce this commitment, further demonstrating our leadership in driving towards sustainable natural rubber.

Our SNRSCP is believed to be the most comprehensive policy in the industry embracing the following headline commitments:

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

2 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

3 Ecosystem protection
Commitment to zero deforestation and ensure responsible cultivation, harvesting and processing of natural rubber across the value chain

4 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

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

6 Traceability
To actively facilitate the development of traceability and improve transparency across the supply chain

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

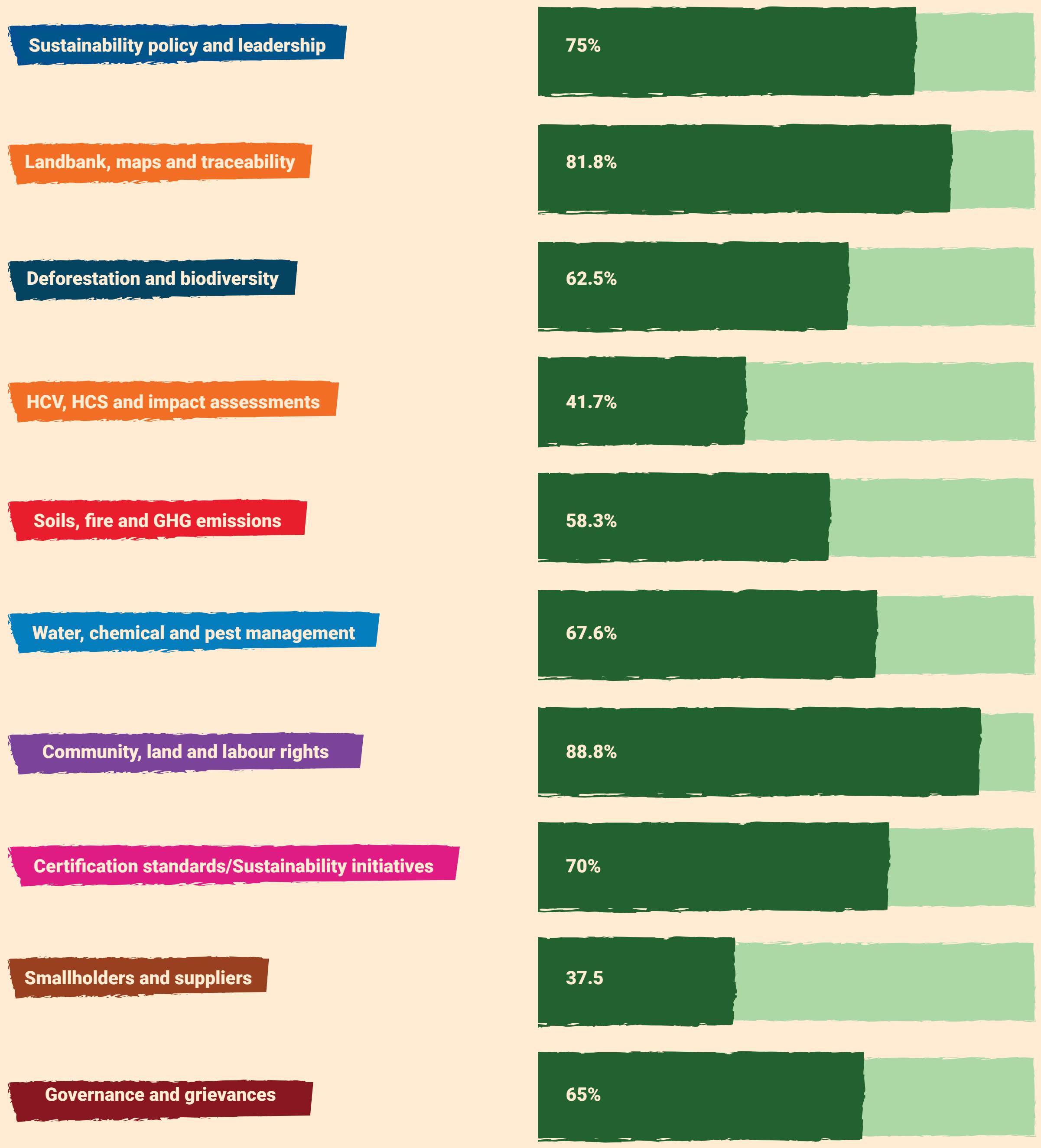
Sustainable Sourcing Policy

In 2019, we developed a Sustainable Sourcing Policy to articulate our requirements to suppliers. The policy mirrors our commitments to the SNRSCP. Being close to raw material sources, we recognise the complexities and challenges faced by our suppliers in implementing our sourcing policy. Our teams across Europe, the Americas and Asia have worked together throughout the year in developing a holistic rollout plan for suppliers. We will communicate this policy to our key suppliers in 2020.

The following sections report on our performance against these commitments. Halcyon remains determined to meet the highest sustainability standards for the industry and to provide customers with a premium critical product.

Sustainability Policy Transparency Toolkit (SPOTT)
SPOTT is an initiative of the Zoological Society of London (ZSL). In 2019, SPOTT expanded its scope to include natural rubber by launching its inaugural ESG policy transparency assessment. SPOTT assessed multiple natural rubber producers and processors based on publicly disclosed policies, operations and commitments to ESG best practices. The research assessed 15 significant natural rubber companies on leading company disclosure practices. The scoring was based on each company's practices and policies across ten key criteria.

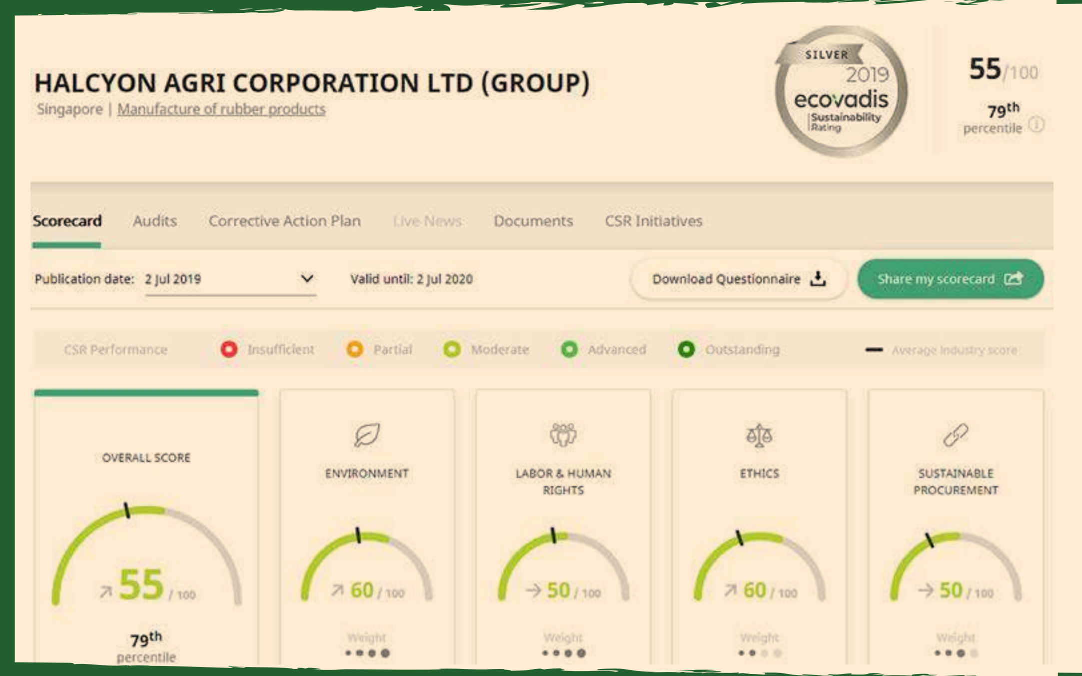
Halcyon was rated as the second most transparent natural rubber producing company globally with a total score of 69.9%. Our score is double the average score of 35% among major natural rubber companies and shows our strong commitment to transparency and sustainable practices. Our scores against all ten assessment categories are presented in the chart below.



For more details, please visit https://www.spott.org/natural-rubber/halcyon-agri/

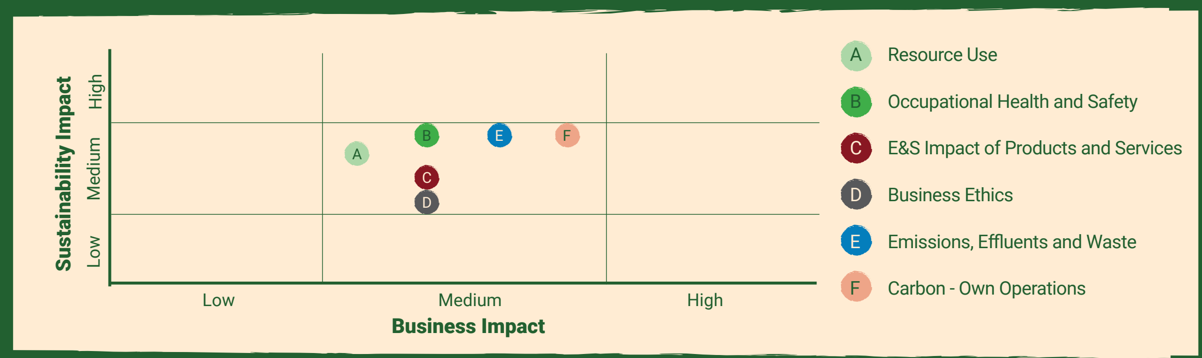
EcoVadis Business Sustainability Ratings Gives us a Silver

2019 marked our third EcoVadis supplier assessment evaluation. We went through our first evaluation in 2015 and obtained a score of 38/100 coming in at the 37th percentile amongst our peers. Our second assessment in 2017 witnessed our score increase to 45/100 and we maintained our bronze rating. Our performance amongst peers has improved significantly, with Halcyon Agri coming in at the 55% percentile. The latest assessment witnessed our overall score leap to 55/100 and attain a silver rating for the first time. We are now in the top 79% percentile amongst our industry peers, making us a sustainability leader in the natural rubber industry. Our scores for each component were higher than the industry average, with the areas of environment and ethics strong with a weighted score of 60/100. The scores for sustainable procurement and labour & human rights had a weighted score of 50/100 for each component. For our upcoming assessment in 2021, we hope to increase our overall score by another 10%. We understand and acknowledge that the EcoVadis supplier assessment tool remains the most robust in the industry and we strive to meet the higher standards and expectations placed by the assessment framework.



Sustainalytics ESG Report Rating

We obtained a total score of 64/100 for our 2019 ESG assessment by ratings agency, Sustainalytics, coming in at the 65th percentile amongst our peers in the assessment category. We were assessed across 30 criteria which focuses on ESG's policy, implementation, monitoring and measurement. There are no strong controversies reported in our operations and the ESG factors assessed were deemed to be of medium business and sustainability impact, and our preparedness led us to a neutral overall rating to ESG management. We have sound policies and programmes for managing material ESG issues relative to our peers in the assessed category. We hope to improve on our overall ESG score in 2020 through increased disclosures in data sets, trends and policy implementation. We recognise that ESG dynamics will continue to evolve and we need to be nimble in addressing and managing the ESG risks.



At Halcyon Agri, we believe in responsible human resource management and equal opportunity for all. We recognise contributions from our employees and share best practices to build learning throughout the organisation. We have put in place group-wide policies to guide our global workforce and enable a culture of collaboration and teamwork.

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

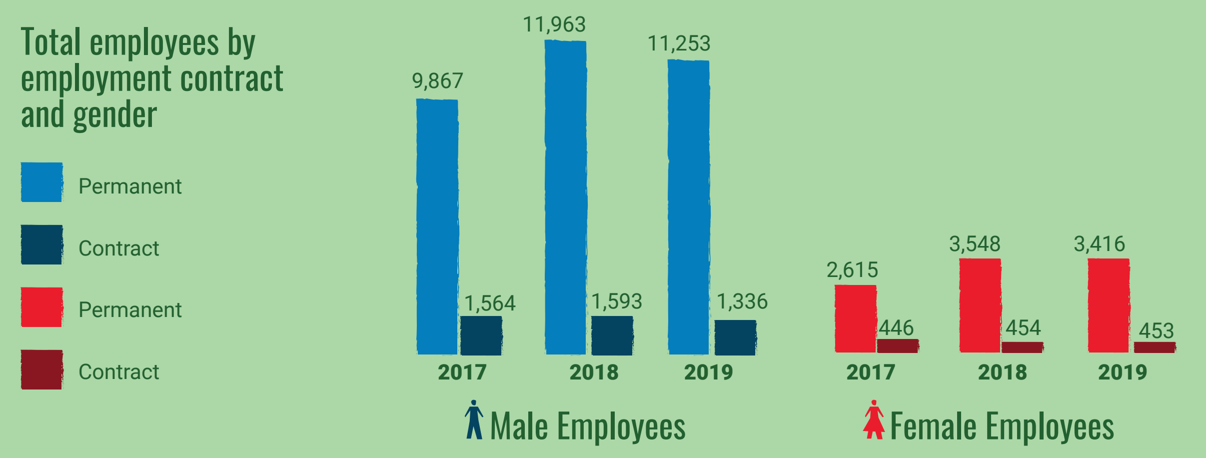
Halcyon Agri Values

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

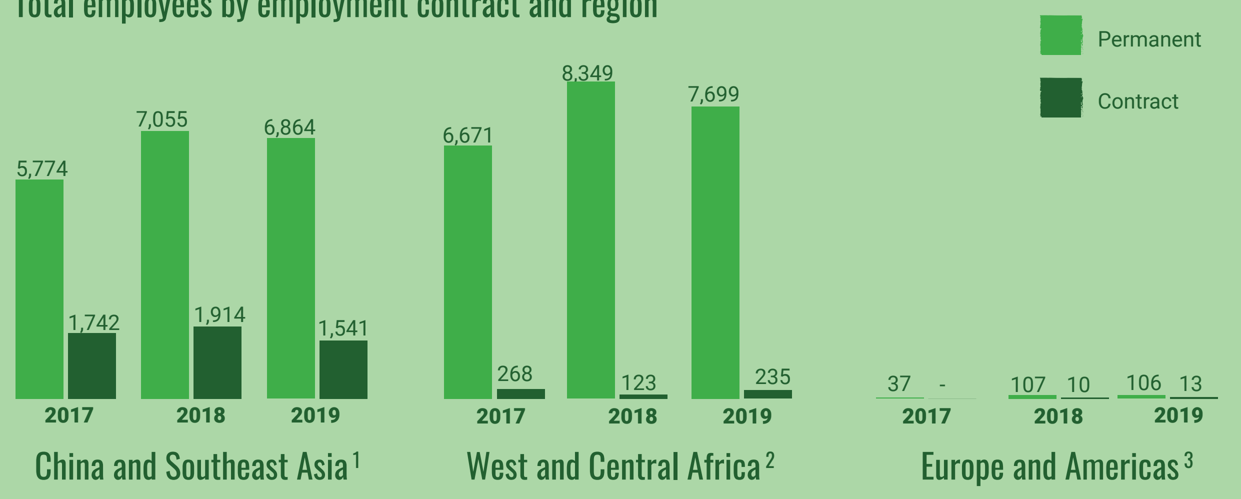
PERFORMANCE **QUALITY** **RESPONSIBILITY** **INTEGRITY**

Human Capital

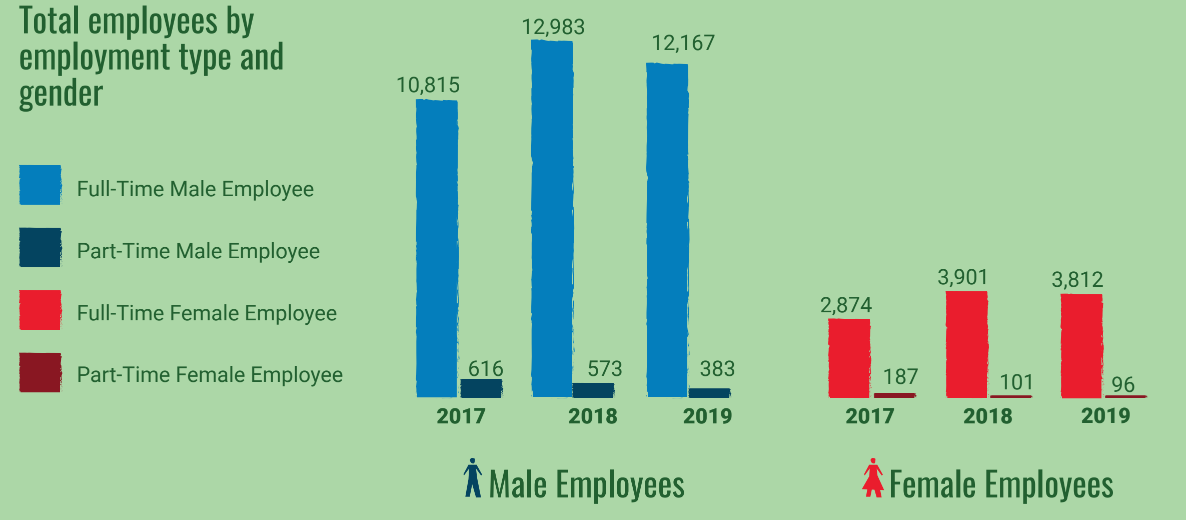
We support the careers and families of over 16,000 employees globally. Our workforce is comprised of 24% females with close to 90% regular employees working mainly in West & Central Africa, Southeast Asia and China.



Total employees by employment contract and region



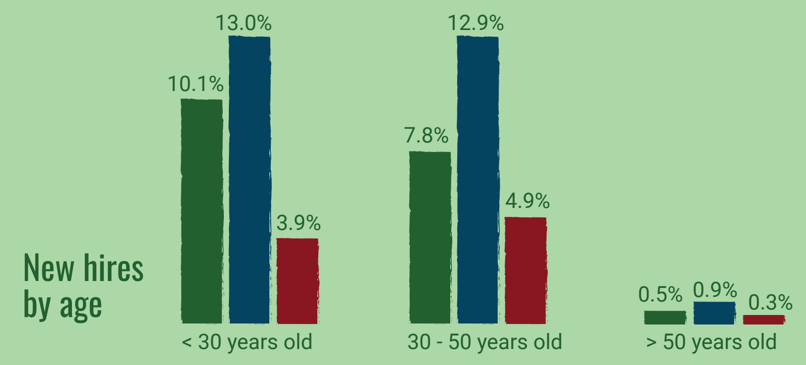
Total employees by employment type and gender



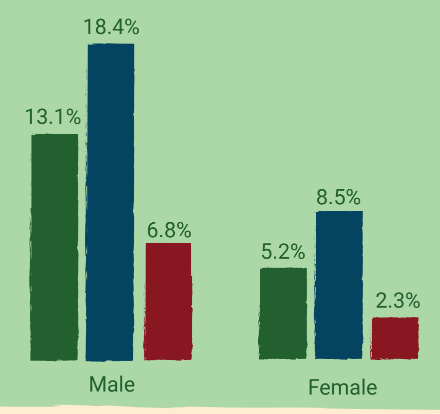
NEW HIRES AND TURNOVER

Total New Hires

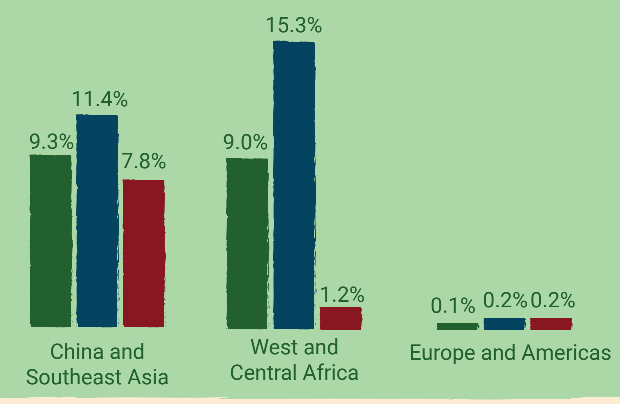
New hires by age



New hires by gender

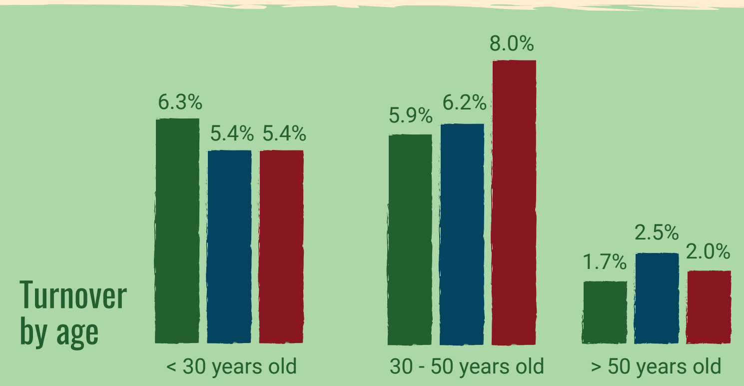


New hires by region

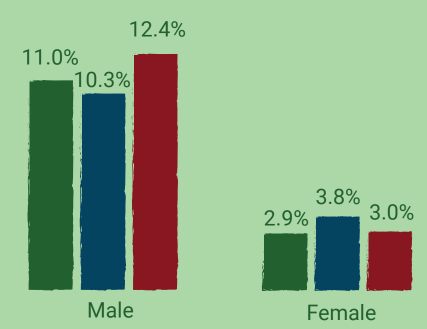


Total Turnover

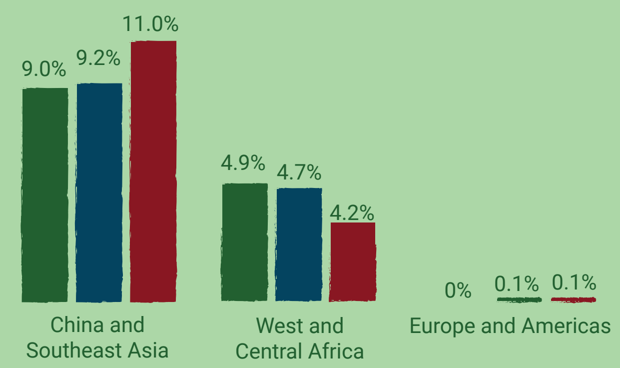
Turnover by age



Turnover by gender



Turnover by region



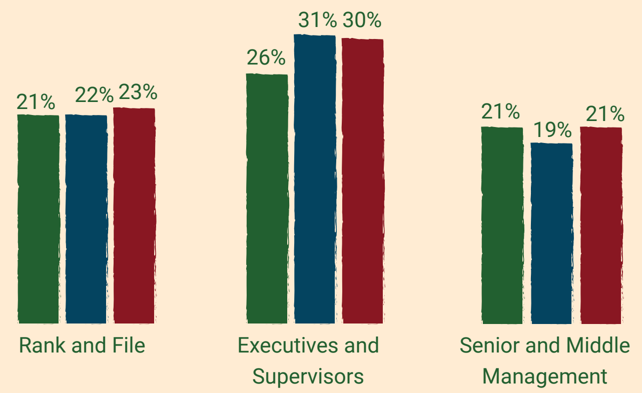
Note : Rates calculated based on total employees from previous year
2016 : 13,883 **2017**: 14,492 **2018**: 17,558

2017 2018 2019

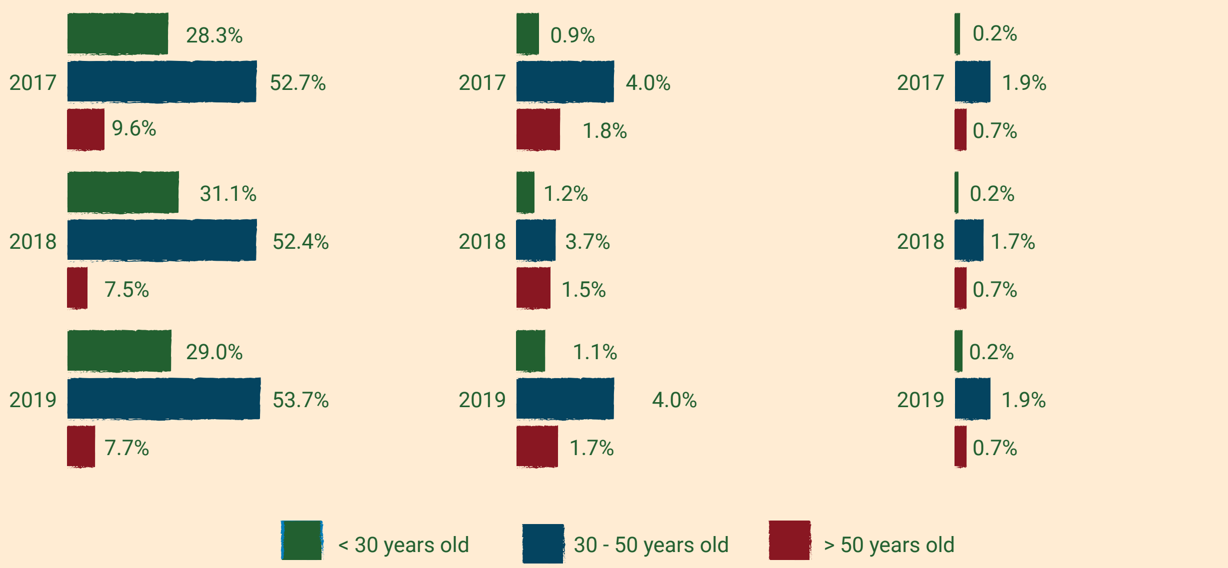
[1] China, Indonesia, Malaysia, Thailand and Vietnam
[2] Cameroon and Ivory Coast
[3] Germany, Netherlands, Turkey, United Kingdom and United States of America

Diversity

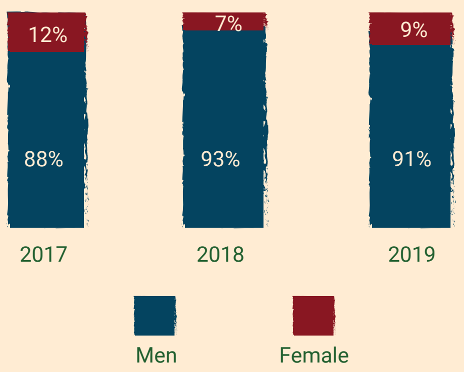
Employee category by gender (% Female)



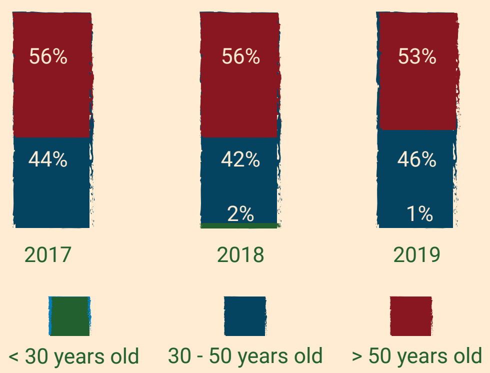
Employee category by age (% Total)



Senior management by gender (as governance body)

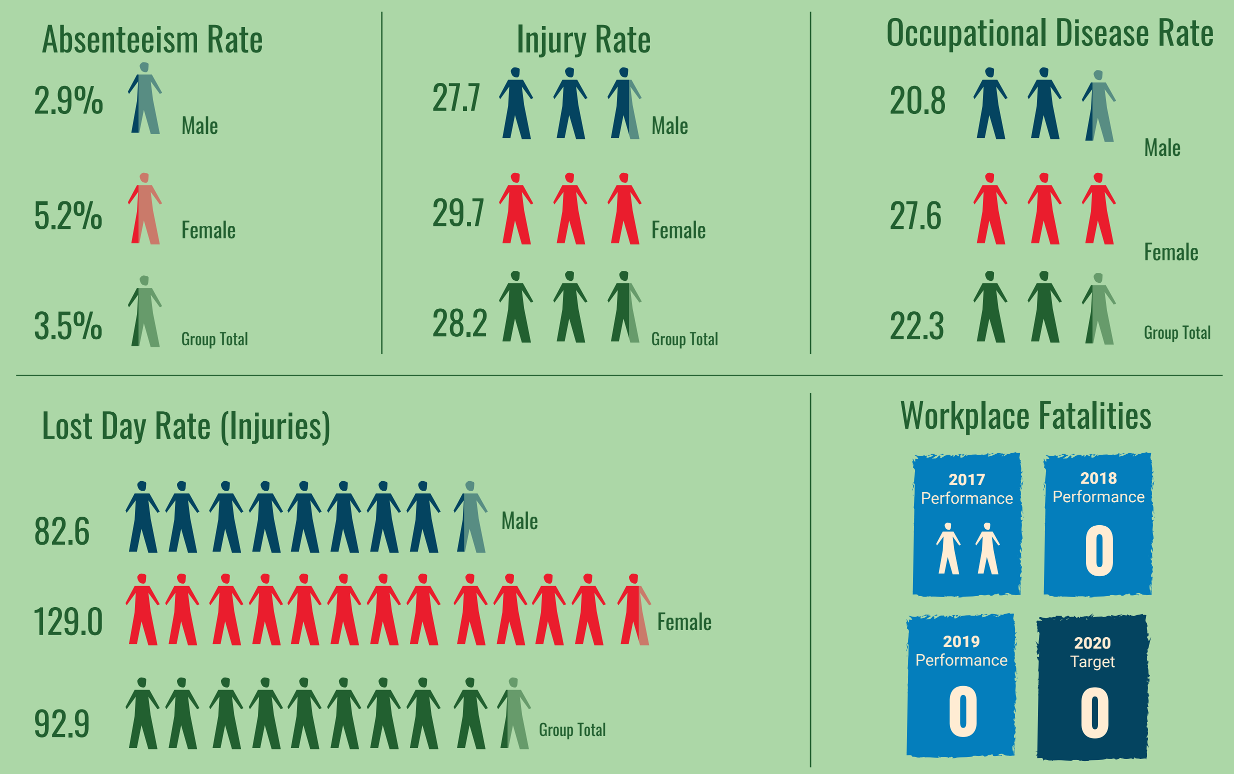


Senior management by age group (as governance body)



Workplace Health and Safety

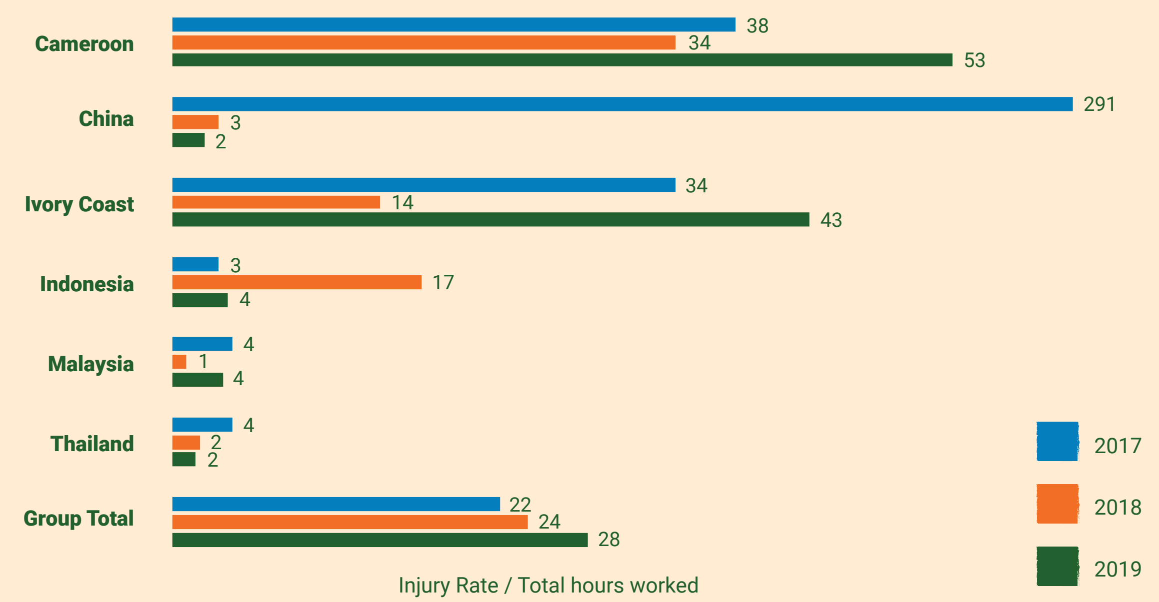
Our commitment to health and safety is embedded in our Sustainable Natural Rubber Supply Chain Policy (SNRSCP). All our processing sites across Malaysia, Indonesia, China, Africa and Thailand are HeveaPRO-certified. All our HeveaPRO-certified sites have health and safety committees which are represented jointly by workers and management. The committees are implemented at a local level across our operations and report directly to senior management. Depending on customer requirements, our factories also possess various ISO certifications. All our factories are ISO9001-certified. We have 20 factories certified to ISO14001, and three factories certified to ISO18001. In 2019, we conducted an engagement session with our factory teams in Indonesia. The session aimed to strengthen implementation of our HeveaPRO integrated management system. The session facilitated the development of a global three-year plan starting 2020. This roadmap aims to strengthen accountability of environment, health and safety (EHS) activities across all levels in the organisation from factory to headquarters. This will be supplemented by EHS training and education programmes. We aim to have all ISO14001 certified factories transit to the latest ISO 14001: 2015 standards and move towards transiting our ISO18001-certified factories to ISO 45001: 2018. We remain on track to transit our factories to the latest versions of international management standards. Through the three-year plan, we hope to strengthen our implementation of HeveaPRO, ISO14001, ISO45001 and other relevant certification standards.



