HALCYON

INNOVATE SUSTAIN SUCCEED

CORPORATE REPORT 2020

Book One: Strategy and Sustainability

ABOUT THE REPORT

Book One: Strategy and Sustainability
Book Two: Corporate Governance and Financial Report

Our vision is to be the leading natural rubber global franchise, leveraging our globally integrated platform in advocating for supply chain sustainability, and effecting meaningful change in the industry.

The 2020 Corporate Report covers the financial year of 2020 (1st January to 31st December), encompasses the strategic, financial and sustainability aspects of our Group's business, including the impact of COVID-19 and how we came together in navigating the challenges, as well as detailing the developments and initiatives moving into 2021 and beyond.

The Sustainability Report has been prepared in accordance with the Global Reporting Initiative (GRI) standards: Core option. It contains our key Environmental Social Governance (ESG) factors approved by the Board, and was prepared in accordance with the Singapore Exchange Sustainability Reporting Guide. All data refers to Halcyon Agri Group's operations in Asia, Europe, America and Africa unless stated otherwise. There were no significant changes to our organisation and supply chain during the reporting period.

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

Follow us on social media!
Halcyon Agri
@HalcyonAgri

CONTENTS

CHAIRMAN'S WELCOME MESSAGE

Dear Shareholders,

Welcome to the 2020 Annual Report of Halcyon Agri. Our theme this year is "Innovate, Sustain, Succeed", which illustrates the future direction of the Group.

2020 has been an unusual year, as global economic activity and every aspect of ordinary life were severely challenged by the COVID-19 pandemic. The OECD forecasted a global GDP contraction of 4.2% in 2020, with China being the only country among G20 to record a year-on-year growth. Commodity prices, including natural rubber, have been highly volatile and presenting significant challenges to all stakeholders in the natural rubber value chain: Plantations, smallholder farmers, manufacturers and tyremakers.

In the first half of the 2020, our operations were affected by the sharp decline in demand from global tyre majors, with only c.530,000 mT of natural rubber delivered amid the global economic turmoil. Heading into the second half, our management team embraced the principles of "customer excellence", by keeping the finger on the pulse of the market, and seizing opportunity amidst demand recovery. As a result, a higher sales volume of c.660,000 mT was achieved in second half of 2020, which was around the same level as the corresponding period in 2019, a promising sign of navigating the challenges of the pandemic.

Halcyon Agri had successfully issued US$200 million guaranteed perpetual securities on 18 November 2020, strengthens the Group's balance sheet and lays a solid financial foundation for its future aspirations.

On the sustainability front, we have made significant strides as well. For our sustainability efforts, we were awarded the EcoVadis Gold Medal, and ranked as the most transparent rubber company in 2020 SPOTT assessment. Our plantation in Malaysia, owned by JFL Holdings Sdn. Bhd., have obtained the Malaysian Sustainable Palm Oil (MSPO) certification.

Looking ahead, the global economy is facing a phase of unprecedented transformation. OECD and IMF have both pointed towards a recovery in 2021, estimated global GDP growth of 5.6% and 6.0% respectively. Halcyon Agri instills innovation to the traditional rubber industry and charts a path towards sustainable growth. We will continue to leverage our best-in-class assets and our unrivalled global coverage, to embrace modern technology and uphold the concept of "customer excellence" and "operational excellence". With persistent innovation in our products, process and business model, we aspire to drive a lasting change in the industry, achieve sustainable profitability and create value for our shareholders, employees, stakeholders and community as a whole.

During the year, David Li Xuetao has been appointed as the new CEO in place of Robert Meyer, who retired in June 2020 as part of the management transition plan. I believe David Li and the management team will steer the Group forward, and scale new heights.

In closing, I would like to express my deepest gratitude to our employees, business partners, bankers, investors and all other stakeholders for their unwavering support to Halcyon Agri. Thank you.

Liu Hongsheng
Chairman

各位股东：

欢迎您阅读合盛公司2020年度报告。我们今年的主题是"创新Innovate"，"可持续Sustain"和"成功Succeed"。这一主题展示了我们未来努力的方向。

2020年是很不寻常的一年，全球经济活动和人类的生活方式受到了新冠疫情的严峻挑战。OECD最新预测全球GDP在2020年下降了4.2%，G20主要经济体只有中国的GDP实现正增长。包括天然橡胶在内的大宗商品价格大幅波动，给天然橡胶种植园、小农户、生产商包括下游轮胎企业带来了很大挑战。

上半年受轮胎厂需求量大幅下降影响，合盛公司仅实现销量约53万吨，下半年公司新的管理团队通过强化"客户导向"，贴近市场，抓住轮胎厂需求恢复的机遇，实现销量约66万吨，与去年同期持平，初步克服了疫情的不利影响。

合盛公司于11月18日成功发行了2亿美元次级永续债，夯实了资产负债表，为未来发展打下了坚实的财务基础。

合盛公司在可持续发展方面也取得了更多成绩，2020年公司荣获EcoVadis金牌，并在2020年SPOTT评估中被评为最具透明度的橡胶企业。公司JFL种植园获得马来西亚可持续棕榈园证书(MSPO Certification)。

展望未来，世界经济正面临前所未有的大变局，OECD和IMF共识都预计全球经济于2021年复苏，估计全球GDP增速分别为5.6%和6.0%，重回增长轨道。合盛公司处于传统的天然橡胶行业，唯有不断创新才能实现可持续发展。我们要继续利用世界一流的资产基础和我们的全球影响力，秉持"客户导向"、"卓越运营"的理念，不断进行技术创新、商业模式创新、产品创新、管理创新等，凝心聚力，艰苦奋斗，实现可持续的盈利，为股东、社会和员工创造价值。

2020年6月，作为集团继任计划的一部分，李雪涛先生正式被任命为合盛新的首席执行官，从原任CEO罗伯特迈耶尔先生（Robert Meyer）的手中接棒。我相信李雪涛先生与他的管理团队将继续带动集团继续前进，并创新高峰。

衷心感谢我们的各位员工、业务伙伴、银行、投资者以及其他利益相关者对合盛公司的支持！

刘红生
董事长

HALCYON AGRI AT A GLANCE

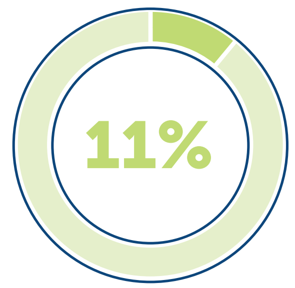
15,000+
DEDICATED AND RESPECTED EMPLOYEES

100+ LOCATIONS
Headquartered in Singapore, we are fully integrated with significant presence along every phase of the supply chain, including plantations, factories, warehouses, tank terminals, laboratories, and a worldwide distribution network

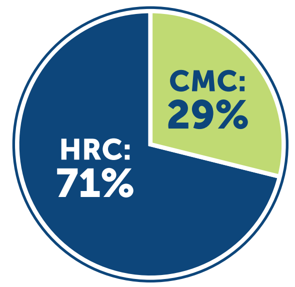
39,000 ha
PLANTED AREAS

1.6 million mT
PRODUCTION CAPACITY

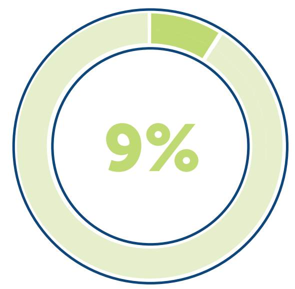
1.2 million mT
SALES VOLUME



Market share of natural rubber supplied to global tyre production



Sales volume contribution by segment



Global natural rubber and latex market share

Our Global Franchise

Halcyon Agri Corporation Limited (SGX: 5VJ.SI) is a leading integrated natural rubber supply chain franchise. Headquartered in Singapore with over 15,000 employees in more than 100 locations, the Group leverages its extensive network of factories, warehouses, terminals, laboratories and sales offices around the world to distribute a wide range of natural rubber products to our customers.

Through multiple acquisitions and vigorous integration process, Halcyon Agri has created two best-in-class operations, while introducing and upholding the strictest sustainability principles:

- **Halcyon Rubber Company (HRC Group)**: Pre-eminent supplier of natural rubber to the global tyre fraternity, HRC Group owns and operates 36 factories with wide-ranging approvals from the tyre majors. The factories are located across the key rubber origins, including Indonesia, Malaysia, China, Thailand and Ivory Coast, and they have attained international standards of environmental performance under ISO 14001 and/or compliant with HeveaPro, an industry-leading manufacturing standard for sustainable natural rubber.
- **Corrie MacColl (CMC Group)**: A leading provider of specialist polymers for industrial and non-tyre applications, CMC Group operates a wide storefront covering in-house plantation rubber and concentrated latex, as well as third-party sourced natural and synthetic rubber, in both dry and liquid forms. CMC comprises of two units: CMC Plantations (CMCP), which is the owner of one of the largest commercially owned and operated plantations globally, as well as CMC International (CMCI), a commercial and distribution platform with global third-party procurement capability, which supports the customers' requirements via providing a full suite of logistic and technical services.

On top of the above two major business segments, Halcyon Agri also invests in the digital transformation of the natural rubber supply chain, the most prominent initiative being HeveaConnect. HeveaConnect is a digital marketplace for sustainably produced natural rubber, and is at the forefront of the digitalisation of the natural rubber industry. Digital transformation allows for data transparency, which will strengthen the integrity of product sustainability, and enhances trust along supply chain.

	Plantations	Processing	Distribution
Halcyon Rubber Company	Ivory Coast **1 plantation** Concession area **1,600 ha** Planted area **1,300 ha**	Production capacity **1,537,000 mT** Indonesia **19 factories** Malaysia **2 factories** China **8 factories** Thailand **5 factories** Ivory Coast **2 factories**	**China** **Singapore**
Corrie MacColl	Cameroon **2 plantations** Concession area **100,000 ha** Planted area **31,000 ha** Malaysia **1 plantation** Concession area **10,000 ha** Planted area **7,000 ha**	Production capacity **90,000 mT** Cameroon **2 factories**	**China** **Germany** **Malaysia** **Netherlands** **Thailand** **Turkey** **United Kingdom** **USA** **Vietnam**

Our Business Model

HRC Group

HRC Group houses our supply chain for tyre applications and operates 36 factories in five key rubber origins. The factories purchase raw materials from smallholder farmers, which is then processed to HeveaPro standard, and marketed to the global tyre industry. Being in a mid-stream business, the key profitability driver for the factories is the processing margins, which is the selling price of the finished product, deducted against the procurement costs from smallholder farmers, and associated conversion costs and overheads.

In FY2020, HRC Group delivered 881,467 mT of natural rubber to the tyre industry, and produced EBITDA of US$37.2 million after excluding management fees.

HRC Group also owns a rubber plantation in Ivory Coast with 1,300 ha planted, which supplies raw material into our factory.

CMC Group

CMC provides integrated supply chain services to the global non-tyre and specialty tyre market segments with both third-party sourced rubber and its own in-house, fully traceable rubber and latex products. This division comprises of two units, each with different characteristics and profit drivers.

CMC Plantations (CMCP)

With over 31,000 ha planted in Cameroon and 7,000 ha planted in Malaysia, CMCP's average tree profile remains largely immature, currently standing at 12.2 years. The plantation business is a long-term investment as each planted rubber tree takes an average of five to seven years before yielding the first drop of latex, and will go on to be productive for the next 30 years. As the plantation overheads are mostly fixed in nature, the time passage will lead to the ramping up of plantation yields and improving the absorption of fixed costs.

Moving forward, as the immature areas come on stream and the yields of the younger trees strengthen, the plantation output is expected to at least double in the next five years, and reach 55,000 mT of output by 2030. As the unit costs are reduced with a larger volume base, unit profits will increase. There is further upside profit potential when factoring in the cyclical recovery in rubber prices.

In FY2020, CMCP produced 15,015 mT of natural rubber, which translates into an average yield per matured hectare of 1.0 mT. Compared to 19,597 mT in 2019, the decrease is attributed to the suspension of tapping activities due to the lockdown restriction amid COVID-19 pandemic to minimise in-country movement amid pandemic. Currently c.40% of its produce is in the form of concentrated latex. Its oil palm plantation in Kelantan, Malaysia is currently being harvested for fresh fruit bunches, at an annual yield of 8.3 mT per ha. A negative EBITDA of US$20.8 million was recorded in FY2020, mainly due to the maintenance expenditures associated with the plantations has yet to be sufficiently covered by the margins generated from plantation output.

CMC International (CMCI)

Being a fulfilment platform, CMCI is the distribution arm for our plantation outputs, which allows us to capture the whole supply chain margin from the tree all the way to the customers' door. It is also a stockist and merchandiser that buys and sells third-party rubber products with a margin. The distribution margins are used to support the development and maintenance costs of our plantations.

CMCI fulfilled 349,820 mT (which include marketing of CMCP's outputs) during FY2020, and recorded an EBITDA of US$0.9 million.

HeveaConnect

A game-changer in the natural rubber price discovery process, HeveaConnect facilitates the trade between customers and producers for sustainably sourced and responsibly produced natural rubber. Its data-enriched platform provides traceability and sustainability data tailored to the requirements of the customers, which facilitates realisation of sales premium on sustainable rubber. In return for the services, HeveaConnect earns a volume and tenor based commission.

In FY2020, COVID-19 pandemic has supercharged digital adoption. This directly benefited HeveaConnect, which saw 169,000 mT being matched on the platform, with gross sales value of US$185 million.

HeveaConnect secured a US$1.5 million investment from Singapore Exchange (SGX) on 3 March 2021. Cognisant that the industry participation is crucial for such a platform, Halcyon Agri has relinquished its controlling stake in HeveaConnect by transferring a portion of its shares into HeveaConnect Equity Trust.

The shares in the Trust are administered by an independent trustee, for distribution to eligible organisations involved in promoting the sustainability agenda in the natural rubber industry. With an increased involvement from different interest groups, we believe that HeveaConnect's role as an independent marketplace will be elevated and will gain more traction with the natural rubber producers and customers.

CHIEF EXECUTIVE OFFICER'S REVIEW

Dear Shareholders,

2020 is an unprecedented year, and for Halcyon Agri and the natural rubber industry, it is best described as "A Tale of Two Halves", which represents contrasting characteristics of economic conditions before and after the mid-year point. Since taking over the helm of Halcyon Agri on 26 June 2020, the management team and I have worked tirelessly in navigating various challenges arising from COVID-19 pandemic, whilst we continue to keep an eye on the opportunities that we could capture going forward. My observations and thoughts of the business environment and economic conditions in 2020 are as follows:

First half (January – June 2020)

Year 2020 started off on an encouraging note, as the rubber price recovery momentum since the end of 2019 continued into January up until the Lunar New Year. SICOM TSR20 hit a high of US$1,524 per mT on 16 January 2020. However, the rapid outbreak of a never-before-seen strain of the coronavirus around the world forced the World Health Organisation to declare it as a pandemic in March 2020 and essentially put the world on a standstill at that point in time.

Global markets tanked, and the rubber price gains at the beginning of 2020 have been wiped out due to a panic selloff post-Lunar New Year amid COVID-19 outbreak. SICOM TSR20 prices collapsed to below US$1,100 per mT at the end of June, a level not seen in the past five years. The collapse in rubber prices in the first half, alongside a global economy catastrophe, caused a severe margin compression for the industry, and the prices was well below the breakeven costs of our plantations.

With lockdown restrictions in place, demand weakened, supply chains were disrupted and as a result, the anticipated recovery in the rubber market in 2020 did not materialise. Halcyon Agri is not immune, with the downstream factories being furloughed and offtakes reduced drastically. Our global processing capacities were underutilised, causing the margins generated not being able to cover our fixed operating costs. However, our Asia-based latex business thrived amidst the pandemic-induced demand surge for medical gloves, though it has yet to reach the meaningful scale to set off the losses from tyre demand setback.

Owing to the double-whammy effects of low price and low volume, the Group recorded a loss before tax of US$41.1 million during H1 2020, after adjusted for non-recurring expenses.

Second half (July – December 2020)

As lockdowns remained in place throughout Q2 2020, worldwide governments are faced with a dilemma – on how to achieve a balance between protecting the economy and protecting the population. Realising that movement restrictions cannot be indefinite, and that threats from a weakening economy are looming, the governments progressively lifted the lockdown regulations in the beginning of the second half. Whilst air travel remains muted when the borders remained closed, downstream industrial activities have resumed.

Tyre factories resumed taking delivery of cargoes after months of limited activity. We have also observed a higher capacity utilisation across our factories, which was driven by a gradual improvement in demand. Margins have re-emerged alongside the strengthening of rubber prices – SICOM TSR20 levels as at end of July, August and September trading months were at US$1,231, US$1,367 and US$1,357 per mT, respectively.

At the beginning of Q4 2020, we started to see a stronger, and pent-up demand. Business confidence levels improved and our customers were filling up their inventories at a quicker pace and some started to build up buffer stocks, partly due to the concerns over supply chain disruption and global logistics conditions, with reports about container shortage started to make its way around the market. Such situations underpinned the increase in rubber prices, which hit a three-year peak of US$1,764 per mT on 28 October 2020. The stronger demand and higher offtakes have allowed us to ramp up the utilisation of factory capacities.

Since hitting the peak, rubber prices have experienced a correction, amid lingering macroeconomic concerns: US Presidential Elections, certainty of economic stimulus, effectiveness and efficacy of vaccines amongst others. SICOM TSR20 ended a very eventful 2020 at US$1,503 per mT, marginally higher than the starting point of the year.

The Group seized the market opportunities amidst a market recovery and recorded an improved operating performance in H2 2020. Delivered volume was at 656,115 mT, 23.7% higher than H1 2020, and almost reached H2 2019 levels. Adjusted for non-recurring costs, our H2 2020 loss before tax narrowed to US$0.8 million, close to breakeven, and represents a significant improvement from H1 2020.

Key priorities and strategies

Every challenge is an opportunity, and Halcyon Agri have tackled this challenge head-on. During 2020, we have taken the following measures to drive profit and preserve capital:

- **Review of plantation capex**: Whilst we have ceased new planting in line with our zero-deforestation commitment, further calibrations were made to our capital expenditure plans (especially those of our replanting programme), with an aim to strike a balance between preserving cash flows and ensuring our immature trees continued to be nurtured. These immature plantations are critical in driving the Group's profitability when the natural rubber price recovers. As of 31 December 2020, the Group has c.15,000 ha of immature plantations coming on-stream in the next four years. Based on the expected yield patterns, this translates into an additional output of c.30,000 mT per annum. If rubber prices continue to recover, this should further enhance our earnings in future years.

- **Business rationalisation**: Streamlining of group-wide operations and cost structure, preserving the Group's competitiveness upon market recovery.

- **Business and commercial optimisation**: Taking advantage of the demand improvement to ramp up factory utilisation. Implemented more disciplined commercial management, balancing between capturing of margins and achieving operating efficiency. Capitalise on the demand vacuum as smaller rubber players have exited the rubber industry amid financial difficulties due to COVID-19 pandemic.

- **Customer-focused approach**: Closer engagement and strengthening commercial relationship with our key customers, understanding their production requirements and providing value-added services. The supply chain disruption induced by the pandemic has created an opportunity for us to collaborate more closely with our customers to embrace our role as a fully-integrated supply chain manager.

- **Rightsizing the capital structure**: We have issued US$200 million of guaranteed perpetual securities on 18 November 2020. We have also recently secured a syndicated loan facility of up to US$300 million to refinance the existing term loan coming due in December 2021. We continue to work with our banking partners to review the overall financing arrangement to ensure proper alignment to our business objectives and strategies. Concurrently, we are also reviewing our assets portfolio to identify non-core assets for potential divestments, with proceeds to be redeployed to optimise returns on capital.

Sustainability remains a core business tenet

The Group relentlessly upholds high sustainability standards in spite of the operating challenges in 2020. We have been actively involved in initiatives that advocate for sustainable natural rubber and equitable supply chain, most prominently being the Global Platform for Sustainable Natural Rubber – we are proud to be one of the 11 member organisations to pilot-test their Baseline Reporting Requirements.

Our sustainability practices have been recognised by respected industry organisations:

- Awarded an EcoVadis Gold Medal, with a score of 68/100 – a full 13-point improvement from the 2019 Silver Medal.

- Rated as #1 most transparent rubber company in SPOTT assessment by Zoological Society of London, with a score of 77.7% – from 69.9% in 2019 which earned us the second place.

- JFL attained Malaysian Sustainable Palm Oil (MSPO) certification.

- Corrie MacColl Group secured a green loan from Deutsche Bank, first of its kind for the rubber industry.

- HeveaConnect secured a US$1.5 million investment from Singapore Exchange, paving the way for the next phase of HeveaConnect's growth as industry-preferred platform.

What lies ahead for natural rubber?

Since the turn of 2021, the rubber prices have continued to strengthen, closing off the February delivery month at US$2,000 per mT – a level unseen since early 2017! The signs are telling: markets are excited for the prospects of natural rubber. It should be noted that the improvement in the natural rubber prices is not simply buoyed by the rise in other commodities prices, but rather backed by an expectation of improved consumption of natural rubber from 2021 onwards, as reported by the key economic and rubber organisations:

- IMF has projected a global GDP growth of 6.0% for 2021.

- OECD has also forecasted that global GDP will expand by 5.6% in 2021, which may be further strengthened by the effectiveness in global rollout and the efficacy of COVID-19 vaccine.

- International Rubber Study Group (IRSG) has projected a 7.0% year-on-year growth in the global natural rubber consumption in 2021.

Amid an improved market sentiment, we are maintaining a sense of cautious optimism on the prices and prospects of the industry, as we expect that the global economic recovery to be gradual and uneven amongst the nations.

The demand of natural rubber is expected to remain robust in the near future:

- Tyres will remain a crucial element in global supply chain connectivity, as it mobilises the delivery vehicles around the world, which has seen its utilisation boosted by the booming e-commerce industry that thrived during the pandemic.

- The demand for gloves and personal protective equipment is not expected to wane, despite the mass vaccination programme, due to the awareness and emphasis on hygiene both on personal and medical perspectives.

On the other hand, the supply is dwindling. Minimal new plantings in the past few years, under-maintenance of rubber trees due to unremunerative prices, have left the trees to be vulnerable to diseases which permanently affects its yield. Subsistence farmers have abandoned their rubber trees in search for better income through employment, or have their trees felled, to be replanted with more profitable cash crops: durian, oil palm just to name a few.

These supply issues are structural: Trees can't grow faster, and nor does the sick or dead trees can be revived or rejuvenated.

Inferring from the above observations, the future growth in natural rubber demand is likely to outpace the growth in its supply, barring unforeseen circumstances. As a leading rubber franchise, Halcyon Agri's integrated global network gives us control over the entire value chain of how rubber is grown, sourced, produced, and distributed. Hence, we are well-positioned to capitalise on these post-pandemic opportunities.

The COVID-19 pandemic has exemplified the importance of natural rubber. *Hevea brasiliensis* is the common ingredient that is fundamental to mobility (tyres) and healthcare (gloves and medical equipment), being two of the most prevalent themes at the moment. **It goes without saying that our products keep the world moving, and keep people safe.**

Innovate to sustain

The digital transformation has revolutionised the global economy. The prominence of sharing economy model gave birth to Mobility-as-a-Service (MaaS) and the ridesharing business; and the movement towards smart cities and smart living has accelerated the development of self-driving technology and autonomous vehicles. The growing consciousness about carbon footprint from the end consumers has also increased the demand of electric and hybrid vehicles over the traditional internal combustion engine (ICE) vehicles.

All the considerations above share a common theme: These vehicles all run on wheels and tyres, which are made out of natural rubber. When all is said and done, the consumption of natural rubber is inevitable in supporting the digital transformation, and hence the downside is limited.

With the growing awareness for corporations to be responsible, sustainable and "green", complying to production standards and achieving cost effectiveness are no longer the core purpose for businesses. The consumers demand, and are eager, to know what goes into their products and whether they are responsibly sourced and sustainably produced. This in turn drives the shift in demand towards sustainable products that are traceable digitally, environmentally friendly and procured under a transparent pricing framework.

Halcyon Agri recognises the importance of innovation and digitalising the rubber trade to keep pace with the changes in sustainability requirements, and has invested into innovative solutions and products. Some of the highlights are as follows:

- **HeveaConnect**: A digital marketplace for sustainable natural rubber, which allows bilateral negotiations and trades between producers and consumers for technically specified rubber with bespoke requirements. With the support from Halcyon Agri, DBS Bank Ltd, ITOCHU Corporation and most recently, Singapore Exchange, HeveaConnect is locked and loaded to launch into its next phase of growth to gain more industry traction.

- **HeveaPro**: Now owned by HeveaConnect, HeveaPro is a suite of supply chain standards that was developed in-house, which sets the bar for high quality sustainable products. Widely accepted by our customers, it is encouraging that the same standards will now be adopted as the industry standard for sustainable rubber under HeveaConnect.

- **Development of Vytex® deproteinised latex**: Our group-wide innovation capabilities have enabled us to engage in innovative commercial partnerships. Corrie MacColl is collaborating with Vystar Corporation to transform our Cameroon plantation output into ultra-pure latex with stronger molecular bond that offers enhanced strength, durability and flexibility in the end products. This is achieved by removing non-rubber components and 99.85% of the proteins.

CHIEF EXECUTIVE OFFICER'S REVIEW

- **Realising value of our end-of-life trees**: Our Cameroonian plantations have approximately 2 million trees due to be replanted in the next 4 – 5 years. In the past, due to the logistical challenges to treat and convert the trees into a supplementary product like rubberwood, the harvested trees were left as biomass or sold as scrap. Thanks to the infrastructure development in Cameroon in the past years, it is now commercially viable to extract the value of the harvested timbers into rubberwood for furniture industry, as well as industrial wood pellets which are highly in demand now for industrial and private heating.

- **Strengthening innovation capabilities through industrial alliance**: Through investment in preferred stocks of Continental American Corporation (CAC), which owns Pioneer Balloon, the Group is supporting CAC's new venture into the production of latex gloves, as part of our initiatives to incubate innovative business ideas through alliance with business partners.

Our priorities

Our mission is to be a leading sustainable supply chain manager, delivering high quality products and providing exceptional services, and in doing so, achieve sustainable profits and create value to shareholders, employees and communities.

In achieving our mission, we have set out clear priorities, based on four core pillars below, to strengthen our industry leadership position, and to deliver profits in years to come:

- **Operational excellence**: Improving operating efficiency across the board, meaningfully and profitably increase our factory utilisation, building on the seamless connectivity of our global platforms to capture the improving demand of the customers, and constantly seeking for, incubate and develop innovative solutions and products.

- **Customer excellence**: Deepening customer relationship, and strengthening our positions as their preferred supplier. Seek to build alliance with customers to mutually strengthen innovative capabilities.

- **Corporate excellence**: Embracing sustainability as one of our key business tenets, and seek to set an industry example of a sustainable business organisation.

- **Financial excellence**: Enhancing group-wide liquidity and deleverage our balance sheet, thus facilitating the ability to achieve all of the goals above, ultimately leading towards group-wide profitability.

Closing thoughts

The outbreak of COVID-19 has definitely dealt a devastating blow to the business, but we have taken the right steps and are moving in the right direction, as evidenced by the improved results in the second half. Our ability to navigate through the catastrophic economic downturn in 2020 strengthened our belief that Halcyon Agri is poised to come out of this perfect storm stronger than ever. We'll stay the course – it is a matter of time before it yields the right results.

In closing, I would like to thank all members of the Halcyon Agri family who demonstrated unity in the face of adversity, and powered through the journey with much enthusiasm and perseverance. I also would like to extend my deepest appreciation towards our Board of Directors, our bankers, our commercial partners, and all other stakeholders for their unwavering support. For all the challenges in 2020, we have come much further than you might realise, and I'm quite excited for what's in store for 2021.

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

David Li Xuetao
Executive Director and Group CEO

BOARD OF DIRECTORS

Alan Nisbet
Lead Independent Director

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

- Independent Director and Chairman of the Audit Committee of Ascendas Property Trustee Pte Ltd (the trustee-manager of Ascendas India Trust)
- Independent Director, Chairman of the Remuneration Committee and member of the Audit and Risk Management Committee at KrisEnergy Limited
- Independent Director of Keppel REIT Management Limited (the manager of Keppel REIT)
- Independent Director and Chairman of the Audit Committee at Standard Chartered Bank (Singapore) Limited

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

Liew Choon Wei
Independent Director

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

His current roles include:

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

BOARD OF DIRECTORS

Simon Lam Chun Kai
Independent Director

Mr Simon Lam Chun Kai is an Independent Director appointed to the Board in 2019 and serves as the Chairman of the Nominating Committee. He also sits on the Audit Committee as well as the Strategy and Investment Committee. He brings many years of corporate experience, particularly in the petroleum and petrochemicals industries, and has served as:

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

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

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

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

Eddie Chan Yean Hoe
Independent Director

Mr Eddie Chan Yean Hoe is an Independent Director appointed to the Board in 2020 and sits on the Audit Committee. He was an Executive Director and a Partner of Ernst & Young Malaysia with extensive experience in auditing, corporate restructuring, taxation and accounting, particularly in the petroleum and petrochemicals industries, rubber and oil palm plantation.

He held several senior finance roles in oil and gas companies until his retirement, and has served as:

- Director of Daiman Development Berhad
- Director of Finance Department at CNOOC and Shell Petrochemicals Company Limited

Mr Eddie Chan is a Certified Public Accountant. He is a member of the Malaysian Institute of Certified Public Accountants and a chartered member of the Malaysian Institute of Accountants.

