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PROFIT

**OUR CORPORATE GOVERNANCE REPORT &  
2019 FINANCIAL STATEMENTS**

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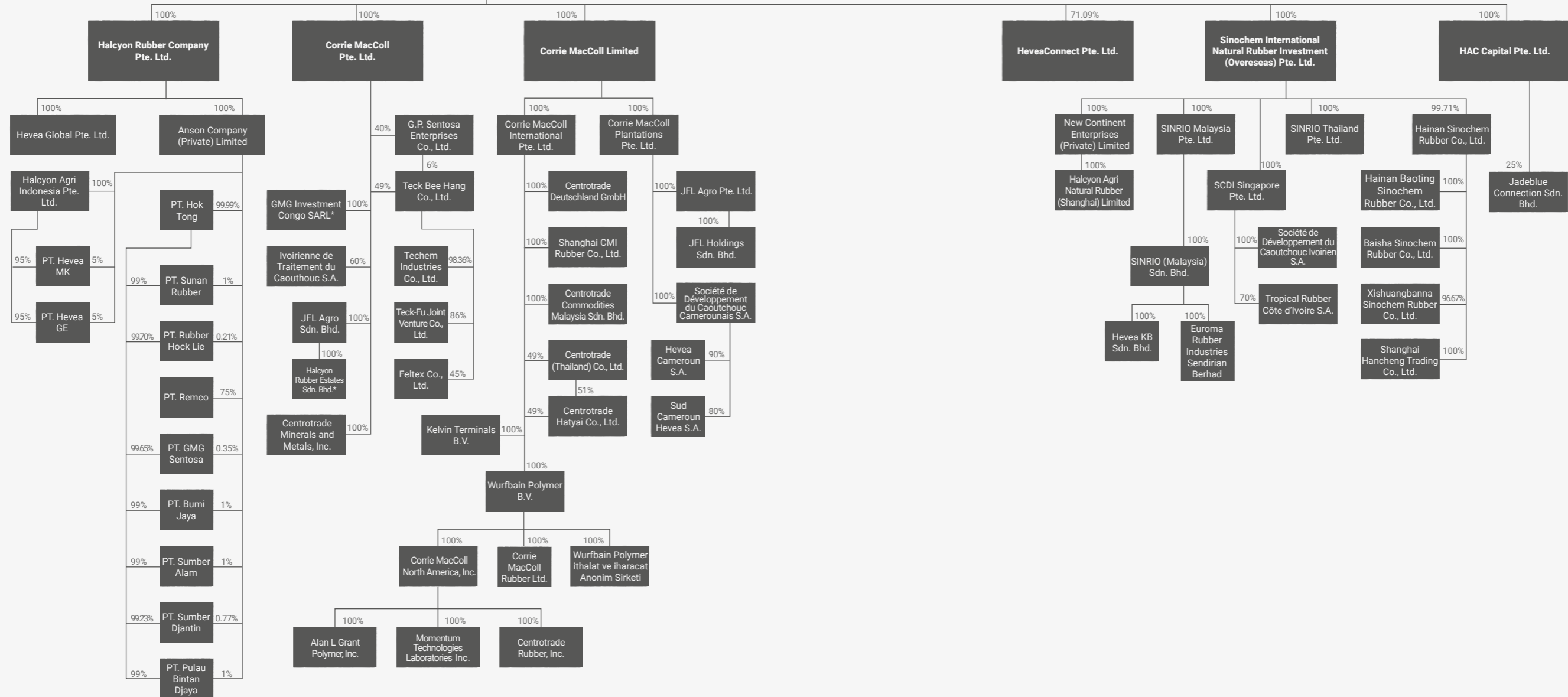
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\* In the process of striking off or winding up

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



**Board of Directors**

Liu Hongsheng	<i>(Non-Executive Chairman)</i>
Robert Meyer	<i>(Executive Director and CEO)</i>
Pascal Demierre	<i>(Executive Director)</i>
Alan Nisbet	<i>(Lead Independent Director)</i>
Randolph Khoo	<i>(Independent Director)</i>
Liew Choon Wei	<i>(Independent Director)</i>
Wang Wei	<i>(Non-Executive Director)</i>
Jeremy Goon	<i>(Independent Director)</i>
Qin Jinke	<i>(Non-Executive Director)</i>
Lam Chun Kai	<i>(Independent Director)</i>

**Audit Committee**

Alan Nisbet	<i>(Chairman)</i>
Randolph Khoo	
Liew Choon Wei	
Pascal Demierre	

**Remuneration Committee**

Liew Choon Wei	<i>(Chairman)</i>
Alan Nisbet	
Randolph Khoo	
Pascal Demierre	

**Nominating Committee**

Randolph Khoo	<i>(Chairman)</i>
Alan Nisbet	
Liew Choon Wei	

**Strategy and Investment Committee**

Liu Hongsheng	<i>(Chairman)</i>
Alan Nisbet	
Robert Meyer	

**Company Secretary**

Liew Guat Yi

**Registered Office and Corporate Headquarters**

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#05-02 Haw Par Centre  
Singapore 239922  
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**Investor Relations**

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Singapore 239922  
Email: [Investor@halcyonagri.com](mailto:Investor@halcyonagri.com)

**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](http://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

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")	<p><b>Four (4) members:</b></p> <ul style="list-style-type: none"> <li>Alan Nisbet (Chairman)</li> <li>Randolph Khoo</li> <li>Liew Choon Wei</li> <li>Pascal Demierre</li> </ul> <p>Three (3) out of four (4) members are Independent Directors</p>	<ul style="list-style-type: none"> <li>Financial reporting</li> <li>Internal and external audit processes</li> <li>Interested person transactions</li> <li>Internal controls and risk management systems</li> <li>Whistleblowing arrangements</li> </ul>
Nominating Committee ("NC")	<p><b>Three (3) members:</b></p> <ul style="list-style-type: none"> <li>Randolph Khoo (Chairman)</li> <li>Alan Nisbet</li> <li>Liew Choon Wei</li> </ul> <p>All members are Independent Directors</p>	<ul style="list-style-type: none"> <li>Succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel ("KMP")</li> <li>Performance of the Board</li> <li>Board and Director independence</li> <li>Board orientation, training and development</li> </ul>
Remuneration Committee ("RC")	<p><b>Four (4) members:</b></p> <ul style="list-style-type: none"> <li>Liew Choon Wei (Chairman)</li> <li>Alan Nisbet</li> <li>Randolph Khoo</li> <li>Pascal Demierre</li> </ul> <p>Three (3) out of four (4) members are Independent Directors</p>	<ul style="list-style-type: none"> <li>Remuneration policies and framework</li> <li>Remuneration for the Board and KMP</li> <li>Specific remuneration packages for each Director and KMP</li> </ul>
Strategy and Investment Committee ("StratCom")	<p><b>Three (3) members:</b></p> <ul style="list-style-type: none"> <li>Liu Hongsheng (Chairman)</li> <li>Alan Nisbet</li> <li>Robert Meyer</li> </ul> <p>Two (2) out of three (3) members are Non-executive Directors</p>	<ul style="list-style-type: none"> <li>Strategy development and strategic direction</li> <li>Major investment or divestment plans</li> <li>Capital and assets management</li> </ul>