	Absenteeism Rate (%)			Injury Rate			Occupational Disease Rate			Lost Day Rate (Injuries)		
By Region	**Male**	**Female**	**Group Total**	**Male**	**Female**	**Group Total**	**Male**	**Female**	**Group Total**	**Male**	**Female**	**Group Total**
China and Southeast Asia	2.1%	5.2%	2.58%	4.0	1.3	3.4	35.0	54.1	39.0	19.3	17.6	19.0
West and Central Africa	3.1%	5.2%	3.5%	50.9	54.4	51.7	6.9	4.6	6.4	144.3	225.5	163.1
Group Total	2.9%	5.2%	3.5%	27.7	29.7	28.2	20.8	27.6	22.3	82.6	129.0	92.9

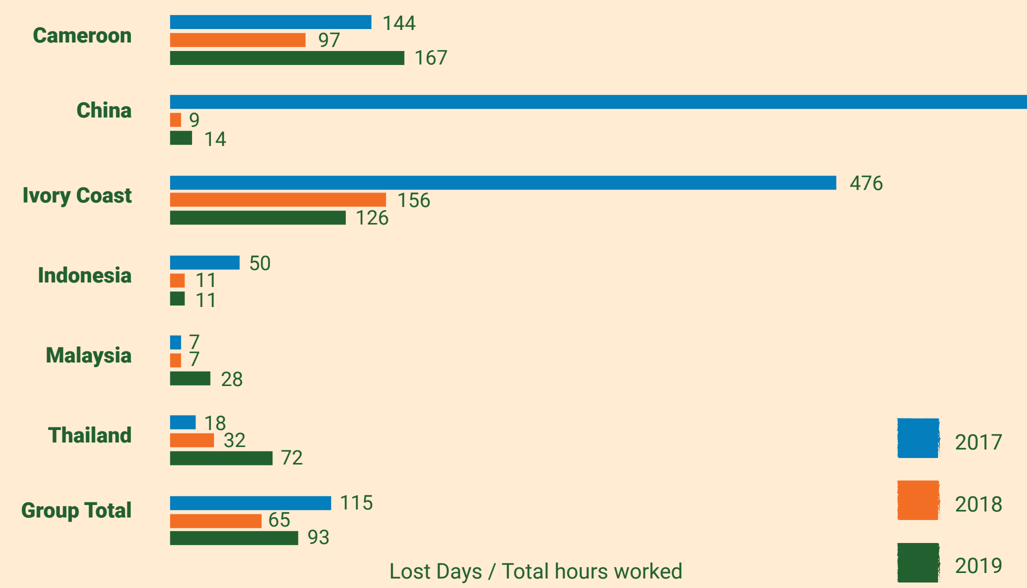
We are fortunate to report zero fatalities for 2019 and aim to achieve zero for 2020. We have also noted higher rates for female employees in relation to absenteeism, injuries, disease and lost days. In response, we will conduct root cause analyses to better understand these statistics. We will use 2019 data as benchmark for setting targets and monitoring progress.

Injury Rates for Processing and Plantation Operations



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

Lost Day Rates for Processing and Plantation Operations



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

Our Group performance for Injury Rates in 2019 increased by 15% over previous year and is the highest in the last three years. The increase was driven by incidences at our African operations with a number of reported field injuries from our rubber-tapping workers in Cameroon and operations-related injuries from our factory workers in Ivory Coast.

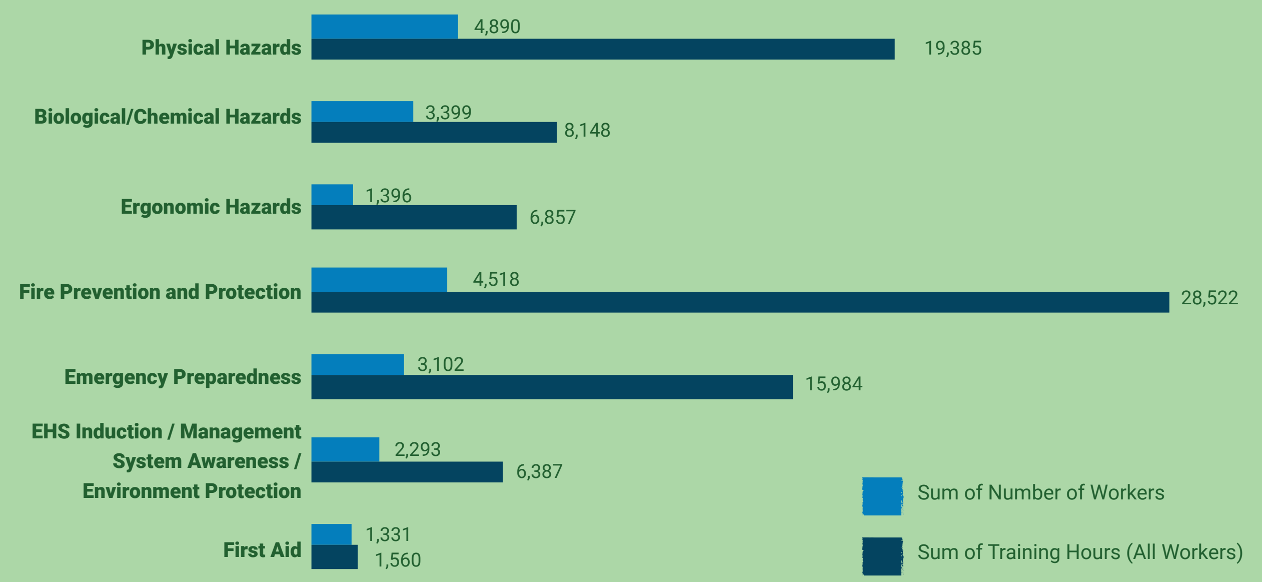
Our performance on Lost Day Rates showed a 40% increase compared with the previous year but is still below the reported rate in 2017. Our operations in Cameroon, Malaysia and Thailand reported a higher number of lost days than previous years. Lost days were a result of accumulated recovery time from injuries sustained by workers at our operations. Injuries reported include insect bites, slips and falls, cuts and fractures, and contact with chemicals from activities such as fieldwork, work at height, machine operation and rubber tapping. Guided by our EHS plan and strengthened implementation of HeveaPRO standards and other health and safety management systems, we aim to reduce our group overall injury rates and lost days from 2020. We will achieve this through strengthening EHS accountability across organisational levels and delivering targeted training and education programmes to our site teams.

Travel Safety

As part of our commitment to workplace health and safety, Halcyon also provides employees with medical, safety and security expertise and emergency evacuation when travelling for business via International SOS, the world's leading medical and travel security risk services company. This reinforces the health and safety of our mobile workers, international assignees and their dependants by giving them access to country-specific risk ratings, expert medical and travel security advice or referrals, and 24/7 assistance prior to travel, during travel, and in the event of an incident.

Our partnership with International SOS also allows us to accurately locate our mobile workers and international assignees in the event of an incident, to be able to respond effectively and take appropriate measures to safeguard their health and safety. Thanks to our digital travel risk mitigation programme, we have implemented health and safety management practices that identify, eliminate, mitigate, or avoid foreseeable occupational health and safety incidents for all of our mobile workers and international assignees especially when Halcyon has no control of the workplace(s) involved. This forms part of our risk management strategy to fuel business growth and productivity.

2019 Global EHS Training Records



In 2019, we continued EHS training programmes across our African, Chinese and Southeast Asian sites. A total of 21,149 workers logged a total of 88,093 training hours. This is an average of four hours training per worker, an increase compared with 2.5 hours per worker in the previous year. Preparedness training was mainly on fire prevention and protection followed by emergency preparedness, EHS inductions and awareness, and first aid. For hazards, most training related to physical hazards such as working at height, confined spaces, machine and tools operations, and road safety. Chemicals handling, Personal Protective Equipment (PPE) usage and maintenance, personal hygiene and sanitation and proper posture and movement are some of the topics covered under biological, chemical and ergonomic hazards training. Tracking our training activities will enable us to formulate effective policies and practices supporting our global EHS roadmap.

Women's Empowerment

Female empowerment remains both an opportunity and social challenge in many societies, and we recognise our responsibility to accelerate gender equity and equality throughout our supply chains.

Community forums provide large platforms to disseminate messages of empowerment. Last year, our communities held various celebrations such as International Women's Day, African Women's Day and the International Day of Rural Women. We continued our support for marital unions following the memorable wedding of almost 60 couples in Cameroon presided over by the Lord Mayor of Niete Sub-division, Mengue Jean Jaures on the International Day of Rural Women in 2019. Our support for these legalised unions ensures that the rights of married women are given stronger protection. In addition, we plan to formalise birth certificates of unregistered children in collaboration with the district's Social Affairs Department and the Court of Kribi, Cameroon.

We continue to increase the scale of our drive to recruit more women as we recognise the need for women to provide additional income for their families to improve their quality of life. More training programmes and childcare facilities will be developed, freeing many women from the barriers hampering their professional development. We will also focus on campaigns fighting gender violence and sexual abuse. We remain committed to support gender equity and equality throughout our operations.

Traceable Supply Chain

Traceability has become a fundamental requirement for the natural rubber industry. Rubberway and HeveaTrace are tools that help to identify and profile smallholder farmers to enable greater transparency in the supply chain. While both tools are different in their approach, they have the common goal of ensuring a sustainable supply chain.

Rubberway is a smartphone application co-created by Michelin, Continental and SMAG. It is designed to map sustainability activities across the natural rubber industry by assessing practices and risks relating to human rights, environmental protection, social development, and source provenance. More specifically, Rubberway's overall assessment is obtained from 12 risk indicators:

1. **Decent wage and minimum wage**
2. **Working hours**
3. **Workers' entitlement to rest**
4. **Presence and management of migrant workers**
5. **Child labour**
6. **Health and safety**
7. **Grievance systems**
8. **Environmental management**
9. **Biodiversity and deforestation**
10. **Land ownership**
11. **Agricultural training**
12. **Traceability and transparency**

2019 Rubberway results on the social and environmental risks of specific geographies in Thailand and Indonesia.

Country Region:	Southern Thailand			Jambi and South Sumatra, Indonesia								
Administrative Division[4]	1	2	3	4	5	6	7	8	9	10	11	12
Overall Rubberway Assessment												
I. Respecting People												
II. Protecting the Environment												
III. Agricultural Practices												
IV. Supply Chain Traceability and Transparency												

85 to 100 Minimal risk

65 to 84 Low risk

45 to 64 Risk under control

25 to 44 Medium risk

0 to 24 High risk

As of December 2019, Halcyon has rolled out Rubberway to 12 administrative divisions across Thailand and Indonesia, reaching approximately 1,600 smallholder farmers in our supply chain. The results provide a detailed breakdown of geographic risks inherent in the locations we operate. From human rights and social development indicators, we observed that low rubber prices are affecting the incomes of smallholder farmers and in many cases have resulted in reduced incomes below legal minimum wages. We also observed a lack of access to knowledge on best agriculture practices for farmers. This poses supply chain risks as farmers are not able to optimise tree productivity and thus enhance their yields.

Low yields directly translate to reduced incomes for farmers. HeveaGROW training modules will address these issues for farmers, especially in locations where this has been identified as a risk. Biodiversity conservation and protection also poses a supply chain risk as farmers are not made aware of the importance to preserve biological assets. The training also teaches farmers to maintain and clear land in a sustainable manner without adopting illegal practices.

HeveaTRACE

Another initiative is HeveaTRACE. Developed by Halcyon, it is a supply-chain traceability tool to map and provide data from smallholder farmers to processing mills with key ESG metrics. The tool aims to provide visibility and transparency of the supply chain while achieving the UN Sustainable Development Goals (SDGs). While Rubberway adopts a risk-based qualitative approach to supply chain traceability and transparency, HeveaTRACE provides a quantitative approach to assess socio-economic and environmental issues within the natural rubber supply chain.

Using CropIN's smartphone based application, HeveaConnect field staff traced and profiled 1,000 smallholder farmers in Jambi province, Indonesia. Farmer plots were geo-tagged and GPS coordinates captured together with qualitative information

[4] For data privacy reasons, administrative divisions are represented numerically

on the sub-districts and villages where farmers reside. The GPS coordinates show the source provenance of natural rubber being processed at Halcyon factories in Jambi. The farmers were surveyed in various regencies to obtain a representative sample size across Jambi. Information gathered from smallholder farmers include family unit size, land area and location, income levels and farm maintenance practices. Any information gathered is kept confidential and secure. HeveaTRACE aims to provide the information to meet upstream traceability requirements of tyre companies and natural rubber processors stated in their respective sustainability policies.

The results from the concurrent rollout of HeveaTRACE and Rubberway have been complimentary. For instance, prolonged low natural rubber market prices were equally reflected in both rollouts as farmers struggled to secure sufficient incomes to feed their families, send their children to school and pay their utility bills. This translated to longer working hours in the field, sometimes for up to six days compared with three days previously. Both rollouts also indicated a need for technical assistance to manage pests and diseases in the field. We found that rubber trees were affected and destroyed by termites, leaf blight and white root fungus disease but farmers lack of knowledge about the application of fertilisers. The strong call for agricultural training and assistance for smallholder farmers resonated across both approaches. HeveaGROW will address these issues via modular training videos on best agricultural practices.

HeveaTRACE has also met its target of surveying 1,000 smallholder farmers from June to December 2019. The data collected provided us with interesting insights. For example, there were significantly more farmers obtaining their income from multiple streams compared with a single income stream from natural rubber in some regencies than others. We also used the freely available Global Forest Watch (GFW) Pro tool to conduct deforestation alerts, tree cover loss and land conversion analysis on the smallholder farmer plots and found that the deforestation alerts in August and September 2019 correlated well with haze episodes.

HeveaTRACE will now focus on impact monitoring and measurement. Having traced farmers to source and developed a database of their profiles and geo-locations, HeveaTRACE would segment farmers based on their income profile and offer targeted assistance. The identified farmers will be trained via the HeveaGROW programme to improve agricultural practices and secure better prices for their rubber. Where needed, agricultural resources will also be provided to them. These farmers can then adopt a collective selling model and transact with factories through a collection station. This direct selling method will enable farmers to secure higher prices for their rubber without needing to go through and negotiate with intermediaries. The impact of any training can be measured by assessing the improvement in quality and Dry Rubber Content (DRC) of rubber purchased at the collection stations. After this pilot implementation, we will assess if this collective selling model can be scaled up.

The HeveaTRACE questionnaire to profile farmers will be expanded to address all other relevant sustainability policy requirements of tyre companies and processors to make this more suite. The data collected will feed into an ESG risk matrix with an ESG risk score assigned to each regency.

Partnership for Sustainable and Traceable Supply Chain

We have been in partnership with a major tyre customer since 2017 to pilot a fully traceable system for natural rubber production in Kalimantan, Indonesia. As part of the programme, a targeted group of smallholders in the pilot area are trained to grow high-quality rubber in accordance with a set of clearly defined sustainability criteria developed by a third-party agency. A mobile application has been developed to facilitate the collection and registration of farmers' details and to track transactions made. To safeguard the traceability of raw material, a dedicated collection point was set up to support the collection of raw material from these registered farmers. The traceable raw material will be sent to our designated factory in Kalimantan and be processed separately for delivery to the said tyre customer. This pilot project exemplifies a 100% traceable and sustainable natural rubber supply chain. Smallholders who participate in this project are rewarded with better prices compared to non-traceable raw material.

HeveaTRACE field representatives conducting interviews with smallholder farmers in Jambi, Indonesia.

Smallholder Capacity Building (HeveaGROW)

HeveaGROW is an initiative by HeveaConnect focused on curating and providing natural rubber smallholder farmers with best agronomical practices to improve yields. Our engagement with smallholder farmers through Rubberway and HeveaTRACE in Indonesia has found that they lack information on good agronomical practices but that they are eager to gain access to these. HeveaGROW is the bridge to impart knowledge on best practices to smallholder farmers. By collaborating with SNV, a Dutch-based non-profit international development organisation with strong expertise in farmer training and development within the natural rubber industry, HeveaConnect is working to develop digital content for smallholder natural rubber farmers.

We are working on five modules on Best Management Practices (BMP) that address key elements of rubber tapping, agroforestry, crop maintenance, pest management and natural rubber storage and processing. By digitising training material, we can offer this to a wider group. This would improve farmer yields which translates to increased incomes and improved livelihoods. Land stewardship is enhanced through sustainable land clearing practices in line with the Group's Sustainable Natural Rubber Supply Chain Policy.

HeveaGROW's format using bite-sized modular videos offer a more targeted approach to training and will allow easier assimilation of knowledge. Trainers are able to quantify yield improvement within specific periods and conduct analysis to correlate it with income improvement.

HeveaConnect and SNV signed a Memorandum of Understanding (MOU) in February 2019. SNV provided the training content and framework with HeveaConnect adding technical and digital expertise to shoot and curate the video series. Fieldwork for the project commenced in October 2019, and the storyboard and video for the first module were completed by the end of 2019. Feedback was obtained from about 30 smallholder farmers from Jambi province and incorporated into the final product.

HeveaConnect will continue to collaborate with SNV to complete the creation of all modules in the first half of 2020. These videos will be translated to other languages for interested stakeholders to target farmers in other areas. The key goal of HeveaGROW remains to impart best management practices to smallholder farmers not only in Indonesia but in other rubber-producing countries.

Video production crew filming HeveaGROW videos with smallholders in Jambi, Indonesia

Community Investment

Across our operations in West & Central Africa, China and Southeast Asia, we implemented various development and engagement programmes with local communities. In 2019, we invested an estimated US$656,000 globally in these activities. Almost 50% of this amount was spent on smallholder empowerment through skills training, contribution of equipment and planting material and direct purchase of raw materials through programmes like the Outgrower Programme in Africa. Approximately 23% was spent on education support through in-kind donation of school supplies and sponsorship of teacher wages. The rest of the funds were spent on in-kind or as monetary donations to activities ranging from local cultural and religious activities, healthcare programmes, sports for persons with disabilities, community financial assistance and infrastructure projects. We share notable examples from our territories in this report.

Cameroon

Corrie MacColl believes that accessible healthcare is key to a thriving society. 2019 saw the coordination of several large-scale awareness campaigns across our Cameroon plantations, supported by the Cameroonian authorities that aided communities in prioritising good health.

In advocating prevention over cure, we had a vaccination campaign of 2,500 young children against Rubella and Measles. We also conducted a Malaria awareness campaign and distributed over 15,300 mosquito nets. Through educational talks, games and interactive sessions, our health teams encouraged more open dialogue surrounding the management of health risks; an approach that resulted in over 2,000 people participating in our 2019 HIV-AIDS awareness and testing campaign. These initiatives add to the permanent community facilities of two hospitals with ambulances and the 23 medical dispensaries.

Participants in our campaign

China

Our Chinese operations in 2019 heeded the call of United Nations and the Chinese government to support a poverty alleviation programme for a Mange village, a community located in Yunnan Province. The project aimed to increase total income through the provision of employment opportunities and raw material purchase from villagers.

The project was completed in December 2019 with the following outcomes achieved: (1) 20 jobs offered to villagers, (2) Direct purchase of natural rubber raw material from Mange village with a value at almost 2 million Yuan, (3) Assistance in establishing a purchasing site, and (4) In-kind donation of raw material handling equipment. Moving forward, we will continue to work with local governments to promote community investment activities such as poverty alleviation at villages within our communities.

Our Halcyon team inspecting raw material purchased from Mange Village members

Southeast Asia

Halcyon Agri also supported the disabled community by becoming the title sponsor of the International Wheelchair Rugby Super Series 2019 in collaboration with BSF Asia, a non-profit organisation that aims to improve the lives of persons with disabilities through the power of sport and play. Wheelchair Rugby is a Paralympic sport recognised by the Singapore Disability Sports Council and is played in over twenty-five countries around the world. Studies have shown that Paralympic sports promote resilience, enhance self-esteem and self-efficacy among persons with disabilities. The Super Series aimed to promote these values and build awareness as well on their greater inclusion in society.

The Super Series was held throughout the year across Malaysia (Ipoh), Indonesia (Bali and Palembang) and finally Singapore which hosted the finals matches. Cheered on by their families and friends, teams across Indonesia, Malaysia, Europe and Singapore played against each other and displayed great sportsmanship and camaraderie.

Almost a hundred of our staff volunteered their time to assist the match organisers, BSF Asia. At least 1,400 volunteer hours were spent to ensure the success of each match. The event not only provided a bonding experience for the players and their loved ones but also gave our employees and their families a source of inspiration from witnessing the players' determination despite their disabilities.

Indonesia against Europe at the semi-finals match

Indonesia

We initiated a health campaign in one of our Palembang factories targeting staff and their families living in company-provided housing. Factory management initiated this to build a spirit of cooperation and shared responsibility in hygiene and cleanliness.

The team launched two programmes with the themes "My House is a Healthy Home" and "Green My House" in 2019. The programmes were launched as competitions, with factory management setting participation rules and sponsoring materials and equipment for cleaning and decorating housing blocks. Judges then conducted inspections and chose the winning blocks with the winners given cash prizes.

Beyond holding the competition, the campaign was successful in promoting cleanliness in and outside of the home and building good hygiene and healthy living habits for our employees and their families. A spirit of neighbourliness was also observed as families came out to clean common housing areas and set up of a community pharmacy. The factory also saw an estimated 70% reduction in annual contracted maintenance and cleaning costs as a result of the campaign. The plan is to introduce this programme to other factories in our group.

Image of housing blocks before and after the competition

Malaysia

As a matter of company policy, our plantation teams regularly interact with neighbouring stakeholders including other companies and villagers. These interactions aim to understand common concerns or issues. At our estate in Malaysia, we learned that a bridge used by our plantation team and stakeholders was in a state of disrepair. In response, we engaged in a concerted effort with local officials and villagers and a timber company to rebuild the bridge.

In-kind contributions were made with the timber company providing logs, Halcyon supplying heavy equipment and construction material, and villagers providing manpower. A temporary wooden bridge was built first to allow continued access for all users while an iron bridge will be built by the end of 2020 for permanent long-term use. The collaboration provided mutual benefits for all parties as it will provide a commuting route for local villagers and strategic access for companies such as Halcyon who have operations in the area. The collaboration will continue to ensure regular structural monitoring and inspection of the bridge.

Temporary bridge in the foreground taken in August 2019

Thailand

In our Thai operations Teck Bee Hang (TBH), our team initiated a supplier engagement workshop in partnership with our customer, Bridgestone. The workshop aimed to raise awareness on the benefits of good quality rubber and issues arising from raw material contamination.

Over 50 dealer representatives attended the one-day workshop which was delivered by Bridgestone and TBH. For dealers and farmers, good quality rubber can command a better price. For processors and customers, good quality rubber means less water and electricity consumption and waste generation in the production of tyres.

TBH, together with Bridgestone and dealers aims to reach out to farmers and build awareness on the negative effects of contamination and promote mutual benefits of ensuring good rubber quality across the supply chain.

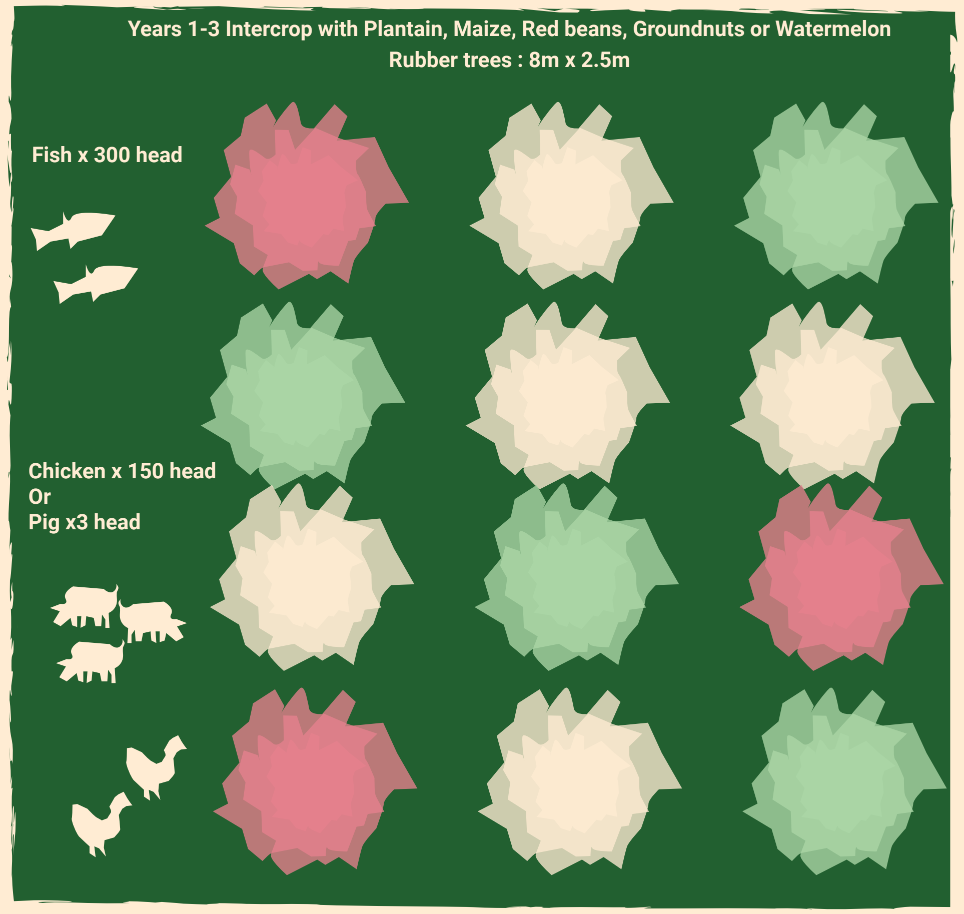
Workshops participants listening to presenters from Teck Bee Hang and Bridgestone

Outgrower Programme

The Outgrower Programme is our latest strategic measure in improving the livelihoods and economic viability of the rural communities that border our plantations. The objective of the programme is to educate and empower smallholders in possession of degraded or fallow land and assist them to create multi-crop farms around a core of natural rubber. The guaranteed purchasing of raw material and the teaching of agronomical best practices will create sustainable employment and strengthen rural economies.

The programme was first launched in Cameroon with the participation of approximately 13,000 Cameroonian smallholders. 27,000 hectares of land has been earmarked, with an initial development of 750 hectares in 2019. Land within High Conservation Value or High Carbon Stock areas are exempted, and appropriate land deeds were secured prior to development. To ensure best practice and to adhere to our SNRSCP, all candidate-smallholders must undergo rigorous sustainability assessments while the independent Cameroon Sustainability Council has full oversight of the programme.

Based on an integrated farming model, rubber trees are intercropped with plantain, maize, red bean, watermelon or groundnuts, and combined with livestock of fish, pigs or chicken. This model brings opportunities for food security and trade between farmers.



Smallholder Financing Study

The natural rubber industry is supported by approximately six million smallholder farmers mostly in remote regions of developing economies. Living and working conditions of these farmers vary greatly depending on their geographical location. At current prices, it seems that the average monthly earnings of a smallholder farmer in Indonesia is typically US$85, representing less than 50% of the country's minimum wage. This is neither acceptable nor sustainable over the long term, both in terms of farmer remuneration as well as security of future rubber supply.

HeveaConnect entered into a partnership with United States Agency for International Development Green Invest Asia (USAID GIA) in February 2019 to commission a study to understand smallholder economics in the natural rubber supply chain in Indonesia. The study aims to gather information required to design a mechanism to finance smallholders producing rubber at scale. The study will quantify the need for finance in replanting rubber trees on smallholders' plantations, identify obstacles currently hindering financing, assess the trade-offs in alternative financing mechanisms and review the role of agents and intermediaries in the value chain. The study is conducted jointly by a group of stakeholders which include USAID GIA , HeveaConnect, Financial Access and SNV Indonesia (SNV). The study report will be shared publicly in 2020.

A pioneering study focused on smallholder livelihoods in Indonesia, this project brings together various stakeholders within the natural rubber supply chain looking to evaluate the feasibility of a self-sustaining financial model to enhance natural rubber farmer livelihoods in Indonesia. The outcomes of this study are critical as the low natural rubber market prices witnessed in 2019, has, together with the lopsided price disparity between farmers and dealers for rubber, pushed many farmers in Indonesia to depressed earnings and be saddled in debt. There is therefore an urgent need to address inequality within the natural rubber supply chain.

The outcomes of this study will be put to test in a planned pilot second phase. The key intention would be to determine if the financial model derived from the study is feasible and has the potential to be scaled up. In the first half of 2020, USAID GIA and the other stakeholders involved in the project will be approaching potential donors to raise initial funds for the pilot rollout.

The study is based on desk research and supplemented by interviews with collection intermediaries, processors, banks, MFIs, service providers, potential donors and NGOs. Some of the desk studies involved value chain mapping, exploring various sustainability standards linked to natural rubber, examining the ESG risks within the natural rubber supply chain, existing finance for smallholders and the role of offtake agreements. Surveys were carried out with about 250 smallholders and other stakeholders in Sumatra and Kalimantan and involved collection of key socio-economic data pertaining to their family size, income derived from natural rubber, income from other activities, types of agricultural material and clones used and knowledge of the natural rubber market.

The portion of the study focused on the development of smallholder financing model with data gathered from farmer surveys. The detailed level of data collected has provided accurate insights for the development of a financial model. This information was fed into a fund structuring and design for a pilot rollout.

Cameroon Sustainability Council

In April 2019, our Group established the Cameroon Sustainability Council (CSC), an independent body that brings together international, multi-stakeholder individuals along the value chain, uniting over a progressive agenda of ecological conservation and socio-economic development. The Founding Members represent leading institutions in business, politics and NGOs who are deeply committed to monitoring the implementation of the Group's Sustainable Natural Rubber Supply Chain Policy (SNRSCP) and other external party recommendations.