Liu Hongsheng
Non-Executive Chairman

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

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

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

Qin Jinke
Non-Executive Director

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

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

Mr Qin holds a bachelor's degree in Accounting from Central University of Finance and Economics, and an executive master's degree from China Europe International Business School.

BOARD OF DIRECTORS

Wang Wei
Non-Executive Director

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

His previous roles include:

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

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

Li Xuetao
Executive Director, Chief Executive Officer

Mr Li Xuetao is Halcyon Agri's Chief Executive Officer and joined the Board as Executive Director in June 2020. As Chief Executive Officer, Mr Li is in charge of formulating and executing the business strategy of the Group, and of overseeing its day-to-day management. He has more than 20 years' experience in tyre, synthetic rubber and natural rubber business, and has held various senior positions in Sinochem International Corporation (SIC) and Sinochem Group (SG), including:

- Director of Strategic Synergy Department of Chemical SBU of SG
- Deputy Director of Strategy Development Department of Chemical SBU of SG and SIC
- Vice President of SIC and CEO of Trading and Distribution Business Division
- Vice President of SIC and CEO of Rubber Business Division

Mr Li holds a Bachelor of Economics from University of International Business and Economics, Beijing and a Master of Change Management from BI Norwegian School of Management – Fudan University.

SENIOR MANAGEMENT

Jeremy Loh
Chief Financial Officer

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

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

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

Andrew Trevatt
Chief Commercial Officer
Corrie MacColl (CMC Group)

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

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

Ng Eng Kiat
Managing Director
Halcyon Rubber Company (HRC Group)

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

In late 2019, Mr Ng assumed the role of Managing Director for HRC Group and is responsible for the merchandising and risk management functions of the business unit, as well as oversight of the factory operations under the HRC Group.

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

SICOM TSR20 1st position for 2020 (US$ per mT)

Source: Bloomberg

After another year of decelerating growth in 2019 – a year which the global economy grew at its slowest since the Global Financial Crisis, the natural rubber industry outlook shown some positive signs at the beginning of 2020. Phase One trade deal between the US and China was finalised in December 2019, putting a halt to a potential further escalation of trade strife, and the market was fuelled with excitement for a long-awaited pause in the trade war that has weighed on the global economy for nearly two years.

The natural rubber prices have indeed seen a recovery from December 2019 up until the end of January 2020, before the outbreak of COVID-19 spooked the market, which led to a sell-off post Lunar New Year. The market conditions further deteriorated when the World Health Organisation declared the novel coronavirus outbreak a global pandemic in March 2020, which triggered aggressive lockdown restrictions around the world.

Over the same period, global industrial activities came to a grinding halt, and the downstream tyre factories were furloughed due to lockdown measures and weakened demand. Rubber prices fell to a trough of US$1,038 on 1 April 2020, before slowly retracing to US$1,100 levels.

As 2020 passed its middle point, amidst the rising number of new cases, there was a dawning realisation for the governments that the lockdowns cannot be indefinite, due to the looming concerns over economic stagnation. Led by China – first into the virus and first out of it due to stringent defensive measures, many countries had progressively lifted their lockdown measures, to allow the industrial activities to gradually resume their operations.

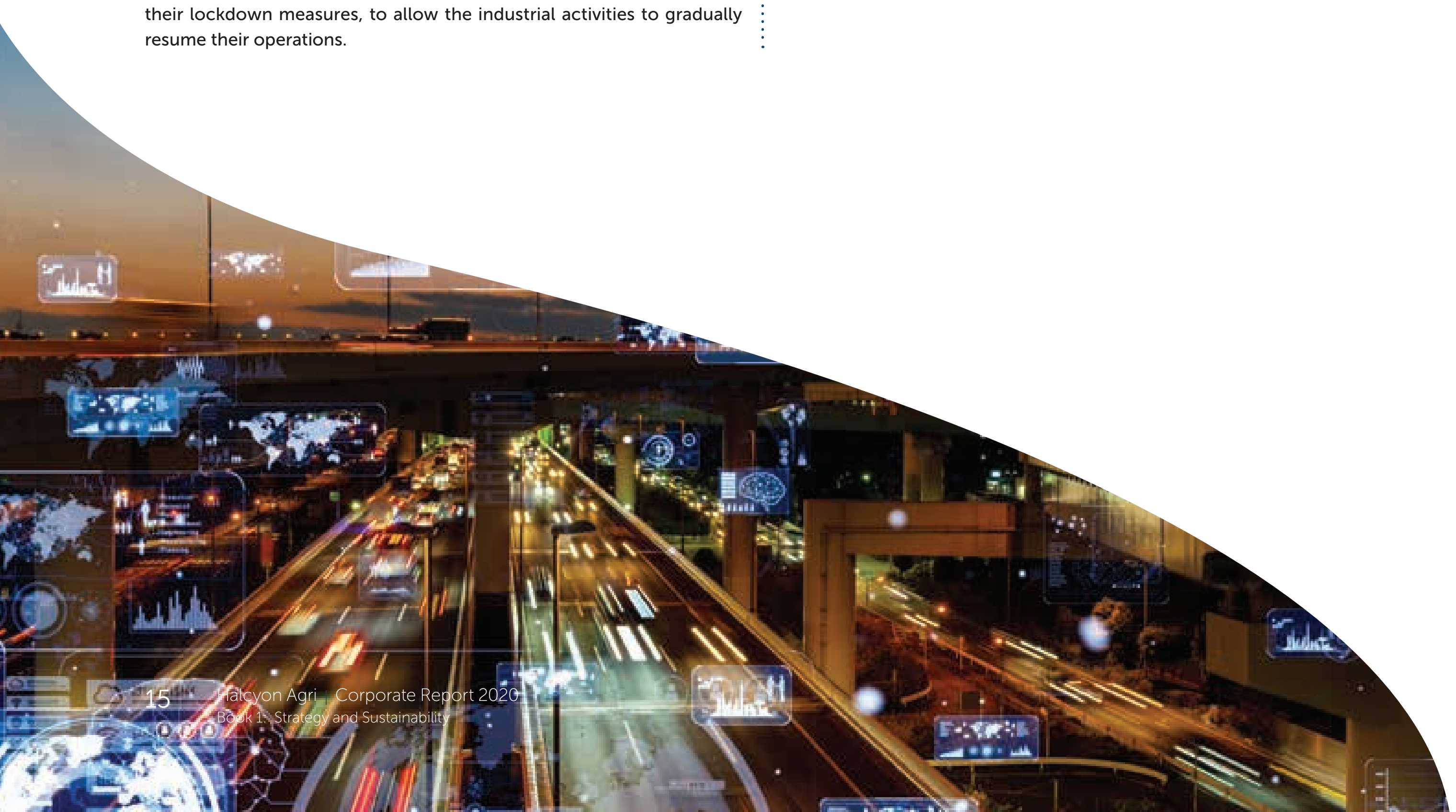
As the wheels of industry started turning again, the downstream activities began to pick up, leading to a release of pent-up demand for rubber. Consecutive quarters of expansion in both GDP and PMI globally sparked the rally in the rubber prices, which peaked at US$1,764 on 28 October 2020. It has since retreated to close 2020 at US$1,503 amid macroeconomic uncertainty, amongst others, the resurgence of the virus with new strains being reported and uncertainty over the outcome of the US Presidential Elections.

Demand factors

Industry 4.0 sparked the digital transformation, and has revolutionised the global economy. The emergence of sharing economy model gave birth to Mobility-as-a-Service (MaaS) and the ridesharing business, which improves the vehicle utilisation across the board; and the movement towards smart cities and smart living has accelerated the development of self-driving technology and autonomous vehicles. The growing consciousness about carbon footprint from the end consumers has also accelerated the replacement of electric and hybrid vehicles over the traditional internal combustion engine (ICE) vehicles.

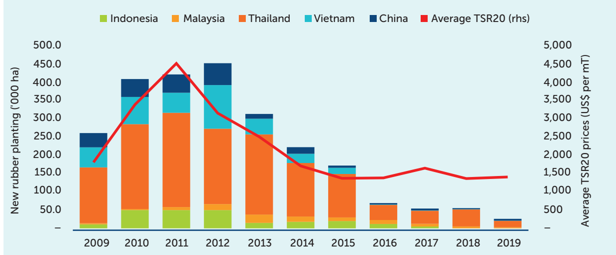
COVID-19 pandemic has also supercharged the shift towards e-commerce and the low-touch economy, which brought an unprecedented level of emphasis towards supply chain connectivity. While the passenger cars' driven miles reduce as people travelled less and adopted telecommuting arrangements, the booming e-commerce industry have boosted the utilisation of delivery vehicles around the world, connecting the supply chain from the first mile to the last mile.

All the considerations above share a common theme: They all run on wheels and tyres, which are made out of natural rubber. At the root of it, the consumption of natural rubber is inevitable in supporting the digital transformation and powering the supply chain connectivity. Demand for natural rubber will remain robust and the downside is limited.



Supply factors

New planting of rubber vs historical prices



Source: IRSG

On the other hand, supply is dwindling. Due to a prolonged price suppression, the incentives for smallholder farmers to keep the supply pipeline has been little to non-existent – New plantings have been declining since 2011, when the rubber prices deteriorated from its historic high.

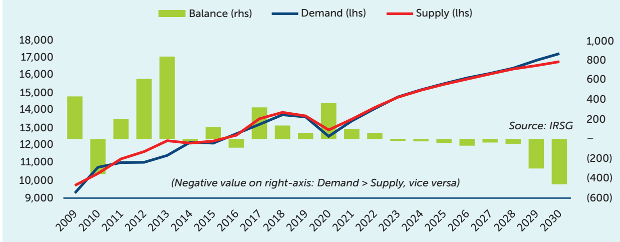
Subsistence farmers, who historically have relied on rubber-tapping to sustain their livelihood, have also left with little choice: either seeking for alternative income source, or continue to "abuse" the trees by overtapping and undermaintaining them to derive an equivalent monetary value to make ends meet. This has led to the trees being vulnerable to diseases, such as leaf blight[1] and leaf fall[2] diseases, which affects tree yields permanently.

The COVID-19 pandemic and the collapse of certain prominent commodity traders have induced a wave of credit-tightening measures by the banks for the commodities industry. This may have led to some smaller-scale producers curtailing their operations amid financial weakness and increasing difficulty in obtaining credit and cargo insurance.

Separately, whilst the global trades have carried on, population movements have been largely restricted, which resulted in foreign labours not being able to return to their country of employment. This affects predominantly Thailand and Malaysia, where tapping operations are mainly manned by foreign labours. These issues have affected and are expected to continue to affect the rubber supply in near future, until the restrictions on cross-border travel are lifted.

Closing thoughts

Natural rubber supply demand balance (in '000 mT)



Source: IRSG

Based on analysis done on datasets from International Rubber Study Group, the current excess inventory situation in the natural rubber industry is expected to subside and a supply shortage will emerge, as the growth in natural rubber demand is expected to outpace supply in the near future. However, based on our on-ground observations as described above, the tipping point may come much sooner than expected.

If the auto-tyre-rubber 'trilogy' has proven one thing over the course of the unprecedented year, is that its proven collective and co-operative resilience and adaptability to adversity as they approach 2021 with optimism. That 'W/V'-shaped recovery mentioned earlier looks to have been confirmed in the first couple of months of 2021. The 'Rubber Trilogy' looks set on an altogether better year than the one just concluded. The success of the glove industry aside, the rubber products industry should also benefit from steady economic recovery. We look forward to being a part of it all.

1 https://ircorubber.com/2019/pestalotiopsis-endanger-national-rubber-production/
2 https://ircorubber.com/2020/severe-and-critical-situation-of-rubber-plantations-in-thailand-affected-by-new-leave-fall-disease/

The inherent potential of a plantation business

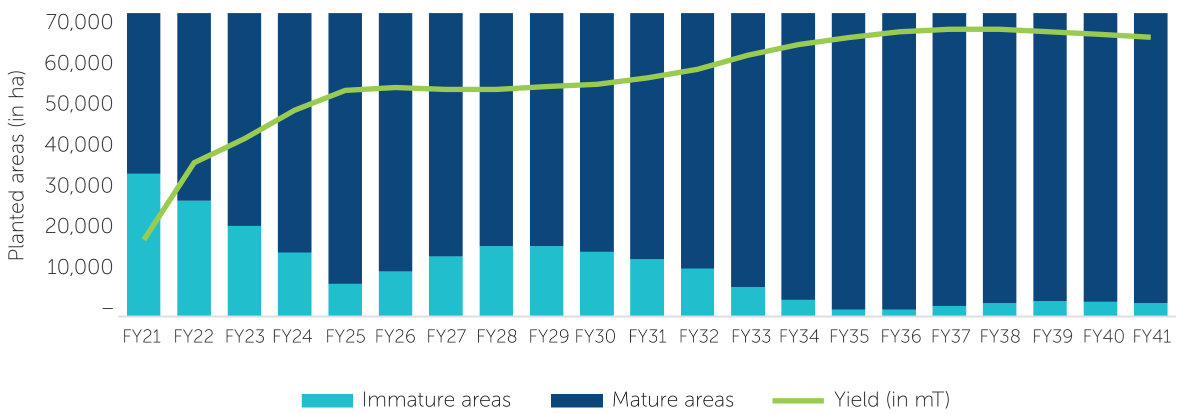
80% of natural rubber produced globally is grown by smallholder farmers. This results in a very weak ability to trace which farm or tree the rubber originates from, and with that, arises many sustainability challenges.

On the other hand, Corrie MacColl Plantations (CMCP) owns 100,000 ha (1.5 times the size of Singapore) of land in Cameroon and another 10,000 ha in Malaysia. We apply low-density planting with 38,400 ha, or just 31% of our land planted. We are committed to good agricultural practices, and having full control over both planting and harvesting means that output from our plantations is 100% traceable.

Management of our Cameroon estates began in 2016. A majority of the trees had already exhausted their economic lifespan then, and we have since engaged in a replanting programme. A plantation is always a long-term investment as time between plant and yield is roughly six years, continuous capital investment to nurture the immature plantation areas. Having been established in 2013, the first plantings of our Malaysia plantation reached maturity last year with peak production expected seven years after first harvest.

Total CMCP's output for 2020 was 15,015 mT of natural rubber and 8,356 mT of fresh fruit bunches.

Yield forecast vs maturity over next 20 years (Cameroon)



The future of CMCP paints a bright picture. The infrastructure is in place. Costs are fixed, and we have observed a recent strengthening in rubber prices. Couple that with an increase in production as trees mature, unit costs decrease and margins grow. As we enter a cyclical recovery in the market, CMCP is well positioned to supply a forecasted 55,000 mT of fully traceable, high-quality, sustainably produced natural rubber and latex by 2030. To put things into perspective this could be used to manufacture 8 billion medical gloves!

Sustainable development of our operations, and our people

The management strategy for the plantations was built around sustainability. We developed our Sustainability Policy with International NGOs Proforest and Rainforest Alliance. The Policy defines our highest sustainability standards and it includes a No Deforestation commitment across our Group's assets. 62% of our land remains unplanted and includes High Conservational Value (HCV) areas, protected land, and our 25,000-haectare Community Forest where we are developing income generating programmes with all benefits allocated to the local Communities.

2021 will see the first planting of our Cameroon Outgrower Programme. 300 ha have been selected for planting this year with each applicant required to undergo a stringent sustainability and credit-risk onboarding process. The programme is forecasted to plant 27,000 ha of multi crop farms over the next 15 years, surrounding a core crop of rubber, and generating income and food security for a minimum of 13,000 smallholder farmers. At peak production, the programme is expected to produce approximately 35,000 mT of rubber which will add to CMCP's total output.

Carbon opportunities

To further our sustainability development, we engaged Rainforest Alliance last year to carry out a complete supply chain greenhouse gas (GHG) balance assessment on our plantations in Cameroon.

An excerpt from the report's summary:

"Estimated carbon sequestration in the existing rubber systems at both plantation sites far outweighed the GHG emissions associated with the cultivation and processing of rubber. However, when taking into account emissions from historical land use change this positive balance is quickly negated."

What's important is that rubber trees sequester carbon, and they store it. In fact, in our Sudcam plantation, ***"The C sequestration rate in rubber is about 10 times the value of its Carbon Footprint."***

The second phase of this study is to identify carbon reduction and removal opportunities, and define potential opportunities for achieving net zero or carbon neutrality – to offset the damage done from past deforestation.

"In recent years, Corrie MacColl has taken actions to implement proactive efforts to halt further land use change and degradation in this region, coupled with the intent to support and implement activities that will lead to further climate benefits and, more broadly, ecosystem and livelihood resilience through their Outgrower Programme and Community Forest. These efforts are commendable and should be highlighted as a role model for the industry."

Note: The quotes in italicised texts above are obtained from the Rainforest Alliance Report titled "Assessing Carbon Neutral Opportunities in Halcyon Agri's Cameroon Operations".
Full report: https://www.corrie-maccoll.com/wp-content/uploads/2020/11/Assessing-C-neutrality-opportunities_final.pdf.
Public summary: https://www.corrie-maccoll.com/wp-content/uploads/2020/11/Rainforest-Alliance_Corrie-MacColl_Carbon-Neutrality-Study-.pdf

High-quality latex well positioned for the specialty market

CMCP made a tactical shift to latex production, targeting a 75/25 split in favour of the more specialised liquid product. Latex is used in the manufacturing of a plethora of products including condoms, balloons and even dog toys.

More importantly, latex is used to save lives! The medical industry is a large consumer of latex in the manufacturing of catheters and other medical tubing, and medical gloves. In medical gloves, natural latex is the choice raw material for its form, feel, fit and function due to superior elasticity, viral and bacterial barrier, better dexterity and sensitivity for fine movements, and for its 40% more tensile strength as compared to alternative materials.

Our Malaysian plantation, upon turning mature, is well situated to supply the Malaysian glove manufacturers (Malaysia is the world's largest glove manufacturer), while our Cameroon plantations, being the sole producer of concentrated latex in Africa, are situated strategically to benefit our European and North American customers. The Cameroon plantations benefit extensively from Corrie MacColl's distribution business which employs a technical advisory unit to assist customers with their purchase of specialty-grade products. The Group also provides logistical expertise which is needed in delivering latex, and tank storage capability.

CMCP will establish itself as the premium supplier of specialised liquid latex, from a 100% traceable, and sustainable source.

Continued advancement

There are approximately 2 million trees in our Hevecam plantation in Cameroon scheduled for replanting over the next 5 years. The building of a rubberwood processing facility will allow effective capturing of the value of these aged trees by creating by-products in the form of rubberwood for furniture, and rubber pellets for energy production. Exports of rubberwood and the sale of the pellets locally will create an income stream from what would have been previously considered waste material. In addition to the financial benefit, the programme advances our sustainability programme by ensuring the rubberwood retains its sequestered carbon while the pellets provide a more environmentally friendly source of energy.

The Hevecam plantation is also currently undergoing a step-wise programme to be ready for Forest Stewardship Council (FSC) certification which is scheduled for the beginning of 2022.

LIVING WITH COVID-19

Halcyon Agri employs more than 15,000 employees globally, especially in Cameroon, where we are one of the largest private employers. It is estimated that our raw material procurement is intertwined directly or indirectly with at least 800,000 smallholder farmer households.

COVID-19 wreaked havoc across all businesses in 2020 and we were not spared. As we tackled the effects, our main priority was to secure the safety and wellbeing of the thousands of people we employ, as well as the members of the communities in locations we operate – most of whom live in lower income regions. We are proud of how our Group adapted to changes and challenges, and we thank the local communities for giving us the trust to guide and support them throughout the year.

Protecting our people

- Adoption of strict precautionary measures, taking guidance from international standards put in place by government authorities.
- Roll-out of awareness and up-to-date information campaigns through multiple channels in local languages.
- In addition to our usual Environmental, Health and Safety (EHS) practices, we mandated the use of personal protective equipment (PPE) such as masks. Gloves were distributed to our staff according to the level of risk in different areas of operation.
- Strict compliance to safe distancing rules: Unnecessary movement or overcrowding was discouraged through evening curfews, staggered working hours, work-from-home where possible, and newly painted ground markers.
- In addition to the regular disinfection of villages and communal buildings, all incoming vehicles are disinfected before being allowed into the compound.
- Both of our Cameroon plantation hospitals have been certified as official testing centres by the government which allowed our teams to provide tests to our communities, as well as those surrounding our concessions.
- During times of rising cases within the regions of the plantations, precautionary measures that align with international standards were put in place. These included mandatory testing upon employees' return to the plantation, quarantine periods and a second test.
- Local villages have supported the concession communities in the delivery of fresh fruit and vegetables with a home delivery system of food and basic amenities; this system has ensured that employees and their families are well fed during the period of movement restrictions.
- Global teams have adopted video-conferencing platforms to promote regular communication and to keep motivation high whilst working from home. To continue a sense of normalcy, social events, and celebrations such as Christmas and birthdays have gone virtual.

Dedicated employees disinfecting incoming vehicles (Taken at our Hevecam plantation)

Disinfecting communal buildings (Taken at our Sudcam plantation)

Briefing and informational updates about COVID-19 (Taken at our PT Hok Tong Palembang factory)

Bulletin board detailing the COVID-19 information (Taken at our Hainan factory)

Protecting our communities

- Collaborated with local Cameroonian NGO, APIFED as well as Red Cross to deliver one of the earliest and largest COVID-19 awareness campaigns for communities neighbouring our plantations.
- We have actively reached out to local communities to inform and educate them about COVID-19, in collaboration with local governments.
- Increased the cleaning frequency of the environment surrounding the factories, and disinfecting the communal areas (such as schools and housing areas).
- Distribution of prevention kits to communities surrounding our operations, which comprises soaps, face masks and hand washing barrels, with demonstration on how to use these correctly.
- In Cameroon, a toll-free number has been established in the plantation communities to connect the caller to the nearest medical facility in order for the suspected cases to promptly receive medical assistance. Fully functional isolation treatment centres have been established to accommodate up to 200 people, ensuring that patients are treated separately without posing a health risk to the wider community.
- Community school students attended classes on a rotational basis, as the seating capacity was reduced by half to ensure safe distancing in classrooms.
- Food assistance programme to the community members affected by the lockdowns, in collaboration with local government authorities.

Daily temperature monitoring of our employees (Taken at our Sudcam plantation)

Safe distancing during meal times (Taken at our SDCI Ivory Coast factory)

Harnessing video conferencing facilities to stay connected

LIVING WITH COVID-19

Our way forward – Business continuity plans

COVID-19 exemplified the necessity of a business continuity plan to manage the unforeseeable circumstances, minimise the disruption to our global operations and ensure that the business remains resilient in spite of external disruptions. The key features to the business continuity plans are as follows:

- Communicate with internal and external stakeholders on timely basis, to keep them fully apprised of our plans and to secure their ongoing support.
- Adhere to all travel and health advisories issued by the respective local government agencies and global health authorities.
- Identify critical business functions and essential employees, and deploy appropriate business continuity arrangements, such as split team arrangements as well as cross-training and covering arrangements to minimise disruption due to risks of infection.
- Utilise flexible work arrangements, and provide the employees with sufficient tools and resources to support telecommuting.

Hand-making face shields to be distributed to local communities (Taken at our Teck Bee Hang factory)

COVID-19 awareness campaigns to the local communities (Taken at our Hevecam plantation)

Face masks were made mandatory in local schools, and reduction of seating capacity (Taken at our Hevecam community school)

Distribution of PPEs to the local community (Taken at our Teck Bee Hang factory)

Distribution of care packages to communities surrounding our factories (Taken at Kedah, Malaysia)

Briefing to communities (Taken at the living quarters of our plantation workers in Ivory Coast)

CORPORATE MILESTONES

January 2020

16 Jan
PT. Pulau Bintan Djaya became the Group's wholly-owned subsidiary.

March 2020

27 Mar
Collaboration with China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters (CCCMC) to develop practical and systematic solutions for Sustainable Natural Rubber.

April 2020

24 Apr
Consolidating some of the world's oldest and most established rubber trading brands – ***Wurfbain, Corrie MacColl, and Alan L Grant*** distribution franchises to operate under Corrie MacColl brand, a vital phase to strengthen Corrie MacColl's market presence and achieve higher brand visibility.

June 2020

19 Jun
Partnership with Deutsche Bank for sustainability-linked financing for an initial amount of US$25 million, with an accordion option to upsize the facility to US$75 million.

26 Jun
Appointment of Mr David Li Xuetao as the Chief Executive Officer as part of management transition plan.

Mr Robert Meyer and Mr Pascal Demierre retired from their offices as the Group's founding Chief Executive Officer and Chief Corporate Officer, respectively.

August 2020

17 Aug
JFL Holdings receives Malaysian Sustainable Palm Oil (MSPO) certification, a recognition for responsible management of palm oil plantations, smallholdings and palm oil processing facilities.

October 2020

22 Oct
Awarded EcoVadis Gold Medal for Sustainability, a major improvement from silver medal in 2019.

November 2020

9 Nov
Deepening partnership with Pioneer Balloon, one of the world's largest balloon manufacturer, by investing in the preferred stocks of its holding company Continental American Corporation, to support its new venture into the production of latex gloves.

18 Nov
Completion of issuance of 3.8% US$200 million perpetual securities guaranteed by Sinochem International Corporation. The securities are classified as equity, which strengthen the Company's capital position.

January 2021

15 Jan
Corrie MacColl launches second phase of Sustainable Sourcing Policy with Rainforest Alliance, with the purpose of extending in-house sustainability standards to business partners.

27 Jan
Sudcam kick-starts the operations of its state-of-the-art latex factory, with capability to produce fully traceable concentrated latex to fulfil the growing demand in the Western Hemisphere.

March 2021

3 Mar
SGX invests US$1.5 million into HeveaConnect, Halcyon Agri cedes controlling stake as part of its commitment to accelerate industry adoption of the digital platform, and driving sustainable development in the natural rubber industry.

17 Mar
Rank #1 most transparent rubber producing company in SPOTT assessment by Zoological Society of London, from second place in previous assessment in 2019.

April 2021

30 Apr
Obtained a syndicated loan facility of up to US$300 million with a tenure of three years, to refinance existing term loan.

FINANCIAL HIGHLIGHTS

2020 was a financially challenging year for Halcyon Agri. The Group's ambition to seize opportunities and capture profits, on the back of an anticipated recovery in rubber market in early 2020, has been sideswiped by the COVID-19 outbreak. In response, we have nimbly executed several key strategies to navigate the pandemic:

- **Completion of US$200 million subordinated perpetual securities** guaranteed by Sinochem International Corporation, our major shareholder, has allowed the Group to strengthen our capital structure and improve its operating liquidity.
- **Obtained a three-year syndicated term loan of up to US$300 million**, which will be used to refinance an existing term loan. Completion of the exercise is subject to fulfilment of standard conditions precedent.
- **Partnered with Deutsche Bank for a sustainability-linked loan of US$25 million**, with an accordion option of US$50 million. The proceeds from such loan are utilised to fund our global plantation operations. This facility is first-of-its-kind in the natural rubber industry, where the financing costs are closely linked to our sustainability performance.
- **Streamlined our global operations to preserve our competitiveness upon market recovery**. In doing so, we have incurred US$14.4 million one-off expenses in 2020, which is expected to bring about savings in the future.
- **Calibrated our plantation capex** with an aim to strike a balance between preserving capital and ensuring the immature trees continue to be nurtured. This contributed to a 25% reduction in plantation capital expenditure to US$27.9 million in 2020, from US$37.4 million in 2019.

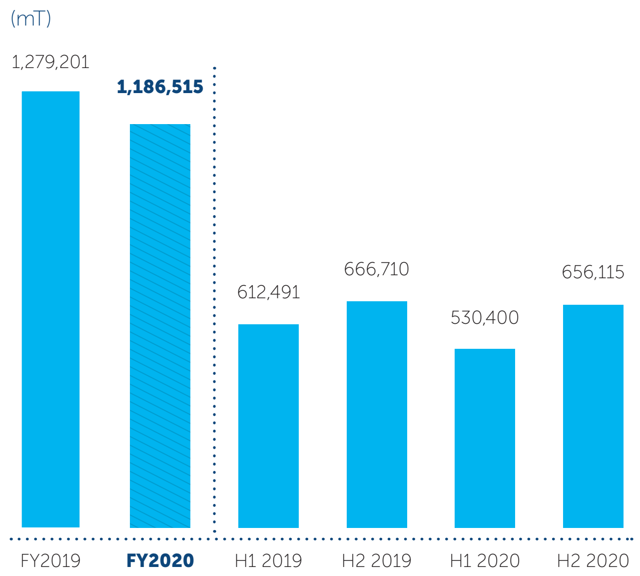
On top of the above, we have also entered into important partnerships that strengthened our strategic footing ahead of the future:

- **HeveaConnect Pte. Ltd. has secured a US$1.5 million investment from Singapore Exchange**. The significance of this deal lies in the endorsement of the core rubber marketplace. With the transfer of our 14.7% shares into HeveaConnect Equity Trust, we have **ceded our controlling stake in HeveaConnect**, and accordingly will no longer consolidate HeveaConnect as the Group's subsidiary. HeveaConnect's independence is crucial in facilitating its next stage of growth and promoting industry adoption.
- **Invested US$3 million in preferred stocks of Continental American Corporation (CAC)**. CAC is the owner of Pioneer Balloon, one of the largest balloon manufacturers globally and also one of our important customers in North America region. This strategic investment is part of the Group's strategy to strengthen innovation capabilities through industry alliance.

