

CIRCULAR DATED 10 MARCH 2023

THIS CIRCULAR ("CIRCULAR") IS ISSUED BY HALCYON AGRI CORPORATION LIMITED (THE "COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE RECOMMENDING DIRECTORS (AS DEFINED HEREINAFTER) AND THE ADVICE OF THE INDEPENDENT FINANCIAL ADVISER (AS DEFINED HEREINAFTER) TO THE RECOMMENDING DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY. If you are in any doubt in relation to the Offer (as defined hereinafter) or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your ordinary shares in the capital of the Company ("Shares") held through The Central Depository (Pte) Limited ("CDP"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee. The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

The Company has opted for electronic despatch of this Circular. Please note that no printed copies of this Circular will be despatched to Shareholders (as defined hereinafter). Only printed copies of the Notification Letter (as defined hereinafter) will be despatched to Shareholders.

CIRCULAR TO SHAREHOLDERS

in relation to the

MANDATORY CONDITIONAL CASH OFFER

by



CHINA INTERNATIONAL CAPITAL CORPORATION (SINGAPORE) PTE. LIMITED

(Company Registration No.: 200814424W)
(Incorporated in the Republic of Singapore)

for and on behalf of

CHINA RUBBER INVESTMENT GROUP COMPANY LIMITED

(Company Registration No.: 3211656)
(Incorporated in Hong Kong)

a direct wholly-owned subsidiary of



CHINA HAINAN RUBBER INDUSTRY GROUP CO., LTD.

(Company Registration No.: 914600007674880643)
(Incorporated in the People's Republic of China)

to acquire all the issued and paid-up ordinary shares in the capital of

HALCYON AGRI CORPORATION LIMITED

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

other than those already owned, controlled or agreed to be acquired by China Hainan Rubber Industry Group Co., Ltd. and China Rubber Investment Group Company Limited

Independent Financial Adviser to the Recommending Directors of the Company



XANDAR CAPITAL PTE. LTD.

(Company Registration No.: 200002789M)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREINAFTER) STATES THAT ACCEPTANCES MUST BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 24 MARCH 2023 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR.

CONTENTS

DEFINITIONS.....	1
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS.....	9
INDICATIVE TIMETABLE.....	10
LETTER TO SHAREHOLDERS.....	
1. INTRODUCTION.....	11
2. THE OFFER.....	12
3. INFORMATION ON THE OFFEROR.....	19
4. IRREVOCABLE UNDERTAKING.....	19
5. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY.....	20
6. EXERCISE OF COMPULSORY ACQUISITION AND LISTING STATUS.....	21
7. FINANCIAL ASPECTS OF THE OFFER.....	23
8. DISCLOSURE OF SHAREHOLDING AND DEALINGS.....	24
9. DIRECTORS' INTERESTS.....	26
10. CONFIRMATION OF FINANCIAL RESOURCES.....	26
11. ADVICE AND RECOMMENDATIONS.....	26
12. ELECTRONIC DESPATCH OF THIS OFFEREE CIRCULAR.....	30
13. OVERSEAS PERSON.....	30
14. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS.....	33
15. ACTIONS TO BE TAKEN BY SHAREHOLDERS.....	33
16. CONSENTS.....	33
17. DOCUMENTS AVAILABLE FOR INSEPECTION.....	34
18. DIRECTORS' RESPONSIBILITY STATEMENT.....	34
19. ADDITIONAL INFORMATION.....	34
APPENDIX A – LETTER FROM THE IFA TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER.....	A-1
APPENDIX B – ADDITIONAL GENERAL INFORMATION.....	B-1
APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR.....	C-1
APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2021.....	D-1
APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022.....	E-1
APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION.....	F-1

DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

"Acceptance Forms"	: The FAA and the FAT collectively, or any one of them, as the case may be
"Business Day"	: A day other than Saturday, Sunday or a public holiday on which banks are open for business in Singapore
"CDP"	: The Central Depository (Pte) Limited
"CICC"	: China International Capital Corporation (Singapore) Pte. Limited
"Circular"	: This circular to Shareholders dated 10 March 2023 in relation to the Offer, enclosing, <i>inter alia</i> , the IFA Letter
"Closing Date"	: 5.30 p.m. (Singapore time) on 24 March 2023 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
"Code"	: The Singapore Code on Take-overs and Mergers
"Companies Act"	: The Companies Act 1967 of Singapore
"Company"	: Halcyon Agri Corporation Limited
"Company Securities"	: Shall have the meaning ascribed to it in Section 8 of this Circular
"Concert Parties"	: Parties acting or presumed to be acting in concert with the Offeror in connection with the Offer
"Constitution"	: The constitution of the Company
"CPF"	: Central Provident Fund
"CPF Agent Banks"	Agent banks included under the CPFIS
"CPFIS"	: CPF Investment Scheme
"CPFIS Investors"	: Investors who hold Shares purchased using their CPF contributions pursuant to the CPFIS
"Directors" or "Director"	: The directors of the Company as at the Latest Practicable Date, and " Director " means any of them

DEFINITIONS

"Dissenting Shareholders"	: Shall have the meaning ascribed to it in Section 6 of this Circular
"Distributions"	: Any dividends, rights, return of capital and other distributions announced, declared, paid or made by the Company in respect of the Shares
"Encumbrances"	: Any claims, charges, equities, mortgages, liens, pledges, encumbrances, declaration of trust, hypothecation, retention of title, power of sale, equity options, rights of pre-emption, rights of first refusal, right to acquire, moratorium, security agreement and security interest, assignments, debentures or any other third party rights or security interests of any nature whatsoever or any agreements, arrangements, or obligations to create any of the foregoing
"Expiry Date"	: Shall have the meaning ascribed to it in Section 4 of this Circular
"FAA"	: Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
"Facilities"	: Shall have the meaning ascribed to it in Section 8 of this Circular
"Facility Agreements"	: Shall have the meaning ascribed to it in Section 8 of this Circular
"FAT"	: Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP
"Final Day Rule"	: Shall have the meaning ascribed to it in Section 2.2 of this Circular
"Free Float Requirement"	: Shall have the meaning ascribed to it in Section 6 of this Circular
"FY"	: Financial year ended or ending 31 December
"Group"	: The Company and its subsidiaries, collectively
"Hainan Rubber"	: China Hainan Rubber Industry Group Co., Ltd.

DEFINITIONS

"IFA Letter"	: Shall have the meaning ascribed to it in Section 11.1 of this Circular
"Independent Financial Adviser" or "IFA"	: Xandar Capital Pte. Ltd., the independent financial adviser to the Recommending Directors in connection with the Offer
"Interested Person"	: As defined in Note on Rule 24.6 of the Code and read with Note on Rule 23.12 of the Code, an interested person, in relation to a company, is: <ul style="list-style-type: none">(a) a director, chief executive officer, or Substantial Shareholder of the company;(b) the immediate family of a director, the chief executive officer, or a Substantial Shareholder (being an individual) of the company;(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer, or a Substantial Shareholder (being an individual) and his immediate family is a beneficiary;(d) any company in which a director, the chief executive officer or a Substantial Shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;(e) any company that is the subsidiary, holding company or fellow subsidiary of the Substantial Shareholder (being a company); or(f) any company in which a Substantial Shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more
"Irrevocable Undertaking"	: Shall have the meaning ascribed to it in Section 4 of this Circular
"Last Trading Day"	: Shall have the meaning ascribed to it in Section 7 of this Circular
"Latest Practicable Date"	: 3 March 2023, being the latest practicable date prior to the electronic despatch of this Circular
"Lenders"	: Shall have the meaning ascribed to it in Section 8 of this Circular
"Listing Manual"	: The listing manual of the SGX-ST

DEFINITIONS

"Market Day(s)"	: A day or days on which the SGX-ST is open for trading of securities
"Minimum Acceptance Condition"	: Shall have the meaning ascribed to it in Section 2.1 of this Circular
"Notification"	: The hardcopy notification letter posted to Shareholders by or on behalf of the Company on the date of this Circular, containing, <i>inter alia</i> , instructions on how to access the electronic copy of this Circular and related documents on the website of the SGX-ST at www.sgx.com and the website of the Company at www.halcyonagri.com
"Offer"	: The mandatory conditional cash offer by CICC, for and on behalf of the Offeror, to acquire the Offer Shares, on the terms and subject to the conditions set out in the Offer Document and the Acceptance Forms, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
"Offer Announcement"	: Shall have the meaning ascribed to it in Section 1.1 of this Circular
"Offer Announcement Date"	: 3 February 2023, being the date of the Offer Announcement
"Offer Document"	: The offer document dated 24 February 2023, and any other document(s) which may be issued, for and on behalf of the Offeror, to amend, revise, supplement or update the offer document from time to time
"Offeror"	: China Rubber Investment Group Company Limited
"Offer Price"	: S\$0.413 in cash for each Offer Share
"Offer Shares"	: All the issued Shares to which the Offer relates, as described in Section 2.1 of this Circular
"Overseas Person"	: Shall have the meaning ascribed to it in Section 13.1 of this Circular
"Overseas Shareholder"	: A Shareholder whose address is outside Singapore as shown in the Register or in the Depository Register (as the case may be)
"Post-Closing Shareholding"	: Shall have the meaning ascribed to it in Section 4 of this Circular

DEFINITIONS

"PRC"	: People's Republic of China
"Pre-Conditional MGO Announcement"	: The announcement relating to the pre-conditional mandatory cash offer issued by Hainan Rubber on the Pre-Conditional MGO Announcement Date
"Pre-Conditional MGO Announcement Date"	: 16 November 2022, being the date of the Pre-Conditional MGO Announcement
"Receiving Agent"	: Boardroom Corporate & Advisory Services Pte. Ltd.
"Recommending Directors"	: The Directors who are considered independent for the purposes of the Offer, being Liu Hongsheng, Li Xuetao, Liew Choon Wei, Qin Jinke, Lam Chun Kai, Eddie Chan Yean Hoe, Huang Xuhua, Latha D/O Eapen Kizhakaikara Mathew and Liu Yongsheng
"Reference Period"	: The period commencing six (6) months prior to the Pre-Conditional MGO Announcement Date and ending on the Latest Practicable Date
"Register"	: The register of holders of the Shares, as maintained by the Share Registrar
"Registrar" or "Share Registrar"	: Boardroom Corporate & Advisory Services Pte. Ltd., in its capacity as the share registrar of the Company
"Relevant Acceptance Forms"	: The FAA and/or the FAT (as the case may be)
"Relevant Day"	: Shall have the meaning ascribed to it in Section 2.3 of this Circular
"Relevant Period"	: The period commencing on 16 May 2022, being the date falling six months prior to the Pre-Conditional MGO Announcement Date, and ending on the Latest Practicable Date
"Relevant Persons"	: Shall have the meaning ascribed to it in Section 8 of this Circular
"Restricted Jurisdiction"	: Shall have the meaning ascribed to it in Section 13.1 of this Circular
"Sale Share"	: Shall have the meaning ascribed to it in Section 1.1 of this Circular

DEFINITIONS

"Securities Account"	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account
"Securities and Futures Act"	: The Securities and Futures Act 2001 of Singapore
"SGXNET"	: The SGXNET Corporate Announcement System, being a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks as prescribed by the SGX-ST
"SGX-ST"	: Singapore Exchange Securities Trading Limited
"Share Acquisition"	: Shall have the meaning ascribed to it in Section 1.1 of this Circular
"Shareholders"	: Holders of Shares, including persons whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST
"Shares"	: Ordinary shares in the capital of the Company, and each a "Share"
"Shut-Off Notice"	: Shall have the meaning ascribed to it in Section 2.2 of this Circular
"SIC"	: The Securities Industry Council of Singapore
"SRS"	: Supplementary Retirement Scheme
"SRS Agent Banks"	: Agent banks included under SRS
"SRS Investors"	: Investors who have purchased Shares using their SRS contributions pursuant to the SRS
"Substantial Shareholder"	: A person who has an interest in not less than 5% of the total number of issued voting Shares
"S\$" and "cents", or "SGD"	: Singapore dollars and cents respectively, being the lawful currency of Singapore
"Unconditional Date"	: Shall have the meaning ascribed to it in Section 2.3 of this Circular
"US\$" and "US cents", or "USD"	: United States dollars and cents respectively, being the lawful currency of the United States of America

DEFINITIONS

"VWAP" : Shall have the meaning ascribed to it in Section 7 of this Circular

"%" or "per cent." : Percentage or per centum

Acting in Concert. The expression "**acting in concert**" shall have the meaning ascribed to it in the Code.

Announcements and Notices. References to the making of an announcement or the giving of notice by the Company shall include the release of an announcement by the Company or its agents, for and on behalf of the Company, to the press or the delivery of or transmission by telephone, telex, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified to the SGX-ST simultaneously.

Capitalised Terms in Extracts. Statements which are reproduced in their entirety from the Offer Document, the IFA Letter and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements and not defined herein shall bear the same meanings as attributed to them in the Offer Document, the IFA Letter and the Constitution respectively.

Depository Related Terms. The terms "depositor", "depository agent" and "depository register" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

Expressions. Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Headings. The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Rounding. Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Shareholders. References to "you", "your" and "yours" in this Circular are, as the context so determines, to Shareholders.

Statutes. Any reference in this Circular to any enactment or statutory provision is a reference to that enactment or statutory provision for the time being amended, modified or re-enacted. Any word defined in the Companies Act, the Code, the Securities and Futures Act or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the meaning assigned to that word under the Companies Act, the Code, the Securities and Futures Act or that modification, as the case may be, unless the context otherwise requires.

DEFINITIONS

Subsidiary and Related Corporation. References to "subsidiary" and "related corporation" shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Time and Date. Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise specified.

Total Number of Shares and Percentage as at the Latest Practicable Date. In this Circular, the total number of Shares is a reference to a total of 1,595,011,941 Shares in issue (excluding treasury Shares), as at the Latest Practicable Date, unless the context otherwise requires.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

Forward-Looking Statements. All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as "aim", "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future and conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect the Offeror's current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of information available as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders and other investors of the Company should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA guarantees any future performance or event, or undertakes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of electronic despatch of the Offer Document : 24 February 2023

Date of electronic despatch of this Circular : 10 March 2023

Closing Date : 5.30 p.m. (Singapore time) on 24 March 2023 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Date of settlement of consideration for valid acceptances of the Offer⁽¹⁾ :

- (a) in respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days of that date; or
- (b) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

Note:

(1) Please also refer to Appendix A to the Offer Document for further details.

LETTER TO SHAREHOLDERS

HALCYON AGRI CORPORATION LIMITED

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

Directors:

Liu Hongsheng, *Non-Executive Non-Independent Chairman*
Li Xuetao, *Executive Director and Chief Executive Officer*
Liew Choon Wei, *Independent Director*
Qin Jinke, *Non-Executive Non-Independent Director*
Lam Chun Kai, *Lead Independent Director*
Eddie Chan Yean Hoe, *Independent Director*
Huang Xuhua, *Independent Director*
Latha D/O Eapen Kizhakaikara Mathew, *Independent Director*
Liu Yongsheng, *Non-Executive Non-Independent Director*

Registered Office:

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

10 March 2023

To: The Shareholders of Halcyon Agri Corporation Limited

Dear Sir / Madam,

MANDATORY CONDITIONAL CASH OFFER BY CICC, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 **Offer Announcement.** On 16 November 2022, Hainan Rubber made the Pre-Conditional MGO Announcement relating to the entry into a conditional share purchase agreement with Sinochem International (Overseas) Pte. Ltd. for the purchase of an aggregate of 574,204,299 ordinary shares (each a "**Sale Share**") in the capital of the Company, representing 36% of the issued and paid-up share capital of the Company for an aggregate cash consideration of US\$180,874,354.19 being US\$0.315 for each Sale Share ("**Share Acquisition**").

The Share Acquisition, when completed, would result in Hainan Rubber holding more than 30% of the issued and paid-up share capital of the Company. As such, Hainan Rubber would have to make a mandatory conditional cash offer for all the issued and paid-up ordinary shares in the capital of the Company, other than those already owned, controlled or agreed to be acquired by Hainan Rubber and the Offeror (who is a direct, wholly-owned subsidiary of Hainan Rubber). The Share Acquisition was completed on 3 February 2023.

On the Offer Announcement Date, following the completion of the Share Acquisition, CICC announced, for and on behalf of the Offeror, that the Offeror intends to make the Offer for the Offer Shares in accordance with Rule 14 of the Code at the Offer Price (the "**Offer Announcement**").

LETTER TO SHAREHOLDERS

The Pre-Conditional MGO Announcement and the Offer Announcement are available on the website of the SGX-ST at www.sgx.com.

- 1.2 **Offer Document.** Shareholders should by now have received a copy of the Offer Document and the Relevant Acceptance Forms, which set out, *inter alia*, the terms and conditions of the Offer. The principal terms and conditions of the Offer are set out on pages 9 to 18 of the Offer Document.

A copy of the Offer Document is available on the website of the SGX-ST at www.sgx.com.

- 1.3 **Aggregate Existing Holding.** As at 17 February 2023 (being the latest practicable date prior to the electronic despatch of the Offer Document), based on responses received pursuant to enquiries that the Offeror has made, the Offeror owns or controls an aggregate of 574,204,299 Shares, representing approximately 36.00% of the total number of issued Shares (excluding Shares held by the Company in treasury), details of which are set out in Appendix E to the Offer Document.
- 1.4 **Independent Financial Adviser.** The Company has appointed Xandar Capital Pte. Ltd. as the independent financial adviser to advise the Recommending Directors in respect of the Offer.
- 1.5 **Purpose of this Circular.** The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company and the Offer, and to set out the advice of the IFA to the Recommending Directors and the recommendation of the Recommending Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix A carefully and consider the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors on the Offer before deciding on whether to accept or reject the Offer.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

2. THE OFFER

Based on the information set out in the Offer Document, the terms and conditions of the Offer are as set out below. Unless otherwise defined, all terms and expressions used in the extracts at Sections 2 to 8, 10, 13 and 14 below shall have the same meanings as those defined in the Offer Document.

- 2.1 **Terms of the Offer.** The Offer is made by CICC, for and on behalf of the Offeror, on the principal terms set out in Section 2 of the Offer Document, extracts of which are set out below.

LETTER TO SHAREHOLDERS

"2. THE OFFER

- 2.1. **Offer.** *CICC, for and on behalf of the Offeror, hereby makes the Offer to acquire all the Shares in issue (excluding Shares held by the Company in treasury and Shares owned, controlled or agreed to be acquired by the Offeror and Hainan Rubber) (the "Offer Shares"), in accordance with Rule 14 of the Code and on the terms and subject to the conditions set out in this Offer Document and the Acceptance Forms.*
- 2.2. **Offer Shares.** *The Offer is extended, on the same terms and conditions, to all the Offer Shares.*
- For the purposes of the Offer and for the avoidance of doubt, the expression "Offer Shares" shall include all the Shares other than those already held by the Company in treasury and Shares owned, controlled or agreed to be acquired by the Offeror and Hainan Rubber.*
- 2.3. **Offer Price.** *The consideration for each Offer Share will be as follows:*
- For each Offer Share: S\$0.413 in cash (the "Offer Price").**
- The Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in a competitive situation.**
- 2.4. **No Encumbrances.** *The Offer Shares are to be acquired (i) fully paid-up; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the date of the Pre-Conditional MGO Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any), which may be announced, declared, paid or made thereon by the Company on or after the Pre-Conditional MGO Announcement Date.*
- 2.5. **Adjustments for Distributions.** *If any Distribution is announced, declared, paid or made by the Company on or after the Pre-Conditional MGO Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by an amount equivalent to such Distribution.*
- 2.6. **Minimum Acceptance Condition.** *The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances (which have not been withdrawn) in respect of such number of Offer Shares which, when taken together with any Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and the Concert Parties carrying more than 50% of the total number of issued Shares (excluding Shares held by the Company in treasury) as at the close of the Offer (the "Minimum Acceptance Condition").*

LETTER TO SHAREHOLDERS

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the Concert Parties (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and the Concert Parties holding such number of Shares carrying more than 50% of the total voting rights attributable to the total number of issued Shares (excluding Shares held by the Company in treasury).

Save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

- 2.7. **Closing Date.** Except insofar as the Offer may be withdrawn with the consent of SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the Despatch Date.

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 24 March 2023 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

- 2.8. **No Options Proposal.** Based on the latest information available to the Offeror as at the Pre-Conditional MGO Announcement Date, the Offer Announcement Date and the Latest Practicable Date, the Company does not have any employee share incentive scheme in place. In view of the foregoing, the Offeror will not make an offer to acquire any options.

- 2.9. **Warranty.** A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to have unconditionally and irrevocably warranted that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (i) fully paid-up; (ii) free from all Encumbrances; and (iii) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional MGO Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any) that may be announced, declared, made or paid thereon by the Company in respect of the Offer Shares on or after the Pre-Conditional MGO Announcement Date."

- 2.2 **Duration of the Offer.** The duration of the Offer is set out in Paragraph 1 of Appendix A of the Offer Document, the extract of which is set out below.

"1. DURATION OF THE OFFER

- 1.1 **Closing Date.** Except insofar as the Offer may be withdrawn with the consent of SIC and every person released from any obligation incurred thereunder, the Offer will remain open for acceptances for a period of at least 28 days from the Despatch Date. **Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 24 March 2023 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

LETTER TO SHAREHOLDERS

1.2 **Subsequent Closing Date(s).** *If the Offer is extended and:*

- (a) *the Offer is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or*
- (b) *the Offer is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.*

1.3 **No Obligation to Extend the Offer.** *The Offeror is not obliged to extend the Offer if the condition of the Offer as set out in Section 2.6 (Minimum Acceptance Condition) of this Offer Document is not fulfilled by the Closing Date.*

1.4 **Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances.** *Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period (the "Rule 22.6 Period") of not less than 14 days after the day on which the Offer would otherwise have closed, in order to give Shareholders who have not accepted the Offer the opportunity to do so.*

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the "Shut-Off Notice") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

- (a) *the Offeror may not give a Shut-Off Notice in a competitive situation; and*
- (b) *the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.*

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

If a declaration that the Offer is unconditional is confirmed in accordance with Paragraph 4.2(a) (Right of Withdrawal of Shareholders) of this Appendix A, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

1.5 **Final Day Rule.** *The Offer (whether revised or not) will not be capable:*

- (a) *of becoming or being declared unconditional as to acceptances after 5.30 p.m. (Singapore time) on the 60th day after the Despatch Date; or*
- (b) *of being kept open after the expiry of such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances,*

provided that the Offeror may extend the offer beyond such 60-day period with the SIC's prior consent (the "Final Day Rule"). The SIC will normally grant such permission if a competing offer has been announced.

LETTER TO SHAREHOLDERS

- 1.6 **Revision.** *The Offeror reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. If the Offer is revised, the Offer will remain open for acceptance for at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case, where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders including those who had previously accepted the Offer.*
- 1.7 **Time for Fulfilment of Other Conditions.** *Except with the consent of the SIC, all conditions to the Offer must be fulfilled or the Offer must lapse within 21 days of the later of (i) the first closing date of the Offer as set out in Paragraph 1.1 of this Appendix A and (ii) the date the Offer becomes or is declared unconditional as to acceptances."*

- 2.3 **Details of the Offer.** The details of the Offer relating to (a) the settlement of the consideration for the Offer; (b) the requirements relating to the announcement of the level of acceptances of the Offer; and (c) the right of withdrawal of acceptances of the Offer are set out in Paragraphs 2, 3 and 4 of Appendix A of the Offer Document, extracts of which are set out below.

"2. SETTLEMENT OF THE OFFER

Subject to the Offer becoming or being declared unconditional in all respects and the receipt by the Offeror from accepting Shareholders of valid acceptances and all relevant documents required by the Offeror which are complete and valid in all respects and in accordance with the requirements set out in this Offer Document and the FAA and/or FAT (as the case may be), and in the case of Depositors, the receipt by the Offeror of confirmations satisfactory to it that the number of Offer Shares tendered by the accepting Shareholders in acceptance of the Offer are standing to the credit of the "Free Balance" of their respective Securities Accounts at the relevant time, remittances for the appropriate amounts will be despatched, pursuant to Rule 30 of the Code, (i) to accepting Shareholders (or, in the case of Shareholders holding share certificate(s) which are not deposited with CDP, their designated agents, as they may direct) by means of (in the case of Depositors) credit directly into the Depositor's designated bank account for Singapore Dollars via CDP's Direct Crediting Service ("DCS") on the payment date in the case of Depositors who are subscribed to CDP's DCS, provided that in the event an accepting Shareholder who is a Depositor is not subscribed to CDP's DCS, any monies to be paid shall be credited to such accepting Shareholder's Cash Ledger and subject to the same terms and conditions as Cash Distributions under the CDP Operation of Securities Account with the Depository Terms and Conditions (Cash Ledger and Cash Distributions are defined therein), or in such other manner as the accepting Shareholders may have agreed with CDP for the payment of any cash distributions in the case of Depositors, or (ii) (in the case of scrip holders) a Singapore Dollar crossed cheque drawn on a bank in Singapore and sent by ordinary post to the address stated in the respective FATs or, if none is set out, to the respective addresses maintained in the Register, at the risk of the accepting Shareholders as soon as practicable and in any case:

LETTER TO SHAREHOLDERS

- (a) *in respect of acceptances of the Offer which are complete and valid in all respects and whose Date of Receipt falls **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects with its terms (such date, the “**Unconditional Date**”), within seven (7) Business Days of the Unconditional Date; or*
- (b) *in respect of acceptances which are complete and valid in all respects and whose Date of Receipt falls **after** the Unconditional Date, but before the Offer closes, within seven (7) Business Days of the Date of Receipt of such acceptance.*

3. ANNOUNCEMENTS

3.1. **Timing and Contents.** Pursuant to Rule 28.1 of the Code, by 8.00 a.m. (Singapore time) on the Market Day (the “**Relevant Day**”) immediately after the day on which the Offer is due to expire, or becomes or is declared to be unconditional as to acceptances or is revised or extended (if applicable), the Offeror will announce and simultaneously inform the SGX-ST of the total number of Shares (as nearly as practicable):

- (a) *for which valid acceptances of the Offer have been received;*
- (b) *held by the Offeror and any of the Concert Parties prior to the commencement of the Offer Period; and*
- (c) *acquired or agreed to be acquired by the Offeror and any of the Concert Parties during the Offer Period,*

and will specify the percentages of the total number of Shares represented by such numbers.

3.2. **Suspension.** Under Rule 28.2 of the Code, if the Offeror is unable, within the time limit, to comply with any of the requirements of Paragraph 3.1 (Timing and Contents) of this Appendix A, the SIC will consider requesting the SGX-ST to suspend dealings in the Shares until the relevant information is given.

3.3. **Valid Acceptances.** Subject to Section 18.5 (Valid Acceptances) of this Offer Document, in computing the number of Offer Shares represented by acceptances received by the Offeror, the Offeror will, at the time of making an announcement, take into account acceptances which are valid in all respects.

Acceptances of the Offer will only be treated as valid for the purposes of the Minimum Acceptance Condition if the relevant requirements of Note 2 on Rule 28.1 of the Code are met.

3.4. **Announcements.** In this Offer Document, references to the making of any announcement or the giving of notice by the Offeror include the release of an announcement by CICC or its advertising agents, for and on behalf of the Offeror, to the press or the delivery of or transmission by telephone, facsimile, SGXNET or otherwise of an announcement to the SGX-ST. An announcement made otherwise than to the SGX-ST shall be notified simultaneously to the SGX-ST.

LETTER TO SHAREHOLDERS

4. RIGHT OF WITHDRAWAL IN RELATION TO THE OFFER

4.1. **Acceptances Irrevocable.** Except as expressly provided in this Offer Document and the Code, acceptances of the Offer shall be irrevocable.

4.2. **Right of Withdrawal of Shareholders.** A Shareholder who has accepted the Offer may:

- (a) *withdraw his acceptance immediately if the Offer has become or been declared to be unconditional but the Offeror fails to comply with any of the requirements set out in Paragraph 3.1 (Timing and Contents) of this Appendix A by 3.30 p.m. (Singapore time) on the Relevant Day. Subject to Rule 22.9 of the Code in relation to the Final Day Rule, the Offeror may terminate this right of withdrawal not less than eight (8) days after the Relevant Day by confirming (if that be the case) that the Offer is still unconditional as to acceptances and by complying with Rule 28.1 of the Code and the requirements set out in Paragraph 3.1 (Timing and Contents) of this Appendix A. For the purposes of Paragraph 1.4 (Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances) of this Appendix A, the period of 14 days first referred to therein shall run from the date of such confirmation (if given) or the date on which the Offer would otherwise have expired, whichever is later;*
- (b) *withdraw his acceptance after 14 days from the first Closing Date, if the Offer has not by then become or been declared unconditional as to acceptances. Such entitlement to withdraw may be exercisable until such time as the Offer becomes or is declared unconditional; and*
- (c) *withdraw his acceptance immediately if a competing offer becomes or is declared unconditional as to acceptances. This right of withdrawal also applies in the converse situation i.e. if the Offer becomes or is declared unconditional, a Shareholder who has accepted a competing offer may likewise withdraw his acceptance for such competing offer immediately.*

4.3. **Method of Withdrawal.** To withdraw his acceptance, a Shareholder who has accepted the Offer must give written notice to the Offeror at:

- (a) *China Rubber Investment Group Company Limited c/o The Central Depository (Pte) Limited, Robinson Road Post Office, P.O. Box 1984, Singapore 903934, where the Offer Shares are deposited with the CDP; or*
- (b) *China Rubber Investment Group Company Limited c/o Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, Keppel Bay Tower, #14-07, Singapore 098632, where the Offer Shares are not deposited with the CDP.*

A notice of withdrawal shall be effective only if signed by the accepting Shareholder or his agent duly appointed in writing and evidence of whose appointment is produced in a form satisfactory to the Offeror within the said notice and when actually received by the Offeror.

2.4 **Procedure for Acceptance.** The procedures for acceptance are set out in Appendix B of the Offer Document.

LETTER TO SHAREHOLDERS

- 2.5 **Closing Date.** As announced by CICC, for and on behalf of the Offeror, the Closing Date of the Offer is on 24 March 2023.

The Offeror has stated that the Offer will remain open for acceptances for a period of at least 28 days from the date of electronic despatch of the Offer Document. Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 24 March 2023 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

3. INFORMATION ON THE OFFEROR

Section 6 of the Offer Document sets out certain information on the Offeror, extracts of which are set out below. Additional information on the Offeror extracted from Appendix C of the Offer Document is set out in **Appendix C** of this Circular.

"6. INFORMATION ON THE OFFEROR AND HAINAN RUBBER

- 6.1 **Offeror.** *The Offeror is a private limited company incorporated in Hong Kong on 24 November 2022. The Offeror is a direct wholly-owned subsidiary of Hainan Rubber, a company which is incorporated in the PRC and listed on the Shanghai Stock Exchange. The Offeror is principally engaged in, inter alia, investment holding. As at the Latest Practicable Date, the Offeror has an issued share capital of HKD10,000 divided into 10,000 shares, all of which are held by Hainan Rubber.*

The Offeror has not carried on any business since its incorporation, except in relation to matters in connection with the making of the Offer. As at the Latest Practicable Date, the Offeror holds 574,204,299 Shares representing 36.00% of the total issued Shares.

- 6.2 **Hainan Rubber.** *Hainan Rubber is a state-owned holding company in the PRC, listed on the Shanghai Stock Exchange. It is principally engaged in the business of natural rubber involving the planting, processing and distribution of the same. Hainan Rubber produces rubber products such as latex thread, natural rubber gloves, concentrated natural latex rubber, standard rubber for aircraft tire use and rubber woods, amongst others. Hainan Rubber's products are distributed both within the PRC domestic market and to overseas markets. As at the Latest Practicable Date, Hainan Rubber has a registered capital of RMB4,279.43 million comprising 4,279,427,797 shares."*

4. IRREVOCABLE UNDERTAKING

Section 5 of the Offer Document sets out certain information relating to the Irrevocable Undertaking received by the Offeror, extracts of which are set out below.

LETTER TO SHAREHOLDERS

"5. IRREVOCABLE UNDERTAKING

- 5.1 **Irrevocable Undertaking.** As at the Latest Practicable Date, Sinochem has issued an undertaking (the "**Irrevocable Undertaking**") in respect of 465,716,356 Shares, representing approximately 29.20% of the Shares, held by Sinochem following closing under the SPA ("**Post-Closing Shareholding**"), pursuant to which Sinochem has undertaken to, amongst others, (i) remain the legal and beneficial owner of the Post-Closing Shareholding from the Offer Announcement Date until and including the date on which the Offer closes, lapses or is withdrawn (the "**Expiry Date**"); and (ii) reject the Offer in respect of the Post-Closing Shareholding and any other Offer Shares which Sinochem may acquire on or after the date of the Irrevocable Undertaking.
- 5.2 **Termination of Irrevocable Undertaking.** The Irrevocable Undertaking shall terminate, lapse or cease to have any effect on the Expiry Date.
- 5.3 **No Other Undertakings.** Save for the Irrevocable Undertaking, as at the Latest Practicable Date, neither the Offeror nor any of the Concert Parties has received any undertakings from any other party to accept or reject the Offer."

5. RATIONALE FOR THE OFFER AND INTENTIONS FOR THE COMPANY

Section 8 of the Offer Document sets out the rationale for the Offer and Section 9 of the Offer Document sets out the Offeror's intentions for the Company, extracts of which are set out below. **Shareholders are advised to read the extracts below carefully and note the Offeror's future plans for the Company.**

"8. RATIONALE FOR THE OFFER

As set out in Section 1.3 (Offer Announcement) above, the Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code.

Additionally, as the Hainan Rubber Group's rubber businesses and the Group's rubber businesses are complementary and synergistic, the Offeror views the Offer as an opportunity to integrate the Hainan Rubber Group's and the Group's resources to improve overall operating efficiency, move up the technology and value chain, and to benefit from economies of scale.

9. OFFEROR'S INTENTIONS FOR THE COMPANY

- 9.1 The Offeror intends for the Company to continue to develop and to grow the existing businesses of the Group. The Offeror currently has no plans to (i) introduce any major changes to the existing business or management of the Group; (ii) discontinue the employment of any of the existing employees of the Group, or (iii) re-deploy any of the fixed assets of the Group, other than in the ordinary course of business. However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the Group, which may present themselves, and which the Offeror may regard to be in the best interests of the Group."

LETTER TO SHAREHOLDERS

6. EXERCISE OF COMPULSORY ACQUISITION AND LISTING STATUS

Sections 10 and 11 of the Offer Document sets out the intentions of the Offeror relating to the listing status of the Company and compulsory acquisition, extracts of which are set out below.

"10. COMPULSORY ACQUISITION

10.1 **Compulsory Acquisition Rights.** Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding, for the avoidance of doubt, Shares held by the Company in treasury) as at the close of the Offer, the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of the Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Price.

Pursuant to the Irrevocable Undertaking, Sinochem will not accept any part of the Offer made by the Offeror with respect to the Post-Closing Shareholding. As such, it is envisaged that the Offeror would not become entitled to exercise the right of compulsory acquisition under Section 215(1) of the Companies Act pursuant to acceptances of the Offer.

10.2 **Dissenting Shareholders' Rights.** Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, or otherwise acquires, Shares during the period when the Offer is open for acceptance such that the number of Shares which, together with Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares (excluding Shares held by the Company in treasury). Dissenting Shareholders who wish to exercise such rights are advised to seek their own independent legal advice.

As the Offeror is not likely to become entitled to exercise the right of compulsory acquisition under Section 215(1) of the Companies Act, it is also not likely for the right under Section 215(3) of the Companies Act to be available to the Dissenting Shareholders.

LETTER TO SHAREHOLDERS

11. LISTING STATUS

- 11.1 Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and the Concert Parties to above 90% of the total number of issued Shares (excluding Shares held by the Company in treasury), the SGX-ST may suspend the trading of the Shares until it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held by the Company in treasury) are held by at least 500 Shareholders who are members of the public (the "**Free Float Requirement**"). Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held by the Company in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held by the Company in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.
- 11.2 In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of issued Shares (excluding Shares held by the Company in treasury) held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of the total number of issued Shares (excluding Shares held by the Company in treasury) held in public hands to at least 10%, failing which the Company may be removed from the Official List of the SGX-ST.
- 11.3 It is the intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer. In the event that the Company does not meet the Free Float Requirement and the trading of the Shares is suspended pursuant to the abovementioned rules of the Listing Manual, the Offeror reserves the right to undertake or support any action as may be necessary for any such listing suspension by the SGX-ST to be lifted."

LETTER TO SHAREHOLDERS

7. FINANCIAL ASPECTS OF THE OFFER

Section 12 of the Offer Document sets out certain information on the financial aspects of the Offer, extracts of which are set out below.

"12. FINANCIAL ASPECTS OF THE OFFER

The Offer Price of S\$0.413 represents the following premia over certain historical market prices of the Shares on the SGX-ST:

Description	Benchmark Price (S\$)⁽¹⁾	Premium over Benchmark Price as at the date of the Pre-Conditional MGO Announcement (%)⁽²⁾⁽³⁾	Premium over Benchmark Price as at the Offer Announcement Date (%)⁽²⁾⁽⁴⁾
<i>(a) Last transacted price per Share on 11 November 2022, being the last full market day on which the Shares were transacted on the SGX-ST before the trading halt on the Shares and prior to the Pre-Conditional MGO Announcement Date (the "Last Trading Day")</i>	0.2900	50.3	42.4
<i>(b) Volume weighted average price per Share ("VWAP") of the Shares for the one (1)-month period up to and including the Last Trading Day</i>	0.2515	73.3	64.2
<i>(c) VWAP of the Shares for the three (3)-month period up to and including the Last Trading Day</i>	0.2449	78.0	68.7
<i>(d) VWAP of the Shares for the six (6)-month period up to and including the Last Trading Day</i>	0.2415	80.5	71.0

LETTER TO SHAREHOLDERS

(e) VWAP of the Shares for the 12-month period up to and including the Last Trading Day	0.2432	79.2	69.8
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Source: Bloomberg L.P.

Notes:

- (1) Based on data extracted from Bloomberg L.P. on the Last Trading Day. Figures rounded to the nearest 4 decimal places.
- (2) Premia figures rounded to the nearest 1 decimal place.
- (3) Based on the Singapore dollar equivalent of the consideration under the SPA of US\$0.315 for each Share, being S\$0.436, using USD:SGD exchange rate of US\$1.00:S\$1.3839 as at the Last Trading Day, as extracted from the website of the Monetary Authority of Singapore.
- (4) Based on the Offer Price, i.e. the Singapore dollar equivalent of the consideration under the SPA of US\$0.315, being S\$0.413, using a USD:SGD exchange rate of US\$1.00:S\$1.3113 as at the Offer Announcement Date, as extracted from the website of the Monetary Authority of Singapore."

8. DISCLOSURE OF SHAREHOLDING AND DEALINGS

Section 13 of the Offer Document sets out certain information relating to disclosure of interests, extracts of which are set out below.

"13. DISCLOSURES OF HOLDINGS, DEALINGS IN COMPANY SECURITIES AND OTHER ARRANGEMENTS

13.1 **Holdings and Dealings in Company Securities.** Based on the latest information available to the Offeror, Appendix E to this Offer Document sets out details of (i) the number of Company Securities owned, controlled or agreed to be acquired by the Offeror and the Concert Parties as at the Latest Practicable Date; and (ii) the dealings in the Company Securities during the Reference Period by the Offeror and the Concert Parties (collectively, the "**Relevant Persons**").

13.2 **No other Holdings and Dealings in Company Securities.** Save as disclosed in this Offer Document, based on the latest information available to the Offeror and responses received pursuant to enquiries that the Offeror has made, as at the Latest Practicable Date, none of the Relevant Persons:

- (i) owns, controls or has agreed to acquire any:
 - (a) Shares;
 - (b) securities which carry voting rights in the Company; or

LETTER TO SHAREHOLDERS

(c) convertible securities, warrants, options or derivatives in respect of such Shares or securities which carry voting rights in the Company,

(collectively, the "**Company Securities**"); and

(ii) has dealt for value in any Company Securities during the Reference Period.

As at the Latest Practicable Date, save as disclosed elsewhere in this Offer Document (in particular, but without limitation, Appendix E) and based on the latest information available to the Offeror, none of the Relevant Persons has dealt for value in any Company Securities during the Reference Period.

13.3. **Other Arrangements in respect of Company Securities.** Hainan Rubber (as borrower) had entered into facility agreements with each of The Export-Import Bank of China, Agricultural Bank of China, Bank of China and China Construction Bank Corporation (as lenders) (the "**Lenders**") (the "**Facility Agreements**"). Under the Facility Agreements, the Lenders had each agreed to make available acquisition financing facilities which may be utilised for the purposes of, inter alia, funding the Offeror in connection with the Offer (the "**Facilities**"). In relation thereto, there will be certain security arrangements entered into in connection with the Facilities made available by the Lenders, including share charges over the Shares held by the Offeror as at the close of the Offer (comprising the 574,204,299 Shares representing 36.00% of the total issued Shares and the Offer Shares acquired by the Offeror pursuant to the Offer), such share charges to be granted by the Offeror in favour of each of the Lenders as soon as practicable after the close of the Offer.

As at the Latest Practicable Date and save as disclosed in this Offer Document (in particular, but without limitation, Appendix E), none of the Relevant Parties:

(i) has entered into any arrangement of any kind referred to in Note 7 of Rule 12 of the Code with any person, including any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to any Company Securities which may be an inducement to deal or refrain from dealing in the Company Securities, other than the Irrevocable Undertaking and the financing arrangements as set out in Section 13.3 (Other Arrangements in respect of Company Securities) above;

(ii) has received any irrevocable commitment to accept or reject the Offer in respect of any Company Securities, other than the Irrevocable Undertaking; or

(iii) has:

(a) granted a security interest over any Company Securities to another person, whether through a charge, pledge or otherwise;

(b) borrowed from another person any Company Securities (excluding borrowed Company Securities which have been on-lent or sold); or

(c) lent any Company Securities to another person."

LETTER TO SHAREHOLDERS

9. DIRECTORS' INTERESTS

Details of the Directors including, *inter alia*, the Directors' direct and deemed interests in the Shares as at the Latest Practicable Date are set out in **Appendix B** of this Circular.

10. CONFIRMATION OF FINANCIAL RESOURCES

Section 14 of the Offer Document sets out information on the confirmation of financial resources, extracts of which are set out below.

"14. CONFIRMATION OF FINANCIAL RESOURCES

CICC, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by holders of the Offer Shares on the basis of the Offer Price, taking into account the Irrevocable Undertaking."

11. ADVICE AND RECOMMENDATIONS

11.1 **General.** Shareholders should read and carefully consider the recommendations of the Recommending Directors and the advice of the IFA to the Recommending Directors dated 10 March 2023, which is set out in **Appendix A** of this Circular ("**IFA Letter**"), before deciding whether to accept or reject the Offer.

11.2 **Independence of Directors.** All of the Recommending Directors consider themselves independent for the purposes of making a recommendation on the Offer.