The Council will act independently of management and shareholders, and has extensive rights of information, consultation and initiative. Civil society on the Council is represented by Mighty Earth and Community Forests Platform (PFC). Mighty Earth, a global pro-environmental NGO, and PFC, a Cameroonian national civil society representing over 50 local NGOs, will help the Council guide sustainable, community-led rubber production in Cameroon. This collaboration emphasises discussion and input at local level – and ensure that indigenous and local communities have a voice in all council decisions.

More information about CSC is available at https://www.corrie-maccoll.com/cameroon-sust-council/

Formation of Community Forest

In June 2019, we announced the formation of our 25,000 hectare Community Forest within the Sudcam concession – a land space equal to four times the size of Manhattan Island. A legal boundary has been established around the Community Forest perimeter and working with local and international NGOs and the Cameroon government, this permanently protects the land and its ecosystems. The Forest also ensures that indigenous communities have continued access to forest resources. Employment opportunities will be created for local people in the management of the land, which is strategically governed by the Cameroon Sustainability Council and other specialist agencies.

The Community Forest runs adjacent to the UNESCO World Heritage Dja Faunal Reserve, home to many species of conservation concern, including vulnerable forest elephants (Loxodonta Cyclotis), endangered chimpanzees (Pan troglodytes) and critically endangered western lowland gorillas (Gorilla gorilla) – classified according to the IUCN Red List. The independent Cameroon Sustainability Council ensures that the Reserve's animals remain unaffected by our activities.

In support of conservation efforts, we signed a five-year convention in 2018 continuing our assistance since 2013 in the fight against poaching at Dja Reserve. Activities supported by our assistance include biodiversity monitoring, anti-poaching patrols, staff training and local community engagement.

With 70% of our Cameroon plantation to remain non-planted – including 8,000 hectares of High Conservation Value (HCV) and High Carbon Stock (HCS) land – our conservation efforts at Dja Reserve aim to protect the unique habitats and species that exist in the Congo basin.

State-of-the-Art Factory and Laboratory

Motivated by our ambition to supply responsibly-produced rubber, we constructed a state-of-the-art factory and laboratory in Sudcam, Cameroon. Factory operations will commence from first half 2020 with an estimated annual production capacity of 45,00 mT. The Sudcam factory is expected to produce 75% centrifuged latex and 25% cup lump grades certified against HeveaTRACE and LatexPRO processing standards. The 1,200 audit-point certification will ensure the highest standards of quality, worker safety and environmental sustainability. With the adoption of heightened efficiency measures and installation of advanced equipment such as centrifuges, the factory is expected to consume energy efficiently and minimise generation of waste. Other features that distinguish the factory include:

- Advanced effluent treatment systems to target zero effluent discharge
- Rainwater collection systems on the roof and factory surroundings to minimise water required from surrounding rivers
- Solar panels installed to power the office
- Green corridors and soil erosion control

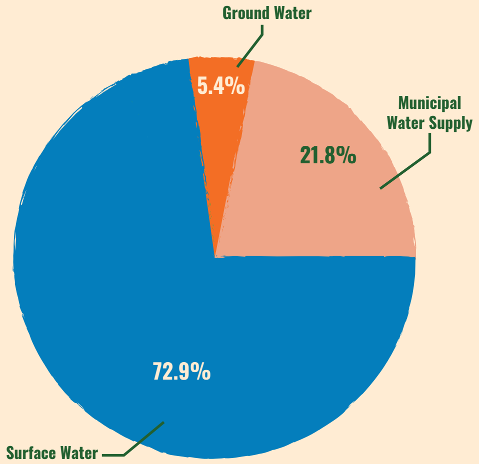
Technical expertise is provided by the Group's Ohio, USA based Momentum Technologies Laboratories (MTL) to the on-site natural rubber and latex laboratory. Planned as an extension of the Ohio facility, MTL oversees equipment selection, training and certification of the Sudcam laboratory. Development of this modern and state-of-the-art factory and laboratory will enable the Group to host research and development activities such as specialty products and formulation testing.

Sudcam factory's raw material output will be 100% traceable as supply will be provided by the Outgrower Programme. Furthermore, the plantation's sustainability practices are overseen and governed by both local and international NGOs, as well as the Cameroon Sustainability Council. With raw material set to feed the modern factory – flanked by the state-of-the-art laboratory – Sudcam will solidify Cameroon as a producer of certified sustainable, quality rubber and latex, produced to individual customer requirements.

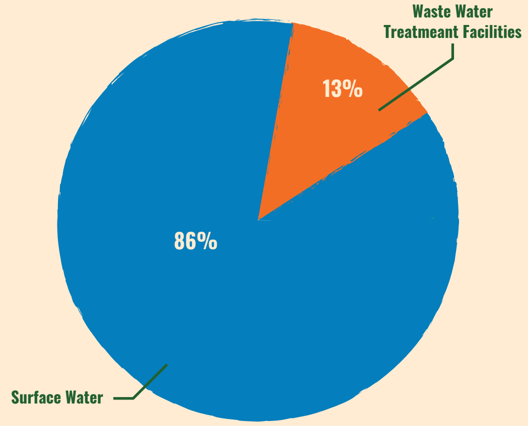
Water Consumption and Management

Over 90% of our group's water consumption occurs at our rubber processing sites. This is because large volumes of water are required to remove physical impurities from rubber to meet quality requirements. With most of our factories located in urban or semi-urban areas and with the looming threat of climate change to our communities, it is crucial for us to manage our water resources responsibly. Our processing sites draw water primarily from surface water bodies and discharge them back to the same source. Surface water consumption is supplemented by drawing from local water utilities where available[5]. Through teams across sites, we actively track our water consumption in our processing sites as frequently as on a shift basis.

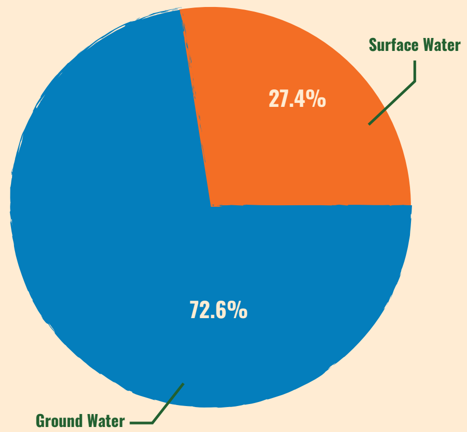
2019 Water Consumption by Source
(Processing Sites)



2019 Water Discharge Destination
(Processing Sites)



2019 Water Consumption by Source
(Plantations)



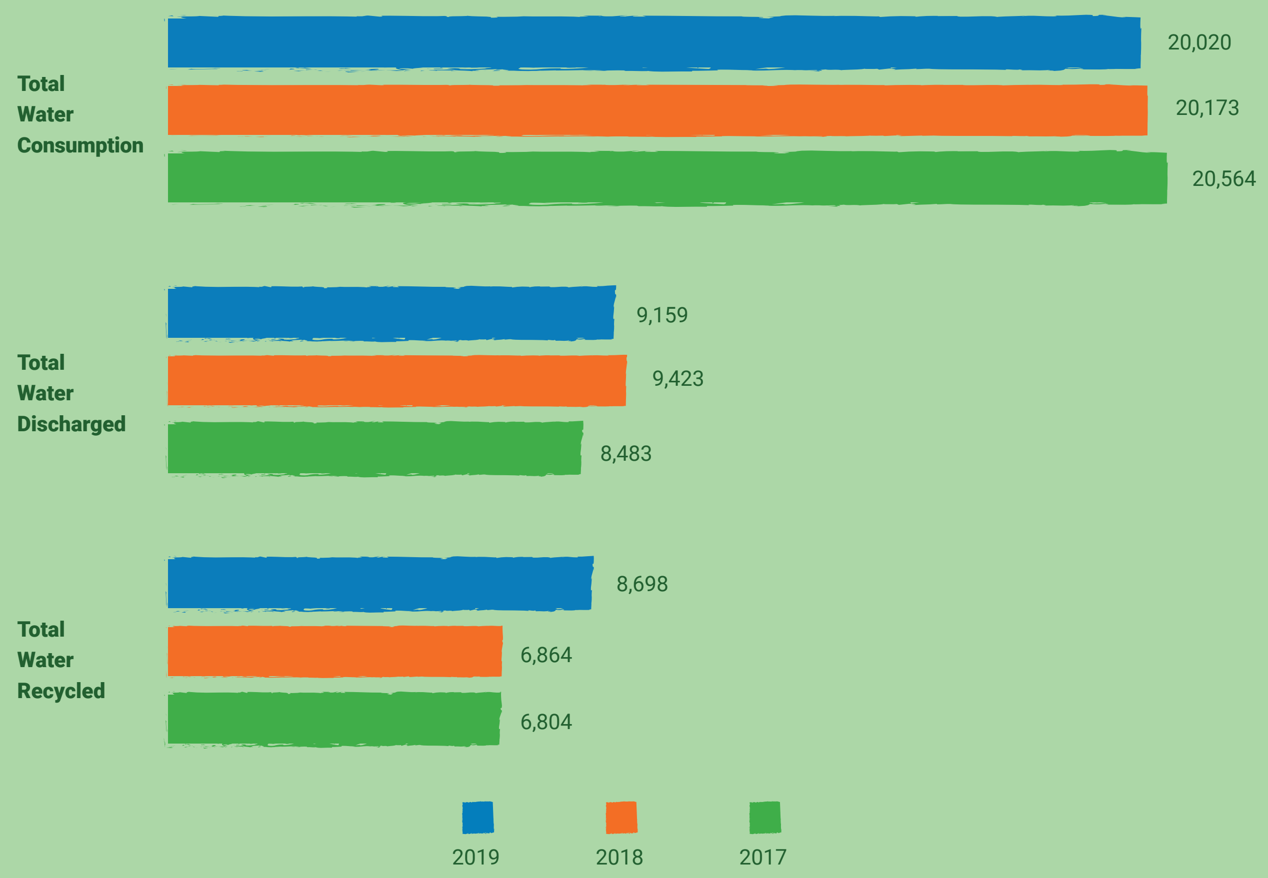
At our plantations, we mainly source from ground and surface water, as these sites are largely located in rural areas. Water is consumed for domestic use at staff housing facilities and watering activities across our planted estates. Sewage is collected through septic tanks and maintained regularly by plantation teams. Discharge from other domestic uses and watering activities return back to groundwater or surface water in accordance with local effluent limits

Through the years, we have endeavoured to reduce our reliance on freshwater sources as this not only supports eco-efficient behaviour but also realises cost efficiencies in our operations. Through implementing our HeveaPRO standards on environmental management and educating our factory teams on responsible water management, we have realised a gradual improvement in our group-wide water recycling rates from 33% in 2017[6] to 43% in 2019.

Over a three-year period, we experienced an increase in total water recycled and a reduction in total water consumption. This is attributable to the application of our Halcyon Data Centre (HDC). More than just a reporting tool, HDC allows factory teams to track their operational performance – including water consumption data – and set targets. As a result, our site teams have become more aware of their resource consumption and take proactive steps in improving efficiency In 2020, we aim to reduce our total water consumption by 5% and will continue our efforts to improve our water consumption efficiency over the long term.

[5,6] Data differs from past reports due to enhanced data analysis

Water Use Trends
(2017 to 2019) ('000m³)



Water Use Trends (2017-2019) (in thousand cubic meters)	2017	2018	2019
Recycling Rate (Water Recycled / Water Consumed)	33%	34%	43%

Water Stewardship Action Learning Project in PT Hok Tong, Jambi

The Action Learning Project (ALP) of the Global Agribusiness Alliance (GAA) was a collaboration between AWS Asia-Pacific Indonesia (AWS A-P Indonesia), Halcyon, and HeveaConnect. This project provided an opportunity for HeveaConnect to set standards for sustainably-processed natural rubber and promote the uptake of good water stewardship in the water-intensive rubber sector and enable informed decision-making.

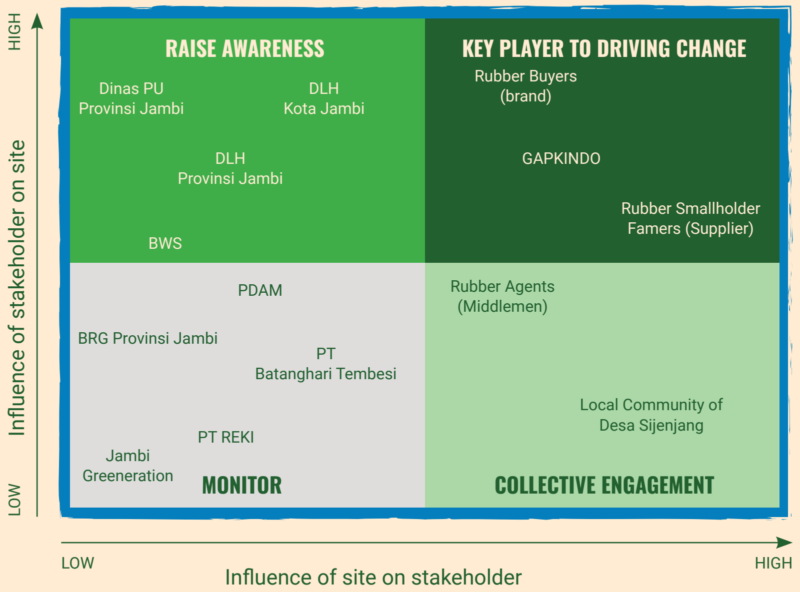
The ALP consisted of two components: 1) An AWS assessment of Halcyon's factory in Jambi and 2) A survey of all Halcyon rubber processing sites in Indonesia. The site-level AWS assessment focussed on the first two steps of the AWS Standard, to provide the site and company with insights into readiness for AWS certification and provide recommendations at site level to improve water-related performance.

AWS A-P collaborated with engineering firm PT Witteveen+Bos Indonesia as part of this assessment. As this ALP was geared towards a pilot case to improve water stewardship at site and company level, the gap analysis was strengthened with additional data gathering, analysis and recommended actions.

The assessment provided:

1) insights into current gaps according to the AWS core indicators,
2) recommendations on how to tackle gaps, and
3) additional analysis and recommendations on site and catchment data.

The assessment provided insights on water risks and opportunities, water quality and regulations, and multi stakeholder collaborations. Stakeholders were identified through research and interviews with various site staff. Stakeholders such as government, private sector, civil society organizations and other water users of the site were mapped against their level of influence to the site and the impact of the site to their activities. The resulting analysis provided recommendations on ways to engage these stakeholders.



A site water balance was also established to identify and map each main water flow and water storage component on-site. The water flows of the site were divided into two parts: office and factory. It was found that the largest component in water consumption for the site was the water used in the factory, which is catchment river water.

WATER IN	WATER OUT
River Water	• Steam and evaporation • Spills on the factory floors moving towards drains and direct discharge to the river • Flushing of toilets in the factory • Discharge of waste water from the factory and discharged to the river
Waste water, which is partially re-used after treatment in WWTP	Same as above
PDAM water	• Discharge of waste water via septic tanks and ground water infiltration • Discharge via a drainage system to the WWTP of the Factory
Bottled water for drinking water	• Via toilets in office building and factory. See above
Rain water	• Discharge via surface runoff and drainage system in workshop • Discharge of waste water via septic tanks and ground water infiltration

Note: PDAM (Perusahaan Daerah Air Minum or the Indonesian regional water utility company)

Water consumption in the catchment remained well below water yield, which indicates sufficient water availability throughout the year. The water intake accounted for a total estimated amount of approximately 1.14 million m^3 of water per year. Technical findings for the site included the need for flood protection, improvement in septic tanks, storage and use of rainwater and optimisation of wastewater treatment process to enable cost savings. Shared water challenges included climate change, stricter environmental water regulation and low access to Water, Sanitation and Hygiene (WASH). Indirect water was found to potentially pose the highest legal and reputational risks.

The survey for all the rubber-processing sites was organised around four main topics and sets of sub-questions as presented in the chart below. These provided insights into site perceptions on water risks, water infrastructure and functioning, the extent of site-level interventions related to water, and the sites' interest and ability to improve environmental performance related to water.

Perfomance Based on Certification
Catchment Water Risk and Acess to WASH

SITE PERCEPTION
- Site and catchment water risks
- Environmental performance
- Stakeholder relations

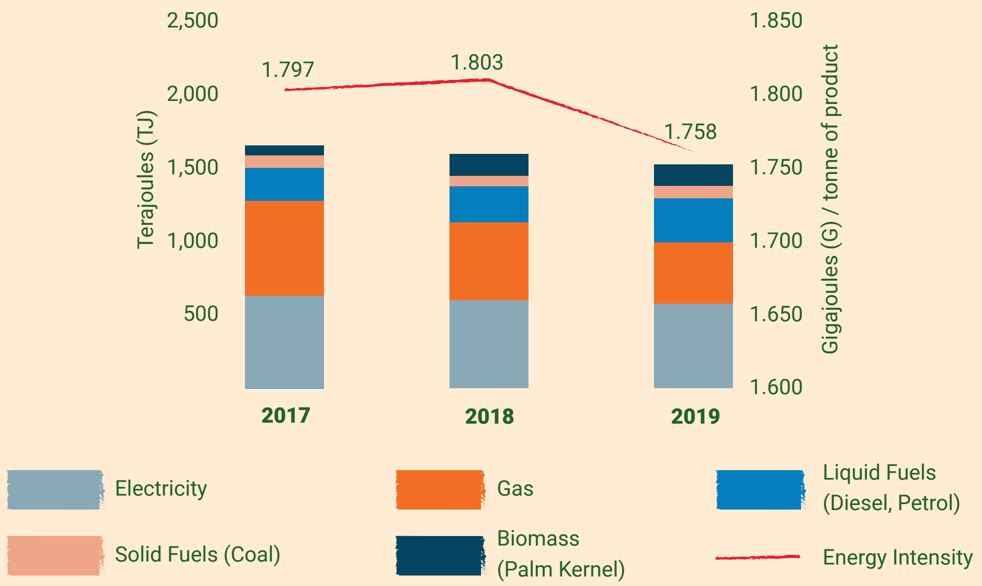
SITE LEVEL INTERVENTIONS
- Reduce water consumption
- Increase water recycling
- Reduce waste water discharge

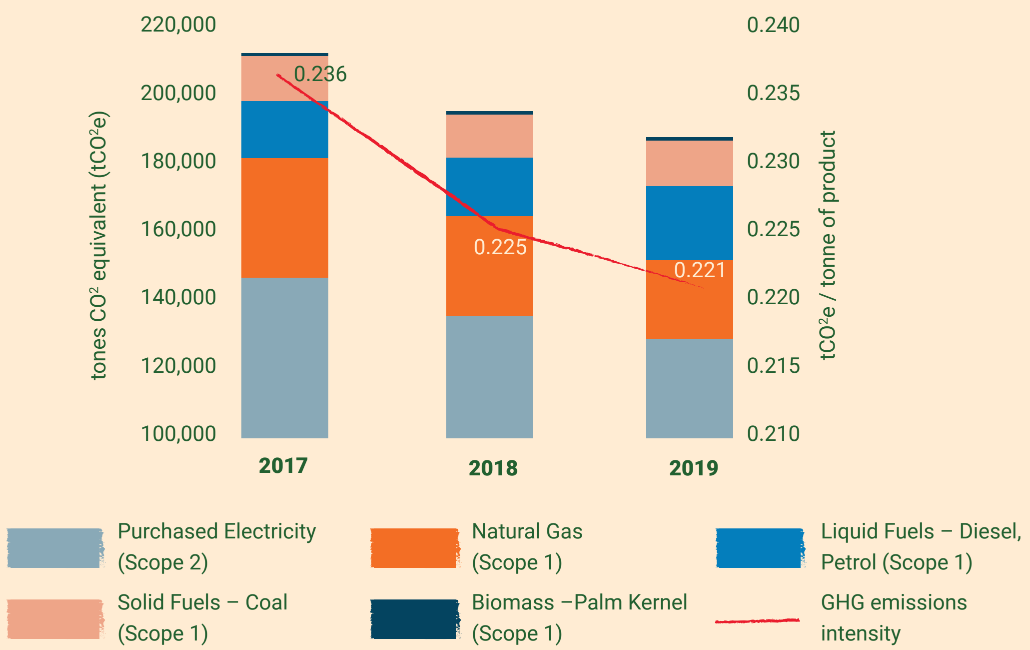
WATER INFRASTRUCTURE AND FUNCTIONING
- Water intake system
- Water storage system
- Water and waste water systems
- Water processing infrastructure
- WASH facilities on site

INTEREST AND ABILITY TO IMPROVE
- Environmental performance
- Opportunities and challenges for improving
- Participate in water at catchment level
- Existing capacity and increasing capacity

The next steps for Halcyon factories would involve focusing on legal compliance, monitoring water consumption and identifying cost-saving measures. Engaging with key stakeholders, targeting mainly local government and rubber farmers to gather catchment data, assessing opportunities for collaboration, and strengthening existing initiatives related to water is key. Further studies can be undertaken to analyse embedded water risks in rubber growing areas providing supplies to our factories and to integrate more in-depth analysis of water risks and opportunities in the overall strategy for the management of rubber processing sites.

Energy and Emissions Performance





Energy and GHG Emissions Intensities	2017	2018	2019
Energy consumption in Gigajoules per mT of product	1.797	1.803	1.758
GHG emissions in tCO2e per mT of product	0.236	0.225	0.221
GHG emissions in tCO2e per US$'000	0.097	0.09	0.097

Energy consumption

Producing natural rubber requires significant energy input across various sources. To maintain operational continuity, we consume multiple energy sources where it is locally accessible and reliable. Electricity consumption is measured through metered connections from the national grid. Site teams measure fuel consumption through duly-calibrated meters and weighing scales and reported to our company's central data centre.

Our largest energy source is from purchased electricity comprising about 38% of our requirements across the years. The next significant contribution comes from natural gas used primarily for drying process at our factories. With access to biomass (palm kernel) in Indonesia, we steadily increased its application for our dry process infrastructure, supplementing fuel and gas consumption over time. As of 2019, biomass consumption stood at 10% of our total energy needs, up from 4% in 2017. Our liquid fuels, mainly diesel, are used for dryers and on-site generators either for back up purpose or as main electricity source at off-grid locations.

Across our plantations, the primary energy source is liquid fuels mainly diesel and petrol. This contributed to a notable increase in diesel consumption in 2019 compared with previous years. On coal consumption, we experienced higher production volumes at our Chinese factories which caused a slight increase in consumption and emissions in 2019[7].

Overall, we report steady improvement of our energy intensity over the last three years at 1.758 GJ of energy consumed per mT of natural rubber produced from our operations in 2019.

Greenhouse Gas (GHG) emissions

Climate change and global warming remains a key concern across our supply chain. We are committed in reducing our emissions over the long term. Our greenhouse gas emissions calculations applied guidance from The Greenhouse Gas Protocol[8]. Fuel emission factors for each reported year were taken from the UK Government GHG Conversion factors for Company Reporting[9] while grid emission factors were obtained from Trucost.

The largest contribution to total emissions comes from our Scope 2 emissions (purchased electricity) with an average of 70% across the years. Scope 1 emissions (direct emissions) account for about 30% with natural gas, liquid fuels and coal accounting for 12%, 11% and 7% respectively in 2019. Biomass use contributed to approximately 0.2% of GHG emissions. Emissions from natural gas reduced gradually from 2017 due to reduced consumption. Liquid fuels consumption increased in 2019 with the reporting of fuels use from our plantations.

Emissions from coal consumption increased contribution slightly (0.7%) in 2019 compared to 2018 but remained within the 6 to 7% range across the years.

We reported 2018 as our base year for GHG emissions in our previous report. As we improve the robustness of our reported data, we are considering applying an average of annual emissions over a few years as a base figure. Such averaging is in line with guidance provided in The Greenhouse Gas Protocol.

GHG emissions intensity decreased steadily over the last three (3) years with 2019 at 0.221 tCO²e per mT of product. When compared on a per revenue basis, our average intensity from 2017 to 2019 is at 0.095 tCO²e per US$'000. Overall, we attribute reduction of our emissions on a per product basis from dryer retrofitting initiatives in the past several years. Retrofitting of our dryers provides the ability to combust natural gas or biomass alongside or as a replacement to liquid fuel (diesel). The case below reports on our experience with biomass fuels.

Biomass: Towards decarbonising our processing operations

In line with our support for the UN SDGs and our sustained push towards decarbonising our energy portfolio, we steadily increased the number of factories adopting the use of biomass (palm kernels) in their operational processes. Currently, eight of our factories in Indonesia fuel their dryers by palm kernels, with the first biomass heat exchange system implemented in 2010. The current average market price of palm kernel is about US$ 45 dollars per mT. This offers a cheaper fuel option compared with diesel, natural gas, coal and electricity from the grid.

Operational efficiency is not compromised as the burners require an average of 110 kg of palm kernels to dry 1 mT of Standard Indonesia Rubber (SIR). Therefore, for a production of 4000 mT of dry rubber, only about 440 mT of palm kernels are required. Production of large volumes of rubber is supported by the processing capacity of the heat exchange systems. With an average production capacity of 5.3 mT of SIR per hour, our palm kernel based heat exchange systems are well placed to meet high volume production demands with no quality compromise.

[7] Data differs from past reports due to enhanced data analysis
[8] World Business Council for Sustainable Development (WBCSD) and World Resource Institute (WRI). The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. Revised Edition. Source: https://ghgprotocol.org/corporate-standard
[9] Source: https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

Our modelling studies have shown that palm kernels contribute significantly towards carbon emissions reduction. Comparing an energy portfolio comprising grid electricity and diesel with a portfolio comprising grid electricity, diesel and palm kernels, there is an observable reduction of approximately 30% in the carbon emissions intensity for the production of per mT of dry rubber. More significantly, there is an approximate 60% reduction in absolute emissions for the production of per mT dry rubber. Not only do palm kernels present an option of enhanced efficiency and cost savings, they also play a huge role in decarbonising our operational energy portfolio.

In the coming years and in line with our emissions reduction plans, we will assess operational feasibility and transit more of our factories to incorporate palm kernels in their fuel mix. Furthermore, we target a reduction in our total energy consumption by 3% in 2020. This target aims to positively affect our overall GHG emissions performance.

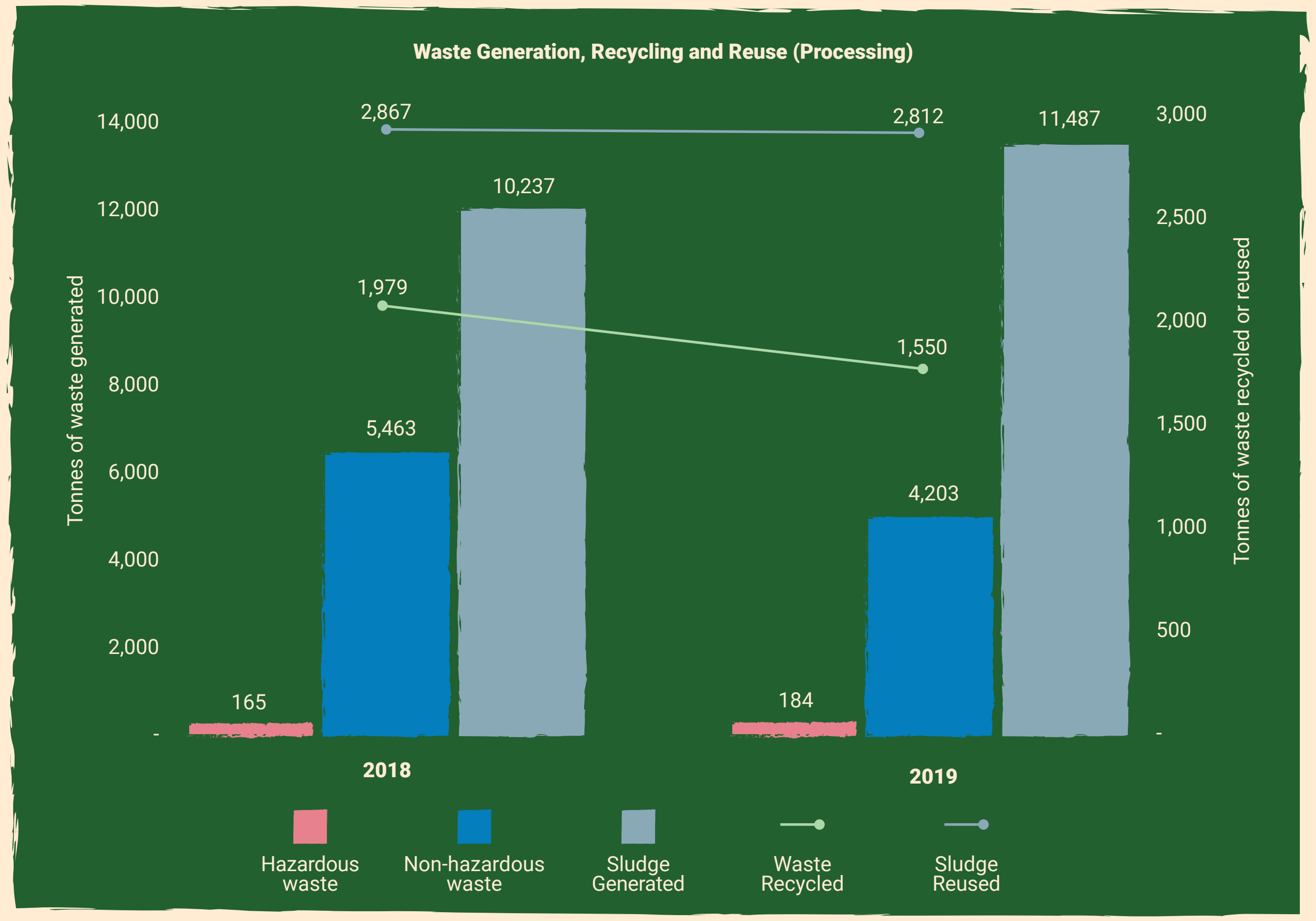
Kelvin Terminals: Greening the largest latex terminal in Europe

Following a €3.2 million investment, Kelvin Terminals in Terneuzen, the Netherlands completed their largest expansion in over 50 years to become the largest latex-dedicated storage facility in Europe. The latex terminal accommodates approximately 20 trucks per day with capacity at 6,500 mT and 1,700 mT of natural and synthetic latex respectively. The expansion offers a wider range of capabilities that will support both our general commodity latex business and our diversification into the niche and premium grades that customers increasingly request. The investment represents Corrie MacColl's commitment to offer customers a best-in-class support facility.

In 2019, the terminal completed installation of 126 solar panels on the roof of the new tank hall, with output capacity of 51,000 kWh per annum, providing the terminal the capability of producing close to 100% of electricity needs of site operations. This also supplements the installed air-source heat pumps that cut the site's dependence on liquid fuels.

Waste, Chemicals and Effluent Quality

In line with our SNRSCP commitment to protect ecosystems, we present our performance across waste management, chemicals use and effluent quality. Reducing our negative environmental impact across terrestrial and aquatic resources are of paramount importance. For waste management, we report our waste generation and recycling quantities. For chemicals use, we report on our consumption intensity with the long-term aim of consuming less chemicals per mT of natural rubber produced. On effluent quality, we report on our performance across the Group.



Rubber processing generates significant volumes of waste particularly from wastewater treatment. Sludge, a by-product of wastewater activity, contributes 65% to 70% of total waste by mass. Classified as non-hazardous, sludge possesses soil composting potential due to its organic matter content. Thus, it is a practice across our sites to have the sludge used by local smallholders for their farming requirements. Other non-hazardous waste sources come from physical impurities removed from raw material during the cleaning process. Impurities include forest debris, soil, plastic and metal bits. Typical recycled items include packaging waste, paper and metals. Hazardous waste is generated from spent chemicals, used chemical containers, oils, oily rags and lubricants. Our sites collect these and store them appropriately before being sent to licensed hazardous waste collectors and treatment facilities.