Selected Key Financial Statistics

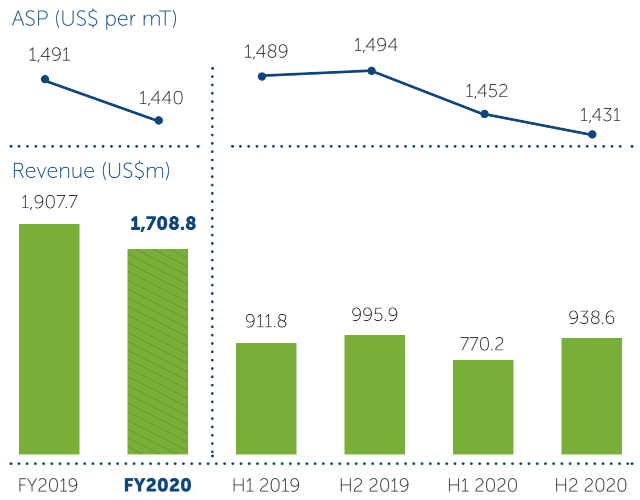
US$m unless otherwise stated	2020	2019
Sales volume (mT)	1,186,515	1,279,201
Revenue	1,708.8	1,907.7
EBITDA		
As reported	1.4	71.7
Adjusted for fair value gains and non-recurring expenses	11.5	26.7
Operating (loss)/profits		
As reported	(31.3)	38.3
Adjusted for fair value gains and non-recurring expenses	(21.1)	(6.7)
Return on assets[1] (%)	0.6%	1.4%
Return on equity[2] (%)	1.5%	4.5%
Return on capital employed[3] (%)	0.9%	2.3%

Notes:
1. Return on assets: Adjusted EBITDA divided by total assets
2. Return on equity: Adjusted EBITDA divided by total equity
3. Return on capital employed: Adjusted EBITDA divided by capital employed (term debts plus total equity)



Sales Volume

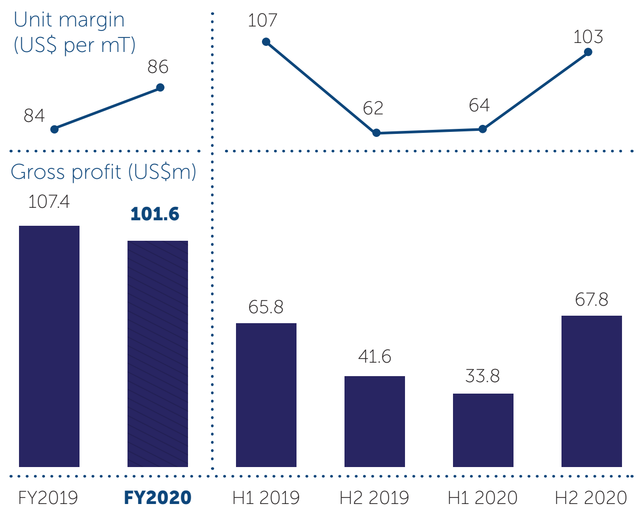
The outbreak of COVID-19 has affected the downstream demand and disrupted the global supply chain, which resulted in a 7.2% year-on-year decrease in the volumes being delivered during the year. Typically, the first half delivered volume trends lower due to wintering season in key rubber origins, but in H1 2020, the slump has been exacerbated by the COVID-19 impact, which caused the downstream factories to be furloughed, and our factory capacities underutilised. H2 2020 rebound in volumes were driven by a strong recovery in downstream demand, where the countries progressively lifting the lockdown restrictions.



Revenue and Average Selling Price

Revenue decreased by 10.4% from US$1,907.7 million to US$1,708.8 million in 2020, in part due to 7.2% decrease in volumes, as well as a 3.4% reduction in average selling prices. Average selling prices (ASP) are lower in tandem with the 6.7% decline in the average SICOM TSR20 prices from US$1,406 per mT in FY2019, to US$1,318 in FY2020, impact of which saddled by the higher sales premium realised.

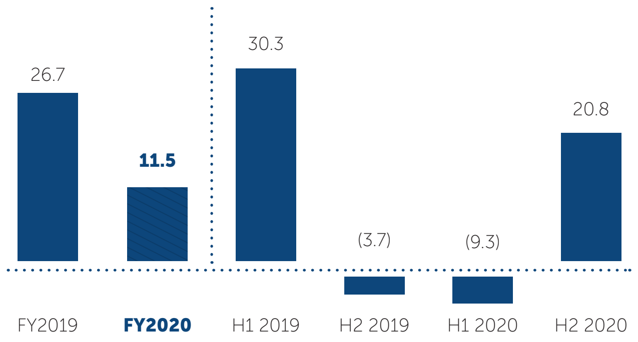
Our sales are conducted via two major mechanisms: Spot, and Long-Term Contract (LTC). Spot sales are entered to secure nearby cargoes (i.e. two to three months away from contracted date), with prices and delivery months fixed, that allows effective capturing of margins but more susceptible to the rapid changes in the downstream activities. Meanwhile LTCs are typically determined based on the average prices of the month preceding cargo delivery, and offers guaranteed capacity utilisation, but will be subject to a higher exposure to margin variation, if raw material prices at origin diverge from futures prices used to price LTCs. We continuously review and calibrate our sales mix to balance between realisation of margins and ensuring our factory capacities are optimally utilised.



Gross Profit

Gross profit reduced from US$107.4 million in FY2019 to US$101.6 million in FY2020, or 5.4%, which is volume-driven predominantly. It was partially set off by a higher unit margin. Reduced downstream demand since H2 2019 was caused by economic uncertainty, and was worsened by COVID-19 in H1 2020. The effectiveness in capturing of margins is sensitive to the prevailing benchmark prices, downstream demand, raw material availability and costs.

(US$m)

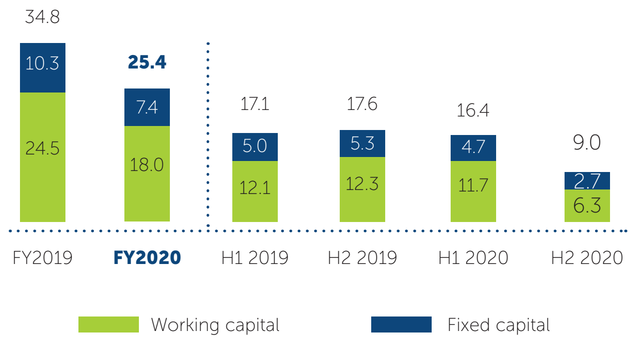


Adjusted EBITDA as stated above is derived after excluding of non-recurring expenses, as well as fair value gains from biological assets and investment properties from reported EBITDA.

Adjusted EBITDA

Adjusted EBITDA reduced by more than half in 2020, from US$26.7 million in 2019 to US$11.5 million in 2020, which was mainly contributed by a US$5.8 million decrease in gross profit, as well as the non-recurrence of the recovery of social charges amounting to US$7.1 million from the Cameroonian government recorded in 2019.

(US$m)



Net Financing Costs

Working capital financing costs comprise entirely the interest expenses incurred for the funding of the Group's working capital cycle. Meanwhile, fixed capital financing costs represents the net costs from structural financing facilities that includes term debt interests as well as financing income.

Net financing costs decreased by 27.0% from US$34.8 million to US$25.4 million, driven by the lower global benchmark interest rates, as well as the working capital interest savings from paring down of working capital loan balances out of the issuance proceeds of US$200 million perpetual securities in November 2020.

Performance by Segment

US$m unless otherwise stated	CMC Group		HRC Group		Corporate		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Sales volume ('000 mT)	349.8	378.5	881.5	946.1	–	–	1,186.5	1,279.2
Revenue to third party	533.3	595.0	1,175.3	1,312.7	0.2	–	1,708.8	1,907.7
Gross profits	21.6	30.7	80.3	76.6	–	–	101.6	107.4
Operating profit/(loss)*	(26.4)	(5.5)	19.2	13.9	(13.8)	(15.2)	(21.1)	(6.7)
EBITDA *	(17.0)	3.6	40.4	35.9	(12.6)	(14.2)	11.5	26.7

* Adjusted for non-recurring expenses, fair value gains and intragroup management fees.

CMC Group

After adjusting for the fair value gains on biological assets and non-recurring expenses, CMC Group's operating losses have widened in FY2020, mainly due to the fact that the current prices are below breakeven point of CMC plantations – the contribution margins generated were not able to set off the fixed costs from the maturing plantations. Gross profits decreased by US$9.1 million from 2019 to 2020, which is due to volume reduction and comparatively lower unit margins amid downward pressure in rubber prices and the weakened demand. Also contributing to the variance is the absence of the recovery of social charges amounting to US$7.1 million which happened in 2019. The maturing of CMC Group's plantation profile has also resulted in a higher maintenance costs being expensed off in 2020.

HRC Group

Adjusted for the management fee, have improved as compared to the previous year, due to effective capturing of sales premium and processing margins, as reflected in the improved unit gross profit. This was set off by the lower sales volume, caused by the pronounced demand weakness in H1 2020.

Corporate

This segment covers the key administrative and support functions for the Group. Operating losses decreased from US$15.2 million in FY2019 to US$13.8 million in FY2020, mainly due to the reduction in corporate costs, that is in line with the Group's rationalisation effort amid a challenging operating environment.

Financial Position

The Group's net assets have increased from US$589.0 million in December 2019 to US$748.7 million in December 2020. The key reason of the increase is due to the net proceeds of US$192.6 million from the issuance of perpetual securities in November 2020, as well as foreign currency translation gains following the strengthening of the local currency against US Dollar, which sets off the losses for the year.

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

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

US$m unless otherwise stated	Dec-20	Dec-19
Net working capital assets[1]	545.2	540.9
Cash and cash equivalents	45.7	57.9
Loan receivables	61.7	51.7
Total net working capital employed	652.6	650.5
Working capital loans	463.5	572.6
Efficiency of Working Capital Funding (%)	**71.0%**	**88.0%**
Operational long-term assets[2]	1,064.5	1,017.5
Non-core assets[3]	43.6	44.7
Total long-term assets	1,108.0	1,062.2
Other borrowings	548.1	551.1
Fixed Asset Gearing (%)	**49.5%**	**51.9%**
Total equity (excluding perpetual securities)	**556.5**	**589.0**
Perpetual securities	192.6	–
Total equity (including perpetual securities)	**749.1**	**589.0**
Term debt to equity gearing[4]	0.73 times	0.94 times
Net asset value (NAV) per share[5]	US$0.47	US$0.37

Working capital funding efficiency decreased to 71.1%, mainly driven by liquidity headroom created from the availability of the proceeds of issuance of perpetual securities. Such proceeds were channelled to pare down working capital loans.

Fixed asset gearing decreased from 54.2% in December 2019 to 51.5% in December 2020, mainly due to the increase in asset base in line with the continuous investment into immature plantation upkeep across our plantation platform and weakening of US Dollar against local currencies.

Notes:

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.
4. Gearing = Term debts divide total equity.
5. NAV per share = Total equity divide total shares outstanding (1,595,011,941 shares).

FINANCIAL HIGHLIGHTS

Cash Flows

US$m	2020	2019
Operating cash flow before working capital changes	28.0	15.3
Changes in working capital	(36.4)	(30.0)
Payments of taxes and working capital loan interests	(13.4)	(26.9)
Net cash flow from operating activities	**(21.8)**	**(41.6)**
Net cash flow from investing activities	**(48.7)**	**(65.5)**
Net cash flow from financing activities	**56.7**	**38.7**
Net changes in cash and cash equivalents	**(13.8)**	**(68.5)**

Operating cash flows

Operating cash flows before working capital changes increased from US$15.3 million in 2019 to US$28.0 million in 2020, reflecting cash-generating capabilities of the Group's core operations. Taking into account the investments into working capital, as well as the working capital loan interests and tax, the net cash outflow from operating activities reduced from US$41.6 million in 2019 to US$21.8 million in 2020.

Investing cash flows

Net cash used in investing activities have decreased, from US$65.5 million in FY2019 to US$48.7 million in FY2020, as part of our group-wide strategy to preserve capital and reduce capital expenditures. Specifically, the plantation capex has decreased from US$37.4 million to US$27.9 million year-on-year.

Financing cash flows

Net cash generated from financing activities has increased from US$38.7 million in the previous year to US$56.7 million in the current year, mainly due to the availability of proceeds from perpetual securities issuance.

Capital Structure Management

Treasury management

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

We closely monitor relevant emerging regulations which may potentially impact the way we obtain our finances or may introduce any operating constraints. We stay abreast of the latest development in debt markets and new financing opportunities. Our consistent approach has helped us in building a strong working relationship with the bankers.

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

Financing profile

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

As of 31 December 2020, the Group had total bank borrowings of US$1,011.6 million, comprising:

- Working capital loans of US$463.5 million (46%): These are mainly related to the financing of working capital turn, in which the cash conversion cycle is typically c.90 days.
- Term loans of US$548.1 million (54%): These loans typically bear a repayment tenor of more than one year, and drawn to finance our investments into factory assets and plantations. It is worth noting that on 30 April 2021, the Group has obtained a three-year syndicated term loan of up to US$300 million to refinance a substantial portion of the US$373.2 million term loans which was classified as current liability as of December 2020.

Capital structure

In managing our capital structure, we strive to achieve a balance between shareholders' funds and external borrowings in order to maximise shareholders' return.

To achieve the optimal capital structure, we may either renew and refinance existing borrowings, obtain new borrowings, or deleverage by way of rights issue, as well as opportunistic disposal of non-core assets.

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

RISK MANAGEMENT

The Board as a whole is responsible for the governance of risk and the overall internal controls framework. The Group proactively manages risks and embeds the risk management process into the Group's planning, decision-making process as well as its day-to-day operations. Our risk registers are reviewed regularly to ensure the risk mitigation measures are symmetric with market environment and Group's operations.

The risk registers are presented to the Company's Audit Committee and any material changes to the key risks areas are reported to the Audit Committee as soon as they are identified. The Board devotes significant attention to maintaining an effective system of risk management and internal controls, to safeguard the investment of the Company and its Shareholders, and ensure that risks are managed in the best interests of the Group.

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

RISK	CAUSE	IMPACT	MITIGATION MEASURES
TAX AND COMPLIANCE RISK Risk in determination of our tax entitlement and obligation	Uncertainty regarding the application and interpretation of tax laws; not updated with changes in tax rules given the size and vast geographic scope of our operations	Failure to comply with tax rules which result in additional taxes, interest and penalties payable	• Ensure that tax work is performed by personnel with an adequate technical understanding of local tax laws and consulting with external tax advisors where necessary • In situations where there is inconsistent interpretation of tax laws, proactively engage with the relevant tax authorities to ensuring tax issues can be resolved as equitably in a timely and cost effective manner

Our Approach to Tax

Principles and Commitment:
We are committed to ensure compliance with the law and relevant statutory compliance obligations.

We target to achieve an optimal tax position for the Halcyon Agri Group – which does not always mean the lowest tax result possible in every transaction, but rather an equitable one.

We respect and comply with the laws of the jurisdictions in which we operate which we knew or ought reasonably to have known.

We will not enter into artificial arrangements in order to artificially transfer profits from one business location to another in order to avoid taxation.

We support simple and competitive tax rules and stand by the principle that the taxing rights of countries should commensurate with where the economic activity occurs so as to support economic growth and job creation.

Roles and Responsibilities:
The Group Chief Financial Officer has overall responsibility for tax matters and is responsible for ongoing tax compliance and management of tax risks and exposures.

SUSTAINABILITY REPORT

GOVERNANCE AND SUSTAINABILITY

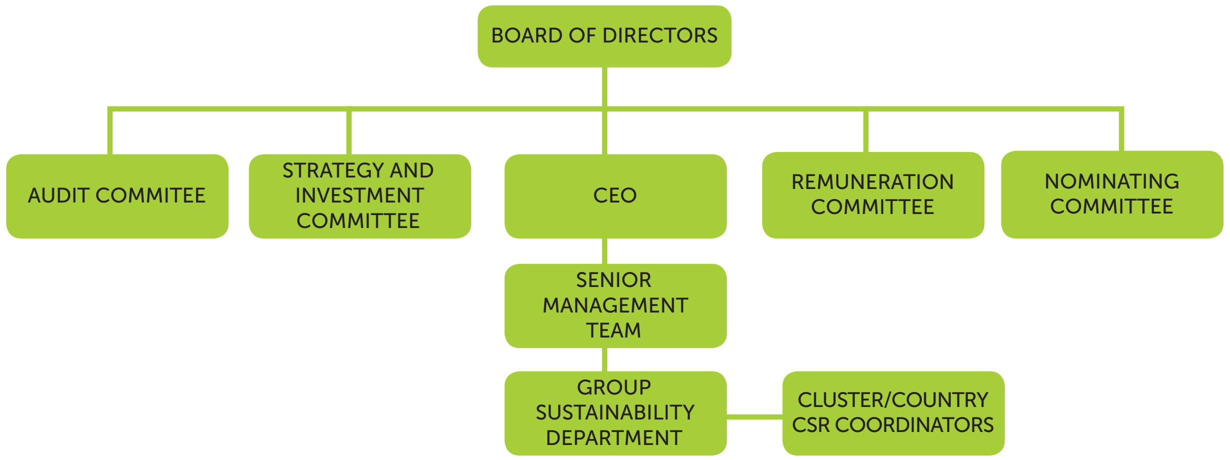
Halcyon Agri firmly believes that upholding the highest standards of corporate governance practices is critical to ensure sustainable growth and success of the Group. We are committed, and devoted to enforce best practices and all material principles of the Code of Corporate Governance 2018, as well as all other applicable laws, rules and regulations. We will continue to proactively engage all stakeholders, including the regulators, governments, industry leaders and industry associations, to understand their concerns or expectations across jurisdictions where we have presence.

HALCYON AGRI BUSINESS PRINCIPLES

Board Responsibility

The Board has overall responsibility for the company's sustainability vision. Under the Board's leadership, six key capitals: financial, manufacturing, intellectual, human, social and natural capital are allocated in the best interests of our shareholders and key stakeholders. The Board identifies and oversees environmental, social and governance (ESG) factors that are material to the Group's business. The Board is duty-bound to exercise a precautionary approach[1] in their decision-making particularly on matters relating to environmental protection. Collectively, the Board has ultimate responsibility in reporting the Company's overall ESG performance.[2]

The Board adopts an inclusive decision-making to balance the needs and interests of the Company's material stakeholders. It has a written Policy on Board Diversity which endorses and promotes the inclusion of different perspectives and ideas, recognises the potential merits of gender diversity in the boardroom and welcomes female directors on board. While we acknowledge the lack of women representation in Halcyon Agri's Board for 2020, the Board is committed to advancing female candidates, should the candidates for appointment as director are relatively equivalent in their levels of required skills and experience. The Board sets the risk appetite to achieve an appropriate balance between risk and the Group's performance, and ensure transparency and accountability to key stakeholder groups. When necessary, the Board would engage professional services to identify impacts, risks, and opportunities, as well as to conduct comprehensive studies on issues or concerns relating to material risks.



1 Principle 15 of the Rio Declaration on Environment and Development: "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation."

2 Section 3.1, Singapore Exchange (SGX) Practice Note 7.6 Sustainability Reporting Guide

Sustainability Leadership

With the support of the Board, the CEO supervises the management of material ESG issues and integrates them into the day-to-day management and operations of the Group. The CEO capitalises on the expertise of its management team and delegates sustainability related duties to the appropriate team members. For instance, the Managing Director – HRC Group leads and represents the Group's interests in industry-led sustainability discussions, including engagement with the Global Platform for Sustainable Natural Rubber (GPSNR). The CEO – Corrie MacColl Plantations, on the other hand, proactively maintains strategic relationships with key civil society groups and NGOs. Together, they champion the sustainability agenda of each business segment with the support from CEO and the Board, to achieve group-wide sustainability targets. A sustainability department was formally formed in 2019 dedicated to support, unite and reconcile the sustainability agenda of the different business segments across the organisation. To strengthen the Group's implementation of HeveaPro standards, the role of the sustainability department was expanded by establishing a network of Corporate Social Responsibility (CSR) Coordinators at each of the Group's key operating areas. While TÜV SÜD maintains their role as independent auditors for HeveaPro standards, the CSR Coordinators are responsible for driving the Company's social responsibility standards and practices in their operations and work alongside key functions such as Quality, Environment, Health and Safety (QEHS) and Human Resources (HR) teams, to ensure a holistic group-led sustainability approach.

Policies, Standards And Compliance

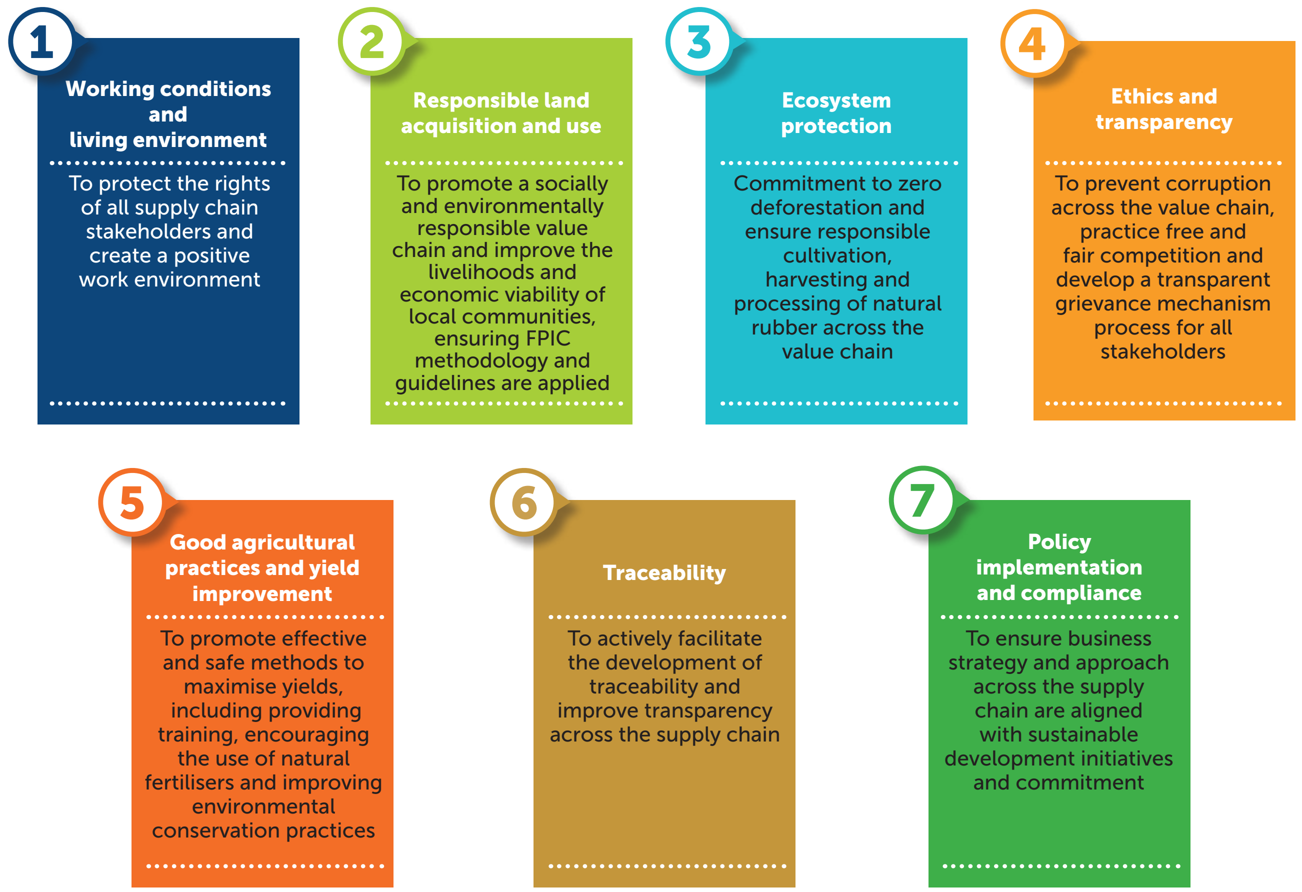
The Group has put in place a number of policies, standards, and systems for raising concerns as part of a strong ethics and compliance function. Our employees are expected to adhere to and comply with the Group's policies and embrace high standards of ethical business conduct.

As one of the world's largest supplier of natural rubber and the owner of sizeable plantation concessions, Halcyon Agri understands its role and obligation in minimising impact to the environment while continuing to meet the growing demand for a critical natural resource. Consistent with its commitment, the Group updated its Sustainable Natural Rubber Supply Chain Policy (SNRSCP) in January 2021. Revision to the said policy was initiated in support of the motion decided at the GPSNR General Assembly for all members to adopt the industry-first GPSNR policy framework.

On the other hand, our Sustainable Sourcing Policy articulates our requirements to suppliers. Established in 2019, the policy embraces our commitments to the SNRSCP. As we work very closely with raw material sources, we understand the complexities and challenges faced by our suppliers. Further details of this policy is elaborated in the succeeding sections relating to supply chain engagement.

Other key policies of the Group, including but not limited to anti-corruption & anti-bribery, human rights and ethical business practice, anti-harassment and environment, health and safety are embedded into a Global Employees Policies handbook which is communicated to every employee through our mandatory induction programmes.

HALCYON AGRI SUSTAINABLE DEVELOPMENT OBJECTIVES



HALCYON AGRI GLOBAL EMPLOYEE POLICIES

To supplement the implementation of the Group's policies, open door policies and whistleblowing framework are also in place to provide employees and/or third parties a trusted avenue to share their questions, concerns, suggestions or complaints and to ensure that their concern is addressed in the most appropriate manner.

Halcyon Agri's Whistleblowing Policy provides the mechanism for reporting concerns involving unethical or unlawful behaviour relating to Halcyon Agri, its employees, vendors, customers and other relevant stakeholders. All concerns raised including those reported anonymously, will be handled in strict confidence, treated fairly and assessed independently. The mechanism also commits to protecting the whistle-blower against reprisal and harassment. All reports are filed directly to the Audit Committee.

Ethics and Anti-Corruption

In 2020, we maintained a laudable record of zero confirmed incidents of corruption involving our employees. Supporting these efforts, HeveaPro standards provide the Group with essential baselines and performance indicators to enable continuous improvement plans.

Moving forward, the Group aims to improve its ethics training practices and ensure all sites have proactive anti-corruption mechanisms in place.

Materiality Assessment

In 2020, the Group initiated an online consultation to gather feedback from its key stakeholders. The intensive month-long exercise was aimed to assess the ESG factors that are material for Halcyon Agri. Representatives from Halcyon Agri's employees, key customers, investor institutions, civil society and industry bodies were invited to participate in the survey while the views from local communities, suppliers and smallholders were solicited by Halcyon Agri's CSR coordinators on the ground.

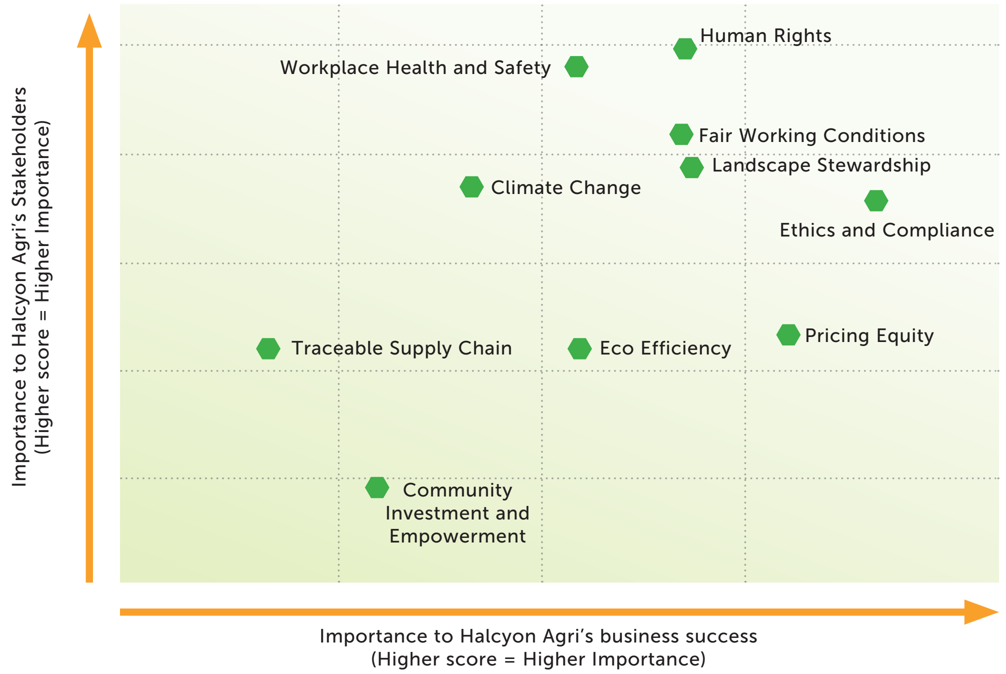
Despite movement restrictions brought about by the COVID-19 pandemic, it gave our team great pleasure to be able to receive overwhelmingly positive feedback from all stakeholder groups, with four responses out of every five invitees. Moreover, the survey was proven to be a valuable exercise to refine the scope of each material ESG factor.

With the approval from the Board, Human Rights and Climate Change have been included as one of the key ESG factors, making up a total of 10 material ESG factors for the Group. While both ESG factors were embedded in Halcyon Agri's key ESG factors previously, our stakeholders are in favour of elevating its importance further, particularly in our operations and industry as a whole.