## Key Information of Directors

DIRECTOR	MEETING ATTENDANCE (1 January to 31 December 2019)						TOTAL REMUNERATION (SGD) (FY2019)		
	General Meeting	Board	AC	NC	RC	Strat-Com	Basic/Fixed Salary	Directors' Fee	Other Variable
	(Number of scheduled meetings held)								
• Age	1	4	4	1	1	1			
• 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)									
<b>Liu Hongsheng</b>									
• 53	1	4	-	-	-	1			
• Non-executive Non-independent Chairman since 16 January 2017							NA <sup>(2)</sup>	110,250	NA <sup>(2)</sup>
• Last re-elected on 23 April 2019									
• 3.9 years									
• Executive Director of Sinochem International Corporation Co., Ltd.									
<b>Robert Meyer</b>									
• 46	1	4	3 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>	1			
• Executive Director and CEO since 8 July 2010							900,000	NA <sup>(3)</sup>	Nil <sup>(4)</sup>
• 10.4 years									
• Last re-elected on 23 April 2019									
<b>Pascal Demierre</b>									
• 46	1	4	4	1 <sup>(1)</sup>	1	-			
• Executive Director and Chief Corporate Officer ("COO") since 8 July 2010							660,000	NA <sup>(3)</sup>	Nil <sup>(4)</sup>
• Last re-elected on 23 April 2018									
• 10.4 years									
• Independent Director of The Hour Glass Limited									

DIRECTOR	MEETING ATTENDANCE (1 January to 31 December 2019)						TOTAL REMUNERATION (SGD) (FY2019)		
	General Meeting	Board	AC	NC	RC	Strat-Com	Basic/Fixed Salary	Directors' Fee	Other Variable
<ul style="list-style-type: none"> <li>Age</li> <li>Position and appointment date</li> <li>Last re-elected date (if applicable)</li> <li>Length of Directorship as of 31 December 2020</li> <li>Present and past three (3) years Directorships in other listed companies (if any)</li> </ul>	(Number of scheduled meetings held)								
	1	4	4	1	1	1			
<b>Alan Nisbet</b>							<b>Total: 108,125</b>		
<ul style="list-style-type: none"> <li>69</li> <li>Lead Independent Director since 7 January 2013</li> <li>Last re-elected on 23 April 2018</li> <li>7.9 years</li> <li>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)</li> </ul>	1	4	4	1	1	1	NA <sup>(2)</sup>	108,125	NA <sup>(2)</sup>
<b>Randolph Khoo</b>							<b>Total: 85,250</b>		
<ul style="list-style-type: none"> <li>56</li> <li>Independent Director since 7 January 2013</li> <li>7.9 years</li> <li>Last re-elected on 23 April 2018</li> </ul>	1	3	3	1	1	-	NA <sup>(2)</sup>	85,250	NA <sup>(2)</sup>

DIRECTOR	MEETING ATTENDANCE (1 January to 31 December 2019)						TOTAL REMUNERATION (SGD) (FY2019)		
	General Meeting	Board	AC	NC	RC	Strat-Com	Basic/Fixed Salary	Directors' Fee	Other Variable
<ul style="list-style-type: none"> <li>Age</li> <li>Position and appointment date</li> <li>Last re-elected date (if applicable)</li> <li>Length of Directorship as of 31 December 2020</li> <li>Present and past three (3) years Directorships in other listed companies (if any)</li> </ul>	(Number of scheduled meetings held)								
	1	4	4	1	1	1			
<b>Liew Choon Wei</b>							<b>Total: 86,250</b>		
<ul style="list-style-type: none"> <li>65</li> <li>Independent Director since 1 October 2014</li> <li>Last re-elected on 23 April 2019</li> <li>6.2 years</li> <li>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)</li> </ul>	1	4	4	1	1	-	NA <sup>(2)</sup>	86,250	NA <sup>(2)</sup>
<b>Wang Wei</b>							<b>Total: 54,000</b>		
<ul style="list-style-type: none"> <li>40</li> <li>Non-executive Non-independent Director since 3 May 2017</li> <li>Last re-elected on 23 April 2018</li> <li>3.6 years</li> </ul>	-	4	-	-	-	-	NA <sup>(2)</sup>	54,000	NA <sup>(2)</sup>
<b>Jeremy Goon</b>							<b>Total: 54,000</b>		
<ul style="list-style-type: none"> <li>47</li> <li>Independent Director since 2 November 2017</li> <li>Last re-elected on 23 April 2018</li> <li>3.1 years</li> </ul>	1	4	-	-	-	-	NA <sup>(2)</sup>	54,000	NA <sup>(2)</sup>

DIRECTOR	MEETING ATTENDANCE (1 January to 31 December 2019)						TOTAL REMUNERATION (SGD) (FY2019)		
	General Meeting	Board	AC	NC	RC	Strat-Com	Basic/Fixed Salary	Directors' Fee	Other Variable
<ul style="list-style-type: none"> <li>Age</li> <li>Position and appointment date</li> <li>Last re-elected date (if applicable)</li> <li>Length of Directorship as of 31 December 2020</li> <li>Present and past three (3) years Directorships in other listed companies (if any)</li> </ul>	(Number of scheduled meetings held)								
	1	4	4	1	1	1			
<b>Qin Jinke</b>							<b>Total: 54,000</b>		
<ul style="list-style-type: none"> <li>49</li> <li>Non-executive Non-independent Director since 1 January 2018</li> <li>Last re-elected on 23 April 2018</li> <li>3.0 years</li> </ul>	1	4	2 <sup>(1)</sup>	-	-	-	NA <sup>(2)</sup>	54,000	NA <sup>(2)</sup>
<b>Lam Chun Kai</b>							<b>Total: 36,444.45</b>		
<ul style="list-style-type: none"> <li>72</li> <li>Independent Director since 23 April 2019</li> <li>1.7 years</li> </ul>	-	2	-	-	-	-	NA <sup>(2)</sup>	36,444.45	NA <sup>(2)</sup>
<b>Raymond Ferguson</b>							<b>Total: 19,656.30</b>		
<ul style="list-style-type: none"> <li>57</li> <li>Independent Director from 15 November 2016 to 23 April 2019 (Retired)</li> </ul>	-	2	-	-	-	1	NA <sup>(2)</sup>	19,656.30	NA <sup>(2)</sup>

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:

- establish corporate values and ethical standards of conduct for the Group;
- oversee the business performance and affairs of the Group and provide entrepreneurial leadership;
- set strategic direction for the Group, maintain the policy and decision making framework in which the strategy is implemented;
- 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;
- 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;
- review and approve annual budgets, financial plans, major acquisitions and divestment plans, funding and investment proposals;
- ensure transparency and accountability to key stakeholder groups including compliance with relevant laws and regulations as well as the financial reporting standards;
- review and approve the appointment of Directors and KMP; and
- 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<sup>1</sup> 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.