Our performance on waste management is mixed over a two-year period[10]. We observed an increase in hazardous waste and sludge while a decrease was reported in non-hazardous waste in 2019. Sludge reuse is fairly constant across the two years. Our waste recycling performance unfortunately decreased in 2019. Guided by our SNRSCP commitments and Group EHS plan, we will strive to reduce waste and increase reuse and recycling efforts across our operations.

[10] *Data differs from past reports due to enhanced data analysis.*

Consumption Intensity	Application	Liquid form (Liters/mT of product)	Solid form (kg/mT of product)
Plantations	Fertilisers	0.05	186.7
	Fungicides, Herbicides and Pesticides	4.4	2.8
Processing	Chemicals for Production of Crumb Rubber and Latex Concentrate	1.4	0.6

Chemicals Use

The chart above illustrates our use of chemicals and their consumption intensities across processing and plantation activities in 2019. For plantations, we use mainly solid state fertilisers, while fungicides, herbicides and pesticides are primarily in liquid form for application across our estates.

For our processing sites, both solid and liquid chemicals are used in the production of crumb rubber and latex concentrate. Ammonia, formic acid and Deorub solutions represent most of the liquid chemicals used. Ammonia is used for latex preservation while formic acid aids in latex coagulation. Deorub application helps to mitigate odour in processing sites.

Hydrated lime, hydroxylamine sulphate and caustic soda are the largest contributors to chemicals use in solid form at our processing sites. Hydrated lime prevents processed rubber sheets from sticking together. Hydroxylamine sulphate is use for latex grades requiring constant viscosity while caustic soda application helps to remove contamination from moving parts in contact with latex raw material.

We aim to improve our consumption intensity over time in line with our commitment to our SNRSCP.

pH	2017	2018	2019	Limits	COD [11] (mg/L)	2017	2018	2019	Limits
Cameroon	7.7	7.7	7.2	6-9	Cameroon	116	80	428	200
China	6.8	7.9	7.4	6-9	China	66	36	28	100
Indonesia	6.9	6.9	6.8	6-9	Indonesia	61	50	51	200
Ivory Coast	6.7	7.4	7.3	5.5-8.5	Ivory Coast	128	71	503	500
Malaysia	7.4	7.5	7.3	6-9	Malaysia	76	63	62	250
Thailand	7.1	7.4	7.5	6-9	Thailand	59	83	84	120
BOD [12] (mg/L)	**2017**	**2018**	**2019**	**Limits**	**TSS [13] (mg/L)**	**2017**	**2018**	**2019**	**Limits**
Cameroon	12	30	147	50	Cameroon	-	38	139	40
China [14]					China	47	17	15	70
Indonesia	27	20	18	60	Indonesia	31	18	20	100
Ivory Coast	45	43	168	150	Ivory Coast	82	43	163	150
Malaysia	21	15	15	100	Malaysia	43	29	33	150
Thailand	16	19	16	20	Thailand	17	40	25	50

[11] Chemical Oxygen Demand
[12] Biochemical Oxygen Demand
[13] Total Suspended Solids
[14] BOD testing is not required by local government if COD testing is already conducted.

Effluent Quality

During the course of 2019, we experienced a setback in effluent quality standards at our Cameroonian and Ivory Coast operations. Due to positive historical compliance records in Africa, we chose to postpone previously planned desludging works and capital expenditure in response to the challenging market conditions. Unfortunately, the result of this was more significant than anticipated.

Remedial measures have since been taken by our local teams in conjunction with local government authorities. In the Ivory Coast, we have commenced major desludging works in early 2020. Additionally, we are installing a new Activated Sludge System with wastewater recycling capability in Cameroon, which will be operational before the end of 2020. These initiatives are in motion at the time of publishing this report and we expect to be in full compliance with local environmental regulations before the end of 2020.

CERTIFICATIONS AND STANDARDS

In support of our mission statement to develop a world-class organisation serving the rubber industry, we adhere to various international certifications and standards across our plantations, processing and distribution assets. A significant number of our sites are certified against quality (ISO9001), environmental management (ISO14001), occupational health and safety (OHSAS 18001/ISO 45001) frameworks as well as specific certifications such as ISO 17025. Our processing sites are also HeveaPRO-certified, covering the pillars on Quality, Environment, Health and Safety (EHS), Supply Chain Security and Social Responsibility.

We discontinued the use of Silver, Gold and Platinum rating system as we found it minimally effective in driving continuous improvement. For instance, many factories were found to be content with their Silver & Gold ratings and lacked motivation to obtain Platinum rating. To address this, we transited towards focusing on raw HeveaPRO audit scores to benchmark processing facilities. Through this, we hope to drive our processing factories toward the highest HeveaPRO scores possible. As a group, we remain committed to continuous improvement and best-in-class operations through our various international standards and certifications.

	Country	Supply Chain	Site Name	Factory Code	Location	ISO9001	ISO14001	OHSAS18001/ ISO45001	HEVEA*PRO*
1	Indonesia	Processing	PT Hevea MK I	SDR	Palembang	Y	Y		Y
2	Indonesia	Processing	PT Hevea MK II	SEA	Palembang	Y	Y		Y
3	Indonesia	Processing	PT Hok Tong Plaju	SCX	Palembang	Y	Y		Y
4	Indonesia	Processing	PT Hok Tong Keramasan	SGO	Palembang	Y	Y		Y
5	Indonesia	Processing	PT Remco	SDQ	Palembang	Y	Y		Y
6	Indonesia	Processing	PT Sunan Rubber	SCY	Palembang	Y	Y		Y
7	Indonesia	Processing	PT Remco	SBG	Jambi	Y	Y		Y
8	Indonesia	Processing	PT Hok Tong	SCL	Jambi	Y	Y		Y
9	Indonesia	Processing	PT Hok Tong	KAZ	Pontianak	Y	Y		Y
10	Indonesia	Processing	PT Rubber Hock Lie	SDH	Medan	Y	Y		Y
11	Indonesia	Processing	PT Rubber Hock Lie	SCM	Rantau Prapat	Y	Y		Y
12	Indonesia	Processing	PT Pulau Bintan Djaya	SAR	Bintan	Y			Y
13	Indonesia	Processing	PT GMG Sentosa	KBM	Pontianak	Y			Y
14	Indonesia	Processing	PT Bumi Jaya	KBQ	Tanjung	Y	Y		Y
15	Indonesia	Processing	PT Sumber Djantin unit Sanggau	KBP	Pontianak	Y	Y		Y
16	Indonesia	Processing	PT Sumber Djantin unit Sambas	KBE	Pontianak	Y	Y		Y
17	Indonesia	Processing	PT Sumber Djantin	KAB	Pontianak	Y	Y		Y
18	Indonesia	Processing	PT Sumber Alam	KBD	Pontianak	Y	Y		Y
19	Malaysia	Processing	Hevea KB I & II	HL1	Ipoh	Y	Y	Y	Y
20	Malaysia	Processing	Euroma	JJ	Kedah	Y	Y		Y
21	Thailand	Processing	Teck Bee Hang	H1T	Thung Song	Y	Y	Y	
22	Thailand	Processing	Teck Bee Hang	H2Y	Yala	Y			Y
23	Thailand	Processing	Teck Bee Hang	H6N	Narathiwat	Y			Y
24	Thailand	Processing	Teck Bee Hang	H7P	Pattani	Y			
25	Thailand	Processing	Teck Bee Hang	H8S	Suratthani	Y	Y	Y	Y
27	China	Processing	Hainan Sinochem Rubber	CX (1A,1B)	Hainan	Y	Y		Y
28	China	Processing	Xishuang Banna Sinochem Rubber	BX (1A,1B,1C)	Yunnan	Y	Y	Y	Y
29	China	Processing	Xishuang Banna Sinochem Rubber	BX2M	Yunnan	Y	Y	Y	
30	China	Processing	Xishuang Banna Sinochem Rubber	BX3T	Yunnan	Y	Y	Y	
31	China	Processing	Xishuang Banna Sinochem Rubber	BX4L	Yunnan	Y	Y	Y	
32	China	Processing	Xishuang Banna Sinochem Rubber	BX5R	Yunnan	Y	Y	Y	
33	Africa	Processing	Tropical Rubber Cote d'Ivoire	SDCI-A	Cote d'Ivoire	Y			Y
34	Africa	Processing	Ivoirienne De Traitement du Caoutchouc	SDCI-B	Cote d'Ivoire	Y			Y

CERTIFICATIONS AND STANDARDS

	Country	Supply Chain	Site Name	Factory Code	Location	ISO9001	ISO14001	OHSAS18001/ ISO45001	HEVEA*PRO*
35	Africa	Processing & Plantation	Hevea Cameroun	HVC / HVC-P	Cameroon	Y			Y
36	Africa	Plantation	Sudcam	SUD-P	Cameroon				
37	Malaysia	Plantation	JFL	JFL	Kelantan	Cerfified MSPO for Oil Palm			
38	Netherlands	Distribution	Kelvin Terminals	Not Applicable	Terneuzen	Y	Y	Y	
39	United States of America	Distribution	Alan L. Grant Polymers	Not Applicable	Norfolk, Virginia	Y			
40	Germany	Distribution	Centrotrade	Not Applicable	Eschborn	Y			
41	Netherlands	Distribution	Wurfbain Polymer B.V.	Not Applicable	Zaandam	Y			
42	United States of America	Distribution	Momentum Technologies International	Not Applicable	Ohio	ISO 17025			

ISO9001: Quality Management System
ISO14001: Environmental Management System
OHSAS18001/ISO45001: Occupational Health & Safety Management System
ISO17025 : Technical competence on quality management system for testing and calibration laboratories
MSPO : Malaysian Sustainable Palm Oil Certification

GRI CONTENT INDEX

GRI CONTENT INDEX

GRI Standard	Disclosure Requirements	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
GRI 102: General Disclosures 2016					
Organisational profile					
102-1	Name of the organisation	Halcyon Agri Corporation Limited			
102-2	Activities, brands, products, and services	Halcyon at a Glance	4		
102-3	Location of headquarters	Corporate Information Address: 180 Clemeanceau Avenue #05-02 Haw Par Centre Singapore 239922	95		
102-4	Location of operations	Halcyon at a Glance Our Global Footprint Your Source of Mobility	4 12-14 15-16		
102-5	Ownership and legal form	Corporate Structure	93-94		
102-6	Markets served	Where Does Our Rubber Go	17-18		
102-7	Scale of the organisation	Halcyon at a Glance Human Capital	4 54-55		
102-8	Information on employees and other workers	Human Capital	54-55		
102-9	Supply chain	Our Global Footprint Your Source of Mobility Where Does Our Rubber Go Halcyon's Website: https://www.halcyonagri.com/what-we-do/natural-rubber-supply-chain/	12-14 15-16 17-18		
102-10	Significant changes to the organisation and its supply chain	Driving the Sustainability Agenda	41		
102-11	Precautionary Principle or approach	Risk Management Our Commitment for Sustainable Natural Rubber Sustainable Natural Rubber Supply Chain Policy (SNRSCP)	31 40 50		All 10 principles

GRI Standard	Disclosure Requirements	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
102-12	External initiatives	Our Commitment for Sustainable Natural Rubber	40		
102-13	Membership of associations	· Rubber Trade Association of Singapore · International Rubber Study Group (IRSG) · Member/Panel of Advisor/Signatory to SNRi (Sustainable Natural Rubber Initiative) · Singapore International Chamber of Commerce Rubber Association (SICCRA) · Singapore Institute of Directors · LGM (Malaysian Rubber Board Pricing Panel) · Federation of Malaysian Manufacturers · Malaysian SMR Rubber Processors Associations · GAPKINDO (Gabungan Perusahaan Karet Indonesia/ Rubber Association of Indonesia) · The Thai Rubber Association · China Rubber Industry Association · China Natural Rubber Association · The Rubber Trade Association of Europe (RTAE) · Global Platform for Sustainable Natural Rubber (GPSNR) · Global Agribusiness Alliance · UN Global Compact			
Strategy					
102-14	Statement from senior decision-maker	Chairman's Welcome Message CEO's Review	3 5-8		Statement by the Chief Executive expressing continued support for the UN Global Compact and commitment to the initiative

GRI Standard	Disclosure Requirements	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
Ethics and Integrity					
102-16	Values, principles, standards, and norms of behaviour	Ethics and Compliance Human Capital	48-49 54		1,2,10
102-17	Mechanisms for advice and concerns about ethics	Corporate Governance Ethics and Compliance	47 48-49		1,2,10 1,2,10
Governance					
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102-22	Composition of the highest governance body and its committees	Corporate Governance Structure Corporate Governance Report	47 97		
102-23	Chair of the highest governance body	Board of Directors Corporate Governance Report	34 105		
102-24	Nominating and selecting the highest governance body	Corporate Governance Report	104-108		
102-26	Role of highest governance body in setting purpose, values and strategy	Corporate Governance Board Matters	47 102-104		
102-29	Identifying and managing economic, environmental, and social impacts	Corporate Governance	47		
102-32	Highest governance body's role in sustainability reporting	Corporate Governance	47		
102-35	Remuneration policies	Remuneration Matters	108-110		
102-36	Process for determining remuneration	Remuneration Matters	108-110		
Stakeholder Engagement					
102-40	List of stakeholder groups	Stakeholder Engagement	46		
102-41	Collective bargaining agreements	All production workers covered			3
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	46		
102-43	Approach to stakeholder engagement	Stakeholder Engagement	46		
102-44	Key topics and concerns raised	Materiality Stakeholder Engagement Mighty Earth Website: http://www.mightyearth.org/a-dialogue-with-halcyon-encouraging-change-in-the-rubber-industry/ BOUNCE Website: https://www.demandsustainablerubber.org/	43-45 46		1,2,6,7,8 1,2

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GRI Standard	Disclosure Requirements	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
Reporting Practice					
102-45	Entities included in the consolidated financial statements	Financial Highlights, Notes to the Financial Statements	26-30, 181-186		
102-46	Defining report content and topic boundaries	Driving the Sustainability Agenda	41		
		Materiality	43-45		
102-47	List of material topics	Materiality	43-45		
102-48	Restatement of information	Driving the Sustainability Agenda	41		
102-49	Changes in reporting	Driving the Sustainability Agenda	41		
102-50	Reporting period	January 1, 2019 to December 31, 2019			
102-51	Date of most recent report	8 April 2019			
102-52	Reporting cycle	Annual			
102-53	Contact point for questions regarding the report	Driving the Sustainability Agenda	41		
102-54	Claims of reporting in accordance with the GRI Standards	Driving the Sustainability Agenda	41		
102-55	GRI content index	GRI Content Index	84-90		
102-56	External assurance	External assurance has not been sought for sustainability reporting in this report			
Material Issues					
Pricing Equity				**1,8,9,10**	
GRI 103: Management Approach 2016	103-1	Materiality	43-45		
	103-2	Stakeholder Engagement	46		
	103-3	Corporate Governance	47		1,2,10
		Sustainable Natural Rubber Supply Chain Policy (SNRSCP)	50		All 10 principles
		2019 Year in Review	11		
		BOUNCE Website: https://www.demandsustainablerubber.org/			1,2
GRI 203: Indirect Economic Impacts 2016	203-1	A digital marketplace for sustainable, traceable rubber	19		
		Smallholder Capacity Building (HeveaGrow)	64		
		Outgrower Programme	67		
		Smallholder Financing Study	68		
		Community Investment	64-66		

GRI Standard	Disclosure Requirements	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
Traceable Supply Chain				**9,12,13,15**	
GRI 103: Management Approach 2016	103-1	Materiality	43-45		
	103-2	Stakeholder Engagement	46		
	103-3	Corporate Governance	47		1,2,10
		Sustainable Natural Rubber Supply Chain Policy (SNRSCP)	50		All 10 principles
		HeveaPro Case Study	24-25		
GRI 308: Supplier Environmental Assessment 2016	308-1	Traceable Supply Chain	62-63		
		Outgrower Programme	67		
GRI 414: Supplier Social Assessment 2016	414-1	Traceable Supply Chain	62-63		
		Outgrower Programme	67		
Workplace Health and Safety				**3,8**	
GRI 103: Management Approach 2016	103-1	Materiality	43-45		
	103-2	Stakeholder Engagement	46		
	103-3	Corporate Governance	47		1,2,10
		Sustainable Natural Rubber Supply Chain Policy (SNRSCP)	50		All 10 principles
		Certifications and Standards	81-83		
		HeveaPro Case Study	24-25		
GRI 403: Occupation Health and Safety 2016	403-1	Workplace Health and Safety	58		3
	403-2		58-60		
Fair and Responsible Employment				**1,5,8**	
GRI 103: Management Approach 2016	103-1	Materiality	43-45		
	103-2	Stakeholder Engagement	46		
	103-3	Corporate Governance	47		1,2,10
		Sustainable Natural Rubber Supply Chain Policy (SNRSCP)	50		All 10 principles
		Certifications and Standards	81-83		
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		Women's Empowerment	61		

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GRI Standard	Disclosure Requirements	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
GRI 401: Employment 2016	401-1	Human Capital	55-56		6
GRI 405: Diversity and Equal Opportunity 2016	405-1	Human Capital	57		
Eco-Efficiency				**6,7,9,12,13,14**	
GRI 103: Management Approach 2016	103-1 103-2 103-3	Materiality Stakeholder Engagement Corporate Governance Sustainable Natural Rubber Supply Chain Policy (SNRSCP) Certifications and Standards HeveaPro Case Study State-of-the-Art Factory and Laboratory Biomass: Towards Decarbonising Our Processing Operations	43-45 46 47 50 81-83 24-25 70 76		 1,2,10 All 10 principles
GRI 303: Water 2016	303-3	Water Consumption and Management Water Stewardship Action Learning Project	71-74		7,8,9
GRI 302: Energy 2016	302-1 302-3 302-4	Energy and Emissions Performance	75-77		7,8,9
GRI 305: Emissions 2016	305-1 305-2 305-4	Energy and Emissions Performance	75-77		7,8,9
GRI 306: Effluents and Waste 2016	306-1	Water Consumption and Management Effluent Quality	71 80		7,8,9 7,8,9
Landscape Stewardship				**12,15,16,17**	
GRI 103: Management Approach 2016	103-1 103-2 103-3	Materiality Stakeholder Engagement Corporate Governance Sustainable Natural Rubber Supply Chain Policy (SNRSCP) Cameroon Sustainability Council	43-45 46 47 50 70		 1,2,10 All 10 principles All 10 principles

GRI Standard	Disclosure Requirements	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
GRI 304: Biodiversity 2016	304-1 304-3	Formation of Community Forest	70		7,8
Ethics and Compliance				8,16	
GRI 103: Management Approach 2016	103-1 103-2 103-3	Materiality Stakeholder Engagement Corporate Governance Sustainable Natural Rubber Supply Chain Policy (SNRSCP) HeveaPro Case Study	43-45 46 47 50 24-25		 1,2,10 All 10 principles
GRI 205: Anti-corruption 2016	205-3	Ethics and Compliance	48-49		1,2,10
GRI 307: Environmental compliance 2016	307-1	Ethics and Compliance	48-49		1,2,10
GRI 419: Socioeconomic compliance 2016	419-1	Ethics and Compliance	48-49		1,2,10
Community Investment and Empowerment				**1,8,10,17**	
GRI 103: Management Approach 2016	103-1 103-2 103-3	Materiality Stakeholder Engagement Corporate Governance Sustainable Natural Rubber Supply Chain Policy (SNRSCP)	43-45 46 47 50		 1,2,10 All 10 principles
GRI 203: Indirect Economic Impacts 2016	203-1	Community Investment	64-66		6
GRI 413: Local Communities 2016	413-1	Certifications and Standards Note: All HeveaPro-certified factories conduct community engagement activities	81-83		

HALCYON

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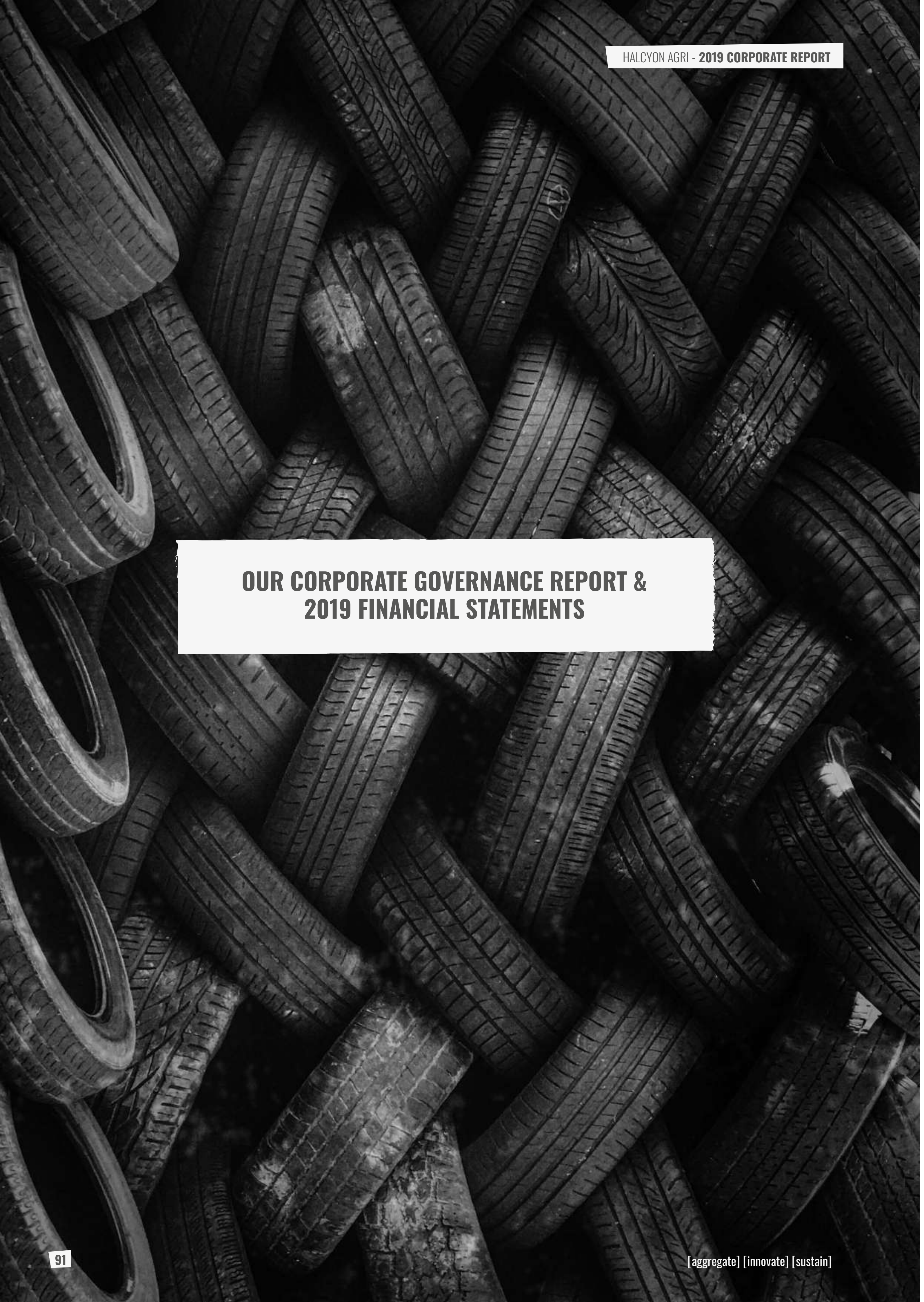
Singapore 239922

www.halcyonagri.com


[aggregate]
[innovate]
[sustain]
PROFIT



OUR CORPORATE GOVERNANCE REPORT & 2019 FINANCIAL STATEMENTS

BOOK 3

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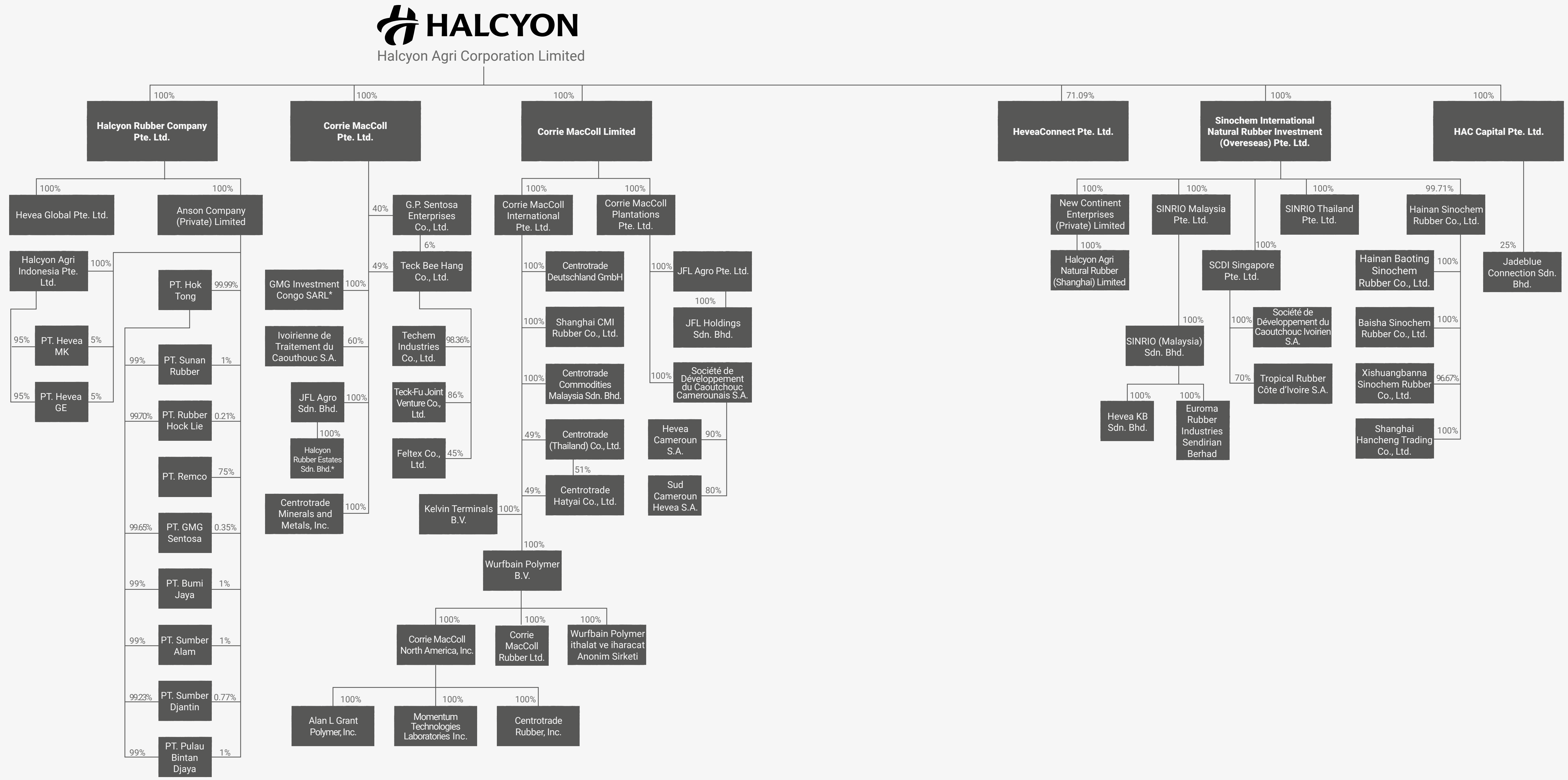

** In the process of striking off or winding up*

At the time of print, certain subsidiaries of Corrie MacColl Limited are undergoing brand harmonisation which involves change in corporate structure and alignment of subsidiaries' company legal names.

As at 31 March 2020

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)*
Wang Wei	*(Non-Executive Director)*
Jeremy Goon	*(Independent Director)*
Qin Jinke	*(Non-Executive Director)*
Lam Chun Kai	*(Independent Director)*

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

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

Nominating Committee	
Randolph Khoo	*(Chairman)*
Alan Nisbet	
Liew Choon Wei	

Strategy and Investment Committee	
Liu Hongsheng	*(Chairman)*
Alan Nisbet	
Robert Meyer	

Company Secretary

Liew Guat Yi

Registered Office and Corporate Headquarters

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Singapore 239922
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Share Registrar

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

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower Level 18
Singapore 048583
Tel: +65 6535 7777
Audit Engagement Partner: Yee Woon Yim
(from financial year ended 31 December 2019)

Principal Bankers

China Construction Bank Corporation
DBS Bank Ltd.
PT. Bank Central Asia
Crédit Agricole Corporate and Investment Bank
ING Bank N.V.
Deutsche Bank AG
Wells Fargo Bank
Afriland First Bank
CIMB Bank Berhad
United Overseas Bank

CORPORATE GOVERNANCE REPORT

Halcyon Agri Corporation Limited (the "Company" or "HAC" and together with its subsidiaries, the "Group") firmly believes in upholding the highest standard of corporate governance practices, and integrates sustainability development into the Group's business approach. The Board places emphasis on the interests of its material stakeholders, promotes innovative business model, and focuses on growing sustainable businesses, creating and maximising long-term shareholder value.

This report describes the Group's ongoing efforts to enforce best practices in corporate governance in all aspects of the Group's operations, as well as the practices implemented throughout the financial year ended 31 December 2019 ("FY2019").

The Board is pleased to report that the Group has adhered to all material principles and provisions of the Code of Corporate Governance 2018 (the "Code"), and wherever applicable, 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 Manual") 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 Code can be found on pages 117 to 119 of this annual report.