Given the success of the survey, we will continue to undertake the consultation process at least once in every three-year cycle, supplemented by feedback received from our ongoing engagement with key stakeholders, and the ESG trends observed by the Sustainability Department.

Halcyon Agri's materiality matrix as illustrated in the next page describes each key ESG factor and its importance to the area across our supply chain, and represents a collective view on the ESG issues which Halcyon Agri and its key stakeholders consider as material to the Group:

HALCYON AGRI MATERIALITY MATRIX



Key ESG Factors

	Key ESG Factor	Description	Scope	
			Operations	Value Chain
1	**Pricing Equity**	Just and fair distribution of the economic value of latex/cup lumps to upstream stakeholders (Smallholder farmers)		√
2	**Traceable Supply Chain**	Ability to trace raw material sources to address supply chain risk exposure to threats such as deforestation, environmental degradation and human rights and build transparency with customers and partners		√
3	**Workplace Health and Safety**	Protecting the safety and health of staff, workers and affected communities	√	√
4	**Fair Working Conditions**	Ensuring workplaces are free of discrimination, forced labour and child labour; Upholding the right of workers to a decent living wage, freedom of association and collective bargaining and the intent of the International Labor Organization's eight core conventions.	√	√
5	**Human Rights**	Respecting internationally recognised human rights consistent with the UN Guiding Principles on Business and Human Rights; Applying the FPIC process where appropriate following credible methodologies; Providing a grievance mechanism that serves as a channel for dialogue and remedy for affected stakeholders.	√	√
6	**Eco-Efficiency**	Conducting business operations that minimize air, water and land pollution and ensuring efficient utilisation of natural resources such as water and energy and other production inputs	√	
7	**Climate Change**	Supporting initiatives to reduce greenhouse gas (GHG) emissions in our operations and addressing risks posed by climate change to our supply chain.	√	√
8	**Landscape Stewardship**	Application of integrated landscape management and good agricultural practices; Respecting customary, traditional and communal land tenure rights; Commitment to no deforestation in support of ecosystem conservation and protection; and Responsible acquisition and management of land for the business	√	√
9	**Ethics and Compliance**	Compliance to Halcyon Agri's global standards and local regulations and adherence to universally-accepted standards and guidelines that work against corruption in all its forms.	√	√
10	**Community Investment and Empowerment**	Contributing to improve livelihoods of local communities who have an influence and/or dependence on Halcyon Agri's operations		√

Stakeholder Engagement

Our stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on socially and economically. Ethical and ecologically sustainable business practices are fundamental to the Company's strategy for long-term growth. Understanding stakeholder perspectives is critical to determining, assessing and managing key risks and issues. As such, the Company has arrangements in place to identify and engage with the material stakeholder groups, including employees and those working across the supply chain.

We identified our key stakeholder groups based on the influence they have (or potentially have) on our organisation as well as the impact, whether positive or negative, our decisions and actions have on their own activities and decision-making. This approach took into account the principles and guidance contained in the AA1000 Stakeholder Engagement Standard 2015 by AccountAbility. Table below summarises our key stakeholder groups, our methods of engagement, and key topics raised from the stakeholder consultation on ESG factors in 2020.

	Key Stakeholders and Engagement Methods	Top ESG Concerns
1	**Employees** • Annual performance review and employee feedback sessions • Training and development programmes, including empowering leaders in managing teams • Quarterly publication of Halcyon Rubber Times Magazine and engagement via Facebook fan page • Company-wide open-door policy and CEO townhall meetings in headquarters and other offices • Grievance and whistleblowing procedures in place with assurance of confidentiality and protection against reprisal • Worker unions or associations and collective bargaining arrangements with factory workers • Community volunteering and company recreational activities	• Fair Working Conditions • Ethics and Compliance • Workplace Health and Safety
2	**Customers** • Annual or periodic on-site assessments of our factories and plantations following customer timeframe • Networking sessions hosted by industry associations at least once a year • Periodic meetings and daily communication via phone and emails on topics such as quality and supply chain logistics • As needed formal communications (email/letters) to customers to address concerns raised • Media releases and updates shared with customers relating to company updates and news posted on our website	• Pricing Equity • Workplace Health and Safety • Fair Working Conditions • Ethics and Compliance
3	**Smallholder Farmers** • Group meetings and discussions regarding concerns raised as and when needed, either directly or though dealers • Knowledge sharing, cultural promotion and good agricultural practices in accordance with HeveaPro standards. • Traceability initiatives in partnership with the customer such as Rubberway to understand their situation better	• Pricing Equity • Landscape Stewardship • Climate Change
4	**Suppliers (Non-Smallholder Farmers)** • Supplier performance feedback on a per project basis • Sharing project management best practices when needed • Regular toolbox meetings and induction on environment, health and safety on site regulations (Processing) • Training on proper use of agricultural methods, pesticides and fertilisers prior to field deployment (Plantations)	• Workplace Health and Safety • Traceable Supply Chain • Climate Change • Fair Working Conditions
5	**Civil Society** • Formal responses to civil society feedback posted on our websites or via email as needed • Periodic or scheduled meetings with NGOs at our plantations or processing sites on a per issue or project basis. • Establishment of the Cameroon Sustainability Council comprised of independent civil society participants • Implementation of grievance procedures for access to remedy relating to our operations	• Landscape Stewardship • Human Rights • Community Investment and Empowerment

	Key Stakeholders and Engagement Methods	Top ESG Concerns
6	**Industry Bodies (Regulatory Agencies, Governments, Industry Associations and Certification Bodies)** • Partnership with China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC) for joint collaboration on sustainability initiatives • Membership to Global Platform for Sustainable Natural Rubber (GPSNR), UN Global Compact (UNGC) and Global Agribusiness Alliance (GAA) for engagement on key concerns affecting industry • Company information and updates online through SGX announcements, disclosure of Annual Reports, Sustainability Reports, and news releases • Periodic reporting of environment, health and safety compliance (regulatory agencies, governments) • Third party assessments of our processing and plantation assets annually or as needed (certification bodies) • Attendance in conferences, workshops and speaking engagements as scheduled by organisers (industry associations)	• Ethics and Compliance • Workplace Health and Safety • Human Rights
7	**Investors (Financial Institutions, Regulators, Analysts and Shareholders)** • Company information and updates online through SGX announcements, earnings release, disclosure of Annual Reports, Sustainability Reports and news releases • AGM and EGM serve as important platforms for shareholders to communicate directly with the Board • Finance and Investor Relations teams as intermediaries between Halcyon Agri and investment community • Senior management meetings with investors, analysts, and the media. Channels include conference calls, roadshows and industry conferences organised by major brokerage firms throughout the year	• Human Rights • Climate Change • Fair Working Conditions • Workplace Health and Safety
8	**Local Communities** • Provision of feedback channels at our processing and plantation sites to be treated confidentially • Health promotion conducted yearly • Ad hoc and continuous in kind contributions to schools and educational institutions • Technical or financial support for local infrastructure maintenance or development projects • Periodic contribution to local socio-cultural activities and families in need	• Human Rights

GOVERNANCE AND SUSTAINABILITY

HeveaPro Industrial Standards: A Versatile Tool for ESG Performance Review

The HeveaPro brand is an industry tailored set of quality, environment, health & safety (EHS), security and social responsibility standards benchmarked against global customer requirements and international guidelines and best practice. Designed for natural rubber processing operations, factories are independently certified by TÜV SÜD following stringent checks comprising over 1,000 audit points.

The standards were developed in 2015 and are now managed independently by HeveaConnect, the standards owner. As of 2020, majority of Halcyon Agri's factories and two factories operated by ITOCHU Corporation have been certified to be in conformance with HeveaPro. The Group hopes the standards will be applied and recognised more widely by industry stakeholders.

In line with our commitments to transparency, the Group results from TÜV SÜD's 2019-2020 external audit exercise are reported in succeeding sections.

HeveaPro Standards	Referenced international standards and guidelines
Quality Standards	– ISO 9001:2005 Quality Management Systems – ISO/IEC 17025:2017 Competence of Testing and Calibration Laboratories – International Automotive Task Force (IATF)
Environment, Health and Safety	– ISO 14001:2015 Environmental Management Systems – ISO 45001:2018 Occupational Health and Safety Management Systems
Supply Chain Security	– ISO 28000:2007 Security Management Systems for the Supply Chain – Customs Trade Partnership against Terrorism (CTPAT) of the U.S. Customs and Borders Protection (CBP) – Partners in Protection (PI) of the Canada Border Services Agency (CBSA) – Authorised Economic Operator (AEO) of the World Customs Organisation (WCO) – Mexico's Operados Economicos Autorizados (OEA), formerly known as NEEC
Social Responsibility	– ISO 26000:2010 Guidance on Social Responsibility – SA8000 Social Accountability Certification – Global Platform for Sustainable Natural Rubber (GPSNR) 12 Principles

HALCYON AGRI'S HEVEAPRO PERFORMANCE

TÜV SÜD Audit Scope

To appreciate the scope of HeveaPro's more than 600 checkpoints for EHS and Social Responsibility, specific ESG topics relevant to Halcyon Agri's key stakeholders are listed below. As HeveaPro Industrial Standards are the exclusive property of HeveaConnect Pte Ltd., every effort was made to express audit scope clearly while respecting intellectual property rights of the standards owner.

The audit scope under HeveaPro EHS standards:

1. **Workplace Health and Safety**

   1.1 Review of Hazard Identification, Risk Assessment and Risk Control risk assessment (HIRARC) records annually;

   1.2 Implementation of periodic indoor air quality, workplace heat and noise assessments to ensure the health and safety of working conditions;

   1.3 Presence of EHS committees ensuring worker representation with members having clear roles and responsibilities;

   1.4 Application of Personal Protective Equipment (PPE) at key processes in the factory; and

   1.5 Workers having access to medical facilities either within the factory or outside.

2 **Waste and Chemicals.** Verification of systems in place to monitor hazardous and non-hazardous waste, ensure waste chemicals are collected and stored properly and sent to licensed treaters

3 **Odour.** Checking for evidence of active odour treatment conducted across processing steps and regular preventive maintenance of air scrubbers, where applicable.

The audit scope under HeveaPro Social Responsibility standards:

1 **Freedom of Association.** Checking for evidence of systems in place that encouraged workers to organise into unions or associations, enabled collective bargaining agreements and showed evidence of active meetings and inclusive participation.

2 **Grievance Mechanisms.** Checking for evidence of communicating grievance procedures to workers and local community.

3 **Supplier Engagement**

   3.1 Checking for evidence of supplier selection process that determines the identity of sellers, volumes they sell and origin of their raw material delivered to the sites;

   3.2 Checking records of holding upstream economic engagement activities with suppliers (including farmers). Activities include enabling improved market access for rubber smallholders, disseminating good agricultural practices (GAP) through training or knowledge sharing. Examples of GAP topics included rubber tapping, intercropping, pest management and land conservation; and

   3.3 Verifying evidence of systems in place that ensure supplier selection and communication are impartial and transparent.

4 **Community Investment.** Checking for evidence of local community engagement through skills transfer and apprenticeship opportunities, health and cultural promotion.

TÜV SÜD Audit Findings

A number of checkpoint results are presented below taken from TÜV SÜD's audit reports following HeveaPro EHS and Social Responsibility Standards. The external audits were held between 11 September 2019 to 7 February 2020 covering Halcyon Agri's 28 HeveaPro-certified sites.

Summary findings are presented in support of Halcyon Agri's Sustainable Natural Rubber Supply Chain Policy and industry initiatives such as the Global Platform for Sustainable Natural Rubber (GPSNR) and the Sustainability Policy Transparency Toolkit (SPOTT).

The following are summary findings from TÜV SÜD's audit reports:

1. **Ethics and Compliance.** 93% of audited sites have mechanisms set up that prohibit corrupt practices by our workers. Sites representing 7% were observed to have systems in place but fell short of proper documentation resulting in their non-conformance.
2. **Workplace Health and Safety.** 70% of audited sites held comprehensive environment, health and safety training.
3. **Non-Discrimination.** On recruitment and dismissal activities, all audited sites were confirmed to practice non-discrimination regardless of age, gender, race and religion.
4. **Gender Equality.** The practice of enquiring a person's sexual health (ie. pregnancy, virginity) is banned under any employment circumstances. The audit found 96% of sites showed evidence of this practice. The remaining 4% was observed to have the practice in place but lacked proper documentation resulting into non-conformance.
5. **Wages.** All sites were confirmed to meet minimum wage regulations set by their respective governments.
6. **Grievance Mechanisms.** All sites were confirmed to have open, transparent and independent grievance mechanisms in place system with access to remedy.
7. **Suppliers and Smallholders.** 2 of 5 sites were observed to communicate Halcyon Agri's policies and code of conduct with suppliers. From investigations, it was observed that other sites largely communicated policies verbally with suppliers and smallholders and records keeping was not consistently practised.
8. **Water.** 75% of sites were found to apply good practices in recording and monitoring water consumption while 12 of the 28 factories demonstrated water recycling rates of at least 40%.
9. **Effluent.** The audits confirmed all sites comply with national effluent discharge limits. Furthermore, all sites were found to treat cooling water from wet air scrubbers to their respective wastewater treatment plants.
10. **Energy.** All sites monitor fuel consumption at drying process where fuel consumption is greatest.

Our Mission and Values

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

HALCYON AGRI VALUES

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

PERFORMANCE | QUALITY | RESPONSIBILITY | INTEGRITY

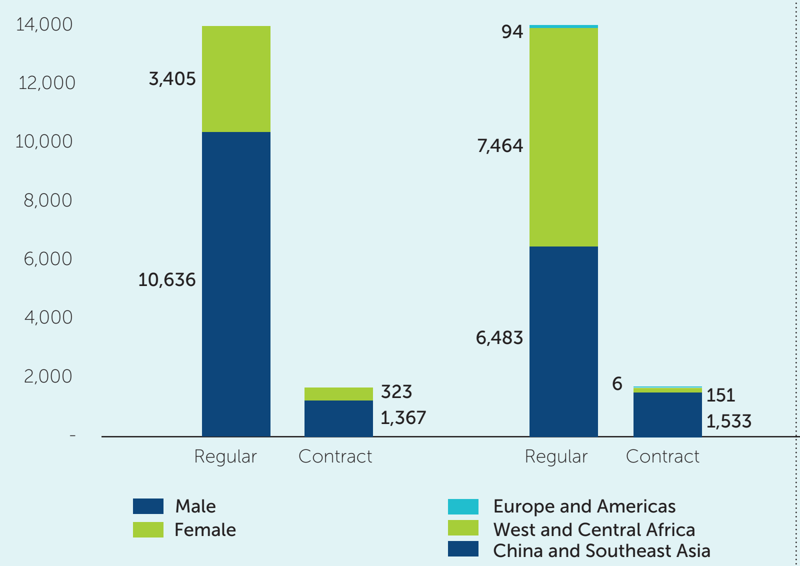
- To provide a pleasant, nurturing and growth-oriented environment, which encourages our employees to grow personally and professionally
- To develop diversified markets, which provide stability and adequate financial returns allowing us to achieve our vision and provide full opportunities for all employees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

Human Capital

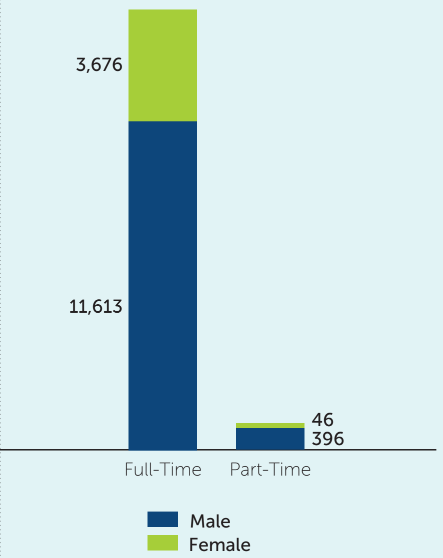
We support the careers and families of close to 16,000 employees globally. Our workforce in 2020 comprised of 24% females with over 95% of our employees working mainly in West & Central Africa and China & Southeast Asia. New hires in 2020 were slightly lower at 7% compared to turnover of 11%.

Total Employees 2020 15,731

By Employment Contract, Gender and Region (2020)



By Employment Type & Gender (2020)

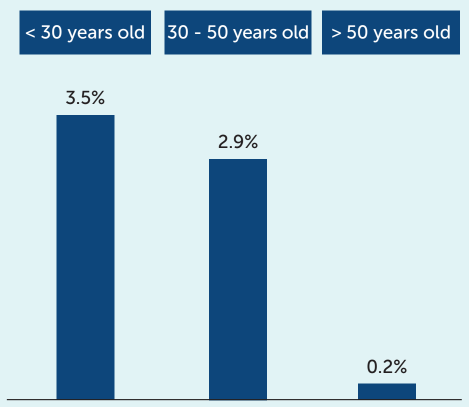


Total New Hires 7%

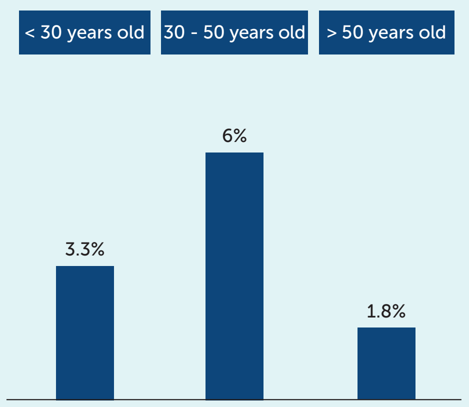
Total Turnover 11%

BY AGE

New hires by age (2020)

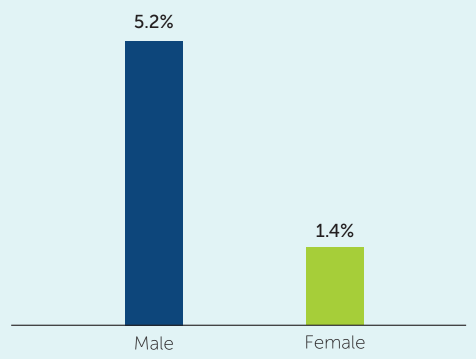


Turnover by age (2020)

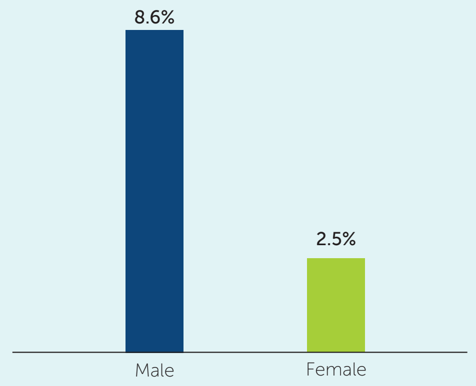


BY GENDER

New hires by gender (2020)

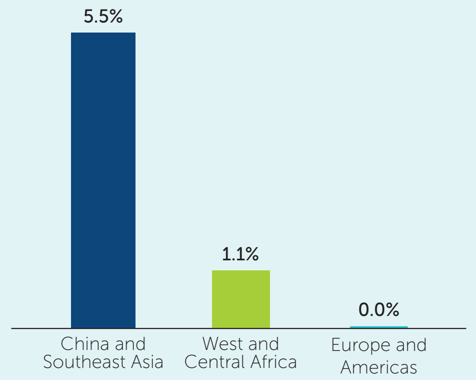


Turnover by gender (2020)

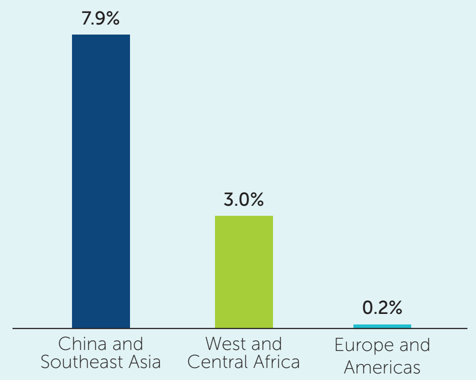


BY REGION

New hires by region (2020)



Turnover by region (2020)



Workplace Health and Safety Management System

Our commitment to health and safety is embedded in our Sustainable Natural Rubber Supply Chain Policy (SNRSCP), and all our employees are covered by an occupational health and safety management system. The main system the Group applies is the HeveaPro Industrial Standards on Environment, Health and Safety (EHS). With over 600 checkpoints, the EHS standards are specially designed for rubber processing-based activities.

In 2020, the Group maintained a total of 28 HeveaPro-certified sites out of 38 processing factories around the world. The remaining sites specifically in Thailand and China are certified to ISO45001, or plan to be certified in near future. For distribution operations, Kelvin Terminals achieved ISO45001 in 2020. As for our plantation operations, the Group implements an internal EHS management system called LatexPro. The system is benchmarked against international standards and best practices. Similar to HeveaPro, the EHS system extends beyond processing to plantation activities such as tapping.

Hazards and Controls

Our operating sites conduct comprehensive Hazard Identification, Risk Assessment and Risk Control (HIRARC) activities that cover their respective operations. We ensure the quality of these processes through annual internal and external HeveaPro audits. Findings are reported promptly to senior management for review to ensure continuous improvement in line with our SNRSCP commitments.

We recognise that most regulations where we operate require HIRARC records to be reviewed periodically such as once every three years. HeveaPro EHS standards move beyond compliance and specify updating requirements on an annual basis.

Incident reporting and investigation is mandatory in our operations. As a practice, workers are empowered to immediately discontinue their tasks at hand should they identify existing or potential unsafe activities. Workers who report such incidents are protected against reprisals as mandated by our group-wide whistleblowing mechanism. Other controls in place include physical controls and practices. Examples include installation and maintenance of emergency stop buttons on key machineries and, setting up of fire suppression equipment and safety and emergency signages throughout factory floor. Practices include regular inspection of personal protective equipment (PPE) to ensure they meet standards before issuing to workers, adoption of Permit-to-Work (PTW) system and Log Out Tag Out procedures to isolate hazards from workers.

COVID-19's Impact on Global Workforce

Halcyon Agri's operations were not spared from the unprecedented impact of COVID-19 to businesses and society as whole. Our internal reports as of January 2021 have indicated a total of 47 confirmed cases amongst our employees and six confirmed cases from our contract workers. As of the time of writing, confirmed cases are well on recovery or have promptly recovered. Fortunately, we have no reported deaths amongst our global workforce. Since its emergence, we promptly applied safe-distancing protocols, temperature screening and limited physical meetings and engagements across our operations. Staff were required to work from home and business travel was banned across the whole Group in early 2020. When safe distancing measures were eased by the respective governments, we allowed staff to report to office on an as needed basis. There were adjustments in working from home but eventually, our global staff became used to the new normal.

The health, safety and well-being of our employees are our top priority. We continue to actively monitor the situation developments across our business operation, and has mandated periodic reporting of any suspected cases to our EHS teams. Safe distancing measures remained in place and washing of hands and use of masks are regularly reminded. Business travel remains restricted. We support the vaccination programs and encourage our staff to take the COVID-19 vaccine when it is offered.

Health Services and Promotion

The health and well-being of our workers are paramount to our business. We believe in preventive health and safety measures. Apart from annual staff health screening activities, we also conduct periodic air quality, heat and noise assessments of our working environments to ensure workers operate in conditions that safeguard their well-being.

Should there be incidences of ill health, our sites have access to medical facilities within short distance. Access to health services is externally verified by TÜV SÜD's auditors using HeveaPro EHS standards. In 2020, amid the global pandemic, we conducted a global survey to ascertain the baseline conditions of medical facilities of our sites. The survey collected information such as medical staffing, facility capacities, availability of telecommunication services, medical equipment and services provided, and the access to nearest government or private hospitals. The survey helps us understand our internal capabilities, and we will use such information to support continuous improvement efforts.

Worker Engagement and Training

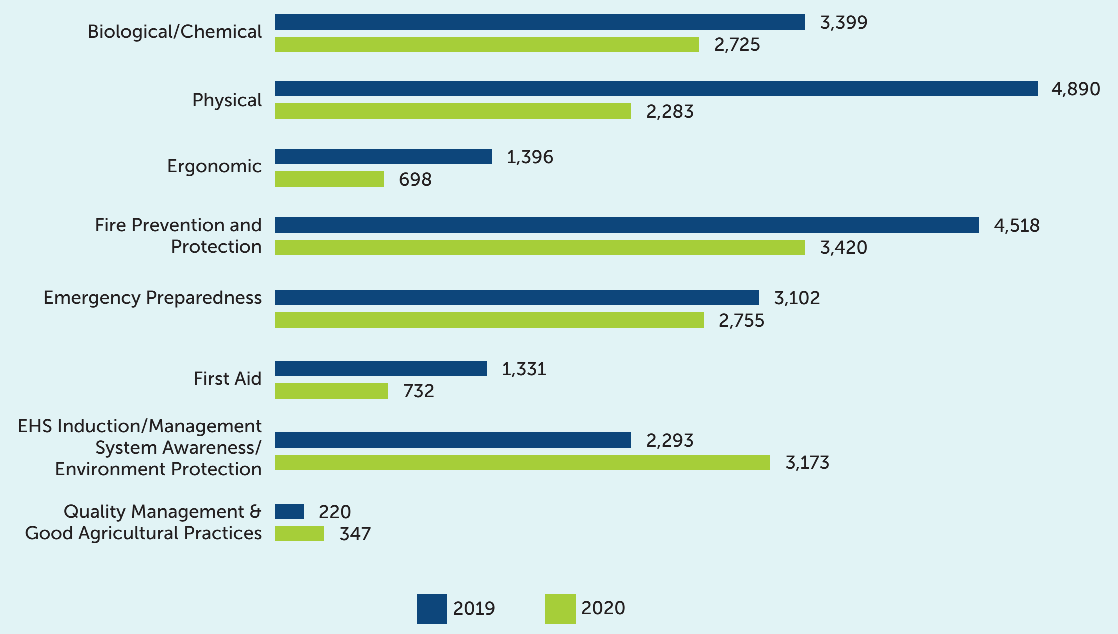
Despite local regulations requiring only health and safety committees, our group policy mandated environment, health and safety (EHS) committees in our operations. Meetings of the committee which represents all workers are held at least bi-annually and chaired by a competent employee. The EHS committee's charters are maintained through written procedures with the roles and responsibilities of members clearly stated therein. Activities and decisions of the EHS committee are communicated to workers either physically, through notice board, and/or email circulars.

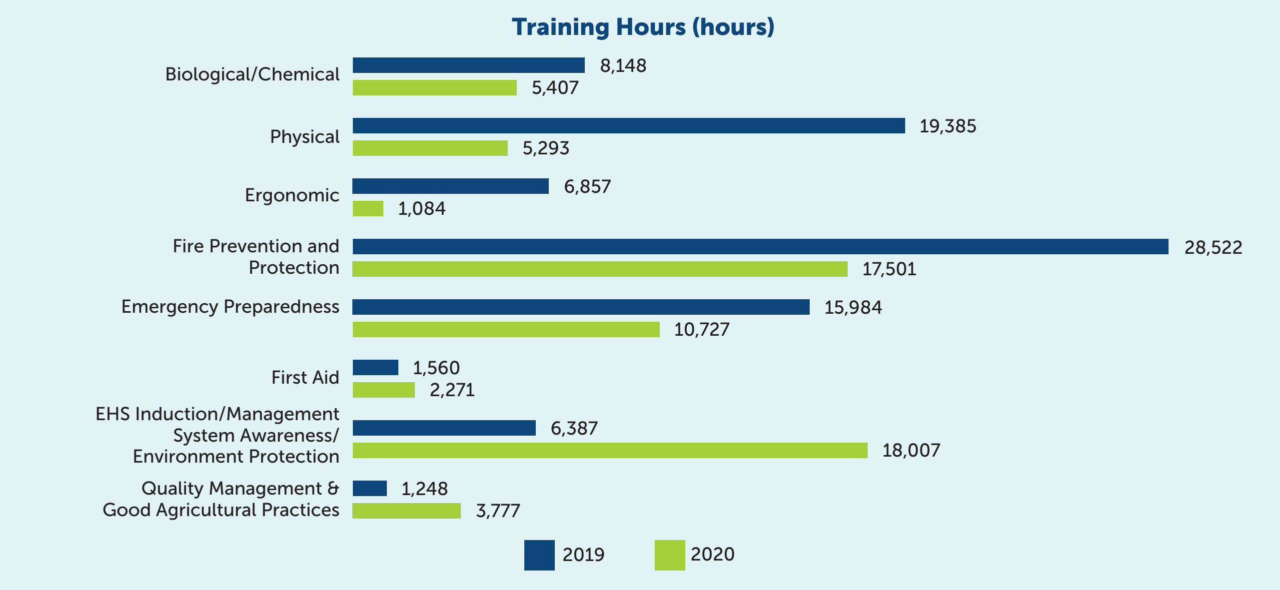
To complement this, EHS campaigns are held at least quarterly to reinforce and inculcate safe behaviors amongst our workers. In 2020, our campaigns were limited to virtual communications largely due to movement restrictions and safe distancing measures that are put in place amid COVID-19 pandemic.

The audit scope of TÜV SÜD also includes verifying evidence of active EHS committees with clear roles and responsibilities and worker representation in place. While local laws where we operate require set up of only health and safety committees, HeveaPro EHS standards also require establishment of an environmental committee.