<sup>1</sup> 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.

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 of 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:

- to link rewards with performance and offer appropriate remuneration and employment conditions to build, motivate and retain Directors, KMP and talent;
- to align the interests of Directors and KMP with the interests of Shareholders and other stakeholders;
- risk policies of the Company, such that the remuneration is symmetric with risk outcome and sensitive to the time horizon of risk, and
- 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:

Position	Basic Fee per annum (SGD)					Attendance Fee (SGD)
	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 <sup>(1)</sup>
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
<b>General</b> Compliance with all the principles and provisions of the Code	Yes. Page 96
<b>Key information on each Director</b>	
• Background of Directors	Pages 32 to 36
• Age, designation, roles, appointment dates, length of directorship, present and past 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
<b>Provision 1.2</b> The induction, training and development provided to new and existing directors	Page 106
<b>Disclosure Guide</b> 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
<b>Disclosure Guide</b> 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
<b>Provision 1.3</b> Matters that require board approval	Pages 102 to 103
<b>Provision 1.4</b> 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
<b>Provision 1.5</b> 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
<b>Provision 2.4</b> The board diversity and progress made towards implementing the board diversity policy, including objectives	Page 104
<b>Practice Guidance 4</b> How the board, with its collection of skills, experience and diversity, meets the needs of the company	Pages 96 and 104
<b>Disclosure Guide</b>	
(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	Pages 96 and 104
(c) Steps that the board has taken to achieve the balance and diversity necessary to maximise its effectiveness	
<b>Provision 4.3</b> 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
<b>Provision 4.4</b> 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
<b>Disclosure Guide</b> Compliance with the guideline on the proportion of independent directors on the board	Page 104
<b>Disclosure Guide</b> 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
<b>Provision 4.5</b> 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
<b>Disclosure Guide</b>	
(a) Maximum number of listed company board representations which directors may hold, and the reasons for this number should be disclosed	Pages 107 to 108
(b) Specific considerations in deciding on the capacity of directors	

Principle and Provisions	Page reference in this Annual Report
<b>Provision 5.2</b> 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
<b>Provision 6.4</b> The company discloses the engagement of any remuneration consultants and their independence	Page 110
<b>Principle 8</b> 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
<b>Provision 8.1</b> 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
<b>Provision 8.2</b> 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
<b>Provision 8.3</b> 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
<b>Practice Guidance 8</b> 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
<b>Provision 9.2</b> 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
<b>Practice Guidance 9</b> The board should comment on the adequacy and effectiveness of the company's risk management and internal control system	Page 114
<b>Disclosure Guide</b> Whether the company have an internal audit function	Page 113
<b>Disclosure Guide</b> 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
<b>Provision 11.3</b> Directors' attendance at general meetings of shareholders held during the financial year	Pages 98 to 101
<b>Provision 12.1</b> The steps taken by the company to solicit and understand the views of shareholders	Pages 114 to 116
<b>Provision 13.2</b> The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Page 116
<b>Disclosure Guide</b> 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. <b>Date of appointment</b>	8 July 2010	7 January 2013	1 January 2018	3 May 2017
2. <b>Date of last re-appointment</b>	23 April 2018	23 April 2018	23 April 2018	23 April 2018
3. <b>Age</b>	46	56	49	40
4. <b>Country of principal residence</b>	Singapore	Singapore	China	China
5. <b>The Board's comments on this re-election</b> (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. <b>Whether appointment is executive, and if so, the area of responsibility</b>	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

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	<ul style="list-style-type: none"> <li>Bachelor of Law (Upper Second) from King's College London, United Kingdom</li> <li>Graduate Diploma in Law from the National University of Singapore</li> </ul>	Bachelor of Law from the National University of Singapore	<ul style="list-style-type: none"> <li>Bachelor Degree from The Central University of Finance and Economics</li> <li>Executive Master of Business Administration from China Europe International Business School</li> </ul>	<ul style="list-style-type: none"> <li>Master's degree in International Relations, major in contemporary international economic relations, from China Foreign Affairs University</li> <li>Bachelor of Arts in International Economics and Trade, from the China Foreign Affairs University</li> </ul>
9. Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> <li>October 2013 to present – Executive Director of the Company</li> <li>January 2007 to September 2013 – Chief Corporate Officer, Halcyon Investment Corporation Pte. Ltd.</li> </ul>	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: <ul style="list-style-type: none"> <li>September 2014 to Present – Chief Financial Officer</li> <li>June 2012 to September 2014 – Vice Chief Financial Officer</li> <li>January 2010 to June 2012 – General Manager of Financial Headquarter</li> </ul>	<ul style="list-style-type: none"> <li>October 2009 to Present – Executive Director, the Infrastructure and Energy Investment Department of China-Africa Development Fund</li> <li>November 2007 to August 2009 - Consultant, APCO Consulting (Beijing) Co., Ltd.</li> </ul>

## 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	<ul style="list-style-type: none"> <li>Direct Interest – 11,300,000 shares in the Company</li> <li>Deemed interest – 24,825 shares in the Company</li> </ul>	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)	<ul style="list-style-type: none"> <li>Director, Halcyon Agri Resources Pte. Ltd.</li> <li>Director, Halcyon Corporate Services Pte. Ltd.</li> <li>Director, Halcyon Energy Corporation Pte. Ltd.</li> <li>Director, 6T9 Collection Pte. Ltd.</li> </ul> <p>Note: Excluding directorship in the Company's subsidiaries</p>	Nil	<ul style="list-style-type: none"> <li>Director, Sinochem International Corp Care Co., Ltd.</li> </ul>	Nil



Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
(b) Present	<ul style="list-style-type: none"> <li>Executive Director, Halcyon Agri Corporation Limited</li> <li>Independent Director, The Hour Glass Limited</li> <li>Council Member, Alliance Française de Singapour</li> <li>Director, Demierre Holdings Pte. Ltd.</li> <li>Director, Demierre (Private) Limited</li> <li>Director, Swift Heritage Pte Ltd</li> <li>Director, Gastrolicious Pte. Ltd.</li> <li>Director, Halcyon Investment Corporation Pte. Ltd.</li> <li>Director, Halcyon Strategic Pte. Ltd.</li> </ul> <p>Note: Excluding directorship in the Company's subsidiaries</p>	<ul style="list-style-type: none"> <li>Deputy Managing Director for Dispute Resolution Department, D&amp;N</li> <li>Advocate and Solicitor of the Supreme Court Singapore, a Notary Public and a Commissioner for Oaths</li> <li>Panel Arbitrator, Singapore Institute of Arbitrators</li> <li>Panel Arbitrator, Shanghai Arbitration Commission, Shanghai International Economic and Trade Arbitration Commission and Shenzhen Court of International Arbitration</li> <li>Panel Arbitrator, Asian Institute of Arbitration and the Malaysian Institute of Arbitrators</li> <li>Panel Arbitrator, Chinese Arbitration Association, Taipei</li> <li>Panel Arbitrator, Institute of Modern Arbitration of the Russian Federation</li> </ul>	<ul style="list-style-type: none"> <li>Chief Financial Officer, Sinochem</li> <li>Director, Nantong Jiangshan Agrochemical &amp; Chemicals Co., Ltd.</li> <li>Director, Sinorgchem Technology Co., Ltd.</li> <li>Director, Sinochem International Logistics Co., Ltd.</li> <li>Director, Sinochem International (Overseas) Pte. Ltd.</li> <li>Director, Shanghai Dehuan Real Estate Co., Ltd.</li> <li>Director, Shanghai WenChuang Trade Co., Ltd.</li> <li>Director, Shanghai Hancheng Trading Co., Ltd.</li> <li>Director, SC Petrochemical (HK) Co., Limited</li> <li>Director, Jiangsu HuaYuan Coking Co., Ltd.</li> <li>Director, Shaxi Yaxin Coal Coking Co., Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>Executive Director, the Infrastructure and Energy Investment Department, China-Africa Development Fund</li> <li>Director, HNA &amp; CADF Logistics Co., Ltd</li> <li>Director, Nanjing Ocean (CM) Co., Ltd</li> <li>Director, Sunon Ansogli Power (Ghana) Ltd.</li> </ul>

## SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	Pascal Guy Chung Wei Demierre	Khoo Boo Teck Randolph	Qin Jinke	Wang Wei
		<ul style="list-style-type: none"> <li>Panel Arbitrator (Foreign National), Indian Council of Arbitration</li> <li>Fellow of arbitral institutes of Singapore, Malaysia, Hong Kong, the UK, India and New Zealand</li> <li>Member of the International Bar Association, Society of International Law (Singapore), Law Society of Singapore and the Singapore Academy of Law</li> <li>Director, JKSM Investments Pte Ltd</li> </ul>		
<b>15. Other declarations</b> (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

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

[aggregate] [disrupt] [sustain]

## 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
(i) 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; (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



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

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:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>Ordinary shares of the Company</b>				
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
<b>4.5% senior perpetual securities issued by the Company in denominations of US\$200,000</b>				
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 US\$'000	2018 US\$'000
<b>Revenue</b>	4	1,907,747	2,141,034
Cost of sales		(1,800,395)	(2,022,591)
<b>Gross profit</b>		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)
<b>Operating profit</b>		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
<b>Loss for the financial year</b>		(3,730)	(13,413)
<b>Loss attributable to:</b>			
Owners of the Company		(1,633)	(8,484)
Non-controlling interests		(2,097)	(4,929)
		(3,730)	(13,413)
<b>Loss per share (“LPS”):</b>			
Basic and diluted (cents per share)	10	(0.31)	(0.96)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 US\$'000	2018 US\$'000
<b>Loss for the financial year</b>		(3,730)	(13,413)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
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)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
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)
<b>Other comprehensive income/(loss) for the financial year net of tax</b>		8,180	(34,231)
<b>Total comprehensive income/(loss) for the financial year net of tax</b>		4,450	(47,644)
<b>Attributable to:</b>			
- Owners of the Company		6,529	(40,766)
- Non-controlling interests		(2,079)	(6,878)
<b>Total comprehensive income/(loss) for the financial year net of tax</b>		4,450	(47,644)

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

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

# STATEMENTS OF FINANCIAL POSITION

AS at 31 December 2019

HALCYON AGRI - 2019 CORPORATE REPORT

	Note	Group		Company	
		2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
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
<b>Current assets</b>					
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
<b>Total assets</b>		1,914,957	1,814,620	1,553,126	1,491,508

# STATEMENTS OF FINANCIAL POSITION

AS at 31 December 2019

	Note	Group		Company	
		2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
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
<b>Net current assets</b>		38,724	144,647	256,103	392,595
<b>Non-current liabilities</b>					
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
<b>Net assets</b>		588,988	735,886	601,660	776,084
<b>Capital and reserves</b>					
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	-	-
<b>Equity attributable to owners of the Company</b>		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
<b>Total liabilities and equity</b>		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

Group	Note	Attributable to owners of the Company					Non-controlling interests	Total equity		
		Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserve US\$'000	Accumulated profits/(losses) US\$'000			Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000
<b>At 1 January 2019</b>		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	28	-	-	-	-	(3,375)	-	(3,375)	-	(3,375)
Distribution to perpetual securities holders		-	(148,690)	-	(1,310)	-	-	(150,000)	-	(150,000)
Reclassification of perpetual securities to loan payables		-	-	197	-	(197)	-	-	-	-
Statutory reserve fund		-	-	-	-	-	-	-	(173)	(173)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owner</b>		-	(148,690)	197	(1,310)	(3,572)	-	(153,375)	(173)	(153,548)
Changes in ownership interests in subsidiaries		-	-	-	1,357	-	-	1,357	843	2,200
Issuance of shares of a subsidiary to non-controlling interests		-	-	-	1,357	-	-	1,357	843	2,200
<b>Total changes in ownership interests in subsidiaries</b>		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

Group	Note	Attributable to owners of the Company					Non-controlling interests	Total equity		
		Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserve US\$'000	Accumulated profits/(losses) US\$'000			Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000
<b>At 1 January 2018 *</b>		603,874	148,690	711	-	(5,694)	42,672	790,253	42,910	833,163
Effect of adopting SFRS(I) 9		-	-	-	-	(564)	-	(564)	-	(564)
<b>At 1 January 2018 (SFRS(I) framework)</b>		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	36	-	-	-	-	(24,088)	-	(24,088)	-	(24,088)
Dividends on ordinary shares		-	-	-	-	-	-	-	(354)	(354)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-
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)
<b>Total contributions by and distributions to owner</b>		-	-	906	-	(31,744)	-	(30,838)	(96)	(30,934)
Changes in ownership interests in subsidiaries		-	-	-	877	-	-	877	123	1,000
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)
<b>Total changes in ownership interests in subsidiaries</b>		-	-	-	877	(8,121)	-	(7,244)	(7,016)	(14,260)

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

\* 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

Company	Note	Share capital	Perpetual securities	Other reserves	Accumulated profits/(losses)	Total equity
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>1 January 2019</b>		603,874	148,690	-	23,520	776,084
Loss for the year representing total comprehensive loss for the year		-	-	-	(21,049)	(21,049)
<u>Contributions by and distributions to owners</u>						
Distribution to perpetual securities holders	28	-	-	-	(3,375)	(3,375)
Reclassification of perpetual securities to loan payables		-	(148,690)	(1,310)	-	(150,000)
<b>Total transactions with owners in their capacity as owners</b>		-	(148,690)	(1,310)	(3,375)	(153,375)
<b>At 31 December 2019</b>		603,874	-	(1,310)	(904)	601,660
<b>At 1 January 2018</b>		603,874	148,690	-	62,604	815,168
Loss for the year representing total comprehensive income for the year		-	-	-	(8,246)	(8,246)
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares	36	-	-	-	(24,088)	(24,088)
Distribution to perpetual securities holders	28	-	-	-	(6,750)	(6,750)
<b>Total transactions with owners in their capacity as owners</b>		-	-	-	(30,838)	(30,838)
<b>At 31 December 2018</b>		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