11.3 Advice of the IFA to the Recommending Directors

(a) **IFA.** Xandar Capital Pte. Ltd. has been appointed as the independent financial adviser to advise the Recommending Directors in respect of the Offer. Shareholders should consider carefully the recommendation of the Recommending Directors and the advice of the IFA to the Recommending Directors before deciding whether to accept or reject the Offer. The IFA's advice is set out in its letter dated 10 March 2023, which is set out in **Appendix A** of this Circular.

(b) **Factors taken into consideration by the IFA.** In arriving at its recommendation, the IFA has taken into account several key considerations, set forth in paragraph 9 of the IFA Letter. Shareholders should read paragraph 9 of the IFA Letter in conjunction with, and in the context of, the full text of the IFA Letter.

(c) **Advice of the IFA.** After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Recommending Directors, an extract of which is set out below. Shareholders should read the extract in conjunction with, and in the context of, the full text of the IFA Letter.

LETTER TO SHAREHOLDERS

"9. OUR ADVICE

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Offer. We have carefully considered as many factors as we deemed essential and balanced them before arriving at our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

9.1 "FAIRNESS" OF THE OFFER

We set out below a summary of the key factors we have taken into our consideration when assessing the "fairness" of the Offer:

9.1.1 Factors for the Offer

The following factors substantiate the "fairness" of the Offer:

- (a) the Offer Price is higher than the closing prices of the Shares for the period from 2 October 2020 to the Latest Practicable Date as set out in the chart in paragraph 8.1.1 of this IFA Letter;*
- (b) the Offer Price represents premia of more than 40% (specifically, between 42.7% and 71.0%) to the VWAPs of the Shares for the periods prior to and including the Pre-Conditional MGO Announcement Date which ranged between S\$0.2414 and S\$0.2895 per Share as set out in the chart in paragraph 8.1.2 of this IFA Letter;*
- (c) while the Group reported losses for FY2022 and as such, there is no P/E ratio for comparison with the Comparable Companies, the EV/EBITDA ratio of the Company as implied by the Offer Price is the same as the EV/EBITDA ratio of Hainan Rubber and higher than the range of EV/EBITDA ratios of the rest of the Comparable Companies;*
- (d) the P/NTA ratio of the Company as implied by the Offer Price is higher than the range of the P/NTA ratios of the Comparable Companies;*
- (e) the premia of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP are within the range and higher than the mean and median corresponding premia of the Fair and Reasonable Non-Privatisation Transactions; and*
- (f) the Offer Price is higher than the estimated value of the Shares set out in paragraph 8.6 of this IFA Letter.*

9.1.2 Factors against the Offer

The following factors undermine the "fairness" of the Offer:

- (a) the P/NAV ratio of the Company as implied by the Offer Price is within the range but below than the mean and median P/NAV ratios of the Comparable Companies;*

LETTER TO SHAREHOLDERS

- (b) *the EV/Revenue ratio of the Company as implied by the Offer Price is within the range but lower than the mean and median EV/Revenue ratios of the Comparable Companies; and*
- (c) *the P/NAV ratio implied by the Offer Price is within the range but slightly below the mean P/NAV ratios of the Fair and Reasonable Non-Privatisation Transactions.*

9.2 “REASONABLENESS” OF THE OFFER

We set out below a summary of the key factors we have taken into our consideration when assessing the “reasonableness” of the Offer:

9.2.1 Factors for the Offer

The following factors substantiate the “reasonableness” of the Offer:

- (a) *while the average daily traded volume of the Shares represented less than 1% of the free float of the Company during the Reference Period, the Shares were traded for more than 90% of the SGX Market Days. Based on the average trading volumes of shares of companies listed on the SGX-ST (Main Board and Catalist) for the 90 days period and six (6) months period prior to the Latest Practicable Date, the Shares ranked amongst the top 100 shares traded on the SGX-ST. Accordingly, there was a relatively liquid market for the Shares and the market prices are good indicators of the fair value of the Shares; and*
- (b) *other considerations set out in paragraph 8.8 of this IFA Letter.*

9.2.2 Factors against the Offer

The following factors undermine the “reasonableness” of the Offer:

- (a) *while the P/NTA ratio of the Company implied by the Offer is higher than the P/NTA ratio of Hainan Rubber and the EV/EBITDA ratio of the Company implied by the Offer is the same as the EV/EBITDA ratio of Hainan Rubber, the P/NAV ratio and EV/Revenue ratio of the Company implied by the Offer are much lower than the corresponding ratios of Hainan Rubber as set out in paragraph 8.2 of this IFA Letter. However, Hainan Rubber reported profits for LTM ended 30 September 2022 while the Group reported a loss for FY2022;*
- (b) *the Group may have better operating efficiency and economies of scale after the completion of the Offer, in the event that the Minimum Acceptance Condition is met, as a subsidiary of Hainan Rubber; and*
- (c) *the Offer Price, which was translated to Singapore dollars based on the SPA Consideration Price per Sale Share of US\$0.315, represented a slight discount of 1.6% to the valuation of the Group as opined by Shanghai Orient as set out in paragraph 8.7.2 of this IFA Letter.*

LETTER TO SHAREHOLDERS

9.3 OUR OPINION

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that, as of the date hereof, the terms of the Offer, on balance, are fair and reasonable. Accordingly, we advise the Recommending Directors to recommend Shareholders to ACCEPT the Offer."

11.4 Recommendations of the Recommending Directors

The Recommending Directors, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter that the Offer is fair and reasonable, concur with the advice of the IFA in respect of the Offer. Accordingly, the Recommending Directors recommend that Shareholders ACCEPT the Offer, unless Shareholders can obtain a price higher than the Offer Price in the open market, taking into account the related expenses such as brokerage, trading costs and other relevant factors (if any).

Shareholders should also be aware and note that there is no assurance that the price of the Shares will remain at current levels after the close of the Offer and the current price performance of the Shares is not indicative of the future price performance of the Shares.

11.5 No regard to specific objectives

In rendering the advice and the recommendations above, both the IFA and the Recommending Directors have not had regard to the specific investment objectives, financial situation, tax status, risk profiles or unique needs and constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Recommending Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately. Accordingly, Shareholders should note that the opinion and advice of the IFA and the recommendation of the Recommending Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

SHAREHOLDERS SHOULD READ AND CONSIDER CAREFULLY THIS CIRCULAR, INCLUDING THE RECOMMENDATION OF THE RECOMMENDING DIRECTORS AND THE ADVICE OF THE IFA TO THE RECOMMENDING DIRECTORS IN RESPECT OF THIS OFFER AS SET OUT IN THE IFA LETTER IN APPENDIX A TO THIS CIRCULAR IN ITS ENTIRETY, BEFORE DECIDING WHETHER TO ACCEPT OR REJECT THE OFFER. SHAREHOLDERS ARE ALSO URGED TO READ THE OFFER DOCUMENT CAREFULLY.

LETTER TO SHAREHOLDERS

12. ELECTRONIC DESPATCH OF THIS OFFEREE CIRCULAR

In line with the public statements issued by the SIC dated 6 May 2020, 29 September 2020 and 29 June 2021 on the despatch of take-over documents under the Code, no printed copies of this Circular will be despatched to the Shareholders.

Instead, this Circular has been despatched electronically to the Shareholders through publication on the websites of both the SGX-ST and the Company. In connection with the electronic despatch of this Circular, a hardcopy notification with instructions on how the Shareholders can locate this Circular electronically (the "**Notification**") will be despatched by ordinary post to the Shareholders.

Electronic copies of this Circular and the Notification are available on the website of the SGX-ST at <https://www.sgx.com> and on the website of the Company at <http://www.halcyonagri.com/>. Shareholders will need an internet browser and PDF reader to view this Circular on the websites of the SGX-ST and/or the Company.

13. OVERSEAS PERSON

- 13.1 **Availability of the Offer.** The availability of the Offer to Shareholders whose mailing addresses are outside Singapore (as shown on the register of members of the Company or, as the case may be, in the records of CDP) (each, an "**Overseas Person**"), may be affected by the laws of the relevant overseas jurisdiction. Accordingly, all Overseas Shareholders should inform themselves about, and observe, any applicable legal requirements in their own jurisdictions.

Overseas Persons should refer to Section 16 of the Offer Document, extracts of which are set out below.

"16. OVERSEAS JURISDICTIONS AND SHAREHOLDERS

- 16.1 Overseas Jurisdictions.** *This Offer Document, the Notification, the Acceptance Forms and/or any related documents do not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document, the Notification, the Acceptance Forms and/or any related documents in any jurisdiction, in contravention of applicable law.*

The release, publication or distribution of this Offer Document, the Notification, the Acceptance Forms and/or any related documents in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

LETTER TO SHAREHOLDERS

*Copies of this Offer Document, the Notification, the Acceptance Forms and/or other formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer would violate the laws of that jurisdiction (a “**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

- 16.2 Overseas Shareholders.** *The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (collectively, the “**Overseas Shareholders**” and each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions in which they are located, and caution should be exercised in relation to the Offer, as this Offer Document, the Notification, the Acceptance Forms and/or any related documents have not been reviewed by any regulatory authority in any overseas jurisdiction. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions. **For the avoidance of doubt, the Offer is open to all Shareholders, including those to whom the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and/or any related documents have not been, or may not be, sent.***

It is the responsibility of Overseas Shareholders who wish to: (i) request for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and/or any related documents; and/or (ii) accept the Offer, to satisfy themselves as to the full observances of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, CICC, CDP, the Share Registrar and/or any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, CICC, CDP, the Share Registrar and/or any person acting on their behalf may be required to pay. In (i) requesting for the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and/or any related documents; and/or (ii) accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and CICC that he is in full observance and compliance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

LETTER TO SHAREHOLDERS

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

- 16.3** **Copies of the Offer Document and the relevant Acceptance Forms.** *Where there are potential restrictions on sending the Notification (containing the address and instructions for the electronic retrieval of this Offer Document and its related documents), the relevant Acceptance Forms and/or any related documents to any overseas jurisdiction, the Offeror, CICC, CDP and the Receiving Agent each reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions.*

*Shareholders (including Overseas Shareholders) may, subject to compliance with applicable laws, obtain electronic copies of this Offer Document, the Acceptance Forms and/or any related documents from the website of the SGX-ST at <https://www.sgx.com>. To obtain an electronic copy of this Offer Document, please select the section "Securities", select "Company Information" and then "Company Announcements" from the dropdown menu list and type the name of the Company: "**Halcyon Agri Corporation Limited**" in the box titled "Filter by Company/Security Name". "**Halcyon Agri Corporation Limited**" will appear as a drop-down item below the filter box.*

*Thereafter, please select the announcement dated 24 February 2023 titled "**Mandatory Conditional Cash Offer – Electronic Despatch of Offer Document**". This Offer Document, the Acceptance Forms and/or any related documents can be accessed by clicking on the link under the section titled "Attachments" at the bottom of the announcement.*

Overseas Shareholders may, nonetheless, obtain copies of the Notification, the Acceptance Forms and/or any related documents, during normal business hours and up to the Closing Date, from the Share Registrar, at its office located at 1 Harbourfront Avenue, Keppel Bay Tower, #14-07, Singapore 098632. Alternatively, an Overseas Shareholder may write to the Share Registrar at the address listed above, to request for the Notification, the Acceptance Forms and/or any related documents to be sent to an address in Singapore by ordinary post at such Overseas Shareholder's own risk. Electronic copies of this Offer Document, the Notification, the Acceptance Forms and/or any related documents are also available on the website of the SGX-ST at <https://www.sgx.com> and on the website of the Company at <http://www.halcyonagri.com/>.

- 16.4** **Notice.** *The Offeror and CICC each reserves the right to notify any matter, including the fact that the Offer has been made or any revision to the Offer, to any or all of the Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or notice and if necessary, by paid advertisement in a daily newspaper published and circulated in Singapore, in which case such notice shall be deemed to have been made and communicated to all Shareholders (including Overseas Shareholders), notwithstanding any failure by any Shareholder (including any Overseas Shareholder) to receive or see such announcement, notice or advertisement."*

- 13.2** **Copies of Circular.** This Circular may not be sent to Overseas Persons due to any potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Person may, nevertheless, (subject to compliance with applicable laws) obtain copies of this Circular during normal business hours up to the Closing Date from the Share Registrar, download a copy of this Circular from the website of the SGX-ST at www.sgx.com or the website of the Company at www.halcyonagri.com, or make a request to the Share

LETTER TO SHAREHOLDERS

Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.

14. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

Section 17 of the Offer Document sets out information pertaining to CPFIS Investors and SRS Investors, extracts of which are set out below.

"17. INFORMATION RELATING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should receive further information on how to accept the Offer from their CPF Agent Banks or SRS Agent Banks (as the case may be) directly. CPFIS Investors and SRS Investors are advised to consult their CPF Agent Banks or SRS Agent Banks (as the case may be) should they require further information, and if they are in any doubt as to the action they should take, they should seek independent professional advice.

CPFIS Investors and SRS Investors, who wish to accept the Offer, are to reply to their CPF Agent Banks or SRS Agent Banks (as the case may be) by the deadline stated in the letter from their CPF Agent Banks or SRS Agent Banks (as the case may be), which may be earlier than the Closing Date. Subject to the Offer becoming or being declared to be unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer through their appropriate intermediaries will receive the payment for the Offer Price in respect of their Offer Shares validly tendered in acceptance of the Offer, in their CPF investment accounts or SRS investment accounts (as the case may be)."

15. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who **wish to accept the Offer** must do so not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror, abiding by the procedures for the acceptance of the Offer as set out in Appendix B of the Offer Document and in the accompanying FAA and/or FAT, which have been disseminated electronically.

Acceptances should be completed and returned as soon as possible and, in any event, so as to be received, on behalf of the Offeror, by the CDP (in respect of the FAA) or the Share Registrar (in respect of the FAT), as the case may be, not later than the Closing Date or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

Shareholders who **do not wish to accept the Offer** need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

16. CONSENTS

The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter in **Appendix A** of this Circular, and the references to its name in the form and context in which it appears in this Circular.

LETTER TO SHAREHOLDERS

Ernst & Young LLP, named as the auditors of the Company, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of the independent auditor's report in relation to the audited financial statements of the Group for FY2021 in **Appendix D** of this Circular, and the references to its name in the form and context in which it appears in this Circular.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 180 Clemenceau Avenue, #05-02, Haw Par Centre, Singapore 239922 during normal business hours from the date of this Circular up to and including the date of the Closing Date:

- (a) the Constitution of the Company;
- (b) the annual reports of the Company for FY2019, FY2020 and FY2021;
- (c) the unaudited financial statements of the Group for FY2022;
- (d) the IFA Letter as set out in **Appendix A** of this Circular; and
- (e) the letters of consent referred to in Section 16 of this Circular.

18. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have taken all reasonable care to ensure that the facts stated and opinions expressed in this Circular (other than the IFA Letter, information extracted from the Offer Document and information relating to the Offeror and persons acting in concert with the Offeror) are fair and accurate and that there are no other material facts not contained in this Circular, the omission of which would make any statement in this Circular misleading.

In respect of Appendices A to F to this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material aspects.

Where any information in this Circular has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, from the Offer Document), the sole responsibility of the Directors has been to ensure, through reasonable enquiries that, to the best of their knowledge, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular.

The Directors jointly and severally accept responsibility accordingly.

19. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

LETTER TO SHAREHOLDERS

Yours faithfully,

For and on behalf of the Board of Directors of
Halcyon Agri Corporation Limited

Li Xuetao
Executive Director and Chief Executive Officer

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



10 March 2023

HALCYON AGRI CORPORATION LIMITED

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

Attention: The Recommending Directors (as defined herein)

MANDATORY CONDITIONAL CASH OFFER (THE “OFFER”) BY CHINA INTERNATIONAL CAPITAL CORPORATION (SINGAPORE) PTE. LIMITED (“CICC”) FOR AND ON BEHALF OF CHINA RUBBER INVESTMENT GROUP COMPANY LIMITED (THE “OFFEROR”, A DIRECT WHOLLY-OWNED SUBSIDIARY OF CHINA HAINAN RUBBER INDUSTRY GROUP CO., LTD.) TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES IN THE CAPITAL OF HALCYON AGRI CORPORATION LIMITED OTHER THAN THOSE ALREADY OWNED, CONTROLLED OR AGREED TO BE ACQUIRED BY CHINA HAINAN RUBBER INDUSTRY GROUP CO., LTD. AND THE OFFEROR (THE “OFFER SHARES”)

Unless otherwise defined, the terms used herein shall have the same meaning ascribed to them in the circular to shareholders of Halcyon Agri Corporation Limited (the “Company”) dated 10 March 2023 issued by the Company in connection with the Offer (the “Circular”).

1. INTRODUCTION

On 16 November 2022 (the “**Pre-Conditional MGO Announcement Date**”), China Hainan Rubber Industry Group Co., Ltd. (“**Hainan Rubber**”) announced that it has, on the Pre-Conditional MGO Announcement Date, entered into a conditional share purchase agreement (the “**SPA**”) with Sinochem International (Overseas) Pte. Ltd. (“**Sinochem**”) for the purchase of an aggregate of 574,204,299 ordinary shares (the “**Sale Shares**”, and each a “**Sale Share**”) in the capital of the Company, representing 36.00% of the issued and paid-up share capital of the Company as at the date of the SPA for an aggregate cash consideration of US\$180,874,354.19, being US\$0.315 for each Sale Share (the “**SPA Consideration Price per Sale Share**”) (the “**Share Acquisition**”) (the “**Pre-Conditional MGO Announcement**”).

On 3 February 2023 (the “**Offer Announcement Date**”), CICC announced for and on behalf of the Offeror that all of the conditions precedent in respect of the SPA have been fulfilled. As such, the closing of the Share Acquisition has taken place on 3 February 2023.

Accordingly, CICC, as financial adviser to the Offeror and for and on behalf of the Offeror, announced the Offeror’s firm intention to make the Offer pursuant to Rule 14 of the Singapore Code on Take-overs and Mergers (the “**Code**”), at the offer price of S\$0.413 (the “**Offer Price**”, being the Singapore dollar equivalent of the SPA Consideration Price per Sale Share

Page 1 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



based on the USD:SGD exchange rate of US\$1.00:S\$1.3113 on the Offer Announcement Date, as extracted from the website of the Monetary Authority of Singapore) for each Offer Share (the “**Offer Announcement**”).

In connection with thereof, the Company has appointed Xandar Capital Pte. Ltd. (“**Xandar Capital**”) as the independent financial adviser (the “**IFA**”) to the directors of the Company, all of whom are considered independent for the purposes of the Offer (the “**Recommending Directors**”), to assess the terms of the Offer, and advise (a) whether the terms of the Offer are fair and reasonable; and (b) whether the holders of the Offer Shares (the “**Shareholders**”) should accept or reject the Offer.

This letter sets out, *inter alia*, our evaluation and advice in respect of the Offer (this “**IFA Letter**”), and forms part of the Circular which provides, *inter alia*, the details of the Offer as well as the recommendation of the Recommending Directors in respect of the Offer.

2. TERMS OF REFERENCE

Xandar Capital has been appointed as the IFA to advise the Recommending Directors on (a) whether the terms of the Offer are fair and reasonable; and (b) whether the Shareholders should accept or reject the Offer.

We are not and were not involved in any aspect of the negotiations pertaining to the Offer. We are not required nor authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares, and therefore are not able to, and will not compare the Offer to any other alternative transaction. We are also not addressing the relative merits of the Offer as compared to any alternative transaction, or other alternatives, or whether such alternatives could be achieved, or are or will be available in future.

Our evaluation is limited to the terms of the Offer, and our terms of reference do not require us to evaluate or comment on the legal, strategic or commercial and/or risks or merits (if any) of the Offer.

In the course of our evaluation, we have had discussions with certain Directors and management of the Company, and have examined publicly available information relating to the Company and its subsidiaries (the “**Group**”) as well as information provided and representations made to us by the aforesaid parties, including information in the Circular. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information, representation and assurance. We have nevertheless made reasonable enquiries and exercised our judgment as we deemed necessary or appropriate on the reasonable use of such information and found no reason to doubt the accuracy or reliability of the information.

Page 2 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Our scope does not require us and we have not made any independent evaluation (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities. For purposes of its year-end financial reporting, the Company has commissioned valuers to determine the values of certain of its plantation and biological assets as well as investment properties. We have not made any independent verification of the assumptions and bases set out in the valuation reports. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of the valuation reports. Saved for the valuations, we have not been furnished with any evaluation or appraisal of any assets or liabilities of the Company or the Group.

We also note from the Circular that the Directors have taken all reasonable care to ensure that the facts stated and opinions expressed in the Circular (other than this IFA Letter, information extracted from the offer document in relation to the Offer dated 24 February 2023 (the "**Offer Document**") and information relating to the Offeror and persons acting in concert with the Offeror) are fair and accurate and that there are no other material facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, from the Offer Document), the sole responsibility of the Directors has been to ensure through reasonable enquiries that, to the best of their knowledge, such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in the Circular.

In respect of this IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Group are, to the best of their knowledge and belief, fair and accurate in all material aspects. The Directors jointly and severally accept responsibility accordingly.

The scope of our engagement does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group whether with or without the Offer. We have not reviewed any financial projections or forecasts of the Company or the Group and we do not express any view on the future growth prospects, financial position or earnings potential of the Company and/or the Group. Such evaluation shall remain the sole responsibility of the Directors, although we may draw upon their views (to the extent deemed necessary or appropriate by us) in arriving at our opinion as set out in this IFA Letter.

Our advice is based upon economic, industry, market, monetary, regulatory and other relevant conditions subsisting and the information available to us as at 3 March 2023, being the Latest Practicable Date (the "**Latest Practicable Date**") for the Circular. Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our advice in light of any subsequent development after the Latest Practicable Date that may affect our advice contained herein. Shareholders should take note of any announcements and/or events relevant to their consideration of the Offer which may be released or occur after the Latest Practicable Date.

Page 3 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



In preparing this IFA Letter, we did not consider the specific investment objectives, financial situation, risk profiles, tax position and/or unique needs and constraints of any individual Shareholder, or any specific group of Shareholders. We recommend that Shareholders who may require specific advice in relation to their Shares, investment objectives or portfolios to consult their stockbroker, bank manager, legal, financial, tax or other professional advisers immediately.

This IFA Letter is for the use and benefit of the Recommending Directors in connection with and for the purpose of their consideration of the Offer, and the recommendation made by the Recommending Directors shall remain their responsibility.

The Company has been separately advised by its own advisers in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this IFA Letter).

Our advice in relation to the Offer should be considered in the context of the entirety of this IFA Letter and the Circular.

We recommend that the Recommending Directors advise the Shareholders to read these pages carefully.

3. THE OFFER

The Offer is made in accordance with Rule 14 of the Code, and subject to the terms and conditions set out in the Offer Document and the acceptance forms accompanying the Offer Document, for all the Offer Shares.

The detailed terms and conditions of the Offer are set out in Sections 2 and 3 of, and Appendices A and B to the Offer Document. We extract the following for your reference.

3.1 The Offer Shares

The Offer Shares refer to all the issued and paid-up ordinary shares in the capital of the Company other than those already owned, controlled or agreed to be acquired by Hainan Rubber and the Offeror as at the Offer Announcement Date.

As at the Latest Practicable Date, the total issued and paid-up share capital of the Company comprises 1,595,011,941 Shares. The Company does not have any treasury Shares. As at the Latest Practicable Date, the Company has only one class of Shares, being ordinary shares.

Page 4 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



3.2 The Offer Price

For each Offer Share: S\$0.413 in cash

3.3 Encumbrances of the Offer Shares

The Offer Shares will be acquired:

- (i) fully paid up;
- (ii) free from all liens, equities, mortgages, charges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever; and
- (iii) together with all rights, benefits and entitlements attached thereto as at the Pre-Conditional MGO Announcement Date and thereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights and other distributions or return of capital, if any, which may be announced, declared, paid or made thereon by the Company (each a **"Distribution"**) on or after the Pre-Conditional MGO Announcement Date.

If any such Distribution is announced, declared, paid or made by the Company on or after the Pre-Conditional MGO Announcement Date, the Offeror reserves the right to reduce the Offer Price by an amount equivalent to any such Distribution.

We note that no such Distribution has been announced, declared, paid or made by the Company for the period from the Pre-Conditional MGO Announcement Date up to the Latest Practicable Date.

3.4 Conditions to the Offer

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror and parties acting in concert with it holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the **"Minimum Acceptance Condition"**).

Accordingly, the Offer will not become or be capable of being declared unconditional as to acceptances until the close of the Offer, unless at any time prior to the close of the Offer, the Offeror has received valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it before or during the Offer, will result in the Offeror

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



and its concert parties holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury).

Save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

As at the Latest Practicable Date, the Offeror has not made any announcement relating to the Minimum Acceptance Condition and the Offer has not become unconditional as to acceptances.

4. INFORMATION ON THE COMPANY

The Company is incorporated in Singapore on 7 April 2005 and is listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The Group is a global natural rubber supply chain manager, with current competencies in each part of the supply chain including plantations, processing and distribution. The Group is the owner of one of the world’s largest commercial plantations and its factories are located in most major rubber producing regions, namely Indonesia, Malaysia, the PRC, Thailand and Africa. The Group creates value for its customers by connecting and bringing together businesses across the entire natural rubber value chain.

It currently owns 37 natural rubber processing factories in Cameroon, Cote d’Ivoire, Indonesia, Malaysia, the PRC and Thailand with an annual production capacity of approximately 1.4 million tonnes. It produces natural rubber under its proprietary HEVEAPRO brand, distributes its products and a range of other natural rubber grades (including latex) to an international customer base through its network of warehouses and sales offices in the South east Asia, the PRC, the United States of America and the European Union countries. Headquartered in Singapore, the Group’s workforce consists of approximately 15,000 employees in over 100 locations.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



5. INFORMATION RELATING TO THE OFFEROR AND HAINAN RUBBER

5.1 ABOUT THE OFFEROR

The Offeror is a private limited company incorporated in Hong Kong on 24 November 2022. The Offeror is a direct wholly-owned subsidiary of Hainan Rubber, a company which is incorporated in the PRC and listed on the Shanghai Stock Exchange. The Offeror is principally engaged in, *inter alia*, investment holding.

As at 17 February 2023, being the latest practicable date for the Offer Document:

- (i) the Offeror has an issued share capital of HKD10,000 divided into 10,000 shares, all of which are held by Hainan Rubber; and
- (ii) the directors of the Offeror are Sun Weiliang, Zhang Daqiang and Li Jiang.

Information on the Offeror is set out in Section 6 of, and Appendix C to, the Offer Document.

5.2 ABOUT HAINAN RUBBER

Hainan Rubber is a state-owned holding company in the PRC, listed on the Shanghai Stock Exchange. It is principally engaged in the business of natural rubber involving the planting, processing and distribution of the same. Hainan Rubber produces rubber products such as latex thread, natural rubber gloves, concentrated natural latex rubber, standard rubber for aircraft tyre use and rubber woods, amongst others. Hainan Rubber's products are distributed both within the PRC domestic market and to overseas markets.

As at 17 February 2023, being the latest practicable date for the Offer Document:

- (i) Hainan Rubber has a registered capital of RMB4,279.43 million comprising 4,279,427,797 shares; and
- (ii) the directors of Hainan Rubber are Ai Yilun, Meng Xiaoliang, Li Xiaoping, Han Xubin, Chen Lijing, Wang Zeying, Lin Weifu and Zhang Sheng.

Information on Hainan Rubber is set out in Section 6 of, and Appendix C to, the Offer Document.

Additional information on Hainan Rubber can be found at its website at <http://www.hirub.cn>.

5.3 UNDERTAKING RECEIVED BY THE OFFEROR

As at the Latest Practicable Date, Sinochem, which holds a direct interest in 465,716,356 Shares, representing approximately 29.20% of the total issued Shares (the "**Post-Closing**

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Shareholding) has provided an irrevocable undertaking (the **"Irrevocable Undertaking"**) stating, *inter alia*, that:

- (i) Sinochem shall continue to hold the Post-Closing Shareholding;
- (ii) Sinochem will remain the legal and beneficial owner of the Post-Closing Shareholding until and including the date on which the Offer closes, lapses or is withdrawn (the **"Expiry Date"**), and Sinochem will not transfer, sell or otherwise dispose of any Shares held by Sinochem from the date of the Irrevocable Undertaking until the Expiry Date; and
- (iii) Sinochem will reject the Offer in respect of the Post-Closing Shareholding and any other Offer Shares which Sinochem may acquire on or after the date of the Irrevocable Undertaking.

6. THE OFFEROR'S RATIONALE FOR THE OFFER

The Offeror's intention is set out in Section 8 of the Offer Document. We extract as follows:

"... the Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code.

Additionally, as the Hainan Rubber Group's rubber businesses and the Group's rubber businesses are complementary and synergistic, the Offeror views the Offer as an opportunity to integrate the Hainan Rubber Group's and the Group's resources to improve overall operating efficiency, move up the technology and value chain, and to benefit from economies of scale."

7. THE OFFEROR'S INTENTIONS

The Offeror's intention is set out in Section 9 of the Offer Document. We extract as follows:

"The Offeror intends for the Company to continue to develop and to grow the existing businesses of the Group. The Offeror currently has no plans to (i) introduce any major changes to the existing business or management of the Group, (ii) discontinue the employment of any of the existing employees of the Group, or (iii) re-deploy any of the fixed assets of the Group, other than in the ordinary course of business. However, the Offeror retains and reserves the right and flexibility at any time and from time to time to consider any options or opportunities in relation to the Group, which may present themselves, and which the Offeror may regard to be in the best interests of the Group."

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



The Offeror also disclosed in Section 11.3 of the Offer Document that:

“It is the intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer. In the event that the Company does not meet the Free Float Requirement and the trading of the Shares is suspended pursuant to the abovementioned rules of the Listing Manual, the Offeror reserves the right to undertake or support any action as may be necessary for any such listing suspension by the SGX-ST to be lifted.”

8. EVALUATION OF THE OFFER

In our evaluation of the Offer, we have taken into account the following factors:

- (i) market performance of the Shares;
- (ii) comparison of the valuation ratios of the Company implied by the Offer Price against its comparable companies;
- (iii) the financial performance of the Group;
- (iv) the financial position of the Group;
- (v) comparison of the valuation ratios of the Company implied by the Offer Price with recently completed comparable transactions for companies listed on the SGX-ST;
- (vi) estimated value of the Shares;
- (vii) Hainan Rubber’s rationale for the Offer and the basis of Offer Price; and
- (viii) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

8.1 MARKET PERFORMANCE OF THE SHARES

8.1.1 Historical closing price of the Shares

We generally compare the offer price of an offer with the closing prices of the shares for the 24 months period prior to the offer announcement date.

However, given that the commencement of the 24 months period prior to the offer announcement date in relation to the Offer is 12 November 2020 and we note that the Company reported a significantly higher net loss attributable to owners of the Company of US\$40.38 million for the six (6) months ended 30 June (“1H”) 2020 due to COVID-19 as

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



compared to a net loss attributable to owners of the Company of US\$3.42 million for 1H2019, we have extended the comparison period to 36 months instead of the usual 24 months.

The following chart compares the Offer Price with the daily closing prices of the Shares for the period commencing from 12 November 2019 (which is the commencement date for the 36 months period prior to 11 November 2022, being the last market day on which the Shares were traded prior to the Pre-Conditional MGO Announcement Date (the “**Last Trading Day**”) up to the Latest Practicable Date (the “**Reference Period**”):



Source: Bloomberg L.P.

There was no change to the Company’s issued and paid-up share capital comprising 1,595,011,941 Shares during the Reference Period.

We note from the chart above that the Shares closed above the Offer Price for the period between 12 November 2019 and 2 March 2020 (both dates inclusive), then closed between at S\$0.320 and S\$0.405 per Share for the period from 3 March 2020 to 27 May 2020 (both dates inclusive) before closing at a high of S\$0.455 on 28 May 2020 then to a low of S\$0.182 on 2 October 2020 and continuously traded below the Offer Price for the period up to the Latest Practicable Date.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



The Offer Price represents:

- (a) a premium of 42.4% to the closing price of S\$0.290 for each Share on the Last Trading Day;
- (b) a premium of 2.0% to the closing price of S\$0.405 for each Share on 2 February 2023, being the last trading day where the Shares were traded prior to the Offer Announcement Date;
- (c) a discount of 10.2% to the highest closing price of S\$0.460 (on 29 and 30 January 2020) for each Share and a premium of 126.9% to the lowest closing price of S\$0.182 (on 2 October 2020) for each Share; and
- (d) a premium of 0.7% to the closing price of S\$0.410 for each Share on the Latest Practicable Date.

8.1.2 Trading statistics of the Shares

We tabulate below selected statistical information on the share price and trading liquidity of the Shares during the Reference Period:

	VWAP⁽¹⁾	Premium of Offer Price to VWAP	Highest trading price	Lowest trading price	Average daily traded volume⁽²⁾	Average daily traded volume as percentage of free float⁽³⁾
	(S\$)	(%)	(S\$)	(S\$)		(%)
<u>Periods prior to and including 11 November 2022 (being the Last Trading Day)</u>						
Last 36 months	0.2837	45.6	0.510	0.180	845,543	0.18
Last 24 months	0.2895	42.7	0.360	0.180	952,001	0.20
Last 12 months	0.2432	69.8	0.300	0.180	408,425	0.09
Last six (6) months	0.2415	71.0	0.300	0.180	520,019	0.11
Last three (3) months	0.2449	68.7	0.300	0.180	920,495	0.20
Last one (1) month	0.2515	64.2	0.300	0.215	1,676,432	0.36
The Last Trading Day	0.2890	42.9	0.300	0.285	882,500	0.19

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



	VWAP ⁽¹⁾	Premium of Offer Price to VWAP	Highest trading price	Lowest trading price	Average daily traded volume ⁽²⁾	Average daily traded volume as percentage of free float ⁽³⁾
	(S\$)	(%)	(S\$)	(S\$)		(%)
<u>Period after the Pre-Conditional MGO Announcement Date to the Offer Announcement Date</u>						
17 November 2022 to 2 February 2023, both dates inclusive	0.3931	5.1	0.405	0.375	3,971,165	0.85
2 February 2023, the last trading day prior to the Offer Announcement Date	0.4000	3.3	0.405	0.400	2,397,300	0.51
<u>Period after the Offer Announcement Date</u>						
6 February 2023 to the Latest Practicable Date, both dates inclusive	0.4058	1.8	0.410	0.405	1,595,190	0.34
The Latest Practicable Date	0.4056	1.8	0.410	0.405	58,700	0.01

Source: Bloomberg L.P.

Notes:

- (1) "VWAP" means volume weighted average price and is stated at four (4) decimal places in the above table.
- (2) The average daily traded volumes of the Shares are calculated based on the total number of Shares traded (excluding Shares transacted under married deals) and the total days where the Shares were traded ("**Trading Days**") during those periods.
- (3) Free float is calculated based on the difference between (i) the total number of 1,595,011,941 issued Shares; and (ii) the 574,204,299 Shares held by the Offeror as well as the 551,738,884 Shares held by substantial Shareholders (comprising Sinochem International (Overseas) Pte. Ltd., GMG Holding (H.K.) Limited, Panwell (Pte) Ltd, Mieke Bintati Gondobintoro and Jeffrey Gondobintoro) as at the Latest Practicable Date.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



We note the following with regards to the trading prices of the Shares:

- (a) the Offer Price represents premia of more than 40% to the VWAPs of the Shares for the various periods prior to the Pre-Conditional MGO Announcement Date as set out in the table above;
- (b) the Offer Price represents a discount of 19.0% to the highest trading price of the Shares of S\$0.510 for the 36 months period prior to the Pre-Conditional MGO Announcement Date. The highest trading price of S\$0.510 per Share for the aforesaid period occurred on 28 May 2020;
- (c) the Offer Price represents a premium of 129.4% to the lowest trading price of the Shares of S\$0.180 for the 36 months period prior to the Pre-Conditional MGO Announcement Date. The lowest trading price of S\$0.180 per Share for the aforesaid period occurred on 13 October 2020;
- (d) the Shares traded between a narrower range of between S\$0.375 and S\$0.405 per Share for the period after the Pre-Conditional MGO Announcement Date up to the Offer Announcement Date; and
- (e) the share price appeared to be supported by the Offer after the Offer Announcement Date. In particular, the Shares traded between an even narrower range of between S\$0.405 and S\$0.410 per Share for the period after the Offer Announcement Date up to the Latest Practicable Date.

We note the following on the trading liquidity of the Shares:

- (i) save for the one (1) month period prior to the Pre-Conditional MGO Announcement Date, the average daily traded volumes of the Shares for all the periods prior to and including the Last Trading Day amounted to less than one million Shares or a maximum of 0.20% of the free float of the Company;
- (ii) the average daily traded volume of the Shares for the period after the Pre-Conditional MGO Announcement Date up to the Offer Announcement Date was 3,971,165 Shares or 0.85% of the free float of the Company;
- (iii) the average daily traded volume of the Shares for the period after the Offer Announcement Date up to the Latest Practicable Date amounted to 1,595,190 Shares or 0.34% of the free float of the Company; and
- (iv) the Shares were traded on more than 90% of the market days which the SGX-ST were open for trading ("**SGX Market Days**") for the 36 months, 24 months, 12 months, six (6) months and three (3) months periods prior to the Pre-Conditional MGO Announcement Date and were traded on 100% of the SGX Market Days for the one (1) month period prior to the Pre-Conditional MGO Announcement Date as well as

Page 13 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



the periods after the Pre-Conditional MGO Announcement Date up to the Latest Practicable Date.

While the average daily traded volume of the Shares represented less than 1% of the free float of the Company during the Reference Period, the Shares were traded for more than 90% of the SGX Market Days. Based on the average trading volumes of shares of companies listed on the SGX-ST (Main Board and Catalist) for the 90 days period and six (6) months period prior to the Latest Practicable Date, the Shares ranked amongst the top 100 shares ⁽¹⁾ traded on the SGX-ST. Accordingly, there was a relatively liquid market for the Shares and the market prices are good indicators of the fair value of the Shares.

Note:

(1) Source: Bloomberg L.P.

Shareholders should note that there is no assurance that the market prices and trading volumes of the Shares will maintain at the level for the periods after the Pre-Conditional MGO Announcement Date up to the Latest Practicable Date after the close or lapse of the Offer.

Shareholders are also advised that the past trading performance of the Shares should not, in any way, be relied upon as an indication or promise of its future trading performance.

8.2 COMPARISON OF THE VALUATION RATIOS OF THE COMPANY IMPLIED BY THE OFFER PRICE AGAINST THOSE OF COMPARABLE COMPANIES

The Group is a global natural rubber supply chain manager, with current competencies in each part of the supply chain including plantations, processing and distribution. The Group is the owner of one of the world's largest commercial plantations and its factories are located in most major rubber producing regions, namely Indonesia, Malaysia, the PRC, Thailand and Africa. It currently owns 37 natural rubber processing factories in Cameroon, Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand with an annual production capacity of approximately 1.4 million tonnes and distributes its products and a range of other natural rubber grades (including latex) to an international customer base through its network of warehouses and sales offices in the Southeast Asia, the PRC, the United States of America and the European Union countries.

For the purposes of assessing the valuation of the Group as implied by the Offer Price, we have considered listed companies whose business are broadly comparable with the Group (the "**Comparable Companies**") with revenue from rubber plantations and/or rubber processing factories contributing more than 50% of their revenue for the latest reported financial year. For a more meaningful comparison, we have excluded listed companies with market capitalisation below S\$100 million.

We had discussions with management about the suitability and reasonableness of the Comparable Companies. We wish to highlight that the Comparable Companies are not

Page 14 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made here is necessarily limited and it may be difficult to place reliance on the comparison of valuation for the Comparable Companies. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the Comparable Companies is set out below:

Comparable Companies	Listing location	Brief business description	Market capitalisation as at the Latest Practicable Date (1) (2) (S\$ million)
China Hainan Rubber Industry Group Co., Ltd. / The Offeror	Shanghai	China Hainan Rubber Industry Group Co., Ltd. produces, cultivates, process and sales natural rubber. The company's sector also includes E-commerce services, software development, agricultural cultivation, fertilizer sales, land leases, land development, livestock, and aquaculture industries. Approximately 96.6% of the revenue of Hainan Rubber for the financial year ended 31 December ("FY") 2021 were generated from its natural rubber business segment.	3,919.7
Northeast Rubber Public Company Limited	Bangkok	Northeast Rubber Public Company Limited manufactures rubber products. The company focuses on producing ribbed smoked sheets, soles, hoses, and rubber components. Northeast Rubber Public Company Limited markets its products worldwide. Northeast Rubber Public Company Limited generated revenue solely from sale and production of natural rubber in FY2022.	449.5

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



**Market
capitalisation as
at the Latest
Practicable Date
(1) (2)
(S\$ million)**

Comparable Companies	Listing location	Brief business description	Market capitalisation as at the Latest Practicable Date (1) (2) (S\$ million)
Phuoc Hoa Rubber Joint Stock Company	Ho Chi Minh	Phuoc Hoa Rubber Joint Stock Company operates a rubber tree plantation, where it also processes and trades rubber wood harvested. The company manufactures basic rubber products, such as latex and Standard Vietnamese Rubber (SVR) products. Approximately 76.1% of the revenue of Phuoc Hoa Rubber Joint Stock Company for FY2021 were generated from its natural rubber business segment.	311.4
PT Kirana Megatara Tbk	Indonesia	PT Kirana Megatara Tbk produces rubber products. The Company offers crumb rubber products to tyre manufacturers. Kirana Megatara serves customers worldwide. Approximately 99.7% of the revenue of PT Kirana Megatara Tbk for FY2021 were generated from its crumb rubber factory business segment.	184.9
Societe Africaine de Plantations d'Heveas SA	Bourse Régionale des Valeurs Mobilières, West Africa	Societe Africaine de Plantations d'Heveas SA operates plantations. The company grows rubber trees, and processes latex into rubber for industrial uses. Approximately 93.8% of the revenue of Societe Africaine de Plantations d'Heveas SA Tbk for FY2021 were generated from the sale of its rubber products.	298.2

Page 16 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



**Market
capitalisation as
at the Latest
Practicable Date
(1) (2)
(S\$ million)**

Comparable Companies	Listing location	Brief business description	
Societe des Caoutchoucs de Grand-Bereby	Bourse Régionale des Valeurs Mobilières, West Africa	Societe des Caoutchoucs de Grand-Bereby operates plantations. The company cultivates rubber trees and refines latex into industrial rubber. It operates in southwest Cote d'Ivoire. Approximately 98.8% of the revenue of Societe des Caoutchoucs de Grand-Bereby for FY2021 were generated from the sale of its rubber products.	268.0
Sri Trang Agro-Industry Public Company Limited	Bangkok	Sri Trang Agro-Industry Public Company Limited produces and markets smoked sheet rubber. The company sells its products to tyre manufacturers as primary market, and exports to Japan, PRC, and Korea as secondary market. Approximately 79.2% of the revenue of Sri Trang Agro-Industry Public Company Limited for FY2021 were generated from its natural rubber business segment.	1,452.7
Vietnam Rubber Group Limited	Ho Chi Minh	Vietnam Rubber Group Limited manufactures rubber products. The company plants, exploits, processes, produces, and distributes natural rubber. Vietnam Rubber Group Limited provides construction, plantation of trees, real estate, transmission of electricity, installation, transportation, supplying clean water, and other services in Vietnam. Approximately 76,7% of the revenue of Vietnam Rubber Group Limited for FY2022 was contributed by its rubber manufacturing and products business segment.	3,200.2

Source: Bloomberg Finance L.P., annual reports, announcements and websites of respective companies

Page 17 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Notes:

- (1) Market capitalisation of the Comparable Companies are calculated based on their respective closing prices as at the Latest Practicable Date.
- (2) Translated to Singapore dollars based on the closing exchange rate of one (1) Singapore dollar to RMB5.1314, THB25.6940, VND17,624, IDR11,372 and XOF458 as at the Latest Practicable Date. RMB, THB, VND, IDR and XOF refer to the Chinese Renminbi, Thai Baht, Vietnamese Dong, Indonesian Rupiah and West African CFA franc respectively.