Overall, the number of workers trained and training hours were lower compared to 2019, mainly due to the disruptions brought about by the pandemic, whereby external training was restricted and in-house training was reduced to a minimum operational needs. Nonetheless, we still retain crucial training activities on emergency preparedness, fire prevention and EHS induction. The EHS briefings were especially relevant to step up safe distancing measures and screening activities for contractors and suppliers that visited our sites. We will continue to refine our training practices through needs assessment to ensure our workers remain vigilant about compliance with workplace health and safety measures.

Workers Trained (pax)





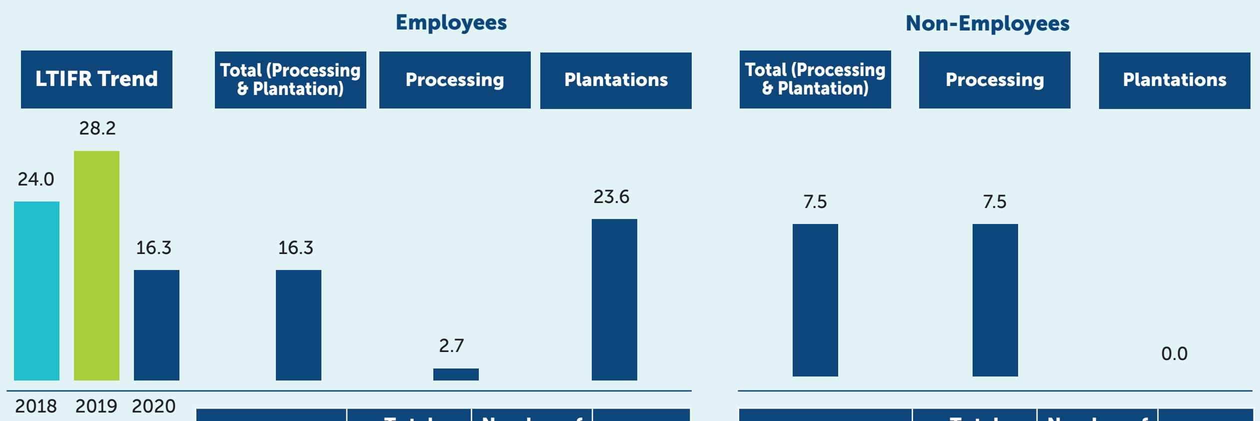
Work-related Injuries

The Group is pleased to report zero fatalities for 2020. From the start of the year, the EHS department implemented mandatory EHS reporting by all processing sites on a monthly basis. Such monitoring and control practices emphasis on accountability and correctness of reported EHS data.

Both the 2020 Lost Time Injury Frequency Rate (LTIFR) (stood at 16.3) and the Lost Day Rate (LDR)[3] (stood at 76.3), are lower compared to levels in 2019. Despite an overall improvement, we are saddened to report a single high consequence workplace injury in 2020 – our worker in Malaysia factory cut his fingers while operating the rubber cutter machine. The worker was immediately given first aid by staff on duty and sent to the nearby hospital for treatment. Further investigations and root cause analysis revealed the worker did not follow the standard operating procedure (SOP). As a preventive measure, we have placed additional warning signage and increase the frequency of SOP briefing to our machine operators.

We acknowledge higher LTIFRs for plantation employees and processing non-employees. Additional monitoring activities have been imposed by the Group EHS department which mandated monthly reporting of plantations and non-employee EHS data. This procedure aims to identify and address the root causes for the higher LTIFRs observed. We remain vigilant on our health and safety measures in the processing activities to safeguard health and safety of our employees.

2020 Lost Time Incident Frequency Rate (LTIFR)[4]



Employees	Total man-hours worked in 2020	Number of Lost Time Incidents (LTI)	LTIFR
Processing	8,859,237	24	2.7
Plantations	16,339,840	386	23.6
Total	25,199,077	410	16.3

Non-Employees	Total man-hours worked in 2020	Number of Lost Time Incidents (LTI)	LTIFR
Processing	1,598,019	12	7.5
Plantations	12,056	0	0.0
Total	1,610,075	12	7.5

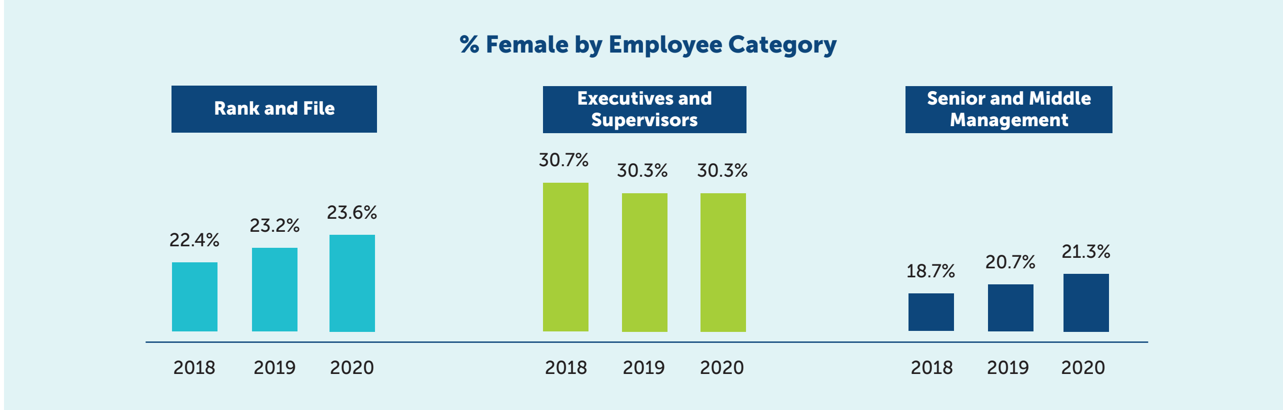
3 Lost Day Rate (LDR) is calculated based on the number of work days lost due to injury x 1,000,000 hours/ Total hours worked during the reporting period.
4 LTIFR is calculated based on number of occupational injuries x 1,000,000 hours / Total hours worked during the reporting period.

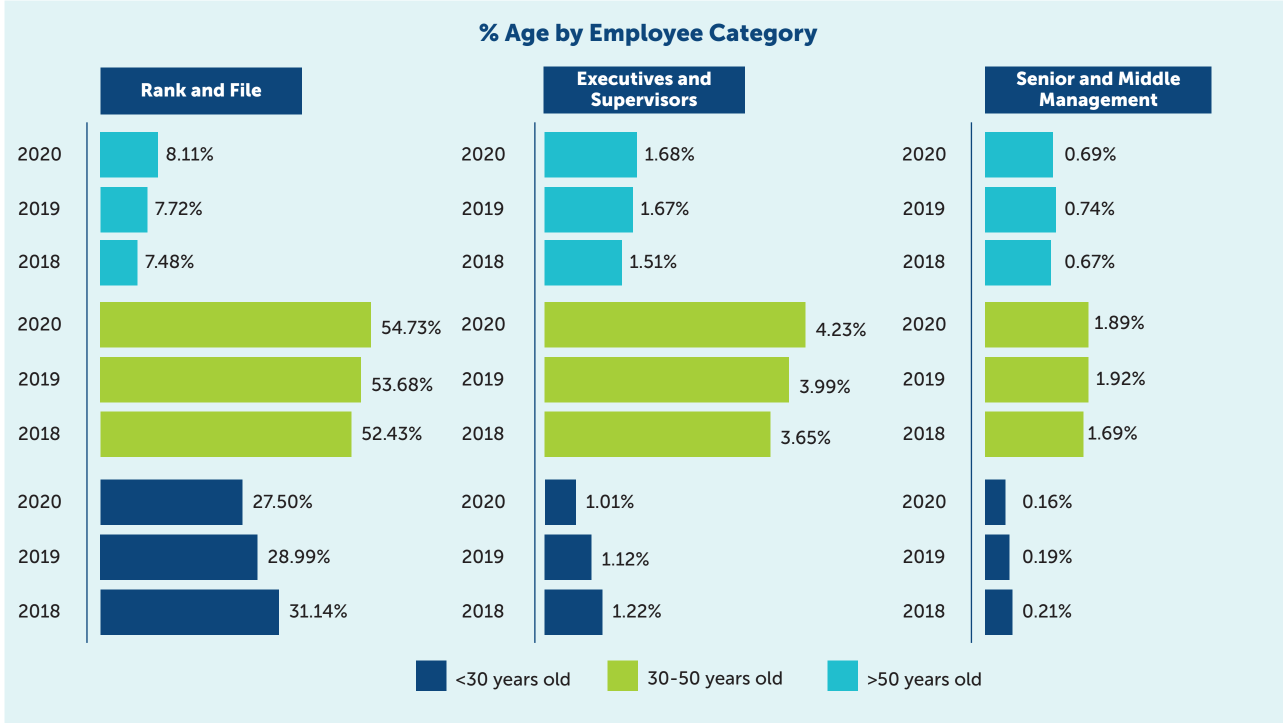
Fair Working Conditions

The Group is committed to fair working conditions by ensuring workplaces are free of discrimination, forced labour and child labour; upholding the right of workers to wages, and their right to freedom of association and collective bargaining.

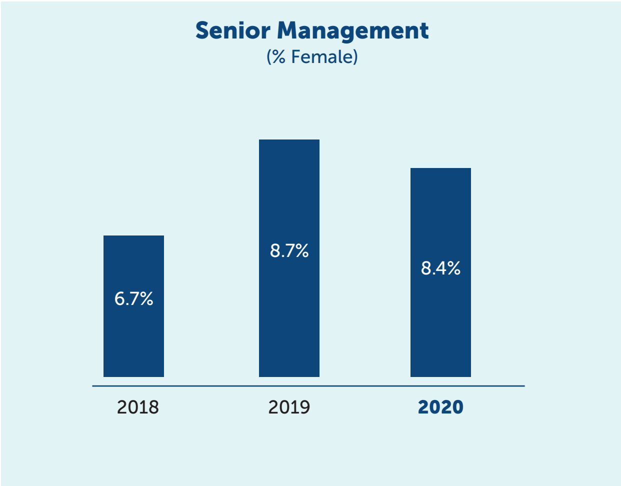
Our employment practices prohibit any form of discrimination on the basis of age, gender, race and religion. This has been verified by TÜV SÜD auditors during their 2019-2020 HeveaPro audits. Discriminatory questions such as asking female applicants whether they are pregnant or intend to become pregnant are banned. Employees are granted maternity or paternity leave in accordance to local statutory requirements.

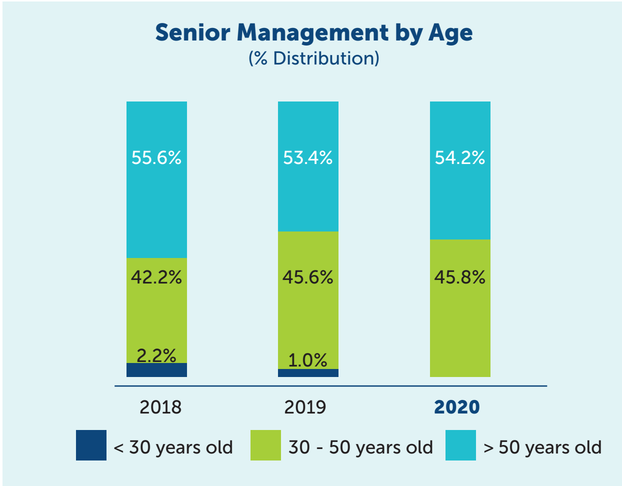
In the past three years, we witnessed a slight but steady increase in female representation across the Group. Female representation in senior management also stayed above 8% in 2020.





SAFEGUARDING OUR PEOPLE





It is our group policy to prohibit employment of underage workers (typically, below the age of 18). Through our management systems, we have mechanisms in place to check and verify the age of applicants in a confidential manner as part of our recruitment procedures.

As a standard practice, living quarters of our plantation and processing factory workers must comply with the local government labour codes and regulations. Electricity and waste collection bins are provided in these facilities and they are regularly maintained. Facilities also have access to wash facilities and drinking water either through public water utilities or groundwater boreholes. For the latter, local EHS teams conduct groundwater quality tests to ensure safety of users and compliance to local water quality regulations. Consumption of water and electricity is monitored to ensure transparency to all users of housing facilities. Pest control monitoring activities are also done periodically to prevent the risk of vector-borne diseases infecting the workers and their families.

The Group adheres to the policy of equal employment opportunity and diversity. The Group ensures that its workers are remunerated not less than the minimum wage level imposed by respective regulatory authorities. Compliance with such regulations has been confirmed by TÜV SÜD's HeveaPro audit exercise.

From our practices, we confirm a 1:1 ratio on staff entry level wages with legislated minimum wages. The ratio excludes benefits-in-kind to employees. When monetised, these can account for a modest percentage of their total compensation. Furthermore, the ratio applies both to male and female staff.

The Group is supportive of workers' freedom of association and right to collective bargaining, as provided under the SNRSCP. We have operations in China and Thailand where their respective governments to-date have not ratified ILO 87[5] or 98[6]. Despite this fact, we moved ahead of local laws and require our sites to encourage our workers to set up associations.

Collective agreements are widely practised across our plantations in Malaysia and Cameroon. For processing segment, the TÜV SÜD audit program checks for evidence on workers' right to freedom of association and collective bargaining. To ensure this right is closely safeguarded, one of the important roles of CSR Coordinators is to help factories enhance procedures and address any gaps identified from internal audits.

Guided by our Group policies and practices, we are heartened to report zero non-compliance to labour-related laws and regulations for 2020. We are committed to maintain full compliance in the years ahead.

5 International Labour Organization - Ratifications of C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)
6 International Labour Organization - Ratifications of C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98)

ENGAGING OUR SUPPLY CHAIN

Halcyon Agri recognises that partnerships and close cooperation amongst all supply chain stakeholders are crucial to creating a sustainable business and shaping the future of natural rubber industry. As stated in the sustainability policy, we are committed to maintaining inclusive and participatory dialogue with key stakeholders and supporting multi-stakeholder planning and development efforts. We focus on four key areas of stakeholder participation: engaging the industry, building relationships with smallholder farmers, partnering with our suppliers and promote traceable and transparent supply chain.

Industry Engagement

hevea connect

HeveaConnect

To inspire meaningful change in the natural rubber industry, Halcyon Agri founded HeveaConnect in 2018 with the ambition to digitalise the traditional natural rubber supply chain and fulfil the growing demand for sustainably sourced and responsibly produced natural rubber from consumers. Through HeveaConnect digital marketplace, natural rubber producers and consumers are able to track pricing and supply information and transact directly on HeveaConnect, promoting greater price transparency in the rubber industry. Since it was launched in April 2019, HeveaConnect has successfully matched over 250,000 mT of natural rubber for global tyre majors including some of our key customers, with gross sales value exceeding US$325 million.

HeveaConnect has recently received support from the Singapore Exchange (SGX), which joins the Company, DBS Bank Ltd. and ITOCHU Corporation as shareholders of HeveaConnect. SGX's investment into HeveaConnect is a significant milestone as it will boost industry-wide adoption by market participants requiring an independent platform. Cognisant that the industry participation is crucial for such a platform, Halcyon Agri has relinquished its controlling stake in HeveaConnect by transferring a portion of its shares into HeveaConnect Equity Trust. This also enables HeveaConnect to leverage on the data governance expertise of SGX from an exchange perspective.

In response to feedback from users, HeveaConnect has initiated a revamp of the platform's user interface and its supporting technology in 2020. HeveaConnect takes an inclusive approach and hopes to collaborate with more producers so they can benefit from the trading platform's data centre and data acquisition tools.

GPSNR

Global Platform for Sustainable Natural Rubber (GPSNR)

Halcyon Agri supports GPSNR's vision of a fair, equitable and environmentally sound natural rubber value chain. The multi-stakeholder initiative represents approximate half of global natural rubber volume and is represented by participants from each phase of natural rubber value chain, which comprises smallholder producers, producers, processors & traders, civil society, tyre & car makers and other product makers, as well as financial institutions. Halcyon Agri supported GPSNR's efforts in three main ways: through representation in working groups, participation in pilot and consultation activities, and facilitating discussions on a global rubber trust fund.

Working Groups
Halcyon Agri represents the views of processors and producers and sit on three main groups of GPSNR: Smallholders, Equity and Capacity-Building. The Smallholder Representation working group (SR) aimed to establish direct smallholder representation in GPSNR. The equity sub-working group (EQ), co-chaired by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and Halcyon Agri, aimed to define the meaning of "equity" for the industry and better understand living incomes of smallholder farmers while the Capacity-Building working group (CB) aims to build capacities among smallholder farmers and industrial plantations to adopt best practices in sustainable natural rubber production.

Through regular virtual meetings, the SR eventually secured representatives from smallholder communities across Southeast Asia, South America and Africa. These representatives have been formally accepted at the GPSNR General Assembly in September 2020. For EQ, the team was able to conduct living income studies in Thailand and Indonesia despite travel limitations amid COVID-19 pandemic. The studies will be used by GPSNR to understand baseline situations and support policy development. For CB, the team has successfully established national subgroups to spearhead capacity-building efforts at national and local levels. Halcyon Agri will continue to support GPSNR's working groups moving forward.

Consultations
Aside from working groups, Halcyon Agri also contributed to the drafting of GPSNR Policy Framework which has been approved in the GPSNR General Assembly. Halcyon Agri was among the 11 GPSNR members that participated in the pilot testing of a set of draft Baseline Reporting Requirements development by the Policy Toolbox and Implementation Guidance Working Group. The baseline reporting is envisaged to be a key requirement for GPSNR members to demonstrate that they are aligned with GPSNR's Policy framework in term of commitment to sustainability. We had since reviewed our sustainability policy and confirm that Halcyon Agri aligns with the Sustainability Framework endorsed at the GPSNR 2nd Assembly on 23 September 2020.

Rubber Trust Fund and Smallholder Financing
WWF and Halcyon Agri have jointly secured a grant from the inaugural Conservation Finance Alliance (CFA) Incubator for establishing a Rubber Trust Fund (RTF) for the industry. RTF aims to secure continuous financing and direct investments to offer trustworthy, efficient and transparent financial solutions to smallholders seeking to improve their livelihoods. The mechanism would be designed to engage the entire sector in addressing supply chain risks and impacts through investments that may include the matching of bi- and multi-lateral developmental aid with mandatory or voluntary fees, including fees collected through an innovative, GPSNR-endorsed rubber e-trade platform[7]. CFA is a global volunteer network established in 2002 to address financing challenges for biodiversity conservation in a sustainable manner. The grant provides expert mentorship as well as monetary support to recipients.

Throughout the year, Halcyon Agri regularly engaged in discussions with WWF and CFA and sought feedback from various industry stakeholders. Moving forward, Halcyon Agri will continue to contribute its industry expertise and supply chain connections to support WWF and its partners in designing a strategic framework for RTF. Halcyon Agri will also explore viable smallholder financing programs on the ground to complement the RTF framework.

7 https://www.conservationfinancealliance.org/incubator-selection-details/2020/4/17/trust-rubber-fund

China Chamber of Commerce of Metals, Minerals & Chemicals Importers & Exporters (CCCMC)

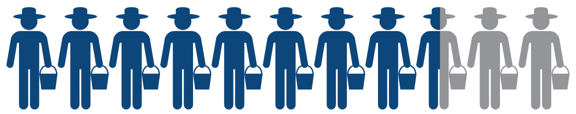
In 2020, Halcyon Agri collaborated with CCCMC to foster sustainable development for natural rubber. CCCMC is a state-level social organisation directly under the supervision of Ministry of Commerce of China. It has over 6,000 members and widely considered as the largest industry organisation in the fields of minerals, petrochemicals, building materials, and ceramic sanitary ware in China.

Through a Memorandum of Understanding (MOU), the collaboration will involve assessing Halcyon Agri's policies and processes against CCCMC's Guidance for Sustainable Natural Rubber[8] and providing advice in improving its practices. Halcyon Agri, in turn, will support CCCMC in refining the Guidance and implementation tools to benefit natural rubber companies more extensively.

Amongst the activities collaborated in 2020 are the benchmarking of CCCMC's Guidance with HeveaPro Industrial Standards and international guidelines, pilot testing implementation tools in one of Halcyon Agri's plantations and designing a stakeholder consultation framework to guide CCCMC in managing multi-stakeholder perspectives. The consultation framework was completed in 2020 while the benchmarking and pilot testing has continued on in early 2021. Halcyon Agri hopes that upon the completion of these activities, these tools can be applied in its operation and shared with the industry through CCCMC.

Smallholder Farmers

74% **of the Group's outputs are supplied from smallholders**



The world uses 14 million mT of natural rubber every year. 80-85% of that global supply is produced by at least six million subsistence farmer households in developing economies. The Group source at least 74% of natural rubber supply from smallholder farmers.[9] We are acutely aware of the importance of the smallholders to the rubber industry, and are continuously engaging them to better understand their needs and concerns.

HeveaGROW

HeveaGROW is an initiative of HeveaConnect which is focused on curating and educating natural rubber smallholder farmers the best agronomical practices to protect trees and improve yields. HeveaGROW is the bridge to impart knowledge on best practices to smallholder farmers. By collaborating with SNV, a development organisation of the Netherlands government, with expertise in farmer programs, HeveaConnect is working with SNV to develop and provide digital training content for smallholder natural rubber farmers.

A total of five modules on Best Management Practices (BMP) were completed in 2020. These modules address key elements of rubber tapping, agroforestry, crop maintenance, pest management and natural rubber storage and processing. By digitising training material, HeveaConnect can offer this to a wider group. This would help the smallholder farmers to improve its plantation yields, which then translate to increased incomes and improved livelihoods.

HeveaConnect has also started collaboration with SNV, on their outreach program to educate smallholders on Good Agricultural Practices (GAP) utilising the video modules as part of their farmer training programs.

Sumatra Rubber Pilot

In July 2020, WWF and Halcyon Agri together with other supply chain stakeholders initiated a project to trace natural rubber from its sources (down to sub-district levels) to Halcyon Agri's factories in Jambi, and compare the source locations with conservation value data provided by WWF. The pilot project hopes to build on experience from the HeveaTrace and Rubberway® trials conducted in the previous year. The tracing exercise was completed in end-2020 and is the first of a multi-phase self-funded initiative by Halcyon Agri and other participants. Next phases involve assessing and verifying environmental and social risks at points of origin and developing financing mechanisms and capacity-building initiatives which will benefit the smallholder farmers.

Rubberway® in Palembang, Indonesia

In late 2020, Halcyon Agri deployed Rubberway® in Palembang upon completion run in Jambi province earlier in the year. Through survey interviews with smallholder farmers, the initiative will help to better understand socio-environmental profile of upstream natural rubber supply chain in Palembang.

Rubberway® is a technological solution that maps and assesses practices and risks regarding environmental issues, social affairs, and Corporate Social Responsibility governance throughout the natural rubber industry, along the natural rubber value chain[10].

Our field teams secured interviews with 844 smallholder farmers in 2020. As a matter of protocol, farmers are assured of protection of their data privacy and are briefed on the purpose of the survey. Prior to holding interviews, our field teams procured written permission of village heads and adhered strictly to safe distancing and hygiene practices throughout the exercise. To ensure the safety and security of our field teams, they are directly supervised and monitored by factory teams and CSR coordinator-in-charge.

8 The Guidance for Sustainable Natural Rubber, developed by CCCMC-led experts team, is the first comprehensive and risk-oriented guidance in the global natural rubber field. It aims to provide the companies engaging in natural rubber investment, planting and processing with business policies, management frameworks, risk analysis, evaluation references and implementing methods for identifying, preventing and managing environmental, social and governance risks, so as to help them incorporate risk-oriented due diligence systems into their daily management activities, and achieve business compliance and sustainable development. It is available at http://www.cccmc.org.cn/docs/2017-11/20171107204714430892.pdf

9 Percentage derived from comparing the annual sales volume of Halcyon Rubber Company with the whole Group.

10 Source: https://www.michelin.com/en/press-releases/michelin-continental-and-smag-create-a-joint-venture-to-develop-rubberway-the-smartphone-application-designed-to-map-sustainability-practices-across-the-natural-rubber-industry/

Continental and GIZ Partnership in Kalimantan, Indonesia

At the end of 2020, Halcyon Agri concluded its participation in a 3-year pilot sponsored and organised by Continental and GIZ aimed at establishing traceability of natural rubber from smallholder farmer communities located in West Kalimantan, Indonesia. The innovative tracing system facilitates rubber tracing from origin, thereby providing verification on source and quality. More than 400 smallholder farmers joined the programme and they were provided training by GIZ on good agricultural practices. According to GIZ, the training helped farmers to receive up to 15% more income from the rubber they produced[11].

Good Agricultural Practice Training

Teck Bee Hang, in partnership with the Rubber Authority of Thailand (RAOT), organised a training workshop in Yala for farmer dealers in 2020 on how to produce good quality rubber through good agricultural practices. The workshop also provided a platform to communicate our sustainability policy to participants. The farmer dealers that attended the training represented between 150 to 200 smallholder farmer households in Southern Thailand.

In Ivory Coast, our SDCI factory staff conducted a 2-day training in June 2020 to more than 60 smallholder farmers. The training programme was aimed at promoting awareness in three key areas:

- Impact of contaminants to rubber quality;
- Prohibition of child labour and forced labour in Halcyon Agri's supply chain; and
- Application of safe distancing and good hygiene measures to safeguard farmers and their families against COVID-19.

Cameroon Outgrower Programme

The programme aims to empower approximately 13,000 smallholder farmers by offering livelihood support through an intercropping model and partnering on ecological conservation. As of October 2020, 467 farmers successfully passed the onboarding process by Proforest. The programme has been gathering momentum with first year candidates all set to start planting in 2021. Updates and more information is available in the website: https://www.corrie-maccoll.com/outgrower-programme-update/.

Supplier Engagement

Corrie MacColl (CMC)

Corrie MacColl communicated its Sustainable Sourcing Policy to its business partners to inform them of the company's standards expectations. Continuing the collaboration with Rainforest Alliance an international NGO, CMC moved to the second phase with the release of an Implementation Manual and Strategic Actions Guide. The manual has been distributed to its top 20 suppliers in early 2021. CMC hopes to work closely with its business partners to implement pragmatic and appropriate actions in driving the sustainable development of the industry. More information is accessible in its website:

- https://www.corrie-maccoll.com/collaboratively-advancing-sustainability-in-the-upstream/
- https://www.corrie-maccoll.com/wp-content/uploads/2021/01/SSP-Implementation-Manual-2021.pdf

Halcyon Rubber Company (HRC)

HRC's key customers are tyre majors. The company sources mainly from independent smallholder farmers. Under the HeveaPro Industrial Standards regime, our processing factories are regularly audited on supplier engagement practices. Among the criteria reviewed are:

- Having an impartial and transparent supplier selection criteria in place;
- Communication of our policies and code of conduct with suppliers; and
- Determining the identity of sellers, the volumes they sell and origin of raw material delivered to our factories.

Example of supplier engagement process with suppliers in Indonesia

Surat Pernyataan Suppliers

Kami menjamin bahwa karet yang kami bawa dan jual ke perusahaan adalah benar-benar bebas dari:

1. Pekerja di bawah umur (anak-anak)
2. Pekerja paksa
3. Diskriminasi
4. Tindakan/kegiatan korupsi
5. Perusakan lingkungan dan memperhatikan Keselamatan dan Kesehatan Kerja

Palembang, 4-11-2019
Yang menyatakan,

Supplier signature
....

English translation:

Suppliers Statement

We guarantee that the rubber we bring and sell to the company is free from:

1. Underage workers
2. Forced labor
3. Discrimination
4. Corrupt Acts/Activities
5. Environmental destruction and pay attention to Occupational Safety and Health

Signed by supplier

It is also mandatory for the factories to engage in upstream economic activities with their suppliers (including farmers) by assisting in improving market access for rubber smallholders and disseminating good agricultural practices through training or knowledge sharing.

11 https://www.giz.de/en/mediacenter/89961.html

ECO-EFFICIENCY AND CLIMATE CHANGE

Environmental Management System

Halcyon Agri actively manages the eco-efficiency and climate change aspects via its environmental management systems which are implemented throughout our operations. The monitoring of the system's efficiency is enabled through certification on HeveaPro Environment, Health and Safety industrial standards and ISO14001.

Since 2018, we have managed to secure ISO14001 certification for additional three processing sites. Our progress was not as swift as expected due to competing priorities and the impact of COVID-19 which has lasted for more than a year now. Given that there are eight more sites (including a new Sudcam factory) to be certified for ISO14001, our target to have all processing factories certified by 2021 is unlikely to be achievable. Despite the delays, we remain committed and have since re-evaluated our internal resources thoroughly. We target to obtain ISO14001 certification for all eight sites by end of 2025.

We continuously measure and monitor our performance in managing water resources, inputs and impacts, and strive to achieve energy efficiency and reduce greenhouse gas emissions. Further information on our HeveaPro performance on water, effluent and energy management is reported in TÜV SÜD's audit findings performed for 2019-2020.

Water Resources Management

Over 90% of our water consumption are related to our rubber processing activities. This is because a large volume of water are required to remove physical impurities from rubber to meet quality requirements. As most of our factories are located in urban or semi-urban areas, and with the looming threat of climate change to our communities, it is crucial for us to manage our water resources responsibly.

Our processing sites draw water primarily from surface water bodies and discharge them back to the same source. Surface water consumption is supplemented by drawing from local water utilities where available. Through our onsite teams, we actively track our water consumption in our processing sites as frequently as possible, and at least on a shift basis.