HALCYON AGRI - 2019 CORPORATE REPORT

	Note	2019 US\$'000	2018 US\$'000
<b>Operating activities</b>			
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
<b>Operating cash flows before changes in working capital</b>		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)
<b>Cash used in operations</b>		(14,754)	(24,310)
Interest received		2,082	4,371
Interest paid		(25,564)	(18,828)
Tax paid		(3,381)	(14,165)
<b>Net cash used in operating activities</b>		(41,617)	(52,932)
<b>Investing activities</b>			
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)
<b>Net cash used in investing activities</b>		(65,522)	(201,244)

## CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
<b>Financing activities</b>			
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
<b>Net cash generated from financing activities</b>		38,672	228,445
<b>Net decrease in cash and cash equivalents</b>		(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
<b>Cash and bank balances comprise the following:</b>			
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 US\$'000 (Note 25)	Lease liabilities US\$'000 (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.

New accounting standards effective on 1 January 2019

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)**

New accounting standards effective on 1 January 2019 (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)):

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

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:

	<b>Group</b>
	US\$'000
<b>Assets</b>	
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:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
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.

**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 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)**

Accounting policy prior to 1 January 2019

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**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	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**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	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**

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

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For the financial year ended 31 December 2019

### 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
	<u>51,911</u>	<u>38,080</u>
Less: interest expense capitalised in:		
- Plantation and biological assets (Note 16)	(11,085)	(11,906)
Total finance costs	<u>40,826</u>	<u>26,174</u>

### 7. Income tax (expense)/credit

	Group	
	2019	2018
	US\$'000	US\$'000
<b>Consolidated income statement</b>		
<b>Current tax</b>		
Current tax expense	(4,387)	(5,383)
Over provision in prior years	173	2,252
<b>Deferred tax</b>		
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	<u>(7,041)</u>	<u>3,551</u>

### 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	<u>3,311</u>	<u>(16,964)</u>
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	<u>(7,041)</u>	<u>3,551</u>

### 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	-
	<u>3,496</u>	<u>460</u>
Impairment of property, plant and equipment	257	-
Allowance for advances to suppliers	2,500	-
Inventories written down	1,546	-
	<u>4,303</u>	<u>-</u>
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
	<u>29,367</u>	<u>28,479</u>
Foreign exchange gain included in:		
- Cost of sales	(6,615)	(1,750)
- Administrative expenses	(4,361)	(5,342)
	<u>(10,976)</u>	<u>(7,092)</u>
Amortisation:		
- Intangible assets (Note 11)	839	372
- Right-of-use assets	2,798	-
	<u>3,637</u>	<u>372</u>

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For the financial year ended 31 December 2019

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

	Group	
	2019 US\$'000	2018 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 <sup>(1)</sup>	1,800,395	2,022,591

<sup>(1)</sup> 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
	<u>107,568</u>	<u>108,046</u>
Included in:		
- Cost of sales	60,845	59,782
- Selling expenses	7,275	7,145
- Administrative expenses	39,448	41,119
	<u>107,568</u>	<u>108,046</u>

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For the financial year ended 31 December 2019

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

	Group	
	2019 US\$'000	2018 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	<u>71,650</u>	<u>36,186</u>
Add: Non-recurring expenses (Note 8)	3,496	460
Less: Fair value gain on investment properties (Note 5)	(80)	(4,515)
Adjusted EBITDA	<u>75,066</u>	<u>32,131</u>

### 10. Loss per share ("LPS")

	Group	
	Basic and diluted	
	2019 US\$'000	2018 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	<u>(5,008)</u>	<u>(15,234)</u>

	Number of ordinary shares '000	
	Basic and diluted	
	2019	2018
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012
Loss per share (US Cents)	<u>(0.31)</u>	<u>(0.96)</u>



**11. Intangible assets**

Group	Process know-how US\$'000	Goodwill US\$'000	Customer related intangibles US\$'000	Trademark US\$'000	Computer software US\$'000	Total US\$'000
<b>Cost:</b>						
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
<b>Accumulated amortisation:</b>						
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
<b>Net carrying amount:</b>						
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
<b>Cost:</b>	
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
<b>Accumulated amortisation:</b>	
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
<b>Net carrying amount:</b>	
At 31 December 2018	1,164
At 31 December 2019	914
<b>Process know-how</b>	
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.	
<b>Goodwill</b>	
Goodwill acquired through business combinations have been allocated to following cash-generating units ("CGU"), for impairment testing:	
	<b>Group 2019</b>
	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
<b>Changes to CGU</b>	
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%
<b>Total</b>	<b>296,379</b>		

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%
<b>Total</b>	<b>297,399</b>		

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	–
	<b>311,652</b>	<b>294,972</b>	<b>3,320</b>	<b>168</b>

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

#### 12(a) Property, plant and equipment

Group	Leasehold improvements and renovation US\$'000	Office equipment US\$'000	Computers and software US\$'000	Leasehold buildings US\$'000	Plant and machinery US\$'000	Vehicles US\$'000	Leasehold land US\$'000	Freehold land US\$'000	Assets under construction US\$'000	Total US\$'000
<b>Cost:</b>										
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

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

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

Group	Leasehold improvements and renovation US\$'000	Office equipment US\$'000	Computers and software US\$'000	Leasehold buildings US\$'000	Plant and machinery US\$'000	Vehicles US\$'000	Leasehold land US\$'000	Freehold land US\$'000	Assets under construction US\$'000	Total US\$'000
<b>Accumulated depreciation and impairment:</b>										
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
<b>Net carrying amount:</b>										
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 US\$'000	Computers US\$'000	Office equipment US\$'000	Assets under construction US\$'000	Total US\$'000
<b>Cost:</b>					
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
<b>Accumulated depreciation:</b>					
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
<b>Net carrying amount:</b>					
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
<b>Net carrying amount:</b>			
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
<b>Net carrying amount:</b>			
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 US\$'000	2018 US\$'000
<b>Statement of financial position:</b>		
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
<b>Income statement:</b>		
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.