For the comparison with the Comparable Companies, we have referred to the following valuation ratios:

Valuation ratio	General description
Enterprise value to earnings before interest, tax, depreciation and amortisation (“ EV/EBITDA ”)	<p>“EV” or “Enterprise Value” is defined as the sum of a company’s market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents while “EBITDA” stands for earnings before interest, tax, depreciation and amortisation.</p> <p>The “EV/EBITDA” multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.</p>
Price-to-earnings (“ P/E ”)	<p>The P/E ratio illustrates the ratio of the market price of a company’s share relative to its historical consolidated earnings per share. The P/E ratio is affected by, <i>inter alia</i>, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.</p>

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Valuation ratio	General description
Price-to-net asset value (“P/NAV”)	P/NAV ratio illustrates the ratio of the market price of a company’s share relative to its asset backing as measured in terms of its historical consolidated net asset value (“NAV”) per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.
Price-to-net tangible asset (“P/NTA”)	P/NTA ratio illustrates the ratio of the market price of a company’s share relative to its historical net tangible assets (“NTA”) per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies.
EV-to-revenue (“EV/Revenue”)	The historical EV/Revenue ratio illustrates the ratio of the market value of a company’s business relative to the revenue of the company. It provides an indication of the relative market value of the company’s business per dollar revenue.

We set out in the table below the financial ratios of the Comparable Companies as at the Latest Practicable Date:

Comparable Companies	Net profit / (loss) ⁽¹⁾ (S\$m)	EV / EBITDA ⁽¹⁾⁽²⁾ (times)	P/E ⁽¹⁾ (times)	P/NAV ⁽¹⁾ (times)	P/NTA ⁽¹⁾ (times)	EV/ Revenue ⁽¹⁾ (times)
China Hainan Rubber Industry Group Co., Ltd.	17.2	25.0 ⁽³⁾	244.2 ⁽³⁾	2.1	2.2	1.4
Northeast Rubber Public Company Limited	68.9	8.2	6.6	1.8	1.8	0.8

Page 19 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Comparable Companies	Net profit / (loss) ⁽¹⁾ (S\$m)	EV / EBITDA ⁽¹⁾⁽²⁾ (times)	P/E ⁽¹⁾ (times)	P/NAV ⁽¹⁾ (times)	P/NTA ⁽¹⁾ (times)	EV/ Revenue ⁽¹⁾ (times)
Phuoc Hoa Rubber Joint Stock Company	52.2	4.2	6.2	1.7	1.7	3.4
PT Kirana Megatara Tbk	3.5	15.0	56.2 ⁽³⁾	1.1	1.1	0.4
Societe Africaine de Plantations d'Heveas SA ⁽⁴⁾	51.3	4.9	6.0	1.4	1.4	0.9
Societe des Caoutchoucs de Grand-Bereby ⁽⁴⁾	35.6	5.1	8.3	1.9	1.9	1.7
Sri Trang Agro-Industry Public Company Limited	188.9	7.1	7.8	0.8	0.9	0.7
Vietnam Rubber Group Limited	224.8	8.0	14.8	1.2	1.2	2.5
Maximum		25.0	14.8 ⁽³⁾	2.1	2.2	3.4
Minimum		4.2	6.0	0.8	0.9	0.4
Mean		9.7	8.3 ⁽³⁾	1.5	1.5	1.5
Median		7.6	7.2 ⁽³⁾	1.5	1.5	1.1
The Company (Based on the Offer Price)	(24.8)	25.0	Negative	1.1 ⁽⁵⁾	3.6 ⁽⁵⁾	0.7

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies, and other publicly available information.

Notes:

- (1) The ratios are calculated based on the latest available last 12 months (“LTM”) results of the Comparable Companies as announced by the respective companies on or prior to the Latest Practicable Date. Profit and loss numbers are translated based upon the average exchange rates prevailing during the corresponding LTM periods while balance sheet numbers are

Page 20 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



translated based upon the closing exchange rates as at the end of the financial periods for each respective company.

- (2) For comparison purposes, the EBITDA adopted for the calculation of EV/EBITDA ratio are based on the EBITDA before adjustments of one-off gains or losses.
- (3) Excludes the P/E ratio of Hainan Rubber and PT Kirana Megatara Tbk as statistical outliers.
- (4) The results of Societe Africaine de Plantations d'Heveas SA and Societe des Caoutchoucs de Grand-Bereby are for financial year ended 31 December 2021.
- (5) Please refer to paragraph 8.4.2 for the P/NAV ratio of the Company and paragraph 8.4.3 for the P/NTA ratio of the Company.

Based on the above table, we note that:

- (a) the EV/EBITDA ratio of the Company as implied by the Offer Price is the same as the EV/EBITDA ratio of Hainan Rubber and higher than the range of EV/EBITDA ratios of the rest of the Comparable Companies;
- (b) the P/NAV ratio of the Company as implied by the Offer Price is within the range but below the mean and median P/NAV ratios of the Comparable Companies;
- (c) the P/NTA ratio of the Company as implied by the Offer Price is higher than the range of P/NAV ratios of the Comparable Companies; and
- (d) the EV/Revenue ratio of the Company as implied by the Offer Price is within the range but lower than the mean and median EV/Revenue ratios of the Comparable Companies.

We note that the EV/Revenue ratio of the two (2) Vietnam Comparable Companies (namely, Phuoc Hoa Rubber Joint Stock Company and Vietnam Rubber Group Limited) are much higher than the other Comparable Companies. Excluding the EV/Revenue of these two (2) Vietnam Comparable Companies, the mean and median EV/Revenue ratios of the remaining Comparable Companies will be 1.0 times and 0.8 times respectively. The EV/Revenue ratio of the Company as implied by the Offer Price will still be lower than the mean and median EV/Revenue ratio of the Comparable Companies (excluding Vietnam Comparable Companies).

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Shareholders may note that the Offeror is also listed as one of the Comparable Companies in the table above. For ease of comparison, we compare their statistics as follows:

	Market capitalisation (\$S'm)	Net profit / (loss) (\$S'm)	EV / EBITDA (times)	P/E (times)	P/NAV (times)	P/NTA (times)	EV/ Revenue (times)
The Offeror - China Hainan Rubber Industry Group Co., Ltd. (Based on information available as at the Latest Practicable Date)	3,919.7	17.2	25.0	244.2	2.1	2.2	1.4
The Company (Based on the Offer Price)	658.8	(24.8)	25.0	Negative	1.1	3.6	0.7

As set out above, the P/NTA ratio of the Company implied by the Offer is higher than the P/NTA ratio of Hainan Rubber, the EV/EBITDA ratio of the Company implied by the Offer is the same as the EV/EBITDA ratio of Hainan Rubber, while the P/NAV ratio and EV/EBITDA ratio of the Company implied by the Offer are much lower than the corresponding ratios of Hainan Rubber. We also wish to highlight that Hainan Rubber reported profits for LTM ended 30 September 2022 while the Group reported a loss for FY2022.

8.3 THE FINANCIAL PERFORMANCE OF THE GROUP

A summary of the consolidated income statements of the Company for the five financial years ended 31 December 2022 is set out below:

US\$'000	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Unaudited)
Revenue	2,141,034	1,907,747	1,708,786	2,459,821	2,692,830
Gross profit	118,443	107,352	101,570	162,873	170,812
(Loss) / Profit before tax	(16,964)	3,311	(56,417)	16,347	7,122
(Loss) / Profit for the financial year	(13,413)	(3,730)	(60,613)	17,048	(14,071)
(Loss) / Profit attributable to Shareholders	(8,484)	(1,633)	(53,776)	11,554	(17,968)

Page 22 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



US\$'000	FY2018 (Audited)	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	FY2022 (Unaudited)
EBITDA ⁽¹⁾	32,131	75,066	9,423	64,178	67,439
(Loss) / Earnings per Share (US cents) ⁽²⁾	(0.96)	(0.31)	(3.43)	0.25	(1.60)

Notes:

- (1) The Company had excluded fair value gains on investment properties, gain/loss on disposal of property, plant and equipment, plantation and investment properties, gain on disposal of interests in subsidiaries/ associate as well as non-recurring corporate expenses to determine its EBITDA.
- (2) Calculated based on the (loss) / profit after tax attributable to Shareholders and after deducting distribution to perpetual securities holders of the Company.

The total sales volume and revenue per tonne of rubber for the Group during the aforesaid financial years are as follows:

	FY2018	FY2019	FY2020	FY2021	FY2022
Total sales volume (metric tonnes ("mT"))	1,432,335	1,279,201	1,186,515	1,313,193 ⁽¹⁾	1,436,012 ⁽¹⁾
Revenue per tonne (US\$)	1,495	1,491	1,440	1,873	1,875

Note:

- (1) The Company amended the basis of calculating the sales volume of certain products from wet volume to dry volume for FY2021 and FY2022.

8.3.1 Review of Financial Performance

As mentioned in earlier paragraphs, we note that the Company reported a significantly higher net loss attributable to owners of the Company of US\$40.38 million for 1H2020 due to COVID-19 as compared to a net loss attributable to owners of the Company of US\$3.42 million for 1H2019. In addition, as set out in the above table, the Group's losses for FY2020 were also significantly higher as compared to other financial years due to COVID-19.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Accordingly, we have also reviewed a longer period of past five (5) years financial performance of the Group as compared to the usual period of three (3) years.

Revenue

FY2018 vs FY2019 – The Company attributed the 10.90% decrease in the Group’s revenue from US\$2.14 billion in FY2018 to US\$1.91 billion in FY2019 to the decrease in its sales volume to the impact of supply chain destocking exercise that occurred downstream due to uncertainties surrounding the outcome of the trade conflict between the PRC and the United States of America. As a result, the Group throttled its production levels to match the demand levels to preserve costs, and sales volume decreased by 10.69% from 1,432,335 mT in FY2018 to 1,279,201 mT in FY2019. However, the Group’s average selling price remained relatively stable at US\$1,495 for FY2018 and US\$1,491 for FY2019.

FY2019 vs FY2020 – The Company attributed the 10.43% decrease in the Group’s revenue from US\$1.91 billion in FY2019 to US\$1.71 billion in FY2020 to the direct impact caused by COVID-19, whereby the downstream demand was adversely affected by the compulsory lockdowns to contain the virus outbreak. As a result, the Group’s sales volume decreased by 7.25% from 1,279,201 mT in FY2019 to 1,186,515 mT in FY2020. It was further aggravated by the decrease in average selling price by 3.43% from US\$1,491 for FY2019 to US\$1,440 for FY2020, in line with the movement in market prices.

FY2020 vs FY2021 – The Company attributed the 43.95% increase in the Group’s revenue from US\$1.71 billion in FY2020 to US\$2.46 billion in FY2021 to its effectiveness in capturing the market opportunities arising from the rebound in the downstream industrial activities. The Group’s service delivery capability was exemplified by higher orders received from customers, driving 15.65% increase in sales volume from 1,186,515 mT in FY2020 to 1,372,241 mT ⁽¹⁾ in FY2021, meanwhile the Group’s average selling price increased by 24.47% from US\$1,440 for FY2020 to US\$1,793 ⁽¹⁾ for FY2021.

Note:

(1) Based on wet volume of certain products.

FY2021 vs FY2022 – The Company attributed the 9.47% increase in the Group’s revenue from US\$2.46 billion in FY2021 to US\$2.69 billion in FY2022 to its market leadership as a result of close collaboration with customers, being their preferred supply chain partner. The Group’s sales volume increased by 9.35% from 1,313,193 mT in FY2021 to 1,436,012 mT in FY2022, as the Group continued to seek opportunities amid the uncertain macroeconomic backdrop. The Group’s average selling price increased marginally by 0.11% from US\$1,873 for FY2021 to US\$1,875 for FY2022.

On overall basis, the Group’s revenue for FY2022 had recovered from the low of US\$1.71 billion for FY2020 which was mainly attributable to COVID-19 and was higher than the Group’s revenue for FY2018 and FY2019.

Page 24 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Gross profit

We calculate and note that there is no material change to the gross profit margin of the Group for the past five financial years as follows:

	FY2018	FY2019	FY2020	FY2021	FY2022
Gross profit margin (%)	5.53	5.63	5.94	6.62	6.34

The Management believes that the above is a testament of the Group's margin management capability, and represents the focus to capture processing/distribution margins regardless of market price level.

(Loss) / Profit before tax; (Loss) / Profit for the financial year; and (Loss) / Profit attributable to Shareholders

FY2018 vs FY2019 – The Company attributed the change of the Group's loss position in FY2018 to profits in FY2019 to the fair value gain on biological assets of US\$52.70 million in FY2019 arising from the reclassification of Cameroon rubber plantation from bearer plant to biological assets. During the year, the Group identified opportunities to process its 2 million rubber trees in Cameroon which were due for replanting into viable consumer products, which warranted the change in accounting treatment.

FY2019 vs FY2020 – The Company attributed the losses of the Group for FY2020 to the weakened demand due to COVID-19, and despite the strong costs saving efforts, the gross profit generated by the Group was insufficient to cover its fixed operating expenses.

FY2020 vs FY2021 – The Company attributed the change in the Group's loss position in FY2020 to profits in FY2021 to its ability in capitalise on the opportunities from the sharp rebound in downstream demand, to capture more volume and realise higher margins by leveraging on its global scale and reach.

FY2021 vs FY2022 – The Company attributed the Group's lower profit before tax for FY2022 to higher finance cost in FY2022, which was driven by the rapid interest rate hikes experienced during the financial year, for which the Group responded by accelerating its deleveraging efforts. The Group also had higher income tax expenses in FY2022 resulting in a loss after tax position for FY2022.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



EBITDA

The Group's depreciation expenses and finance costs are key contributors to its EBITDA as follows:

US\$'000	FY2018	FY2019	FY2020	FY2021	FY2022
Depreciation expenses	28,479	29,367	28,797	29,554	25,982
Net finance costs	21,274	34,757	25,399	19,516	33,009

The Company also adjusted its EBITDA to exclude gains/losses on disposal of property, plant and equipment, plantation and investment properties, as well as non-recurring expenses relating to corporate actions. The adjustments which individually exceeded US\$5 million are as follows:

US\$'000	FY2018	FY2019	FY2020	FY2021	FY2022
Adjustments exceeding US\$5 million	NIL	NIL	7,836 ⁽¹⁾	(7,763) ⁽²⁾	(1,940) ⁽³⁾

Notes:

- (1) Being non-recurring expenses relating to business rationalisation.
- (2) Being gain on disposal of subsidiaries.
- (3) Being gain on disposal of property, plant and equipment, plantation and investment properties of US\$15.31 million, net of non-recurring expenses totalling US\$13.37 million relating to tax settlement arising from prior years, business rationalisation and one-off professional expenses.

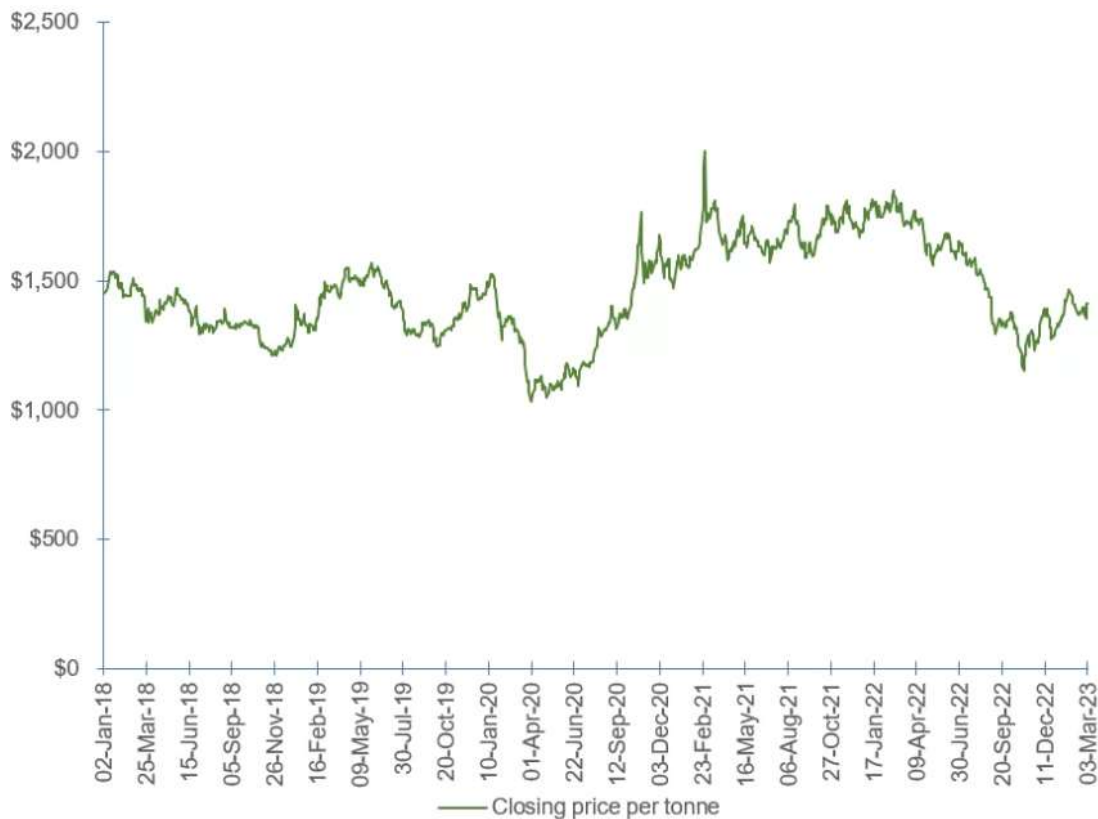
8.3.2 Natural Rubber Prices

As set out in paragraph 8.3.1 of this IFA Letter, the Group's revenues were affected by its average selling prices and such prices are dependent on the movement of natural rubber prices (as indicated by the Singapore Exchange Technically Specified Rubber 20 Generic

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



1st (OR) Future (“**TSR20**”). We set out below the daily closing price of TSR20 for the period from 1 January 2018 up to the Latest Practicable Date:



Source: Bloomberg Finance L.P.

As set out in the chart above, the closing prices of natural rubber fluctuated widely between a high of US\$2,000 per tonne (on 26 February 2021) and a low of US\$1,034 per tonne (on 1 April 2020) during the period from 1 January 2018 up to the Latest Practicable Date.

The closing prices of natural rubber appeared to have rebounded since a low of US\$1,151 per tonne on 31 October 2022. Closing prices of natural rubber fluctuated between a high of US\$1,392 per tonne (on 9 December 2022) and a low of US\$1,200 per tonne (on 23 December 2022) for the period between 1 November 2022 and 31 December 2022 as compared a high of US\$1,464 per tonne (on 26 January 2023) and a low of US\$1,325 per tonne (on 3 and 6 January 2023) for the period from 1 January 2023 up to the Latest Practicable Date.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



We also tabulate the highest trading price, lowest trading price, average closing price and end-of-period closing prices of TSR20 for the periods from 1 January 2018 up to the Latest Practicable Date as follows:

Period	US\$ per tonne			
	Highest trading price	Lowest trading price	Average closing price	End-of-period closing price
FY2018	1,544	1,192	1,365	1,248
FY2019	1,682	1,240	1,406	1,451
FY2020	1,780	1,000	1,319	1,503
FY2021	2,000	1,501	1,678	1,783
FY2022	1,855	1,150	1,544	1,302
1 January 2023 to the Latest Practicable Date	1,475	1,293	1,391	1,413

Source: Bloomberg L.P.

The trading prices of natural rubber appeared to have stabilised since 1 January 2023.

As set out in the table above, trading prices of natural rubber fluctuated widely, in particular, the trading prices of natural rubber fluctuated at a difference of US\$780 per tonne in FY2020. The trading prices of natural rubber fluctuated at a narrower difference of US\$182 per tonne for the period from 1 January 2023 up to the Latest Practicable Date.

8.3.3 Historical P/E ratio implied by the Offer Price

As the Group reported a loss for FY2022 (being the latest available full year results of the Group), the P/E ratio of the Group will be negative and is not meaningful for our analysis.

8.3.4 EV/EBITDA ratio implied by the Offer Price

As set out in paragraphs 8.3 and 8.3.1 above, the Group registered positive EBITDA for the past five (5) completed financial years as depreciation expenses and finance costs accounted for a material portion of the Group's expenses.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



We calculate the EV of the Group as implied by the Offer Price as follows:

	US\$'000
Value of the Company as implied by the Offer Price	502,429 ⁽¹⁾
Add: Perpetual securities	192,640 ⁽²⁾
Add: Loan payables	1,133,365 ⁽²⁾
Add: Lease liabilities	10,143 ⁽²⁾
Add: Non-controlling interests	30,198 ⁽²⁾
Less: Cash and cash equivalents	(118,682) ⁽²⁾
EV	<u>1,750,093</u>

Notes:

- (1) Based on the SPA Consideration Price per Sale Share.
(2) As at 31 December 2022.

EV/EBITDA ratio

Based on the above EV calculations and the Group's adjusted EBITDA of US\$67.44 million for FY2022, the EV/EBITDA ratio of the Group implied by the Offer Price is approximately 26.0 times.

We wish to highlight that the EBITDA of the Comparable Companies did not take into account their one-off gains or losses. Accordingly, for a more meaningful comparison, the EV/EBITDA set out in paragraph 8.2 of this IFA Letter is based on the EBITDA before adjustments of US\$70.13 million or an EV/EBITDA ratio of 25.0 times.

8.3.5 Outlook of the Group

We extract the following statements from the Company's results announcement for FY2022 dated 28 February 2023:

"Looking ahead into the next 12 months, the global economy will comprise of various key issues: high interest rates, impending global recession amid inflationary environment and China's reopening of its economy, all of which would influence the global consumption of natural rubber. As the world population settles itself into the macroeconomic changes, the demand upswing is likely to be observed in the second half of 2023.

Page 29 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



The Group remains cautiously optimistic towards the natural rubber industry prospects, as the supply and demand dynamics remain favourable in the mid-to-long term.”

8.4 THE FINANCIAL POSITION OF THE GROUP

8.4.1 Summary of latest statement of financial position

We set out below key information from the statement of financial position of the Group as at 31 December 2022:

US\$'000	Unaudited as at 31 December 2022
Current assets	876,926
Current liabilities	(856,511)
Net current assets	20,415
Non-current assets	1,140,247
Non-current liabilities	(500,630)
Net asset value (“NAV”)	660,032
Less: Perpetual securities ⁽¹⁾	(192,640)
Less: Non-controlling interest	(30,198)
NAV attributable to Shareholders	437,194

Note:

- (1) The guaranteed subordinated perpetual securities with principal amount of US\$200,000,000 bearing distribution rate of 3.80% per annum were issued in 2020. In the event of non-redemption by the Company in November 2025, the distribution rate will be reset and every five calendar years thereafter to a distribution rate equivalent to the sum of (a) the initial spread of 3.345%, (b) the then-prevailing five-year United States treasury rate and (c) a margin of 3.00% per annum. The perpetual securities were unconditionally and irrevocably guaranteed by Sinochem, the then major shareholder of the Company. As at the Latest Practicable Date, Sinochem holds only 29.2% of the total issued Shares of the Company. Given the potentially higher distribution rate after November 2025 and that Sinochem is no longer the single largest shareholder of the Company, we have excluded the perpetual securities in the calculation of the NAV attributable to Shareholders.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



8.4.2 NAV per Share

The NAV approach may provide an estimate of the value of the Group assuming the hypothetical sale of all their assets over a reasonable period of time, the proceeds of which would be first used to settle all liabilities of the Group, and the balance proceeds, if any, be distributed to all shareholders. Therefore, the NAV provides basis for the value of the Offer Shares.

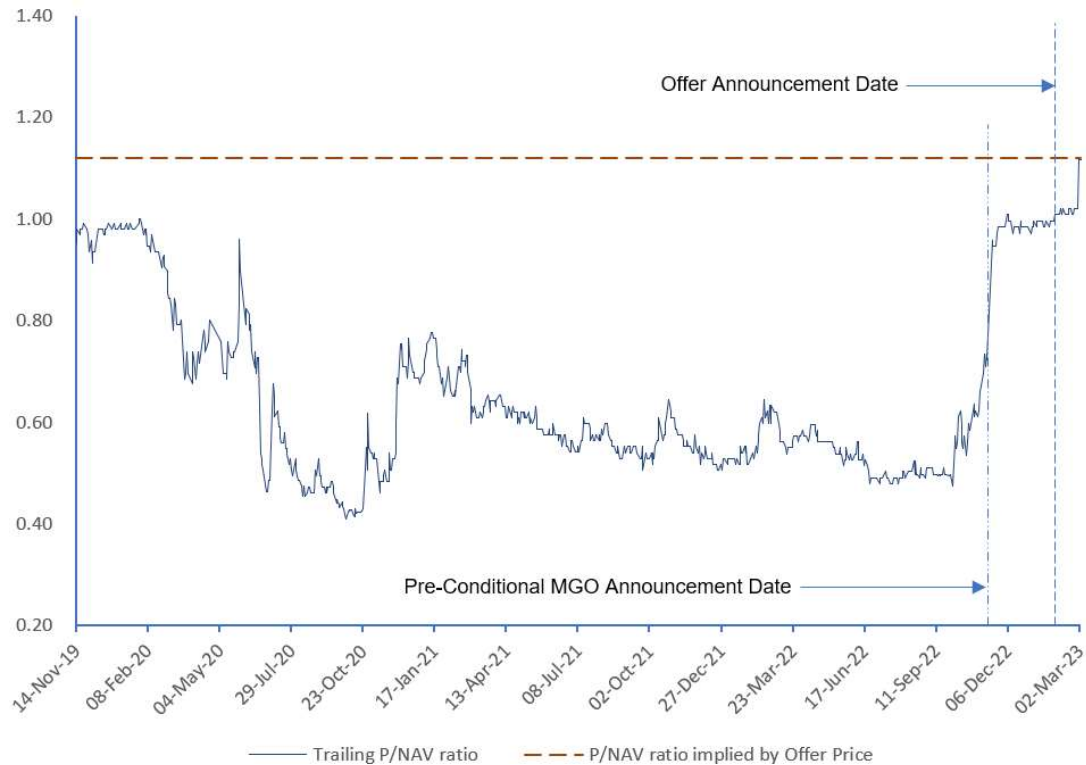
Notwithstanding the foregoing, Shareholders should note that analyses based on the NAV of the Group only provides an estimate of the value of the Group based on a hypothetical scenario, and such hypothetical scenario is assumed without considering factors such as, inter alia, time value of money, market conditions, legal and professional fees, liquidation costs, taxes, contractual obligations, regulatory requirements and availability of potential buyers, which would theoretically lower the NAV that can be realised.

Based on the total number of 1,595,011,941 Shares as at the Latest Practicable Date and the NAV attributable to Shareholders (excluding perpetual securities) of approximately US\$437.19 million as at 31 December 2022, the NAV per Share is approximately US\$0.2741 (equivalent to S\$0.3672 based on the closing exchange rate of US\$1 to S\$1.3395 as at 31 December 2022). The Offer Price represents a premium of approximately S\$0.0458 or 12.49% to the NAV per Share, or a P/NAV ratio of approximately 1.12 times.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



We compare the P/NAV ratio of the Group implied by the Offer Price against the trailing P/NAV ratio of the Company for the period from 12 November 2019 to the Latest Practicable Date as follows:



Source: Bloomberg L.P.

The P/NAV ratio of the Group implied by the Offer Price is higher than the trailing P/NAV ratio of the Company for the period between 11 November 2019 and the Latest Practicable Date. The gap narrowed after the Pre-Conditional MGO Announcement Date.

8.4.3 NTA per Share

The Group had intangible assets of US\$299.12 million as at 31 December 2022.

Based on the total number of 1,595,011,941 Shares as at the Latest Practicable Date and the NTA attributable to Shareholders (excluding perpetual securities) of approximately US\$138.07 million as at 31 December 2022, the NTA per Share is approximately US\$0.0866 (equivalent to S\$0.1160 based on the closing exchange rate of US\$1 to S\$1.3395 as at 31 December 2022). The Offer Price represents a premium of approximately S\$0.2970 or 256.18% to the NTA per Share, or a P/NTA ratio of approximately 3.56 times.

Page 32 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



8.4.4 Revalued NAV per Share

In our evaluation of the financial terms of the Offer, we have also considered whether there is any other asset which should have been valued at an amount that is materially different from that which was recorded in the statement of financial position of the Group as at 31 December 2022, and whether there are any factors which have not been disclosed in the financial statements of the Group that are likely to impact its NAV as at 31 December 2022.

We set out in the table below the material assets which accounted for more than 5% of the NAV of the Group (excluding perpetual securities) as at 31 December 2022:

	Unaudited as at 31 December 2022	
	US\$'000	As a percentage of the Group's NAV (excluding perpetual securities)
Non-current assets - Plantation and biological assets	538,121	123.09
Current assets - Inventories	410,705	93.94
Non-current assets - Intangible assets	299,123	68.42
Non-current assets - Property, plant and equipment	230,425	52.71
Current assets - Loans and other receivables	154,946	35.44
Current assets - Trade receivables	137,663	31.49
Current assets - Cash and bank balances	118,682	27.15
Non-current assets - Investment properties	40,668	9.30
Current assets - Derivative financial instruments	39,862	9.12

Non-current assets - Plantation and biological assets

These comprise the Group's rubber plantation in Cameroon, Malaysia and Cote d'Ivoire. Save for the plantation in Cote d'Ivoire which had a carrying value of US\$9.14 million (or 1.70% of the Group's plantation and biological assets), the Group had commissioned valuers to determine the values of its plantation and biological assets as at 31 December 2022 for year-end financial reporting purposes. The Group recognised fair value gain aggregating US\$7,665,000 for its plantation and biological assets in FY2022.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Current assets - Inventories

The Group's inventories carried at fair value accounted for 93.55% of the Group's inventories as at 31 December 2022. The Group recognised fair value loss of US\$11,097,000 on its inventories in FY2022.

We calculate the Group's inventories' turnover days to be 66 days for FY2022, an improvement from 71 days for FY2021 and 88 days for FY2020.

Non-current assets - Intangible assets

Intangible assets relate to mainly to goodwill acquired through business combinations and were tested for impairment annually. The Group did not recognise any impairment on its goodwill in FY2022.

Non-current assets - Property, plant and equipment

Property, plant and equipment comprises mainly leasehold buildings, plant and machinery and leasehold land. Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses, if any. The Group did not recognise any impairment on its property, plant and equipment in FY2022.

Current assets - Loans and other receivables

Loans and other receivables comprise mainly loan to a third party, tax receivables, prepayments and deposits. Loan to a third party amounting to US\$62,389,000 as at 31 December 2022. The Group had recognised an allowance of expected credit losses of US\$1.44 million in FY2021.

Current assets - Trade receivables

The Group grants credit terms of between two (2) and 90 days for its trade receivables. We calculate the Group's trade receivables' turnover days to be 21 days for FY2022, an improvement from 24 days for FY2021 and 31 days for FY2020.

Current assets - Cash and bank balances

The Group's cash and bank balances amounted to US\$118.68 million as at 31 December 2022, a significant improvement as compared to US\$33.40 million as at 31 December 2021, contributed mainly by positive net cash generated from operating activities in FY2022. We

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



set out the Group's net cash generated from/(used in) operating activities for the past five (5) financial years as follows:

US\$'000	FY2018	FY2019	FY2020	FY2021	FY2022
Net cash (used in) / generated from operating activities	(52,932)	(41,617)	(1,528)	(33,556)	61,403

Current assets - Derivative financial instruments

Derivative financial instruments relate to forward currency contracts as well as forward commodity (natural rubber) contracts which are marked to market at market rates as at the end of each reporting period.

Non-current assets - Investment properties

These comprise the Group's properties held to generate rental income or for capital appreciation purposes. The Group had commissioned valuers to determine the values of its investment properties as at 31 December 2022 for year-end financial reporting purposes and recognised fair value gain aggregating US\$1,518,000 for its investment properties in FY2022.

Adjustments

In respect of the above material assets, we have sought the following confirmation from the Board of Directors and management, and they have confirmed to us that, as at the Latest Practicable Date, to the best of their knowledge and belief:

- (a) the Group had recognised the fair value gains and losses on its plantation and biological assets and investment properties based on the valuation reports, there are no material differences between the realisable values of the Group's assets as at the Latest Practicable Date and their respective book values as at 31 December 2022 which would have a material impact on the NAV of the Group;
- (b) other than those already provided for or disclosed in the Group's financial statements as at 31 December 2022, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV of the Group as at the Latest Practicable Date;
- (c) there is no litigation, claim or proceeding pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Group;
- (d) there are no other intangible assets which ought to be disclosed in the statement of financial position of the Group in accordance with the Singapore Financial Reporting

Page 35 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Standards and which have not been so disclosed and where such intangible assets would have had a material impact on the overall financial position of the Group; and

- (e) there are no material acquisitions or disposal of assets by the Group between 31 December 2022 and the Latest Practicable Date, and the Group does not have any plans for any such impending material acquisition or disposal of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

Accordingly, the Group's RNAV is the same as its NAV and there is no change to the P/NAV ratio of the Company as implied by the Offer Price.

8.5 COMPARISON OF THE VALUATION RATIOS OF THE COMPANY IMPLIED BY THE OFFER PRICE WITH RECENTLY COMPLETED COMPARABLE TRANSACTIONS FOR COMPANIES LISTED ON THE SGX-ST

As disclosed in Section 8 of the Offer Document under the Offeror's rationale for the Offer, the Offeror is making the Offer in compliance with the requirements of Rule 14 of the Code.

Therefore, in our assessment on the fairness and reasonableness of the Offer Price, we have compared the valuation statistics implied by the Offer Price with offers on companies listed on the SGX-ST that were triggered because the offeror is obliged to undertake a general offer with the acquisition of a majority stake in the offeree company, which were announced since 1 January 2020 and completed as at the Latest Practicable Date.

The comparison serves as a general indication of the premium/discount over the last transacted prices and VWAPs paid by the offerors to acquire a majority stake or the entire stake in the offeree companies without having regard to their specific industry characteristics or other considerations. For a more meaningful comparison, we have only listed offers which were opined as **fair and reasonable** by the independent financial advisers (the "**Fair and Reasonable Non-Privatisation Transactions**")

We wish to highlight that the premium that an offeror pays in any particular takeover depends on various factors such as the potential synergy that the offeror can gain by acquiring the target, the presence of competing bids for the target, prevailing market conditions and sentiments, attractiveness and profile of the target's business and assets, size of consideration and existing and desired level of control in the target. The comparison below is made without taking into consideration the underlying liquidity of the shares and the performance of the shares of the relevant companies below. Further, the list of target companies involved in these Fair and Reasonable Non-Privatisation Transactions set out in the analysis below are not directly comparable with the Group in terms of size of operations, market capitalisation, business activities, asset base, geographical spread, track record, accounting policy, financial performance, operating and financial leverage, future prospects and other relevant criteria. Hence, the comparison of the Offer with the Fair and Reasonable Non-Privatisation Transactions set out below is for illustration purposes only. Conclusions

Page 36 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



drawn from the comparisons made may not reflect any perceived market valuation of the Group.

The statistics of the Fair and Reasonable Non-Privatisation Transactions are as follows:

Premium / (Discount) of offer price over/(to):

Name of companies	Date of announcement ⁽¹⁾	Last transacted price (%)	1-month VWAP (%)	3-month VWAP (%)	6-month VWAP (%)	Offer price-to-NAV or RNAV ⁽³⁾ (times)
TEE Land Limited	13-Jan-20	5.9	12.1	19.6	20.4	0.6
Axington Inc.	2-Jun-20	43.5	40.1	41.3	78.6	1.3
TEE International Limited	7-Jul-20	12.7	13.8	26.6	(9.9)	1.0
Transit-Mixed Concrete Ltd	20-Feb-21	75.0	85.9	88.9	75.0	0.9
JEP Holdings Limited	21-Apr-21	-	0.7	1.3	1.7	1.4
SPH Real Estate Investment Trust	29-Apr-22	(3.9)	(2.3)	0.6	2.0	1.0
Procurri Corporation Limited	20-May-22	-	3.3	9.3	17.3	2.2

Maximum		75.0	85.9	88.9	78.6	2.2
Minimum		(3.9)	(2.3)	0.6	(9.9)	0.6
Mean		19.0	21.9	26.8	26.4	1.2
Median		5.9	12.1	19.6	17.3	1.0

The Company	16-Nov-22	42.4	64.2	68.7	71.0	1.1 ⁽⁵⁾
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Source: The offeree circulars of the respective companies.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



The premia of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP are within the range and higher than the mean and median corresponding premia of the Fair and Reasonable Non-Privatisation Transactions.

The P/NAV ratio implied by the Offer Price is within the range but slightly below the mean P/NAV ratios of the Fair and Reasonable Non-Privatisation Transactions.

8.6 ESTIMATED VALUE OF THE SHARES

We have analysed the market prices of the Shares, the financial performance and financial position of the Group in the preceding paragraphs of this IFA Letter.

As set out in paragraph 8.2 of this IFA Letter, the EV/EBITDA ratio of the Company implied by the Offer Price is the same as the EV/EBITDA ratio of Hainan Rubber and higher than the range of EV/EBITDA ratios of the rest of the Comparable Companies while the EV/Revenue ratio of the Company as implied by the Offer Price is within the range but at the lower end of the range of the EV/Revenue ratios of the Comparable Companies. Given the disparity, the EV approach may not be appropriate to determine the estimated value of the Shares.

Another approach would be the P/NAV ratio. However, as set out in paragraph 8.2 of this IFA Letter, all the Comparable Companies reported profits for the last 12 months financial period while the Company reported a loss for FY2022. Hence, it would not be meaningful to apply the full range of the P/NAV ratios of the Comparable Companies to determine the estimated value of the Shares.

Assuming that the Company undertakes a voluntary liquidation and realises the value of all of its assets and settles all of its liabilities over a reasonable period of time while not incurring additional losses, the NAV approach of 1.0 time will be the estimated value of the Shares. Based on the NAV per Share of approximately US\$0.2741 as set out in paragraph 8.4.2 of this IFA Letter and the closing exchange rate of US\$1 to S\$1.3395, the estimated value of each Share will be equivalent to S\$0.3672.

The Offer Price is therefore higher than the estimated value of each Share which is the NAV per Share.

8.7 HAINAN RUBBER'S RATIONALE FOR THE OFFER AND BASIS OF THE OFFER PRICE

8.7.1 HAINAN RUBBER'S RATIONALE FOR THE OFFER

As set out in the Offeror's rationale for the Offer, *"the Offeror views the Offer as an opportunity to integrate the Hainan Rubber Group's and the Group's resources to improve overall operating efficiency, move up the technology and value chain, and to benefit from economies of scale"*.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



The Group may have better operating efficiency and economies of scale after the completion of the Offer, in the event that the Minimum Acceptance Condition is met, as a subsidiary of Hainan Rubber.

We compare the key financials of the Group and Hainan Rubber as follows:

US\$'million	The Group	Hainan Rubber
Revenue for FY2021	2,460	2,382 ⁽¹⁾
Revenue for latest twelve months, being FY2022 for the Group and LTM ended 30 September 2022 for Hainan Rubber	18,185	15,443 ⁽²⁾

Notes:

- (1) Translated Hainan Rubber's FY2021 revenue to US\$ based on the average month end exchange rate of US\$1 to RMB6.4375 for FY2021.
- (2) Translated Hainan Rubber's LTM ended 30 September 2022 revenue to US\$ based on the average month end exchange rate of US\$1 to RMB6.5723 for LTM ended 30 September 2022.

As set out in the table above, the revenue of Hainan Rubber Group would have more than doubled in the event that the Minimum Acceptance Condition is met and the Company became as a subsidiary of Hainan Rubber.

We note that Hainan Rubber highlighted the following potential synergistic benefits of the Share Acquisition in its report on the Share Acquisition dated 16 December 2022:

- (a) expand its natural rubber production capacity from its existing production capacity of 500,000 tonne per annum (solely in the PRC) to include the Group's production capacity of 1,429,000 tonne per annum (including overseas production capacity of 1,237,000 tonne per annum);
- (b) expand Hainan Rubber's sales outreach beyond Asia to Europe and North America countries; and
- (c) expand Hainan Rubber's rubber resources to African countries.

8.7.2 HAINAN RUBBER'S BASIS FOR THE OFFER PRICE

We note from the public documents of Hainan Rubber that the Offer Price was determined with reference to the valuation on the Group ("**Hainan Valuation**") commissioned by Hainan Rubber (in compliance with the Securities Law of the PRC and filed by Hainan State Farms

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Investment Group ⁽¹⁾ with the relevant authority) and after negotiation with Sinochem. We extract as follows:

“上市公司已聘请符合《证券法》规定的估值机构对标的公司进行估值，确保标的资产定价公允。标的资产最终交易价格是以估值机构出具的、并经海垦控股集团备案的估值报告的结果为参考，由交易双方协商确定。”

Note:

- (1) Hainan State Farms Investment Group (海南省农垦投资控股集团有限公司 or 海垦控股集团) is the controlling shareholder of Hainan Rubber.