In our plantations, the main water sources include surface water and groundwater. These sources are used for field operations and domestic consumption. Water-related impacts are identified through environmental impact assessments mandated by laws applicable to our operations. They are subsequently managed through local government-approved environmental management plans. In all countries where we operate, our processing operations with wastewater treatment facilities must meet the specific effluent quality standards imposed by the relevant regulatory authorities. We are also required to monitor groundwater quality, and surface water quality, and report these to the local authorities.

Building on Halcyon Agri's partnership with Alliance for Water Stewardship at processing sites, we have decided to obtain certification for our Cameroon and Malaysia plantations in 2020. Hevecam has secured AWS Gold certification while JFL is currently undergoing certification process which is expected to complete by mid-2021. These third party certifications, which are beyond the regulatory requirement, demonstrates our commitment to consume natural resources responsibly, and help us to monitor the sustainability criteria of the Deutsche Bank sustainability-linked loan secured by Corrie MacColl in 2020.

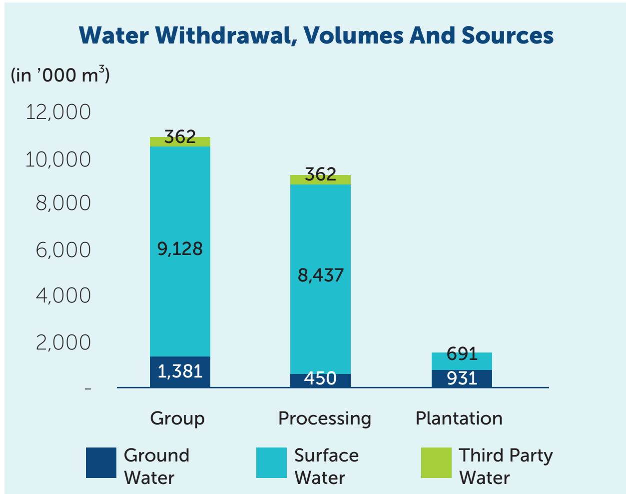
Water Withdrawal and Intensity

'000 m^3	Processing	Plantations	Group
Surface water	8,437	691	9,128
Groundwater	450	931	1,381
Third party water	362	–	362
Total	**9,249**	**1,622**	**10,871**

Water Use Intensity

Water use intensity = Volume of water withdrawn divided by mT of product or ha of cultivated area.

Processing (m^3/mT of product)	Plantations (m^3/ha. of cultivated area)
11.50	45.03



Using World Resources Institute's Aqueduct Water Risk Atlas (https://www.wri.org/aqueduct), we confirm that all our processing and plantations are located in areas with <10% water stress.

Chemicals and Effluents

For plantations, we use mainly solid state fertilisers, while fungicides, herbicides and pesticides are primarily in liquid form for application across our estates. A list of fertilisers and pesticides used at our plantations are presented in the table below.

Fertiliser	Herbicides	Fungicides	Insecticides
– Nitrogen, Phosphorous and Potassium (kg) – YaraMila Complex (kg)	– Glyphosphate (L) – Sodium Chlorate (kg) – 2,4-Dichlorophenoxyacetic acid (kg)	– Mancozeb (L) – Difenoconazole (kg)	Lambda-Cyhalothrine (L)

For processing operations, chemicals in solid and liquid forms (mainly Ammonia, formic acid and Deorub solutions) are used in crumb rubber and latex production. Ammonia is used for latex preservation while formic acid aids in latex coagulation. Deorub application helps to mitigate odour in processing sites.

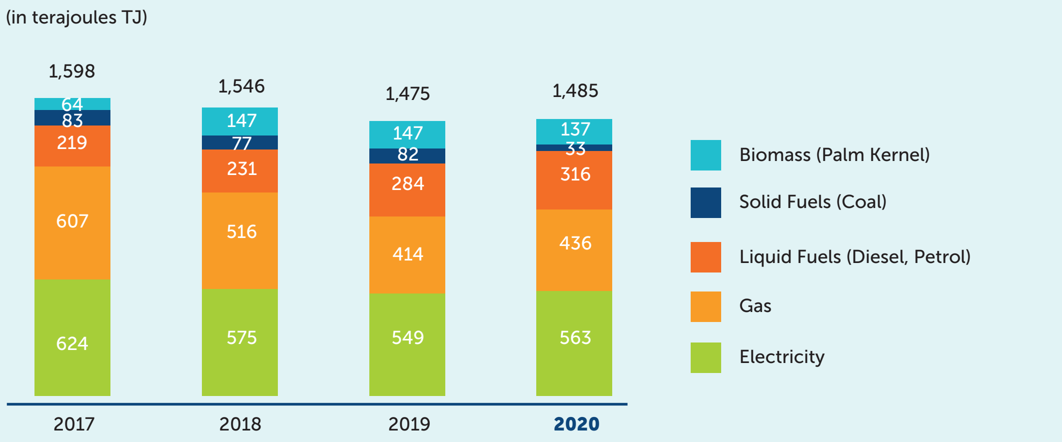
Solid form of hydrated lime, hydroxylamine sulphate and caustic soda are the major chemicals use at our processing sites. Hydrated lime prevents rubber crumbs from sticking together. Hydroxylamine sulphate is used for TSR grades requiring constant viscosity while caustic soda is generally used in cleaning of equipment.

Since reporting setbacks in effluent quality standards in Africa, our EHS department, with the support from senior leadership, have requested factory teams to report progress and the status of approved action plans for waste water management, at first on a weekly then monthly basis. Desludging works in Ivory Coast and discussions for the planned Activated Sludge System in Cameroon continued to be implemented despite the disruptions brought about by COVID-19 throughout 2020. We are pleased to report that the desludging works in Ivory Coast have been completed in January 2021. The local team has promptly proceeded to rehabilitate the lagoons and are working closely with the local authorities to implement the best management practices.

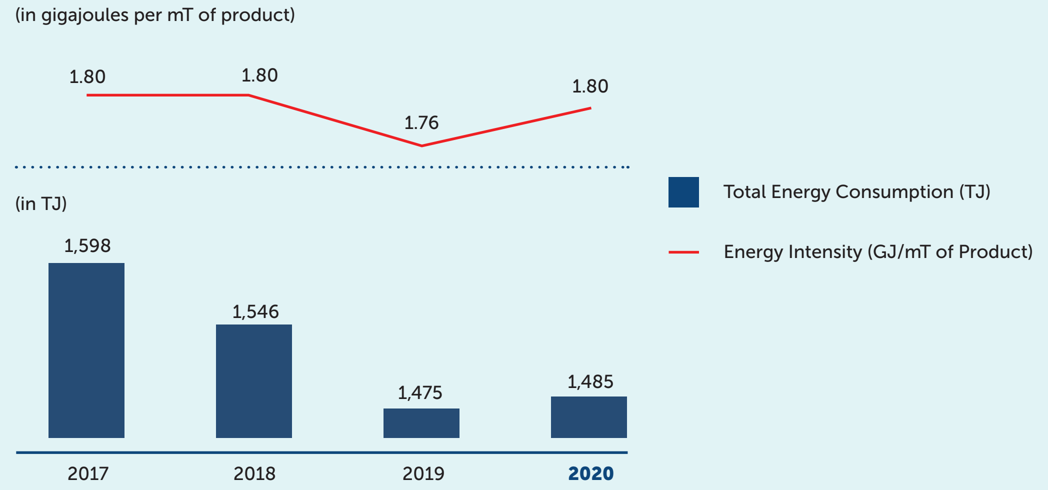
At our Cameroon operations, effluent quality improved during the second half of the year. This was achieved by increasing the efficiency of pre-treatment resulting in less load on the wastewater treatment plant and maintenance of existing ponds. Given the proven effectiveness of these measures which have a lower expenditure, the proposed investment in an Activated Sludge System has been put on hold. The onsite team is monitoring the long term effectiveness of such measures in meeting the effluent quality standards. The EHS department shall continue to use its best efforts to monitor group-wide compliance with environmental regulations through consistent monthly reporting.

Energy and Emissions

Energy Consumption



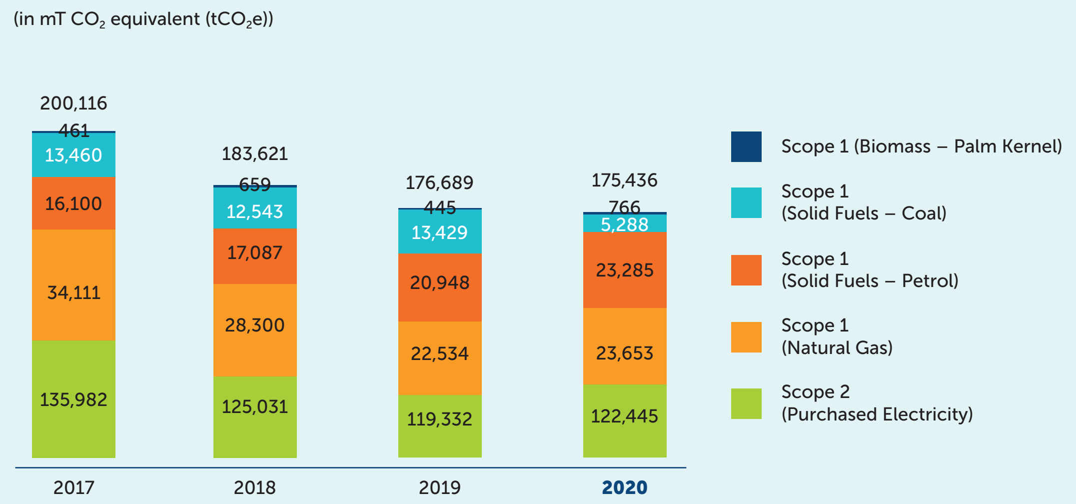
Energy Intensity



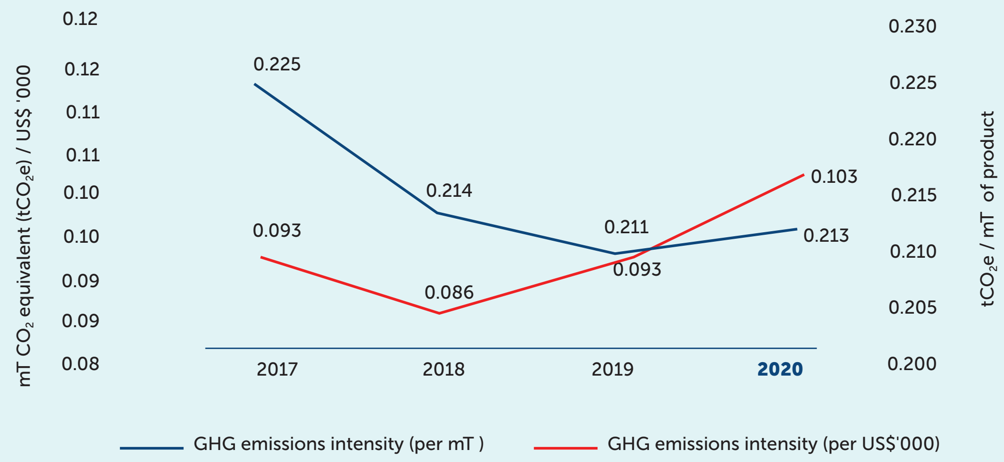
Energy Consumption

Natural rubber production is energy intensive. To maintain operational continuity, we consume multiple energy sources where it is locally accessible and reliable. Electricity consumption is measured through metered connections from the national grid. Site teams measure fuel consumption through duly-calibrated meters and weighing scales and reported to our Halcyon Data Centre. Our largest energy source is from purchased electricity, which comprises approximately 38% of the energy requirements across the years. The next significant contribution comes from natural gas used primarily for drying process at our factories. With access to biomass (palm kernel) in Indonesia, we steadily increased its application for our dry process infrastructure, supplementing fuel and gas consumption over time. In 2020, biomass consumption accounted for 9% of our total energy needs, up from 4% in 2017. Our liquid fuels, mainly diesel, are used for dryers and on-site generators either for back up purpose or as main electricity source at off-grid locations. Across our plantations, the primary energy source is liquid fuels (mainly diesel and petrol). Overall, we have maintained an energy intensity of between 1.76 and 1.80 GJ of energy consumed per mT of natural rubber produced in the last four years.

Greenhouse Gas Emissions



Greenhouse Gas Emissions Intensities



Greenhouse Gas Emissions

Climate change and global warming remain the key concern across our supply chain. We are committed in reducing our emissions over the long term. Our greenhouse gas emissions calculations applied guidance from The Greenhouse Gas Protocol[12]. Fuel emission factors for each reported year were taken from the UK Government GHG Conversion factors for Company Reporting[13] while grid emission factors were obtained primarily from the Institute for Global Environmental Strategies (IGES) List of Grid Emission Factors and Trucost. The largest contribution to total emissions comes from our Scope 2 emissions (purchased electricity) with an average of 70% across the years. Scope 1 emissions (direct emissions) account for about 30% in 2020. As we improve the robustness of our data, we plan to use the average annual emissions between 2018 and 2020 as our baseline. Such approach is in line with guidance provided in The Greenhouse Gas Protocol. We chose these years as benchmark, as they are in line with efficiency benchmarking initiatives which the Group initiated in 2020 to track our performance.

GHG emissions intensity decreased steadily over a four-year period with 2020 at 0.213 tCO_2e per mT of product. When compared on a per revenue basis, our emissions intensity increased from 2017 with 2020 at 0.103 tCO_2e per US$1,000 of revenue. We will continue exploring initiatives to help bring down our greenhouse gas emissions over time. Initiatives such as dryer retrofitting is one option as it not only provides efficiency gains but also operational flexibility due to its ability to combust natural gas or biomass alongside or as a replacement to liquid fuels.

12 World Business Council for Sustainable Development (WBCSD) and World Resource Institute (WRI). The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard. Revised Edition. Source: https://ghgprotocol.org/corporate-standard

13 Source: https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting

ECO-EFFICIENCY AND CLIMATE CHANGE

Efforts Towards Carbon Neutrality

In 2020, Corrie MacColl Plantations and Rainforest Alliance jointly completed a study with the objective to determine the supply chain greenhouse gas (GHG) balance of our plantations in Cameroon. The goal was to understand the carbon sequestration potential of rubber trees, and how it compares with GHG emissions from cultivation activities. The study also provided opportunities to achieve carbon neutrality across the supply chain.

Summary findings concluded that the estimated carbon sequestration in the existing rubber systems in Cameroon far outweighed the GHG emissions associated with the cultivation and processing of rubber. However, when taking into account emissions from historical land use change this positive balance is quickly negated. Rainforest Alliance has provided recommendations to Corrie MacColl to aid in its efforts in addressing the climate impacts. Rainforest Alliance's report is available from this website: https://www.corrie-maccoll.com/understanding-our-carbon-footprint-with-rainforest-alliance/.

New Eco-Efficient Factory in Cameroon

Operation at the new Sudcam factory in Cameroon started at the beginning of 2021 despite facing headwinds from the COVID-19 pandemic. With an annual capacity of 37,500 mT of concentrated latex, the facility will focus on supplying to manufacturers of specialty product and dipping applications for the European and North American markets.

The factory is designed to enable optimal energy and water use and minimal environmental impacts. Eco-efficient features installed in the factory include:

- 100 KW solar power for auxiliary infrastructure such as lighting
- Effluent water recycling and reuse
- Rainwater harvesting and groundwater recharging
- Sludge activated waste water treatment plant
- Soil erosion control through judicious landscape planning
- Dryer exhaust scrubber system to mitigate odour emissions

More information is available in the website: https://www.corrie-maccoll.com/sudcams-state-of-the-art-factory-in-operation/

COMMUNITIES AND LANDSCAPES

As a responsible and accountable company, Halcyon Agri recognises the need to balance economic profitability and social equity, while protecting the environment and maintaining strict compliance to laws and regulations in areas where we operate. We approach this important responsibility in three key ways: Protect natural capital through good agricultural practices, policies and processes; Use our resources and influence to impact the community in positive ways; and Create value and build relationships with the community through outreach activities.

Protecting Our Natural Capital

The Group has responsibility over land area of close to 110,000 ha across Cameroon, Malaysia and Ivory Coast. Approximately 61% of our total land concessions are set aside for conservation. These include High Carbon Stock (HCS) and High Conservation Value (HCV) areas, a 25,000-hectare Community Forest established by Halcyon Agri within the Sudcam concession, and agroforest and primary forest land designated by the Ivorian government for conservation.

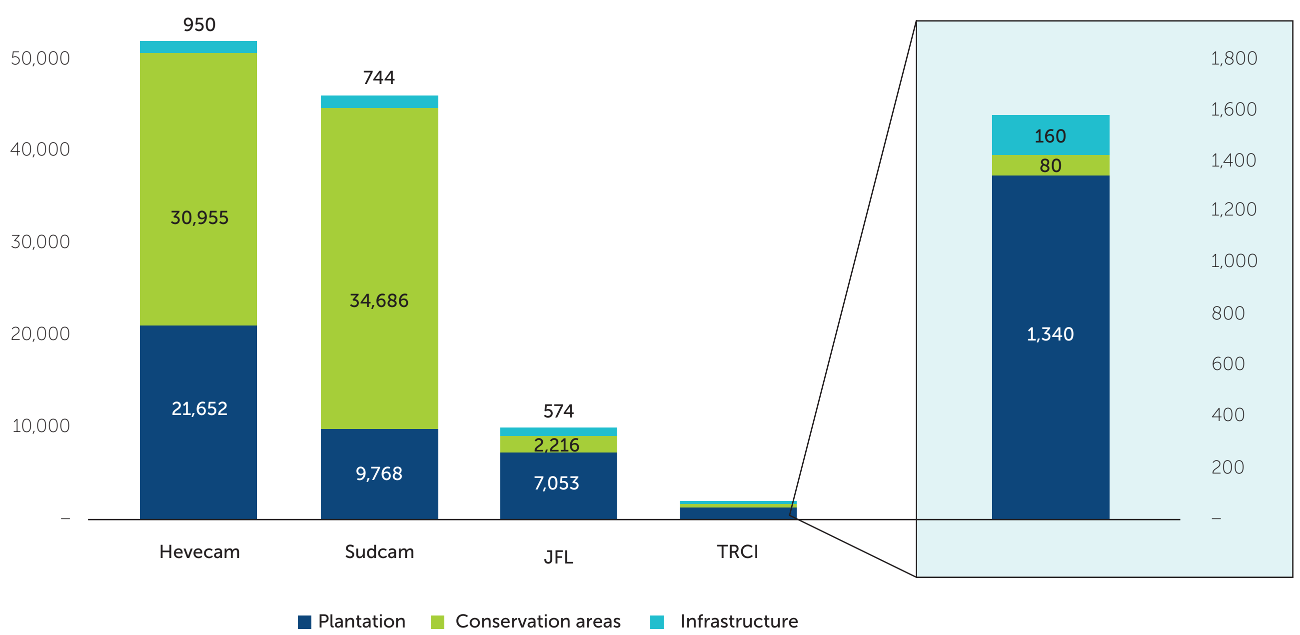
As a standard practice, our plantation teams conduct regular patrols of the concessions to prevent deforestation and illegal activities. to strengthen ground surveillance activities, our CEO – Corrie MacColl Plantations in Q1 2021 engaged the services of a prominent global technology company which provides services and software for landscapes monitoring including deforestation. Utilising mapping and satellite data, the service provider will provide CMC Group with annual report starting from 2019. Halcyon Agri delivers its no deforestation commitment through its best efforts in implementing robust, practical and credible ways.

An overview of our land concessions and Conservation areas are provided below.

Land Concessions

Plantation name	Hevecam		Sudcam		JFL		TRCI
Location	Niete, Cameroon		Meyomessala, Cameroon		Kelantan, Malaysia		Abidjan, Ivory Coast
Year established	1975		2008		2013		1975
Concessions (ha)	Niete	40,992	Central	36,998	Ulu Nenggiri	3,775	1,580
	Bissiang	7,643			Lebir	2,453	
	Elogbatindi	3,972	North	8,200	Ulu Temiang	2,023	
					Laloh	1,593	
Total concession	**52,607**		**45,198**		**9,844**		**1,580**

Land Allocation (ha)



Biodiversity Values

Hevecam and Sudcam concessions are located in the Southern region of Cameroon. Hevecam's Niete concession is located on the edge of Campo Ma'an National Park, an area known for its rich biological diversity. From BirdLife International's database[14], a total of 200 species of birds have been recorded from the National Park, and more than another 100 from adjacent buffer zones. Non-aviary threatened species include mammals such as Loxondonta africana (EN), common in the south-west of the park, and primates including *Mandrillus sphinx, Colobus satanas* (VU) and *Gorilla gorilla* (EN).

Sudcam concession, through the Dja river, shares approximately 33 kilometers of natural boundary with the Dja biosphere reserve, a UNESCO world heritage site since 1987. The Dja reserve is habitat to a wide variety of primates which include the western lowland gorilla, red-capped mangabey, black and white colobus monkey and chimpanzee. Other mammals in the reserve include elephant, bongo, buffalo, leopard, warthog, giant forest hog and pangolin. Among the resident bird population are Bates's weaver, found only in Southern Cameroon and reptile inhabitants including python, lizard and two species of crocodile-both of which are threatened.[15]

JFL's land concession is located in Kelantan, a rural state in the north eastern part of Malaysia. The Lebir concession in particular is located in the Lebir Forest Reserve, a habitat known to be the home of endangered species such as the Malayan tiger.

Summary list of threatened species which can be or potentially be found in Halcyon Agri's land concessions.[16]

No	Specie	IUCN Red List	No	Specie	IUCN Red List
	Mammals			Birds	
1	Western lowland gorilla	CR	24	Helmeted hornbill	CR
2	Malayan tiger	CR	25	Great slaty woodpecker	VU
3	Chimpanzee	EN	26	Large green pigeon	VU
4	Asian elephant	EN	27	Chestnut-naped forktail	NT
5	White-handed gibbon	EN	28	Great argus	NT
6	Siamang	EN	29	Buff-vented bulbul	NT
7	Pangolin	EN	30	Scarlet-rumped trogon	NT
8	Malayan tapir	EN	31	Ren-naped trogon	NT
9	Bronze skink	EN	32	White-crowned hornbill	NT
10	Leopard	EN	33	Rhinoceros hornbill	NT
11	African Forest elephant	VU	34	Green broadbill	NT
12	Pig-tailed macaque	VU	35	Black and red broadbill	NT
13	Oriental small-clawed otter	VU	36	Black and yellow broadbill	NT
14	Sunda slow loris	VU	37	Black hornbill	NT
15	Banded civet	VU	38	Great hornbill	NT
16	Asian small clawed otter	VU		Reptiles and Amphibians	
17	Southern serow	VU	40	Giant slippery frog	EN
18	White-thighed langur	NT	41	Oriental garden lizard	EN
19	Dusky leaf monkey	NT	42	Golden-ringed cat snake	EN
20	Sun bear, Honey bear	NT	43	Reticulated phython	EN
21	Cream-coloured giant squirrel	NT	44	King cobra	VU
22	Asian golden cat	NT	45	Monocled cobra	VU
23	Masked palm civet	NT	46	Blyth's river frog	NT
			47	Peat swamp frog	NT
			48	Asian leaf turtle	NT

Legend

CR	Critically Endangered
EN	Endangered
VU	Vulnerable
NT	Near Threatened

Excluded from the list but clearly part of Halcyon Agri's biodiversity management activities are a number of threatened species identified as Least Concern by IUCN. These include the Barking deer, Leopard cat, toads and various flora such as Machang, Jelutong and and the orchid, Bromheadia finlaysoniana.

14 BirdLife International Data Zone. http://datazone.birdlife.org/site/factsheet/6134 Visited: 22 March 2021.

15 IUCN, https://www.iucn.org/content/staving-threats-cameroons-natural-riches Visited: 22 March 2021

16 Reference from the International Union for Conservation of Nature (IUCN), Red List of Threatened Species, http://www.iucnredlist.org

Conservation Practices

Halcyon Agri, through Corrie MacColl Plantations, maintains and adheres to its plantation management guidelines for all its land concessions. These plans integrate biodiversity management which cover the following activities: Integrated pest management (IPM), Landscape monitoring, and Protection of waterways through buffer zones.

Integrated Pest Management
Our Malaysian concessions make use of cover crops such as Puerara javanica and Centosema pubescens whose flowers attract beneficial insects like wasps that help control insect pest population. The plantation also introduced the use of Mucuna bracteata, a leguminous plant widely used in oil palm plantations in Malaysia. The plant is mainly used to protect land from soil erosion which makes it an effective method to maintain overall soil quality and promote nitrogen fixation. The legume's physical characteristics also prevent invasion of beetles after oil palm replanting.[17]

In Cameroon, some cover crops such as Mucuna bracteata and Pueraria Phaseoloides are considered invasive species. In response to UNESCO's report entitled "Impacts des activites agro-industrielles de Sud Cameroun Hévéa sur le site du patrimoine mondial de la Reserve de Faune du Dja, Cameroun", Sudcam has committed to removal and eradication of these invasive plants for to protect the ecological balance.

Due to nationwide lockdown amid COVID-19 pandemic, the initial estimated completion timeline of July 2020 was not attainable. Notwithstanding, we have successfully removed around 70% of the cover crops at our 2012 and 2013 plantings. The work is primarily carried out manually as we do not use any form of chemical weeding practices under our policy. Given the disruptions to manpower supply, we hope to complete the work by 2021. While we have not yet identified any alternative cover crops apart from these invasive plants, we remain committed in exploring other alternatives.

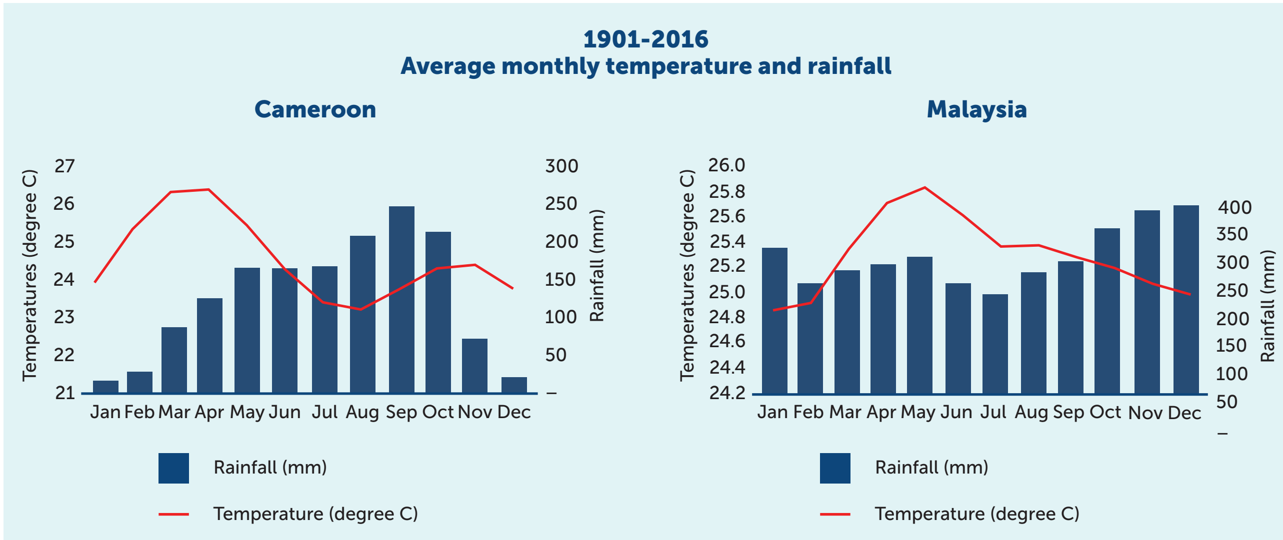
Apart from these biological and mechanical controls, we strive to apply responsible pesticide application in plantations. In line with our commitment to minimise the use of fertilisers and pesticides and prohibit the use of chemicals and pesticides listed under the Stockholm Convention, Rotterdam Convention and World Health Organisation (WHO) Class 1A & 1B, we apply the following standard operational practices and approaches:

- Spraying of pesticides with broadcast spraying of non-specific pesticides as last resort,
- Application of synthetic pesticides only as required and often only at specific life cycle patterns of a pest,
- Progressively increasing use of pesticides from plant-derived or naturally occurring substances, and
- Taking guidance from the Sustainable Agriculture Network's (SAN) pesticide lists following the SAN 2017 Sustainable Agriculture Standard.

Fire Prevention and Suppression
In line with its commitment to zero deforestation and protection of forest areas, Halcyon Agri monitors fires and plays an active role in mitigating its occurrence in all our concessions. Cameroon and Malaysia, being tropical countries, experience both rainy and dry seasons. Climate data from World Bank show average monthly temperatures and rainfall from 1901 up to 2016.[18]

In 2020, our concession in Malaysia reported zero incidences while our Cameroon concessions reported a total of nine forest fire incidents. Eight occurred in the first quarter of the year while the last incident was reported in August. In recent years, our Cameroon concessions have been experiencing drought-like situations with an average rainfall of between 1,300 to 1,400mm per year. Whilst most incidents occurred generally in periods with low rainfall and hot temperatures, fire incidents could occur anytime.

Our plantations have dedicated teams on the ground to monitor fires on a daily basis. As standard practice, fire incidents are reported to plantation heads and local authorities within 24 hours. Weather is also closely monitored with the weather station at Hevecam. When incidents are reported, fire-fighting teams will be deployed immediately on site to suppress the fire. Incident investigations are also carried out by EHS teams to determine root cause and corrective actions to prevent recurrence. We regularly conduct training activities to maintain preparedness of our teams against fires. More information is available in our website: https://www.corrie-maccoll.com/fire-monitoring-and-management/



17 Source: http://www.aarsb.com.my/legume-mucuna-bracteata

18 Source: https://climateknowledgeportal.worldbank.org/

Watercourse Buffer Zones

It is our policy to have buffer zones in watercourses in our concessions. In accordance with local regulations and forest management standards, these buffer zones act as riparian corridors for essential wildlife movement and promote stability of river banks as they could mitigate soil erosion and provide stability to meandering features of watercourses.