**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 Narathiwat, Thailand	Vacant land	Freehold	–
Residential houses and offices in Narathiwat, Thailand	House and office	Freehold	–

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### 14. Investment in subsidiaries and associates

#### 14(a) Investment in subsidiaries

	Company	
	2019	2018
At 1 January	US\$'000	US\$'000
	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
<b>Held by the Company</b>				
Halcyon Rubber Company Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
Corrie MacColl Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd. <sup>(1)</sup>	Singapore	Natural rubber trading and investment holding	100.00	100.00
HAC Capital Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
Corrie MacColl Limited <sup>(4)</sup>	United Kingdom	Investment holding	100.00	100.00
HeveaConnect Pte. Ltd. <sup>(1)</sup>	Singapore	Natural rubber trading and supply chain platform	71.09	90.10
<b>Subsidiaries of Halcyon Rubber Company Pte. Ltd.</b>				
Anson Company (Private) Limited <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
Hevea Global Pte. Ltd. <sup>(1)</sup>	Singapore	Natural rubber trading	100.00	100.00
<b>Subsidiaries of Anson Company (Private) Limited</b>				
Halcyon Agri Indonesia Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
PT. Hok Tong <sup>(2)</sup>	Indonesia	Natural rubber processing	99.99	99.99
PT. Remco <sup>(2)</sup>	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
<b>Subsidiaries of Halcyon Agri Indonesia Pte. Ltd.</b>				
PT. Hevea MK <sup>(2)</sup>	Indonesia	Natural rubber processing	100.00	100.00
PT. Hevea GE <sup>(2)</sup>	Indonesia	Natural rubber processing	100.00	100.00
<b>Subsidiaries of PT. Hok Tong</b>				
PT. Bumi Jaya <sup>(2)</sup>	Indonesia	Natural rubber processing	100.00	100.00
PT. Sunan Rubber <sup>(2)</sup>	Indonesia	Natural rubber processing	100.00	100.00
PT. Rubber Hock Lie <sup>(2)</sup>	Indonesia	Natural rubber processing	99.91	99.91
PT. GMG Sentosa <sup>(2)</sup>	Indonesia	Natural rubber processing	100.00	100.00
PT. Pulau Bintan Djaya <sup>(2)</sup>	Indonesia	Natural rubber processing	80.00	80.00
PT. Sumber Alam <sup>(2)</sup>	Indonesia	Natural rubber processing	100.00	100.00
PT. Sumber Djantin <sup>(2)</sup>	Indonesia	Natural rubber processing	100.00	100.00
<b>Subsidiaries of Corrie MacColl Pte. Ltd.</b>				
G.P. Sentosa Enterprises Co., Ltd. <sup>(2)</sup>	Thailand	Investment holding	100.00	100.00
Teck Bee Hang Co., Ltd. <sup>(2)</sup>	Thailand	Natural rubber processing	55.00	55.00
Ivoirienne de Traitement du Caoutchouc S.A. <sup>(2)</sup>	Ivory Coast	Dormant (2018: Natural rubber processing)	60.00	60.00
GMG Investment Congo SARL <sup>(3)</sup>	Democratic Republic of Congo	In liquidation	100.00	100.00
JFL Agro Sdn. Bhd. <sup>(2)</sup>	Malaysia	Dormant	100.00	100.00
Centrotrade Minerals and Metals, Inc <sup>(3) (6)</sup>	United States	Natural rubber trading and distribution	100.00	–

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For the financial year ended 31 December 2019

### 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
<b>Subsidiaries of Teck Bee Hang Co., Ltd.</b>				
Techem Industries Co., Ltd. <sup>(3)</sup>	Thailand	Manufacture & distribution of plastic products	54.10	54.10
Teck-Fu Joint Venture Co., Ltd. <sup>(3)</sup>	Thailand	Natural rubber processing	47.30	47.30
<b>Subsidiary of JFL Agro Sdn. Bhd.</b>				
Halcyon Rubber Estates Sdn. Bhd. <sup>(2)</sup>	Malaysia	In the process of strike off	100.00	100.00
<b>Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd.</b>				
New Continent Enterprises (Private) Limited <sup>(1)</sup>	Singapore	Natural rubber trading and distribution	100.00	100.00
SINRIO Malaysia Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
Hainan Sinochem Rubber Co., Ltd <sup>(2)</sup>	People's Republic of China	Natural rubber processing	99.71	99.71
SDCI Singapore Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
SINRIO Thailand Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
<b>Subsidiary of New Continent Enterprises (Private) Limited</b>				
Halcyon Agri Natural Rubber (Shanghai) Limited <sup>(2)</sup>	People's Republic of China	Natural rubber trading and distribution	100.00	100.00
<b>Subsidiary of SINRIO Malaysia Pte. Ltd.</b>				
SINRIO (Malaysia) Sdn. Bhd. <sup>(2)</sup>	Malaysia	Investment holding	100.00	100.00
<b>Subsidiaries of SINRIO (Malaysia) Sdn. Bhd.</b>				
Hevea KB Sdn. Bhd. <sup>(2)</sup>	Malaysia	Natural rubber processing	100.00	100.00
Euroma Rubber Industries Sendirian Berhad <sup>(2)</sup>	Malaysia	Natural rubber processing	100.00	100.00

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### 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
<b>Subsidiaries of Hainan Sinochem Rubber Co., Ltd.</b>				
Xishuangbanna Sinochem Rubber Co., Ltd. <sup>(2)</sup>	People's Republic of China	Natural rubber processing	96.67	96.67
Baisha Sinochem Rubber Co., Ltd. <sup>(2)</sup>	People's Republic of China	Natural rubber procurement	100.00	100.00
Hainan Baoting Sinochem Rubber Co., Ltd. <sup>(2)</sup>	People's Republic of China	Natural rubber processing	100.00	100.00
Shanghai Hancheng Trading Co., Ltd. <sup>(2)</sup>	People's Republic of China	Dormant	100.00	100.00
<b>Subsidiaries of SDCI Singapore Pte. Ltd.</b>				
Société de Développement du Caoutchouc Ivoirien S.A. <sup>(2)</sup>	Ivory Coast	Natural rubber processing	100.00	100.00
Tropical Rubber Côte d'Ivoire S.A. <sup>(2)</sup>	Ivory Coast	Natural rubber plantation	70.00	70.00
<b>Subsidiaries of Corrie MacColl Limited</b>				
Corrie MacColl International Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
Corrie MacColl Plantations Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
<b>Subsidiaries of Corrie MacColl International Pte. Ltd.</b>				
Centrotrade Deutschland GmbH <sup>(2)</sup>	Germany	Natural rubber trading and distribution	100.00	100.00
Centrotrade Minerals and Metals, Inc. <sup>(3)(6)</sup>	United States	Natural rubber trading and distribution	-	100.00
Centrotrade Commodities Malaysia Sdn. Bhd. <sup>(2)</sup>	Malaysia	Natural rubber trading and distribution	100.00	100.00
Wurfbain Polymer B.V. <sup>(2)</sup>	The Netherlands	Investment holding, trading and distribution of natural rubber and latex	100.00	100.00