The key information of the Hainan Valuation is as follows:

Name of valuer	上海东洲资产评估有限公司 Shanghai Orient Appraisal Co., Ltd. (“ Shanghai Orient ”)
Valuation report number	东洲咨报字 [2022] 第 1941 号 Shanghai Orient Appraisal Report No. 1941 (Year 2022)
Valuation date	31 December 2021
Valuation approach	Listed company comparison and precedent transactions comparison
Valuation	US\$50,920,000,000; or US\$0.320 per Share

The Offer Price, which was translated to Singapore dollars based on the SPA Consideration Price per Sale Share of US\$0.315, represented a slight discount of 1.6% to the valuation of the Group as opined by Shanghai Orient.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



We note that Shanghai Orient listed the following companies in its listed company comparison approach:

Comparable companies	Listing location	Brief business description	Market capitalisation as at the Latest Practicable Date^{(1) (2)} (S\$ million)
Batu Kawan Berhad	Bursa Malaysia	Batu Kawan Berhad is an investment holding company. Through its subsidiaries, the company manufactures chemicals and methyl chloride. Batu Kawan Berhad also provides general transport and haulage services, leases storage warehouse, and provides money lending services. Approximately 83.4% of the revenue of Batu Kawan Berhad for FY2022 were generated from its manufacturing business segment. The manufacturing business segment is involved in the manufacturing of chemicals and transportation services, oleochemicals, non-ionic surfactants and esters, rubber gloves, parquet flooring products, pharmaceutical products, storing and distribution of bulk liquid, refining of palm products, kernel crushing and trading of palm products.	2,518.0
Sri Trang Agro-Industry Public Company Limited	Bangkok	Sri Trang Agro-Industry Public Company Limited produces and markets smoked sheet rubber. The company sells its products to tyre manufacturers as primary market, and exports to Japan, PRC, and Korea as secondary market. Approximately 79.2% of the revenue of Sri Trang Agro-Industry Public Company Limited for FY2021 were generated from its natural rubber business segment.	1,452.7
Zeon Corporation	Tokyo	Zeon Corporation produces synthetic rubbers, synthetic latex, and resins. The company's products are used as tyres and other auto parts, and materials for electronic components. The company operates globally. Approximately 55.5% of the revenue of Zeon Corporation for LTM ended 31 December 2022 were generated from its elastomers (comprising synthetic rubbers, latex and chemical) segment.	3,002.8

Page 41 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



Shanghai Orient had relied mainly on P/NAV ratio approach to determine the valuation of the Group. For a more complete reference, we tabulate the valuation statistics of the three comparable companies (collectively, the “**Hainan Comparables**”) as at the Latest Practicable Date as follows:

Hainan Comparables	Net profit / (loss) ⁽¹⁾ (S\$m)	EV / EBITDA ⁽¹⁾⁽²⁾ (times)	P/E ⁽¹⁾ (times)	P/NAV ⁽¹⁾ (times)	P/NTA ⁽¹⁾ (times)	EV/ Revenue ⁽¹⁾ (times)
Batu Kawan Berhad	338.0	5.6	7.8	1.1	1.2	0.9
Sri Trang Agro-Industry Public Company Limited	188.9	7.1	7.8	0.8	0.9	0.7
Zeon Corporation	255.8	5.1	12.5	0.9	0.9	0.7
Maximum		7.1	12.5	1.1	1.2	0.9
Minimum		5.1	7.8	0.8	0.9	0.7
Mean		5.9	9.3	0.9	1.0	0.8
Median		5.6	7.8	1.0	1.0	0.9
The Company (Based on the Offer Price)	(24.8)	25.0	Negative	1.1 ⁽³⁾	3.6 ⁽³⁾	0.7

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies, and other publicly available information.

Notes:

- (1) The ratios are calculated based on the latest available LTM results of the Hainan Comparables as announced by the respective companies on or prior to the Latest Practicable Date. Profit and loss numbers are translated based upon the average exchange rates prevailing during the corresponding LTM periods while balance sheet numbers are translated based upon the closing exchange rates as at the end of the financial periods for each respective company.
- (2) For comparison purposes, the EBITDA adopted for the calculation of EV/EBITDA ratio are based on the EBITDA before adjustments of one-off gains or losses.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



- (3) Please refer to paragraph 8.4.2 for the P/NAV ratio of the Company and paragraph 8.4.3 for the P/NTA ratio of the Company.

As mentioned above, Shanghai Orient had relied mainly on P/NAV ratio approach to determine the valuation of the Group. The P/NAV ratio of the Company as implied by the Offer Price is within the range and at the higher range of the P/NAV ratios of the Hainan Comparables.

We wish to highlight that the valuation date for the valuation prepared by Shanghai Orient for Hainan Rubber is 31 December 2021 and accordingly, the valuation did not take into account the lower NAV of the Group as at 31 December 2022 brought about by the losses incurred by the Group in FY2022.

The EV/EBITDA ratio and the P/NTA ratio of the Company as implied by the Offer Price are higher than the range of the corresponding ratios of the Hainan Comparables while the EV/Revenue ratio of the Company as implied by the Offer Price is within the range of the EV/Revenue ratios of the Hainan Comparables which ranged between 0.7 times and 0.9 times.

8.8 OTHER CONSIDERATIONS

8.8.1 The Minimum Acceptance Condition

The Offer is subject to the Minimum Acceptance Condition.

The Offer has not become unconditional as to acceptances.

8.8.2 Offeror's intention relating to the listing status of the Company

As set out in Section 11.3 of the Offer Document, it is the intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer. In the event that the Company does not meet the Free Float Requirement (that at least 10% of the total number of issued Shares (excluding Shares held by the Company in treasury) are held by at least 500 Shareholders who are members of the public) and the trading of the Shares is suspended pursuant to the abovementioned rules of the Listing Manual of the SGX-ST, the Offeror reserves the right to undertake or support any action as may be necessary for any such listing suspension by the SGX-ST to be lifted.

8.8.3 No revision of the Offer Price

As set out in Section 2.3 of the Offer Document, the Offeror does not intend to revise the Offer Price, save that the Offeror reserves the right to do so in a competitive situation.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



8.8.4 Alternative takeover offer

The Directors confirm that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

8.8.5 Transaction costs in connection with the disposal of the Shares

The Offer presents an opportunity for Shareholders to dispose of their Shares for cash without incurring any transaction costs as opposed to the sale of the Shares in the open markets which will incur expenses such as brokerage commission and/or other trading costs.

8.8.6 No compulsory acquisition and potential temporary suspension of Shares after close of Offer

Pursuant to the Irrevocable Undertaking, Sinochem will not accept any part of the Offer made by the Offeror with respect to the Post-Closing Shareholding. As such, it is envisaged that the Offeror would not become entitled to exercise the right of compulsory acquisition under Section 215(1) of the Companies Act pursuant to acceptances of the Offer.

As set out in paragraph 8.7.3 above, it is the intention of the Offeror to maintain the listing status of the Company on the SGX-ST following the Offer. Accordingly, Shareholders who do not accept the Offer may not have a public market to trade the Shares temporarily until the Company achieves the Free Float Requirement as the SGX-ST will suspend trading of the Shares at the close of the Offer if the percentage of the total number of issued Shares (excluding Shares held by the Company in treasury) held in public hands fall below 10% at the close of the Offer.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



9. OUR ADVICE

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Offer. We have carefully considered as many factors as we deemed essential and balanced them before arriving at our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

9.1 “FAIRNESS” OF THE OFFER

We set out below a summary of the key factors we have taken into our consideration when assessing the “fairness” of the Offer:

9.1.1 Factors for the Offer

The following factors substantiate the “fairness” of the Offer:

- (a) the Offer Price is higher than the closing prices of the Shares for the period from 2 October 2020 to the Latest Practicable Date as set out in the chart in paragraph 8.1.1 of this IFA Letter;
- (b) the Offer Price represents premia of more than 40% (specifically, between 42.7% and 71.0%) to the VWAPs of the Shares for the periods prior to and including the Pre-Conditional MGO Announcement Date which ranged between S\$0.2414 and S\$0.2895 per Share as set out in the chart in paragraph 8.1.2 of this IFA Letter;
- (c) while the Group reported losses for FY2022 and as such, there is no P/E ratio for comparison with the Comparable Companies, the EV/EBITDA ratio of the Company as implied by the Offer Price is the same as the EV/EBITDA ratio of Hainan Rubber and higher than the range of EV/EBITDA ratios of the rest of the Comparable Companies;
- (d) the P/NTA ratio of the Company as implied by the Offer Price is higher than the range of the P/NTA ratios of the Comparable Companies;
- (e) the premia of the Offer Price over the last transacted price, 1-month VWAP, 3-month VWAP and 6-month VWAP are within the range and higher than the mean and median corresponding premia of the Fair and Reasonable Non-Privatisation Transactions; and
- (g) the Offer Price is higher than the estimated value of the Shares set out in paragraph 8.6 of this IFA Letter.

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



9.1.2 Factors against the Offer

The following factors undermine the “fairness” of the Offer:

- (a) the P/NAV ratio of the Company as implied by the Offer Price is within the range but below than the mean and median P/NAV ratios of the Comparable Companies;
- (b) the EV/Revenue ratio of the Company as implied by the Offer Price is within the range but lower than the mean and median EV/Revenue ratios of the Comparable Companies; and
- (c) the P/NAV ratio implied by the Offer Price is within the range but slightly below the mean P/NAV ratios of the Fair and Reasonable Non-Privatisation Transactions.

9.2 “REASONABLENESS” OF THE OFFER

We set out below a summary of the key factors we have taken into our consideration when assessing the “reasonableness” of the Offer:

9.2.1 Factors for the Offer

The following factors substantiate the “reasonableness” of the Offer:

- (a) while the average daily traded volume of the Shares represented less than 1% of the free float of the Company during the Reference Period, the Shares were traded for more than 90% of the SGX Market Days. Based on the average trading volumes of shares of companies listed on the SGX-ST (Main Board and Catalist) for the 90 days period and six (6) months period prior to the Latest Practicable Date, the Shares ranked amongst the top 100 shares traded on the SGX-ST. Accordingly, there was a relatively liquid market for the Shares and the market prices are good indicators of the fair value of the Shares; and
- (b) other considerations set out in paragraph 8.8 of this IFA Letter.

9.2.2 Factors against the Offer

The following factors undermine the “reasonableness” of the Offer:

- (a) while the P/NTA ratio of the Company implied by the Offer is higher than the P/NTA ratio of Hainan Rubber and the EV/EBITDA ratio of the Company implied by the Offer is the same as the EV/EBITDA ratio of Hainan Rubber, the P/NAV ratio and EV/Revenue ratio of the Company implied by the Offer are much lower than the corresponding ratios of Hainan Rubber as set out in paragraph 8.2 of this IFA Letter. However, Hainan Rubber reported profits for LTM ended 30 September 2022 while the Group reported a loss for FY2022;

Page 46 of 47

**APPENDIX A – LETTER FROM THE IFA
TO THE RECOMMENDING DIRECTORS IN RESPECT OF THE OFFER**



- (b) the Group may have better operating efficiency and economies of scale after the completion of the Offer, in the event that the Minimum Acceptance Condition is met, as a subsidiary of Hainan Rubber; and
- (c) the Offer Price, which was translated to Singapore dollars based on the SPA Consideration Price per Sale Share of US\$0.315, represented a slight discount of 1.6% to the valuation of the Group as opined by Shanghai Orient as set out in paragraph 8.7.2 of this IFA Letter.

9.3 OUR OPINION

Based on our analysis and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that, as of the date hereof, the terms of the Offer, on balance, are fair and reasonable. Accordingly, we advise the Recommending Directors to recommend Shareholders to ACCEPT the Offer.

This IFA Letter is addressed to the Recommending Directors for their benefit, in connection with and for the purpose of their consideration of the terms of the Offer, and the recommendation made by them to the Shareholders shall remain their responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors or the Shareholders may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose, except for the Offer, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
XANDAR CAPITAL PTE. LTD.

LOO CHIN KEONG
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

APPENDIX B – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the directors of the Company as at the Latest Practicable Date are as follows:

Name	Address	Description
Liu Hongsheng	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Non-Executive Non-Independent Chairman
Li Xuetao	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Executive Director and Chief Executive Officer
Liew Choon Wei	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Independent Director
Qin Jinke	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Non-Executive Non-Independent Director
Lam Chun Kai	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Lead Independent Director
Eddie Chan Yean Hoe	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Independent Director
Huang Xuhua	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Independent Director
Latha D/O Eapen Kizhakaikara Mathew	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Independent Director
Liu Yongsheng	c/o 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922	Non-Executive Non-Independent Director

APPENDIX B – ADDITIONAL GENERAL INFORMATION

2. REGISTERED OFFICE OF THE COMPANY

The registered office of the Company is at 180 Clemenceau Avenue, #05-02, Haw Par Centre, Singapore 239922.

3. PRINCIPAL ACTIVITIES

The Group is a global natural rubber supply chain manager, with current competencies in each part of the supply chain including plantations, processing and distribution. The Group is the owner of one of the world's largest commercial plantations and its factories are located in most major rubber producing regions, namely Indonesia, Malaysia, the PRC, Thailand and Africa. The Group creates value for its customers by connecting and bringing together businesses across the entire natural rubber value chain.

It currently owns 37 natural rubber processing factories in Cameroon, Cote d'Ivoire, Indonesia, Malaysia, the PRC and Thailand with an annual production capacity of approximately 1.4 million tonnes. It produces natural rubber under its proprietary HEVEAPRO brand, distributes its products and a range of other natural rubber grades (including latex) to an international customer base through its network of warehouses and sales offices in the Southeast Asia, the PRC, the U.S. and the EU. Headquartered in Singapore, the Group's workforce consists of approximately 15,000 employees in over 100 locations.

4. SHARE CAPITAL

4.1 **Number and class of Shares.** As at the Latest Practicable Date, the total issued and paid-up share capital of the Company is S\$952,655,008.46 comprising 1,595,011,941 Shares. The Company does not have any treasury Shares. As at the Latest Practicable Date, the Company has only one class of Shares, being ordinary shares. The Shares are quoted and listed on the Main Board of the SGX-ST.

4.2 **Rights of Shareholders in respect of capital, dividends and voting.** The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution. An extract of the relevant provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting is reproduced in **Appendix F** of this Circular.

4.3 **Number of Shares issued since the end of the last financial year.** As at the Latest Practicable Date, no new Shares have been issued by the Company since 31 December 2022, being the end of the last financial year.

4.4 **Convertible Instruments.** As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, Shares and securities which carry voting rights affecting Shares.

5. SUMMARY OF FINANCIAL INFORMATION

5.1 **Consolidated statements of comprehensive income.** A summary of the audited consolidated statements of comprehensive income of the Group for FY2019, FY2020 and FY2021 are set out below. The unaudited financial information of the Group for FY2022 is also set out below and at **Appendix E** of this Circular.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

	FY2022	FY2021	FY2020	FY2019
	Unaudited	Audited	Audited	Audited
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	2,692,830	2,459,821	1,708,786	1,907,747
Cost of sales	(2,522,018)	(2,296,948)	(1,607,216)	(1,800,395)
Gross profit	170,812	162,873	101,570	107,352
Other income	26,559	21,421	6,925	62,248
Selling expenses	(65,964)	(57,639)	(43,252)	(45,174)
General and administrative expenses	(93,623)	(89,788)	(103,842)	(90,467)
General and administrative expenses – foreign exchange gain/(loss)	3,269	(800)	7,328	4,361
Operating profit/(loss)	41,053	36,067	(31,271)	38,320
Finance income	6,075	6,377	5,829	6,069
Finance costs	(39,084)	(25,893)	(31,228)	(40,826)
Share of (loss)/gain of associates	(922)	(204)	253	(252)
Profit/(Loss) before tax	7,122	16,347	(56,417)	3,311
Income tax (expense)/credit	(21,193)	701	(4,196)	(7,041)
(Loss)/Profit for the financial period/year	(14,071)	17,048	(60,613)	(3,730)
(Loss)/Profit attributable to:				
Owners of the Company	(17,968)	11,554	(53,776)	(1,633)
Non-controlling interests	3,897	5,494	(6,837)	(2,097)
	(14,071)	17,048	(60,613)	(3,730)
(Loss)earning per share ("LPS")("EPS"):				
Basic and diluted (US cents per share)	(1.60)	0.25	(3.43)	(0.31)

APPENDIX B – ADDITIONAL GENERAL INFORMATION

	FY2022	FY2021	FY2020	FY2019
	Unaudited	Audited	Audited	Audited
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the financial period/year	(14,071)	17,048	(60,613)	(3,730)
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	(43,751)	(34,390)	28,831	7,171
Net fair value changes on derivative financial instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	-	314
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Net fair value loss on equity instruments at fair value through other comprehensive income	-	-	-	(2)
Actuarial gain on retirement benefit obligation (net of tax)	3,005	889	532	697
Other comprehensive loss for the financial period/year net of tax	(40,746)	(33,501)	29,363	8,180
Total comprehensive (loss)/income for the financial period/year net of tax	(54,817)	(16,453)	(31,250)	4,450
Attributable to:				
- Owners of the Company	(57,059)	(20,546)	(25,396)	6,529
- Non-controlling interests	2,242	4,093	(5,854)	(2,079)
Total comprehensive (loss)/income for the financial period/year net of tax	(54,817)	(16,453)	(31,250)	4,450

5.2 **Statement of financial position.** A summary of the audited consolidated statement of financial position of the Group as at 31 December 2021 is set out in the next page.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

	31 December 2021 Audited US\$'000
ASSETS	
Non-current assets	
Intangible assets	299,113
Property, plant and equipment	268,160
Plantation and biological assets	530,671
Investment properties	42,169
Deferred tax assets	24,226
Deferred charges	496
Other assets	1,232
Debt instruments carried at fair value through profit and loss	2,417
Loans and other receivables	51,147
Investment in associates	9,187
Total non-current assets	1,228,818
Current assets	
Cash and bank balances	33,396
Trade receivables	165,059
Loans and other receivables	104,699
Tax receivables	4,144
Derivative financial instruments	23,317
Inventories	496,976
Consumable biological assets	83
	827,674
Assets classified as held for sale	6,417
Total current assets	834,091
Total assets	2,062,909
LIABILITIES AND EQUITY	
Current liabilities	
Derivative financial instruments	2,647
Trade payables	57,449
Other payables	96,510
Loan payables	634,191
Provision for taxation	4,485
Lease liabilities	3,286
Total current liabilities	798,568
Net current assets	35,523
Non-current liabilities	
Loan payables	452,727
Retirement benefit obligations	22,338
Deferred tax liabilities	47,156
Lease liabilities	7,641
Other payables	10,329
Total non-current liabilities	540,191

APPENDIX B – ADDITIONAL GENERAL INFORMATION

Net assets	<u>724,150</u>
Capital and reserves	
Share capital	603,874
Perpetual securities	192,640
Capital reserve	2,740
Other reserves	(1,517)
(Accumulated losses)/Retained Earnings	(112,979)
Foreign currency translation reserve	<u>9,691</u>
Equity attributable to owners of the Company	<u>694,449</u>
Non-controlling interests	<u>29,701</u>
Total equity	<u>724,150</u>
Total liabilities and equity	<u>2,062,909</u>

- 5.3 **Significant accounting policies.** A summary of the significant accounting policies of the Group is set out in Note 2 to the audited financial statements of the Group for FY2021, which are reproduced in **Appendix D** of this Circular.

Save as disclosed in this Circular and publicly available information on the Group (including but not limited to that contained in the audited financial statements of the Group for FY2021), there are no significant accounting policies or any points from the notes to the financial statements which are of major relevance for the interpretation of the accounts.

- 5.4 **Changes in accounting policies.** The Group has applied the same accounting policies and methods of computation as with those in the audited financial statements of the Group for FY2021 and there are no changes in the accounting policies of the Group which will cause the financial statements of the Group not to be comparable to a material extent.

6. MATERIAL CHANGES IN FINANCIAL POSITION

Save as disclosed in this Circular and publicly available information on the Company (including but not limited to announcements released by the Company in respect of its financial results), there are no known material changes in the financial position of the Company as at the Latest Practicable Date since 31 December 2021, being the date to which the Company's last published audited financial statements were made up.

7. DISCLOSURE OF INTERESTS OF THE COMPANY AND THE DIRECTORS

- 7.1 **Shareholdings and dealings.** As at the Latest Practicable Date:

- (a) the Company does not have any direct or deemed interests in any Offer Shares;
- (b) none of the Directors has any direct or deemed interests in any Offer Shares; and
- (a) none of the Company nor the Directors have dealt for value in any Offer Shares during the Relevant Period.

APPENDIX B – ADDITIONAL GENERAL INFORMATION

7.2 **Interests in the shares of the Offeror and/or Hainan Rubber.** As at the Latest Practicable Date:

- (a) The Group does not have any direct or indirect interests in the shares or convertible securities of the Offeror and/or Hainan Rubber.
- (b) The Group has not dealt for value in the shares or convertible securities of the Offeror and/or Hainan Rubber during the Relevant Period.
- (c) None of the Directors has any direct or deemed interests in the shares or convertible securities of the Offeror and/or Hainan Rubber as at the Latest Practicable Date.

7.3 **Directors' service contracts.** As at the Latest Practicable Date, (a) there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries with more than 12 months to run, which the employing company cannot, within the next 12 months, terminate without payment of compensation; and (b) there are no such service contracts entered into or amended between any of the Directors or proposed directors with the Company or any of its subsidiaries during the period between the start of six months preceding the Offer Announcement Date and the Latest Practicable Date.

7.4 **Arrangements affecting directors.** As at the Latest Practicable Date:

- (a) there are no payments or other benefits which will be made or given to any Director or any director of any corporation, which is by virtue of Section 6 of the Companies Act, deemed to be related to the Company, as compensation for loss of office or otherwise in connection with the Offer;
- (b) there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer; and
- (c) none of the Directors has a material personal interest, whether direct or indirect, in any material contract entered into by the Offeror.

8. **DISCLOSURE OF INTERESTS OF THE INDEPENDENT FINANCIAL ADVISER**

None of the IFA nor any of the funds whose investments are managed by the IFA on a discretionary basis, owns or controls any Company Securities as at the Latest Practicable Date, or has dealt with any Company Securities during the Relevant Period.

9. **MATERIAL CONTRACTS WITH INTERESTED PERSONS**

As at the Latest Practicable Date, there have been no material contracts (not being contracts entered into during the ordinary course of business carried on by the Company) entered into by the Company or any of its subsidiaries with Interested Persons, during the three years preceding the Offer Announcement Date.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

The following information on the Offeror has been extracted from Appendix C of the Offer Document and set out below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document.

"1. DIRECTORS

The name, address and description of the Directors as at the Latest Practicable Date are as follows:

Name	Address	Description
Sun Weiliang	<i>c/o Room 2702, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong</i>	<i>Director</i>
Zhang Daqiang	<i>c/o Room 2702, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong</i>	<i>Director</i>
Li Jiang	<i>c/o Room 2702, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong</i>	<i>Director</i>

2. PRINCIPAL ACTIVITIES AND SHARE CAPITAL

2.1. The Offeror

The Offeror is a private company limited by shares incorporated in Hong Kong on 24 November 2022 for the purposes of undertaking the Offer. The principal activity of the Offeror is that of investment holding. As at the Latest Practicable Date, the Offeror is wholly-owned by Hainan Rubber and has an issued and paid-up share capital of HKD10,000 divided into 10,000 shares. The Offeror has not carried on any business since its incorporation, except in relation to matters in connection with the making of the Offer.

2.2. Hainan Rubber

Hainan Rubber is a state-owned holding company in the PRC, listed on the Shanghai Stock Exchange. It is principally engaged in the business of natural rubber involving the planting, processing and distribution of the same. Hainan Rubber produces rubber products such as latex thread, natural rubber gloves, concentrated natural latex rubber, standard rubber for aircraft tire use and rubber woods, amongst others. Hainan Rubber's products are distributed both within the PRC domestic market and to overseas markets.

As at the Latest Practicable Date, Hainan Rubber has a registered capital of RMB4,279.43 million comprising 4,279,427,797 shares, of which approximately 64.35% is held by Hainan Province Agribusiness Investment Holding Group Co., Ltd, and its directors are Ai Yilun, Meng Xiaoliang, Li Xiaoping, Han Xubin, Chen Lijing, Wang Zeying, Lin Weifu and Zhang Sheng.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

3. SUMMARY OF FINANCIAL PERFORMANCE

A summary of the audited consolidated income statements of the Hainan Rubber Group as at the financial year ended 31 December 2019 (“FY2019”), the financial year ended 31 December 2020 (“FY2020”), the financial year ended 31 December 2021 (“FY2021”), and the unaudited interim consolidated income statements for the nine-month financial period ended 30 September 2022 (“9M2022”) is set out in the table below.

The summary is extracted from, and should be read in conjunction with, the audited consolidated financial statements of the Hainan Rubber Group for FY2019, FY2020 and FY2021 and unaudited interim financial statements for 9M2022 which are available at <http://www.hirub.cn/content-46.html>.

RMB million, FYE 31 December	FY2019 (Audited)	FY2020 (Audited)	FY2021 (Audited)	9M2022 (Unaudited)
Revenue	13,802.89	15,744.32	15,332.75	10,447.93
Cost of goods sold	(12,915.00)	(15,111.51)	(14,701.74)	(10,165.41)
Gross profit	887.89	632.81	631.01	282.52
Operating expenses	(766.07)	(785.65)	(517.52)	(288.40)
Operating profit/(loss)	121.82	(152.84)	113.49	(5.88)
Non-operating income	188.46	412.58	290.73	84.36
Non-operating expenses	(15.31)	(11.42)	(32.10)	(6.34)
Earnings before interest and tax	294.97	248.32	372.12	72.14
Finance cost – net	(140.98)	(154.63)	(239.83)	(195.45)
Profit/(loss) before income tax	153.98	93.69	132.29	(123.32)
Income tax gain/ expense	(37.95)	(27.69)	1.89	(16.36)

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

Net profit/(loss) after tax	116.03	66.00	134.18	(139.68)
<i>Profit attributable to:</i>				
Shareholders of the company	135.15	71.12	150.76	(132.17)
Non-controlling interest	(19.11)	(5.12)	(16.59)	(7.50)
Net earnings per share (RMB)	0.0316	0.0166	0.0352	(0.0309)
Net dividends per share (RMB)	0.0035	0.0056	0.0106	-
<i>There were no exceptional items for the financial periods set out in the table above.</i>				
4. STATEMENT OF ASSETS AND LIABILITIES				
<i>A summary of the audited and interim consolidated balance sheets of the Hainan Rubber Group as at FY2019, FY2020, FY2021 and 9M2022 is set out in the table below.</i>				
<i>The summary is extracted from, and should be read in conjunction with, the audited consolidated financial statements of the Hainan Rubber Group for FY2019, FY2020 and FY2021 and unaudited interim financial statements for 9M2022 which are available at http://www.hirub.cn/content-46.html.</i>				
RMB million, FYE 31 December	31	31	31	30
	December	December	December	September
	2019	2020	2021	2022
	(Audited)	(Audited)	(Audited)	(Unaudited)
Cash and cash equivalents	3,733.61	3,384.49	2,988.69	3,165.75
Inventories	1,428.20	1,463.37	1,508.40	1,903.26
Other current assets	1,746.37	2,086.38	1,926.03	2,222.79
Total current assets	6,908.18	6,934.24	6,423.12	7,291.80
Property, plant and equipment	1,803.16	2,071.63	2,256.35	2,157.02
Long-term equity investments	878.70	920.18	956.48	986.77
Intangibles	326.34	345.06	362.98	350.04

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

<i>Other non-current assets</i>	6,913.50	7,465.61	9,482.07	9,632.02
Total non-current assets	9,921.70	10,802.48	13,057.88	13,125.85
TOTAL ASSETS	16,829.88	17,736.72	19,481.00	20,417.64
<i>Borrowings</i>	(3,084.05)	(1,561.14)	(1,384.74)	(1,810.87)
<i>Other current liabilities</i>	(2,745.60)	(2,055.30)	(3,663.65)	(3,436.81)
Total current liabilities	(5,829.65)	(3,616.44)	(5,048.39)	(5,247.68)
<i>Borrowings</i>	(266.15)	(3,043.25)	(1,433.31)	(2,292.69)
<i>Other non-current liabilities</i>	(686.06)	(949.68)	(3,057.65)	(3,061.39)
Total non-current liabilities	(952.21)	(3,992.93)	(4,490.96)	(5,354.08)
TOTAL LIABILITIES	(6,781.85)	(7,609.37)	(9,539.35)	(10,601.76)
<i>Share capital</i>	4,279.43	4,279.43	4,279.43	4,279.43
<i>Retained earnings</i>	404.69	461.54	308.55	131.01
<i>Other reserves</i>	5,048.65	5,035.21	5,005.35	5,068.25
Shareholders' equity	9,732.77	9,776.18	9,593.33	9,478.69
<i>Minority interest</i>	315.26	351.26	348.32	337.18
TOTAL LIABILITIES AND EQUITY	16,829.88	17,736.81	19,481.00	20,417.63

5. MATERIAL CHANGES IN FINANCIAL POSITION

As at the Latest Practicable Date, other than for making of the Offer and save as disclosed in this Offer Document and for information on the Hainan Rubber Group which is publicly available, there has not been, to the knowledge of the Hainan Rubber Group, any material change in the financial position of Hainan Rubber Group since 31 December 2021, being the date of the last audited consolidated financial statements of the Hainan Rubber Group laid before its shareholders in general meeting.

APPENDIX C – ADDITIONAL INFORMATION ON THE OFFEROR

6. SIGNIFICANT ACCOUNTING POLICIES

The audited consolidated financial statements of the Hainan Rubber Group have been prepared in accordance with China Accounting Standards issued by the Ministry of Finance (企业会计准则-基本准则). The significant accounting policies of the Hainan Rubber Group are set out in the notes of the financial statements of the audited consolidated financial statements of the Hainan Rubber Group for FY2021, which is available at <http://www.hirub.cn/content-46.html>.

7. CHANGES IN ACCOUNTING POLICIES

As at the Latest Practicable Date, there has been no change in the accounting policies of the Hainan Rubber Group since the date of its audited consolidated financial statements for the FY2021, which will cause the figures set out in Paragraphs 3 and 4 above to be not comparable to a material extent.

8. REGISTERED OFFICE

8.1. The Offeror

The registered office of the Offeror is situated at Room 2702, Shui On Centre, 6-8 Harbour Road, Wan Chai, Hong Kong.

8.2. Hainan Rubber

The registered office of Hainan Rubber is situated at 4th Floor, Fortune Plaza, No. 103 Binhai Avenue, Haikou City, Hainan Province, China."

APPENDIX D – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2021

The audited consolidated financial statements of the Group for FY2021 which are set out in this section have been reproduced from the Company's annual report for FY2021, and were not specifically prepared for inclusion in this Circular.

A copy of the annual report of the Company for FY2021 is available for inspection at the registered address of the Company at 180 Clemenceau Avenue, #05-02, Haw Par Centre, Singapore 239922, during normal business hours until the Closing Date.

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

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 2021, 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 1967 (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 2021 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

1. Impairment of goodwill and process know-how

As at 31 December 2021, the Group's goodwill and process know-how amounted to US\$286,379,000 and US\$10,000,000 respectively. These represent approximately 41% 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 judgement, and are based on assumptions that are affected by expected future market and economic conditions. In addition, judgement 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 and margin, growth rates and pre-tax discount rates. We assessed and tested these assumptions which the outcome of the impairment test is most sensitive and data inputs by comparing them to historical performance of the CGU and industry outlook reports. We engaged our valuation specialists to assist us with the audit of the reasonableness of management's valuation methodologies and certain assumptions used.

We also reviewed the Group's process in identifying changes to CGUs to which goodwill and/or intangible assets have been allocated to. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions and we performed our own independent sensitivity calculations to quantify the downside changes to management's models required to result in an impairment.

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

2. Measurement of biological assets

As at 31 December 2021, biological assets of the Group amounted to US\$360,863,000 (2020: US\$355,384,000). The Group's biological assets, which mainly comprised of latex and rubber trees, 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 as at the year end, we have considered this to be a key audit matter.

We had obtained the valuation of biological assets prepared by independent valuers engaged by the management. 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 valuers and assessed the reasonableness of their conclusions having regard to the key assumptions mentioned above. We also evaluated the key assumptions such as yield rates for the plantation by comparing these assumptions to historical trends and assessed the reasonableness of the market price of the latex and log used by comparing these against available external market data.

We have also assessed the adequacy of the disclosures in relation to biological assets included in Note 16 to the financial statements.

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

3. *Expected credit loss for loan to a third party*

During the financial year ended 31 December 2021, the Group recognised an allowance of expected credit losses ("ECL") amounted to US\$1,440,000 (2020: Nil) for loan to the third party. As at 31 December 2021, the carrying amount of the loan to the third party amounted to US\$60,080,000 (2020: US\$61,843,000). This amount represents 8% of the Group's net assets.

This area was significant to our audit because the assessment of allowance of ECL involves management exercising significant judgement to determine when there is significant increase in credit risk associated with the loan and making assumptions about the fair value of the underlying collaterals, and the inputs to the estimation of expected credit loss. Accordingly, we determined this as a key audit matter.

Management has assessed that there was significant increase in credit risk due to the overdue interest payment which has not been settled by the borrower as at 31 December 2021. The Group has assessed the ECL based on the value of the collaterals and the discounted cash inflow from the borrower for the loan repayment.

The Group engaged an independent valuer to determine the fair value of one of the collaterals which comprise of the equity interest held by the borrower in its subsidiary. Given that the subsidiary of the borrower comprises different equity stakes in multiple entities, the fair value of this collateral was determined by the independent valuer using Sum-of-the-Parts ("SOTP") method, based on the underlying financial projections, including but not limited to the projected revenue and profitability relating to that borrower's subsidiary. With regards to the estimation of expected cash inflows from the borrower, management estimates the amount and the timing of recoveries.

For the collaterals held by the Group, we inspected legal agreements and supporting documentation to confirm the existence and the Group's legal right to the collaterals. In assessing the collateral valuation on the equity interest held by the borrower in its subsidiary, we reviewed the independent valuation report and assessed the expertise, objectivity and competence of the independent valuer engaged by the Group. We involved our valuation specialist to review the reasonableness of the valuation methodologies and certain assumptions used by the independent valuer in determining the fair value of the collateral. For the discounted cash inflows, we reviewed the management's forecast of recoverable cash flows, including the basis for the amounts and timing of recoveries. We checked the underlying data to ensure accuracy by agreeing to source documents such as loan agreements. We considered and corroborated the borrower's latest developments through adverse news search and/or publicly available information, where applicable.

We also reviewed the adequacy of the note disclosures in relation to the allowance of ECL. The Group's disclosures on loan to a third party and its corresponding ECL are in Note 20 to the financial statements.

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.

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

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.

Independent Auditor's Report

To the members of Halcyon Agri Corporation Limited

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
30 March 2022

Consolidated Income Statement

For the financial year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Revenue			
Cost of sales	4	2,459,821	1,708,786
		(2,296,948)	(1,607,216)
Gross profit		162,873	101,570
Other income	5	21,421	6,925
Selling expenses		(57,639)	(43,252)
General and administrative expenses		(89,788)	(103,842)
General and administrative expenses – foreign exchange (loss)/gain		(800)	7,328
Operating profit/(loss)		36,067	(31,271)
Finance income	6(a)	6,377	5,829
Finance costs	6(b)	(25,893)	(31,228)
Share of (loss)/profit of associates		(204)	253
Profit/(Loss) before tax	8	16,347	(56,417)
Income tax credit/(expense)	7	701	(4,196)
Profit/(Loss) for the financial year		17,048	(60,613)
Profit/(Loss) attributable to:			
Owners of the Company		11,554	(53,776)
Non-controlling interests		5,494	(6,837)
		17,048	(60,613)
Earnings/(Loss) per share ("EPS")/("LPS"):			
Basic and diluted (US cents per share)	10	0.25	(3.43)

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

Consolidated Statement Of Comprehensive Income

For the financial year ended 31 December 2021

	2021	2020
	US\$'000	US\$'000
Profit/(Loss) for the financial year	17,048	(60,613)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(34,390)	28,831
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial gain on retirement benefit obligation (net of tax)	889	532
Other comprehensive (loss)/income for the financial year, net of tax	(33,501)	29,363
Total comprehensive loss for the financial year net of tax	(16,453)	(31,250)
Attributable to:		
- Owners of the Company	(20,546)	(25,396)
- Non-controlling interests	4,093	(5,854)
Total comprehensive loss for the financial year net of tax	(16,453)	(31,250)

Statements Of Financial Position

As at 31 December 2021

	Note	Group		Company	
		2021	2020	2021	2020
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Non-current assets					
Intangible assets	11	299,113	300,439	416	665
Property, plant and equipment	12	268,160	304,263	1,166	2,103
Plantation and biological assets	16	530,671	524,765	-	-
Investment properties	13	42,169	43,584	-	-
Deferred tax assets	15	24,226	17,267	-	-
Deferred charges		496	527	-	-
Other assets		1,232	1,866	-	-
Debt instrument	17	2,417	2,713	-	-
Loans and other receivables	20	51,147	60,224	-	-
Investment in subsidiaries	14(a)	-	-	1,133,074	962,208
Investment in associates	14(b)	9,187	1,298	7,718	-
Total non-current assets		1,228,818	1,256,946	1,142,374	964,976
Current assets					
Cash and bank balances	18	33,396	45,722	391	239
Trade receivables	19	165,059	157,385	-	-
Loans and other receivables	20	104,699	86,586	408,504	651,501
Tax receivables		4,144	5,810	-	-
Derivative financial instruments	21	23,317	15,854	3,976	10,578
Inventories	22	496,976	389,252	-	-
Consumable biological assets	16	83	6	-	-
		827,674	700,615	412,871	662,318
Assets classified as held for sale	23	6,417	6,430	-	-
Total current assets		834,091	707,045	412,871	662,318
Total assets		2,062,909	1,963,991	1,555,245	1,627,294
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	21	2,647	7,498	4,300	10,335
Trade payables	24	57,449	33,178	-	-
Other payables	25	96,510	60,871	76,589	183,415
Loan payables	26	634,191	836,715	329,800	574,107
Provision for taxation		4,485	6,692	442	72
Lease liabilities	31	3,286	2,621	698	1,058
Total current liabilities		798,568	947,575	411,829	768,987
Net current assets/(liabilities)		35,523	(240,530)	1,042	(106,669)

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

Statements Of Financial Position

As at 31 December 2021

	Note	Group		Company	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Non-current liabilities					
Loan payables	26	452,727	174,870	282,000	-
Retirement benefit obligations	27	22,338	24,535	-	-
Deferred tax liabilities	15	47,156	45,331	354	260
Lease liabilities	31	7,641	9,389	44	758
Other payables	25	10,329	13,186	33,010	80,458
Total non-current liabilities		540,191	267,311	315,408	81,476
Net assets		724,150	749,105	828,008	776,831
Capital and reserves					
Share capital	28	603,874	603,874	603,874	603,874
Perpetual securities	29	192,640	192,640	192,640	192,640
Capital reserve	30(a)	2,740	2,420	-	-
Other reserves	30(b)	(1,517)	717	(1,310)	(1,310)
(Accumulated losses)/Retained earnings		(112,979)	(114,753)	32,804	(18,373)
Foreign currency translation reserve	30(c)	9,691	42,809	-	-
Equity attributable to owners of the Company		694,449	727,707	828,008	776,831
Non-controlling interests		29,701	21,398	-	-
Total equity		724,150	749,105	828,008	776,831
Total liabilities and equity		2,062,909	1,963,991	1,555,245	1,627,294

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 2021

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated losses		
Group								
At 1 January 2021		603,874	192,640	2,420	717	(114,753)	42,809	727,707
Profit for the year		-	-	-	-	11,554	-	11,554
Other comprehensive income		-	-	-	-	850	(32,950)	(32,100)
Total comprehensive income/ (loss) for the year		-	-	-	-	12,404	(32,950)	(20,546)
Contributions by and distributions to owners		-	-	-	-	-	-	-
Distribution to perpetual securities holders		-	-	-	-	(7,600)	-	(7,600)
Statutory reserve fund		-	-	320	-	(320)	-	-
Dividend paid to non-controlling interests		-	-	-	-	-	(209)	(209)
Total contributions by and distributions to owner		-	-	320	-	(7,920)	(209)	(7,809)
Changes in ownership interests in subsidiaries		-	-	-	-	-	-	-
Deemed disposal of a subsidiary due to dilution of interest		-	-	-	(2,234)	2,045	-	(189)
Transaction with non-controlling interest of a subsidiary		-	-	-	-	(4,755)	-	(4,755)
Disposal of a subsidiary		-	-	-	-	-	(168)	(168)
Total changes in ownership interests in subsidiaries		-	-	-	(2,234)	(2,710)	(168)	(5,112)
At 31 December 2021		603,874	192,640	2,740	(1,517)	(112,979)	9,691	694,449
								29,701
								724,150

Statements Of Changes In Equity

Statements Of Changes In Equity

For the financial year ended 31 December 2021

For the financial year ended 31 December 2021

Note	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Perpetual securities	Capital reserve	Other reserve	Accumulated losses	Foreign currency translation reserve		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group								
At 1 January 2020	603,874	-	1,814	(2,952)	(56,162)	14,903	561,477	588,988
Loss for the year	-	-	-	-	(53,776)	-	(53,776)	(60,613)
Other comprehensive income	-	-	-	-	474	27,906	28,380	29,363
Total comprehensive (loss)/ income for the year	-	-	-	-	(53,302)	27,906	(25,396)	(31,250)
Contributions by and distributions to owners								
29 Issuance of perpetual securities, net of transaction costs	-	198,640	-	-	-	-	198,640	198,640
Guarantee fee capitalised in relation to issuance of perpetual securities	-	(6,000)	-	-	-	-	(6,000)	(6,000)
Statutory reserve fund	-	-	606	-	(606)	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	(83)
Total contributions by and distributions to owner	-	192,640	606	-	(606)	-	192,640	192,557
Changes in ownership interests in subsidiaries								
Acquisition of remaining interest in a subsidiary	-	-	-	3,669	(4,683)	-	(1,014)	(176)
Total changes in ownership interests in subsidiaries	-	-	-	3,669	(4,683)	-	(1,014)	(176)
At 31 December 2020	603,874	192,640	2,420	717	(114,753)	42,809	727,707	749,105

Company

At 1 January 2021

Profit for the year representing total comprehensive income for the year

Contributions by and distributions to owners

Distribution to perpetual securities holders

Total transactions with owners in their capacity as owners

At 31 December 2021

At 1 January 2020

Loss for the year representing total comprehensive loss for the year

Contributions by and distributions to owners

Issuance of perpetual securities, net of transaction costs

Guarantee fee capitalised in relation to issuance of perpetual securities

Total transactions with owners in their capacity as owners

At 31 December 2020

Note	Share capital	Perpetual securities	Other reserves	(Accumulated losses)/ Retained earnings	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
	603,874	192,640	(1,310)	(18,373)	776,831
	-	-	-	58,777	58,777
	-	-	-	(7,600)	(7,600)
29	-	-	-	(7,600)	(7,600)
	-	-	-	(7,600)	(7,600)
	603,874	192,640	(1,310)	32,804	828,008
	603,874	-	(1,310)	(904)	601,660
	-	-	-	(17,469)	(17,469)
	-	198,640	-	-	198,640
29	-	(6,000)	-	-	(6,000)
	-	192,640	-	-	192,640
	603,874	192,640	(1,310)	(18,373)	776,831

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 2021

	Note	2021 US\$'000	2020 US\$'000
Operating activities			
Profit/(Loss) before tax		16,347	(56,417)
Adjustments for:			
Depreciation expense	8	29,554	28,797
Amortisation of intangible assets	8	785	909
Amortisation of right-of-use assets	8	3,120	3,066
Retirement benefit expense	8	3,705	4,304
Interest income	6	(6,377)	(5,829)
Interest expense	6	25,893	31,228
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised	8	(13,911)	13,992
Fair value gain on investment properties	5	(1,651)	(793)
Fair value gain on biological assets	5	(6,777)	(3,454)
Unrealised foreign exchange (gain)/loss		(1,007)	6,123
Reversal of impairment of property, plant and equipment	8	-	(113)
Gain on disposal of property, plant and equipment, plantation and investment properties	8	(1,029)	(43)
Write off of property, plant and equipment	8	137	95
Impairment losses on financial assets	8	1,445	644
Gain on disposal of subsidiaries		(7,763)	-
(Reversal of allowance)/Allowance for doubtful debts	8	(1,837)	5,757
Share of loss/(profit) of associates		204	(253)
Operating cash flows before changes in working capital		40,838	28,013
Trade and other receivables		(14,474)	(16,428)
Inventories		(100,520)	(20,835)
Trade and other payables		41,402	870
Cash used in operations		(32,754)	(8,380)
Interest received		837	1,045
Tax (paid)/refund		(1,639)	5,807
Net cash used in operating activities		(33,556)	(1,528)
Investing activities			
Proceeds from disposal of a subsidiary		600	-
Acquisition of remaining interest in a subsidiary		-	(4,859)
Capital expenditure on property, plant and equipment, and intangible assets		(7,855)	(16,549)
Capital expenditure on plantation and biological assets		(20,252)	(17,839)
Proceeds from disposal of property, plant and equipment, plantation and investment properties		7,374	615
Interest received from loan to a third party		1,420	-
Net cash used in investing activities		(18,713)	(38,632)

Consolidated Cash Flow Statement

For the financial year ended 31 December 2021

	Note	2021 US\$'000	2020 US\$'000
Financing activities			
Net proceeds/(repayment) of borrowings		85,054	(124,886)
Net repayment of term loans		(53,967)	(14,160)
Net proceeds/(Repayment) of other working capital loans		139,021	(110,726)
Repayment of obligation under lease arrangements	31	(3,614)	(3,647)
Interest paid		(32,466)	(44,155)
Dividend distributed to perpetual securities holders	29	(7,600)	-
Dividend paid to non-controlling interests		(209)	(83)
Decrease in pledged deposits		1,831	577
Guarantee fee paid in relation to issuance of perpetual securities		(1,200)	-
Net proceeds from issuance of perpetual securities	29	-	198,640
Net cash generated from financing activities		41,796	26,446
Net decrease in cash and cash equivalents		(10,473)	(13,714)
Cash and cash equivalents at the beginning of year		43,892	55,627
Effect of exchange rate changes on the balance of cash held in foreign currencies		(23)	1,979
Cash and cash equivalents at the end of year		33,396	43,892
Cash and bank balances comprise the following:			
Cash and cash equivalents		33,396	43,892
Fixed deposits – pledged		-	1,830
		33,396	45,722

Reconciliation of borrowings arising from financing activities:

	Group	
	Loan payables US\$'000 (Note 26)	Lease liabilities US\$'000 (Note 31)
At 1 January 2020	1,123,733	13,327
Repayment of borrowings	(124,886)	(3,647)
Non-cash items:		
- Addition on right-of-use assets	-	1,518
- Foreign exchange movement	11,257	235
- Amortisation fee for loan	1,481	-
- Interests expense	-	590
- Derecognition of lease liabilities	-	(13)
Total non-cash items	12,738	2,330
At 31 December 2020	1,011,585	12,010
Proceeds/(repayment) of borrowings	85,054	(3,614)
Non-cash items:		
- Addition on right-of-use assets	-	2,273
- Foreign exchange movement	(11,221)	(37)
- Amortisation fee for loan	1,500	-
- Interests expense	-	528
- Derecognition of lease liabilities	-	(233)
Total non-cash items	(9,721)	2,531
At 31 December 2021	1,086,918	10,927

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

Notes To The Financial Statements

For the financial year ended 31 December 2021

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 Mainboard 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 2021, 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 owned by Sinochem Holdings Corporation Ltd. (“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 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 accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I), except for the adoption of new and amended standards as set out in Note 2.2.