The width of the buffer zones (for each side of the watercourse) depends on local regulation. In our Cameroon plantations, buffer zones have at least 30-meter width while in Malaysia it varies between 5 and 50 meters depending on watercourse size.

Respecting Human Rights

Grievance Mechanism

In 2020, we disclosed our grievance resolution procedure which address concerns from stakeholders in a systematic and transparent manner. Managed by the Sustainability Department, the procedure outlines three key stages:

Stage One: Identification and Review of Potential Grievance

Stage Two: Investigation Process

Stage Three: Resolution and Monitoring Process

The process flow provides specific timelines at each stage, targets to achieve and implement agreed monitoring activities within a 6 to 12-month period. At the time of this publication, a total of 14 cases have been reported coming from our plantation business with 11 active and three cases already closed. The last grievance case received was in February 2020. Grievance cases are publicly reported at Halcyon Agri's website: https://www.halcyonagri.com/sustainability/sustainability-grievances/.

For our processing activities, all our HeveaPro-certified sites have open, transparent and independent grievance mechanisms in place with access to remedy. From the 2019-2020 external audit program, it was observed that majority of our HeveaPro-certified sites communicate grievance procedures to workers and local community. While communication to workers was practised widely, communication to external stakeholders was limited. We have taken the findings positively and strive to improve based on suggestions received from the external auditors.

One potential area of grievance is odour emissions from our processing sites. We closely monitor and mitigate the impact with active odour treatment along the rubber production process as well as preventive maintenance of air scrubbers. Even with engineering controls and practices in place, odours may still potentially reach nearby local communities and result in dissentment.

The single grievance reported in our global operations happened in March. Our factory in Hainan, China received a non-monetary violation notice from local authority due to complaints from the local community on odour. To ensure compliance, the factory is upgrading its wet line scrubber system to mitigate the cause of odour from its factory operations. Installation of the system is under way and due to be completed by 2021. We remain committed to address and rectify issues promptly not just to comply with regulations but also to maintain a harmonious relationship with local community.

Complementing our online grievance system, our Cameroonian plantation teams, in partnership with APED[19] for Hevecam and APIFED[20] for Sudcam, also implemented oral-based grievance reporting processes. This ensures our procedure remains inclusive by ensuring stakeholder feedback is received regardless of literacy levels. More information on work with APED and APIFED is available in the website:

- https://www.corrie-maccoll.com/progress-across-mighty-earth-sustainability-accord/
- https://www.corrie-maccoll.com/apifed-partnership/

In Malaysia, JFL team conducted stakeholder consultations as part of Malaysian Sustainable Palm Oil (MSPO) certification. Since securing certification in 2020, JFL continues to implement its stakeholder engagement plan including grievances management. More information is available in the website: https://www.corrie-maccoll.com/jfl-receives-mspo-for-sustainable-palm-oil/.

Through partnerships and programs, we will continue to maintain open and transparent communication channels with our key stakeholders.

Food Security

Land provides a universal means of livelihood. To ensure Halcyon Agri's activities do not compromise local food supplies, our plantations provide market access, income generation activities and good agricultural practices to local communities.

Since its establishment in 1975, Hevecam has been developing a food sourcing network. The plantation provides market areas for local vendors to sell food to the plantation population and also provides transportation for villagers to visit the local (Nlongo) market.

Sudcam operates and maintains bursar shops at workers' camps to administer distribution of essential food items. They also partnered with state authorities to establish and support local residents' food crops plantations. Sudcam has also initiated a program of income-generating activities to combat poaching in collaboration with Dja Reserve managers.

Furthermore, the Cameroon Outgrower Programme, which is an initiative of Corrie MacColl, provides integrated farming opportunities that not only support livelihoods of local communities but also provide food crops and livestock rearing opportunities during the gestation period of the rubber trees. More information on the program is available online:

- https://www.corrie-maccoll.com/cameroon-outgrower-programme-overview/
- https://www.corrie-maccoll.com/sustainability/rubber-smallholders/

In Malaysia, our Kelantan concessions received the Malaysian Sustainable Palm Oil certification which mandate good agricultural practices and environmental conservation measures. More information is available online: https://www.corrie-maccoll.com/jfl-receives-mspo-for-sustainable-palm-oil/.

19 Appui pour la Protection de l'Environnement et le Développement

20 Appui à l'autopromotion et l'insertion des femmes, des jeunes et des désœuvrés

Building Community

Despite the disruption of COVID-19 pandemic, we continued to support community building activities. These activities include apprenticeship and skills transfer, health and cultural promotion.

Africa

Our factory sponsored a handwashing campaign at three elementary schools in the Grand Bouboury village. Dubbed "Hand Washing Day", the campaign aimed to inculcate good hygiene practices amongst children especially during the pandemic period.

China

Our Banna factory subsidised RMB50,000 for the construction of piped water to Dai village. Located near the factory, the water infrastructure is expected to benefit 175 households comprising over 1,000 people. Prior to construction of this pipeline, the villagers sourced for water through manual and labour-intensive ways. The piped system will offer convenient, reliable and safe water sources to the villagers.

Southeast Asia

In Indonesia, PT. Rubber Hock Lie Sunggal organised and sponsored a food distribution program for the benefit of the under-privileged in Tanjung Gusta and Lalang villages. The campaign was initiated to celebrate the Muslim festivities, Eid al-Fitr by spreading joy to the less fortunate. The factory also extended food packages to its workers to show solidarity with local culture. Cycling clubs was founded in PT. Hok Tong Plaju and PT. Sunan Rubber to promote healthy lifestyle and encourage workers to stay fit and healthy during the pandemic.

In Malaysia, a pioneering staff volunteering program was launched in July 2020 to encourage staff to volunteer their time, knowledge and skills for the local communities. The program issues a volunteer card to every staff. As an incentive, staff will receive rewards when they accumulate a certain number of volunteer activities.

In Thailand, Teck Bee Hang head office organised a two-month event for the staff to make face shields and donate to a local hospital. In addition, cognisant of the impact of the pandemic to under-privileged communities, a food distribution campaign was organised by the staff in May. The activity involved setting up a pantry outside the office and offering food for free to those in need.

INTERNATIONAL CERTIFICATIONS AND STANDARDS

The table below lists Halcyon Agri's third-party audited sites on international certifications and standards relevant to the Group's key ESG factors. They are accurate as of the date of publication of this annual report.

					International Certifications			
No	**Site Name**	**Code**	**Location**	**Supply Chain**	**ISO9001**	**ISO14001**	**OHSAS18001/ ISO45001**	**HeveaPro***
	China							
1	Hainan Sinochem Rubber	CX	Hainan	Processing	Y	Y		Y
2	Xishuangbanna Sinochem Rubber	BX	Yunnan	Processing	Y	Y	Y	Y
3	Xishuangbanna Sinochem Rubber	BX2M	Yunnan	Processing	Y	Y	Y	
4	Xishuangbanna Sinochem Rubber	BX3T	Yunnan	Processing	Y	Y	Y	
5	Xishuangbanna Sinochem Rubber	BX4L	Yunnan	Processing	Y	Y	Y	
6	Xishuangbanna Sinochem Rubber	BX5R	Yunnan	Processing	Y	Y	Y	
	Indonesia							
7	PT Hevea MK I	SDR	Palembang	Processing	Y	Y		Y
8	PT Hevea MK II	SEA	Palembang	Processing	Y	Y		Y
9	PT Hok Tong (Plaju)	SCX	Palembang	Processing	Y	Y		Y
10	PT Hok Tong (Keramasan)	SGO	Palembang	Processing	Y	Y		Y
11	PT Remco Rubber Indonesia	SDQ	Palembang	Processing	Y	Y		Y
12	PT Sunan Rubber	SCY	Palembang	Processing	Y	Y		Y
13	PT Remco Rubber Indonesia	SBG	Jambi	Processing	Y	Y		Y
14	PT Hok Tong	SCL	Jambi	Processing	Y	Y		Y
15	PT Hok Tong	KAZ	Pontianak	Processing	Y	Y		Y
16	PT Rubber Hock Lie	SDH	Medan	Processing	Y	Y		Y
17	PT Rubber Hock Lie	SCM	Rantau Prapat	Processing	Y	Y		Y
18	PT Pulau Bintan Djaya	SAR	Bintan	Processing	Y			Y
19	PT GMG Sentosa	KBM	Pontianak	Processing	Y			Y
20	PT Bumi Jaya	KBQ	Tanjung	Processing	Y	Y		Y
21	PT Sumber Djantin (Sanggau)	KBP	Pontianak	Processing	Y	Y		Y
22	PT Sumber Djantin (Sambas)	KBE	Pontianak	Processing	Y	Y		Y
23	PT Sumber Djantin	KAB	Pontianak	Processing	Y	Y		Y
24	PT Sumber Alam	KBD	Pontianak	Processing	Y	Y		Y
	Malaysia							
25	Hevea KB I & II	HL1	Ipoh	Processing	Y	Y	Y	Y
26	Euroma	JJ	Kedah	Processing	Y	Y		Y
27	JFL	JFL	Kelantan	Plantation	Cerfified MSPO for Oil Palm			
	Thailand							
28	Teck Bee Hang	H1T	Thung Song	Processing	Y	Y	Y	
29	Teck Bee Hang	H2Y	Yala	Processing	Y			Y
30	Teck Bee Hang	H6N	Narathiwat	Processing	Y			Y
31	Teck Bee Hang	H7P	Pattani	Processing	Y			
32	Teck Bee Hang	H8S	Suratthani	Processing	Y	Y	Y	Y
	West and Central Africa							
33	Hevea Cameroun	HVC	Niete, Cameroon	Processing & Plantation	Y			Y
34	Sudcam	SDC	Meyomessala, Cameroon	Plantation				
35	Societe De Developpment Du Caoutchouc Ivorien (Anguédédou)	SDCI-A	Anguédédou, Cote D'Ivoire	Processing	Y			Y
36	Societe De Developpment Du Caoutchouc Ivorien (Bouboury)	SDCI-B	Bouboury, Dabou, Cote D'Ivoire	Processing	Y			Y
	Europe and Americas							
38	Kelvin Terminals B.V.		Terneuzen, Netherlands	Distribution	Y	Y	Y	
39	Corrie MacColl North America, Inc.		Norfolk, Virginia, USA	Distribution	Y			
40	Corrie MacColl Deutschland GmbH		Eschborn, Germany	Distribution	Y			
41	Corrie MacColl Europe B.V.		Zaandam, Netherlands	Distribution	Y			
42	Momentum Technologies Laboratories, Inc.		Ohio, USA	Distribution	ISO 17025			

* HeveaPro Industrial Standards apply to natural rubber processing only.

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

GRI Standard	Disclosure	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
GRI 101: Foundation 2016					
General Disclosures					
GRI 102: General Disclosures 2016	**Organizational profile**				
	102-1 Name of the organization	Halcyon Agri Corporation Limited			3,6,10
	102-2 Activities, brands, products, and services	Halcyon Agri at a Glance	4-6		3,6,10
	102-3 Location of headquarters	Corporate Information Address: 180 Clemenceau Avenue #05-02 Haw Par Centre Singapore 239922			3,6,10
	102-4 Location of operations	Halcyon Agri at a Glance	5		3,6,10
	102-5 Ownership and legal form	Corporate Structure	69-71		3,6,10
	102-6 Markets served	Halcyon Agri at a Glance	4-6		3,6,10
	102-7 Scale of the organization	Halcyon Agri at a Glance	4-6		3,6,10
	102-8 Information on employees and other workers	Human Capital	39-40		3,6,10
	102-9 Supply chain	https://www.halcyonagri.com/what-we-do/natural-rubber-supply-chain/			3,6,10
	102-10 Significant changes to the organization and its supply chain	About The Report	1		3,6,10
	102-11 Precautionary Principle or approach	Board Responsibility	31		3,6,10
	102-12 External initiatives	Industry Engagement	46-47		3,6,10
	102-13 Membership of associations	• China Natural Rubber Association • China Rubber Industry Association • Federation of Malaysian Manufacturers • GAPKINDO (Gabungan Perusahaan Karet Indonesia/ Rubber Association of Indonesia) • Global Agribusiness Alliance • Global Platform for Sustainable Natural Rubber (GPSNR) • International Rubber Study Group (IRSG) • LGM (Malaysian Rubber Board Pricing Panel) • Malaysian SMR Rubber Processors Associations • Member/Panel of Advisor/ Signatory to SNR-i (Sustainable Natural Rubber Initiative) • Rubber Trade Association of Singapore • Singapore Institute of Directors • Singapore International Chamber of Commerce Rubber Association (SICCRA) • The Rubber Trade Association of Europe (RTAE) • The Thai Rubber Association • UN Global Compact			3,6,10

GRI Standard	Disclosure	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
GRI 102: General Disclosures 2016	**Strategy**				
	102-14 Statement from senior decision-maker	Chairman's Welcome Message Chief Executive Officer's Review	3 7-9		Statement by the Chief Executive expressing continued support for the UN Global Compact and commitment to the initiative
	Ethics and integrity				
	102-16 Values, principles, standards, and norms of behavior	Policies, Standards and Compliance	32-33	16	3,6,10
	102-17 Mechanisms for advice and concerns about ethics	Policies, Standards and Compliance	32-33	16	3,6,10
	Governance				
	102-18 Governance structure	Board Responsibility	31		3,6,10
	102-22 Composition of the highest governance body and its committees	Overview of Board Committees Board Composition and Guidance	72 78	16	3,6,10
	102-23 Chair of the highest governance body	Chairman, CEO and Lead Independent Director	79	16	3,6,10
	102-24 Nominating and selecting the highest governance body	Board membership and Performance Evaluation	79-81	16	3,6,10
	102-26 Role of highest governance body in setting purpose, values, and strategy	The Board's Conduct of Affairs	76-78		3,6,10
	102-29 Identifying and managing economic, environmental, and social impacts	Board Responsibility The Board's Conduct of Affairs	31 76-78	16	3,6,10
	102-32 Highest governance body's role in sustainability reporting	Board Responsibility The Board's Conduct of Affairs	31 76-78		3,6,10
	102-35 Remuneration policies	Remuneration Matters	81-83		3,6,10
	102-36 Process for determining remuneration	Remuneration Matters	81-83		3,6,10
	Stakeholder engagement				
	102-40 List of stakeholder groups	Stakeholder Engagement	35-36		3,6,10
	102-41 Collective bargaining agreements	Fair Working Conditions	44-45		3,6,10
	102-42 Identifying and selecting stakeholders	Stakeholder Engagement	35-36		3,6,10
	102-43 Approach to stakeholder engagement	Stakeholder Engagement	35-36		3,6,10
	102-44 Key topics and concerns raised	Stakeholder Engagement	35-36		3,6,10

GRI CONTENT INDEX

GRI Standard	Disclosure	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
GRI 102: General Disclosures 2016	**Reporting practice**				
	102-45 Entities included in the consolidated financial statements	Notes to the Financial Statements	114-168		3,6,10
	102-46 Defining report content and topic Boundaries	Materiality Assessment	33-34		3,6,10
	102-47 List of material topics	Materiality Assessment	33-34		3,6,10
	102-48 Restatements of information	No restatements of information mentioned in previous reports			3,6,10
	102-49 Changes in reporting	About The Report	1		3,6,10
	102-50 Reporting period	January 1, 2020 to December 31, 2020			3,6,10
	102-51 Date of most recent report	9 April 2020			3,6,10
	102-52 Reporting cycle	Annual			3,6,10
	102-53 Contact point for questions regarding the report	About The Report	1		3,6,10
	102-54 Claims of reporting in accordance with the GRI Standards	About The Report	1		3,6,10
	102-55 GRI content index	GRI Content Index	61-65		3,6,10
	102-56 External assurance	External assurance has not been sought for sustainability reporting in this report			3,6,10
MATERIAL TOPICS					
Ethics and Compliance					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality Assessment	33-34		1,8
	103-2 The management approach and its components	Risk Management Stakeholder Engagement	28-29 35-36		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	Ethics and Anti-corruption	33	16	10
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	Eco-Efficiency and Climate Change	49	16	8
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	Fair Working Conditions	45	16	
Fair Working Conditions					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality Assessment	33-34		1,4,5,8
	103-2 The management approach and its components	Sustainability Leadership Fair Working Conditions	32 44-45		1,4,5,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,4,5,8
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Fair Working Conditions	44-45	5	6
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Fair Working Conditions	44-45	8	3

GRI Standard	Disclosure	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
Workplace Health and Safety					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership Workplace Health and Safety Management Systems	32 41-43		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Workplace Health and Safety Management Systems	41	8	
	403-2 Hazard identification, risk assessment, and incident investigation	Hazards and Controls	41	3,8	
	403-3 Occupational health services	Health Services and Promotion	41	3,8	
	403-4 Worker participation, consultation, and communication on occupational health and safety	Worker Engagement and Training	42	8,16	
	403-5 Worker training on occupational health and safety	Worker Engagement and Training	42	8	
	403-6 Promotion of worker health	Worker Engagement and Training	42	3	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Supplier Engagement	48	8	
	403-9 Work-related injuries	Work-related injuries	43	3,8,16	
Traceable Supply Chain					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership Engaging our Supply Chain	32 46-48		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	Engaging our Supply Chain	46-48		8
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	Engaging our Supply Chain	46-48	5,8,16	2
Pricing Equity					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership Industry Engagement	32 46-47		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	HeveaConnect	46	5,9,11	

GRI Standard	Disclosure	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
Eco-Efficiency					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership Environmental Management Systems	32 49		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Energy Consumption	51	7,8,12,13	7,8,9
	302-3 Energy intensity	Energy Consumption	51	7,8,12,13	7,8,9
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Resources Management	49	6	
	303-2 Management of water discharge-related impacts	Water Resources Management	49	6	
	303-3 Water withdrawal	Water Withdrawal and Intensity	49	6	
Climate Change					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership Environmental Management Systems	32 49		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Greenhouse Gas Emissions	52-53	3,12,13, 14,15	7,8,9
	305-2 Energy indirect (Scope 2) GHG emissions	Greenhouse Gas Emissions	52	3,12,13, 14,15	7,8,9
	305-4 GHG emissions intensity	Greenhouse Gas Emissions	52-53	13,14,15	7,8,9
Landscape Stewardship					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership Protecting Our Natural Capital	32 54-57		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Protecting Our Natural Capital	54	6,14,15	8
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Biodiversity Values	55	6,14,15	8

GRI Standard	Disclosure	Location or Reason(s) for Omission	Page	References	
				SDGs	UNGC
Human Rights					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership Respecting Human Rights	32 57		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 412: Human Rights Assessment 2016	412-1 Operations that have been subject to human rights reviews or impact assessments	Respecting Human Rights	57		1,2
Community Investment and Empowerment					
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Materiality	33-34		1,8
	103-2 The management approach and its components	Sustainability Leadership	32		1,8
	103-3 Evaluation of the management approach	Policies, Standards and Compliance	32-33		1,8
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Living with COVID-19 Building Community	19-21 57		1

HALCYON

HALCYON AGRI CORPORATION LIMITED

180 Clemenceau Avenue
#05-02 Haw Par Centre
Singapore 239922
www.halcyonagri.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC™ C021898

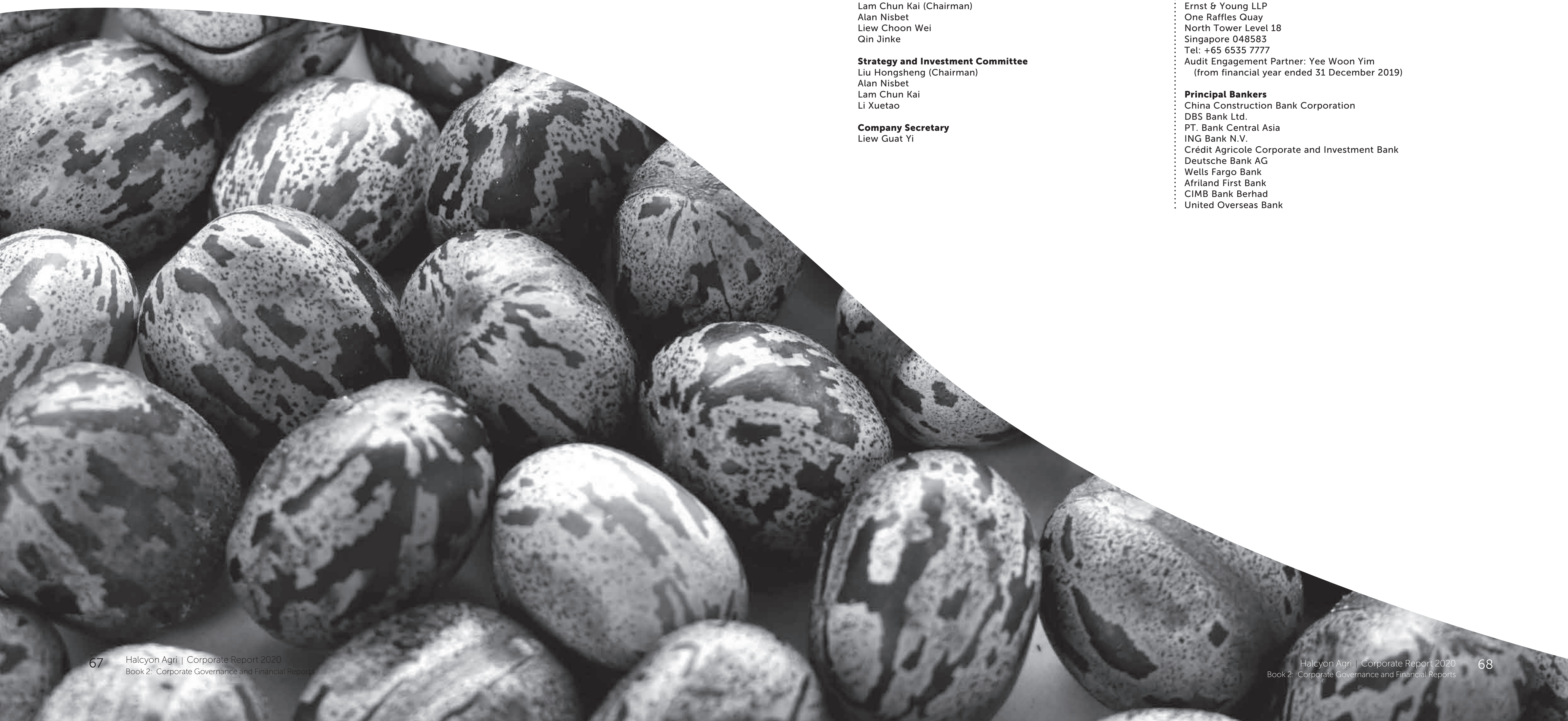
HALCYON

INNOVATE SUSTAIN SUCCEED

CORPORATE REPORT 2020

Book Two: Corporate Governance and Financial Reports

CONTENTS



CORPORATE INFORMATION

Board of Directors
Liu Hongsheng (Non-Executive Chairman)
Li Xuetao (Executive Director and CEO)
Alan Nisbet (Lead Independent Director)
Liew Choon Wei (Independent Director)
Lam Chun Kai (Independent Director)
Eddie Chan Yean Hoe (Independent Director)
Wang Wei (Non-Executive Director)
Qin Jinke (Non-Executive Director)

Audit Committee
Alan Nisbet (Chairman)
Liew Choon Wei
Lam Chun Kai
Eddie Chan Yean Hoe
Qin Jinke

Remuneration Committee
Liew Choon Wei (Chairman)
Alan Nisbet
Liu Hongsheng

Nominating Committee
Lam Chun Kai (Chairman)
Alan Nisbet
Liew Choon Wei
Qin Jinke

Strategy and Investment Committee
Liu Hongsheng (Chairman)
Alan Nisbet
Lam Chun Kai
Li Xuetao

Company Secretary
Liew Guat Yi

Registered Office and Corporate Headquarters
180 Clemenceau Avenue
#05-02 Haw Par Centre
Singapore 239922
Tel: +65 6460 0200
Fax: +65 6460 0850
Website: www.halcyonagri.com

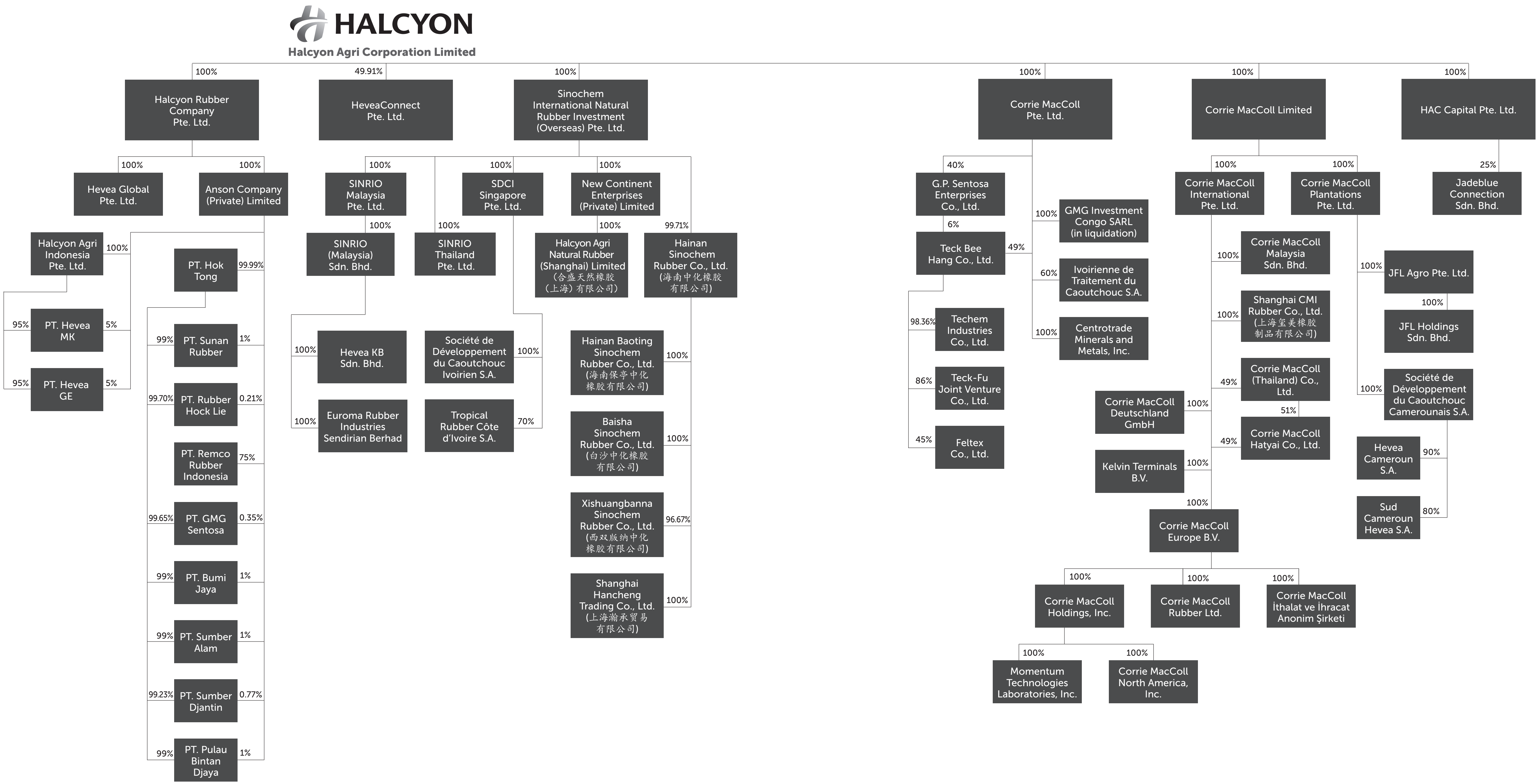
Investor Relations
180 Clemenceau Avenue
#05-02 Haw Par Centre
Singapore 239922
Email: investor@halcyonagri.com

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

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

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

CORPORATE STRUCTURE



As at 30 April 2021

CORPORATE GOVERNANCE REPORT

Halcyon Agri Corporation Limited (the "Company" or "HAC" and together with its subsidiaries, the "Group") aspires to the highest standard of corporate governance practices, and continues to integrate sustainability development into the Group's business approach as the Group believes that these are the pillars that support long-term value creation. The global COVID-19 pandemic has affected the world in different ways. The robust corporate governance framework has helped the Company to navigate the unprecedented challenges brought by the COVID-19 pandemic. Good governance will continue to be the cornerstone for the Company to manage and thrive in the post-pandemic environment.

The Board of Directors (the "Board") continue to focus on driving sustainable business growth, business model innovation and embrace the key tenets of good governance. It adopts an inclusive approach to balance the needs and interests of the Company's material stakeholders, and remains committed to create and maximise long-term shareholder value during these challenging times.

This report describes the Group's ongoing efforts to enforce best practices in corporate governance in all aspects of the Group's operations, as well as the practices implemented throughout the financial year ended 31 December 2020 ("FY2020"). The Board is pleased to report that the Group has adhered to all material principles and provisions of the Code of Corporate Governance 2018 (the "Code"), and wherever applicable, the disclosure guide developed by the Singapore Exchange Securities Trading Limited ("SGX-ST") in January 2015, together with other applicable laws, rules and regulations, including the Listing Manual (the "Listing Manual") of the SGX-ST.