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### 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
<b>Subsidiaries of Corrie MacColl International Pte. Ltd. (cont'd)</b>				
Kelvin Terminals B.V. <sup>(4)</sup>	The Netherlands	Storage and trading of natural rubber, latex and synthetic rubber	100.00	100.00
Centrotrade (Thailand) Co., Ltd. <sup>(3)</sup>	Thailand	Investment holding	49.00	49.00
Shanghai CMI Rubber Co., Ltd. <sup>(3)</sup>	People's Republic of China	Trading and distribution of natural rubber and rubber related products	100.00	100.00
<b>Subsidiaries of Wurfbain Polymer B.V.</b>				
Corrie MacColl Rubber Ltd <sup>(3)</sup>	United Kingdom	Other business support service activities	100.00	100.00
Corrie MacColl North America, Inc. <sup>(2)</sup>	United States	Investment holding	100.00	100.00
Wurfbain Polymer İthalat ve İhracat Anonim Şirketi <sup>(4) (5)</sup>	Republic of Turkey	Trading and distribution of natural rubber	100.00	–
<b>Subsidiaries of Corrie MacColl North America, Inc.</b>				
Alan L Grant Polymer, Inc. <sup>(2)</sup>	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Momentum Technologies Laboratories, Inc. <sup>(2)</sup>	United States	Provides laboratory services specialising in thermoplastic elastomers, resins, latex, polymers, and additives	100.00	100.00
Centrotrade Rubber, Inc. <sup>(2)</sup>	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
<b>Subsidiary of Centrotrade (Thailand) Co., Ltd.</b>				
Centrotrade Hatyai Co., Ltd. <sup>(3)</sup>	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
<b>Subsidiaries of Corrie MacColl Plantations Pte. Ltd.</b>				
Société de Développement du Caoutchouc Camerounais S.A. <sup>(2)</sup>	Cameroon	Investment holding	100.00	100.00
JFL Agro Pte. Ltd. <sup>(1)</sup>	Singapore	Investment holding	100.00	100.00
<b>Subsidiaries of Société de Développement du Caoutchouc Camerounais S.A.</b>				
Hevea Cameroun S.A. <sup>(2)</sup>	Cameroon	Natural rubber plantation and processing	90.00	90.00
Sud Cameroun Hevea S.A. <sup>(2)</sup>	Cameroon	Natural rubber plantation and processing	80.00	80.00
<b>Subsidiary of JFL Agro Pte. Ltd.</b>				
JFL Holdings Sdn. Bhd. <sup>(2)</sup>	Malaysia	Natural rubber and oil palm plantation	100.00	100.00

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(2)</sup> Audited by member firms of EY Global in the respective countries.

<sup>(3)</sup> Audited by other firms of Certified Public Accountants.

<sup>(4)</sup> No statutory audit required in the country of incorporation.

<sup>(5)</sup> Newly incorporated during the year.

<sup>(6)</sup> 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 Centrottrade 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:

	<b>Fair value recognised on acquisition</b>
	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
<b>Total assets</b>	<b>6,339</b>
Derivative financial instruments – liabilities	(2)
Trade and other payables	(1,397)
Deferred tax liabilities	(845)
<b>Total liabilities</b>	<b>(2,244)</b>
<b>Total identifiable net assets at fair value</b>	<b>4,095</b>
Add: Goodwill arising from acquisition (Note 11)	27,664
<b>Purchase consideration</b>	<b>31,759</b>
	<b>Effects on cash flows of the Group</b>
	US\$'000
Purchase consideration in cash	31,759
Less: Cash and bank balances of business acquired	(887)
<b>Net cash outflow on acquisition of Corrie MacColl</b>	<b>30,872</b>

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).

	<b>Fair value recognised on acquisition</b>
	US\$'000
Other assets	129
<b>Total identifiable net assets at fair value</b>	<b>129</b>
<b>Purchase consideration</b>	<b>129</b>
	<b>Effects on cash flows of the Group</b>
	US\$'000
Purchase consideration	129
Less: Consideration payable	(129)
<b>Net cash outflow on acquisition of subsidiary</b>	<b>–</b>

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.

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

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

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.

	<b>Fair value recognised on acquisition</b>
	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
<b>Total assets</b>	<b>53,508</b>
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)
<b>Total liabilities</b>	<b>(44,209)</b>
<b>Total identifiable net assets at fair value</b>	<b>9,299</b>
Add: Goodwill arising from acquisition (Note 11)	56,204
<b>Purchase consideration</b>	<b>65,503</b>

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

**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) US\$'000	Increase/ (Decrease) in equity attributable to non-controlling interests US\$'000	Decrease in equity attributable to owners of the Company US\$'000
<b>At 31 December 2019</b>			
HeveaConnect	2,200	843	1,357
<b>At 31 December 2018</b>			
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	2018 US\$'000
Feltex Co., Ltd.	1,035	1,190

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

<sup>(1)</sup> 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	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				Company	
	Statement of financial position		Consolidated income statement		Statement of financial position	
	2019 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000	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)
<b>Reflected in the statement of financial position as follows:</b>						
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	2018 US\$'000
<b>Reconciliation of deferred tax liabilities, net</b>		
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
<b>Group</b>									
<b>Cost</b>									
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
<b>Accumulated depreciation</b>									
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
<b>Carrying amount</b>									
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	-	-

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

### 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

## NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

### 19. Loans and other receivables

	Group		Company	
	2019	2018	2019	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets</b>				
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
<b>Non-financial assets</b>				
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
<b>Financial liabilities</b>				
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
<b>Non-financial liabilities</b>				
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 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
<b>Current</b>				
Loan A	2,140	1,309	-	-
Loan C	4,282	-	-	-
Loan D	3,083	-	-	-
Loan F	29,672	-	29,672	-
	<u>39,177</u>	<u>1,309</u>	<u>29,672</u>	<u>-</u>
<b>Non-current</b>				
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	-
	<u>511,912</u>	<u>390,265</u>	<u>342,454</u>	<u>296,442</u>

Details of the term loans are as follow:

- 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.
- Loan B bears an effective interest rate of 4.06% (2018: 3.93%) and is repayable in 2021. This loan is unsecured.
- 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.
- 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.
- 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.
- 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.

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 US\$'000	2018 US\$'000
At 1 January	19,024	19,024
Acquisition of subsidiaries	-	4,920
Benefit paid for the year	(3,253)	(6,283)
<b>Changes charged to profit or loss</b>		
- 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
<b>Re-measurement losses/(gain) in other comprehensive income</b>		
- 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)
	<u>22,541</u>	<u>16,907</u>
Reclassification from assets of disposal group classified as held-for-sale	-	2,117
At 31 December	<u>22,541</u>	<u>19,024</u>

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	Decrease in assumption	Increase in assumption	Decrease in assumption
	2019	2019	2018	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>				
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
<b>Issued and fully paid ordinary shares</b>				
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	-

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
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
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.

Foreign currency sensitivity

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 US\$'000	2018 US\$'000	2019 US\$'000	2018 US\$'000
United States Dollar	(1,002)	(2,095)	-	-
Singapore Dollar	60	104	11	7
Euro <sup>1</sup>	456	754	6	3
Pound Sterling	180	174	-	-
Swedish Krona	59	92	-	-
Chinese Yuan Renminbi	99	4	-	-
Japanese Yen	75	17	-	-

<sup>1</sup> 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.