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.

2.2 (a) Adoption of new and amended standards and interpretations

The Group has adopted all applicable SFRS(I) that are mandatory for financial years beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or financial position of the Group.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.2 (b) Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 1-16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS (I) 3: Reference to the Conceptual framework	1 January 2022
Amendments to SFRS(I) 1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

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

(a) Basis of consolidation (cont'd)

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:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 *Business Combinations* 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*.

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 *Financial Instruments: Recognition and Measurement* 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.4 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

When the proportion of equity held by the NCI changes and the parent retains control of the subsidiary, the carrying amount originally recognised in NCI is adjusted to reflect the changes in the relative interests in the subsidiary.

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.

When the Group loses control of a subsidiary, it shall:

- (a) derecognise:
 - (i) the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; and
 - (ii) the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them).
- (b) recognise:
 - (i) the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of the control;
 - (ii) if the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the subsidiary to owners in their capacity as owners, that distribution; and
 - (iii) any investment retained in the former subsidiary at its fair value at the date when control is lost.

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 accounts 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.6 Associates (cont'd)

Under the equity method, the investment in associates is 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.

2.8 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.8 Property, plant and equipment (cont'd)

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 10 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 derecognition 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 76 years.

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.10 Investment properties (cont'd)

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.

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.11 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

Gains or losses arising from derecognition 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 commercially viable plan to convert the rubber trees into products other than incidental scrap at the end of the rubber production life to an established market.

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 grow 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 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.

The Group has assessed that there is an established commercial market for end-of-life rubber trees in Malaysia and Cameroon, and it is the Group's business plan to dispose the end-of-life rubber trees as an agricultural produce for more than an incidental scrap. As such, the classification of rubber plantations in Malaysia and Cameroon remains the same as preceding year.

Further details are disclosed in Note 3.1(a).

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

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.

2.14 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 instrument

(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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(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 derecognised.

(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 instrument 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.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.14 Financial instruments (cont'd)

(b) *Financial liabilities (cont'd)*

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.

Derecognition

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(c) *Gain/loss on commodity contracts*

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

2.15 Impairment of financial assets

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

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

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

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.15 Impairment of financial assets (cont'd)

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 amounts 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 reflects 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 preceding 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

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.

(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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.21 Leases (cont'd)

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.

2.22 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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:

- When 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, when 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:

- When 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 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.24 Taxes (cont'd)

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

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

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

(c) *Sales tax*

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

- When 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
- When 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 is based on the prevailing market price as at the date of issuance.

2.26 Perpetual securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer any scheduled distribution perpetually 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 securities issue and the perpetual 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 securities are deducted against the proceeds from the issue.

On the election of the Company to redeem the perpetual securities, the perpetual securities will be reclassified as a financial liability. 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

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

2.27 Contingencies (cont'd)

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

- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.28 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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Government grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

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:

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

3.1 Judgements made in applying accounting policies (cont'd)

(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 trees as agricultural produce other than incidental scrap at the end of the rubber production life to an established market.

The Group has assessed that there is an established commercial market for end-of-life rubber trees in Malaysia and Cameroon, and it is the Group's business plan to convert the rubber trees into products other than incidental scrap at the end of the rubber production life. As such, the classification of rubber plantations in Malaysia and Cameroon remains the same as preceding year.

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).

3.2 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 that is 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 2021 is US\$296,379,000 (2020: US\$296,379,000).

(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 36(d)(i).

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) *Recoverability of a loan to a third party ("borrower")*

The interest repayment from the borrower was overdue as at 31 December 2021 and this indicated a significant increase in the credit risk since the initial recognition of the financial assets. The Group has performed specific credit risk assessment on the loan to the borrower to determine the expected credit losses ("ECL"). The Group changed the impairment loss allowance from 12-month ECL to lifetime ECL and provided an ECL of US\$1,440,000 for the financial year ended 31 December 2021. Further details of the assessment are disclosed in Note 20.

4. Revenue

	Group	
	2021	2020
	US\$'000	US\$'000
Sale of goods	2,459,821	1,708,786

Sales is recognised at point in time. Please refer to Note 35 for disaggregation of revenue.

Advances related to contracted sales (Note 25)	33,448	8,273
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5. Other income

	Group	
	2021	2020
	US\$'000	US\$'000
Gain on disposal of subsidiaries	7,763	-
Gain on disposal of land	938	-
Fair value gain on investment properties (Note 13)	1,651	793
Fair value gain on biological assets (Note 16)	6,777	3,454
Reversal of allowance for deposit	3,156	-
Government grants	355	1,510
Others	781	1,168
	21,421	6,925

Notes To The Financial Statements

For the financial year ended 31 December 2021

6. (a) Finance income

	Group	
	2021 US\$'000	2020 US\$'000
Interest income:		
- Loans and receivables	5,751	4,898
- Deposits	626	931
	<u>6,377</u>	<u>5,829</u>

(b) Finance costs

	Group	
	2021 US\$'000	2020 US\$'000
Interest expense on:		
- Term loans	14,123	18,372
- Working capital loans	20,554	22,306
- Lease liabilities (Note 31)	528	590
	<u>35,205</u>	<u>41,268</u>
Less: interest expense capitalised in:		
- Plantation and biological assets (Note 16)	(9,312)	(10,040)
Total finance costs	<u>25,893</u>	<u>31,228</u>

7. Income tax credit/(expense)

	Group	
	2021 US\$'000	2020 US\$'000
Consolidated income statement		
Current tax		
Current tax expense	(8,118)	(3,339)
Over provision in prior years	3,410	255
Deferred tax		
Tax credit/(expense) relating to the origination and reversal of temporary differences (Note 15)	5,409	(1,112)
Income tax credit/(expense) recognised in consolidated income statement	<u>701</u>	<u>(4,196)</u>

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

Relationship between tax expense and accounting profit/(loss)

Reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Group	
	2021 US\$'000	2020 US\$'000
Profit/(Loss) before tax	16,347	(56,417)
Tax at the domestic income tax rate of 17% (2020: 17%)	(2,779)	9,591
Effect of non-deductible expenses	(7,429)	(11,620)
Effect of non-taxable income	6,718	5,113
Effect of tax exempt income	590	584
Interest income deducted at source	72	583
Effect of different tax rates of subsidiaries operating in other jurisdictions	1,010	6,658
Deferred tax asset not recognised	(5,690)	(8,758)
Utilisation of previously unrecognised deferred tax asset	1,566	1,064
Recognition of deferred tax assets not recognised in prior years	8,321	342
Effect of tax incentive at lower rate	(3,695)	(3,671)
Share of result of associates	82	22
Over provision in prior years	3,410	255
Tax on revenue	(961)	(720)
Change of tax rates of subsidiaries operating in other jurisdictions	273	(491)
Reversal of deferred tax assets previously recognised	(275)	(4,159)
Reversal of temporary difference relating to deferred tax liabilities	-	847
Others	(512)	164
Income tax credit/(expense) recognised in consolidated income statement	<u>701</u>	<u>(4,196)</u>

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. HG's GTP was renewed from 1 January 2021 for a period of 5 years 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	
	2021 US\$'000	2020 US\$'000
(a) Profit/(Loss) before tax has been arrived at after charging/ (crediting):		
Non-recurring expenses/(income):		
- Business rationalisation expenses	4,192	7,836
- One-off professional expenses	766	-
- Professional fees relating to issuance of perpetual securities	-	827
	<u>4,958</u>	<u>8,663</u>
- (Reversal)/Allowance for advances to suppliers	(1,837)	1,704
- Reversal of allowance for deposit	(3,156)	-
- Allowance for other tax receivables	-	4,053
	<u>(4,993)</u>	<u>5,757</u>

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

	Group	
	2021	2020
	US\$'000	US\$'000
(a) Profit/(Loss) before tax has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment, plantation and biological assets included in:		
- Cost of sales	22,480	21,894
- Selling expenses	33	38
- Administrative expenses	8,699	8,606
	<u>31,212</u>	<u>30,538</u>
Less: Depreciation of property, plant and equipment being capitalised in plantation and biological assets (Note 12)	(1,658)	(1,741)
	<u>29,554</u>	<u>28,797</u>
Foreign exchange (gain)/loss included in:		
- Cost of sales	(4,119)	(8,934)
- Administrative expenses	800	(7,328)
	<u>(3,319)</u>	<u>(16,262)</u>
Amortisation:		
- Intangible assets (Note 11)	785	909
- Right-of-use assets (Note 12b)	3,120	3,066
	<u>3,905</u>	<u>3,975</u>
Professional fees	5,273	6,190
Audit fees:		
- Paid/payable to auditors of the Company	1,411	1,280
- Paid/payable to other auditors	115	97
Non-audit fees:		
- Paid/payable to auditors of the Company	72	16
Gain on disposal of property, plant and equipment, plantation and investment properties	(1,029)	(43)
Lease expenses on short-term leases and low-value assets	1,243	1,029
Write off of property, plant and equipment	137	95
Reversal of impairment of property, plant and equipment (Note 12)	-	(113)
Impairment losses on financial assets	1,445	644
Inventories recognised as an expense in cost of sales ⁽¹⁾	<u>2,296,948</u>	<u>1,607,216</u>
(1) Included unrealised fair value (gain)/loss on open forward commodity contracts and inventories for gain of US\$13,911,000 (2020: loss of US\$13,992,000).		
(b) Employee benefits expenses (including directors' remuneration):		
- Defined benefit plans	3,705	4,304
- Defined contribution plans	2,756	2,636
- Staff welfare	2,442	2,145
- Staff salaries	99,159	91,494
	<u>108,062</u>	<u>100,579</u>
Included in:		
- Cost of sales	65,361	58,072
- Selling expenses	4,597	4,689
- Administrative expenses	38,104	37,818
	<u>108,062</u>	<u>100,579</u>

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

	Group	
	2021	2020
	US\$'000	US\$'000
Profit/(Loss) before tax	16,347	(56,417)
Adjustments for:		
Depreciation expense (Note 8)	29,554	28,797
Finance costs (Note 6(b))	25,893	31,228
Interest income (Note 6(a))	(6,377)	(5,829)
Amortisation of intangible assets (Note 8)	785	909
Amortisation of right-of-use assets (Note 8)	3,120	3,066
EBITDA	<u>69,322</u>	<u>1,754</u>
Non-recurring expenses (Note 8)	4,958	8,663
Share of loss/(profit) of associates	204	(253)
Fair value gain on investment properties (Note 5)	(1,651)	(793)
(Gain)/loss on disposal of investment properties, plantation and property, plant and equipment and write off of property, plant and equipment, net	(892)	52
Gain on disposal of subsidiaries (Note 5)	(7,763)	-
Adjusted EBITDA	<u>64,178</u>	<u>9,423</u>

EBITDA of the Group has been computed by using the profit before tax of the Group less finance income and finance costs, depreciation expenses and amortization expenses.

Adjusted EBITDA of the Group has been computed by using EBITDA mentioned above less share of results of associates, non-operational expenses, fair value gain on non-current assets, and gains or losses on disposal of non-current assets.

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

	Group	
	Basic and diluted	
	2021	2020
	US\$'000	US\$'000
Profit/(Loss) for the year attributable to owners of the Company	11,554	(53,776)
Dividend on perpetual securities	(7,600)	(895)*
Adjusted profit/(loss) for the year attributable to owners of the Company	<u>3,954</u>	<u>(54,671)</u>
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012
Earnings/(Loss) per share (US Cents)	<u>0.25</u>	<u>(3.43)</u>

* This amount represents pro-rated dividend reserved for distribution to perpetual securities holders from the issuance date of the perpetual securities until 31 December 2020.

Notes To The Financial Statements

For the financial year ended 31 December 2021

Group	Process know-how US\$'000	Goodwill US\$'000	Customer related intangibles US\$'000	Trademark US\$'000	Computer software US\$'000	Total US\$'000
Cost:						
At 1 January 2020	10,000	286,379	2,800	34	4,287	303,500
Additions	-	-	-	-	330	330
Transfer from property, plant and equipment (Note 12)	-	-	-	-	85	85
Exchange difference	-	-	-	2	(8)	(6)
At 31 December 2020 and 1 January 2021	10,000	286,379	2,800	36	4,694	303,909
Disposal of a subsidiary	-	-	-	-	(706)	(706)
Exchange difference	-	-	-	-	17	17
At 31 December 2021	10,000	286,379	2,800	36	4,005	303,220
Accumulated amortisation:						
At 1 January 2020	-	-	753	29	1,777	2,559
Amortisation for the year (Note 8)	-	-	280	5	624	909
Exchange difference	-	-	-	2	-	2
As at 31 December 2020 and 1 January 2021	-	-	1,033	36	2,401	3,470
Amortisation for the year (Note 8)	-	-	279	-	506	785
Disposal of a subsidiary	-	-	-	-	(144)	(144)
Exchange difference	-	-	-	-	(4)	(4)
At 31 December 2021	-	-	1,312	36	2,759	4,107
Net carrying amount:						
At 31 December 2020	10,000	286,379	1,767	-	2,293	300,439
At 31 December 2021	10,000	286,379	1,488	-	1,246	299,113

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

11. Intangible assets

Notes To The Financial Statements

For the financial year ended 31 December 2021

11. Intangible assets (cont'd)

Company	Computer software US\$'000
Cost:	
At 1 January 2020, 31 December 2020 and 31 December 2021	1,247
Accumulated amortisation:	
At 1 January 2020	333
Amortisation for the year	249
At 31 December 2020 and 1 January 2021	582
Amortisation for the year	249
At 31 December 2021	831
Net carrying amount:	
At 31 December 2020	665
At 31 December 2021	416
Process know-how	
Process know-how relates to the production of a certain grade of rubber and has been allocated to the HRC Group. As explained in Note 2.11(b)(i), the intangible asset has been assessed as having indefinite life so long as there is a demand for such rubber. The Group expects continuance for such demand.	
Goodwill	
Goodwill acquired through business combinations have been allocated to following cash-generating units ("CGU"), for impairment testing:	
	Group 2021 US\$'000
A CGU within HRC business segment (known as HRC Group)	252,110
A CGU within HRC business segment (known as SINRIO Group)	4,491
A CGU within Corrie MacColl Group business segment (known as Corrie MacColl Group)	29,778
	<u>286,379</u>

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 3 to 6 years (2020: 4 to 7 years).

Computer software

Computer software has a remaining amortisation period of 2 to 4 years (2020: 3 to 5 years).

Trademark

Trademark has been fully amortised since previous financial year.

Notes To The Financial Statements

For the financial year ended 31 December 2021

11. Intangible assets (cont'd)

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 2021. No impairment loss was recognised as at 31 December 2021 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 has 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 2021 US\$'000	Discount rate (pre-tax)	Growth rate
HRC Group:			
- Goodwill	252,110	10%	3%
- Process know-how	10,000	10%	3%
SINRIO Group:			
- Goodwill	4,491	10%	4%
Corrie MacColl Group:			
- Goodwill	29,778	10%	3%
Total	296,379		

Cash generating units/intangible assets	Carrying amount as at 31 December 2020 US\$'000	Discount rate (pre-tax)	Growth rate
HRC Group:			
- Goodwill	252,110	10%	3%
- Process know-how	10,000	10%	3%
SINRIO Group:			
- Goodwill	4,491	10%	4%
Corrie MacColl Group:			
- Goodwill	29,778	10%	3%
Total	296,379		

Notes To The Financial Statements

For the financial year ended 31 December 2021

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 an external industry report.

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

Sensitivity to changes in assumptions

Changes to the above assumptions used by management to determine the recoverable value 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 CGU to materially exceed its recoverable amount.

For HRC Group, assuming that gross profit per metric tonne deviates from budget by 29%, there will be an impairment loss of US\$4,000,000 to the goodwill.

12. Property, plant and equipment

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Property, plant and equipment (Note 12(a))	257,920	292,573	466	390
Right-of-use assets (Note 12(b))	10,240	11,690	700	1,713
	268,160	304,263	1,166	2,103

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Property, plant and equipment

Group	Leasehold improvements and renovation	Office equipment	Computers and software	Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Assets under construction	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Cost:										
At 1 January 2020	3,414	21,056	2,568	146,875	100,899	7,580	70,699	10,313	31,521	394,925
Additions	260	856	393	1,504	2,451	599	82	-	10,074	16,219
Disposals	(65)	(251)	(58)	-	(686)	(205)	-	-	-	(1,265)
Write offs	-	(328)	-	(78)	(5,425)	(3,226)	-	-	(1)	(9,058)
Transfer to plantation related properties (Note 16)	-	-	-	-	-	-	-	-	(1,733)	(1,733)
Transfer to intangible assets (Note 11)	-	-	-	-	-	-	-	-	(85)	(85)
Transfer to deferred charges	-	-	-	-	-	-	-	-	(79)	(79)
Reclassifications	1,848	184	(68)	3,377	7,484	13	-	-	(12,838)	-
Exchange differences	130	1,677	178	6,519	4,369	1,781	1,023	(386)	1,801	17,092
At 31 December 2020 and 1 January 2021	5,587	23,194	3,013	158,197	109,092	6,542	71,804	9,927	28,660	416,016
Additions	229	378	221	586	1,460	1,005	12	-	3,964	7,855
Disposals	(6,233)	(573)	(199)	(1,126)	(1,325)	(191)	(24)	-	(443)	(10,114)
Write offs	(4)	(20)	(7)	(1)	(493)	(49)	-	-	(103)	(677)
Reclassifications	1,818	(1,172)	17	11,290	2,559	568	20	-	(15,100)	-
Exchange differences	306	(1,222)	(71)	(5,999)	(3,283)	(301)	(1,923)	(60)	(1,576)	(14,129)
At 31 December 2021	1,703	20,585	2,974	162,947	108,010	7,574	69,889	9,867	15,402	398,951

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

(a) Property, plant and equipment

Group	Leasehold improvements and renovation	Office equipment	Computers and software	Leasehold buildings	Plant and machinery	Vehicles	Leasehold land	Freehold land	Assets under construction	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Accumulated depreciation and impairment:										
At 1 January 2020	2,703	8,226	1,283	30,070	41,302	2,419	10,403	-	-	96,406
Disposals	-	(213)	(33)	-	(305)	(142)	-	-	-	(693)
Depreciation for the year (Note 8)	1,003	1,893	526	8,210	10,983	1,366	2,037	-	-	26,018
Reversal of impairment	-	-	-	-	(113)	-	-	-	-	(113)
Write offs	-	(323)	-	(30)	(5,389)	(3,221)	-	-	-	(8,963)
Transfer to plantation related properties (Note 16)	-	277	-	452	658	354	-	-	-	1,741
Exchange differences	203	823	153	2,358	3,594	1,865	51	-	-	9,047
At 31 December 2020 and 1 January 2021	3,909	10,683	1,929	41,060	50,730	2,641	12,491	-	-	123,443
Disposals	(3,552)	(372)	(152)	(65)	(773)	(187)	-	-	-	(5,101)
Depreciation for the year (Note 8)	941	1,416	530	8,669	11,116	1,240	2,102	-	-	26,014
Write offs	(1)	(20)	(5)	-	(512)	(1)	-	-	-	(539)
Transfer to plantation related properties (Note 16)	-	102	20	958	331	247	-	-	-	1,658
Exchange differences	(122)	(670)	(15)	(1,863)	(1,491)	(198)	(85)	-	-	(4,444)
At 31 December 2021	1,175	11,139	2,307	48,759	59,401	3,742	14,508	-	-	141,031
Net carrying amount:										
At 31 December 2020	1,678	12,511	1,084	117,137	58,362	3,901	59,313	9,927	28,660	292,573
At 31 December 2021	528	9,446	667	114,188	48,609	3,832	55,381	9,867	15,402	257,920

Notes To The Financial Statements

For the financial year ended 31 December 2021

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Property, plant and equipment

Company	Renovation US\$'000	Computers US\$'000	Office equipment US\$'000	Assets under construction US\$'000	Total US\$'000
Cost:					
At 1 January 2020	293	527	13	-	833
Additions	-	7	-	-	7
Disposal	-	(6)	-	-	(6)
At 31 December 2020 and 1 January 2021	293	528	13	-	834
Additions	5	33	31	156	225
Disposal	-	(21)	-	-	(21)
Write-off	-	(5)	-	-	(5)
At 31 December 2021	298	535	44	156	1,033
Accumulated depreciation:					
At 1 January 2020	138	169	6	-	313
Depreciation for the year	41	92	4	-	137
Disposal	-	(6)	-	-	(6)
At 31 December 2020 and 1 January 2021	179	255	10	-	444
Depreciation for the year	43	92	4	-	139
Disposal	-	(12)	-	-	(12)
Write-off	-	(4)	-	-	(4)
At 31 December 2021	222	331	14	-	567
Net carrying amount:					
At 31 December 2020	114	273	3	-	390
At 31 December 2021	76	204	30	156	466

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\$60,654,000 (2020: US\$47,067,000) to secure the Group's and the Company's loans and borrowings (Note 26).

(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 90 years, machinery and other equipment generally have lease terms between 1 and 4 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(b) Right-of-use assets (cont'd)

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

	Land and office US\$'000	Office equipment and motor vehicles US\$'000	Total US\$'000
Group			
At 1 January 2020	12,547	586	13,133
Additions	1,284	233	1,517
Amortisation for the year	(2,831)	(235)	(3,066)
Exchange differences	136	(30)	106
At 31 December 2020 and 1 January 2021	11,136	554	11,690
Additions	2,244	29	2,273
Amortisation for the year	(2,897)	(223)	(3,120)
Disposal of a subsidiary	(227)	-	(227)
Exchange differences	(357)	(19)	(376)
At 31 December 2021	9,899	341	10,240
Net carrying amount:			
At 31 December 2020	11,136	554	11,690
At 31 December 2021	9,899	341	10,240
Company			
At 1 January 2020	2,645	155	2,800
Amortisation for the year	(969)	(36)	(1,005)
Exchange differences	(77)	(5)	(82)
At 31 December 2020 and 1 January 2021	1,599	114	1,713
Amortisation for the year	(978)	(38)	(1,016)
Exchange differences	3	-	3
At 31 December 2021	624	76	700
Net carrying amount:			
At 31 December 2020	1,599	114	1,713
At 31 December 2021	624	76	700

Motor vehicles with carrying amount of US\$66,000 (2020: US\$118,000) is secured over the lease liabilities of US\$44,000 (2020: US\$98,000) as at 31 December 2021.

The carrying amounts of lease liabilities are disclosed in Note 31.

Notes To The Financial Statements

For the financial year ended 31 December 2021

13. Investment properties

	Group	
	2021 US\$'000	2020 US\$'000
Statement of financial position:		
At 1 January	43,584	44,718
Fair value gain recognised in profit or loss (Note 5)	1,651	793
Reclassification to assets of disposal group classified as held-for-sale	-	(1,680)
Disposals	(815)	-
Exchange differences	(2,251)	(247)
At 31 December	42,169	43,584
Income statement:		
Rental income from investment properties:		
- Minimum lease payments	19	19
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	-	10

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 2021 and 31 December 2020. 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 36.

Notes To The Financial Statements

For the financial year ended 31 December 2021

13. Investment properties (cont'd)

The investment properties held by the Group as at 31 December 2021 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Residential house in Palembang, Indonesia	Residential	Leasehold	18 years
Land in Palembang, Indonesia	Vacant land	Leasehold	10-18 years
Offices in Palembang, Indonesia	Offices	Leasehold	12-20 years
Shophouses in Medan, Indonesia	Shophouse	Leasehold	11 years
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	2 years
Residential house in Banjarmasin, Indonesia	Residential	Leasehold	8 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	17 years
Land in Pontianak, Indonesia	Vacant land	Leasehold	17 years
Shophouse in Rantau, Indonesia	Shophouse	Leasehold	20 years
Land in Riau, Indonesia	Vacant land	Leasehold	3 years
Shophouse in Riau, Indonesia	Shophouse	Leasehold	13 years
Shophouses in Pontianak, Indonesia	Shophouse	Leasehold	1-5 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	-
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	-

14. Investment in subsidiaries and associates

(a) Investment in subsidiaries

	Company	
	2021 US\$'000	2020 US\$'000
Unquoted ordinary shares, at cost	502,547	680,010
Amount due from subsidiaries	630,527	282,198
	1,133,074	962,208

Amount due from subsidiaries are determined to be non-interest bearing, unsecured and have no repayment terms. Accordingly, amount due from subsidiaries are treated as capital contribution and are classified as investment in subsidiaries.

During the year, one of the subsidiaries has exercised capital reduction which has resulted in the unquoted ordinary shares to be reduced by US\$177,213,000.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Investment in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest	
			2021	2020
Held by the Company				
Halcyon Rubber Company Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Corrie MacColl Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd. ⁽¹⁾	Singapore	Natural rubber trading and investment holding	100.00	100.00
HAC Capital Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Corrie MacColl Limited ⁽³⁾	United Kingdom	Investment holding	100.00	100.00
HeveaConnect Pte. Ltd. ^{(1), (5)}	Singapore	Natural rubber supply chain and trading platform	49.91	71.09
Subsidiaries of Halcyon Rubber Company Pte. Ltd.				
Anson Company (Private) Limited ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Hevea Global Pte. Ltd. ⁽¹⁾	Singapore	Natural rubber trading	100.00	100.00
Subsidiaries of Anson Company (Private) Limited				
Halcyon Agri Indonesia Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
PT. Hok Tong ⁽²⁾	Indonesia	Natural rubber processing	99.99	99.99
PT. Remco Rubber Indonesia (formerly known as PT. Remco) ⁽²⁾	Indonesia	Natural rubber processing	75.00	75.00
Subsidiaries of Halcyon Agri Indonesia Pte. Ltd.				
PT. Hevea MK ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00
PT. Hevea GE ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00
Subsidiaries of PT. Hok Tong				
PT. Bumi Jaya ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00
PT. Sunan Rubber ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00
PT. Rubber Hock Lie ⁽²⁾	Indonesia	Natural rubber processing	99.91	99.91
PT. GMG Sentosa ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00
PT. Pulau Bintan Djaya ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00
PT. Sumber Alam ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00
PT. Sumber Djantin ⁽²⁾	Indonesia	Natural rubber processing	100.00	100.00

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest	
			2021	2020
Subsidiaries of Corrie MacColl Pte. Ltd.				
G.P. Sentosa Enterprises Co., Ltd. ⁽²⁾	Thailand	Investment holding	100.00	100.00
Teck Bee Hang Co., Ltd. ⁽²⁾	Thailand	Natural rubber processing	55.00	55.00
Ivoirienne de Traitement du Caoutchouc S.A. ⁽²⁾	Ivory Coast	Disposed during the year	-	60.00
GMG Investment Congo SARL ⁽⁴⁾	Democratic Republic of Congo	In liquidation	100.00	100.00
JFL Agro Sdn. Bhd. ⁽²⁾	Malaysia	Struck off during the year	-	100.00
Centrottrade Minerals and Metals, Inc. ⁽³⁾	United States	Dormant	100.00	100.00
Subsidiaries of Teck Bee Hang Co., Ltd.				
Techem Industries Co., Ltd. ⁽³⁾	Thailand	Manufacture & distribution of plastic products	54.10	54.10
Teck-Fu Joint Venture Co., Ltd. ⁽³⁾	Thailand	Natural rubber processing	47.30	47.30
Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd.				
New Continent Enterprises (Private) Limited ⁽¹⁾	Singapore	Natural rubber trading and distribution	100.00	100.00
SINRIO Malaysia Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Hainan Sinochem Rubber Co., Ltd. ⁽²⁾	People's Republic of China	Natural rubber processing	99.71	99.71
SDCI Singapore Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
SINRIO Thailand Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Subsidiary of New Continent Enterprises (Private) Limited				
Halcyon Agri Natural Rubber (Shanghai) Limited ⁽²⁾	People's Republic of China	Natural rubber trading and distribution	100.00	100.00
Subsidiary of SINRIO Malaysia Pte. Ltd.				
SINRIO (Malaysia) Sdn. Bhd. ⁽²⁾	Malaysia	Investment holding	100.00	100.00
Subsidiaries of SINRIO (Malaysia) Sdn. Bhd.				
Hevea KB Sdn. Bhd. ⁽²⁾	Malaysia	Natural rubber processing	100.00	100.00
Euroma Rubber Industries Sendirian Berhad ⁽²⁾	Malaysia	Natural rubber processing	100.00	100.00

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest	
			2021	2020
Subsidiaries of Hainan Sinochem Rubber Co., Ltd.				
Xishuangbanna Sinochem Rubber Co., Ltd. ⁽²⁾	People's Republic of China	Natural rubber processing	96.67	96.67
Baisha Sinochem Rubber Co., Ltd. ⁽²⁾	People's Republic of China	Natural rubber procurement	100.00	100.00
Hainan Baoting Sinochem Rubber Co., Ltd. ⁽²⁾	People's Republic of China	Natural rubber processing	100.00	100.00
Shanghai Hancheng Trading Co., Ltd. ⁽²⁾	People's Republic of China	Dormant	100.00	100.00
Subsidiaries of SDCI Singapore Pte. Ltd.				
Société de Développement du Caoutchouc Ivoirien S.A. ⁽²⁾	Ivory Coast	Natural rubber processing	100.00	100.00
Tropical Rubber Côte d'Ivoire S.A. ⁽²⁾	Ivory Coast	Natural rubber plantation	70.00	70.00
Subsidiaries of Corrie MacColl Limited				
Corrie MacColl International Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Corrie MacColl Plantations Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Subsidiaries of Corrie MacColl International Pte. Ltd.				
Corrie MacColl Deutschland GmbH (formerly known as Centrotrade Deutschland GmbH) ⁽³⁾	Germany	Natural rubber trading and distribution	100.00	100.00
Corrie MacColl Malaysia Sdn. Bhd. (formerly known as Centrotrade Commodities Malaysia Sdn. Bhd.) ⁽²⁾	Malaysia	Natural rubber trading and distribution	100.00	100.00
Corrie MacColl Europe B.V. (formerly known as Wurfbain Polymer B.V.) ⁽²⁾	The Netherlands	Investment holding, trading and distribution of natural rubber and latex	100.00	100.00
Kelvin Terminals B.V. ⁽⁴⁾	The Netherlands	Storage and trading of natural rubber, latex and synthetic rubber	100.00	100.00
Corrie MacColl (Thailand) Co., Ltd. (formerly known as Centrotrade (Thailand) Co., Ltd.) ⁽³⁾	Thailand	Investment holding	49.00	49.00
Shanghai CMI Rubber Co., Ltd. ⁽³⁾	People's Republic of China	Trading and distribution of natural rubber and rubber related products	100.00	100.00

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Investment in subsidiaries (cont'd)

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest	
			2021	2020
Subsidiaries of Corrie MacColl Europe B.V. (formerly known as Wurfbain Polymer B.V.)				
Corrie MacColl Rubber Ltd. ⁽³⁾	United Kingdom	Other business support service activities	100.00	100.00
Corrie MacColl Holdings, Inc. (formerly known as Corrie MacColl North America, Inc.) ⁽²⁾	United States	Investment holding	100.00	100.00
Corrie MacColl İthalat ve İhracat Anonim Şirketi (formerly known as Wurfbain Polymer İthalat ve İhracat Anonim Şirketi) ⁽⁴⁾	Republic of Turkey	Trading and distribution of natural rubber	100.00	100.00
Subsidiaries of Corrie MacColl Holdings, Inc. (formerly known as Corrie MacColl North America, Inc.)				
Corrie MacColl North America, Inc. (formerly known as Alan L Grant Polymer, Inc.) ⁽²⁾	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Momentum Technologies Laboratories, Inc. ⁽²⁾	United States	Ceased operations during the year	100.00	100.00
Subsidiary of Corrie MacColl (Thailand) Co., Ltd. (formerly known as Centrotrade (Thailand) Co., Ltd.)				
Corrie MacColl Hatyai Co., Ltd. (formerly known as Centrotrade Hatyai Co., Ltd.) ⁽³⁾	Thailand	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Subsidiaries of Corrie MacColl Plantations Pte. Ltd.				
Société de Développement du Caoutchouc Camerounais S.A. ⁽²⁾	Cameroon	Investment holding	100.00	100.00
JFL Agro Pte. Ltd. ⁽¹⁾	Singapore	Investment holding	100.00	100.00
Subsidiaries of Société de Développement du Caoutchouc Camerounais S.A.				
Hevea Cameroun S.A. ⁽²⁾	Cameroon	Natural rubber plantation and processing	90.00	90.00
Sud Cameroun Hevea S.A. ⁽²⁾	Cameroon	Natural rubber plantation and processing	80.00	80.00
Subsidiary of JFL Agro Pte. Ltd.				
JFL Holdings Sdn. Bhd. ⁽²⁾	Malaysia	Natural rubber and oil palm plantation	100.00	100.00

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

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

(3) Audited by other firms of Certified Public Accountants, and are not significant subsidiaries for the purpose of Listing Rule 715(2) of the Singapore Exchange Securities Trading Limited.

(4) No statutory audit required in the country of incorporation.

(5) During the year, HeveaConnect Pte. Ltd. became an associate, as disclosed in note 14(a)(iii).

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Investment in subsidiaries (cont'd)

(i) Striking-off a subsidiary

During the year, the Group struck off its wholly-owned dormant subsidiary, JFL Agro Sdn. Bhd. The deregistration did not result in any profit or loss impact.

(ii) Disposal of a subsidiary

In December 2021, the Group disposed its entire shareholding interest, representing 60% of the issued and paid-up share capital in Ivoirienne de Traitement du Caoutchouc S.A. ("ITCA") for a total cash consideration of US\$600,000 (the "Disposal").

The consideration was arrived at on a willing-seller and willing-buyer basis, taking into consideration of the financial position of ITCA. Following the Disposal, ITCA has ceased to be a subsidiary of the Group.

The Disposal did not have any material impact on the consolidated net tangible assets per share or earnings per share of the Group for the financial year ended 31 December 2021.

As at date of disposal, ITCA owed various companies within the Group. These group of companies deem the recoverability of balance owed by ITCA is low, hence these balances had been written down in the respective companies' accounts. The effect of this write down has resulted to a transfer of US\$4,755,000 from retained earnings to non-controlling interest, reflected in the Statements of changes in equity.

(iii) Deemed disposal of a subsidiary due to dilution of interest

In March 2021, a subsidiary of the Group, HeveaConnect Pte. Ltd. ("HeveaConnect") issued 35,162 new ordinary shares ("HC shares") to a third party ("Investor") for US\$1,500,000 and the Company transferred 56,962 HC shares (the "Trust Shares") into a trust managed and administered by an independent trustee. Trust Shares will be eventually distributed to eligible organisations involved in promoting the sustainability agenda in the natural rubber industry.

Subsequent to the issuance of new HC shares and transfer of the Trust Shares, the Company's effective shareholding in HeveaConnect has reduced from 71.09% to 49.91% and the Group no longer has control over majority of the HeveaConnect's board. Accordingly, HeveaConnect ceased to be a subsidiary and it has been equity-accounted for as an associate.

As part of the initial recognition of investment in associate, the Group has engaged an independent valuer to carry out a purchase price allocation review ("PPA"). Based on the PPA exercise, the Group concluded that the investment amount includes US\$2,039,000 of intangible assets and US\$5,123,000 of goodwill, classified as interest in associates as of the date of initial recognition.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(a) Investment in subsidiaries (cont'd)

(iii) Deemed disposal of a subsidiary due to dilution of interest (cont'd)

The value of assets and liabilities of HeveaConnect recorded in the consolidated financial statements as at the date of disposal, and the effects of the disposal were as follows:

	Group US\$'000
Non-current assets	781
Working capital assets	849
Total assets	<u>1,630</u>
Other tax payables	3
Working capital liabilities	462
Total liabilities	<u>465</u>
Net assets derecognised pre Investor investment	1,165
Add: Investor investment	1,500
Net assets derecognised post Investor investment	<u>2,665</u>
Share of net assets derecognised post Investor investment	<u>1,330</u>
	Group US\$'000
Dilution of interest	
Share of disposal consideration (US\$1,500,000 X 49.91%)	749
Less: Carrying amount of diluted interest (US\$1,165,000 X 5%)	(59)
Gain on dilution of interest	<u>690</u>
Retained interest	
Fair value of retained interest (US\$16,500,000 X 49.91%)	8,235
Less: Share of net assets post Investor investment (US\$2,665,000 X 49.91%)	(1,330)
Gain on interest retained	<u>6,905</u>
Gain on disposal of a subsidiary	
Gain on dilution of interest	690
Add: Gain on interest retained	6,905
Total gain on disposal	<u>7,595</u>

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

(b) Investment in associates

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

	Group		Company	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Feltex Co., Ltd.	1,469	1,298	-	-
HeveaConnect Pte. Ltd.	7,718	-	7,718	-
	<u>9,187</u>	<u>1,298</u>	<u>7,718</u>	<u>-</u>

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2021	2020
Held through a subsidiary				
Feltex Co., Ltd. ⁽¹⁾	Thailand	Natural rubber processing	24.80	24.80
Held by the Company				
HeveaConnect Pte. Ltd. ^{(2),(3)}	Singapore	Natural rubber supply chain and trading platform	49.91	71.09

(1) Audited by other firms of Certified Public Accountants, and it is not a significant associated company for the purpose of Listing Rule 715(2) of the Singapore Exchange Securities Trading Limited.

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

(3) During the year, HeveaConnect Pte Ltd. become an associate, as disclosed in note 14(a)(iii).

Aggregate information about the Group's investment in associates are as follows:

	Group	
	2021	2020
	US\$'000	US\$'000
Current assets	5,683	4,967
Non-current assets	1,903	1,195
Current liabilities	(1,886)	(2,561)
Non-current liabilities	(2)	(1)
Equity	<u>5,698</u>	<u>3,600</u>
Total comprehensive (loss)/income, net of tax	<u>(331)</u>	<u>589</u>

Notes To The Financial Statements

For the financial year ended 31 December 2021

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	Consolidated income statement
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Differences in depreciation for tax purposes	664	1,297	(691)	3,351
Tax losses carry forward	27,372	18,529	9,504	(4,591)
Retirement benefit liabilities	3,436	3,569	220	(219)
Fair value uplift of biological assets	(11,370)	(10,519)	(908)	(421)
Fair value uplift of investment properties	(9,747)	(9,774)	(198)	(47)
Fair value uplift of property, plant and equipment acquired in business combination	(22,523)	(23,212)	284	438
Unremitted foreign source income	(10,252)	(7,355)	(2,874)	(1,389)
Forward currency contracts	(1,935)	(1,235)	(415)	1,420
Others	1,425	636	487	346
Tax expense			<u>5,409</u>	<u>(1,112)</u>
Net deferred tax liabilities	<u>(22,930)</u>	<u>(28,064)</u>	<u>(354)</u>	<u>(260)</u>

Reflected in the statement of financial position as follows:

Deferred tax assets	24,226	17,267	-	-
Deferred tax liabilities	(47,156)	(45,331)	(354)	(260)
Deferred tax liabilities, net	<u>(22,930)</u>	<u>(28,064)</u>	<u>(354)</u>	<u>(260)</u>

	Group	
	2021	2020
	US\$'000	US\$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(28,064)	(26,753)
Tax credit/(expense) during the year recognised in profit or loss	5,409	(1,112)
Tax expense during the year recognised in other comprehensive income	(243)	(204)
Exchange difference	(32)	5
At 31 December	<u>(22,930)</u>	<u>(28,064)</u>

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\$126,368,000 and US\$51,663,000 (2020: US\$149,144,000 and US\$66,133,000) respectively that are available for offset against future taxable profits. The tax losses have no expiry date except for an amount of US\$112,125,000 (2020: US\$134,233,000) which will expire in five years and US\$2,856,000 (2020: US\$8,267,000) which will expire after five years.