KEY FEATURES OF THE BOARD

Overview of Board Composition

1 Non-executive Non-independent Chairman (the "Chairman")
- Liu Hongsheng

2 Executive Directors
- Robert Meyer
- Pascal Demierre

5 Independent and Non-executive Directors (the "Independent Directors")
- Alan Nisbet
- Randolph Khoo
- Liew Choon Wei
- Jeremy Goon
- Lam Chun Kai

2 Non-executive 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
- None of the Independent Directors have 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, 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 • Internal controls and risk management systems • Whistleblowing arrangements
Nominating Committee (“NC”)	**Three (3) members:** • Randolph Khoo (Chairman) • Alan Nisbet • Liew Choon Wei All members are Independent Directors	• Succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO 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 the Board and KMP • Specific remuneration packages for each Director and KMP
Strategy and Investment Committee (“StratCom”)	**Three (3) members:** • Liu Hongsheng (Chairman) • Alan Nisbet • Robert Meyer Two (2) out of three (3) members are Non-executive Directors	• Strategy development and strategic direction • Major investment or divestment plans • Capital and assets management

Key Information of Directors

DIRECTOR	MEETING ATTENDANCE (1 January to 31 December 2019)						TOTAL REMUNERATION (SGD) (FY2019)		
• **Age** • **Position and appointment date** • **Last re-elected date (if applicable)** • **Length of Directorship as of 31 December 2020** • **Present and past three (3) years Directorships in other listed companies (if any)**	**General Meeting**	**Board**	**AC**	**NC**	**RC**	**Strat–Com**	**Basic/ Fixed Salary**	**Directors' Fee**	**Other Variable**
	(Number of scheduled meetings held)								
	1	4	4	1	1	1			
Liu Hongsheng • 53 • Non-executive Non-independent Chairman since 16 January 2017 • Last re-elected on 23 April 2019 • 3.9 years • Executive Director of Sinochem International Corporation Co., Ltd.	1	4	–	–	–	1	**Total: 110,250** NA[2]	110,250	NA[2]
Robert Meyer • 46 • Executive Director and CEO since 8 July 2010 • 10.4 years • Last re-elected on 23 April 2019	1	4	3[1]	1[1]	1[1]	1	**Total: 900,000** 900,000	NA[3]	Nil[4]
Pascal Demierre • 46 • Executive Director and Chief Corporate Officer (“COO”) since 8 July 2010 • Last re-elected on 23 April 2018 • 10.4 years • Independent Director of The Hour Glass Limited	1	4	4	1[1]	1	–	**Total: 660,000** 660,000	NA[3]	Nil[4]

DIRECTOR • **Age** • **Position and appointment date** • **Last re-elected date (if applicable)** • **Length of Directorship as of 31 December 2020** • **Present and past three (3) years Directorships in other listed companies (if any)**	**MEETING ATTENDANCE** (1 January to 31 December 2019) **General Meeting**	**Board**	**AC**	**NC**	**RC**	**Strat–Com**	**TOTAL REMUNERATION (SGD)** (FY2019) **Basic/ Fixed Salary**	**Directors' Fee**	**Other Variable**
	(Number of scheduled meetings held)								
	1	4	4	1	1	1			
Alan Nisbet • 69 • Lead Independent Director since 7 January 2013 • Last re-elected on 23 April 2018 • 7.9 years • 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)	1	4	4	1	1	1	**Total: 108,125** NA(2)	108,125	NA(2)
Randolph Khoo • 56 • Independent Director since 7 January 2013 • 7.9 years • Last re-elected on 23 April 2018	1	3	3	1	1	–	**Total: 85,250** NA(2)	85,250	NA(2)

CORPORATE GOVERNANCE REPORT

DIRECTOR • **Age** • **Position and appointment date** • **Last re-elected date (if applicable)** • **Length of Directorship as of 31 December 2020** • **Present and past three (3) years Directorships in other listed companies (if any)**	**MEETING ATTENDANCE** (1 January to 31 December 2019) **General Meeting**	**Board**	**AC**	**NC**	**RC**	**Strat–Com**	**TOTAL REMUNERATION (SGD)** (FY2019) **Basic/ Fixed Salary**	**Directors' Fee**	**Other Variable**
	(Number of scheduled meetings held)								
	1	4	4	1	1	1			
Liew Choon Wei • 65 • Independent Director since 1 October 2014 • Last re-elected on 23 April 2019 • 6.2 years • 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)	1	4	4	1	1	–	**Total: 86,250** NA(2)	86,250	NA(2)
Wang Wei • 40 • Non-executive Non-independent Director since 3 May 2017 • Last re-elected on 23 April 2018 • 3.6 years	–	4	–	–	–	–	**Total: 54,000** NA(2)	54,000	NA(2)
Jeremy Goon • 47 • Independent Director since 2 November 2017 • Last re-elected on 23 April 2018 • 3.1 years	1	4	–	–	–	–	**Total: 54,000** NA(2)	54,000	NA(2)

DIRECTOR • Age • Position and appointment date • Last re-elected date (if applicable) • Length of Directorship as of 31 December 2020 • Present and past three (3) years Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2019) General Meeting	Board	AC	NC	RC	Strat–Com	TOTAL REMUNERATION (SGD) (FY2019) Basic/ Fixed Salary	Directors' Fee	Other Variable
(Number of scheduled meetings held)	1	4	4	1	1	1			
Qin Jinke • 49 • Non-executive Non-independent Director since 1 January 2018 • Last re-elected on 23 April 2018 • 3.0 years	1	4	2(1)	–	–	–	Total: 54,000 NA(2)	54,000	NA(2)
Lam Chun Kai • 72 • Independent Director since 23 April 2019 • 1.7 years	–	2	–	–	–	–	Total: 36,444.45 NA(2)	36,444.45	NA(2)
Raymond Ferguson • 57 • Independent Director from 15 November 2016 to 23 April 2019 (Retired)	–	2	–	–	–	1	Total: 19,656.30 NA(2)	19,656.30	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

(4) Executive Directors have offered to waive their bonus which is otherwise payable to them pursuant to the terms of their respective service agreement with the Company

The aggregate remuneration of S$607,975.75 paid to the non-executive Directors (the "Directors' Fees") for FY2019 is within the threshold limit of S$750,000 approved by Shareholders on 23 April 2019. The Directors' Fees were remunerated according to the Directors' Fee structure disclosed in the annual report for the financial year ended 31 December 2018.

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 130 of this annual report.

BOARD MATTERS

The Board's Conduct of Affairs

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.

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 resources are in place for the Company to meet its strategic 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 groups 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 the 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 terms of reference ("TOR") setting out their compositions, authorities and duties. The TOR of the NC, RC and AC have been updated in accordance with the amendments to the Code which took effect on 1 January 2019, approved by the Board and adopted by the respective Board Committees.

While the Board Committees are tasked with certain responsibilities, all major decision-making remains the ultimate responsibility of the Board as a whole. Except for the 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 105 to 114 of this annual report.

The Board embraces the principle of empowerment, and believes that governance and management are more effective and efficient when they are separated. It upholds high standards of corporate governance, puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. 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"), whose are accountable to the Board for their performance in pursuing the long-term success of the Group. The Management collaborates closely with the Non-executive Directors and provide insights on the Group's operations.

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 Manual; 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.

Directors have a duty to act in the best interests of the Company and are required to take all reasonable steps to avoid conflicts of interest with the Company. The Policy on Director's Conflicts of Interest complements the Company's corporate governance practice, and serves to guide the Directors in recognising and handling conflict situations. This policy requires any member of the Board or Board Committees who has an interest in a matter being deliberated upon by the Directors to recuse himself from discussions and abstain from participating in the approval process involving the issue of conflict.

Board Meetings. Four (4) meetings were scheduled and held at regular intervals in FY2019 to review, among others, the Group's financial performance, annual budget, corporate strategy, business plans, potential corporate actions, risk management policies, appointment and re-appointment of Directors and KMP, 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 Board believes that meetings between Directors who do not hold executive positions in the Group encourage and promote greater openness and facilitate provision of well-balanced viewpoints to the Board. Non-executive Directors may summon a meeting without the presence of the Management whenever deemed appropriate. Any recommendations or suggestions arising from their discussions will be communicated to the Board or the Management as appropriate.

The Chairman oversees the setting of Board meeting agendas, and the 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 make sure 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 physically present in the Board meetings may participate in the Board and Board Committee meetings by telephonic conference, as permitted under the Company's Constitution (the "Constitution"). The Constitution also provides that the Board may make decisions and grant approval by way of written resolutions. A list of written resolutions approved by the Board and Board Committees is compiled and circulated during Board and Board Committee meetings.

In 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 FY2019 is set out on pages 98 to 101 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.

The Management provides monthly reports to the Board covering operational performance, financial results, market environment, treasury activities, 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 and to ensure that Directors are fully cognisant of the decisions and actions of the Management. 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. All information requested by the Director is provided in a timely manner.

Directors have direct and independent 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 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 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 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 Guidance

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 (as defined below), the Company and the Board are satisfied that the Board and Board Committees are of the right size for effective decision-making, has the appropriate balance and mix of skills, expertise, knowledge, experience 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.

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 non-executive Directors with no management or business relationship with the Company. 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 Board has considered the recommendation of the Code which stipulates that the independent directors to make up a majority of the Board where the Chairman is not an independent director. With reference to the common board size of six (6) directors for Singapore-listed companies[1] and discussions of the Board, 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 level of independence and with the right structure to enable the Board to function at optimum levels. Correspondingly, the Board will not increase its size to appoint an additional independent director at the near future.

Board Diversity. 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 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 merits 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.

[1] The Singapore Directorship Report 2019 published by Singapore Institute of Directors indicates that the most common size continues to be six (6) directors.

Chairman and Chief Executive Officer

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 who are not related to each other in any manner, to ensure an appropriate checks and balances, increased accountability, and greater capacity of the Board for independent decision making where no one individual has unfettered powers of decision-making. 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.

Chairman. 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.

CEO. 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 remained heavily reliant on traditional paper-based processes, into a unified integrated digital marketplace which promote greater price transparency in the industry. 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 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. Shareholders and other stakeholders may approach the Lead Independent Director through the online enquiry form under the Company's website, where all messages will be transmitted to him directly. The Lead Independent Director also 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 provides leadership in situation where the Chairman is conflicted, convenes and chairs meetings without the involvement of the Management, which enhance the capacity of the Board for independent decision making.

The roles, duties and responsibilities of the Chairman, CEO, Lead Independent Director and Directors of different 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 Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into consideration the composition and the need for progressive renewal of the Board. The search, nomination and evaluation process is delegated to the NC.

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 and 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. The Board regularly and continually reviews 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 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.

CORPORATE GOVERNANCE REPORT

In its review of proposal for appointment or re-appointment of each Director as well as KMP, NC will also 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), including, if applicable, his or her performance as an independent director. 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 independent under the requirements of Rule 210(5)(d) of the Listing Manual as well as the provisions set out in the 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 Independent Directors 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 FY2019 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 which is documented under a Policy on Induction, Training and Development for Directors (the "Training Policy").

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 to 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 roles 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 that the Director is aware if his duties and obligations.

To ensure each Director fulfils the needed and desired competencies of the Board, 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, TOR 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 ("EY"), 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 principal 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 Pascal Demierre, Mr Randolph Khoo, Mr Wang Wei and Mr Qin Jinke, 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 Demierre, Mr Khoo, Mr Wang and Mr Qin as Directors of the Company will be tabled at the forthcoming AGM for Shareholders' approval.

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. For information required under Rule 720(6) and Appendix 7.4.1 of the Listing Manual in respect of the Directors seeking re-election at the AGM, please refer to pages 120 to 129 of this annual report.

Board Performance Evaluation. The NC decides how the Board's performance may be evaluated and 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 each of the 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 TOR.

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 FY2019. 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. Every 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 FY2019, 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 three (3) members and chaired by the Board's Chairman, Mr Liu. 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.

One (1) StratCom meeting was held in FY2019 to review the Group's prospects and long-term development strategic planning.

REMUNERATION MATTERS

The Company's remuneration policy seeks to ensure that 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. 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.

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 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 holds 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 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 contracts of service, to ensure that such contracts 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.

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.

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

Other than the service contracts for the CEO and the COO, 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 which is tailored to the specific role and circumstances of 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 takes 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 an appropriate remuneration level and mix that recognises the performance, potential and responsibilities of these individuals. Specific remuneration packages for each Director in respect of FY2019 have been approved by the Board and is explicitly disclosed on a named basis, on pages 98 to 101 of this annual report.

Remuneration of Non-executive Directors. The Directors' Fees for each non-executive Director which comprise a basic fee and attendance fees, is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities. Directors' 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 2020 ("FY2020") remains the same as FY2019, 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 in respect of the proposed payment of Directors' fees of up to S$750,000 (payable quarterly in arrears) for FY2020.

Remuneration of Executive Directors and KMP. Performance measures and remuneration packages of the executive Directors and KMP are principally based on the achievement of the objectives of their functions as set up in the key performance indicators agreed by each individual, taking into consideration the scope of work, performance, potential and responsibilities of these individuals. 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 the Management's performance in FY2019.

In conjunction with developments in natural rubber market as well as convergence in quality requirement at consumers' end, the operating segment of the Group has been further streamlined which led to a change in certain KMP's designation and scope of responsibilities. Mr Ng Eng Kiat was appointed Managing Director of Halcyon Rubber Company (HRC) Group, which focuses on tyre major business whereas Mr Andrew Trevatt was appointed Chief Commercial Officer of Corrie MacColl Group, the business segment which manages plantation in Cameroon and Malaysia, as well as distribution business in Europe and the United States. The Company has three (3) KMP (who are not Directors or the CEO) for FY2019. Disclosure of their remuneration pursuant to the Code is as follows:

Name	Position	Salary (%)	Allowance/ Benefit (%)	Variable Bonus (%)	Remuneration Band(1)
Andrew Trevatt	Chief Commercial Officer, Corrie MacColl Group	100	–	–	Band 2
Ng Eng Kiat	Managing Director, HRC Group	100	–	–	Band 1
Loh Jui Hau	Chief Financial Officer ("CFO")	80	–	20	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

The total remuneration paid to the three (3) KMP (who are not Directors or the CEO) for FY2019 was approximately S$1,515,000, and has been approved by the Board.

Summary of RC Observations for FY2019. 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. 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.

The Board 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 FY2019. Having considered the prevailing circumstances and financial performance of the Company, the executive Directors have offered to waive their contractual bonus entitlement which is otherwise payable to them under the terms of their service agreements. The executive Directors and KMP (with the exception of the CFO) were not paid annual wage supplement or other variable allowances in FY2019, and their remuneration is solely made up of base salary. The CFO is rewarded variable bonus for effective fund management as well as providing strong financial coordination and expertise on the various financing initiatives under the demanding circumstances during the challenging year.

The Board is of the view that the Company's remuneration decision for FY2019 aligns with the long-term interests of Shareholders and other stakeholders, as well as the risk management policy of the Company. The Company did not engage any remuneration consultants or professional firms in FY2019.

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.

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 creating value for the Shareholders. It provides oversight in the design, implementation and monitoring of the risk management framework and policies, as well as 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 any control lapses. It devotes significant attention to maintaining an effective system of risk management and internal controls, to safeguard the investment of the Company and its Shareholders, 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 31 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's internal audits supplement the Group's evaluation on all matters concerning internal controls including the assessment of any issue identified in the course of internal audit as well as the administration and implementation of the Group's internal policies and procedures.

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, Managing Director - HRC Group, Chief Commercial Officer - Corrie MacColl Group and CFO, is responsible to assess and determine the nature and extent of the financial risks which the Company is allowed to take. The Group Risk Management Policy which imposed appropriate measures and limits to control commercial risk exposures 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 functions is reviewed annually or when circumstances warrant the review process, such as during the integration process after completion of an acquisition, to enhance the standard operating procedures and ensure the newly acquired business is fully compliant with the Group's policies and procedures. The Board's commentary on the Company's risk management and internal controls is set out on page 114 of this Annual Report.

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. 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 executive Director, Mr Demierre remained as a member of the AC after the enforcement of the Code which provides that the AC to comprise only non-executive Directors. The Board considered that the AC has discharge its functions effectively since its inception and the existence of an executive Director who knows the business contributes to a constructive relationship between Management and the AC, and will not hinder the independent judgement of the AC.

The main responsibility and objective of the AC is to assist the Board in fulfilling its financial and other oversight responsibilities by serving as an independent and objective party to oversee, monitor and appraise the integrity of the Company's financial reporting process, the internal controls 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 the assurance provided by the CEO and the CFO on the financial records and financial statements;

(c) review and recommend to the Board, the appointment or re-appointment of the external auditors and matters relating to their removal, remuneration and terms of engagement;

(d) review and evaluate at least annually the adequacy, effectiveness, independence, scope and results of internal and external audits;

(e) review and report to the Board at least annually on the effectiveness and adequacy of the Company's internal controls and risk management systems;

(f) review interested person transactions involving the Group in accordance with the Listing Manual;

(g) review and approve future hedging policy, instruments used for hedging and foreign exchange policy and practice of the Group;

(h) review whistleblowing policy arrangement, lead the independent investigations and ensure appropriate follow-up actions, if any; and

(i) generally undertake such other functions and duties as may be required by the Listing Manual.

To ensure it could discharge its functions properly, AC has the explicit authority to investigate any matters within its TOR and has full access to and the cooperation of Management. The AC has full discretion to invite any Director or executive officer to attend any 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 FY2019:

Financial Reporting. The Company's financial results are prepared and presented in compliance with statutory requirements including applicable accounting standards and Listing Manual. 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 all announcements relating to the Company's financial performance, 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. 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 Manual, after they are approved by the Board.

Following the recent amendments to Rule 705 of the Listing Manual, the Board has decided to announce its financial statements on a half-yearly basis. The Company will continue to comply with its continuing disclosure obligations to keep the Shareholders updated when appropriate, should there be any material developments (financial or otherwise) relating to the Company or the Group.

External Audits. AC reviews the overall scope of external audits prior to each audit process, to ensure material areas are covered and sufficient attention is paid to higher risk areas. During the course of review of the Company's financial statements for FY2019, 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 133 to 134 of this annual report.

The scope and results of auditing by the Company's external auditors, EY, its cost effectiveness, as well as its independence and objectivity are reviewed by the AC annually. 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 FY2019 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, notwithstanding that the non-audit fees exceeded 50% 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 169 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 FY2020. The appointment of external auditors of the Group complies with Rules 712 and 715 of the Listing Rules.

Internal audits. 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.

AC decides on the appointment, termination and remuneration of Nexia TS Risk Advisory Pte Ltd ("Nexia"), the Group's internal auditor since May 2013. 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.

Internal audits are performed accordingly to the audit plan and scope agreed between Nexia and the AC. Nexia 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 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 FY2019 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 ten (10) members assigned to the Company's internal audits, led by Ms Pamela Chan who has 13 years of relevant experience, and Nexia has appropriate standing within the Group during FY2019, 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 FY2019. Further information relating to the IPTs during FY2019 is provided under the section "Interested Person Transactions".

Summary of the Board and AC's Observations for FY2019. 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 FY2019:

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

(b) the Group's risk management and internal controls systems are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group.

With the assurances from the CEO together with the CFO, and following its assessment on the following:

(a) the reviews of the reports of Nexia;

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

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

(d) 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.

SHAREHOLDER RIGHTS AND ENGAGEMENT

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.

Shareholder Rights and Conduct of Shareholder Meetings

The Company's general meetings provide an opportune forum for Shareholders to meet the Board and senior management and to interact with them. It is the Company's principal forum for dialogue with Shareholders. 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. The participation of Shareholders was encouraging and Shareholders actively communicated their views in the general meeting which was held in FY2019.

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 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 together with the respective percentages are displayed on-screen immediately after voting on each resolution is closed. Such results also be announced to the public through SGXnet in accordance with the format prescribed under the Listing Manual.

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

The record of Directors' attendance at the general meeting held in FY2019 is set out on pages 98 to 101 of this annual report.

The Board noted that the Ministry of Finance will review the Companies Act to expressly provide for the use of digital means for companies to conduct meetings and interact with stakeholders. Accordingly, the Board will review the need to amend the Constitution to allow for, among other, the absentia voting at general meetings, at an appropriate time.

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. As any of such strategic actions would affect the allocation of fund, the Company decided to review and/or determine its dividend policy at the most appropriate time. The Company recorded a net loss and consequently no dividend has been declared or recommended in respect of FY2019 .

Engagement with Shareholders

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. 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.

The Company 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. Shareholders or public may ask questions relating to the Company through the online submission form under the Company's website.

Apart from statutory announcements, the Company's website is also regularly updated with business operations, important dates and recapitulate any big announcements. Materials relating to the Group including the financial results, press releases, annual reports and various other investor-related information are also available on the corporate website.

The Group's efforts in upholding the highest standards of corporate governance have been recognised by the Singapore Corporate Awards 2019, with the Company being awarded the Gold Award for Best Annual Report in the category for listed companies with market capitalisation of below S$1 billion. This award recognises the extent and quality of voluntary disclosures in the Company's annual reports, honours SGX-listed companies as well as individuals who, through their corporate practices, have helped to raise Singapore's corporate disclosure standards and corporate governance.

Engagement with Stakeholders

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 stakeholder groups.

HeveaConnect, a joint venture between the Company, ITOCHU Corporation and DBS Bank Ltd. is one of the Company's major initiatives which aims to connect natural rubber stakeholders in the rubber industry, supports the Company's commitment towards a more sustainable rubber industry. HeveaConnect digital marketplace 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 promotes eco-friendly practices and embraces supply chain transparency.

Other information on the Group's corporate social responsibility initiatives and engagements with material stakeholder groups is set out in pages 41 to 83 of this annual report.

DEALING IN SECURITIES

The Company observes and complies with Rule 1207(19) of the Listing Rules on dealings in securities and issues quarterly notices in FY2019 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.

Following the Board's decision to cease quarterly financial reporting, the restrictions in dealing in the Company's securities shall commence one (1) month before the publishing of the Company's half year and full year financial statements.

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 Manual) 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 FY2019, there were no IPTs which were more than S$100,000 entered into by the Group or subject to Rules 905, 906 and 907 of the Listing Manual.

MATERIAL CONTRACTS

Other than the service agreements entered into with the CEO and the COO, 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 FY2019 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2018.

DISCLOSURE ON COMPLIANCE WITH THE CODE

Summary disclosure of key corporate governance practices pursuant to Rule 710 of the Listing Manual, with specific reference to the principles and provisions of the Code, and wherever applicable, the disclosure guide developed by the SGX-ST in January 2015 (the "Disclosure Guide").

Principle and Provisions	Page reference in this Annual Report
General Compliance with all the principles and provisions of the Code	Yes. Page 96
Key information on each Director	
• Background of Directors	Pages 32 to 36
• Age, designation, roles, appointment dates, length of directorship, present and pass three (3) years directorship in other listed companies (if any), meeting attendance and remuneration	Pages 98 to 101
• Supplemental information on Directors seeking re-election at AGM	Pages 120 to 129
• Director's shareholding	Page 130
Provision 1.2 The induction, training and development provided to new and existing directors	Page 106
Disclosure Guide Types of information and training provided to new directors and existing directors to keep them up-to-date	Pages 104 and 106

Principle and Provisions	Page reference in this Annual Report
Disclosure Guide 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 104 and 106
Provision 1.3 Matters that require board approval	Pages 102 to 103
Provision 1.4 Names of the members of the board committees, the terms of reference, any delegation of the board's authority to make decisions, and a summary of each board committee's activities	Pages 97 and 105 to 114
Provision 1.5 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 98 to 101
Provision 2.4 The board diversity and progress made towards implementing the board diversity policy, including objectives	Page 104
Practice Guidance 4 How the board, with its collection of skills, experience and diversity, meets the needs of the company	Pages 96 and 104
Disclosure Guide (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 96 and 104
Provision 4.3 Process for the selection, appointment and re-appointment of directors to the board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidate	Pages 105 to 107
Provision 4.4 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 which may affect his or her independence, the nature of the director's relationship and the reasons for considering him or her as independent should be disclosed	Pages 96 and 106
Disclosure Guide Compliance with the guideline on the proportion of independent directors on the board	Page 104
Disclosure Guide Identify the independent director who has served on the board for more than nine years from the date of his first appointment, and set out the board's reasons for considering him or her independent	Not Applicable Pages 96 and 106
Provision 4.5 The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the nominating committee's and board's reasoned assessment of the ability of the director to diligently discharge his or her duties are disclosed	Pages 98 to 101, and 107 to 108
Disclosure Guide (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	Pages 107 to 108

Principle and Provisions	Page reference in this Annual Report
Provision 5.2 How the assessments of the board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors	Pages 107 to 108
Provision 6.4 The company discloses the engagement of any remuneration consultants and their independence	Page 110
Principle 8 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration, and the relationship between remuneration, performance and value creation	Pages 108 to 110
Provision 8.1 The company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel	Pages 98 to 101, and 108 to 110
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder	Not Applicable Page 110
Provision 8.3 The company discloses all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company, and also discloses details of employee share schemes	Pages 108 to 110
Practice Guidance 8 The aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and at least the top five key management personnel (who are not directors or the CEO)	Not Applicable Page 110
Provision 9.2 Whether the board has received assurance from (a) the CEO and the CFO 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) the CEO and the other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems	Page 114
Practice Guidance 9 The board should comment on the adequacy and effectiveness of the company's risk management and internal control system	Page 114
Disclosure Guide Whether the company have an internal audit function	Page 113
Disclosure Guide 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 112 and 169
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year	Pages 98 to 101
Provision 12.1 The steps taken by the company to solicit and understand the views of shareholders	Pages 114 to 116
Provision 13.2 The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Page 116
Disclosure Guide Where dividends are not paid, company should disclose their reasons	Page 115

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The information required under Rule 720(6) and Appendix 7.4.1 of the SGX-ST Listing Manual in respect of Directors seeking re-election at the Company's Annual General Meeting is set out below.

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
1. **Date of appointment**	8 July 2010	7 January 2013	1 January 2018	3 May 2017
2. **Date of last re-appointment**	23 April 2018	23 April 2018	23 April 2018	23 April 2018
3. **Age**	46	56	49	40
4. **Country of principal residence**	Singapore	Singapore	China	China
5. **The Board's comments on this re-election** (including rationale, selection criteria, and the search and nomination process)	The Board, after reviewed the recommendation from the Nominating Committee and Mr Pascal Demierre's professional expertise, experience, performance and contributions, approved that Mr Pascal Demierre stands for re-election as an Executive Director of the Company Process for the selection and re-appointment of Directors to the Board is set out on page 107 of the Annual Report	The Board, after reviewed the recommendation from the Nominating Committee and Mr Khoo Boo Teck Randolph's professional expertise and experience (as set out below), as well as his independence from management, the Board approved that Mr Khoo stands for re-election as an Independent Director of the Company Process for the selection and re-appointment of Directors to the Board is set out on page 107 of the Annual Report	The Board, after reviewed the recommendation from the Nominating Committee and Mr Qin Jinke's professional expertise and experience (as set out below), the Board approved that Mr Qin stands for re-election as a Non-executive Director of the Company Process for the selection and re-appointment of Directors to the Board is set out on page 107 of the Annual Report	The Board, after reviewed the recommendation from the Nominating Committee and Mr Wang Wei's professional expertise and experience (as set out below), the Board approved that Mr Wang stands for re-election as a Non-executive Director of the Company Process for the selection and re-appointment of Directors to the Board is set out on page 107 of the Annual Report
6. **Whether appointment is executive, and if so, the area of responsibility**	Executive, responsible for all corporate matters, including mergers & acquisitions, legal, corporate governance, corporate structuring, information technology, human resource and general administration	Non-executive	Non-executive	Non-executive

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
7. **Job title (e.g. Lead ID, AC Chairman, AC Member etc.)**	Executive Director, Member of Audit Committee and Remuneration Committee	Independent Director, Chairman of Nominating Committee, Member of Remuneration Committee and Audit Committee	Non-executive Director	Non-executive Director
8. **Professional qualifications**	• Bachelor of Law (Upper Second) from King's College London, United Kingdom • Graduate Diploma in Law from the National University of Singapore	Bachelor of Law from the National University of Singapore	• Bachelor Degree from The Central University of Finance and Economics • Executive Master of Business Administration from China Europe International Business School	• Master's degree in International Relations, major in contemporary international economic relations, from China Foreign Affairs University • Bachelor of Arts in International Economics and Trade, from the China Foreign Affairs University
9. **Working experience and occupation(s) during the past 10 years**	• October 2013 to present – Executive Director of the Company • January 2007 to September 2013 – Chief Corporate Officer, Halcyon Investment Corporation Pte. Ltd.	Mr Khoo has been with Drew & Napier LLC ("D&N"), one of Singapore's leading and largest full service law firms, since 1990. He is currently the Deputy Managing Director for Dispute Resolution Department of D&N and heads the dispute resolution practices of the Greater China, India and International Trade Desk and Private Client Disputes Group	Mr Qin Jinke has been with Sinochem International Corporation Ltd. ("Sinochem"), a company listed on the Shanghai Stock Exchange for more than 10 years. His current position and roles with Sinochem during the past 10 years are as follows: • September 2014 to Present – Chief Financial Officer • June 2012 to September 2014 – Vice Chief Financial Officer • January 2010 to June 2012 – General Manager of Financial Headquarter	• October 2009 to Present - Executive Director, the Infrastructure and Energy Investment Department of China-Africa Development Fund • November 2007 to August 2009 - Consultant, APCO Consulting (Beijing) Co., Ltd.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
10. **Shareholding interest in the listed issuer and its subsidiaries**	• Direct Interest – 11,300,000 shares in the Company • Deemed interest – 24,825 shares in the Company	Nil	Nil	Nil
11. **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries**	Nil	Nil	Nil	Nil
12. **Conflict of interests (including any competing business)**	Nil	Nil	Nil	Nil
13. **Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer**	Yes	Yes	Yes	Yes
14. **Other Principal Commitments including Directorships** *(a) Past (for the last 5 years)*	• Director, Halcyon Agri Resources Pte. Ltd. • Director, Halcyon Corporate Services Pte. Ltd. • Director, Halcyon Energy Corporation Pte. Ltd. • Director, 6T9 Collection Pte. Ltd. *Note: Excluding directorship in the Company's subsidiaries*	Nil	• Director, Sinochem International Corp Care Co., Ltd.	Nil

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
(b) *Present*	• Executive Director, Halcyon Agri Corporation Limited • Independent Director, The Hour Glass Limited • Council Member, Alliance Française de Singapour • Director, Demierre Holdings Pte. Ltd. • Director, Demierre (Private) Limited • Director, Swift Heritage Pte Ltd • Director, Gastrolicious Pte. Ltd. • Director, Halcyon Investment Corporation Pte. Ltd. • Director, Halcyon Strategic Pte. Ltd. *Note: Excluding directorship in the Company's subsidiaries*	• Deputy Managing Director for Dispute Resolution Department, D&N • Advocate and Solicitor of the Supreme Court Singapore, a Notary Public and a Commissioner for Oaths • Panel Arbitrator, Singapore Institute of Arbitrators • Panel Arbitrator, Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission and Shenzhen Court of International Arbitration • Panel Arbitrator, Asian Institute of Arbitration and the Malaysian Institute of Arbitrators • Panel Arbitrator, Chinese Arbitration Association, Taipei • Panel Arbitrator, Institute of Modern Arbitration of the Russian Federation	• Chief Financial Officer, Sinochem • Director, Nantong Jiangshan Agrochemical & Chemicals Co., Ltd. • Director, Sinorgchem Technology Co., Ltd. • Director, Sinochem International Logistics Co., Ltd. • Director, Sinochem International (Overseas) Pte. Ltd. • Director, Shanghai Dehuan Real Estate Co., Ltd. • Director, Shanghai WenChuang Trade Co., Ltd. • Director, Shanghai Hancheng Trading Co., Ltd. • Director, SC Petrochemical (HK) Co., Limited • Director, Jiangsu HuaYuan Coking Co., Ltd. • Director, Shaxi Yaxin Coal Coking Co., Ltd.	• Executive Director, the Infrastructure and Energy Investment Department, China-Africa Development Fund • Director, HNA & CADF Logistics Co., Ltd • Director, Nanjing Ocean (CM) Co., Ltd • Director, Sunon Ansogli Power (Ghana) Ltd.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
		• 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 • Director, JKSM Investments Pte Ltd		
15. **Other declarations** (a) *Was there at any time during the last 10 years an application or a petition under any bankruptcy laws of any jurisdiction filed against you, or against a partnership of which you were a partner at the time when you were a partner or at any time within 2 years from the date you ceased to be a partner?*	No	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
(b) Was there at any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which you were a director or an equivalent person or a key executive, at the time when you were a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date you ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Is there any unsatisfied judgment against you?	No	No	No	No
(d) Have you been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or have been the subject of any criminal proceedings (including any pending criminal proceedings of which you are aware) for such purpose?	No	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
(e) Have you been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere? Have you ever been the subject of any criminal proceedings (including any pending criminal proceedings of which you are aware) for such breach?	No	No	No	No
(f) Have you, at any time in the last 10 years, had any judgment entered against you in any civil proceedings, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere or a finding of fraud, misrepresentation or dishonesty on your part? Have you been the subject of any civil proceedings (including any pending civil proceedings of which you are aware) involving an allegation of fraud, misrepresentation or dishonesty on your part?	No	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
(g) Have you been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Have you ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No
(i) Have you been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining you from engaging in any type of business practice or activity?	No	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
(j) Have you ever, to your knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:				
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during the period when you were so concerned with the entity or business trust?	No	No	No	No
(k) Have you been the subject of any current or past investigation or disciplinary proceedings, or have been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, SGX-ST, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No

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 2019.