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's income for the financial year would decrease/increase by US\$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
<b>By country:</b>		
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.

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)

Group	31 December 2019				31 December 2018				
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	
Total undiscounted financial assets		279,878	-	4,454	55,134	357,977	3,491	-	358,880
<b>Financial liabilities:</b>									
Trade and other payables	3.78	79,190	-	-	79,190	72,966	-	-	72,966
Lease liabilities		3,532	4,975	13,099	13,327	48	139	-	174
Loan payables- variable rate	3.73	500,617	460,001	-	909,121	456,379	325,658	-	727,855
Loan payables- fixed rate	7.92	129,762	42,672	90,028	214,611	104,632	23,542	100,752	184,185
Total undiscounted financial liabilities		713,101	507,648	103,127	1,216,249	634,025	349,339	100,752	985,180
			(1,028)				(2,588)		
								(2,784)	
									54,114
									181,835
									65,323
									57,412
									196
									57,608
									358,880
									72,966
									174
									727,855
									184,185
									985,180

<sup>1</sup> Current Euro interbank offered rate ("Euribor") is a negative interest rate.

## NOTES TO THE FINANCIAL STATEMENTS

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)

Company	31 December 2019				31 December 2018				
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	
Total undiscounted financial assets		864,461	-	-	861,863	809,067	-	-	809,067
<b>Financial liabilities:</b>									
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	-	-	18,952	-	-	-	-
Lease liabilities (Note 30)	3.27	1,088	1,801	56	2,844	-	-	-	-
Loan payables- variable rate	3.67	342,787	389,628	-	689,501	315,456	325,658	-	591,567
Total undiscounted financial liabilities		602,591	391,429	56	950,259	438,526	325,658	-	714,637
			(2,598)						
									808,297
									-
									770
									770
									809,067
									123,070
									-
									-
									(49,547)
									591,567
									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
	<u>2,647</u>	<u>2,752</u>

**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 Centrottrade, 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
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)	-	-
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)	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)	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)	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

- Inter-segment revenues are eliminated on consolidation.
- Management fee is eliminated on consolidation.
- Elimination on investment in subsidiaries and intercompany balances.
- 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
<i>Sales of natural rubber</i>		
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
<i>Non-current assets</i>		
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) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un-observable inputs (Level 3) US\$'000	Total US\$'000
<b>Assets measured at fair value</b>				
<b>Financial assets:</b>				
Derivative financial instruments	20,523	–	–	20,523
<b>Financial assets as at 31 December 2019</b>	<b>20,523</b>	<b>–</b>	<b>–</b>	<b>20,523</b>
<b>Non-financial assets:</b>				
Inventories	–	348,627	–	348,627
Biological assets	–	–	299,466	299,466
Investment properties	–	–	44,718	44,718
<b>Non-financial assets as at 31 December 2019</b>	<b>–</b>	<b>344,627</b>	<b>344,184</b>	<b>692,811</b>
<b>Liabilities measured at fair value</b>				
<b>Financial liabilities:</b>				
Derivative financial instruments	10,534	–	–	10,534
<b>Financial liabilities as at 31 December 2019</b>	<b>10,534</b>	<b>–</b>	<b>–</b>	<b>10,534</b>

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) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un-observable inputs (Level 3) US\$'000	Total US\$'000
<b>Assets measured at fair value</b>				
<b>Financial assets:</b>				
Derivative financial instruments	44,190	–	–	44,190
<b>Financial assets as at 31 December 2018</b>	<b>44,190</b>	<b>–</b>	<b>–</b>	<b>44,190</b>
<b>Non-financial assets:</b>				
Inventories	–	267,976	–	267,976
Biological assets	–	–	10,225	10,225
Investment properties	–	–	46,799	46,799
<b>Non-financial assets as at 31 December 2018</b>	<b>–</b>	<b>267,976</b>	<b>57,024</b>	<b>325,000</b>
<b>Liabilities measured at fair value</b>				
<b>Financial liabilities:</b>				
Derivative financial instruments	1,920	–	–	1,920
<b>Financial liabilities as at 31 December 2018</b>	<b>1,920</b>	<b>–</b>	<b>–</b>	<b>1,920</b>

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	
<b>Assets measured at fair value</b>				
<b>Financial assets:</b>				
Derivative financial instruments	928	–	–	928
<b>Financial assets as at 31 December 2019</b>	<b>928</b>	<b>–</b>	<b>–</b>	<b>928</b>
<b>Liabilities measured at fair value</b>				
<b>Financial liabilities:</b>				
Derivative financial instruments	507	–	–	507
<b>Financial liabilities as at 31 December 2019</b>	<b>507</b>	<b>–</b>	<b>–</b>	<b>507</b>

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	
<b>Assets measured at fair value</b>				
<b>Financial assets:</b>				
Derivative financial instruments	670	–	–	670
<b>Financial assets as at 31 December 2018</b>	<b>670</b>	<b>–</b>	<b>–</b>	<b>670</b>
<b>Liabilities measured at fair value</b>				
<b>Financial liabilities:</b>				
Derivative financial instruments	670	–	–	670
<b>Financial liabilities as at 31 December 2018</b>	<b>670</b>	<b>–</b>	<b>–</b>	<b>670</b>

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 US\$'000	Investment properties US\$'000	Total US\$'000
<b>Group</b>			
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		Total US\$'000
	Biological assets US\$'000	Investment properties US\$'000	
<b>Group</b>			
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 US\$'000	2018 US\$'000
<b>Paid during the financial year</b>		
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 US\$'000	2018 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)) US\$'000	SFRS(I) 9 adjustments US\$'000	1 January 2018 (SFRS(I)) US\$'000
<b>Consolidated statement of financial position</b>			
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)) US\$'000	SFRS(I) 9 adjustments US\$'000	1 January 2018 (SFRS(I)) US\$'000
<b>Statement of financial position</b>			
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
<b>TOTAL</b>	<b>10,473</b>	<b>100.00</b>	<b>1,595,011,941</b>	<b>100.00</b>

**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
	<b>TOTAL</b>	<b>1,493,237,876</b>	<b>93.62</b>



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 <sup>(1)</sup>	-	-	877,056,655	54.99
Sinochem Corporation <sup>(1)</sup>	-	-	877,056,655	54.99
Sinochem Group <sup>(1)</sup>	-	-	877,056,655	54.99
China-Africa Agrichemical Investment Corporation Limited	162,864,000	10.21	-	-
China-Africa Development Fund <sup>(2)</sup>	-	-	162,864,000	10.21
Mieke Bintati Gondobintoro	859,329	0.05	84,523,557 <sup>(3)</sup>	5.30
Jeffrey Gondobintoro	639,642	0.04	84,523,557 <sup>(3)</sup>	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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