The related deferred tax benefits of US\$35,707,000 (2020: US\$47,284,000) were not recognised as the recoverability was considered not probable.

Notes To The Financial Statements

For the financial year ended 31 December 2021

15. Deferred tax (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US\$33,072,000 (2020: US\$28,284,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2021 as the distributable profits is within the Group's control and there is currently no intention for the profits to be remitted to Singapore.

16. Plantation and biological assets

	Plantation related properties						Non-current biological assets	Consumable biological assets	Total
	Leasehold land use rights	Freehold land use rights	Plantation establishment costs	Other plantation related costs	Total plantation related properties				
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Group Cost									
At 1 January 2020	85,984	58,108	5,767	5,120	15,108	170,087	305,102	6 475,195	
Additions	-	-	9	1,930	338	2,277	25,602	- 27,879	
Capitalisation of depreciation	-	-	-	-	342	342	-	- 342	
Reclassification	585	-	-	(499)	(259)	(173)	173	- -	
Transfer from property, plant and equipment (Note 12)	-	-	-	-	-	-	3,474	- 3,474	
Fair value adjustment (Note 5)	-	-	-	-	-	-	3,454	- 3,454	
Exchange difference	669	-	360	375	307	1,711	26,501	- 28,212	
At 31 December 2020	87,238	58,108	6,136	6,926	15,836	174,244	364,306	6 538,556	
Additions	-	-	2,722	1,196	478	4,396	25,167	- 29,563	
Capitalisation of depreciation	-	-	-	-	347	347	-	- 347	
Reclassification	-	-	980	(980)	-	-	(14)	14 -	
Transfer from property, plant and equipment (Note 12)	-	-	-	-	-	-	1,658	- 1,658	
Fair value adjustment (Note 5)	-	-	-	-	-	-	6,714	63 6,777	
Disposals	-	-	(404)	-	-	(404)	-	- (404)	
Exchange difference	(1,350)	-	(525)	(424)	(619)	(2,918)	(25,494)	- (28,412)	
At 31 December 2021	85,888	58,108	8,909	6,718	16,042	175,665	372,337	83 548,085	

Notes To The Financial Statements

For the financial year ended 31 December 2021

16. Plantation and biological assets (cont'd)

	Plantation related properties						Non-current biological assets	Consumable biological assets	Total
	Leasehold land use rights	Freehold land use rights	Plantation establishment costs	Other plantation related costs	Total plantation related properties				
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Accumulated depreciation									
At 1 January 2020	2,748	-	720	-	-	3,468	5,642	- 9,110	
Depreciation for the year (Note 8)	1,007	-	252	-	-	1,259	1,862	- 3,121	
Transfer to inventory	-	-	-	-	-	-	500	- 500	
Exchange difference	58	-	72	-	-	130	924	- 1,054	
At 31 December 2020	3,813	-	1,044	-	-	4,857	8,928	- 13,785	
Depreciation for the year (Note 8)	1,012	-	276	-	-	1,288	2,599	- 3,887	
Transfer to inventory	-	-	-	-	-	-	879	- 879	
Disposals	-	-	(204)	-	-	(204)	-	- (204)	
Exchange difference	(97)	-	(70)	-	-	(167)	(849)	- (1,016)	
At 31 December 2021	4,728	-	1,046	-	-	5,774	11,557	- 17,331	
Carrying amount									
At 31 December 2020	83,425	58,108	5,092	6,926	15,836	169,387	355,378	6 524,771	
At 31 December 2021	81,160	58,108	7,863	6,718	16,042	169,891	360,780	83 530,754	

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/Freehold
Total land area (hectares)	9,844	45,198	52,607	1,578

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.

In February 2018, the government has granted a provisional concession land (13,731 hectare) to Sud Cameroun Hevea S.A., a non-wholly owned subsidiary of the Group. As the Group has adopted a zero deforestation policy in 2018, Sudcam has decided to return the concession land to the government in February 2021. This has resulted the land area to reduce from 58,929 hectares to 45,198 hectares. There is no material impact to the Group as the land was undeveloped.

In December 2021, Tropical Rubber Cote D'ivoire S.A. ("TRCI"), a subsidiary of the Group has successfully applied for and converted its 206 hectares of land use rights to freehold land titles (Arrete de Concession Definitive). TRCI has entered into various sale and purchase agreements for the disposal of an aggregate of 54.5 hectares of plantation land. As at 31 December 2021, TRCI has disposed 3 hectares of freehold land for a consideration of US\$1,500,000 and a gain on disposal of US\$938,000 has been recognised in profit or loss (Note 5). The disposal of the remaining 51.5 hectares is further disclosed in Note 39.

Interest expense amounting to US\$9,312,000 was capitalised in 2021 (2020: US\$10,040,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.84% - 7.15% (2020: 2.77% - 7.15%) per annum, 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% (2020: 13.0%) per annum.

Notes To The Financial Statements

For the financial year ended 31 December 2021

17. Debt instrument

In 2020, a subsidiary of the Group and a third party entered into an agreement to convert US\$3,000,000 of outstanding trade receivables from the third party into an investment of 3,000 Non-voting Class A Preferred Stock of the third party. The Group classified the 3,000 Non-voting Class A Preferred Stock as non-current debt instrument at amortised cost of US\$3,000,000 and recognised a fair value adjustment of negative US\$287,000 in profit or loss.

As part of the investment arrangement, the Group is entitled to an annual dividend of 5.5%. The third party may redeem Class A preferred stock at any time before November 2023, where the redemption becomes mandatory. During the year, the Group received interest income of US\$165,000 related to the 5.5% annual dividend from the Counterparty.

The debt instrument measured at amortised cost as follows:

	Group	
	2021 US\$'000	2020 US\$'000
3,000 Non-voting Class A Preferred Stock	2,713	3,000
Fair value adjustment at initial recognition	-	(287)
Less: Loss allowance	(296)	-
Debt instrument at amortised cost	<u>2,417</u>	<u>2,713</u>

18. Cash and bank balances

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Cash at bank and on hand	31,951	42,594	391	239
Short term deposits	1,445	1,298	-	-
Cash and cash equivalents	<u>33,396</u>	<u>43,892</u>	<u>391</u>	<u>239</u>
Short term deposits – pledged	-	1,830	-	-
Total cash and bank balances	<u>33,396</u>	<u>45,722</u>	<u>391</u>	<u>239</u>

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 2021 for the Group is 3.65% per annum (2020: 3.88%).

Cash and bank balances of US\$1,123,000 (2020: US\$3,132,000) of the Group have been charged as security for the Group's general banking facilities (Note 26) and performance guarantee.

Notes To The Financial Statements

For the financial year ended 31 December 2021

18. Cash and bank balances (cont'd)

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	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
United States Dollar	6,230	4,765	-	-
Singapore Dollar	975	1,081	305	154
Euro	551	1,960	1	8
Pound Sterling	533	309	4	4
Swedish Krona	-	6	-	-

19. Trade receivables

	Group	
	2021 US\$'000	2020 US\$'000
External parties	<u>165,059</u>	<u>157,385</u>

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\$66,720,000 (2020: US\$26,777,000) of the Group have been charged as security for the Group's banking facilities (Note 26).

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	
	2021 US\$'000	2020 US\$'000
United States Dollar	13,018	14,641
Euro	8,760	13,466
Pound Sterling	580	3,436
Swedish Krona	-	403

Notes To The Financial Statements

For the financial year ended 31 December 2021

19. Trade receivables (cont'd)

Expected credit losses ("ECL")

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

	Group	
	2021 US\$'000	2020 US\$'000
Loss allowances as at 1 January	607	700
Charge for the year	61	58
Written off	(38)	(142)
Exchange difference	(3)	(9)
At 31 December	627	607

20. Loans and other receivables

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Financial assets				
Non-current:				
Loan to non-controlling interests of a subsidiary	3,453	3,741	-	-
Loan to a third party	47,694	56,483	-	-
	51,147	60,224	-	-
Current:				
Loan to a third party	12,386	5,814	-	-
Interest-bearing receivable	4,400	-	-	-
Other receivables	25,259	20,729	-	111
Amounts due from subsidiaries	-	-	407,880	650,668
Deposits	14,645	10,852	306	306
	56,690	37,395	408,186	651,085
Non-financial assets				
Current:				
Prepayments	22,593	21,981	250	267
Other tax receivables	25,416	27,210	68	149
	48,009	49,191	318	416
Total current financial and non-financial assets	104,699	86,586	408,504	651,501
Total non-current financial and non-financial assets	51,147	60,224	-	-

Notes To The Financial Statements

For the financial year ended 31 December 2021

20. Loans and other receivables (cont'd)

The loan to non-controlling interests of a subsidiary is secured, repayable in 2025 and earns interest at 5% per annum (2020: 5%).

The loan to a third party ("borrower") was secured by the following:

- (i) borrower's equity interest in its subsidiary
- (ii) borrower's receivables and bank balances
- (iii) certain borrower's investment properties

In 2020, the loan to the borrower was structured with progressive payments for a period up to 31 December 2024 which bears an interest at 10%-11% per annum and to be repaid semi-annually.

The interest repayment of US\$4,471,000 was due on 31 December 2021. The borrower has been requested to repay 50% of the overdue amount by 31 March 2022, with the remaining 50% to be repaid by 30 June 2022. As at the date of this report, this overdue interest remains unpaid and the discussion with the borrower is still ongoing, which we expect the discussion on the collection of overdue interest to be substantially completed on or before 30 June 2022.

The Group has assessed the collateral value to be sufficient to cover the carrying amount of the loan receivables based on the valuation performed by an independent professional valuer.

The Group has assessed the expected credit losses ("ECL") for the loan to the borrower based on the following approaches:

- (i) Discounted cash flow

The ECL is estimated based on the present value of cash shortfalls between the contractual cash flows that are due to the Group and the cash flows that the Group expects to receive, by taking into account the timing of repayments and assuming that the Group continues to charge interest on the outstanding loan.

- (ii) Lifetime ECL

The ECL is estimated based on the formula: Probability of default x Loss given default x Exposure of default.

Based on the assessment above, the Group has recognised a provision of ECL amounting to US\$1,440,000 for the financial year ended 2021 (2020: Nil). The ECL is sensitive to the timing of repayments.

Included in the loans and other receivables is an interest-bearing receivable of US\$4,400,000. A subsidiary of the Group entered into a contractual agreement with a third party which bears an interest of 4.2% per annum and due within a year.

Included within other receivables are corporate social responsibility receivable ("CSR receivable") amounting to US\$8,479,000 (2020: US\$9,043,000) and interest receivables amounting to US\$7,674,000 (2020: US\$6,948,000). CSR receivable 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.

Included within deposits is a deposit amounting to US\$3,501,000 which was placed with a local government of a country where the Group's subsidiary operate in to contest in court for tax assessments of prior years. The court has ruled in the Group's favour in the Group's contest for these tax assessments and ordered the local government to refund the deposit. As such, the Group has reversed the allowance for the deposit of US\$3,156,000 during the year.

The Group had assessed the recoverability of other tax receivables which relates to value-added tax receivables from certain local governments of countries where the Group's subsidiaries operate in. As at 31 December 2021, the allowance provided for other tax receivables amounted to US\$3,308,000 (2020: US\$4,053,000).

Notes To The Financial Statements

For the financial year ended 31 December 2021

20. Loans and other receivables (cont'd)

As at 31 December 2021, amounts due from subsidiaries amounting to US\$124,614,000 (2020: US\$81,338,700) are unsecured, bears an average interest of 2.50% (2020: 2.25%) 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.

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	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
Opening loss allowance as at 1 January	8,687	6,549	99	166
(Reversal)/Charge for the year	(3,905)	2,007	(12)	(67)
Exchange difference	(162)	131	-	-
At 31 December	4,620	8,687	87	99

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	
	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000
United States Dollar	1,133	1,097	-	-
Singapore Dollar	120	218	70	149
Euro	63,378	63,849	-	-
Chinese Yuan Renminbi	506	2,732	-	-
Japanese Yen	566	771	-	-

21. Derivative financial instruments

	Group			
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
Forward currency contracts	5,570	(2,647)	8,032	(7,498)
Forward commodity (natural rubber) contracts	17,747	-	7,822	-
Total	23,317	(2,647)	15,854	(7,498)

	Company			
	2021		2020	
	Assets	Liabilities	Assets	Liabilities
	US\$'000	US\$'000	US\$'000	US\$'000
Forward currency contracts	3,976	(4,300)	10,578	(10,335)

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

21. 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	
	2021	2020	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Forward contracts on commodity (natural rubber):						
- Sales	626,636	611,058	3,152	2,290	-	-
- Purchases	226,389	252,212	14,595	5,532	-	-
Forward currency contracts	823,838	896,519	5,570	8,032	(2,647)	(7,498)
			23,317	15,854	(2,647)	(7,498)

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

22. Inventories

	Group	
	2021	2020
	US\$'000	US\$'000
At cost:		
- Consumables	24,433	27,223
At fair value:		
- Raw materials	133,874	128,840
- Work-in-progress	31,439	33,790
- Finished goods held for resale	307,230	199,399
	472,543	362,029
	496,976	389,252

The inventories as at the end of each reporting period in 2021 and 2020 included fair value gains of US\$15,474,000 and US\$15,040,000 respectively.

Inventories with carrying amount of US\$153,523,000 (2020: US\$132,231,000) have been pledged as security for a trade financing facility (Note 26).

23. Assets classified as held-for-sale

Non-current asset classified as held-for-sale

a) The Group decided to dispose certain offices located in Indonesia back in 2019. Accordingly, these properties amounting to US\$4,695,000 (2020: US\$4,750,000) have been reclassified from investment properties to assets classified as held for sale.

The completion of the transaction was delayed due to the COVID-19 situation, and is expected to be completed in 2022. A new buyer has been found as the previous buyer has deceased and no longer able to complete the transaction.

b) The Group decided to dispose certain offices located in China and have listed these offices on a trading exchange in China since 2020. Accordingly, these properties with book value amounting to US\$1,722,000 (2020: US\$1,680,000) have been reclassified from investment properties to assets classified as held for sale.

Notes To The Financial Statements

For the financial year ended 31 December 2021

24. Trade payables

	Group	
	2021 US\$'000	2020 US\$'000
External parties	57,449	33,178

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	
	2021 US\$'000	2020 US\$'000
United States Dollar	402	1,569

25. Other payables

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Financial liabilities				
Current:				
Other payables	21,265	18,834	913	790
Accrued operating expenses	29,497	25,207	1,508	1,651
Amounts due to penultimate holding company	1,200	1,200	1,200	1,200
Accrued interest expense	2,437	2,861	399	201
Amounts due to subsidiaries	-	-	72,379	179,488
	54,399	48,102	76,399	183,330

Non-financial liabilities

Current:

Other indirect tax payables	8,663	4,496	190	85
Advances related to contracted sales	33,448	8,273	-	-
	42,111	12,769	190	85
Total current other payables	96,510	60,871	76,589	183,415

Financial liabilities

Non-current:

Amounts due to penultimate holding company	3,600	4,800	3,600	4,800
Amounts due to subsidiaries	-	-	29,410	75,658
Other payables	5,403	6,945	-	-
	9,003	11,745	33,010	80,458

Non-financial liabilities

Non-current:

Government grants	1,326	1,441	-	-
	1,326	1,441	-	-
Total non-current other payables	10,329	13,186	33,010	80,458

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

Notes To The Financial Statements

For the financial year ended 31 December 2021

25. Other payables (cont'd)

As at 31 December 2021, certain amounts due to subsidiaries amounting to US\$99,163,000 (2020: US\$24,194,000) bears an average interest of 1.68% (2020: 2.98%) per annum, unsecured and repayable on demand. The remaining amounts due to subsidiaries are non-interest bearing, unsecured and repayable on demand.

Amounts due to penultimate holding company are relating to guarantee fee for issuance of perpetual securities (Note 29).

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	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
United States Dollar	3,731	2,194	-	-
Singapore Dollar	126	137	-	-
Euro	6,557	3,962	-	-

26. Loan payables

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Current:				
- Working capital loans	601,820	463,524	316,000	215,500
- Term loans	32,371	373,191	13,800	358,607
	634,191	836,715	329,800	574,107
Non-current:				
- Term loans	452,727	174,870	282,000	-
	452,727	174,870	282,000	-
Total loan payables	1,086,918	1,011,585	611,800	574,107

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	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
United States Dollar	18,005	18,105	-	-
Euro	24,956	27,242	-	-

During the year, certain subsidiaries of the Company has entered into a facility agreement with the Company's holding company for a short-term working capital loan for general working capital purposes. As at 31 December 2021, the outstanding balance of the loan is US\$31,756,000 and bears an interest rate of 1.8% per annum.

Working capital loans bear average interest rates of 3.42% (2020: 4.81%) per annum. Certain loan payables amounting to US\$275,235,000 (2020: US\$189,788,000) are secured by a charge over certain of the Group's inventories (Note 22), property, plant and equipment (Note 12), certain cash and bank balances (Note 18), and certain trade receivables (Note 19).

Notes To The Financial Statements

For the financial year ended 31 December 2021

26. Loan payables (cont'd)

The Group and the Company has the following term loans:

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<u>Current</u>				
Loan A	3,530	2,767	-	-
Loan B	13,800	298,841	13,800	298,841
Loan C	13,539	8,779	-	-
Loan D	1,502	3,038	-	-
Loan F	-	59,766	-	59,766
	<u>32,371</u>	<u>373,191</u>	<u>13,800</u>	<u>358,607</u>
<u>Non-current</u>				
Loan A	14,039	20,655	-	-
Loan B	282,000	-	282,000	-
Loan C	44,604	61,374	-	-
Loan D	14,267	14,433	-	-
Loan E	72,861	51,479	-	-
Loan G	24,956	26,929	-	-
	<u>452,727</u>	<u>174,870</u>	<u>282,000</u>	<u>-</u>

Details of the term loans are as follow:

- Loan A bears an average effective interest of 6.00% (2020: 6.00%) per annum and repayable on monthly instalments until 2026. This loan is unsecured.
- Loan B bears an effective interest rate of 2.21% (2020: 2.74%) and is repayable in June 2024. This loan is unsecured and was refinanced during the year.
- Loan C bears an average effective interest rate of 7.15% (2020: 7.15%) per annum. Repayment commenced in 2020 on semi-annual instalments until 2027. This loan is unsecured.
- Loan D bears an average effective interest rate of 9.00% (2020: 9.00%) per annum. Repayment has commenced 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 2.11% (2020: 3.60%) per annum and is repayable in 2024. The loan is secured on certain property, plant and equipment, pledged deposit, trade receivables and inventories.
- Loan F was fully repaid in 2021.
- Loan G bears an average effective interest rate of 2.08% (2020: 2.95%) per annum and is repayable in 2023. This sustainability linked loan is unsecured.

Notes To The Financial Statements

For the financial year ended 31 December 2021

27. 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	
	2021 US\$'000	2020 US\$'000
At 1 January	24,535	22,541
Benefit paid for the year	(3,964)	(2,747)
<u>Changes charged to profit or loss</u>		
- Current service costs	1,900	2,168
- Interest cost on benefit obligations	1,151	1,252
- Past service costs	(70)	25
- Net actuarial gain recognised during the year	284	215
- Provision of long term employee benefit	(114)	(152)
- Excess benefit	554	796
<u>Re-measurement losses/(gain) in other comprehensive income</u>		
- Actuarial changes arising from changes in demographic assumptions	(2)	(194)
- Actuarial changes arising from changes in financial assumptions	(550)	1,095
- Experience adjustments	(469)	(900)
Exchange difference	(917)	436
At 31 December	<u>22,338</u>	<u>24,535</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:

	Group	
	2021 %	2020 %
<u>Indonesia (Headcount: 2021 – 3,986, 2020 – 4,136)</u>		
Discount rate	6.58 – 7.58	6.32 – 7.36
Future salary increment rate	5.00 – 9.00	5.00 – 9.00
<u>Thailand (Headcount: 2021 – 1,041, 2020 – 1,035)</u>		
Discount rate	1.35	0.98
Future salary increment rate	1.00 – 4.00	1.00 – 4.00
<u>Cameroon (Headcount: 2021 – 6,356, 2020 – 6,521)</u>		
Discount rate	3.50	3.50
Future salary increment rate	1.00 – 4.00	2.00 – 4.02
<u>Ivory Coast (Headcount: 2021 – 845, 2020 – 1,268)</u>		
Discount rate	5.80	3.50 – 6.00
Future salary increment rate	2.00	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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

27. 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 2021 US\$'000	Decrease in assumption 2021 US\$'000	Increase in assumption 2020 US\$'000	Decrease in assumption 2020 US\$'000
Group				
One percentage point change in the assumed discount rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	(229)	249	(372)	414
- (Decrease)/Increase on retirement benefit obligation	(1,447)	1,687	(1,503)	1,748
One percentage point change in the salary growth rate:				
- (Decrease)/Increase on the aggregate current service cost and interest cost	769	(663)	429	(360)
- Increase/(Decrease) on retirement benefit obligation	1,970	(1,722)	1,748	(1,529)

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 18.0 years (2020: 16.8 years).

Notes To The Financial Statements

For the financial year ended 31 December 2021

28. Share capital

	Group and Company			
	2021		2020	
	No. of shares '000	US\$'000	No. of shares '000	US\$'000
Issued and fully paid ordinary shares				
Balance at beginning and end of financial year	1,595,012	603,874	1,595,012	603,874

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

29. Perpetual securities

In 2020, the Company issued guaranteed subordinated perpetual securities with principal amount of US\$200,000,000 bearing distribution rate of 3.80% per annum. In the event of non-redemption by the Company in November 2025, the distribution rate will be reset and every five calendar years thereafter to a distribution rate equivalent to the sum of (a) the initial spread of 3.345%, (b) the then-prevailing five-year U.S. treasury rate and (c) a margin of 3.00% per annum. The perpetual securities were unconditionally and irrevocably guaranteed by Sinochem International Corporation, the major shareholder of the Company. An amount of US\$192,640,000 net of issuance costs and guarantee fees, 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 any scheduled distribution perpetually 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 are classified as equity and distributions are treated as dividends. This is on the basis that the Company has no contractual obligations to repay its principal or to pay any distributions. As a result, the instrument does not meet the definition as a financial liability under SFRS(I) 1-32 *Financial Instruments: Disclosure and Presentation*.

30. Other reserves

a) Capital reserve

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 mainly pertain to transaction cost on the issuance of perpetual securities and the excess of capital paid by a shareholder for the shares in the subsidiary over the capital received from the same shareholder.

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

31. Lease liabilities

	Land and office US\$'000	Office equipment and motor vehicles US\$'000	Total US\$'000
Group			
At 1 January 2020	12,807	520	13,327
Additions	1,285	233	1,518
Interest expense (Note 6(b))	576	14	590
Lease payment	(3,383)	(264)	(3,647)
Exchange difference	226	9	235
Derecognition of lease liabilities	-	(13)	(13)
At 31 December 2020 and 1 January 2021	11,511	499	12,010
Additions	2,244	29	2,273
Interest expense (Note 6(b))	511	17	528
Lease payment	(3,363)	(251)	(3,614)
Exchange difference	(8)	(29)	(37)
Derecognition of lease liabilities	(233)	-	(233)
At 31 December 2021	10,662	265	10,927
Company			
At 1 January 2020	2,685	159	2,844
Additions	-	-	-
Interest expense	107	7	114
Lease payment	(1,022)	(41)	(1,063)
Exchange difference	(73)	(6)	(79)
At 31 December 2020 and 1 January 2021	1,697	119	1,816
Interest expense	48	4	52
Lease payment	(1,052)	(43)	(1,095)
Exchange difference	(33)	2	(31)
At 31 December 2021	660	82	742

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Current	3,286	2,621	698	1,058
Non-current	7,641	9,389	44	758
	10,927	12,010	742	1,816

As at 31 December 2021, the average incremental borrowing rate applied and average interest rate in the lease were 5.16% and 4.83% (2020: 5.16% and 4.92%) per annum respectively.

The Group lease liabilities of US\$44,000 (2020: US\$98,000) was secured over motor vehicles (Note 12(b)).

Notes To The Financial Statements

For the financial year ended 31 December 2021

31. Lease liabilities (cont'd)

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	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Singapore Dollar	742	2,059	742	1,816

32. 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 2021 and 31 December 2020 are as disclosed in Note 21.

(b) Corporate guarantees

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

	Company	
	2021 US\$'000	2020 US\$'000
Subsidiaries	341,857	380,862

(c) Commitment for property, plant and equipment

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements relating to purchase of the property, plant and equipment of US\$611,000 (2020: Nil).

33. 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:

		Group		Company	
	Note	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Financial assets					
Debt instrument	17	2,417	2,713	-	-
Cash and bank balances	18	33,396	45,722	391	239
Trade receivables	19	165,059	157,385	-	-
Loans and other receivables	20	107,837	97,619	408,186	651,085
Derivative financial instruments	21	23,317	15,854	3,976	10,578
		332,026	319,293	412,553	661,902

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. Financial risks and management (cont'd)

(a) Categories of financial instruments (cont'd)

	Note	Group		Company	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Financial liabilities					
Trade payables	24	57,449	33,178	-	-
Other payables	25	63,402	59,847	109,409	263,788
Loan payables	26	1,086,918	1,011,585	611,800	574,107
Lease liabilities	31	10,927	12,010	742	1,816
Derivative financial instruments	21	2,647	7,498	4,300	10,335
		<u>1,221,343</u>	<u>1,124,118</u>	<u>726,251</u>	<u>850,046</u>

(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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. Financial risks and management (cont'd)

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

(i) Foreign currency risk (cont'd)

Foreign currency sensitivity (cont'd)

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entity, income will increase/(decrease) by:

	Group		Company	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
United States Dollar	(88)	(68)	-	-
Singapore Dollar	11	(45)	19	15
Euro ⁽¹⁾	(988)	(683)	-	-
Pound Sterling	53	184	-	-
Swedish Krona	-	20	-	-
Chinese Yuan Renminbi	30	143	1	1
Japanese Yen	29	39	-	-

⁽¹⁾ It excludes the effect of foreign currency exposure that has been materially hedged.

(ii) Interest rate risk

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

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

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's income for the financial year would decrease/increase by US\$3,868,000 (2020: decrease/increase by US\$3,848,000). 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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. Financial risks and management (cont'd)

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

(iii) Credit risk (cont'd)

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.

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. Financial risks and management (cont'd)

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

(iii) Credit risk (cont'd)

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.

(A) 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

(B) 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. The interest repayment due on 31 December 2021 is now overdue and this indicated a significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group changed the impairment loss allowance from 12-month ECL to lifetime ECL and determined that the ECL of US\$1,440,000 is required as at 31 December 2021 (2020: Nil). Further details of the assessment are disclosed in Note 20.

(C) Debt instrument

The non-current debt instrument is recognised initially at fair value. Further details of the initial recognition are disclosed in Note 17. Subsequently, the Group assess and record the ECL for debt instrument based on general approach of 12-months ECL and computes the ECL based on probability-weighted scenario analysis.

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. 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	
	2021 US\$'000	2020 US\$'000
By country:		
Asia (excluding Singapore and China)	35,543	33,176
China	36,113	30,998
Singapore	6,196	5,507
United States of America ("USA")/Canada	39,431	36,889
Europe	37,937	43,213
Others	9,839	7,602
	<u>165,059</u>	<u>157,385</u>

The credit risk exposure on the Group's trade receivables is as follow:

	31 December 2021						
	Current	Days past due					Total
	US\$'000	<30 days US\$'000	30-60 days US\$'000	61-90 days US\$'000	>91 days US\$'000	US\$'000	
ECL rate	0.25%	0.29%	0.36%	0.49%	100%		
Total trade receivables	137,938	26,859	691	-	198	165,686	
ECL	348	78	3	-	198	627	
	31 December 2020						
	Current	Days past due					Total
	US\$'000	<30 days US\$'000	30-60 days US\$'000	61-90 days US\$'000	>91 days US\$'000	US\$'000	
ECL rate	0.25%	0.29%	0.36%	0.49%	61.83%		
Total trade receivables	133,001	23,764	632	272	323	157,992	
ECL	335	69	2	1	200	607	

Further details of credit risk on trade receivables are disclosed in Note 19 to the financial statements.

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. Financial risks and management (cont'd)

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

(iv) Liquidity risk

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

The Group maintains sufficient liquidity at all times by efficient cash and working capital management.

The Group's ability to meet its obligations is managed by maintaining appropriate level of cash balance and working capital balances. During the year, the Group has successfully refinanced an existing term loan of US\$300,000,000 that is due in December 2021 with a syndicated loan that carries a tenure of three years.

During the year, certain subsidiaries of the Company have entered into a facility agreement with the Company's parent for a short-term working capital loan for general working capital purposes.

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. Financial risks and management (cont'd)

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

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments

Group	2021				2020							
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
		US\$'000	US\$'000	US\$'000								
Financial assets:												
Trade and other receivables-interest bearing	10.59	20,886	56,763	4,317	(14,033)	67,933	9.66	6,846	31,622	48,238	(20,668)	66,038
Trade and other receivables-non-interest bearing		204,963	-	-	-	204,963		188,966	-	-	-	188,966
Debt instruments		-	2,417	-	-	2,417		-	2,713	-	-	2,713
Cash at banks and in hand		31,951	-	-	-	31,951		42,594	-	-	-	42,594
Short term deposits	3.65	1,497	-	-	(52)	1,445	3.88	1,349	-	-	(51)	1,298
Total undiscounted financial assets		259,297	59,180	4,317	(14,085)	308,709		239,755	34,335	48,238	(20,719)	301,609
Financial liabilities:												
Trade and other payables-interest bearing	2.33	1,800	-	1,600	(475)	2,925	6.93	-	1,800	1,600	(711)	2,689
Trade and other payables-non-interest bearing		110,048	2,400	5,478	-	117,926		82,483	2,400	5,455	-	90,338
Lease liabilities	4.83	3,820	2,726	24,219	(19,838)	10,927	4.92	3,059	3,632	27,033	(21,714)	12,010
Loan payables- variable rate	1.91	389,903	406,974	-	(21,733)	775,144	2.76	715,157	81,442	-	(25,711)	770,888
Loan payables- fixed rate	6.35	258,656	34,589	55,976	(37,448)	311,773	7.17	161,483	43,019	77,313	(41,118)	240,697
Total undiscounted financial liabilities		764,227	446,689	87,273	(79,494)	1,218,695		962,182	132,293	111,401	(89,254)	1,116,622

33. Financial risks and management (cont'd)

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

(iv) Liquidity risk (cont'd)

Non-derivative financial instruments

Company	2021				2020							
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
		US\$'000	US\$'000	US\$'000								
Financial assets:												
Trade and other receivables - non-interest bearing		283,571	-	-	-	283,571		568,446	-	-	-	568,446
Trade and other receivables - interest bearing	2.49	127,721	-	-	(3,107)	124,614	2.91	85,041	-	-	(2,402)	82,639
Cash at banks and in hand		391	-	-	-	391		239	-	-	-	239
Total undiscounted financial assets		411,683	-	-	(3,107)	408,576		653,726	-	-	(2,402)	651,324
Financial liabilities:												
Trade and other payables - non-interest bearing		6,646	2,400	1,200	-	10,246		159,136	2,400	78,058	-	239,594
Trade and other payables - interest bearing	1.91	71,648	-	29,410	(1,896)	99,162	2.98	24,915	-	-	(721)	24,194
Lease liabilities (Note 31)	3.81	711	45	-	(14)	742	3.63	1,107	734	12	(37)	1,816
Loan payables- variable rate	1.88	321,029	306,533	-	(15,762)	611,800	2.70	591,046	-	-	(16,939)	574,107
Total undiscounted financial liabilities		400,034	308,978	30,610	(17,672)	721,950		776,204	3,134	78,070	(17,697)	839,711

Notes To The Financial Statements

For the financial year ended 31 December 2021

Notes To The Financial Statements

For the financial year ended 31 December 2021

33. 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 21 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.

The Group managed the exposure on commodity price risk by utilising forward physical contracts and/or derivatives to manage the Group's open commodity positions. The Group also reviewed daily monitoring reports on market positioning to facilitate decision making process on the Group's exposure.

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\$4,470,000 (2020: increased/decreased profit before income tax by US\$430,000) and increased/decreased equity by US\$4,470,000 (2020: increased/decreased equity by US\$430,000).

34. 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	
	2021 US\$'000	2020 US\$'000
Banking facilities covered by letter of comfort from penultimate holding company	592,600	520,000
Fee charged by penultimate holding company for issuance of letter of comfort	1,376	518
Guarantee fee chargeable by penultimate holding company relating to the issuance of perpetual securities	-	6,000
Loan facility entered with holding company	31,756	-
Interest charged by holding company	97	-

Notes To The Financial Statements

For the financial year ended 31 December 2021

34. Related party transactions (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	Group	
	2021 US\$'000	2020 US\$'000
Directors' fees (Note 8)	452	399
Short-term benefits		
- Directors of the Company	447	981
- Other key management personnel	1,099	1,118
	1,998	2,498

35. 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.

The key segments of the Group comprises the following:

- (a) Corrie MacColl Group – This Group comprises of CMC Plantation (“CMCP Group”) and CMC Distribution (“CMCI Group”). CMCP Group includes plantation and processing business in Cameroon and Malaysia and CMCI Group is the distribution business for industrial and non-tyre applications.
- (b) HRC Group – This business segment includes the Group 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.

Notes To The Financial Statements

Notes To The Financial Statements

For the financial year ended 31 December 2021

For the financial year ended 31 December 2021

35. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000
Revenue to third party	2,309	1,013	711,175	532,282	1,746,292	1,175,290	45	201	-	-	2,459,821	1,708,786
Inter-segment revenue	37,368	25,422	-	1,487	90,603	58,424	10,020	14,014	(137,991)	(99,347)	-	-
Total revenue	39,677	26,435	711,175	533,769	1,836,895	1,233,714	10,065	14,215	(137,991)	(99,347)	2,459,821	1,708,786
Gross profit/(loss)	3,811	(5,540)	65,235	27,198	94,077	80,259	10,052	14,062	(10,302)	(14,409)	162,873	101,570
Operating (loss)/profit	(6,551)	(28,649)	26,710	(2,407)	14,471	2,311	66,656	(2,410)	(65,219)	(116)	36,067	(31,271)
Finance income											6,377	5,829
Finance costs											(25,893)	(31,228)
Share of result of associates											(204)	253
Profit/(Loss) before tax											16,347	(56,417)
Income tax credit/(expense)											701	(4,196)
Profit/(loss) for the financial year											17,048	(60,613)
Segment assets	892,362	873,113	661,190	647,276	1,107,316	1,025,317	1,568,414	1,637,769	(2,166,373)	(2,219,484)	2,062,909	1,963,991
Segment liabilities	631,434	574,583	631,072	635,850	639,925	844,474	731,008	852,352	(1,294,680)	(1,692,373)	1,338,759	1,214,886
Other information:												
Management fee expense/ (income)	-	-	120	-	9,828	13,618	(9,948)	(13,618)	-	-	-	-
Depreciation expense (include right-of-use assets)	7,499	6,665	2,941	2,694	20,862	21,240	1,173	1,264	199	-	32,674	31,863
Fair value gain on investment properties	-	-	-	-	(1,651)	(793)	-	-	-	-	(1,651)	(793)
Fair value gain on biological assets	(6,777)	(3,454)	-	-	-	-	-	-	-	-	(6,777)	(3,454)
Unrealised fair value (gain)/ loss on open forward commodity contracts and adjustment on inventories	(1,347)	4,481	(9,022)	7,001	(3,542)	2,510	-	-	-	-	(13,911)	13,992
Capital expenditure on property, plant and equipment	3,143	8,375	91	322	4,397	7,506	224	346	-	-	7,855	16,549
Capital expenditure on plantation assets	17,162	17,518	-	-	3,090	321	-	-	-	-	20,252	17,839

35. Segment information (cont'd)

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A. Inter-segment revenues are eliminated on consolidation.
- B. Management fee is eliminated on consolidation.
- C. Elimination on investment in subsidiaries and intercompany balances.
- D. Elimination on intercompany balances.

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets including intangible assets, property, plant and equipment, plantation related properties, biological assets, investment properties, deferred charges and other assets) by geographical location are detailed below:

	Group	
	2021 US\$'000	2020 US\$'000
<i>Sales of natural rubber</i>		
Singapore	81,245	80,963
Asia (excluding Singapore and China)	687,666	478,505
China	832,072	494,731
USA/Canada	258,644	310,757
Europe	539,329	289,539
Others	60,865	54,291
	<u>2,459,821</u>	<u>1,708,786</u>

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

	Group	
	2021 US\$'000	2020 US\$'000
<i>Non-current assets</i>		
Singapore	72,348	76,761
Asia	538,329	558,238
Africa	552,203	559,722
Europe	26,618	28,001
Others	15,094	16,957
	<u>1,204,592</u>	<u>1,239,679</u>

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.

Notes To The Financial Statements

For the financial year ended 31 December 2021

36. 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 2021			Total US\$'000
	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	
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	23,317	-	-	23,317
Financial assets as at 31 December 2021	23,317	-	-	23,317
Non-financial assets:				
Inventories	-	472,543	-	472,543
Biological assets	-	-	360,863	360,863
Investment properties	-	-	42,169	42,169
Non-financial assets as at 31 December 2021	-	472,543	403,032	875,575
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	2,647	-	-	2,647
Financial liabilities as at 31 December 2021	2,647	-	-	2,647

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

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

	Group 2020			Total US\$'000
	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	
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	15,854	-	-	15,854
Financial assets as at 31 December 2020	15,854	-	-	15,854
Non-financial assets:				
Inventories	-	362,029	-	362,029
Biological assets	-	-	355,378	355,378
Investment properties	-	-	43,584	43,584
Non-financial assets as at 31 December 2020	-	362,029	398,962	760,991
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	7,498	-	-	7,498
Financial liabilities as at 31 December 2020	7,498	-	-	7,498

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

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

	Company 2021			Total US\$'000
	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	
Fair value measurements at the end of the reporting period using				
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	3,976	-	-	3,976
Financial assets as at 31 December 2021	3,976	-	-	3,976
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	4,300	-	-	4,300
Financial liabilities as at 31 December 2021	4,300	-	-	4,300
	Company 2020			Total US\$'000
	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	
Fair value measurements at the end of the reporting period using				
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	10,578	-	-	10,578
Financial assets as at 31 December 2020	10,578	-	-	10,578
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	10,335	-	-	10,335
Financial liabilities as at 31 December 2020	10,335	-	-	10,335

Notes To The Financial Statements

For the financial year ended 31 December 2021

36. 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 the following:

	2021	2020
<u>Malaysia</u>		
Average annual yield for rubber trees in Malaysia plantation (Metric tonne per hectare)	1.2	1.7
Discount rate for rubber trees in Malaysia plantation (%)	11.0	11.0
<u>Cameroon</u>		
Average annual yield for rubber trees in Cameroon plantation (Metric tonne per hectare)	1.7 – 2.0	1.7 – 2.0
Discount rate for rubber trees in Cameroon plantation (%)	13.0	13.0

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 1.0% increase/decrease in average annual yield will increase/decrease the fair value of biological asset by US\$7,418,000 and a 0.5% increase/decrease in discount rate will decrease/increase the fair value of biological asset by US\$20,459,000 for Cameroon plantations.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

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

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

Investment properties

The fair value of the Group's investment properties has 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):

	2021		
	Biological assets US\$'000	Investment properties US\$'000	Total US\$'000
Group			
Opening balance	355,384	43,584	398,968
Fair value gain recognised in profit or loss	6,777	1,651	8,428
Additions	25,167	-	25,167
Depreciation for the year	(2,599)	-	(2,599)
Disposals	-	(815)	(815)
Reclassification	779	-	779
Exchange differences	(24,645)	(2,251)	(26,896)
Closing balance	360,863	42,169	403,032

	2020		
	Biological assets US\$'000	Investment properties US\$'000	Total US\$'000
Group			
Opening balance	299,466	44,718	344,184
Fair value gain recognised in profit or loss	3,454	793	4,247
Additions	25,602	-	25,602
Depreciation for the year	(1,862)	-	(1,862)
Reclassification to assets of disposal classified as held-for-sale (Note 23)	-	(1,680)	(1,680)
Reclassification	3,147	-	3,147
Exchange differences	25,577	(247)	25,330
Closing balance	355,384	43,584	398,968

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2021 and 31 December 2020.

Notes To The Financial Statements

For the financial year ended 31 December 2021

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

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

(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 18), trade receivables (Note 19), loans and other receivables (Note 20), trade payables (Note 24), other payables (Note 25), and loan payables (Note 26) 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.

37. Dividends on ordinary shares

The Group has not paid dividend on ordinary shares during the Financial Year 2021 and 2020.

38. 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 2020 and 31 December 2021, with the exception of loans of certain subsidiaries for financial year ended 31 December 2021. As at 31 December 2021, the subsidiaries obtained waivers from the banks for bank loans with carrying amount of US\$187,000,000 (2020: US\$180,861,000) for the non-fulfilment of financial covenants.

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 2021 and 31 December 2020.

The Group is committed to a sustainable dividend policy that ensures its capital allocation is being decided in a way that delivers long-term, sustainable returns. In considering the level of dividend payments, the Board will consider all of the above factors and strive to ensure that its capital allocation are being decided in a way that delivers long-term, sustainable returns. As at 31 December 2021, the Board does not recommend dividend as it deems that it is appropriate to retain and reinvest such earnings in the Group, to allow greater flexibility on capital management and ensure availability of financial resources to respond to temporary disruptions and to aid in medium-term recovery.

Notes To The Financial Statements

For the financial year ended 31 December 2021

38. Capital management (cont'd)

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	
	2021 US\$'000	2020 US\$'000
Loan payables (Note 26)	1,086,918	1,011,585
Lease liabilities (Note 31)	10,927	12,010
Total borrowing	1,097,845	1,023,595
Adjust for: Working capital items		
- Trade receivables (Note 19)	(165,059)	(157,385)
- Inventories (Note 22)	(496,976)	(389,252)
- Cash and bank balances (Note 18)	(33,396)	(45,722)
- Trade payables (Note 24)	57,449	33,178
Adjusted net borrowing	459,863	464,414
Total equity	724,150	749,105
Adjusted gearing ratio	0.64	0.62

39. Event occurring after the reporting period

In December 2021, Tropical Rubber Côte d'Ivoire S.A. ("TRCI"), a subsidiary of the Group has entered into various SPA for the disposal of an aggregate of 54.5 hectares of plantation land.