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 2019 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
Wang Wei
Jeremy Goon
Qin Jinke
Lam Chun Kai

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	–	–	55,500,000	55,500,000
Pascal Demierre	11,300,000	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	US$1,300,000	–	–	–

4. Directors' interest in shares or debentures (cont'd)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2020.

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 2019:

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

6. Audit committee (cont'd)

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
31 March 2020

Report on the audit of the financial statement

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 2019, 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 2019 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 2019, the Group's goodwill and process know-how amounted to US$286,379,000 and US$10,000,000 respectively. These represent approximately 50% 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.

Key audit matters (cont'd)

1. Impairment of goodwill and process know-how (cont'd)

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. Measurement of biological assets

The Group has rubber plantations for which the latex and rubber trees are subject to valuation. In December 2019, as disclosed in Note 3.1(a), the Group has reclassified Cameroon plantation as non-bearer plant measured at fair value less cost of disposal. A gain of US$52,698,000 was recorded on the date of reclassification in the financial year ended 31 December 2019.

As at 31 December 2019, biological assets of the Group amounted to US$299,466,000 (2018: US$10,225,000). These biological assets, where significant, are fair valued by professional independent valuers engaged by the Group using industry/market accepted valuation methodology. Due to the measurement of fair value being inherently judgement and significance of the amount, we have considered this to be a key audit matter.

We had obtained the valuation of biological assets prepared by independent professional valuers engaged by the Group. The fair value reports are reviewed by us together with our valuation specialists for appropriateness of the fair value methodology used and reasonableness of the assumptions used which include forecast cash flows, discount rates and yield rates for the plantation and market prices of the latex and log. We assessed the competence, capability and objectivity of the independent professional valuers and assessed the reasonableness of their conclusions having regard to the key assumptions mentioned above.

For Cameroon plantation, we discussed with management on the change of business model during the year, and corroborate the discussion to business plan and feasibility studies carried out by management. We reviewed management's accounting treatment of fair value gain on the date of reclassification in accordance with SFRS(I) 1-41.

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(I), 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 Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2020

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2019

	Note	2019	2018
		US$'000	US$'000
Revenue	4	1,907,747	2,141,034
Cost of sales		(1,800,395)	(2,022,591)
Gross profit		107,352	118,443
Other income	5	62,248	6,655
Selling expenses		(45,174)	(43,859)
General and administrative expenses		(90,143)	(81,521)
General and administrative expenses– foreign exchange gain		4,361	5,342
Impairment losses on financial assets		(324)	(585)
Operating profit		38,320	4,475
Finance income	6(a)	6,069	4,900
Finance costs	6(b)	(40,826)	(26,174)
Share of loss of an associate		(252)	(165)
Profit/(Loss) before tax	8	3,311	(16,964)
Income tax (expense)/credit	7	(7,041)	3,551
Loss for the financial year		(3,730)	(13,413)
Loss attributable to:			
Owners of the Company		(1,633)	(8,484)
Non-controlling interests		(2,097)	(4,929)
		(3,730)	(13,413)
Loss per share ("LPS"):			
Basic and diluted (cents per share)	10	(0.31)	(0.96)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018
		US$'000	US$'000
Loss for the financial year		(3,730)	(13,413)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		7,171	(31,711)
Net fair value changes on derivative financial instruments at fair value through other comprehensive income reclassified to profit or loss		314	(315)
Realisation of foreign currency translation reserve upon liquidation of a subsidiary		–	(5,333)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on retirement benefit obligation (net of tax)		697	3,132
Net fair value loss on equity instruments at fair value through other comprehensive income		(2)	(4)
Other comprehensive income/(loss) for the financial year net of tax		8,180	(34,231)
Total comprehensive income/(loss) for the financial year net of tax		4,450	(47,644)
Attributable to:			
- Owners of the Company		6,529	(40,766)
- Non-controlling interests		(2,079)	(6,878)
Total comprehensive income/(loss) for the financial year net of tax		4,450	(47,644)

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

STATEMENTS OF FINANCIAL POSITION

AS at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
ASSETS					
Non-current assets					
Intangible assets	11	300,941	300,903	914	1,164
Property, plant and equipment	12	311,652	294,972	3,320	168
Plantation and biological assets	16	466,079	380,391	–	–
Investment properties	13	44,718	46,799	–	–
Deferred tax assets	15	21,259	15,056	–	–
Deferred charges		433	352	–	–
Other assets		1,618	1,787	–	–
Loans and other receivables	19	3,425	3,491	–	–
Investment in subsidiaries	14(a)	–	–	685,671	680,010
Investment in an associate	14(b)	1,035	1,190	–	–
Total non-current assets		1,151,160	1,044,941	689,905	681,342
Current assets					
Cash and bank balances	17	57,905	125,214	369	770
Trade receivables	18	133,753	146,745	–	–
Loans and other receivables	19	159,700	146,186	861,924	808,726
Tax receivables		11,696	9,386	–	–
Derivative financial instruments	20	20,523	44,190	928	670
Inventories	21	375,394	297,941	–	–
Consumable biological assets	16	6	17	–	–
		758,977	769,679	863,221	810,166
Assets classified as held for sale	22	4,820	–	–	–
Total current assets		763,797	769,679	863,221	810,166
Total assets		1,914,957	1,814,620	1,553,126	1,491,508

STATEMENTS OF FINANCIAL POSITION

AS at 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000	Company 2019 US$'000	Company 2018 US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	20	10,534	1,920	507	670
Trade payables	23	38,331	34,570	–	–
Other payables	24	55,076	55,682	257,991	123,150
Loan payables	25	611,821	520,400	347,047	293,750
Provision for taxation		6,187	12,418	552	1
Lease liabilities	30	3,124	42	1,021	–
Total current liabilities		725,073	625,032	607,118	417,571
Net current assets		38,724	144,647	256,103	392,595
Non-current liabilities					
Loan payables	25	511,912	391,640	342,454	297,817
Retirement benefit obligations	26	22,541	19,024	–	–
Deferred tax liabilities	15	48,012	38,643	71	36
Lease liabilities	30	10,203	132	1,823	–
Other payables	24	8,228	4,263	–	–
Total non-current liabilities		600,896	453,702	344,348	297,853
Net assets		588,988	735,886	601,660	776,084
Capital and reserves					
Share capital	27	603,874	603,874	603,874	603,874
Perpetual securities	28	–	148,690	–	148,690
Capital reserve	29(a)	1,814	1,617	–	–
Other reserves	29(b)	(2,952)	(3,313)	(1,310)	–
Accumulated (losses)/profit		(56,162)	(51,651)	(904)	23,520
Foreign currency translation reserve	29(c)	14,903	7,749	–	–
Equity attributable to owners of the Company		561,477	706,966	601,660	776,084
Non-controlling interests		27,511	28,920	–	–
Total equity		588,988	735,886	601,660	776,084
Total liabilities and equity		1,914,957	1,814,620	1,553,126	1,491,508

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 2019

	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 2019		603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920	735,886
Loss for the year		–	–	–	–	(1,633)	–	(1,633)	(2,097)	(3,730)
Other comprehensive income		–	–	–	314	694	7,154	8,162	18	8,180
Total comprehensive income/(loss) for the year		–	–	–	314	(939)	7,154	6,529	(2,079)	4,450
Contributions by and distributions to owners										
Distribution to perpetual securities holders	28	–	–	–	–	(3,375)	–	(3,375)	–	(3,375)
Reclassification of perpetual securities to loan payables		–	(148,690)	–	(1,310)	–	–	(150,000)	–	(150,000)
Statutory reserve fund		–	–	197	–	(197)	–	–	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(173)	(173)
Total contributions by and distributions to owner		–	(148,690)	197	(1,310)	(3,572)	–	(153,375)	(173)	(153,548)
Changes in ownership interests in subsidiaries										
Issuance of shares of a subsidiary to non-controlling interests		–	–	–	1,357	–	–	1,357	843	2,200
Total changes in ownership interests in subsidiaries		–	–	–	1,357	–	–	1,357	843	2,200
At 31 December 2019		603,874	–	1,814	(2,952)	(56,162)	14,903	561,477	27,511	588,988

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 2019

	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	36	–	–	–	–	(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 interests 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)

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

	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(I) 9 has been disclosed in Note 38.

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 2019

	Note	Share capital	Perpetual securities	Other reserves	Accumulated profits/ (losses)	Total equity
		US$'000	US$'000	US$'000	US$'000	US$'000
Company						
1 January 2019		603,874	148,690	–	23,520	776,084
Loss for the year representing total comprehensive loss for the year		–	–	–	(21,049)	(21,049)
Contributions by and distributions to owners						
Distribution to perpetual securities holders	28	–	–	–	(3,375)	(3,375)
Reclassification of perpetual securities to loan payables		–	(148,690)	(1,310)	–	(150,000)
Total transactions with owners in their capacity as owners		–	(148,690)	(1,310)	(3,375)	(153,375)
At 31 December 2019		603,874	–	(1,310)	(904)	601,660
At 1 January 2018		603,874	148,690	–	62,604	815,168
Loss for the year representing total comprehensive income for the year		–	–	–	(8,246)	(8,246)
Contributions by and distributions to owners						
Dividends on ordinary shares	36	–	–	–	(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 2019

	Note	2019	2018
		US$'000	US$'000
Operating activities			
Profit/(Loss) before tax		3,311	(16,964)
Adjustments for:			
Depreciation expense		29,367	28,479
Amortisation of intangible assets		839	372
Amortisation of right-of-use assets		2,798	–
Retirement benefit expense		7,016	4,690
Interest income		(6,069)	(4,900)
Interest expense		40,826	26,174
Fair value gain on open forward commodities contracts and inventories, unrealised		(7,880)	(54)
Fair value gain on investment properties	5	(80)	(4,515)
Fair value gain on biological assets	5	(52,698)	(1)
Unrealised foreign exchange (gain)/loss		(196)	1,730
Impairment of property, plant and equipment		257	–
(Gain)/Loss on disposal of property, plant and equipment and investment properties		(265)	79
Write off of property, plant and equipment		591	2,781
Inventories written down		1,546	–
Gain on realisation of foreign currency translation reserve upon liquidation of a subsidiary		–	(5,333)
Allowance for expected credit losses on trade and other receivables		324	585
Net reversal of allowance for doubtful debt		(4,671)	–
Share of loss of an associate		252	165
Operating cash flows before changes in working capital		15,268	33,288
Trade and other receivables		8,212	(50,340)
Inventories		(34,587)	22,453
Trade and other payables		(3,647)	(29,711)
Cash used in operations		(14,754)	(24,310)
Interest received		2,082	4,371
Interest paid		(25,564)	(18,828)
Tax paid		(3,381)	(14,165)
Net cash used in operating activities		(41,617)	(52,932)
Investing activities			
Proceeds from issuance of shares of a subsidiary to non-controlling interests		2,200	1,000
Acquisition of non-controlling interests		–	(15,260)
Capital expenditure on property, plant and equipment, intangible assets and plantation assets		(68,245)	(78,714)
Proceeds from disposal of property, plant and equipment and investment properties		523	1,517
Acquisition of subsidiaries (net of cash acquired)		–	(109,579)
Payment of capitalised corporate transaction		–	(208)
Net cash used in investing activities		(65,522)	(201,244)

CONSOLIDATED CASH FLOW STATEMENT
For the financial year ended 31 December 2019

	Note	2019	2018
		US$'000	US$'000
Financing activities			
Repayment of perpetual securities		(150,000)	–
Net proceeds of borrowings		209,920	280,593
Net proceeds/(repayment) of term loans		159,779	(15,330)
Net proceeds of other working capital loans		50,141	295,923
Repayment of obligation under lease arrangements		(3,055)	(582)
Interest paid on term loans		(14,623)	(12,356)
Dividend distributed to perpetual securities holders	28	(3,375)	(6,750)
Dividend paid on ordinary shares	36	–	(24,088)
Repayment of shareholder loan for newly acquired subsidiaries		–	(10,306)
Dividend paid to non-controlling interests		(173)	(354)
(Increase)/Decrease in pledged deposits		(22)	2,288
Net cash generated from financing activities		38,672	228,445
Net decrease in cash and cash equivalents		(68,467)	(25,731)
Cash and cash equivalents at the beginning of year		122,931	153,372
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,163	(4,710)
Cash and cash equivalents at the end of year		55,627	122,931
Cash and bank balances comprise the following:			
Cash and cash equivalents		55,627	122,931
Fixed deposits – pledged		2,278	2,283
		57,905	125,214

Reconciliation of borrowings arising from financing activities:

	Group	
	Loan payables	**Lease liabilities**
	US$'000	US$'000
	(Note 25)	(Note 30)
At 1 January 2018	610,511	582
Net proceeds/(repayment) of borrowings	280,593	(582)
Non-cash items:		
- Acquisition of subsidiaries	29,064	–
- Foreign exchange movement	(9,328)	–
- Amortisation fee for loan	1,200	–
- Others	–	174
Total non-cash items	20,936	174
At 31 December 2018	912,040	174
Net proceeds/(repayment) of borrowings	209,920	(3,055)
Non-cash items:		
- Addition on right-of-use assets	–	15,702
- Foreign exchange movement	550	27
- Amortisation fee for loan	1,223	–
- Others	–	479
Total non-cash items	1,773	16,208
At 31 December 2019	1,123,733	13,327

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 180 Clemenceau Avenue, #05-02 Haw Par Centre, Singapore 239922.

As at 31 December 2019, 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) ("ultimate holding company"), 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)").

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.

<u>New accounting standards effective on 1 January 2019</u>

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 2019. 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.

i) SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and SFRS(I) INT 4 Determining whether an Arrangement Contains a Lease, SFRS(I) INT 1-15 Operating Leases-Incentives and SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

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

2.1 (a) Basis of preparation (cont'd)

<u>New accounting standards effective on 1 January 2019</u> (cont'd)

i) SFRS(I) 16 Leases (cont'd)

The effect of adopting SFRS(I) 16 as at 1 January 2019 was as follows:

Impact on the consolidated statement of financial position (increase/(decrease)):

	Group
	US$'000
Assets	
Property, plant and equipment	(218)
Right-of-use assets	11,709
Total assets	**11,491**
Liabilities	
Lease liabilities	11,665
Finance lease liabilities	(174)
Total liabilities	**11,491**

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.21 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.21 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

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

2.1 (a) Basis of preparation (cont'd)

New accounting standards effective on 1 January 2019 (cont'd)

i) SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group
	US$'000
Assets	
Operating lease commitments as at 31 December 2018	19,938
Weighted average incremental borrowing rate as at 1 January 2019	5.16%
Discounted operating lease commitments as at 1 January 2019	11,603
Less:	
Commitments relating to short-term leases	(337)
Add:	
Commitments relating to leases previously classified as finance leases	174
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	225
Lease liabilities as at 1 January 2019	11,665

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

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
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Amendments to SFRS(I) 3: Definition of a Business	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 17: Insurance Contracts	1 January 2021
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

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.

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.

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2019

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

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.

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

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 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 expiring of its current term. The land use rights is depreciated over its remaining useful life of 78 years.

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

2.10 Investment properties

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

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

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

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

2.11 Intangible assets

(a) Goodwill

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

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

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

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

(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.

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

2.11 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

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.

2.12 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 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.

Financial year ended 31 December 2018

Bearer plants consist of the oil palm trees in the Malaysian plantation and rubber trees in Cameroon and Ivory Coast plantations. 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, and rubber latex in the Cameroon and Ivory Coast plantation. These are measured at fair value less estimate costs to sell. Gains or losses arising on initial recognition of plantations at fair value less estimated costs to sell and from the changes in fair value less estimated costs to sell of plantations at each reporting date are included in profit or loss for the period in which they arise.

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

2.12 Bearer plants and biological assets (cont'd)

Financial year ended 31 December 2019

Bearer plants consist of the oil palm trees in the Malaysian plantation and rubber trees in Ivory Coast plantation. 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 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 latex and rubber trees in the Malaysian and Cameroonian plantations, produce that grows on oil palm trees in the Malaysian plantations and rubber latex in Ivory Coast plantation. These are measured at fair value less estimate costs to sell. Gains or losses arising on initial recognition of plantations at fair value less estimated costs to sell. Gains or losses arising on initial recognition of plantations at 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.

Refer Note 3.1(a) on the reclassification of the Cameroon rubber plantations during the financial year. Fair value gain arising from reclassification of rubber trees from bearer plants to non-bearer plants is recognised in profit or loss in the year of reclassification.

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.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

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.

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

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).

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

2.15 Impairment of financial assets (cont'd)

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.

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

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

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

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

2.21 Leases **(cont'd)**

Group as a lessee (cont'd)

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.13.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

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

2.21 Leases **(cont'd)**

<u>Accounting policy prior to 1 January 2019</u>

As lessee

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

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

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

2.22 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.

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

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.

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.

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

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

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.

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

2.27 Contingencies (cont'd)

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.

2.28 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 34, 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 Cameroon.

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 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 Cameroon, and it is the Group's business plan to sell the rubber trees as lumber at the end of the rubber production life.

The reclassification of Cameroon rubber plantation from bearer plant in the financial year ended 31 December 2019 is due to the improvement in accessibility spurred by new transportation infrastructure near the Group's Cameroonian plantations, which has rendered selling harvested rubber trees to key markets to be commercially viable. The change in circumstances led to the Group's decision to construct a sawmill factory. As such, the classification has changed accordingly in December 2019. Fair value gain on biological assets of US$53,250,000 has been recognised on the date of the reclassification of Cameroon's rubber plantation from bearer plant to non-bearer plant.

Further details are disclosed in Note 2.12.

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

3.2 Key sources of estimation uncertainty

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

(a) 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 2019 is US$296,379,000 (2018: US$297,399,000).

(b) Measurement of biological assets

The fair value of biological assets is estimated using the discounted cash flow model ("DCF") by independent professional valuers. This requires an estimate of the expected future cash flows from the biological assets to be made and a suitable discount rate to be chosen, in order to calculate the present value of future cash flows. The valuation of these biological assets is particularly sensitive to discount rates as disclosed in Note 35(d)(i).

4. Revenue

	Group	
	2019	**2018**
	US$'000	US$'000
Sale of goods	1,907,747	2,141,034

Sales of rubber is recognised at point in time. Please refer to Note 34 for disaggregation of revenue.

5. Other income

	Group	
	2019	**2018**
	US$'000	US$'000
Fair value gain on investment properties (Note 13)	80	4,515
Fair value gain on biological assets (Note 16)	52,698	1
Reversal of impairment of doubtful debt	7,171	–
Others	2,299	2,139
	62,248	6,655

6. (a) Finance income

	Group	
	2019	**2018**
	US$'000	US$'000
Interest income:		
- Loans and receivables	4,862	3,797
- Deposits	1,207	1,103
	6,069	4,900

6. (b) Finance costs

	Group	
	2019	2018
	US$'000	US$'000
Interest expense on:		
- Term loans	21,974	19,364
- Working capital loans	29,458	18,694
- Lease liabilities (Note 30)	479	22
	51,911	38,080
Less: interest expense capitalised in:		
- Plantation and biological assets (Note 16)	(11,085)	(11,906)
Total finance costs	40,826	26,174

7. Income tax (expense)/credit

	Group	
	2019	2018
	US$'000	US$'000
Consolidated income statement		
Current tax		
Current tax expense	(4,387)	(5,383)
Over provision in prior years	173	2,252
Deferred tax		
Tax credit relating to the origination and reversal of temporary differences (Note 15)	(2,827)	6,682
Income tax (expense)/credit recognised in profit or loss	(7,041)	3,551

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

Reconciliation between tax (expense)/credit and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 31 December 2018 are as follows:

	Group	
	2019	2018
	US$'000	US$'000
Profit/(Loss) before taxation	3,311	(16,964)
Tax at the domestic income tax rate of 17% (2018: 17%)	(563)	2,884
Effect of non-deductible expenses	(8,905)	(7,715)
Effect of non-taxable income	2,204	7,581
Effect of tax exempt income	40	78
Interest income deducted at source	139	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3,182)	2,059
Deferred tax asset not recognised	(3,775)	(6,550)
Utilisation of previously unrecognised deferred tax asset	1,976	2,175
Reversal of temporary differences relating to deferred tax liability for foreign sourced income	–	1,539
Effect of tax incentive at lower rate	5,652	(691)
Share of result of associates	(50)	(33)
Over provision in prior years	173	2,252
Tax on revenue	(901)	(329)
Others	151	301
Income tax (expense)/credit recognised in profit or loss	(7,041)	3,551

7. Income tax (expense)/credit (cont'd)

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. Profit/(Loss) before tax

	Group	
	2019	2018
	US$'000	US$'000
(a) Profit/(Loss) before tax has been arrived at after charging/(crediting):		
Non-recurring expenses (included within administrative expenses):		
- Acquisition related expenses	–	460
- Restructuring and retrenchment expenses	3,496	–
	3,496	460
Impairment of property, plant and equipment	257	–
Allowance for advances to suppliers	2,500	–
Inventories written down	1,546	–
	4,303	–
Depreciation of property, plant and equipment and plantation related properties included in:		
- Cost of sales	23,027	21,602
- Selling expenses	144	94
- Administrative expenses	6,196	6,783
	29,367	28,479
Foreign exchange gain included in:		
- Cost of sales	(6,615)	(1,750)
- Administrative expenses	(4,361)	(5,342)
	(10,976)	(7,092)
Amortisation:		
- Intangible assets (Note 11)	839	372
- Right-of-use assets	2,798	–
	3,637	372

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

		Group	
		2019	2018
		US$'000	US$'000
(a)	Profit/(Loss) before tax has been arrived at after charging/(crediting):		
	Professional fees	6,158	7,301
	Directors' remuneration	1,144	1,156
	Directors' fees (Note 33)	446	457
	Audit fees:		
	- paid to auditors of the Company	1,357	1,220
	- paid to other auditors	42	172
	Non-audit fees:		
	- paid to auditors of the Company	50	285
	Operating lease expense	–	2,685
	(Gain)/Loss on disposal of property, plant and equipment and investment properties	(265)	79
	Lease expenses on short-term leases and low-value assets	1,411	–
	Write off of property, plant and equipment	591	2,781
	Impairment losses on financial assets	324	585
	Inventories recognised as an expense in cost of sales (1)	1,800,395	2,022,591

(1) Included unrealised fair value gain/(loss) on open forward commodity contracts and adjustment on inventories of US$7,880,000 (2018: (US$8,052,000))

(b)	Employee benefits expenses (including directors' remuneration):		
	- Defined benefit plans	7,016	4,690
	- Defined contribution plans	2,841	2,702
	- Staff welfare	3,065	5,757
	- Staff salaries	94,646	94,897
		107,568	108,046
	Included in:		
	- Cost of sales	60,845	59,782
	- Selling expenses	7,275	7,145
	- Administrative expenses	39,448	41,119
		107,568	108,046

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

	Group	
	2019	2018
	US$'000	US$'000
Profit/(Loss) before taxation	3,311	(16,964)
Adjustments for:		
Depreciation expense (Note 8)	29,367	28,479
Finance costs (Note 6(b))	40,826	26,174
Loss on disposal of investment properties and property, plant and equipment and write off of property, plant and equipment	326	2,860
Interest income	(6,069)	(4,900)
Amortisation of intangible assets (Note 8)	839	372
Amortisation of right-of-use assets (Note 8)	2,798	–
Share of loss of associates	252	165
EBITDA	71,650	36,186
Add: Non-recurring expenses (Note 8)	3,496	460
Less: Fair value gain on investment properties (Note 5)	(80)	(4,515)
Adjusted EBITDA	75,066	32,131

10. Loss per share ("LPS")

	Group	
	Basic and diluted	
	2019	2018
	US$'000	US$'000
Loss for the year attributable to owners of the Company	(1,633)	(8,484)
Dividend on perpetual securities	(3,375)	(6,750)
Adjusted loss for the year attributable to owners of the Company	(5,008)	(15,234)

	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 per share (US Cents)	(0.31)	(0.96)

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 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 and 1 January 2019	10,000	287,399	2,800	33	1,247	301,479
Additions	–	–	–	–	509	509
Finalisation of purchase price allocation review (Note 14(a)(i))	–	(1,020)	–	–	–	(1,020)
Transfer from property, plant and equipment (Note 12)	–	–	–	–	2,531	2,531
Exchange difference	–	–	–	1	–	1
At 31 December 2019	10,000	286,379	2,800	34	4,287	303,500
Accumulated amortisation:						
At 1 January 2018	–	–	193	11	–	204
Amortisation for the year (Note 8)	–	–	280	9	83	372
As at 31 December 2018 and 1 January 2019	–	–	473	20	83	576
Transfer from property, plant and equipment (Note 12)	–	–	–	–	1,144	1,144
Amortisation for the year (Note 8)	–	–	280	9	550	839
At 31 December 2019	–	–	753	29	1,777	2,559
Net carrying amount:						
At 31 December 2018	10,000	287,399	2,327	13	1,164	300,903
At 31 December 2019	10,000	286,379	2,047	5	2,510	300,941

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

11. Intangible assets (cont'd)

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 and 1 January 2019	1,247
Additions	–
At 31 December 2019	1,247
Accumulated amortisation:	
At 1 January 2018	–
Amortisation for the year	83
At 31 December 2018 and 1 January 2019	83
Amortisation for the year	250
At 31 December 2019	333
Net carrying amount:	
At 31 December 2018	1,164
At 31 December 2019	914

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 2.11(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
	2019
	US$'000
A CGU within HRC Group	252,110
A CGU within SINRIO Group	4,491
A CGU within Corrie MacColl Group	29,778
	286,379

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.

11. Intangible assets (cont'd)

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 5 to 8 years (31 December 2018: 6 to 9 years).

Computer software

Computer software has a remaining amortisation period of 3 years (2018: 4 years).

Trademark

Trademark has a remaining amortisation period of 1 year (2018: 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 2019. No impairment loss was recognised as at 31 December 2019 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 2019	Discount rate (pre-tax)	Growth rate
	US$'000		
HRC Group:			
- Goodwill	252,110	10%	3%
- Process know-how	10,000	10%	3%
SINRIO Group:			
- Goodwill	4,491	10%	4%
Corrie MacColl Group:			
- Goodwill	29,778	10%	3%
Total	296,379		

Cash generating units/intangible assets	Carrying amount as at 31 December 2018	Discount rate (pre-tax)	Growth rate
	US$'000		
Processing segment:			
- 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)

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.

Gross profit per metric tonne – forecasted gross profit is based on estimated gross profit for the future years.

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.

For HRC Group, assuming that gross profit per metric tonne deviates from budget by 17%, there will be an impairment loss of US$2,900,000 to the goodwill.

12. Property, plant and equipment

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment (Note 12(a))	298,519	294,972	520	168
Right-of-use assets (Note 12(b))	13,133	–	2,800	–
	311,652	294,972	3,320	168

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

12(a) Property, plant and equipment

Group	Leasehold improvements and renovation	Office equipment	Computers and software	Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Assets 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 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 and 1 January 2019	2,577	17,149	5,013	147,456	89,679	6,800	69,095	8,981	16,407	363,157
Additions	650	1,337	709	331	4,048	639	256	–	22,375	30,345
Finalisation of purchase price allocation review (Note 14(a)(i))	–	–	–	–	333	–	–	–	–	333
Disposals	–	(62)	(171)	(135)	(1,036)	(1,358)	–	–	–	(2,762)
Write offs	–	(98)	–	(34)	(3,262)	(133)	–	–	(13)	(3,540)
Transfer to plantation related properties (Note 16)	–	–	–	–	–	–	–	–	(85)	(85)
Transfer to intangible assets (Note 11)	–	–	(2,531)	–	–	–	–	–	–	(2,531)
Transfer to right-of-use assets (Note 12(b))	–	–	–	–	–	(219)	–	–	–	(219)
Reclassifications	49	2,633	(541)	(2,902)	7,895	158	(353)	361	(7,300)	–
Exchange difference	138	97	89	2,159	3,242	1,693	1,701	971	137	10,227
At 31 December 2019	3,414	21,056	2,568	146,875	100,899	7,580	70,699	10,313	31,521	394,925

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

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

Group	Leasehold improvements and renovation	Office equipment	Computers and software	Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Assets under construction	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Accumulated depreciation and impairment:										
At 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 and 1 January 2019	1,651	4,854	2,312	23,543	27,410	386	8,029	–	–	68,185
Disposals	–	(54)	(139)	(100)	(864)	(1,347)	–	–	–	(2,504)
Depreciation for the year (Note 8)	996	1,697	586	8,182	11,821	1,497	2,072	–	–	26,851
Impairment	–	–	–	–	257	–	–	–	–	257
Write offs	–	(94)	–	(34)	(2,772)	(49)	–	–	–	(2,949)
Transfer to plantation related properties (Note 16)	–	346	–	516	746	295	–	–	–	1,903
Transfer to intangible assets (Note 11)	–	–	(1,144)	–	–	–	–	–	–	(1,144)
Transfer to right-of-use assets (Note 12(b))	–	–	–	–	–	(1)	–	–	–	(1)
Reclassifications	–	1,271	(412)	(2,780)	2,171	(250)	–	–	–	–
Exchange difference	56	206	80	743	2,533	1,888	302	–	–	5,808
At 31 December 2019	2,703	8,226	1,283	30,070	41,302	2,419	10,403	–	–	96,406
Net carrying amount:										
At 31 December 2018	926	12,295	2,701	123,913	62,269	6,414	61,066	8,981	16,407	294,972
At 31 December 2019	711	12,830	1,285	116,805	59,597	5,161	60,296	10,313	31,521	298,519

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

12(a) 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 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 and 1 January 2019	214	178	4	–	396
Additions	79	389	9	–	477
Disposal	–	(40)	–	–	(40)
At 31 December 2019	293	527	13	–	833
Accumulated depreciation:					
At 1 January 2018	63	186	11	–	260
Depreciation for the year	35	30	–	–	65
Write off	–	(90)	(7)	–	(97)
At 31 December 2018 and 1 January 2019	98	126	4	–	228
Depreciation for the year	40	81	2	–	123
Disposal	–	(38)	–	–	(38)
At 31 December 2019	138	169	6	–	313
Net carrying amount:					
At 31 December 2018	116	52	–	–	168
At 31 December 2019	155	358	7	–	520

Included within additions for the year ended 31 December 2018 are motor vehicles of US$219,000 that were acquired under finance lease. The carrying amount of motor vehicles acquired under finance lease as at 31 December 2018 amounted to US$218,000. These assets have been reclassified to right-of-use assets as at 1 January 2019.

Assets pledged as security

In addition to assets held under lease obligation, the Group has pledged certain property, plant and equipment with a carrying amount of US$71,043,000 (2018: US$59,933,000) to secure the Group's and the Company's loans and borrowings (Note 25).

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

12(b) Right-of-use assets

The Group has lease contracts for land, office, vehicles and other equipment used in its operations with predominantly fixed payments over the lease terms. Some of these leases have terms of renewal but no purchase options or escalation clauses.

Leases of land and office generally have lease terms between 1 and 92 years, machinery and other equipment generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of office and other equipment with lease terms of 12 months or less and leases of other equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemption for these leases. The election of short-term lease and low-value-lease exemption is made on lease-by-lease basis.

Set out below are the carrying amount of right-of-use assets recognised and the movements during the period:

Group	Land and office	Office equipment and motor vehicles	Total
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Transfer from property, plant and equipment (Note 12(a))	–	218	218
Adoption of SFRS(I) 16	11,066	425	11,491
At 1 January 2019 (revised)	11,066	643	11,709
Additions	4,146	90	4,236
Depreciation for the year	(2,653)	(145)	(2,798)
Exchange difference	(12)	(2)	(14)
At 31 December 2019	12,547	586	13,133
Net carrying amount:			
At 31 December 2019	12,547	586	13,133

Company	Land and office	Office equipment and motor vehicles	Total
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Adoption of SFRS(I) 16	2,400	190	2,590
At 1 January 2019 (revised)	2,400	190	2,590
Additions	1,021	–	1,021
Depreciation for the year	(822)	(38)	(860)
Exchange difference	46	3	49
At 31 December 2019	2,645	155	2,800
Net carrying amount:			
At 31 December 2019	2,645	155	2,800

Motor vehicles with carrying amount of US$198,000 is secured over the lease liabilities of US$145,000 as at 31 December 2019.