As disclosed in Note 16, TRCI has disposed 3 hectares of the aforementioned plantation land. The disposal of the remaining 51.5 hectares will be completed in the financial year 2022 upon fulfilment of all the terms and conditions of the sale and purchase agreements and expects to realise a gain of approximately US\$10.6 million.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 30 March 2022.

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**



Halcyon Agri Corporation Limited

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

Financial Statements
For the Second Half 2022 (“H2 2022”) and
Financial Year ended 31 December 2022
 (“FY2022”)

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

Table of Contents

	Page
Part A: Financial Statements	
A1: Consolidated Income Statement	3
A2: Consolidated Statement of Comprehensive Income	4
A3: Statements of Financial Position	5
A4: Statements of Changes in Equity	7
A5: Consolidated Cash Flow Statement	10
Part B: Review of the Performance of the Group and Market Outlook	
B1: Review of Performance of the Group	12
B2: The significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months	19
Part C: Notes to the Consolidated Financial Statements	
Part D: Other Information Required by Listing Rule Appendix 7.2	
	40

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART A: FINANCIAL STATEMENTS

A1: Consolidated Income Statement

For the Second Half 2022 and Financial Year ended 31 December 2022

	Note in	Group			Group		
		H2 2022	H2 2021	Change	FY 2022	FY 2021	Change
		Unaudited US\$'000	Unaudited US\$'000	%	Unaudited US\$'000	Audited US\$'000	%
Revenue		1,401,427	1,307,739	7.2	2,692,830	2,459,821	9.5
Cost of sales		<u>(1,316,561)</u>	<u>(1,217,956)</u>	8.1	<u>(2,522,018)</u>	<u>(2,296,948)</u>	9.8
Gross profit		84,866	89,783	(5.5)	170,812	162,873	4.9
Other income	4	15,894	13,190	20.5	26,559	21,421	24.0
Selling expenses		(38,536)	(30,132)	27.9	(65,964)	(57,639)	14.4
General and administrative expenses		(50,222)	(45,588)	10.2	(93,623)	(89,788)	4.3
General and administrative expenses – foreign exchange gain/(loss)		<u>2,409</u>	<u>30</u>	7,930.0	<u>3,269</u>	<u>(800)</u>	n/m
Operating profit		14,411	27,283	(47.2)	41,053	36,067	13.8
Finance income		3,567	2,991	19.3	6,075	6,377	(4.7)
Finance costs	5	(22,338)	(13,780)	62.1	(39,084)	(25,893)	50.9
Share of loss of associates		<u>(578)</u>	<u>(389)</u>	48.6	<u>(922)</u>	<u>(204)</u>	352.0
(Loss)/Profit before tax	6	(4,938)	16,105	n/m	7,122	16,347	(56.4)
Income tax (expense)/credit	7	(13,434)	738	n/m	(21,193)	701	n/m
(Loss)/Profit for the financial period/year		<u>(18,372)</u>	<u>16,843</u>	n/m	<u>(14,071)</u>	<u>17,048</u>	n/m
(Loss)/Profit attributable to:							
Owners of the Company		(19,010)	10,795	n/m	(17,968)	11,554	n/m
Non-controlling interests		<u>638</u>	<u>6,048</u>	(89.5)	<u>3,897</u>	<u>5,494</u>	(29.1)
		<u>(18,372)</u>	<u>16,843</u>	n/m	<u>(14,071)</u>	<u>17,048</u>	n/m
Earnings before interest, tax, depreciation and amortisation (“EBITDA”) *		<u>36,099</u>	<u>46,311</u>	(22.1)	<u>67,439</u>	<u>64,178</u>	5.1
(Loss)/earning per share (“LPS”)/ (“EPS”):							
Basic and diluted (US cents per share)	8	<u>(1.43)</u>	<u>0.44</u>	n/m	<u>(1.60)</u>	<u>0.25</u>	n/m

n/m – not meaningful

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

* EBITDA of the Group has been computed by using operating profit adjusted for depreciation and amortisation, non-recurring expenses, fair value gain on investment properties, and gain or losses on disposal of non-current assets.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

A2: Consolidated Statement of Comprehensive Income For the Second Half 2022 and Financial Year ended 31 December 2022

	Group			Group		
	H2 2022	H2 2021	Change	FY 2022	FY 2021	Change
	Unaudited US\$'000	Unaudited US\$'000	%	Unaudited US\$'000	Audited US\$'000	%
(Loss)/Profit for the financial period/year	(18,372)	16,843	n/m	(14,071)	17,048	n/m
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of foreign operations	(3,609)	(17,209)	(79.0)	(43,751)	(34,390)	27.2
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Actuarial gain on retirement benefit obligation (net of tax)	3,005	889	238.0	3,005	889	238.0
Other comprehensive loss for the financial period/year net of tax	(604)	(16,320)	(96.3)	(40,746)	(33,501)	21.6
Total comprehensive (loss)/income for the financial period/year net of tax	(18,976)	523	n/m	(54,817)	(16,453)	233.2
Attributable to:						
- Owners of the Company	(18,821)	(4,842)	288.7	(57,059)	(20,546)	177.7
- Non-controlling interests	(155)	5,365	n/m	2,242	4,093	(45.2)
Total comprehensive (loss)/income for the financial period/year net of tax	(18,976)	523	n/m	(54,817)	(16,453)	233.2

n/m – not meaningful

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

A3: Statements of Financial Position

As at 31 December 2022 and 31 December 2021

	Note in Part C	Group		Company	
		31 December 2022 Unaudited US\$'000	31 December 2021 Audited US\$'000	31 December 2022 Unaudited US\$'000	31 December 2021 Audited US\$'000
ASSETS					
Non-current assets					
Intangible assets	9	299,123	299,113	166	416
Property, plant and equipment	10	230,425	268,160	3,155	1,166
Plantation and biological assets	14	538,121	530,671	–	–
Investment properties	11	40,668	42,169	–	–
Deferred tax assets	13	20,511	24,226	–	–
Deferred charges		982	496	–	–
Other assets		161	1,232	–	–
Debt instruments carried at fair value through profit and loss	16	–	2,417	–	–
Loans and other receivables	15	3,252	51,147	–	–
Investment in subsidiaries	12	–	–	1,068,347	1,133,074
Investment in associates	12	7,004	9,187	5,546	7,718
Total non-current assets		1,140,247	1,228,818	1,077,214	1,142,374
Current assets					
Cash and bank balances		118,682	33,396	3,417	391
Trade receivables		137,663	165,059	–	–
Loans and other receivables	15	154,946	104,699	499,405	408,504
Tax receivables		6,966	4,144	–	–
Derivative financial instruments		39,862	23,317	3,012	3,976
Debt instruments carried at fair value through profit and loss	16	2,392	–	–	–
Inventories	17	410,705	496,976	–	–
Consumable biological assets		78	83	–	–
Assets classified as held for sale	18	871,294	827,674	505,834	412,871
Total current assets		876,926	834,091	505,834	412,871
Total assets		2,017,173	2,062,909	1,583,048	1,555,245

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

LIABILITIES AND EQUITY

Current liabilities

Derivative financial instruments		1,315	2,647	2,702	4,300
Trade payables		36,455	57,449	–	–
Other payables		91,122	96,510	20,381	76,589
Loan payables	19	714,048	634,191	476,113	329,800
Provision for taxation		11,153	4,485	820	442
Lease liabilities		2,418	3,286	978	698
<hr/>					
Total current liabilities		856,511	798,568	500,994	411,829
<hr/>					
Net current assets		20,415	35,523	4,840	1,042

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

A3: Statements of Financial Position

As at 31 December 2022 and 31 December 2021

	Note in Part C	Group		Company	
		31 December 2022	31 December 2021	31 December 2022	31 December 2021
		Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
Non-current liabilities					
Loan payables	19	419,317	452,727	260,400	282,000
Retirement benefit obligations		16,542	22,338	–	–
Deferred tax liabilities	13	48,061	47,156	452	354
Lease liabilities		7,725	7,641	1,834	44
Other payables		8,985	10,329	21,220	33,010
Total non-current liabilities		500,630	540,191	283,906	315,408
Net assets		660,032	724,150	798,148	828,008
Capital and reserves					
Share capital	21	603,874	603,874	603,874	603,874
Perpetual securities	22	192,640	192,640	192,640	192,640
Capital reserve		2,898	2,740	–	–
Other reserves		(1,517)	(1,517)	(1,310)	(1,310)
(Accumulated losses)/Retained Earnings		(135,712)	(112,979)	2,944	32,804
Foreign currency translation reserve		(32,349)	9,691	–	–
Equity attributable to owners of the Company		629,834	694,449	798,148	828,008
Non-controlling interests		30,198	29,701	–	–
Total equity		660,032	724,150	798,148	828,008
Total liabilities and equity		2,017,173	2,062,909	1,583,048	1,555,245

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

A4: Statements of Changes in Equity
For the Financial Year ended 31 December 2022

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000	US\$'000	
Group (Unaudited)									
At 1 January 2022	603,874	192,640	2,740	(1,517)	(112,979)	9,691	694,449	29,701	724,150
(Loss)/Profit for the year	–	–	–	–	(17,968)	–	(17,968)	3,897	(14,071)
Other comprehensive income	–	–	–	–	2,949	(42,040)	(39,091)	(1,655)	(40,746)
Total comprehensive (loss)/income for the year	–	–	–	–	(15,019)	(42,040)	(57,059)	2,242	(54,817)
<u>Contributions by and distributions to owners</u>									
Distribution to perpetual securities holders	–	–	–	–	(7,600)	–	(7,600)	–	(7,600)
Statutory reserve fund	–	–	158	–	(158)	–	–	–	–
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	(1,544)	(1,544)
Total contributions by and distributions to owner	–	–	158	–	(7,758)	–	(7,600)	(1,544)	(9,144)
<u>Changes in ownership interests in subsidiaries</u>									
Transaction with non-controlling interests of a subsidiary	–	–	–	–	44	–	44	(201)	(157)
Total changes in ownership interests in subsidiaries	–	–	–	–	44	–	44	(201)	(157)
At 31 December 2022	603,874	192,640	2,898	(1,517)	(135,712)	(32,349)	629,834	30,198	660,032

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

A4: Statements of Changes in Equity For the Financial Year ended 31 December 2022

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000	US\$'000	US\$'000
Group (Audited)									
At 1 January 2021	603,874	192,640	2,420	717	(114,753)	42,809	727,707	21,398	749,105
Profit for the year	–	–	–	–	11,554	–	11,554	5,494	17,048
Other comprehensive income	–	–	–	–	850	(32,950)	(32,100)	(1,401)	(33,501)
Total comprehensive (loss)/income for the year	–	–	–	–	12,404	(32,950)	(20,546)	4,093	(16,453)
<u>Contributions by and distributions to owners</u>									
Distribution to perpetual securities holder	–	–	–	–	(7,600)	–	(7,600)	–	(7,600)
Statutory reserve fund	–	–	320	–	(320)	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(209)	(209)
Total contributions by and distributions to owner	–	–	320	–	(7,920)	–	(7,600)	(209)	(7,809)
<u>Changes in ownership interests in subsidiaries</u>									
Deemed disposal of a subsidiary due to dilution of interest	–	–	–	(2,234)	2,045	–	(189)	(336)	(525)
Transaction with non-controlling interest of a subsidiary	–	–	–	–	(4,755)	–	(4,755)	4,755	–
Disposal of a subsidiary	–	–	–	–	–	(168)	(168)	–	(168)
Total changes in ownership interests in subsidiaries	–	–	–	(2,234)	(2,710)	(168)	(5,112)	4,419	(693)

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

At 31 December 2021	603,874	192,640	2,740	(1,517)	(112,979)	9,691	694,449	29,701	724,150
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**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

A4: Statements of Changes in Equity
For the Financial Year ended 31 December 2022 and 31 December 2021

	Share capital US\$'000	Perpetual securities US\$'000	Other reserves US\$'000	(Accumulated losses)/ Retained Earnings US\$'000	Total equity US\$'000
Company (Unaudited)					
At 1 January 2022	603,874	192,640	(1,310)	32,804	828,008
Loss for the year representing total comprehensive income for the year	–	–	–	(22,260)	(22,260)
<u>Contributions by and distributions to owners</u>					
Distribution to perpetual securities holders	–	–	–	(7,600)	(7,600)
Total transactions with owners in their capacity as owners	–	–	–	(7,600)	(7,600)
At 31 December 2022	603,874	192,640	(1,310)	2,944	798,148
Company (Audited)					
At 1 January 2021	603,874	192,640	(1,310)	(18,373)	776,831
Profit for the year representing total comprehensive income for the year	–	–	–	58,777	58,777
<u>Contributions by and distributions to owners</u>					
Distribution to perpetual securities holders	–	–	–	(7,600)	(7,600)
Total transactions with owners in their capacity as owners	–	–	–	(7,600)	(7,600)
At 31 December 2021	603,874	192,640	(1,310)	32,804	828,008

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

A5: Consolidated Cash Flow Statement For the Second Half 2022 and Financial Year ended 31 December 2022

	Note in Part C	Group		Group	
		H2 2022	H2 2021	FY 2022	FY 2021
		Unaudited US\$'000	Unaudited US\$'000	Unaudited US\$'000	Audited US\$'000
Operating activities					
(Loss)/Profit before tax		(4,938)	16,105	7,122	16,347
Adjustments for:					
Depreciation expense	6	12,673	14,788	25,982	29,554
Amortisation of intangible assets	6	539	376	1,015	785
Amortisation of right-of-use assets	6	1,791	1,610	3,003	3,120
Retirement benefit expense		(525)	1,229	1,552	3,705
Interest income		(3,567)	(2,991)	(6,075)	(6,377)
Interest expense	5	22,095	13,506	38,628	25,365
Interest on operating lease liabilities	5	244	274	456	528
Fair value loss/(gain) on open forward commodities contracts and inventories, unrealised		9,286	(14,470)	2,785	(13,911)
Fair value gain on investment properties	4	(1,518)	(1,651)	(1,518)	(1,651)
Fair value gain on biological assets	4	(7,665)	(6,777)	(7,665)	(6,777)
Fair value loss on assets classified as held for sale		210	–	210	–
Unrealised foreign exchange loss/(gain)		3,399	(1,084)	5,170	(1,007)
Gain on disposal and dilution of interest in an associate	4	(357)	–	(357)	–
Gain on disposal of other assets	4	(53)	–	(53)	–
Gain on disposal of property, plant and equipment, plantation and investment properties	4	(4,783)	(1,021)	(15,311)	(1,029)
Write off of property, plant and equipment	6	3	135	44	137
Impairment losses on financial assets	6	126	1,243	111	1,445
Gain on disposal of subsidiaries	4	–	(167)	–	(7,763)
Reversal of allowance for doubtful debts		–	(1,837)	–	(1,837)
Share of loss of associates		578	389	922	204
Operating cash flows before changes in working capital		27,538	19,657	56,021	40,838
Trade and other receivables		24,062	21,362	16,418	(14,474)
Inventories		88,297	(89,152)	43,930	(100,520)
Trade and other payables		(53,978)	24,376	(51,178)	41,402
Cash generated from/ (used in) operations		85,919	(23,757)	65,191	(32,754)
Interest received		946	279	946	837
Tax paid		(1,932)	(832)	(4,734)	(1,639)

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

Net cash generated from/ (used in) operating activities	84,933	(24,310)	61,403	(33,556)
	Group		Group	
	H2 2022	H2 2021	FY 2022	FY 2021
	Unaudited	Unaudited	Unaudited	Audited
	US\$'000	US\$'000	US\$'000	US\$'000
Investing activities				
Proceeds from disposal of a subsidiary	–	600	–	600
Proceeds from disposal of interest in an associate	1,615	–	1,615	–
Proceeds from disposal of other assets	1,200	–	1,200	–
Acquisition of remaining interests in a subsidiary	(157)	–	(157)	–
Capital expenditure on property, plant and equipment, and intangible assets	(6,687)	(3,902)	(10,101)	(7,855)
Capital expenditure on plantation and biological assets	(11,297)	(11,140)	(16,236)	(20,252)
Proceeds from disposal of property, plant and equipment and investment properties	11,423	6,834	29,032	7,374
Interest received from loan to a third party	–	826	–	1,420
Net cash (used in) /generated from investing activities	(3,903)	(6,782)	5,353	(18,713)
Financing activities				
Net proceeds of borrowings	12,683	51,593	67,823	85,054
Repayment of obligation under lease arrangements	(2,226)	(2,341)	(3,512)	(3,614)
Interest paid	(18,696)	(15,002)	(36,133)	(32,466)
Dividend paid to non-controlling interests	(191)	(209)	(191)	(209)
Decrease in pledged deposits	–	244	–	1,831
Dividend paid to perpetual securities holders	(3,800)	(3,800)	(7,600)	(7,600)
Guarantee fee paid in relation to issuance of perpetual securities	–	–	–	(1,200)
Net cash (used in)/generated from financing activities	(12,230)	30,485	20,387	41,796
Net increase/(decrease) in cash and cash equivalents	68,800	(607)	87,143	(10,473)
Cash and cash equivalents at the beginning of period/year	49,919	34,512	33,396	43,892
Effect of exchange rate changes on the balance of cash held in foreign currencies	(37)	(509)	(1,857)	(23)
Cash and cash equivalents at the end of period/year	118,682	33,396	118,682	33,396
Cash and bank balances comprise the following:				
Cash and cash equivalents	118,682	33,396	118,682	33,396

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF THE PERFORMANCE OF THE GROUP AND MARKET OUTLOOK

B1: Review of Performance of the Group

REVIEW OF THE INCOME STATEMENT OF THE GROUP FOR H2 2022 VS H2 2021

Performance by segment

		CMCP Group		CMCI Group		HRC Group		Group	
		H2 2022	H2 2021	H2 2022	H2 2021	H2 2022	H2 2021	H2 2022	H2 2021
Sales volume	tonnes	17,660	13,649	181,384	162,611	639,588	549,341	795,655	682,945
	US\$								
Total revenue	Million	30.7	25.0	411.2	384.3	1,028.7	969.6	1,401.4	1,307.7
	US\$								
Gross profit	Million	4.4	5.0	46.0	35.2	34.8	49.8	84.9	89.8
Operating	US\$								
(loss)/profit*	Million	(8.4)	4.1	25.8	16.7	4.8	16.3	14.4	27.3

* Segmental operating profits figures mentioned herein excluded management fees.

Group

The Group registered a sales volume of 795,655 tonnes in H2 2022, 112,710 tonnes higher than H2 2021, amid uncertain economic backdrop, which reflects the demand of the Group products. Buoyed by the volume growth and the higher average selling prices, the Group's revenue increased from US\$1,307.7 million in H2 2021, to US\$1,401.4 million in H2 2022. H2 2022 gross profit decreased slightly from US\$89.8 million in H2 2021, to US\$84.9 million in H2 2022, as the decline in market prices coupled with high raw material costs has compressed the margins. Operating profit decreased from US\$27.3 million in H2 2021 to US\$14.4 million in H2 2022 due to margin compression as above-mentioned, as well as additional non-recurring expenses in H2 2022 (Note 6).

CMC Plantations (CMCP)

During H2 2022, CMCP recorded fair value uplift of US\$7.5 million on its biological assets, as compared to US\$6.8 million in H2 2021, which reflects an improved value of the investment in the plantations as a result of continued investment in nurturing them. In H2 2022, sales volume increased by 29.4% as expected, following the increased yield from a maturing plantation profile (H2 2022: 17,660 mT vs H2 2021: 13,649 mT). Excluding non-recurring expenses, operating profit in H2 2022 would be US\$3.8 million v.s. H2 2021: US\$3.9 million (further details can be found in Note 6).

CMC International (CMCI)

Sales volume increased from 162,611 mT in H1 2021 to 181,384 mT in H2 2022. Revenue increased by US\$26.9 million or 7.0% from US\$384.3 million in H2 2021 to US\$411.2 million in H2 2022 hiven by higher sales volume. Gross profit increased US\$10.8 million or 30.7% from H2 2021, testament to the effective supply chain management strategies adopted to offset the impact on high freight costs caused by global supply chain situation . As a result, operating profits surged to US\$25.8 million in H2 2022, from US\$16.7 million in H2 2021.

Halcyon Rubber Company (HRC)

On the back of 16.4% increase in sales volume, HRC Group's revenue increased from US\$969.6 million in H2 2021 to US\$1,028.7 million in H2 2022. However, the processing margins in H2 2022 were affected by scarcity-driven compression as well as declining market prices. Hence, gross profit and operating profit trended lower in H2 2022.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

B1: Review of Performance of the Group (cont'd)

Operating and financial statistics

		H2 2022	H2 2021	Change	FY2022	FY2021	Change
Total sales volume	tonnes	795,655	682,945	16.5%	1,436,012	1,313,193	9.4%
Revenue	US\$ Million	1,401.4	1,307.7	7.2%	2,692.8	2,459.8	9.5%
Revenue per tonne	US\$	1,761	1,915	(8.0%)	1,875	1,873	0.1%
Gross profit	US\$ Million	84.9	89.8	(5.5%)	170.8	162.9	4.8%
EBITDA	US\$ Million	36.1	46.3	(22.0%)	67.4	64.2	5.0%
Net (loss)/profit	US\$ Million	(18.4)	16.8	n/m	(14.1)	17.0	n/m

Revenue

H2 2022 vs H2 2021

Revenue increased by US\$93.7 million or 7.2%, from US\$1,307.7 million in H2 2021 to US\$1,401.4 million in H2 2022 mainly due to an increase in sales volume by 112,710 tonnes or 16.5% from 682,945 tonnes in H2 2021 to 795,655 tonnes in H2 2022.

FY 2022 vs FY 2021

Revenue increased by US\$233.0 million or 9.5%, from US\$2,459.8 million in FY 2021 to US\$2,692.8 million in FY 2022, mainly due to the increase in sales volume by 122,819 tonnes or 9.4% from 1,313,193 tonnes in FY 2021 to 1,436,012 tonnes in FY 2022.

Cost of sales

Cost of sales comprises plantation costs, cost of procuring and processing raw materials into finished goods, and other incidental costs relating to transportation.

H2 2022 vs H2 2021

Cost of sales increased by US\$98.6 million or 8.1%, from US\$1,217.9 million in H2 2021 to US\$1,316.5 million in H2 2022. This is mainly driven by the increase in sales volume.

FY 2022 vs FY 2021

Cost of sales increased by US\$225.1 million or 9.8%, from US\$2,296.9 million in FY 2021 to US\$2,522.0 million in FY 2022 in line with the increase in revenue by 9.5%. Cost of sales per tonne increased from US\$1,749 per tonne in FY 2021 to US\$1,756 per tonne in FY 2022.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

B1: Review of Performance of the Group (cont'd)

Gross profit

	H2 2022	H2 2021	Change	FY2022	FY2021	Change
Gross profit (US\$ Million)	84.9	89.8	(5.5%)	170.8	162.9	4.8%
Sales volume (tonnes)	795,655	682,945	16.5%	1,436,012	1,313,193	9.4%
Gross profit per tonne (US\$)	107	131	(18.3%)	119	124	(4.0%)

H2 2022 vs H2 2021

Gross profit decreased by US\$4.9 million or 5.5% from US\$89.8 million in H2 2021 to US\$84.9 million in H2 2022 mainly due to gross profit per tonne decreased 18.3% from US\$131 in H2 2021 to US\$107 in H2 2022, set off by the increase in sales volume of 112,710 tonnes or 16.5% from 682,945 tonnes in H2 2021 to 795,655 tonnes in H2 2022. Unit margins decreased from US\$131 to US\$107 due to margin compression effect.

FY 2022 vs FY 2021

Gross profit increased by US\$7.9 million or 4.8% from US\$162.9 million in FY 2021 to US\$170.8 million in FY 2022 mainly driven by a 122,819 tonnes year-on-year increase in sales volume.

(Loss)/Profit before tax

H2 2022 vs H2 2021

Loss before tax in H2 2022 was US\$4.9 million compared with US\$16.1 million profit before tax recorded in the previous corresponding period, mainly due to the following reasons:

- (i) decrease in gross profit by US\$4.9 million due to the reasons aforementioned;
- (ii) non-recurring expenses recorded in H2 2022 of US\$13.4 million;
- (iii) increase in selling expenses US\$8.4 million due to higher freight costs, as a result of global supply chain situation;
- (iv) higher net finance cost by US\$8.0 million which in line with interest rate hikes.

This was offset by:

- (i) increase in other income by US\$2.7 million;
- (ii) increase in foreign exchange gain by US\$2.4 million.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

B1: Review of Performance of the Group (cont'd)

FY 2022 vs FY 2021

The Group reported a profit before tax of US\$7.1 million, as compared to a profit before tax of US\$16.3 million in FY 2021. The decrease of US\$9.2 million is mainly due to the following reasons:

- (i) increase in selling expenses by US\$8.3 million, in line with the increase in freight costs caused by global supply chain situation;
- (ii) increase in net finance costs by US\$13.5 million, in line with the increase in interest rate;

This was offset by:

- (i) increase in gross profit by US\$7.9 million due to the reasons aforementioned;
- (ii) increase in other income by US\$5.1 million.

(Loss)/Profit after tax

H2 2022 vs H2 2021

Loss after tax in H2 2022 was US\$18.4 million, compared to a profit after tax of US\$16.8 million in H2 2021 which is in line with the decrease in pre-tax profits of US\$21.0 million and an increase in tax expense of US\$14.2 million, as a result of the changes in the deferred tax position between both periods and current tax expenses in profitable distribution businesses.

FY 2022 vs FY 2021

Loss after tax in FY 2022 was US\$14.1 million, compared to a profit after tax of US\$17.0 million in FY 2021 mainly driven by the decrease in profit before tax by US\$9.2 million, and increase in tax expense of US\$21.9 million, which is explained by the reasons mentioned above.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

Review of the Financial Position of the Group AS AT 31 December 2022 VS 31 December 2021

Non-current assets

Non-current assets decreased by US\$88.6 million or 7.2% from 31 December 2021 (US\$1,228.8 million) to 31 December 2022 (US\$1,140.2 million), mainly due to the following factors:

- (i) depreciation and amortisation expense of US\$30.0 million; and
- (ii) foreign currency translation loss of US\$38.9 million due to strengthening of US Dollars against local currencies in relation to property, plant and equipment (“PPE”), and plantation and biological assets.
- (iii) reclassification of non-current loan receivables US\$47.7 million to current assets.

The decrease in non-current assets was partially offset by US\$27.2 million investments in PPE, and plantation and biological assets as part of planned capital expenditure programme.

Current assets

Current assets increased by US\$42.8 million or 5.1% from 31 December 2021 (US\$834.1 million) to 31 December 2022 (US\$876.9 million) mainly due to increase in:

- (i) cash and bank balances of US\$85.3 million, mainly driven by cash inflow from operating activities; and
- (ii) loans and other receivables of US\$50.2 million mainly due to reclassification of loan to a third party from non-current assets to current assets of US\$47.7 million;

which was partially offset by a decrease in inventories of US\$86.3 million, driven by declining market. The inventory turnover days as at 31 December 2022 were 72 days, improved from 86 days as at 31 December 2021 as part of working capital management strategy of the Group.

Current liabilities

Current liabilities increased by US\$57.9 million or 7.3% during the year from 31 December 2021 (US\$798.6 million) to 31 December 2022 (US\$856.5 million), mainly due to the increase in:

- (i) loan payables of US\$79.8 million, predominantly due to reclassification of current portion of long-term loans US\$37.3 million, and increase in working capital loans;
- (ii) increase in provision for taxation of US\$6.7 million;

which was partially offset by:

- (i) decrease in other payables of US\$5.4 million, mainly due to decrease in the advances received with respect to contracted sales;
- (ii) decrease in trade payables of US\$21.0 million.

Non-current liabilities

Non-current liabilities decreased by US\$39.6 million or 7.3% from 31 December 2021 (US\$540.2 million) to 31 December 2022 (US\$500.6 million), mainly due to:

- (i) decrease in loan payables of US\$33.4 million mainly due to the reclassification of current portion of long-term loans;
 - (ii) decrease in retirement benefit obligations of US\$5.8 million;
 - (iii) decrease in other payables of US\$1.3 million;
- which was partially offset by:
- (i) increase in deferred tax payables of US\$0.9 million.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

Review of the Financial Position of the Group AS AT 31 December 2022 VS 31 December 2021 (CONT'D)

Equity

The Group's equity decreased by US\$64.2 million, from US\$724.2 million as at 31 December 2021 to US\$660.0 million as at 31 December 2022, due to the translation loss from foreign operations, distribution to perpetual securities holders, and loss after tax for the year.

Group funding structure

The table below summarises the funding structure of the Group:

	Balance at 31 December 2022	Balance at 31 December 2021
	US\$ Million	US\$ Million
Net working capital assets ⁽¹⁾	557.1	627.2
Cash and cash equivalents	118.7	33.4
Loan receivables	64.4	63.5
Total net working capital employed	740.2	724.1
Working capital loans	679.1	601.8
% Efficiency of Working Capital Funding	91.8%	83.1%
Operational long-term assets ⁽²⁾	1,022.7	1,055.7
Non-core assets ⁽³⁾	40.7	42.2
Other borrowings	464.4	495.9
% Fixed Asset Gearing	43.7%	45.2%
Total equity	660.0	724.2

⁽¹⁾ Net working capital assets for the Group are defined as the sum of operational trade and other receivables, net derivative assets, inventories, assets held for sale, net off against trade and other payables.

⁽²⁾ Operational long-term assets of the Group are defined as intangible assets, PPE, plantation and biological assets, and other non-current assets and right-of-use assets, net off against non-current liabilities.

⁽³⁾ Non-core assets mainly made up of investment properties.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

Review of the Financial Position of the Group AS AT 31 December 2022 VS 31 December 2021 (CONT')

Group Cash Flow

H2 2022

The Group's cash and cash equivalents increased by US\$68.8 million during H2 2022.

The Group has recorded a cash inflow from operating activities before working capital changes of US\$27.5 million representing its cash generating capability. Working capital changes realised inflows of US\$58.4 million, driven by faster working capital turnover. Therefore, the Group has generated a net cash from operating activities of US\$84.9 million during H2 2022.

Net cash used in investing activities of US\$3.9 million was mainly due to capital expenditure on PPE and plantation related assets of US\$18.0 million, offset by disposal proceeds as part of the Group's deleveraging efforts that raised US\$14.2 million, comprises:

- (i) non-core assets of US\$11.4 million;
- (ii) interest in an associate of US\$1.6 million;
- (iii) other assets of US\$1.2 million.

Net cash used in financing activities was US\$12.2 million, mainly due to interest paid of US\$18.7 million and distributions paid to perpetual securities holders of US\$3.8 million, offset by net proceeds from working capital loans and term loans of US\$10.5 million.

FY 2022

The Group's cash and cash equivalents increased by US\$87.1 million during FY 2022.

The Group has recorded a cash generated from operating activities before working capital changes of US\$56.0 million representing its cash generating capability. Working capital changes realised inflow of US\$9.2 million mainly due to faster working capital turnover. Therefore, the Group has generated a net cash from operating activities of US\$61.4 million.

Net cash generated from investing activities of US\$5.4 million was mainly due to capital expenditure of US\$26.3 million, offset by disposal proceeds as part of the Group's deleveraging efforts that raised US\$31.8 million, comprises:

- (i) non-core assets of US\$29.0 million;
- (ii) interest in an associate of US\$1.6 million;
- (iii) other assets of US\$1.2 million.

Net cash generated from financing activities was US\$20.4 million, mainly due to net proceeds from borrowings of US\$64.3 million to support the group's working capital requirements, offset by interest paid of US\$36.1 million and distributions paid to perpetual securities holders of US\$7.6 million.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

B2: The significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

The International Monetary Fund (“**IMF**”) moderated its 2023 global growth forecast at 2.9 percent, and the Organisation for Economic Cooperation and Development (“**OECD**”) lowered its projection to 2.2 percent.

Despite the downward trajectory of natural rubber prices (SICOM TSR20 1st position) during 2022, the underlying rubber demand remained sturdy as observed in the order flows from our customers.

Looking ahead into the next 12 months, the global economy will comprise of various key subjects: high interest rates, impending global recession amid inflationary environment and China’s reopening of its economy, all of which would influence the global consumption of natural rubber. As the world population settles itself into the macroeconomic changes, the demand upswing is likely to be observed in the second half of 2023.

The Group remains cautiously optimistic on towards the natural rubber industry prospects, as the supply and demand dynamics remain favourable in the mid-to-long term.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Second Half 2022 and Financial Year ended 31 December 2022

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 2022, the Company is 65.2% 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 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. Refer to Note 28 for the change of a substantial shareholder.

The principal activity of the Company is investment holding. The main principal activities of the Group are:

- 1) Natural rubber processing
- 2) Natural rubber plantation
- 3) Natural rubber trading and distribution

2. Basis of preparation

The financial statements for the Second Half 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last financial statements for the period ended 30 June 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), except for the adoption of new and amended standards as set out in Note 2.1.

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

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.

2.1 *Adoption of new and amended standards and interpretations*

The Group has adopted all applicable SFRS(I) that are mandatory for financial years beginning on or after 1 January 2022. The adoption of these standards did not have any material effect on the financial performance or financial position of the Group.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

3. Use of estimates and judgements

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Information about critical judgements in applying accounting policies and the assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – Impairment of goodwill and process know-how
- Note 14 – Classification of rubber trees as bearer plants and non-bearer plants
- Note 14 – Measurement of biological assets
- Note 15 – Recoverability of a loan to a third party

4. Other income

	Group		Group	
	H2 2022	H2 2021	FY 2022	FY 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Gain on disposal of subsidiaries	–	167	–	7,763
Gain on disposal and dilution of an interest in an associate	357	–	357	–
Gain on disposal of other assets	53	–	53	–
Gain on disposal of property, plant and equipment, plantation and investment properties	4,783	1,021	15,311	1,029
Fair value gain on investment properties	1,518	1,651	1,518	1,651
Fair value gain on biological assets	7,665	6,777	7,665	6,777
Reversal of allowance for deposit	–	3,156	–	3,156
Government grants	717	355	717	355
Others	801	63	938	690
	15,894	13,190	26,559	21,421

5. Finance costs

	Group		Group	
	H2 2022	H2 2021	FY 2022	FY 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Interest expense on:				
- Term loans	13,183	3,537	21,287	8,116
- Working capital loans	8,911	9,969	17,341	17,249
- Lease liabilities	244	274	456	528

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

Total finance costs	22,338	13,780	39,084	25,893
6. (Loss)/Profit before tax				
	Group	Group		
	H2 2022	H2 2021	FY 2022	FY 2021
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit before tax has been arrived at after charging/(crediting):				
Non-recurring expenses/(income):				
Tax settlement arising from prior years	7,724	–	7,724	–
Business rationalisation expenses	4,426	4,192	4,426	4,192
Reversal of doubtful debts	–	(1,837)	–	(1,837)
One-off professional expenses	1,221	555	1,221	766
Reversal of allowance for deposit	–	(3,156)	–	(3,156)
	13,371	(246)	13,371	(35)
Depreciation of property, plant and equipment, plantation and biological assets included in:				
- Cost of sales	10,495	11,119	21,451	22,480
- Selling expenses	18	17	37	33
- Administrative expenses	2,160	3,652	4,494	7,041
	12,673	14,788	25,982	29,554
Foreign exchange (gain)/loss included in:				
- Cost of sales	(236)	(3,574)	(457)	(4,119)
- Administrative expenses	(2,409)	(30)	(3,269)	800
	(2,645)	(3,604)	(3,726)	(3,319)
Amortisation:				
- Intangible assets	539	376	1,015	785
- Right-of-use assets	1,791	1,610	3,003	3,120
	2,330	1,986	4,018	3,905
Employee benefits expenses (including directors' remuneration)				
- Cost of sales	29,961	33,929	58,679	65,361
- Selling expenses	2,907	2,437	5,354	4,597
- Administrative expenses	15,685	19,252	36,962	38,104
	48,553	55,618	100,995	108,062

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

Professional fees	3,111	3,051	5,599	5,273
Lease expenses on short-term leases and low-value assets	339	666	958	1,243
Write off of property, plant and equipment	3	135	44	137
Impairment losses on financial assets	126	1,243	111	1,445
Inventories recognised as an expense in cost of sales	1,316,561	1,217,956	2,522,018	2,296,948
7. Income tax (expense)/credit				
	Group		Group	
	H2 2022	H2 2021	FY 2022	FY 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Consolidated income statement				
Current tax				
Current tax expense	(9,846)	(5,907)	(17,407)	(8,118)
(Under)/over provision in prior years	(202)	3,414	(131)	3,410
Deferred tax				
Tax (expense)/credit relating to the origination and reversal of temporary differences	(3,386)	3,231	(3,655)	5,409
Income tax (expense)/credit recognised in consolidated income statement	(13,434)	738	(21,193)	701
8. (Loss)/Earnings per share (“LPS”)/ (“EPS”)				
	Group		Group	
	Basic and diluted		Basic and diluted	
	H2 2022	H2 2021	FY 2022	FY 2021
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the period/year attributable to owners of the Company	(19,010)	10,795	(17,968)	11,554
Dividend on perpetual securities	(3,800)	(3,800)	(7,600)	(7,600)
Adjusted (loss)/profit attributable to owners of the Company	(22,810)	6,995	(25,568)	3,954
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012	1,595,012	1,595,012
Basic and diluted (Loss)/Earnings per share (“LPS”)/ (“EPS”)				
(Loss)/Earnings per share (US Cents)	(1.43)	0.44	(1.60)	0.25
(Loss)/Earnings per share (SGD Cents) ⁽¹⁾	(1.99)	0.59	(2.15)	0.33

⁽¹⁾ Translated at the average exchange rates for each respective period/year.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

9. Intangible assets

Goodwill

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

	Group	
	31 December 2022	31 December 2021
	US\$'000	US\$'000
CGU within HRC Group	256,601	256,601
CGU within Corrie MacColl Group	29,778	29,778
	286,379 286,379	
Software	1,537	1,246

The goodwill previously allocated to SINRIO Group are now managed on a combined basis with HRC Group, which represents the level at which the recovery of goodwill is monitored. As such, the goodwill of SINRIO Group was combined and reallocated to the HRC Group.

Impairment testing of goodwill and process know-how with indefinite life

The above goodwill and process know-how were tested for impairment as at 31 December 2022. No impairment loss was recognised as at 31 December 2022 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 CGU has 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

	Discount rate (pre-tax)	Growth rate
HRC Group:		
- Goodwill	10%	4%
- Process know-how	10%	4%
Corrie MacColl Group:		
- Goodwill	10%	3%

10. Property, plant and equipment

As at 31 December 2022, the Group acquired assets amounting to US\$9,721,000 (31 December 2021: US\$7,855,000) and disposed of assets amounting to US\$714,000 (31 December 2021: US\$5,013,000).

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

11. Investment properties

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2022 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 25.

12. Investment in subsidiaries/associates

Hainan Sinochem Rubber Co., Ltd.

In October 2022, the Group's wholly owned subsidiary, Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd. ("SINRIO") completed the acquisition of remaining 0.29% of the issued and paid-up share capital of Hainan Sinochem Rubber Co., Ltd. ("Hainan") for a consideration of US\$157,000.

With the completion of the acquisition, Hainan became a 100% owned subsidiary of the Group through SINRIO.

Agridence Pte. Ltd. (previously known as HeveaConnect Pte. Ltd.)

In July 2022, the Group disposed part of its stake in Agridence to a third party for a cash consideration of US\$1,615,000. At the same time, Agridence issued new shares to another third party as well as its employee share option scheme to raise capital amounting to US\$5,385,000. As a result, the Group's effective shareholding in Agridence has decreased from 49.91% to 29.99%, which resulted gain on disposal and dilution of an interest in an associate of US\$357,000.

13. Deferred taxes

The net decrease in deferred tax asset of US\$4,620,000 is mainly due to reversal of temporary differences as at 31 December 2022.

14. Plantation and biological assets

As at 31 December 2022, the increase of US\$7,450,000 of the Group's plantation and biological assets is mainly due to fair value adjustment of US\$7,665,000, additional cost capitalised of US\$26,911,000, offset by depreciation charges of US\$3,741,000, disposal of US\$1,654,000 and exchange loss of US\$21,537,000.

Interest expense amounting to US\$10,675,000 was capitalised in 2022 (2021: US\$9,312,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.45% - 7.15% (2021: 1.84%-7.15%) per annum, representing the effective interest rate of the relevant 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 of 13.3% (2021: 13.0%) per annum.

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

The Group has assessed that there is an established commercial market for end-of-life rubber trees in Malaysia and Cameroon, and it is the Group's business plan to convert the rubber trees into products other than incidental scrap at the end of the rubber production life. As such, the

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

classification of rubber plantations in Malaysia and Cameroon remains the same as preceding year.

Measurement of biological assets

The fair value of biological assets is estimated using the discounted cash flow model (“DCF”) by independent professional valuers as at 31 December 2022. This requires an estimate of the expected future cash flows from the biological assets present value and discounted to using a discount rate.

Disposal of plantation land

During the financial year, Tropical Rubber Cote D’ivoire S.A. (“TRCI SA”), a subsidiary of the Group has disposed part of freehold land for a consideration of US\$25,593,000. Gain on disposal of US\$15,090,000 has been recognised in profit or loss.

15. Loans and other receivables

Included in loans and other receivables is a loan to a third party amounting to US\$62,389,000 (31 December 2021: US\$59,543,000). This loan is secured by the following:

- (i) borrower's equity interest in a third-party company
- (ii) borrower's receivables and bank balances
- (iii) certain investment properties held by the borrower

In 2020, the loan to a third party was structured with progressive payments for a period up to 31 December 2024, bears an interest at 10%-11% per annum and to be repaid semi-annually.

The principal and interest repayment of US\$15,251,000 was due on 31 December 2022. As at the date of this report, this overdue amount remains unpaid. The borrower is currently in the process of disposing its equity interest, that was pledged for the loan.

Based on the progress of the disposal process, the Group has assessed the underlying value of collaterals for the outstanding loan and has determined that a provision of US\$1,440,000 (2021:US\$1,440,000) expected credit losses (“ECL”) is required.

Included in the loans and other receivables is an advance of US\$4,019,000 to a third party which bears an interest of 4.2% per annum, due within a year and secured by the borrower's property, plant and equipment.

16. Debt instruments

As part of the investment arrangement, the redemption becomes mandatory by November 2023. Thus, the debt instrument was reclassified from non-current assets to current assets.

17. Inventories

	Group	
	31 December 2022	31 December 2021
	US\$'000	US\$'000
Inventories carried at cost	26,510	24,433
Inventories carried at fair value	384,195	472,543

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

410,705 496,976

The inventories as at 31 December 2022 included fair value loss of US\$11,097,000 (2021: fair value gain of US\$15,474,000).

18. Assets classified as held for sale

Non-current asset classified as held-for-sale

a) The completion of disposal of certain properties in Indonesia amounting to US\$4,259,000 (2021: US\$4,695,000) was delayed due to the COVID-19 situation locally, and is expected to be concluded in 2023.

b) The Group continued to list certain properties amounting to US\$1,373,000 (2021: US\$1,722,000) in China on a trading exchange in China and sales of which are expected to be completed in 2023.

19. Loan payables

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
- Working capital loans	661,298	601,820	454,513	316,000
- Term loans	52,750	32,371	21,600	13,800
	714,048	634,191	476,113	329,800
Non-current:				
- Working capital loans	17,826	–	–	–
- Term loans	401,491	452,727	260,400	282,000
	419,317	452,727	260,400	282,000
Total loan payables	1,133,365	1,086,918	736,513	611,800

	Group			
	31 December 2022		31 December 2021	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year	69,064	644,984	186,345	447,846

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

or less, on demand

	68,310	351,007	87,127	365,600
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Details of collateral

Certain loans are secured by corporate guarantees from the Company or by a charge over certain of the Group's inventories, property, plant and equipment, trade receivables and certain cash and bank balances.

20. Net asset value

	Group		Company	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
Net asset value per ordinary share based on issued share capital (US cents)	41.38	45.40	50.04	51.91
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	55.64	61.37	67.28	70.17
Number of ordinary shares outstanding (in thousands)	1,595,012	1,595,012	1,595,012	1,595,012

⁽¹⁾ Translated at the closing exchange rates of each respective year.

21. Share capital

(i) Issued and paid-up capital

	No. of shares	
	'000	US\$'000
At 31 December 2022 and 31 December 2021	1,595,012	603,874

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 December 2022 and 31 December 2021.

(ii) The Company did not hold any treasury shares as at 31 December 2022 and 31 December 2021. As such, the number of issued shares excluding treasury shares as at 31 December 2022 and 31 December 2021 were 1,595,011,941 shares.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

(iii) There were no subsidiary holdings during and as at the end of the current financial year reported on.

22. Perpetual securities

The perpetual securities bear distributions rate of 3.8% per annum which are payable semi-annually. Subject to the relevant terms and conditions of the perpetual securities, the Company may elect to defer any scheduled distribution perpetually on the perpetual securities and is not subject to any limits as to the number of times a distribution can be deferred.

23. 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	
	12 months ended 31 December 2022	12 months ended 31 December 2021
	US\$'000	US\$'000
Banking facilities covered by letter of comfort from penultimate holding company	500,697	592,600
Fee charged by penultimate holding company for issuance of letter of comfort	667	1,376
Loan facility entered with holding company	–	31,756
Interest charged by holding company	190	97

24. 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 its rubber raw materials from all major origins globally, operates 37 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.

The key segments of the Group comprise the following:

- (a) Corrie MacColl Group – This Group comprises of CMC Plantation (“CMCP Group”) and CMC Distribution (“CMCI Group”). CMCP Group includes plantation and processing platform in Cameroon and Malaysia and CMCI Group is our distribution platform for industrial and non-tyre applications.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

- (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.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

24. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	H2 2022 US\$'000	H2 2021 US\$'000	H2 2022 US\$'000	H2 2021 US\$'000	H2 2022 US\$'000	H2 2021 US\$'000	H2 2022 US\$'000	H2 2021 US\$'000	H2 2022 US\$'000	H2 2021 US\$'000	H2 2022 US\$'000	H2 2021 US\$'000
Revenue to third party	1,142	1,758	411,236	384,307	989,049	921,674	–	–	–	–	1,401,427	1,307,739
Inter-segment revenue	29,575	23,272	–	–	39,658	47,959	6,975	5,226	(76,208)	(76,457) A	–	–
Total revenue	30,717	25,030	411,236	384,307	1,028,707	969,633	6,975	5,226	(76,208)	(76,457)	1,401,427	1,307,739
Gross profit/(loss)	4,374	4,972	45,979	35,218	34,827	49,788	6,975	5,226	(7,289)	(5,421) B	84,866	89,783
Operating (loss)/profit	(8,376)	4,064	25,837	16,646	(2,138)	11,078	(814)	60,714	(98)	(65,219)	14,411	27,283
Operating (loss)/profit excluding management fee	(8,376)	4,064	25,871	16,699	4,803	16,250	(7,789)	55,489	(98)	(65,219)	14,411	27,283
Finance income											3,567	2,991
Finance costs											(22,338)	(13,780)
Share of result of associates											(578)	(389)
(Loss)/Profit before tax											(4,938)	16,105
Income tax (expense)/credit											(13,434)	738
(Loss)/Profit for the financial period											(18,372)	16,843
Total sales volume (tonnes)	17,660	13,649	181,384	162,611	639,588	549,341	–	–	(42,977)	(42,656)	795,655	682,945
Gross profit per tonne (US\$)	248	364	253	217	54	91	–	–	–	–	107	131
Other information:												
Management expense/(income)	–	–	34	53	6,941	5,172	(6,975)	(5,225)	–	–	–	–

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

Depreciation expense (include right-of-use assets)	4,023	3,749	1,271	1,571	8,523	10,303	557	576	90	199	14,464	16,398
Capital expenditure	14,969	10,159	167	74	2,792	4,719	56	90	-	-	17,984	15,042

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

24. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	FY 2022 US\$'000	FY 2021 US\$'000	FY 2022 US\$'000	FY 2021 US\$'000	FY 2022 US\$'000	FY 2021 US\$'000	FY 2022 US\$'000	FY 2021 US\$'000	FY 2022 US\$'000	FY 2021 US\$'000	FY 2022 US\$'000	FY 2021 US\$'000
Revenue to third party	2,345	2,309	799,815	711,175	1,890,670	1,746,292	-	45	-	-	2,692,830	2,459,821
Inter-segment revenue	48,267	37,368	-	-	84,359	90,603	12,438	10,020	(145,064)	(137,991) A	-	-
Total revenue	50,612	39,677	799,815	711,175	1,975,029	1,836,895	12,438	10,065	(145,064)	(137,991)	2,692,830	2,459,821
Gross profit/(loss)	5,779	3,811	85,219	65,235	80,202	94,077	12,438	10,052	(12,826)	(10,302) B	170,812	162,873
Operating (loss)/profit	(18,125)	(6,551)	45,858	26,710	15,410	14,471	(1,899)	66,656	(191)	(65,219)	41,053	36,067
Operating (loss)/profit excluding management fee	(18,125)	(6,551)	45,937	26,830	27,769	24,299	(14,337)	56,708	(191)	(65,219)	41,053	36,067
Finance income											6,075	6,377
Finance costs											(39,084)	(25,893)
Share of result of associates											(922)	(204)
Profit before tax											7,122	16,347
Income tax (expense)/credit											(21,193)	701
(Loss)/Profit for the financial year											(14,071)	17,048
Total sales volume (tonnes)	27,973	21,907	331,790	311,227	1,154,824	1,057,469	-	-	(78,575)	(77,410)	1,436,012	1,313,193
Gross profit per tonne (US\$)	207	174	257	210	69	89	-	-	-	-	119	124
Other information:												
Management expense/(income)	-	-	79	120	12,359	9,828	(12,438)	(9,948)	-	-	-	-
Depreciation expense (include right-of-use assets)	7,280	7,499	2,197	2,941	18,190	20,862	1,135	1,173	183	199	28,985	32,674
Capital expenditure	20,103	20,305	699	91	5,369	7,487	166	224	-	-	26,337	28,107

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

24. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	817,658	892,362	643,732	661,190	1,076,654	1,107,316	1,603,694	1,568,414	(2,124,565)	(2,166,373)	C 2,017,173	2,062,909
Segment liabilities	297,997	631,434	385,945	631,072	644,232	639,925	793,047	731,008	(764,080)	(1,294,680)	D 1,357,141	1,338,759

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A. Inter-segment revenues are eliminated on consolidation.
- B. Management fee is eliminated on consolidation.
- C. Elimination on investment in subsidiaries and intercompany balances.
- D. Elimination on intercompany balance

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

24. Segment information (cont'd)

Geographical information

	FY 2022	FY 2021
Sales of natural rubber	US\$'000	US\$'000
Singapore	40,252	81,245
Asia (excluding Singapore and China)	667,335	687,666
China	996,555	832,072
USA/Canada	312,040	258,644
Europe	583,605	539,329
Others	93,043	60,865
Total	2,692,830	2,459,821

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

The Group's segment assets (non-current assets including intangible assets, property, plant and equipment, investment properties, plantation related properties, biological assets, other assets, deferred charges, loan receivable and investment in associates) by geographical location are presented below:

	31 December 2022	31 December 2021
Non-current assets	US\$'000	US\$'000
Singapore	24,137	72,348
Asia	508,464	538,329
Africa	549,858	552,203
Europe	25,720	26,618
Others	11,557	15,094
Total	1,119,736	1,204,592

25. 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.

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

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

(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 2022			Total US\$'000
	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	
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	-	39,862	-	39,862
Financial assets as at 31 December 2022	-	39,862	-	39,862
Non-financial assets:				
Inventories	-	384,195	-	384,195
Biological assets	-	-	371,369	371,369
Investment properties	-	-	40,668	40,668
Non-financial assets as at 31 December 2022	-	384,195	412,037	796,232
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	-	1,315	-	1,315
Financial liabilities as at 31 December 2022	-	1,315	-	1,315

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

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

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

	Group 2021			Total US\$'000
	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	
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	-	23,317	-	23,317
Financial assets as at 31 December 2021	-	23,317	-	23,317
<i>Non-financial assets:</i>				
Inventories	-	472,543	-	472,543
Biological assets	-	-	360,863	360,863
Investment properties	-	-	42,169	42,169
Non-financial assets as at 31 December 2021	-	472,543	403,032	875,575
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	-	2,647	-	2,647
Financial liabilities as at 31 December 2021	-	2,647	-	2,647

**APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR
FY2022**

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

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

	Company 2022			Total US\$'000
	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	
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	-	3,012	-	3,012
Financial assets as at 31 December 2022	-	3,012	-	3,012
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	-	2,702	-	2,702
Financial liabilities as at 31 December 2022	-	2,702	-	2,702

	Company 2021			Total US\$'000
	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	
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	-	3,976	-	3,976
Financial assets as at 31 December 2021	-	3,976	-	3,976
Liabilities measured at fair value				

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

<i>Financial liabilities:</i>			
Derivative financial instruments	-	4,300	4,300
Financial liabilities as at 31 December 2021	-	4,300	4,300

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

(c) *Level 2 fair value measurements*

The fair value of inventories (except consumables) is 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.

The fair value of forward currency contract is calculated using quoted prices (adjusted) offered by the financial institutions at the end of 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 independent professional valuers using the discounted cash flow valuation approach for 31 December 2022. The most significant inputs into the discounted cash flow valuation approach are the average annual yield and discount rate.

Investment properties

The fair value of the Group's investment properties has 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) *Closing balance in Level 3 assets measured at fair value*

The fair value of the Group's biological assets and investment properties based on significant unobservable inputs (Level 3) as at 31 December 2022 are US\$371,369,000 (31 December 2021: US\$360,863,000) and US\$40,668,000 (31 December 2021: US\$42,169,000) respectively.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

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

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

(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.

26. Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements relating to purchase of the property, plant and equipment of US\$1,916,776 (2021: US\$610,629).

27. Dividends on ordinary shares

The Group has not paid dividend on ordinary shares as at 31 December 2022 and 31 December 2021.

28. Event occurring after the reporting period

Change of a substantial shareholder

Post year end, the ultimate shareholder, Sinochem International Corporation Co., Ltd. ("SIC"), has disposed 36.0% of its share to China Rubber Investment Group Company Limited, a direct wholly-owned subsidiary of China Hainan Rubber Industry Group Co., Ltd. ("Hainan Rubber"). Hainan Rubber will launch MGO for remaining shares in the Group and SIC has irrevocable undertakes that they will continue to maintain its remaining shares in Halcyon of 29.2%. Hainan Rubber will become the largest shareholder subsequent to this transaction and if MGO completes, its shareholdings could range from 36.0% to highest 70.8%.

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

PART D: OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The consolidated statement of financial position of Halcyon Agri Corporation Limited and its subsidiaries as at 31 December 2022 and the related consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Second Half and Financial Year ended and certain explanatory notes have not been audited or reviewed.

1. Where a forecast, or a prospect statement, has been previously disclosed to Shareholders, any variance between it and the actual results.

The Company did not issue any forecast or prospect statement.

3. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for the current financial period.

(b) *Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

(e) *If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision*

No dividend is recommended for period ended 31 December 2022 as the Company deems it appropriate to conserve funds for the Group's business activities and working capital requirement.

4. Interested person transactions

The Company does not have an IPT Mandate.

5. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

APPENDIX E – UNAUDITED FINANCIAL STATEMENTS OF THE GROUP FOR FY2022

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

6. Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual of the SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a Director, Chief Executive Officer or substantial shareholder of the Company.

7. Negative confirmation by the Board pursuant to Rule 705(5)

We, Liu Hongsheng and Li Xuetao, hereby confirm on behalf of the Board that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the Financial Year ended 31 December 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Liu Hongsheng
Non-Executive Chairman

Li Xuetao
Executive Director and CEO

By Order of the Board

Wong Teck Kow
Company Secretary

Singapore,
28 February 2023

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

The provisions in the Constitution relating to rights of Shareholders in respect of capital, voting and dividends are reproduced below.

All capitalised terms used in the following extracts shall have the same meanings ascribed to them in the Constitution and/or the Companies Act, a copy of which is available for inspection at the registered office of the Company at 180 Clemenceau Avenue, #05-02, Haw Par Centre, Singapore 239922, during normal business hours until the Closing Date.

- 3A. *Issue of Shares*
- Subject to the Statutes and these Regulations, no shares may be issued by the Directors without the prior approval of the Company in General Meeting but subject thereto and to Regulation 8, and to any special rights attached to any shares for the time being issued, the Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and subject to applicable laws and the provisions of the Listing Manual and such limitations thereof as may be prescribed by the Exchange, as applicable, any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors, Provided always that:*
- (a) (subject to any direction to the contrary that may be given by the Company in General Meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of Regulation 8(A) with such adaptations as are necessary shall apply; and*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- (b) any other issue of shares, the aggregate of which would exceed the limits referred to in Regulation 8(B), shall be subject to the approval of the Company in General Meeting.
- 3B. *Issue of shares – Issue of shares for no consideration* *The Company may issue shares for which no consideration is payable to the Company.*
- 4A. *Preference Shares* *(A) Preference shares may be issued subject to such limitations thereof as may be prescribed by any Stock Exchange upon which shares in the Company may be listed. Provided always that the total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and financial statements and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.*
- 4B. *Issuance of further preference capital* *(B) The Company shall also have the power to issue further preference shares ranking equally with or in priority to any preference shares already issued.*
5. *Treasury Shares* *The Company shall not exercise any right in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

6. *Variation of Rights*
- Whenever the share capital of the Company is divided into different classes of shares, subject to the provisions of the Statutes and applicable laws and the provisions of the Listing Manual and such limitations thereof as may be prescribed by the Exchange, as applicable, preference capital, other than redeemable preference capital, may be repaid and the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may so be repaid, varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these Regulations relating to General Meetings of the Company and to proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll that every such holder shall on a poll have one vote for every share of the class held by him. Provided always that where the necessary majority for such special resolution is not obtained at such General Meeting, consent in writing if obtained from the holders of three quarters of the issued shares of the class concerned within two months of such General Meeting shall be as valid and effectual as a special resolution carried at such General Meeting. The foregoing provisions of this Regulation shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- differently treated formed a separate class the special rights whereof are to be varied.*
7. *Variation of Rights of Preference Shareholders* *The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.*
- 8A. *Alteration of share capital – Offer of new shares to Members* *Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted under the provisions of the Listing Manual, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Regulation 8(A).*
- 8B. *Alteration of share capital – General authority* *Notwithstanding Regulation 8(A), the Company may by ordinary resolution in General Meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution, to:*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

(a)(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and

(b) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force.

Provided that

(1) the aggregate number of shares to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Exchange;

(2) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the provisions of the Listing Manual of the Exchange for the time being in force (unless such compliance is waived by the Exchange) and these Regulations; and

(3) (unless revoked or varied by the Company in General Meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the ordinary resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Statutes (whichever is the earliest).

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 8C. *Alteration of Capital – New shares subject to statutes and these Regulations* *Except so far as otherwise provided by the conditions of issue or by these new Regulations, all new shares shall be subject to the provisions of the Statutes and of these Regulations with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture and otherwise.*
9. *Alteration of capital*
- (A) *The Company may by ordinary resolution: (a) consolidate and divide all or any of its shares; (b) subdivide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has power to attach to new shares; and (c) subject to the provisions of the Statutes, convert its share capital or any class of shares from one currency to another currency.*
- (B) *The Company may by special resolution, subject to the provisions of the Statutes, convert any class of shares into any other class of shares.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 10A. *Alteration of capital –
Power to reduce capital*
- The Company may reduce its share capital or any undistributable reserve in any manner and with and subject to any incident authorised and consent required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these Regulations, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled, and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.*
- 10B. *Alteration of capital –
Share purchase*
- The Company may, subject to and in accordance with the Act, purchase or otherwise acquire its issued shares on such terms and in such manner as the Company may from time to time think fit. If required by the Act, any share which is so purchased or acquired by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

11. *Shares – Absolute owner of shares* *Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these Regulations or by law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee (as the case may be)) entered in the Register of Members as the registered holder thereof or (as the case may be) the person whose name is entered in the Depository Register in respect of that share.*
- 12A. *Shares – Rights and privileges of new shares* *Without prejudice to any special rights previously conferred on the holders of any shares or class of shares for the time being issued and subject to applicable laws and the provisions of the Listing Manual and such limitations thereof as may be prescribed by the Exchange, as applicable, any share in the Company may be issued with such preferred, deferred or other special rights, or subject to such restrictions, whether as regards dividend, return of capital, voting or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine) and subject to the provisions of the Statutes, the Company may issue preference shares which are, or at the option of the Company are liable, to be redeemed.*
- 12B. *Shares – Shares of a class other than ordinary shares* *The rights attaching to shares of a class other than ordinary shares shall be expressed in this Constitution.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

13. *Shares – Power of Directors to issue shares* Subject to the provisions of these Regulations and of the Statutes relating to authority, pre-emption rights and otherwise and of any resolution of the Company in General Meeting passed pursuant thereto, all new shares shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times and on such terms as they think proper.
- 14A. *Shares – Power to pay commission and brokerage* The Company may pay commissions or brokerage on any issue of shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in one way and partly in the other.
- 14B. *Shares – Power to pay expenses incurred in the issue of shares out of share capital* Any expenses (including commissions or brokerage) incurred directly by the Company in the issue of new shares may be paid out of the proceeds of the issue or the Company's share capital. Such payment shall not be taken as reducing the amount of share capital in the Company.
- 14C. *Shares – Power to pay interest where shares are issued to defray expenses incurred in the construction of any works* Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period and charge the same to capital as part of the cost of the construction of the works or buildings or the provision of the plant, subject to the conditions and restrictions mentioned in the Act.

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

15. *Shares – Allotment of shares* *Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within 10 Market Days of the closing date (or such other period as may be approved by any Stock Exchange upon which shares in the Company may be listed) of any application. The Directors may, at any time after the allotment of any share but before any person had been entered in the Register of Members as the holder or (as the case may be) before that share is entered against the name if a Depositor in the Depository Register, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.*
16. *Share certificates* *Every share certificate shall be issued in accordance with the requirements of the Act and be under the Seal or signed in the manner set out in the Act. No certificate shall be issued representing shares of more than one class.*
- 17A. *Share certificates – Joint holders* *The Company shall not be bound to register more than three persons as the registered holders of a share except in the case of executors or administrators (or trustees) of the estate of a deceased Member.*
- 17B. *Share certificates – Issue of certificate to joint holders* *In the case of a share registered jointly in the names of several persons, the Company shall not be bound to issue more than one certificate therefore and delivery of a certificate to any one of the registered joint holders shall be sufficient delivery to all.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

18. *Share certificates – Entitlement to certificate* *Every person whose name is entered as a member of the Register of Members shall be entitled to receive, within 10 Market Days (or such other period as may be approved by any Stock Exchange upon which shares in the Company may be listed) of the closing date of any application for shares or, as the case may be, the date of lodgment of a registrable transfer, one certificate for all his shares of any one class or several certificates in reasonable denominations each for a part of the shares so allotted or transferred. Where such a Member transfers part only of the shares comprised in a certificate, the old certificate shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and such Member shall pay a maximum fee of S\$2 for each new certificate or such other fee as the Directors may from time to time determine having regard to any limitations thereof as may be prescribed by any Stock Exchange upon which shares in the Company may be listed.*
- 19A. *Share certificates – Consolidation of share certificates* *Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register of Members may at his request be cancelled and a single new certificate for such shares issued in lieu without charge.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 19B. *Share certificates – Sub-division of share certificates*
- If any person whose name is entered in the Register of Members shall surrender for cancellation a share certificate representing shares held by him and request the Company to issue in lieu two or more share certificates representing such shares in such proportions as he may specify, the Directors may, if they think fit, comply with such request. Such person shall (unless such fee is waived by the Directors) pay a maximum fee of S\$2 for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine having regard to any limitations thereof as may be prescribed by any Stock Exchange upon which shares in the Company may be listed.*
- 19C. *Share certificates – Requests by joint holders*
- In the case of shares registered jointly in the names of several persons any such request may be made by any one of the registered joint holders.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

20. *Share certificates – Replacement share certificates* *Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the Member, transferee, person entitled, purchaser, member firm or member company of any Stock Exchange upon which shares in the Company may be listed or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S\$2 as the Directors may from time to time require. In the case of destruction, loss or theft, a Member or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.*
21. *Calls on Shares* *The Directors may from time to time make calls upon the Members in respect of any moneys unpaid on their shares but subject always to the terms of issue of such shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.*
22. *Calls on Shares – Notice of calls* *Each Member shall (subject to receiving at least 14 days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof. A call may be revoked or postponed as the Directors may determine.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

23. *Calls on Shares – Interest on unpaid calls* *If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding 10 per cent, per annum) as the Directors may determine but the Directors shall be at liberty in any case or cases to waive payment of such interest wholly or in part.*
24. *Calls on Shares – When calls made and payable* *Any sum which by the terms of issue of a share becomes payable upon allotment or at any fixed date shall for all the purposes of these Regulations be deemed to be a call duly made and payable on the date on which by the terms of issue the same becomes payable. In case of non-payment all the relevant provisions of these Regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.*
25. *Calls on Shares – Power of directors to differentiate* *The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payment.*
26. *Calls on Shares – Payment of calls in advance* *The Directors may if they think fit receive from any Member willing to advance the same, all or any part of the moneys uncalled and unpaid upon the shares held by him and such payment in advance of calls shall extinguish pro tanto the liability upon the shares in respect of which it is made and upon the money so received (until and to the extent that the same would but for such advance become payable) the Company may pay interest at such rate (not exceeding eight per cent, per annum) as the Member paying such sum and the Directors may agree. Capital paid on shares in advance of calls shall not, while carrying interest, confer a right to participate in profits.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

27. *Forfeiture and Lien – Notice requiring payment of calls* *If a Member fails to pay in full any call or instalment of a call on the due date for payment thereof, the Directors may at any time thereafter serve a notice on him requiring payment of so much of the call or instalment as is unpaid together with any interest which may have accrued thereon and any expenses incurred by the Company by reason of such non-payment.*
28. *Forfeiture and Lien – Notice to state place and time of payment* *The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call has been made will be liable to be forfeited.*
29. *Forfeiture and Lien – Forfeiture on non-compliance with notice* *If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

30. *Forfeiture and Lien –
Sale of forfeited shares*
- A share so forfeited or surrendered shall become the property of the Company and may be sold, re-allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Directors shall think fit and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. The Directors may, if necessary, authorise some person to transfer or effect the transfer of a forfeited or surrendered share to any such other person as aforesaid.*
31. *Forfeiture and Lien –
Rights and liabilities of
Members whose shares
have been forfeited*
- A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were presently payable by him to the Company in respect of the shares with interest thereon at eight per cent, per annum (or such lower rate as the Directors may determine) from the date of forfeiture or surrender until payment and the Directors may at their absolute discretion enforce payment without any allowance for the value of the shares at that time of forfeiture or surrender or waive payment in whole or in part.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

32. *Forfeiture and Lien – Company to have paramount lien*
- The Company shall have a first and paramount lien on every share (not being a fully paid share) and dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Regulation.*
33. *Forfeiture and Lien – Sale of shares subject to lien*
- The Company may sell in such manner as the Directors think fit any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been given to the holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

34. *Forfeiture and Lien – Application of sale proceeds*
- The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and such amounts as the Company may be called upon pursuant to applicable laws to pay in respect of the specific shares, and the accrued interest and expenses in relation thereto, so far as the same is presently payable, and any residue shall be paid to the person entitled to the shares at the time of the sale or to his executors, administrators or assigns, or as he may direct. For the purpose of giving effect to any such sale the Directors may authorise some person to transfer or effect the transfer of the shares sold to the purchaser.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

35. *Forfeiture and Lien – Title to forfeited or surrendered shares*
- A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together (where the same be required) with the share certificate delivered to a purchaser (or where the purchaser is a Depositor, to the Depository or its nominee (as the case may be)) or allottee thereof shall (subject to the execution of a transfer if the same be required) constitute good title to the share and the share shall be registered in the name of the person to whom the share is sold, re-allotted or disposed of or, where such person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of. Such person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re- allotment or disposal of the share.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

36. *Transfer of Shares – Form and execution of transfer*
- All transfers of the legal title in shares may be effected by the registered holders thereof by transfer in writing in the form for the time being approved by any Stock Exchange upon which shares in the Company may be listed or in any other form acceptable to the Directors. The instrument of transfer of any share shall be signed by or on behalf of both the transferor and the transferee and be witnessed, Provided that an instrument of transfer in respect of which the transferee is the Depository or its nominee (as the case may be) shall be effective although not signed or witnessed by or on behalf of the Depository or its nominee (as the case may be). The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.*
37. *Transfer of Shares – Closure of transfer books and Register of Members*
- The Register of Members may be closed at such times and for such period as the Directors may from time to time determine, Provided always that such Register shall not be closed for more than 30 days in any year, Provided always that the Company shall give prior notice of such closure as may be required to any Stock Exchange upon which shares in the Company may be listed, stating the period and purpose or purposes for which the closure is made.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 38A. *Transfer of Shares – Directors' power to decline to register a transfer*
- There shall be no restriction on the transfer of fully paid-up shares (except where required by law or the listing rules of, or bye-laws and rules, governing, any Stock Exchange upon which the shares in the Company may be listed) but the Directors may, in their sole discretion, decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid-up may refuse to register a transfer to a transferee of whom they do not approve, Provided always that in the event of the Directors refusing to register a transfer of shares, they shall within 10 Market Days beginning with the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.*
- 38B. *Transfer of Shares – When Directors may refuse to register a transfer*
- The Directors may in their sole discretion refuse to register any instrument of transfer of shares unless:*
- (a) such fee not exceeding S\$2 as the Directors may from time to time require, is paid to the Company in respect thereof;*
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;*
 - (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if any), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and*
 - (d) instrument of transfer is in respect of only one class of shares.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

39. *Transfer of Shares – Notice of refusal to register a transfer* *If the Directors refuse to register a transfer of any shares, they shall within 10 Market Days after the date on which the transfer was lodged with the Company send to the transferor and the transferee notice of the refusal as required by the Statutes.*
40. *Transfer of Shares – Retention of transfers* A *All instruments of transfer which are registered may be retained by the Company.*
41. *Transfer of Shares – Fees for registration of transfer* *There shall be paid to the Company in respect of the registration of any instrument of transfer or probate or letters of administration or certificate of marriage or death or stop notice or power of attorney or other document relating to or affecting the title to any shares or otherwise for making any entry in the Register of Members affecting the title to any shares such fee not exceeding S\$2 as the Directors may from time to time require or prescribe.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

42. *Transfer of Shares –
Destruction of transfers*
- The Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company; Provided always that:*
- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;*
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Regulation; and*
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 43A. *Transmission of Shares – Survivor or legal personal representatives of deceased Member*
- In the case of the death of a Member whose name is entered in the Register of Members, the survivors or survivor where the deceased was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.*
- 43B. *Transmission of Shares – Survivor or legal personal representatives of deceased Depositor*
- In the case of the death of a Member who is a Depositor, the survivors or survivor where the deceased is a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder and where such executors or administrators are entered in the Depository Register in respect of any shares of the deceased Member, shall be the only person(s) recognised by the Company as having any title to his interest in the shares.*
- 43C. *Transmission of Shares – Estate of deceased holder*
- Nothing in this Regulation shall release the estate of a deceased holder (whether sole or joint) from any liability in respect of any share held by him.*
44. *Transmission of shares*
- Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register of Members may (subject as hereinafter provided) upon supplying to the Company such evidence as the Directors may reasonably require to show his legal title to the share either be registered himself as holder of the share upon giving to the Company notice in writing of such desire or transfer such share to some other person. All the limitations, restrictions and provisions of these Regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the person whose name is entered in the Register of Members had not occurred and the notice or transfer were a transfer executed by such person.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

45. *Transmission of Shares
– Rights of person on
transmission of shares*
- Save as otherwise provided by or in accordance with these Regulations, a person becoming entitled to a share pursuant to Regulation 43(A) or (B) or Regulation 44 (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share) shall be entitled to the same dividends and other advantages as those to which he would be entitled if he were the Member in respect of the share except that he shall not be entitled in respect thereof (except with the authority of the Directors) to exercise any right conferred by membership in relation to meetings of the Company until he shall have been registered as a member in the Register of Members or his name shall have been entered in the Depository Register in respect of the share.*
46. *Stock – Conversion of
shares to stock and re-
conversion*
- The Company may from time to time by ordinary resolution convert any paid-up shares into stock and may from time to time by like resolution reconvert any stock into paid-up shares.*
47. *Stock – Transfer of stock*
- The holders of stock may transfer the same or any part thereof in the same manner and subject to the same Regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred (or as near thereto as circumstances admit) but no stock shall be transferable except in such units as the Directors may from time to time determine.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

48. *Stock - Rights of stockholders*
- The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except as regards participation in the profits or assets of the Company) shall be conferred by the number of stock units which would not, if existing in shares, have conferred such privilege or advantage; and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.*
49. *General Meetings – Annual general meeting and extraordinary general meeting*
- Save as otherwise permitted under the Act, an Annual General Meeting shall be held at such time and place as may be determined by the Directors subject to and in accordance with the provisions of the Act. All other General Meetings shall be called Extraordinary General Meetings. The Company shall hold all its General Meetings in Singapore, unless prohibited by relevant laws and regulations in the jurisdiction of its incorporation.*
50. *General Meetings - Calling extraordinary general meeting*
- The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

51. *General Meetings - Notice of General Meetings*
- Any General Meeting at which it is proposed to pass a special resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by 21 days' notice in writing at the least and an Annual General Meeting and any other Extraordinary General Meeting by 14 days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in the manner hereinafter mentioned to all Members other than such as are not under the provisions of these Regulations and the Act entitled to receive such notices from the Company; Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:*
- (a) in the case of an Annual General Meeting by all the Members entitled to attend and vote thereat; and*
- (b) in the case of an Extraordinary General Meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all the Members having a right to vote at that meeting,*
- Provided also that the accidental omission to give notice to or the non- receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting. So long as the shares in the Company are listed on any Stock Exchange, at least 14 days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to any Stock Exchange upon which shares in the Company may be listed.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 52A. *General Meetings - Contents of notice for general meeting* *Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not be a Member of the Company.*
- 52B. *General Meetings – Contents of notice for annual general meeting* *In the case of an Annual General Meeting, the notice shall also specify the meeting as such.*
- 52C. *General Meetings – Notice of general meeting for special business and special resolutions* *In the case of any General Meeting at which business other than routine business is to be transacted, the notice shall specify the general nature of such business; and if any resolution is to be proposed as a special resolution, the notice shall contain a statement to that effect.*
53. *General Meetings – Routine Business* *Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:*
- (a) declaring dividends;*
 - (b) receiving and adopting the financial statements, the reports of the Auditors and the statements of the Directors and other documents required to be attached or annexed to the financial statements;*
 - (c) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;*
 - (d) re-appointing the retiring Auditors (unless they were last appointed otherwise than by the Company in General Meeting);*
 - (e) fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed; and*
 - (f) fixing the remuneration of the Directors proposed to be paid under Regulation 79.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

54. *General Meetings – Statement regarding effect of special business*
- Any notice of a General Meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.*
55. *Proceedings at General Meetings – Chairman of general meeting*
- The Chairman of the Board of Directors, failing whom the Deputy Chairman, shall preside as chairman at a General Meeting. If there be no such Chairman or Deputy Chairman, or if at any meeting neither be present within 10 minutes after the time appointed for holding the meeting and willing to act, the Directors present shall choose one of their number (or, if no Director be present or if all the Directors present decline to take the chair, the Members present shall choose one of their number) to be chairman of the meeting.*
56. *Proceedings at General Meetings – Quorum*
- No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two or more Members present in person or by proxy. Provided that*
- (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and*
- (ii) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

57. *Proceedings at General Meetings – If quorum not present, adjournment or dissolution of meeting*
- If within 30 minutes from the time appointed for a General Meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day is a public holiday then to the next business day following public holiday) at the same time and place or such other day, time or place as the Directors may by not less than 10 days' notice appoint. At the adjourned meeting any one or more Members present in person or by proxy shall be a quorum.*
58. *Proceedings at General Meetings – Business at adjourned meeting*
- The chairman of any General Meeting at which a quorum is present may with the consent of the meeting (and shall if so directed by the meeting) adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for 30 days or more or sine die, not less than seven days' notice of the adjourned meeting shall be given in like manner as in the case of the original meeting.*
59. *Proceedings at General Meetings – Notice of adjournment not required*
- Save as hereinbefore expressly provided, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

60. *Proceedings at General Meetings – Amendment of resolutions*
- If an amendment shall be proposed to any resolution under consideration but shall in good faith be ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.*
- 61A. *Proceedings at General Meetings – Mandatory Polling*
- Where required by applicable laws or the provisions of the Listing Manual, and unless waived by the relevant authority or pursuant to applicable law, all resolutions at General Meetings shall be voted by poll.*
- 61B. *Proceedings at General Meetings – Method of voting where mandatory polling is not required*
- Subject to Regulation 61(A), at any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by:*
- (a) the chairman of the meeting; or*
 - (b) not less than two Members present in person or by proxy and entitled to vote at the meeting; or*
 - (c) a Member present in person or by proxy and representing not less than 5 per cent of the total voting rights of all the Members having the right to vote at the meeting; or*
 - (d) a Member present in person or by proxy and holding not less than 5 per cent, of the total number of paid-up shares of the Company (excluding treasury shares);*
- Provided always that no poll shall be demanded on the choice of a chairman or on a question of adjournment.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

62. *Proceedings at General Meetings – Taking a poll*
- A demand for a poll may be withdrawn only with the approval of the meeting. Unless a poll is required a declaration by the chairman of the meeting that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the minute book, shall be conclusive evidence of that fact without proof of the number or proportion of the votes recorded for or against such resolution. If a poll is required, it shall be taken in such manner (including the use of ballot or voting papers) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The chairman of the meeting may (and if so directed by the meeting or if required by the meeting shall) appoint at least one scrutineer for each General Meeting who shall be independent of the persons undertaking the polling process and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.*
63. *Proceedings at General Meetings – Casting vote of chairman*
- In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.*
64. *Proceedings at General Meetings – Continuance of business after demand for a poll*
- A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

65. *Votes of Members – How Members may vote*
- A holder of a share shall be entitled to be present and to vote at any general meeting in respect of any share or shares upon which all calls due to the company have been paid. Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Regulation 5, each Member entitled to vote may vote in person or by proxy. Every Member who is present in person or by proxy shall:*
- (a) on a poll, have one vote for every share which he holds or represents; and*
- (b) on a show of hands, have one vote, Provided always that (i) in the case of a Member who is not a relevant intermediary and who is represented by two proxies, only one of the two proxies as determined by that Member or, failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands); or (ii) in the case of a Member who is a relevant intermediary and who is represented by two or more proxies, each proxy shall be entitled to vote on a show of hands.*
- For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

66. *Votes of Members – Voting rights of joint holders* *In the case of joint holders of a share, any one of such holders may vote in person or by proxy, but if more than one such holder is present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or (as the case may be) the Depository Register in respect of the share (with the name that stands first being most senior).*
67. *Votes of Members – Voting by receivers* *Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any Member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such Member to vote in person or by proxy at any General Meeting or to exercise any other right conferred by membership in relation to meetings of the Company.*
68. *Votes of Members – Entitlement of Members to vote* *No Member shall, unless the Directors otherwise determine, be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

69. *Votes of Members – When objection to admissibility of votes may be made*
- No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting at which the vote objected to is or may be given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the chairman of the meeting whose decisions shall be final and conclusive.*
70. *Votes of Members – Vote on a poll*
- On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.*
71. *Votes of Members – Appointment of proxies*
- (A) Save as otherwise provided in the Act:*
- (a) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same General Meeting. Where such Member appoints two proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy; and*
- (b) a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.*
- (B) In any case where a Member is a Depositor, the Company shall be entitled and bound:*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

(a) to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered against his name in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company; and

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by that Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at 72 hours before the time of the relevant General Meeting as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

- 71C. *Votes of Members –
Notes and instructions* *The Company shall be entitled and bound, in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.*
- 71D. *Votes of Members –
Proxy need not be a
Member* *A proxy need not be a Member of the Company.*
- 71E. *Votes of Members –
Revocation of
appointment of proxy
where Member attends* *A Member who has deposited an instrument appointing any number of proxies to vote on his behalf at a General Meeting shall not be precluded from attending and voting in person at that General Meeting. Any such appointment of all the proxies concerned shall be deemed to be revoked upon the attendance of the Member appointing the proxy/proxies at the relevant General Meeting.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 72A. *Votes of Members – Execution of proxies* – *An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and:*
- (a) in the case of an individual, shall be:*
 - (i) signed by the appointer or his attorney if the instrument is delivered personally or sent by post; or*
 - (ii) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and*
 - (b) in the case of a corporation, shall be (i) either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or*
 - (ii) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.*
- The Directors may, for the purposes of Regulations 72(A)(a)(ii) and 72(A)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.*
- 72B. *Votes of Members – Witness and authority* – *The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to Regulation 73, failing which the instrument may be treated as invalid.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

72C.

The Directors may, in their absolute discretion approve the method and manner for an instrument appointing a proxy to be authorised, and designate the procedure for authenticating an instrument appointing a proxy, as contemplated in Regulations 72(A)(a)(ii) and 72(A)(b)(ii) for application to such Members or class of Members as they may determine. Where the Directors do not so approve and designate in relation to a Member (whether a class or otherwise), Regulation 72(A)(a)(i) and/or (as the case may be) Regulation 72(A)(b)(ii) shall apply.

73A.

*Votes of Members –
Deposit or proxies*

An instrument appointing a proxy: (a) if sent personally or by post, must be left at such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting (or, if no place is so specified, at the Office); or (b) if submitted by electronic communication, must be received through such means as may be specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting, and in either case, not less than 72 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used, and in default shall not be treated as valid. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates; Provided that an instrument of proxy relating to more than one meeting (including any adjournment thereof) having once been so delivered in accordance with this Regulation 73 for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

- 73B. *Votes of Members – Directors may specify means for electronic communications*
- The Directors may, in their absolute discretion, and in relation to such Members or class of Members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in Regulation 73(A)(b). Where the Directors do not so specify in relation to a Member (whether of a class or otherwise), Regulation 73(A)(a) shall apply.*
74. *Votes of Members – Rights of proxies*
- (A) An instrument appointing a proxy shall be deemed to confer authority to include the right to demand or join in demanding a poll, to move any resolution or amendment thereto and to speak at the meeting.*
- (B) A proxy shall be entitled to vote on a show of hands on any matter at any General Meeting.*
75. *Votes of Members – Intervening death or mental disorder*
- A vote cast by proxy shall not be invalidated by the previous death or mental disorder of the principal or by the revocation of the appointment of the proxy or of the authority under which the appointment was made, Provided that no intimation in writing of such death, mental disorder or revocation shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) the time appointed for the taking of the poll at which the vote is cast.*
121. *Dividends – Declaration of dividends*
- The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

122. *Dividends – Interim dividends* *If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such period as they think fit.*
123. *Dividends – Appportionment of dividends* *- of* *Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:*
(a) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(b) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this Regulation 123, an amount paid or credited as paid on a share in advance of a call is to be ignored.
124. *Dividends – Dividends payable out of profits* *No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes.*
125. *Dividends – No interest on dividends* *No dividend or other moneys payable on or in respect of a share shall bear interest as against the Company.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

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| 126A. | <i>Dividends – Retention of dividends on shares subject to lien</i> | <i>The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.</i> |
| 126B. | <i>Dividends – Retention of dividends pending transmission</i> | <i>The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares hereinbefore contained entitled to become a Member, or which any person is under those provisions entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.</i> |
| 127. | <i>Dividends – Waiver of dividends</i> | <i>The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.</i> |

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

128. *Dividends – Unclaimed dividends or other moneys*
- The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six years has elapsed from the date such dividend or other moneys are first payable.*
129. *Dividends – Payment of dividend in specie*
- The Company may upon the recommendation of the Directors by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution. Where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

130. *Dividends – Dividends payable by cheque or warrant*
- Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of a Member entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person at such address as such Member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.*
131. *Dividends – Payment to Depository good discharge*
- Notwithstanding the provisions of Regulation 130 and the provisions of Regulation 133, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment.*

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

132. *Dividends – payment to dividends to joint holders* *If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other moneys payable or property distributable on or in respect of the share.*
133. *Dividends – Resolution declaring dividends* *Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.*
- 134A. *Bonus Issues and Capitalisation of Profits and Reserves – Power to issue free bonus shares and/or to capitalise reserves* *The Directors may, with the sanction of an ordinary resolution of the Company (including any ordinary resolution passed pursuant to Regulation 8(B)):*
(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on: (i) the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or (ii) (in the case of an ordinary resolution passed pursuant to Regulation 8(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and/or

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on: (i) the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or (ii) (in the case of an ordinary resolution passed pursuant to Regulation 8(B)) such other date as may be determined by the Directors, in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, new shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

134B.

Bonus Issues and Capitalisation of Profits and Reserves – Power of Directors to give effect to bonus issues and capitalisations

The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation under Regulation 134(A), with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

APPENDIX F – EXTRACTS FROM COMPANY'S CONSTITUTION

135. *Bonus Issues and Capitalisation of Profits and Reserves – Power to issue free shares and/or to capitalise reserves for employee share-based incentive plans*
- In addition and without prejudice to the powers provided for by Regulation 134, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by Members in General Meeting and on such terms as the Directors shall think fit.*