The carrying amounts of lease liabilities are disclosed in Note 30.

13. Investment properties

	Group	
	2019	**2018**
	US$'000	US$'000
Statement of financial position:		
At 1 January	46,799	25,256
Additions	–	30
Fair value gain recognised in profit or loss (Note 5)	80	4,515
Acquisition of subsidiaries (Note 14(a)(i))	–	3,616
Disposal/write off	–	(1,712)
Reclassification (to)/from assets of disposal group classified as held-for-sale (Note 22)	(4,820)	16,656
Exchange difference	2,659	(1,562)
At 31 December	44,718	46,799
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	17	20
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	9	7

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 2019 and 31 December 2018. 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 35.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2019

13. Investment properties (cont'd)

Valuation of investment properties (cont'd)

The investment properties held by the Group as at 31 December 2019 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Residential houses in Palembang, Indonesia	Residential	Leasehold	15 - 24 years
Lands in Palembang, Indonesia	Vacant land	Leasehold	12 - 20 years
Offices in Palembang, Indonesia	Offices	Leasehold	2 - 20 years
Shophouses in Medan, Indonesia	Shophouse	Leasehold	2 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	3 years
Residential house in Banjarmasin, Indonesia	Residential	Leasehold	10 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	19 years
Lands in Pontianak, Indonesia	Vacant land	Leasehold	17 - 18 years
Shophouse in Rantau, Indonesia	Shophouse	Leasehold	12 years
Land in Riau, Indonesia	Vacant land	Leasehold	3 years
Shophouse in Riau, Indonesia	Shophouse	Leasehold	15 years
Commercial offices in Hainan, China	Commercial office	Leasehold	17 - 18 years
Shophouses in Pontianak, Indonesia	Shophouse	Leasehold	3 – 7 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 in Chantaburi, Thailand	Vacant land	Freehold	–
Factory buildings in Chantaburi, Thailand	Vacant factory	Freehold	–
Land in Nakornsri, Thailand	Vacant land	Freehold	–
Factory buildings in Nakornsri, Thailand	Vacant factory	Freehold	–
Land in Krabi, Thailand	Vacant land	Freehold	–
Land in Trang, Thailand	Vacant land	Freehold	–
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

14(a) Investment in subsidiaries

	Company	
	2019	**2018**
	US$'000	US$'000
At 1 January	680,010	600,824
Additions	5,661	78,936
Incorporation of a new subsidiary	–	250
At 31 December	685,671	680,010

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Held by the Company				
Halcyon Rubber Company Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Corrie MacColl Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd. (1)	Singapore	Natural rubber trading and investment holding	100.00	100.00
HAC Capital Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Corrie MacColl Limited (4)	United Kingdom	Investment holding	100.00	100.00
HeveaConnect Pte. Ltd. (1)	Singapore	Natural rubber trading and supply chain platform	71.09	90.10
Subsidiaries of Halcyon Rubber Company Pte. Ltd.				
Anson Company (Private) Limited (1)	Singapore	Investment holding	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)	Singapore	Investment holding	100.00	100.00
PT. Hok Tong (2)	Indonesia	Natural rubber processing	99.99	99.99
PT. Remco (2)	Indonesia	Natural rubber processing	75.00	75.00

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Halcyon Agri Indonesia Pte. Ltd.				
PT. Hevea MK (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Hevea GE (2)	Indonesia	Natural rubber processing	100.00	100.00
Subsidiaries of PT. Hok Tong				
PT. Bumi Jaya (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Sunan Rubber (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Rubber Hock Lie (2)	Indonesia	Natural rubber processing	99.91	99.91
PT. GMG Sentosa (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Pulau Bintan Djaya (2)	Indonesia	Natural rubber processing	80.00	80.00
PT. Sumber Alam (2)	Indonesia	Natural rubber processing	100.00	100.00
PT. Sumber Djantin (2)	Indonesia	Natural rubber processing	100.00	100.00
Subsidiaries of Corrie MacColl Pte. Ltd.				
G.P. Sentosa Enterprises Co., Ltd.(2)	Thailand	Investment holding	100.00	100.00
Teck Bee Hang Co., Ltd. (2)	Thailand	Natural rubber processing	55.00	55.00
Ivoirienne de Traitement du Caoutchouc S.A. (2)	Ivory Coast	Dormant (2018: Natural rubber processing)	60.00	60.00
GMG Investment Congo SARL (3)	Democratic Republic of Congo	In liquidation	100.00	100.00
JFL Agro Sdn. Bhd. (2)	Malaysia	Dormant	100.00	100.00
Centrotrade Minerals and Metals, Inc (3) (6)	United States	Natural rubber trading and distribution	100.00	–

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Teck Bee Hang Co., Ltd.				
Techem Industries Co., Ltd. (3)	Thailand	Manufacture & distribution of plastic products	54.10	54.10
Teck-Fu Joint Venture Co., Ltd. (3)	Thailand	Natural rubber processing	47.30	47.30
Subsidiary of JFL Agro Sdn. Bhd.				
Halcyon Rubber Estates Sdn. Bhd. (2)	Malaysia	In the process of strike off	100.00	100.00
Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd.				
New Continent Enterprises (Private) Limited (1)	Singapore	Natural rubber trading and distribution	100.00	100.00
SINRIO Malaysia Pte. Ltd. (1)	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
SDCI Singapore Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
SINRIO Thailand Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Subsidiary 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
Subsidiary of SINRIO Malaysia Pte. Ltd.				
SINRIO (Malaysia) Sdn. Bhd. (2)	Malaysia	Investment holding	100.00	100.00
Subsidiaries of SINRIO (Malaysia) Sdn. Bhd.				
Hevea KB Sdn. Bhd. (2)	Malaysia	Natural rubber processing	100.00	100.00
Euroma Rubber Industries Sendirian Berhad (2)	Malaysia	Natural rubber processing	100.00	100.00

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
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
Baisha Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber procurement	100.00	100.00
Hainan Baoting Sinochem Rubber Co., Ltd. (2)	People's Republic of China	Natural rubber processing	100.00	100.00
Shanghai Hancheng Trading Co., Ltd. (2)	People's Republic of China	Dormant	100.00	100.00
Subsidiaries of SDCI Singapore Pte. Ltd.				
Société de Développement du Caoutchouc Ivoirien S.A. (2)	Ivory Coast	Natural rubber processing	100.00	100.00
Tropical Rubber Côte d'Ivoire S.A.(2)	Ivory Coast	Natural rubber plantation	70.00	70.00
Subsidiaries of Corrie MacColl Limited				
Corrie MacColl International Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Corrie MacColl Plantations Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
Subsidiaries of Corrie MacColl International Pte. Ltd.				
Centrotrade Deutschland GmbH (2)	Germany	Natural rubber trading and distribution	100.00	100.00
Centrotrade Minerals and Metals, Inc. (3) (6)	United States	Natural rubber trading and distribution	–	100.00
Centrotrade Commodities Malaysia Sdn. Bhd. (2)	Malaysia	Natural rubber trading and distribution	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)

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Corrie MacColl International Pte. Ltd. (cont'd)				
Kelvin Terminals B.V. (4)	The Netherlands	Storage and trading of natural rubber, latex and synthetic rubber	100.00	100.00
Centrotrade (Thailand) Co., Ltd. (3)	Thailand	Investment holding	49.00	49.00
Shanghai CMI Rubber Co., Ltd. (3)	People's Republic of China	Trading and distribution of natural rubber and rubber related products	100.00	100.00
Subsidiaries of Wurfbain Polymer B.V.				
Corrie MacColl Rubber Ltd (3)	United Kingdom	Other business support service activities	100.00	100.00
Corrie MacColl North America, Inc.(2)	United States	Investment holding	100.00	100.00
Wurfbain Polymer İthalat ve İhracat Anonim Şirketi (4) (5)	Republic of Turkey	Trading and distribution of natural rubber	100.00	–
Subsidiaries of Corrie MacColl North America, Inc.				
Alan L Grant Polymer, Inc. (2)	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Momentum Technologies Laboratories, Inc. (2)	United States	Provides laboratory services specialising in thermoplastic elastomers, resins, latex, polymers, and additives	100.00	100.00
Centrotrade Rubber, Inc. (2)	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Subsidiary of Centrotrade (Thailand) Co., Ltd.				
Centrotrade Hatyai Co., Ltd. (3)	Thailand	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2019	2018
Subsidiaries of Corrie MacColl Plantations Pte. Ltd.				
Société de Développement du Caoutchouc Camerounais S.A. (2)	Cameroon	Investment holding	100.00	100.00
JFL Agro Pte. Ltd. (1)	Singapore	Investment holding	100.00	100.00
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
Sud Cameroun Hevea S.A. (2)	Cameroon	Natural rubber plantation and processing	80.00	80.00
Subsidiary of JFL Agro Pte. Ltd.				
JFL Holdings Sdn. Bhd. (2)	Malaysia	Natural rubber and oil palm plantation	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) No statutory audit required in the country of incorporation.
(5) Newly incorporated during the year.
(6) Intra-group transfer of shareholding during the year.

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

14(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 on 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 ("PPA review") was 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 for the year ended 31 December 2018.

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

14(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 ended 31 December 2018. As the business combination had taken place at the beginning of the financial year 2018, the full year impact to the Group's revenue and Group's loss in the year ended 31 December 2018 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 amount 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)

14(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 PPA review was finalised as at 31 December 2018.

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

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

(i) Acquisition of subsidiaries (cont'd)

PT. Pulau Bintan Djaya ("PBD") (cont'd)

Transaction costs

Transaction costs related to the acquisition of US$86,000 have been recognised in the Group's profit or loss for the year ended 31 December 2018.

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 ended 31 December 2018. If the business combination had taken place at the beginning of the financial year 2018, the Group's revenue would have been US$2,146,080,000 and the Group's loss for the year ended 31 December 2018 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 amount of US$1,402,000 are expected to be collected.

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

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

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

(i) Acquisition of subsidiaries (cont'd)

PT. Sumber Djantin ("PTSD") and PT. Sumber Alam ("PTSA") (cont'd)

The PPA 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.

During the year, the Group has finalized the PPA review of PTSD and PTSA. There has been new information obtained about the facts and circumstances relating to the fair value of the assets and liabilities acquired as at the acquisition date, which the Group did not adjust for retrospectively due to the immateriality of the adjustment.

As a result of finalization of PPA, the Group made an adjustment of US$1,020,000 to reduce goodwill (Note 11) and recognised additional amount of deferred tax assets and retirement benefit obligations.

Transaction costs

Transaction costs related to the acquisition of US$150,000 have been recognised in the Group's profit or loss for the year ended 31 December 2018.

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 ended 31 December 2018. If the business combination had taken place at the beginning of 2018, the Group's revenue would have been US$2,158,464,000 and the Group's loss for the year ended 31 December 2018 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 amount of US$1,275,000 are expected to be collected.

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

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

(ii) Transaction with non-controlling interests, without loss of control

During the financial year, the Group has issued shares of a subsidiary to non-controlling interests:

1) HeveaConnect Pte. Ltd. ("HeveaConnect")

On 7 March 2019, HeveaConnect has issued and allotted 74,147 new shares to the non-controlling interests for US$2,200,000. Following which, the Group's total equity interest in HeveaConnect has changed from 90.10% to 71.09%.

For the financial year ended 31 December 2018, 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 received/(paid)	**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 2019			
HeveaConnect	2,200	843	1,357
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

In previous 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.

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

14(b) Investment in an associate

The Group's investment in an associate are summarised as below:

	Group 2019 US$'000	Group 2018 US$'000
Feltex Co., Ltd.	1,035	1,190

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019	2018
Held through subsidiaries				
Feltex Co., Ltd [1]	Thailand	Natural rubber processing	24.80	24.80

[1] Audited by other firms of Certified Public Accountants.

Aggregate information about the Group's investments in an associate are as follows:

	Group 2019 US$'000	Group 2018 US$'000
Total comprehensive loss, net of tax	(581)	(367)

15. Deferred tax

Deferred tax as at 31 December relates to the following:

	Group: Statement of financial position 2019 US$'000	2018 US$'000	Group: Consolidated income statement 2019 US$'000	2018 US$'000	Company: Statement of financial position 2019 US$'000	2018 US$'000
Differences in depreciation for tax purposes	(144)	3,330	156	(55)	(66)	(36)
Tax losses carry forward	22,983	12,138	7,092	4,994	–	–
Retirement benefit liabilities	3,893	3,475	(445)	367	–	–
Fair value uplift of biological assets	(10,064)	(1,268)	(8,786)	7	–	–
Fair value uplift of investment properties	(3,677)	(3,395)	73	(160)	–	–
Fair value uplift of property, plant and equipment acquired in business combination	(31,549)	(31,572)	190	185	–	–
Unremitted foreign source income	(6,032)	(4,502)	128	909	(5)	–
Forward currency contracts	(3,556)	(2,126)	(1,088)	998	–	–
Others	1,393	333	(147)	(563)	–	–
Tax (expense)/credit			(2,827)	6,682		
Net deferred tax liabilities	(26,753)	(23,587)			(71)	(36)
Reflected in the statement of financial position as follows:						
Deferred tax assets	21,259	15,056			–	–
Deferred tax liabilities	(48,012)	(38,643)			(71)	(36)
Deferred tax liabilities, net	(26,753)	(23,587)			(71)	(36)

15. Deferred tax (cont'd)

	Group 2019 US$'000	Group 2018 US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(23,587)	(16,436)
Tax (expense)/credit during the year recognised in profit or loss	(2,827)	6,682
Tax expense during the year recognised in other comprehensive income	(215)	(1,040)
Reclassification of net deferred tax liabilities of disposal group classified as held-for-sale (Note 22)	–	(6,858)
Deferred taxes arising from business combinations (Note 14(a)(i))	–	(4,614)
Utilisation of Group relief	(280)	(2,384)
Exchange difference	156	1,063
At 31 December	(26,753)	(23,587)

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$87,156,000 and US$10,121,000 (2018: US$59,226,000 and US$10,071,000) respectively that are available for offset against future taxable profits. The tax losses have no expiry date except for an amount of US$69,208,000 which will expire in five years (2018: US$50,668,000) and US$11,775,000 which will expire after five years (2018: US$Nil).

The related deferred tax benefits of US$17,944,000 (2018: US$16,518,000) were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$28,616,000 (2018: US$30,863,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2019 as the distributable profits is controlled and there is currently no intention for the profits to be remitted to Singapore.

16. Plantation and biological assets

	Plantation related properties								
	Leasehold land use rights	Freehold land use rights	Plantation	Plantation establishment costs	Other plantation related 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	US$'000
Group									
Cost									
At 1 January 2018	86,233	58,108	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
Reclassification	–	–	14,918	(14,918)	–	–	–	–	–
Transfer to property, plant and equipment (Note 12)	–	–	1,545	2,295	–	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	85,605	58,108	46,937	185,422	–	376,072	10,208	17	386,297
Additions	–	–	–	36,662	–	36,662	728	–	37,390
Capitalisation of depreciation	–	–	–	348	–	348	–	–	348
Transfer to biological assets	–	–	(41,180)	(204,353)	–	(245,533)	245,533	–	–
Reclassification	–	–	–	(15,108)	15,108	–	–	–	–
Transfer from/(to) property, plant and equipment (Note 12)	–	–	–	1,988	–	1,988	–	–	1,988
Fair value adjustment (Note 5)	–	–	–	–	–	–	52,709	(11)	52,698
Exchange difference	379	–	10	161	–	550	(4,076)	–	(3,526)
At 31 December 2019	85,984	58,108	5,767	5,120	15,108	170,087	305,102	6	475,195
Accumulated depreciation									
At 1 January 2018	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
Depreciation for the year (Note 8)	1,013	–	1,805	–	–	2,818	46	–	2,864
Transfer to biological assets	–	–	(5,659)	–	–	(5,659)	5,659	–	–
Transfer to inventory	–	–	402	–	–	402	–	–	402
Exchange difference	23	–	(5)	–	–	18	(63)	–	(45)
At 31 December 2019	2,748	–	720	–	–	3,468	5,642	–	9,110
Carrying amount									
At 31 December 2018	83,893	58,108	42,760	185,422	–	370,183	10,208	17	380,408
At 31 December 2019	83,236	58,108	5,047	5,120	15,108	166,619	299,460	6	466,085

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

16. Plantation and biological assets (cont'd)

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	58,932	52,607	1,581

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

Interest expense amounting to US$11,085,000 was capitalised in 2019 (2018: US$11,906,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.81% - 7.15% (2018: 3.00% - 7.15%), which is the 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% (2018: 13.0%).

17. Cash and bank balances

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Cash at bank and on hand	54,500	65,323	369	770
Short term deposits	1,127	57,608	–	–
Cash and cash equivalents	55,627	122,931	369	770
Short term deposits – pledged	2,278	2,283	–	–
Total cash and bank balances	57,905	125,214	369	770

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 2019 for the Group is 3.63% per annum (2018: -0.34%).

Cash and bank balances of US$2,278,000 (2018: US$2,283,000) 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	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	9,089	9,021	–	–
Singapore Dollar	1,141	724	170	35
Euro	888	1,974	122	56
Pound Sterling	949	437	5	7
Swedish Krona	–	706	–	–

18. Trade receivables

	Group	
	2019	2018
	US$'000	US$'000
External parties	133,753	146,745

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.

Trade receivables of US$31,887,000 of the Group have been charged as security for the Group's banking facilities (Note 25).

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	
	2019	2018
	US$'000	US$'000
United States Dollar	16,209	13,352
Euro	10,502	14,904
Pound Sterling	2,648	3,033
Swedish Krona	1,181	1,127

(a) *Expected credit losses ("ECL")*

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

	Group	
	2019	2018
	US$'000	US$'000
Adjusted loss allowances as at 1 January	611	1,248
Charge for the year	81	144
Written off	–	(746)
Exchange difference	8	(35)
At 31 December	700	611

19. Loans and other receivables

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Non-current:				
Loan to non-controlling interests of a subsidiary	3,425	3,491	–	–
Current:				
Loan to a third party	52,298	50,623	–	–
Other receivables	17,710	17,389	1	71
Amounts due from subsidiaries	–	–	861,101	807,912
Deposits	20,491	17,701	392	314
	90,499	85,713	861,494	808,297
Non-financial assets				
Current:				
Prepayments	34,212	26,237	375	317
Other tax receivables	34,989	34,236	55	112
Total non-financial assets	69,201	60,473	430	429
Total current loan and other receivables	159,700	146,186	861,924	808,726
Total non-current loan and other receivables	3,425	3,491	–	–

The loan to non-controlling interests of a subsidiary is unsecured, repayable in 2025 and earns interest at 5% per annum (2018: 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 10% per annum (2018: 6.5%). The loan was restructured during the year, and as at the date of the financial statement, it is overdue for repayment. The loan is recoverable and no impairment is required.

Included within other receivables is corporate social responsibility receivable ("CSR receivable") amounting to US$7,640,000 (2018: US$3,185,000 net, inclusive of allowance for CSR receivable of US$7,210,000) which relates to receivable from a local government of a country where the Group's subsidiaries operate in. The receivable arose from the costs incurred by the Group in building community for its workforce, such as: costs incurred in building hospital or school, which is co-funded by the local government. During the year, there is reversal of impairment of doubtful CSR receivable, previously recorded as part of the purchase price allocation review, of US$7,171,000 after considering the evidence of amount collected during the year.

As at 31 December 2019, amounts due from subsidiaries amounting to US$52,889,000 are unsecured bears an average interest of 4.91% per annum, repayable on demand and are expected to be settled in cash. The remaining amounts are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

As at 31 December 2018, amounts due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

19. Loans and other receivables (cont'd)

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	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Opening loss allowance as at 1 January	668	227	61	5
Charge for the year	2,741	441	105	56
Exchange difference	(16)	–	–	–
At 31 December	3,393	668	166	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	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	1	341	–	–
Singapore Dollar	69	1,411	55	112
Euro	1,703	2,358	–	–
Chinese Yuan Renminbi	1,875	–	–	–
Japanese Yen	1,462	–	–	–

20. Derivative financial instruments

	Group			
	2019		**2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	1,774	(1,801)	5,867	(1,920)
Forward commodity (natural rubber) contracts	18,749	(8,733)	38,323	–
Total	20,523	(10,534)	44,190	(1,920)

	Company			
	2019		**2018**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	928	(507)	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.

20. Derivative financial instruments (cont'd)

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	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward contracts on commodity (natural rubber):						
- Sales	523,677	483,738	–	33,411	(8,733)	–
- Purchases	187,473	177,891	18,749	4,912	–	–
Forward currency contracts	697,236	419,857	1,774	5,867	(1,801)	(1,920)
			20,523	44,190	(10,534)	(1,920)

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

21. Inventories

	Group	
	2019	**2018**
	US$'000	US$'000
At cost:		
- Consumables	26,767	29,965
At fair value:		
- Raw materials	103,209	54,180
- Work-in-progress	30,208	23,959
- Finished goods held for resale	215,210	189,837
	348,627	267,976
	375,394	297,941

The inventories as at the end of each reporting period in 2019 and 2018 include fair value upward/(downward) adjustments of US$26,615,000 and US$(10,085,000) respectively.

Inventories with carrying amount of US$132,856,000 (2018: US$43,949,000) have been pledged as security for a trade financing facility (Note 25).

22. Assets classified as held-for-sale

a) Non-current asset classified as held-for-sale

During the year, the Group has decided to sell offices located in Indonesia. There is an interested party who has placed deposit and the sale is expected to be completed before the end of financial year 2020. These properties amounting to US$4,820,000 have been reclassified from investment properties to assets classified as held for sale.

b) Disposal group classified as held-for-sale

As at 31 December 2017, 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 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.

22. Assets classified as held-for-sale (cont'd)

b) Disposal group classified as held-for-sale (cont'd)

In 2018, positive changes have been made to TBH's business and operations leading to improvement in TBH's financial performance. As part of the Group's continuous assessment of its key business segments, it determined that TBH Group fits into the Group's 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.

23. Trade payables

	Group	
	2019	**2018**
	US$'000	US$'000
External parties	38,331	34,570

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	
	2019	**2018**
	US$'000	US$'000
United States Dollar	6,044	4,300
Euro	1,344	1,802

24. Other payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Financial liabilities				
Current:				
Other payables	17,802	14,917	184	105
Accrued operating expenses	20,209	20,576	1,541	1,377
Accrued interest expense	2,848	2,903	699	591
Amounts due to subsidiaries	–	–	255,490	120,997
	40,859	38,396	257,914	123,070
Non-financial liabilities				
Current:				
Other tax payables	7,413	7,577	77	80
Advances from customers	6,804	9,709	–	–
	14,217	17,286	77	80
Total current other payables	55,076	55,682	257,991	123,150
Non-current:				
Other payables	8,228	4,263	–	–
Total non-current other payables	8,228	4,263	–	–

24. Other payables (cont'd)

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

As at 31 December 2019, certain amounts due to subsidiaries amounting to US$18,952,000 bears an average interest of 4.23% per annum, unsecured and repayable on demand. The remaining amounts due to subsidiaries are non-interest bearing, unsecured 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 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	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	37	42	–	–
Singapore Dollar	6	48	–	–
Euro	2,624	2,358	–	–

25. Loan payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
Current:				
- Working capital loans	572,644	519,091	317,375	293,750
- Term loans	39,177	1,309	29,672	–
	611,821	520,400	347,047	293,750
Non-current:				
- Working capital loans	–	1,375	–	1,375
- Term loans	511,912	390,265	342,454	296,442
	511,912	391,640	342,454	297,817
Total loan payables	1,123,733	912,040	689,501	591,567

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	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	39,260	20,263	–	–

Working capital loans bear average interest rates of 5.13% (2018: 3.59%) per annum. Certain working capital loans amounting to US$205,084,000 (2018: US$78,412,000) are secured by a charge over certain of the Group's inventories (Note 21), property, plant and equipment (Note 12), and certain cash and bank balances (Note 17), and certain trade receivables (Note18).

25. Loan payables (cont'd)

The Group and the Company has the following term loans:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
<u>Current</u>				
Loan A	2,140	1,309	–	–
Loan C	4,282	–	–	–
Loan D	3,083	–	–	–
Loan F	29,672	–	29,672	–
	39,177	1,309	29,672	–
<u>Non-current</u>				
Loan A	21,443	24,001	–	–
Loan B	297,642	296,442	297,642	296,442
Loan C	64,223	69,822	–	–
Loan D	16,186	–	–	–
Loan E	67,605	–	–	–
Loan F	44,813	–	44,812	–
	511,912	390,265	342,454	296,442

Details of the term loans are as follow:

a) Loan A bears an average effective interest of 6.00% (2018: 6.00%) per annum and repayable on monthly instalments until 2026. This loan is unsecured.

b) Loan B bears an effective interest rate of 4.06% (2018: 3.93%) and is repayable in 2021. This loan is unsecured.

c) Loan C bears an average effective interest rate of 7.15% (2018: 7.15%) per annum. Repayment will commence in 2020 on semi-annual instalments until 2027. This loan is unsecured.

d) Loan D bears an average effective interest rate of 9.00% per annum. Repayment has commenced during the year on quarterly instalments until 2026. This loan is secured on certain property, plant and equipment and inventories.

e) Loan E bears an average effective interest rate of 4.05% per annum and is repayable in 2021. The loan is secured on certain property, plant and equipment, pledged deposit, trade receivables and inventories.

f) Loan F bears an average effective interest rate of 3.03% per annum and is repayable on quarterly instalments until 2021. This loan is unsecured.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2019

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	
	2019	**2018**
	US$'000	US$'000
At 1 January	19,024	19,024
Acquisition of subsidiaries	–	4,920
Benefit paid for the year	(3,253)	(6,283)
<u>*Changes charged to profit or loss*</u>		
- Current service costs	2,708	1,999
- Interest cost on benefit obligations	1,255	1,238
- Past service costs	64	664
- Net actuarial gain recognised during the year	97	240
- Provision of long term employee benefit	1,362	73
- Excess benefit	1,530	476
<u>*Re-measurement losses/(gain) in other comprehensive income*</u>		
- Actuarial changes arising from changes in demographic assumptions	117	(108)
- Actuarial changes arising from changes in financial assumptions	(312)	(2,615)
- Experience adjustments	(717)	(1,441)
Exchange difference	666	(1,280)
	22,541	16,907
Reclassification from assets of disposal group classified as held-for-sale	–	2,117
At 31 December	22,541	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:

	2019	**2018**
	%	%
Indonesia (Headcount: 2019- 4,435, 2018- 4,844)		
Discount rate	5.42 – 8.19	8.32
Future salary increment rate	5.00 – 9.00	7.00 – 9.00
Thailand (Headcount: 2019- 1,038, 2018- 1,037)		
Discount rate	1.45	2.56
Future salary increment rate	1.00 – 4.00	1.00 – 4.00
Cameroon (Headcount: 2019- 6,798, 2018- 7,259)		
Discount rate	3.50	3.50
Future salary increment rate	1.00 – 2.99	2.71 – 7.95
Ivory Coast (Headcount: 2019- 998, 2018- 1,008)		
Discount rate	3.50 – 6.00	3.50 – 6.00
Future salary increment rate	3.50 – 5.00	3.50 – 5.00

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

26. Retirement benefit obligations (cont'd)

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

	Increase in assumption 2019 US$'000	Decrease in assumption 2019 US$'000	Increase in assumption 2018 US$'000	Decrease in assumption 2018 US$'000
Group				
One percentage point change in the assumed discount rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	(238)	275	(301)	292
- (Decrease)/Increase on retirement benefit obligation	(1,434)	1,663	(1,227)	1,501
One percentage point change in the salary growth rate:				
- Increase/(Decrease) on the aggregate current service cost and interest cost	372	(298)	314	(217)
- Increase/(Decrease) on retirement benefit obligation	1,816	(1,485)	1,465	(1,324)

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 18.1 years (2018: 18.5 years).

27. Share capital

	Group and Company			
	2019		2018	
	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$3,375,000 (2018: US$6,750,000) to the holders of the securities.

On 26 April 2019, the Group has redeemed all the principal amount of the perpetual securities of US$150,000,000.

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. Lease liabilities

Group	Land and office	Office equipment and motor vehicles	Total
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Finance lease liabilities under SFRS(I) 1-17	–	174	174
Adoption of SFRS(I) 16	11,066	425	11,491
	11,066	599	11,665
Additions	4,120	91	4,211
Interest expense	467	12	479
Lease payment	(2,856)	(199)	(3,055)
Exchange difference	10	17	27
At 31 December 2019	12,807	520	13,327

Company	Land and office	Office equipment and motor vehicles	Total
	US$'000	US$'000	US$'000
At 1 January 2019	–	–	–
Additions	3,395	190	3,585
Interest expense	80	6	86
Lease payment	(865)	(41)	(906)
Exchange difference	75	4	79
At 31 December 2019	2,685	159	2,844

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Current	3,124	42	1,021	–
Non-current	10,203	132	1,823	–
	13,327	174	2,844	–

As at 31 December 2019, the average incremental borrowing rate applied and average interest rate in the lease were 5.16% and 3.78% respectively. As at 31 December 2018, the Group leases motor vehicles under finance lease and average discount rate in finance lease was 1.89%.

The Group lease liabilities of US$145,000 (2018: US$174,000) was secured over motor vehicles (Note 12(b)).

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

	Group		Company	
	2019	2018	2019	2018
	US$'000	US$'000	US$'000	US$'000
Singapore Dollar	3,187	–	2,844	–

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31. Commitments and contingencies

(a) *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 2019 and 31 December 2018 are as disclosed in Note 20.

(b) *Corporate guarantees*

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

	Company	
	2019	2018
	US$'000	US$'000
Subsidiaries	373,496	369,159

(c) *Contingent liabilities*

One of the subsidiaries in the Group has received claims of under-payment of direct or indirect tax by the Customs department amounting to approximately US$13,700,000. A lawyer has been engaged to assist in reviewing the claims and the lawyer is of the view that the Customs has no valid basis in pursuing the claim against the subsidiary. Management is of the view that the likelihood of Customs in succeeding their claim is remote. Accordingly, no accrual has been made for the claim from the Customs.

32. Financial risks and management

(a) *Categories of financial instruments*

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

	Note	Group		Company	
		2019	2018	2019	2018
		US$'000	US$'000	US$'000	US$'000
Financial assets					
Cash and bank balances	17	57,905	125,214	369	770
Trade receivables	18	133,753	146,745	–	–
Loans and other receivables	19	93,924	89,204	861,494	808,297
Derivative financial instruments	20	20,523	44,190	928	670
		306,105	405,353	862,791	809,737
Financial liabilities					
Trade payables	23	38,331	34,570	–	–
Other payables	24	40,859	38,396	257,914	123,070
Loan payables	25	1,123,733	912,040	689,501	591,567
Lease liabilities	30	13,327	174	2,844	–
Derivative financial instruments	20	10,534	1,920	507	670
		1,226,784	987,100	950,766	715,307

32. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives

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

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

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

(i) Foreign currency risk

As disclosed in Note 2.7 of the financial statements, the functional currency of the Company is the United States 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.

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, income will increase/(decrease) by:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	(1,002)	(2,095)	–	–
Singapore Dollar	60	104	11	7
Euro [1]	456	754	6	3
Pound Sterling	180	174	–	–
Swedish Krona	59	92	–	–
Chinese Yuan Renminbi	99	4	–	–
Japanese Yen	75	17	–	–

[1] It excludes the effect of foreign currency exposure that has been materially hedged.

32. Financial risks and management (cont'd)

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

(ii) Interest rate risk

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

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

<u>Interest rate sensitivity</u>

The sensitivity analyses below have been determined based on the exposure to interest rates for 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$4,540,000 (2018: decrease/increase by US$3,351,000). 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.

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.

32. Financial risks and management (cont'd)

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

(iii) Credit risk (cont'd)

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

(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.

The Group has performed specific credit risk assessment on the loan to a third party.

32. Financial risks and management (cont'd)

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

(iii) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables (net of impairment loss on receivables) at the statement of financial position date is as follows:

	Group	
	2019	**2018**
	US$'000	US$'000
By country:		
Singapore	3,793	4,110
Asia (excluding Singapore and China)	30,742	36,445
China	21,845	13,806
United States of America ("USA")/Canada	40,878	44,373
Europe	28,692	39,603
Others	7,803	8,408
	133,753	146,745

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. The adjustment column represents the possible future interest cash outflow attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset or liabilities on the statement of financial position.

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32. Financial risks and management (cont'd)

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

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments (cont'd)

	31 December 2019 US$'000						31 December 2018 US$'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	9.69	51,708	–	4,454	(1,028)	55,134	6.50	53,407	3,491	–	(2,784)	54,114
Trade and other receivables- non-interest bearing		172,543	–	–	–	179,543		181,835	–	–	–	181,835
Cash at banks and in hand		54,500	–	–	–	54,500		65,323	–	–	–	65,323
Short term deposits	3.63	1,127	–	–	–	1,127	(0.34)[1]	57,412	–	–	196	57,608
Total undiscounted financial assets		279,878	–	4,454	(1,028)	283,304		357,977	3,491	–	(2,588)	358,880
Financial liabilities:												
Trade and other payables		79,190	–	–	–	79,190		72,966	–	–	–	72,966
Lease liabilities	3.78	3,532	4,975	13,099	(8,279)	13,327	1.89	48	139	–	(13)	174
Loan payables- variable rate	3.73	500,617	460,001	–	(51,497)	909,121	3.61	456,379	325,658	–	(54,182)	727,855
Loan payables- fixed rate	7.92	129,762	42,672	90,028	(47,851)	214,611	7.76	104,632	23,542	100,752	(44,741)	184,185
Total undiscounted financial liabilities		713,101	507,648	103,127	(107,627)	1,216,249		634,025	349,339	100,752	(98,936)	985,180

[1] Current Euro interbank offered rate ("Euribor") is a negative interest rate.

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For the financial year ended 31 December 2019

32. Financial risks and management (cont'd)

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

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments (cont'd)

	31 December 2019 US$'000						31 December 2018 US$'000					
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
Company												
Financial assets:												
Trade and other receivables – non-interest bearing		808,605	–	–	–	808,605		808,297	–	–	–	808,297
Trade and other receivables – interest bearing	4.91	55,487	–	–	(2,598)	52,889		–	–	–	–	–
Cash at banks and in hand		369	–	–	–	369		770	–	–	–	770
Total undiscounted financial assets		864,461	–	–	(2,598)	861,863		809,067	–	–	–	809,067
Financial liabilities:												
Trade and other payables – non-interest bearing		238,962	–	–	–	238,962		123,070	–	–	–	123,070
Trade and other payables – interest bearing	4.23	19,754	–	–	(802)	18,952		–	–	–	–	–
Lease liabilities (Note 30)	3.27	1,088	1,801	56	(101)	2,844		–	–	–	–	–
Loan payables- variable rate	3.67	342,787	389,628	–	(42,914)	689,501	3.66	315,456	325,658	–	(49,547)	591,567
Total undiscounted financial liabilities		602,591	391,429	56	(43,817)	950,259		438,526	325,658	–	(49,547)	714,637

32. Financial risks and management (cont'd)

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

(iv) Liquidity risk (cont'd)

Derivative financial instruments

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

Please refer to Note 20 for more details.

(v) Commodity price risk

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

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$1,172,000 (2018: increased/decreased profit before income tax by US$151,000) and increased/decreased equity by US$1,172,000 (2018: increased/decreased equity by US$151,000).

33. 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.

The Group entities entered into the following transactions with related parties:

	Group	
	2019	**2018**
	US$'000	US$'000
Sale of goods to penultimate holding company	–	388
Banking facilities covered by letter of comfort from penultimate holding company	490,000	420,000

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	
	2019	**2018**
	US$'000	US$'000
Directors' fees (Note 8)	446	457
Short-term benefits		
- Directors of the Company	1,145	1,156
- Other key management personnel	1,056	1,139
	2,647	2,752

34. Segment information

The Group is a global leader in natural rubber industry, 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 four key segments comprises Corrie MacColl Group, HRC Group, SINRIO Group and Corporate Segment.

During the year, the operating structure has been further streamlined and the Group has consolidated its global tyre-maker processing and supply platform, under the HRC Group, in view of the recent developments in natural rubber market, as well as convergence in quality requirement at consumers' end. Following which, the key segments of the Group comprises the following:

(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, China, Malaysia, Thailand and Ivory Coast, and distribution business in Singapore and China, whose customers are predominantly top-tier global tyre makers.

(c) 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.

34. Segment information (cont'd)

	Corrie MacColl Group		HRC Group		Corporate		Elimination			Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018		2019	2018
	US$'000	US$'000 (Restated)	US$'000	US$'000 (Restated)	US$'000	US$'000	US$'000	US$'000		US$'000	US$'000
Revenue to third party	594,967	626,337	1,312,721	1,514,697	59	–	–	–		1,907,747	2,141,034
Inter-segment revenue	1,791	5,102	61,333	41,664	14,961	20,073	(78,085)	(66,839)	A	–	–
Total revenue	596,758	631,439	1,374,054	1,556,361	15,020	20,073	(78,085)	(66,839)		1,907,747	2,141,034
Gross profit	30,697	46,275	76,595	72,224	15,021	20,073	(14,961)	(20,129)	B	107,352	118,443
Operating profit	45,382	14,277	(6,696)	(17,813)	(537)	8,069	171	(58)		38,320	4,475
Finance income										6,069	4,900
Finance costs										(40,826)	(26,174)
Share of result of associates										(252)	(165)
Profit/(Loss) before taxation										3,311	(16,964)
Income tax (expense)/ credit										(7,041)	3,551
Loss for the financial year										(3,730)	(13,413)
Segment assets	1,271,969	1,008,340	1,054,205	979,004	1,637,419	1,494,485	(2,048,636)	(1,667,209)	C	1,914,957	1,814,620
Segment liabilities	808,246	579,356	866,140	774,970	1,029,239	716,085	(1,377,656)	(991,678)	D	1,325,969	1,078,733
Other information:											
Management fee expense/(income)	–	–	14,702	20,064	(14,702)	(20,064)	–	–		–	–
Depreciation expense (include right-of-use assets)	9,108	6,814	21,993	21,600	1,064	65	–	–		32,165	28,479
Fair value gain on investment properties	–	–	(80)	(4,515)	–	–	–	–		(80)	(4,515)
Fair value gain on biological assets	52,698	–	–	–	–	–	–	–		52,698	–
Unrealised fair value (gain)/loss on open forward commodity contracts and adjustment on inventories	5,917	(13,519)	(13,797)	13,465	–	–	–	–		(7,880)	(54)
Capital expenditure	56,750	67,150	10,424	11,147	1,071	417	–	–		68,245	78,714

34. Segment information (cont'd)

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	
	2019	2018
	US$'000	US$'000
Sales of natural rubber		
Singapore	27,026	49,115
Asia (excluding Singapore and China)	562,731	621,232
China	507,329	538,993
USA/Canada	396,217	392,764
Europe	374,241	491,203
Others	40,203	47,727
	1,907,747	2,141,034

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

	Group	
	2019	2018
	US$'000	US$'000
Non-current assets		
Singapore	22,226	18,900
Asia	562,382	562,273
Africa	500,614	410,576
Europe	28,842	26,161
Others	15,835	11,975
	1,129,901	1,029,885

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.

35. 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			
	2019			
	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	20,523	–	–	20,523
Financial assets as at 31 December 2019	**20,523**	**–**	**–**	**20,523**
Non-financial assets:				
Inventories	–	348,627	–	348,627
Biological assets	–	–	299,466	299,466
Investment properties	–	–	44,718	44,718
Non-financial assets as at 31 December 2019	**–**	**344,627**	**344,184**	**692,811**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	10,534	–	–	10,534
Financial liabilities as at 31 December 2019	**10,534**	**–**	**–**	**10,534**

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

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

	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**

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

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

	Company 2019			
	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	928	–	–	928
Financial assets as at 31 December 2019	**928**	**–**	**–**	**928**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	507	–	–	507
Financial liabilities as at 31 December 2019	**507**	**–**	**–**	**507**

	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**

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

(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 1.7 metric tonne per hectare (2018: 1.6 metric tonne), and discount rate of 11% (2018: 11%) for oil palm and rubber trees in Malaysia plantation, average annual yield of 1.7 to 2.0 metric tonne per hectare (2018: Nil), and discount rate of 13% (2018: Nil) for rubber trees in Cameroonian plantations, average yield per tapping cycle of 7.42 metric tonne per hectare (2018: 7.42 metric tonne per hectare), and 0.02 metric tonne per hectare (2018: 0.01 metric tonne per hectare) for oil palm in Malaysia and rubber latex in Ivory Coast plantation respectively.

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

At the end of the reporting period, a 1% increase/decrease in average annual yield will increase/decrease the fair value of biological asset by US$6,488,000 and a 0.5% increase/decrease in discount rate will decrease/increase the fair value of biological asset by US$19,577,000 for Cameroonian plantations.

Investment properties

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

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

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

	2019		
	Biological assets	**Investment properties**	**Total**
	US$'000	US$'000	US$'000
Group			
Opening balance	10,225	46,799	57,024
Fair value gain recognised in profit or loss	52,698	80	52,778
Additions	728	–	728
Depreciation for the year	(46)	–	(46)
Reclassification to assets of disposal classified as held-for-sale (Note 22)	–	(4,820)	(4,820)
Reclassification	239,874	–	239,874
Exchange differences	(4,013)	2,659	(1,354)
Closing balance	299,466	44,718	344,184

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

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

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

	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

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2019 and 31 December 2018.

(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.

36. Dividends on ordinary shares

	Group and Company	
	2019	**2018**
	US$'000	US$'000
Paid during the financial year		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2018: S$Nil (2017: S$0.01) per share	–	12,044
- Special exempt (one-tier) dividend for 2018: S$Nil (2017: S$0.01) per share	–	12,044
Total	–	24,088

37. 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, unless it is specifically waived by the lenders. This externally imposed requirement has been complied with by the Group in financial year ended 31 December 2018 and 31 December 2019, with the exception of a loan in a subsidiary company for financial year ended 31 December 2019. As at 31 December 2019, the subsidiary obtained a waiver from the bank for a bank loan with carrying amount of US$97,540,000 for the non-fulfilment of financial covenants. The Company has obtained waiver from the bank to test certain financial covenants for a bank loan amounting to US$74,485,000 as at 31 December 2019.

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 2019 and 31 December 2018.

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, lease liabilities, adjusted for working capital items.

	Group	
	2019	**2018**
	US$'000	US$'000
Loan payables (Note 25)	1,123,733	912,040
Lease liabilities (Note 30)	13,327	174
Total borrowing	1,137,060	912,214
Adjust for: Working capital items		
- Trade receivables (Note 18)	(133,753)	(146,745)
- Inventories (Note 21)	(375,394)	(297,941)
- Cash and bank balances (Note 17)	(57,905)	(125,214)
- Trade payables (Note 23)	38,331	34,570
Adjusted net borrowing	608,339	376,884
Total equity	588,988	735,886
Adjusted gearing ratio	1.03	0.51

38. 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 2018 (SFRS(I))	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000
Consolidated statement of financial position			
Trade receivables	121,689	(337)	121,352
Loans and other receivables	111,058	(227)	110,831
Accumulated profits	5,694	564	6,258

38. Comparative figures (cont'd)

	Company		
	31 December 2017 (SFRS(I))	**SFRS(I) 9 adjustments**	**1 January 2018 (SFRS(I))**
	US$'000	US$'000	US$'000
Statement of financial position			
Loans and other receivables	671,089	(5)	671,084
Accumulated profits	62,609	(5)	62,604

39. Event occurring after the reporting period

a) Completion of Put Option exercised by minority shareholder of PT. Pulau Bintan Djaya ("PBD")

In January 2020, the Group's subsidiaries, PT. Hok Tong ("Hok Tong") and Anson Company (Private) Limited ("Anson") had completed the acquisition of 20% of the issued and paid-up share capital of PBD from Global Key Holdings Limited ("GKHL") for a consideration of US$4,850,000.

With the completion of the acquisition, PBD has become a 100% owned subsidiary of the Group, and is 99% owned by Hok Tong and 1% owned by Anson.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 31 March 2020.

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	1,938	18.50	112,876	0.01
100 – 1,000	3,397	32.44	1,474,602	0.09
1,001 – 10,000	3,633	34.69	15,463,710	0.97
10,001 – 1,000,000	1,478	14.11	73,756,095	4.62
1,000,001 AND ABOVE	27	0.26	1,504,204,658	94.31
TOTAL	**10,473**	**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	166,230,146	10.42
3	CITIBANK NOMINEES SINGAPORE PTE LTD	114,049,605	7.15
4	DBS NOMINEES (PRIVATE) LIMITED	97,177,186	6.09
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	38,677,955	2.42
8	PANWELL (PTE) LTD	11,601,183	0.73
9	OCBC SECURITIES PRIVATE LIMITED	11,313,374	0.71
10	NOMURA SINGAPORE LIMITED	11,211,047	0.70
11	ANDREW TREVATT	9,013,066	0.57
12	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	5,726,101	0.36
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,213,937	0.26
14	BESCHIZZA LEONARD PETER SILVIO	4,000,000	0.25
15	GE JIANMING	3,550,347	0.22
16	STF INVESTMENTS LTD	3,125,600	0.20
17	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,968,831	0.19
18	SEE YONG HANG	2,845,818	0.18
19	TAN NG KUANG	2,799,900	0.18
20	ABN AMRO CLEARING BANK N.V.	2,254,751	0.14
	TOTAL	**1,493,237,876**	**93.62**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	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 2020, approximately 24.35% 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.

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HALCYON

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www.halcyonagri.com

FSC
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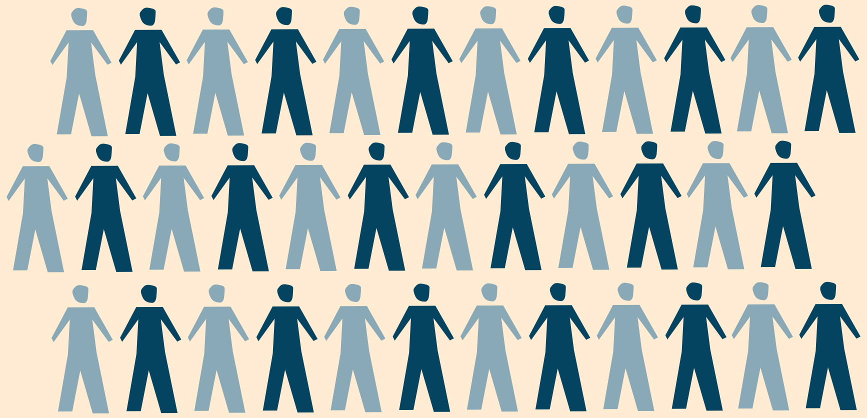
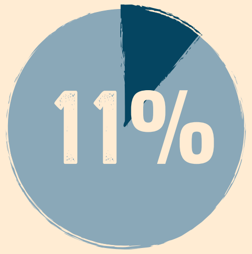
EXECUTIVE SUMMARY
CORPORATE REPORT 2019

The executive summary contains highlights and milestones of our businesses.
For the full report, please visit www.halcyonagri.com

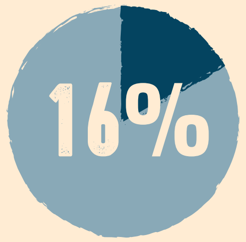


16,000+

Respected Employees



Market Share of Natural Rubber Supplied to Worldwide Tyre Production

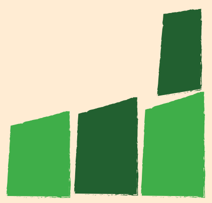


Standard Indonesian Rubber Market Share

(Indonesia supplies 21% of the world's natural rubber)

Globel Natural Rubber and Latex Market Share

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



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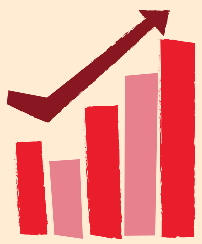
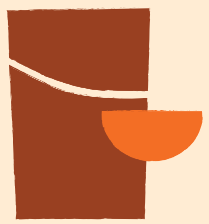
Production Facilities



1.3 Million mT

Sales Volume



1.6 Million mT

Production Capacity

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

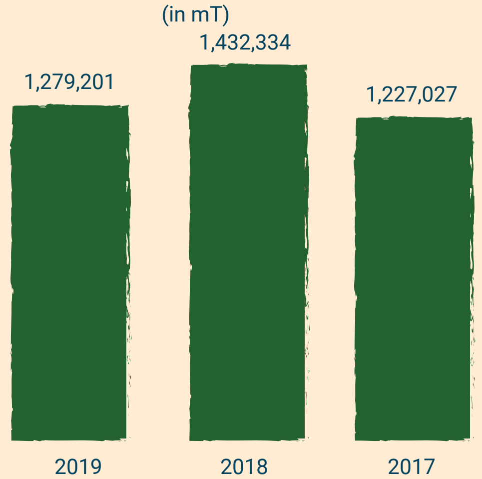
Selected key financial statistics

		2019	2018	2017
Sales volume	mT	1,279,201	1,432,335	1,227,027
Revenue	US$m	1,907.7	2,141.0	2,158.4
EBITDA	US$m	71.7	36.2	64.9
Core operating profit[1]	US$m	47.2	22.6	56.1
Operating profit	US$m	38.3	4.5	59.2
Return on assets[2]	%	3.7	2.0	4.0
Return on equity[3]	%	12.2	6.2	9.5
Return on capital employed[4]	%	6.3	3.2	5.2

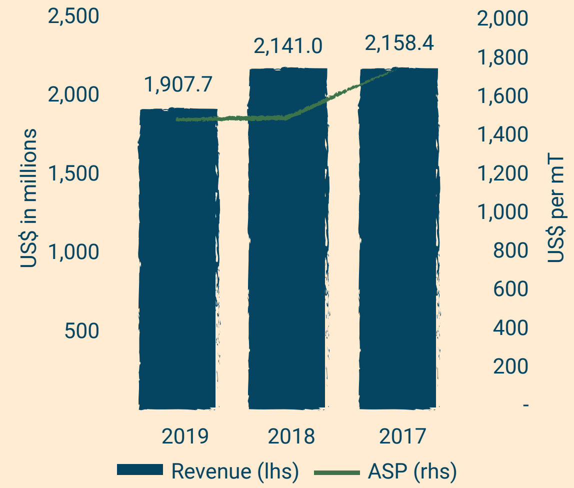
Notes

1. Core operating profit = EBITDA less working capital interest
2. Return on assets = EBITDA divided by total assets
3. Return on equity = EBITDA divided by total equity (excluding perpetual securities)
4. Return on capital employed (ROCE) = EBITDA divided by (term debt plus total equity (including perpetual securities of US$148.7 million))

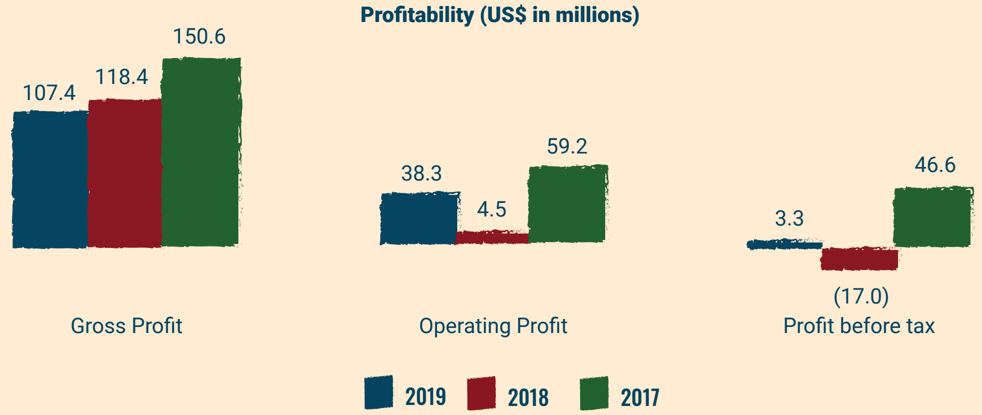
Sales volume
(in mT)



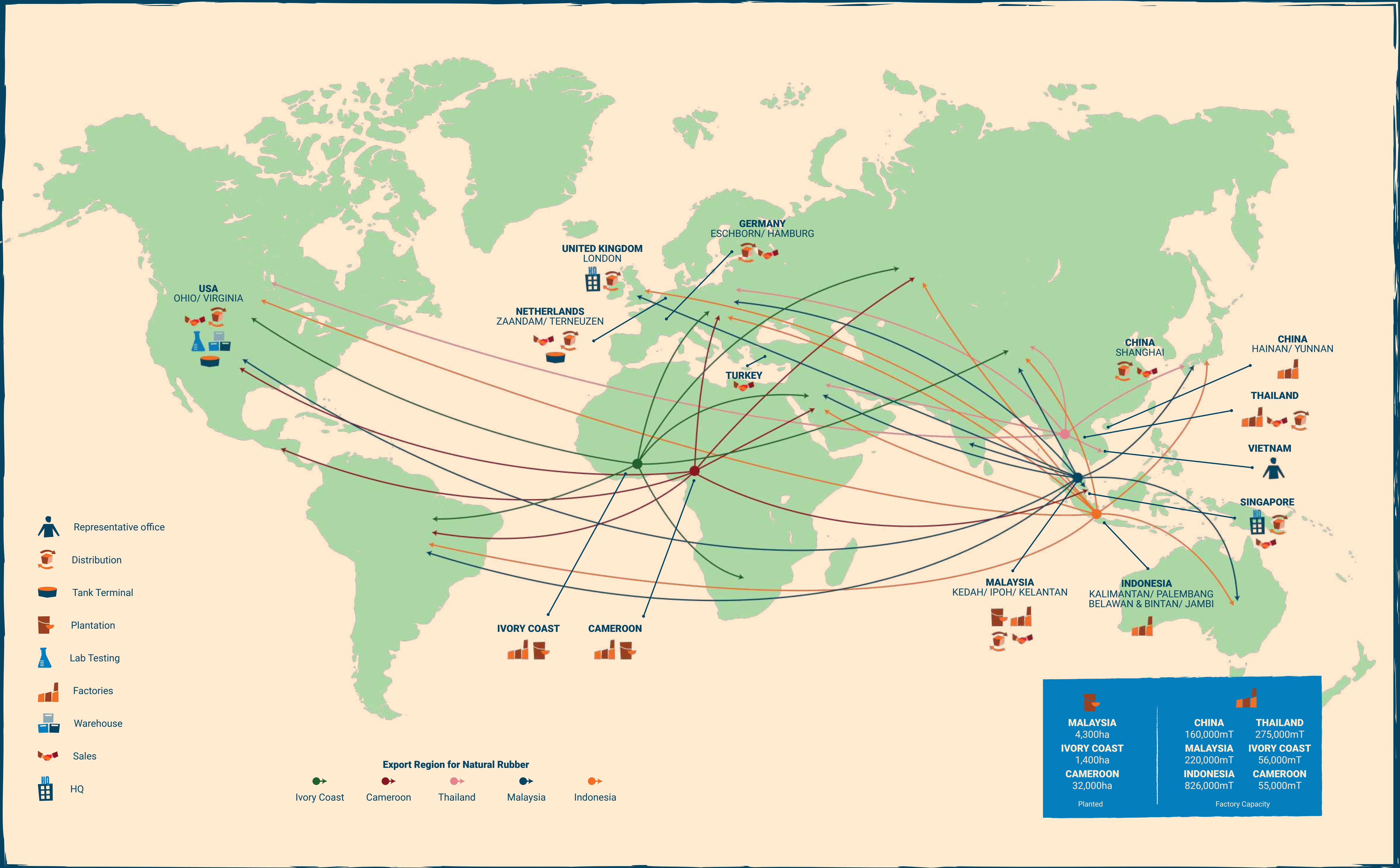
Revenue and ASP



Profitability (US$ in millions)



OUR GLOBAL FOOTPRINT



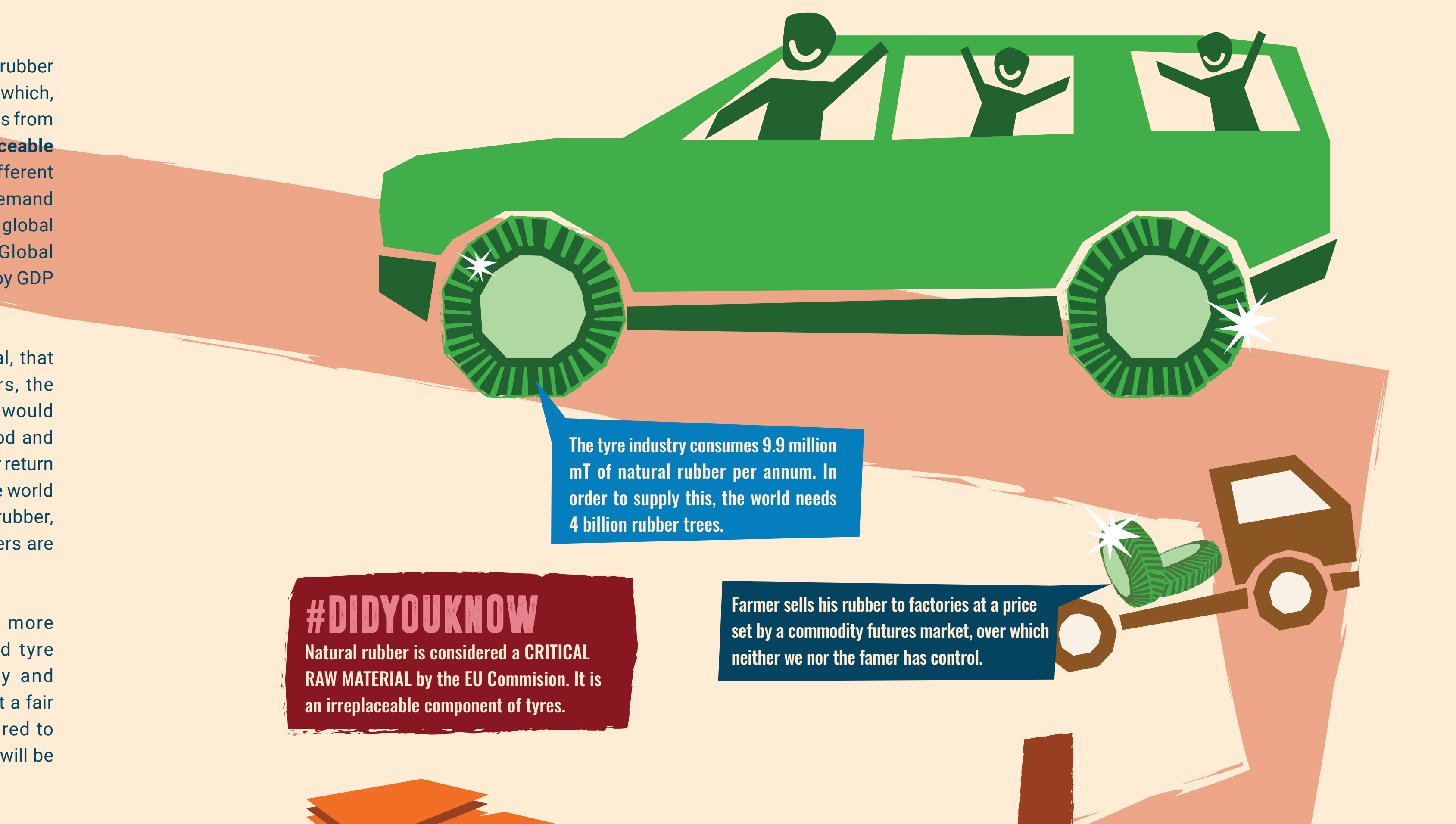
Where Does Your Source of Mobility Comes From?
Essentially, it comes from the tyres that allow your current mode of transport to take you from A to B. As you sit behind the wheel of your car driving your children to school, or in the back of a taxi that takes you to the airport (where you board a plane that would be grounded if not for its tyres), did you ever wonder what material makes up a significant percentage of those tyres? The answer is unequivocably **NATURAL RUBBER.**

So where is this critical raw material produced? Only from countries bordering the equator, with Thailand and Indonesia being the largest producers. Over 90% of Indonesian raw material is produced by 2.4 million farmers with an average smallholding of about 1.5 hectares. Each rubber tree produces approximately 2.5 kg of rubber per annum so imagine how many millions of trees are needed to guarantee the convenience and luxury of mobility that we all take for granted on a daily basis. The farmer sells his cup lumps to our factories at a price determined by a commodity futures market, over which neither we nor the farmer has control. Given the prevailing low prices, his income is now significantly below the Indonesian government's gazetted minimum wage for employees. A typical benchmark for Indonesian cost of living is the cost of a kilo of rice. Historically one kilo of rubber would have purchased two kilos of rice. Today the ***reverse*** is the case where **two kilos of rubber are needed to purchase one kilo of rice.**

Natural rubber's place in a global context
In 2017, the European Union commission added natural rubber to its list of **Critical Raw Materials,** the vast majority for which, including natural rubber, the EU is dependent on imports from non-EU countries. **Natural rubber is simply an irreplaceable component of tyres.** Different applications require different levels, but natural rubber cannot be replaced. The demand for natural rubber in passenger tyres is determined by global vehicle density as well as by total mileage driven. Global vehicle density and utilisation are largely determined by GDP growth.

It should be abundantly clear to vehicle owners et al, that without the existence of these smallholder farmers, the mobility that they take for granted in everyday life would be severely compromised. As well, the very livelihood and existence of smallholders are in peril by the current poor return for their labours and product. The only way to keep the world moving is to enforce the ***sustainable*** supply of natural rubber, which primarily includes ensuring that the smallholders are properly compensated.

Consumers (e.g. vehicle owners) are demanding more sustainable products and in turn, automobile and tyre manufacturers are demanding full transparency and sustainability in respect of supply chains. But without a fair price reflective of the efforts and investment required to produce this critical and irreplaceable product: there will be no, in the true sense of the word, sustainability.



RATED 2ND MOST TRANSPARENT NATURAL RUBBER PRODUCING COMPANY

BY SPOTT

SUSTAINABILITY POLICY TRANSPARENCY TOOLKIT

EcoVadis
Silver Rating

Gold Award

BEST
ANNUAL REPORT

Singapore Corporate Awards 2019

- First Natural Rubber Company to declare ZERO DEFORESTATION
- HeveaTRACE for Traceable Supply Chain
- HeveaGROW for Smallholder Capacity Building
- Cameroon Sustainability Council
- Formation of 25,000ha Community Forest in Cameroon
- State-of-the-Art Factory and Laboratory in Africa
- Outgrower Programme for Community Empowerment
- Water Stewardship Action Learning Project in Indonesia
- Smallholder Financing Study