The disclosure of our corporate governance framework and practices in this report has been approved by the Board. To provide shareholders of the Company (the "Shareholders") a quick access to particular area(s) of interest, a summary disclosure on the Company's compliance with the Code can be found on pages 89 to 90 of this annual report.

KEY FEATURES OF THE BOARD

Overview of Board Composition

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

1 Executive Director
- Li Xuetao

4 Independent and Non-executive Directors (the "Independent Directors")
- Alan Nisbet
- Liew Choon Wei
- Lam Chun Kai
- Eddie Chan Yean Hoe

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

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

Overview of Board Committees

Board Committee	Composition	Key Areas of Oversight Delegated to it by the Board (Not exhaustive)
Audit Committee ("AC")	**Five (5) members:** • Alan Nisbet (Chairman) • Liew Choon Wei • Lam Chun Kai • Qin Jinke • Eddie Chan Yean Hoe Four (4) out of five (5) members are Independent Directors All members are Non-executive Directors	• Financial reporting • Internal and external audit processes • Interested person transactions • Internal controls and risk management systems • Whistleblowing arrangements
Nominating Committee ("NC")	**Four (4) members:** • Lam Chun Kai (Chairman) • Alan Nisbet • Liew Choon Wei • Qin Jinke Three (3) out of four (4) members are Independent Directors All members are Non-executive Directors	• Succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel ("KMP") • Performance of the Board • Board and Director independence • Board orientation, training and development
Remuneration Committee ("RC")	**Three (3) members:** • Liew Choon Wei (Chairman) • Alan Nisbet • Liu Hongsheng Two (2) out of three (3) are Independent Directors All members are Non-executive Directors	• Remuneration policies and framework • Remuneration for the Board and KMP • Specific remuneration packages for each Director and KMP
Strategy and Investment Committee ("StratCom")	**Four (4) members:** • Liu Hongsheng (Chairman) • Alan Nisbet • Lam Chun Kai • Li Xuetao Three (3) out of four (4) members are Non-executive Directors	• Strategy development and strategic direction • Major investment or divestment plans • Capital and assets management

Key Information of Directors

DIRECTOR • Age • Position and appointment date • Last re-elected date (if applicable) • Length of Directorship as of 31 December 2021 • Present and past three (3) years Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2020) General Meeting	Board	AC	NC	RC	StratCom	TOTAL REMUNERATION (SGD) (FY2020) Basic/ Fixed Salary	Directors' Fee	Other Compensation
	(Number of scheduled meetings held)								
	1	8	4	1	1	1			
Liu Hongsheng									
• 54	1	5	–	–	–	1		**Total: 114,103.26**	
• Non-executive Non-independent Chairman since 16 January 2017 • Last re-elected on 23 April 2019 • 4.9 years • Executive Director of Sinochem International Corporation							NA[2]	114,103.26	NA[2]
Alan Nisbet									
• 70	1	8	4	1	1	1		**Total: 112,125**	
• Lead Independent Director since 7 January 2013 • Last re-elected on 23 April 2018 • 8.9 years • Independent Director of KrisEnergy Ltd, Standard Chartered Bank (Singapore) Limited, Ascendas Property Fund Trustee Pte Ltd (trustee-manager of Ascendas India Trust) and Keppel REIT Management Limited (manager of Keppel REIT)							NA[2]	112,125	NA[2]

DIRECTOR • Age • Position and appointment date • Last re-elected date (if applicable) • Length of Directorship as of 31 December 2021 • Present and past three (3) years Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2020) General Meeting	Board	AC	NC	RC	StratCom	TOTAL REMUNERATION (SGD) (FY2020) Basic/ Fixed Salary	Directors' Fee	Other Compensation
	(Number of scheduled meetings held)								
	1	8	4	1	1	1			
Liew Choon Wei									
• 66	1	8	4	1	1	–		**Total: 90,250**	
• Independent Director since 1 October 2014 • Last re-elected on 23 April 2019 • 7.2 years • Independent Director of F J Benjamin Holdings Ltd, The Hour Glass Limited, Frasers Hospitality Asset Management Pte Ltd (manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (trustee-manager of Frasers Hospitality Business Trust)							NA[2]	90,250	NA[2]
Wang Wei									
• 41	1	8	–	–	–	–		**Total: 58,000**	
• Non-executive Non-independent Director since 3 May 2017 • Last re-elected on 26 June 2020 • 4.6 years							NA[2]	58,000	NA[2]
Qin Jinke									
• 50	1	8	4[1]	–	–	–		**Total: 66,559.78**	
• Non-executive Non-independent Director since 1 January 2018 • Last re-elected on 26 June 2020 • 4.0 years							NA[2]	66,559.78	NA[2]

DIRECTOR • Age • Position and appointment date • Last re-elected date (if applicable) • Length of Directorship as of 31 December 2021 • Present and past three (3) years Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2020) General Meeting	Board	AC	NC	RC	StratCom	TOTAL REMUNERATION (SGD) (FY2020) Basic/ Fixed Salary	Directors' Fee	Other Compensation
	(Number of scheduled meetings held)								
	1	8	4	1	1	1			
Lam Chun Kai									
• 73	1	8	2	–	–	–		Total: 69,722.11	
• Independent Director since 23 April 2019							NA[2]	69,722.11	NA[2]
• 2.7 years									
Li Xuetao									
• 50	–	7[1]	2[1]	–	–	–		Total: 200,000	
• Executive Director and CEO since 26 June 2020							200,000	NA[3]	None
• 1.5 years									
Eddie Chan Yean Hoe									
• 65	–	2	1[1]	–	–	–		Total: 23,331.52	
• Independent Director since 28 July 2020							NA[2]	23,331.52	NA[2]
• 1.4 years									
Jeremy Goon Kin Wai									
• 48	1	5	–	–	–	–		Total: 31,902.17	
• Independent Director from 2 November 2017 to 14 July 2020 (Resigned)							NA[2]	31,902.17	NA[2]
Robert Meyer									
• 47	1	5	2[1]	1[1]	1[1]	1		Total: 723,185	
• Executive Director and CEO from 8 July 2010 to 26 June 2020 (Resigned)							450,000	NA[3]	273,185
Pascal Demierre									
• 47	1	5	2	1[1]	1	–		Total: 432,444	
• Executive Director and Chief Corporate Officer from 8 July 2010 to 26 June 2020 (Resigned)							330,000	NA[3]	102,444

DIRECTOR • Age • Position and appointment date • Last re-elected date (if applicable) • Length of Directorship as of 31 December 2021 • Present and past three (3) years Directorships in other listed companies (if any)	MEETING ATTENDANCE (1 January to 31 December 2020) General Meeting	Board	AC	NC	RC	StratCom	TOTAL REMUNERATION (SGD) (FY2020) Basic/ Fixed Salary	Directors' Fee	Other Compensation
	(Number of scheduled meetings held)								
	1	8	4	1	1	1			
Randolph Khoo									
• 57	1	5	2	1	1	–		Total: 45,732	
• Independent Director from 7 January 2013 to 26 June 2020 (Retired)							NA[2]	45,732	NA[2]

Notes:

(1) Including attendance by invitation

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

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

The aggregate remuneration of S$611,725.84 paid to the non-executive Directors (the "Directors' Fees") for FY2020 is within the threshold limit of S$750,000 approved by Shareholders on 26 June 2020. The Directors were remunerated according to the Directors' Fee structure disclosed in the annual report for the financial year ended 31 December 2019.

Remuneration of each of the Executive Directors comprising basic salary as well as a variable bonus (if any) which is subject to review by the RC and the Board, and is paid in accordance with his service agreement with the Company.

The profile of each Director (including academic and professional qualifications) is presented in this annual report under the section "Board of Directors". For shareholdings of Directors in the Company and its related corporations (if any), please refer to page 101 of this annual report.

BOARD MATTERS

The Board's Conduct of Affairs

The Company is committed to conduct its business with integrity, fairness and transparency and will not tolerate any acts, attempted acts, or assistance with any form of bribery or corruption whether direct or indirect. The Board embraces value creation, innovation, sustainability and ethical business practices, and has embedded them in setting the strategic directions of the Company. It upholds high standards of corporate governance, puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company.

Although COVID-19 crisis has fundamentally changed the way businesses operate, the Company has been able to adapt and adjust to the changing environment, and deliver business outcome while conforming to the prevailing lockdown and other health and safety measures.

The Board has considered that the Company's business model and fundamentals remain resilient to disruption.

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

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

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

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

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

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

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

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

(h) ascertain and ensure the environmental, social and governance factors that are most material to the Company's long-term goal and viability are integrated into overall company strategy;

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

(j) instil an ethical corporate culture and promote sustainable development.

Delegation of Authority. The Board capitalises on the expertise of the Independent Directors and benefits from delegating certain functions and authority of the Board to the four (4) board committees, namely, the AC, NC, RC and StratCom (collectively, the "Board Committees"). Each Board Committee functions within clearly defined terms of reference ("TOR") which have been approved by the Board. The TOR, committee structure and membership of each committee are reviewed by the Board from time to time.

Except for the chairman of StratCom who is not an independent director, all other Board Committees are led by an Independent Director, to encourage independent oversight and enable the Board to discharge its obligations more effectively. Detailed functions and involvement of the Board Committees are described on pages 79 to 85 of this annual report.

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

While the Board Committees and Management are tasked with certain responsibilities, all major decision-making remains the ultimate responsibility of the Board as a whole. A written Policy on Board Delegation of Authority (the "Delegation Policy") which set out the framework and mechanisms by which the Board delegates specific standing powers and limits of authority to specified positions, has been adopted. The Delegation Policy aims to balance the need to empower and devolve decision-making to appropriate levels for operational efficiency and to ensure proper systems of control are in place. It provides clear directions to Management on matters that are reserved for the Board's decision and approval, which include the followings:

(a) overall Group business and budget strategies;

(b) capital expenditures, investments or divestments exceeding certain material thresholds;

(c) all capital-related matters including capital issuance and redemption;

(d) significant policies governing the operations of the Company;

(e) corporate strategic development and restructuring;

(f) material interested person transactions which fall within the meaning of the Listing Manual; and

(g) risk management strategies.

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

In times of heightened uncertainty, it is vital that the Management with a global vision of Group's operation has the capacity and authority to make timely and agile decisions. Delegation of crisis response to the Management has facilitated the Company's ability to quickly adopt the measures required or restrictions relating to COVID-19 pandemic which are imposed by the governing bodies in the countries where it operates.

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

Board Meetings. The Board meets on a quarterly basis and as warranted by particular circumstances. Eight (8) meetings were scheduled and held in FY2020 to review, discuss and receive updates from Management on the Group's financial performance, annual budget, corporate strategy, business plans, potential corporate actions, capital plans, risk management policies, appointment and re-appointment of Directors, executive remuneration, significant operational matters and development of corporate actions that took place during the year.

The Board believes that meetings between Directors who do not hold executive positions in the Group encourage and promote greater openness and facilitate provision of well-balanced viewpoints to the Board. Lead Independent Director may summon a meeting without the presence of the Management whenever deemed appropriate. Any recommendations or suggestions arising from such meeting will be communicated to the Board or to the Management as appropriate.

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

To ensure meetings are held with maximum Director participation, all Board meetings are planned and scheduled in advance after consultation with Directors. In addition, Directors who are not able to be physically present in the Board meetings may participate in the Board and Board Committee meetings by telephone or video conference, as permitted under the Company's Constitution (the "Constitution"). The Constitution also provides that the Board may make decisions and grant approval by way of written resolutions. A list of written resolutions approved by the Board and Board Committees is compiled and circulated during Board and Board Committee meetings.

Social distancing measures and travel restrictions to curb the spread of coronavirus have made virtual Board meeting a necessity, and all the Company's Board and Board Committee meetings held after February 2020 were conducted remotely via electronic means. As the Board has employed board portal technologies since 2014, it is technologically equipped to have virtual meetings. All materials for Board and Board Committee meetings prior to COVID-19 pandemic have been disseminated through the encrypted, secure board portal. The switch from the regular physical meetings to virtual ones does not affect the effectiveness of the Board process and all meeting materials continued to be readily accessible in a timely manner on Directors' tablet devices, laptops or desktop computers. The board portal enhances effectiveness in the boardroom and is especially important to facilitate information flow to and amongst Board members during this pandemic.

The record of Directors' attendance at the Board and Board Committee meetings for FY2020 is set out on pages 73 to 76 of this annual report.

Board Access to Information. The Board has unrestricted access to the Company's records and information. Directors are furnished with complete, adequate and timely information, and they are promptly alerted of changes to the Group's business and financial condition, to assist the Board to make a balanced and informed assessment to decide on matters as and when they arise. Management has been maintaining close coordination and open dialogue with the Board on both the business risks and the workplace health and safety issues posed by COVID-19, to ensure the Directors are fully cognisant of the decisions and actions of the Management.

Documents and adequate information relating to meeting agenda items, including background and explanatory notes, financial statements, budgets, forecasts and progress reports of the Group's business operations and internal audit reports are circulated at least one week prior to each Board and/or Board Committee meeting through the board portal, to allow sufficient time for Directors to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Senior management personnel who can provide additional insights into the matters at hand, if required, will be invited to attend the meetings to address queries from the Directors.

Analysis report covering the Group's operational performance, financial results, market environment, treasury activities, corporate and business development as well as other relevant information is presented to the Board on a monthly basis. Such regular updates and timely reports allow the Board to monitor the Group's performance as well as Management's performance relating to the goals and objectives set by the Board. All information requested by the Director is provided in a timely manner.

Directors have direct and independent access to Management and may, at any time, request for further explanation, briefings or informal discussions on any aspect regarding the Group that is required for the discharge of Directors' duties and responsibilities. The Directors also have separate and independent access to the Company Secretary at all times. The Company Secretary advises the Board on corporate and administrative matters, facilitates Director's orientation and professional development, and ensures timely and good information flow within the Board and Board Committees, and between Management and the Independent Directors. The Company Secretary or her colleague attends all Board and Board Committees meetings to ensure that Board procedures are followed and that the applicable rules and regulations are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

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

Board Composition and Guidance

The Company's Board is effective, comprises professionals with a broad range of experience and industry expertise, who discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Taking into account the scope and nature of the Group's operations as well as its strategic direction, and having regard to the Diversity Policy (as defined below), the Company and the Board are satisfied that the Board and Board Committees are of the right size for effective decision-making, has the appropriate balance and mix of skills, expertise, knowledge, experience and collectively possesses the necessary core competencies in diverse areas including accounting, finance, political or geopolitical savvy, business and management, strategic planning and global business experience, for the Board to effectively discharge its duties. The collective skillset and global business experience of the Board enable the Company to sustain and thrive in the COVID-19 pandemic.

Board Composition. The Company's Board size has reduced from 10 members to eight (8) members in FY2020 and all disclosures relating to the appointment and departure of Directors in FY2020 have been announced to the public through SGXNet, in a timely manner. The Board presently consists a non-executive non-independent Chairman, one (1) executive director, four (4) independent directors and two (2) non-executive non-independent directors. There is a strong and independent element on the Board, with the Independent Directors constructively challenge and assist in developing proposals on strategies. The Board continued to function effectively during the year and was able to exercise objective judgement on corporate affairs independently.

The Board has considered the recommendation of the Code which stipulates that the independent directors to make up a majority of the Board where the Chairman is not an independent director. With reference to the common board size of six (6) directors for Singapore-listed companies[1] and having considered the scope and nature of the Group's operations, the Board concluded that it is well-constituted as the current board composition (board size of eight (8) members with 50% of independent directors and 88% of non-executive directors) has a high level of independence and with the right structure to enable the Board to function at optimum levels. Notwithstanding, the Board continues to review the attributes and skills that will enhance heterogeneity in the boardroom.

Board Diversity. The Company views diversity at the Board level as an essential element to build an open, inclusive and collaborative boardroom culture to support its strategic objectives and sustainable development. The Company's Policy on Board Diversity (the "Diversity Policy") endorses the principle that diverse Board should include and make good use of differences between the Directors in terms of professional experience, skills, knowledge, length of service, industry discipline, cultural and educational background, gender, age, ethnicity and other relevant factors. Different social constructs and diversity in thoughts allow the Board to consider issues more holistically and creatively during periods of uncertainty, which is important given the various emerging trends and business disruptions that may come up from time to time, such as COVID-19. The Board promotes the inclusion of different perspectives and ideas, recognises the potential merits of gender diversity in the boardroom and welcomes female directors on board. Where the candidates for appointment as director are relatively equivalent in their levels of required skills and experience, the Board is committed to advancing female candidates, in order to achieve gender diversity and add a broader perspective on the Board.

1 The Singapore Directorship Report 2018 published by Singapore Institute of Directors indicates that the most common size continues to be six (6) directors.

Chairman, CEO and Lead Independent Director

There is a clear division of responsibilities between the leadership of the Board and the executive responsible for managing the Company's business. The roles of Chairman and the post of CEO are held by separate persons, to ensure an appropriate checks and balances, increased accountability, and greater capacity of the Board for independent decision making where no one individual has unfettered powers of decision-making. The two (2) key roles have fundamentally disparate responsibilities and functions, but complement each other in the overall objective of creating value for Shareholders, and play vital roles in providing the Group with strong leadership and vision.

Chairman. As the Chairman of the Board, Mr Liu Hongsheng leads and ensures the effectiveness of all general meetings and Board meetings. He is responsible for promoting culture of openness and debate of the Board, steering productive and comprehensive discussions between members of the Board and Management on strategic, business and other issues pertinent to the Group, as well as ensuring effective communication with Shareholders and other stakeholders. The Chairman takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the support of the Board, Management and Company Secretary.

CEO. Mr Li Xuetao was appointed as the Company's CEO in June 2020. He possesses in-depth industry knowledge and has the foresight to support the formulation of the Group's strategic direction. Assisted by the management team, the CEO make decisions in all matters affecting the operations, performance and strategy of the Group's businesses, with the exception of those matters reserved for the Board or specifically delegated by the Board to the Board Committees. He oversees the day-to-day management, leads and implements all major initiatives of the Group.

Lead Independent Director. Mr Alan Nisbet has been the Lead Independent Director since 2013 and continues to avail himself to address Shareholders' concerns and acts as a counter-balance in the decision-making process. Shareholders and other stakeholders may approach the Lead Independent Director through the online enquiry form under the Company's website, where all messages will be transmitted to him directly. The Lead Independent Director also plays an additional facilitative role within the Board and provides a channel to non-executive directors for confidential discussion on any concerns and to resolve conflicts of interest as and when necessary. He provides leadership in situation where the Chairman is conflicted, convenes and chairs meetings without the involvement of the Management, which enhance the capacity of the Board for independent decision making.

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

Board Membership and Performance Evaluation

The Board has a formal and transparent process for the appointment and re-appointment of Directors. The search, nomination and evaluation process is delegated to the NC. The NC comprises four (4) members and is chaired by Mr Lam Chun Kai, an Independent Director. The Lead Independent Director, Mr Nisbet, is also a member of the NC. The NC makes and reviews recommendations to the Board on all nominations for appointments and re-appointments to the Board, the appointment of KMP, the training and development programmes for the Board, and is responsible for the annual evaluation of Board performance.

The NC functions within clearly written TOR approved by the Board and its principal activities are as follows:

Board Appointment. The Board regularly and continually reviews its structure, size and composition to identify the balance of skills, knowledge and experience required for the Board to discharge its responsibilities effectively. Where appropriate, or if circumstances suggest that additional skills or experience is required and that a replacement and/or new appointment is beneficial to the Board, the NC will propose a new appointment or review and evaluate the competencies of candidates proposed by the Management. The NC has a formal and written guide to conduct due diligence checks to assess the suitability of a candidate for appointment as a Director of the Company. To ensure the Company has the opportunity to benefit from all available talent, the evaluation of potential new director is made based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, the ability of prospective candidates to contribute to discussions, deliberations and activities of the Board as well as the balance of independent directors on the Board.

In its review of proposal for appointment or re-appointment of each Director as well as KMP, NC will also take into consideration the composition and progressive renewal of the Board, as well as each Director's competencies, principal commitment, contribution and performance (including attendance to the meeting, preparedness, participation and candour), including, if applicable, his or her performance as an independent director. Such appointment or re-appointment which has been recommended by the NC will be deliberated by the Board as a whole, and the appointment are reserved for the Board's decision. The Constitution also spells out the procedures for the appointment of new Directors, along with the re-election and removal of Directors.

The NC is also tasked to recommend and review succession plans for the Company's Directors and senior management, in particular for the Chairman, the CEO and the KMP, taking into account the challenges and opportunities facing the Group and the skills and experience needed in the future. The Company integrates executive development programs into CEO and KMP succession planning, and builds talent internally through training, so that the best internal candidates are identified early and flagged at the Board level. Where necessary or appropriate, the NC may tap on its networks and/or engage external professional headhunters to assist with identifying and shortlisting candidates. The NC can also approach relevant institutions such as the Singapore Institute of Directors, professional organisations or business federations to source for suitable candidates.

Review of Board Independence. The NC reviews and determines whether a Director is independent on an annual basis, and as and when circumstances require. Each of the Independent Directors has submitted a declaration form confirming that he is to be considered independent under the requirements of Rule 210(5)(d) of the Listing Manual as well as the provisions set out in the Code. Taking into consideration the declarations submitted by the Independent Directors, as well as the length that the Director has served on the Board, the NC has determined that each of the Independent Directors is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers, and there has been no element that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Group. It was also noted that none of the Independent Directors have served for a continuous period of nine (9) years or more, and none of them or their family members was employed by, or received significant payment from or provided material services to the Group in FY2020 or in any of the past three (3) financial years.

Board Orientation, Training and Development. The NC oversees and makes recommendations to the Board for training and professional development programs available to Directors, as well as induction for newly appointed Directors. The Board has adopted a set of best practice for Director's training and development which is documented under a Policy on Induction, Training and Development for Directors (the "Training Policy").

The Training Policy serves (i) to assist the new Director who is appointed to the Board for the first time to gain an understanding of his or her roles, duties, obligations and responsibilities as a Director of the Company, as well as the framework within which the Group operates; and (ii) to encourage all Directors to regularly review his or her training and professional development needs, to ensure the Directors have appropriate competencies to effectively fulfill their responsibilities to the Company and its Shareholders as well as stakeholders. A formal letter of appointment setting out the roles of a Director and the time commitment required, as well as information about the Group, its operations, business, practices and governance systems, is also issued to each newly appointed Director to ensure that the Director is aware of his or her duties and obligations.

The induction programme is tailored for each new Director (depending on his or her requirements, skills, qualifications and experience) and will, as a mandatory requirement, request the new Director who has no prior experience as a director of a listed company to attend pre-requisite course for first-time appointee on boards of listed company, to familiarise himself or herself with the roles and responsibilities of a director of a public listed company. Mr Eddie Chan Yean Hoe, the new director appointed in FY2020, has completed the core Listed Entity Director (LED) Programme of the Singapore Institute of Directors organised with the support of the SGX-ST, within three (3) months of his appointment as a Director of the Company.

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

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

Commitment to the Board. Directors of the Company are required to notify the Board of any new appointment of directorships to listed companies or other principal commitments, for the Board or NC to consider and to evaluate whether such Director is able to commit the time to adequately carried out his duties as a Director of the Company.

To ensure that each Director is able to devote sufficient time and attention to carrying out his role in accordance with his duties, the Board has determined that the maximum number of listed company board representations each Director of the Company is allowed to hold is as follows:

(a) directorships without other executive roles – Six (6)

(b) directorships with other executive roles – Four (4)

Rotation and Re-election of Directors. At each annual general meeting ("AGM"), Directors constitutes not less than one-third of the Board are required to retire from office by rotation, and a Director shall submit himself for re-nomination and re-election at regular intervals of at least once every three (3) years. These requirements are clearly stated in the Company's Constitution and each member of the Board has submitted himself for re-nomination and re-appointment at least once, during the past three (3) years.

Directors appointed after the Company's AGM held in 2020 ("2020 AGM") to fill the casual vacancies, being Mr Li Xuetao and Mr Eddie Chan, shall hold office only until the forthcoming AGM. Pursuant to the Constitution, they are eligible and will submit themselves for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at the forthcoming AGM. Mr Alan Nisbet, Mr Liew Choon Wei and Mr Lam Chun Kai, being Directors who have been longest in office since their last election, have submitted themselves for re-nomination and re-election.

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual which will take effect from 1 January 2022, Mr Nisbet, having served on the Board since 7 January 2013, will not be considered as an Independent Director from 7 January 2022. For Mr Nisbet to continue in office as an Independent Director, the resolution to consider his re-appointment would be submitted for two (2) tiers voting process, i.e. by (i) all Shareholders and (ii) all Shareholders, excluding the Directors, the CEO and their associates, in the forthcoming AGM.

Each of the Directors who is subject to re-election at the forthcoming AGM has abstained himself from making any recommendation and/or participating in any deliberation in respect of the assessment of his own re-election as the Directors. At the recommendation of the NC and with the approval of the Board, resolutions for the re-appointment of Mr Li, Mr Eddie Chan, Mr Nisbet, Mr Liew and Mr Lam as Directors of the Company will be tabled at the forthcoming AGM for Shareholders' approval. They will, upon re-appointment as Directors, hold the same office in the Board and Board Committees immediately held before their re-appointment.

For information required under Rule 720(6) and Appendix 7.4.1 of the Listing Manual in respect of the Directors seeking re-election at the AGM, please refer to pages 91 to 100 of this annual report.

Board Performance Evaluation. The NC decides how the Board's performance may be evaluated and take charge of the annual assessment of the effectiveness of the Board as a whole and of each Board Committee, as well as the contribution of the Chairman and each Director to the effectiveness of the Board. The performance of the Board and each of the Board Committees is assessed by the NC on its overall effectiveness in accomplishing its goals and discharging its responsibilities based upon the following criteria:

(a) Board size and composition;

(b) Board governance processes;

(c) Board information and accountability;

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

(e) where practical, financial references which include return on capital employed, return on equity, debt to equity ratio, dividend payout ratio, economic value added, earnings per share, and total shareholder return (i.e. dividend plus share price increase over the year); and

(f) Board Committee performance, qualification and effectiveness in relation to discharging their responsibilities set out in their respective TOR.

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

A formal evaluation questionnaire was tabulated and circulated to all Directors via the board portal, for Directors to rate and provide feedback on the performance of the Board, the Board Committees, the Chairman and each Director for FY2020. The assessment provides insights into the functioning of the Board, whilst identifying areas that might need strengthening and development. Directors are invited to provide their views and suggestions for any specific areas where improvements may be made to improve Board effectiveness. Every Director is also requested to complete an assessment of each Director's contributions, including himself, to the effectiveness of the Board, on anonymous basis.

The findings of the Board evaluation (including feedback and comments received from the Directors) are analysed and discussed by the NC, in consultation with the Chairman of the Board to identify areas for improvement and any training required to further enhance the effectiveness of the Board. The Board will then review feedback from the NC collectively and will decide and agree on action plans.

Following the review for FY2020, the NC and the Board are satisfied that the Chairman as well as each Director has contributed to the overall effectiveness of the Board and demonstrates commitment to his roles on the Board, and that the Board and Board Committees operate effectively and have met their respective performance objectives. Notwithstanding that certain Directors have multiple board representations, these multiple directorships are not in conflict with the interests of the Company, and are within the maximum number of listed company board representations each Director of the Company is allowed to hold. No external facilitator was used in the evaluation process.

Strategy and Investment Committee

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

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

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

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

One (1) StratCom meeting was held in FY2020 to review the Group's prospects and long-term development strategic planning.

REMUNERATION MATTERS

The Company's remuneration policy seeks to ensure that the level and structure of remuneration are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account the strategic objectives of the Group. Reviewing and making recommendations to the Board on the framework of remuneration for the Board and KMP as well as the specific packages for each Director and the KMP, are the key functions of the RC.

Remuneration Committee

The RC is chaired by an Independent Director, Mr Liew, and comprises Mr Nisbet and Mr Liu. All members of the RC are non-executive directors and none of the RC members is allowed to participate in the deliberation, and has to abstain from voting on any resolution, relating to his own remuneration or that of employees related to him.

The key responsibilities and authorities of the RC are as follows:

Developing Group Remuneration Policies. The RC ensures that the remuneration and incentive framework, policies and practices are appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and KMP to successfully manage the Company for the long term. The RC considers all aspects of remuneration (including directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind and severance packages) and aims to be fair and avoid rewarding poor performance. It also reviews the Company's obligations arising in the event of termination of the CEO's and KMP's contracts of service, to ensure that such contracts contain fair and reasonable termination clauses which are not overly generous. It may from time to time, and where necessary or required, seek advice from external consultants in framing its remuneration policy and determining the level and mix of remuneration for Directors and KMP.

In respect of long-term incentive schemes (if any, including share schemes as may be implemented), the RC is responsible for considering whether Directors should be eligible for benefits under such long-term incentive schemes. Any recommendation of the RC will be submitted to the Board for consideration and approval. The Board is ultimately accountable for all remuneration decisions.

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

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

Agreeing the Level and Mix of Remuneration. The key considerations of the RC in recommending the level and mix of remuneration are:

(a) to link rewards with value creation and offer appropriate remuneration and employment conditions to build, motivate and retain Directors, KMP and talent;

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

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

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

Remuneration framework as well as the specific remuneration packages which is tailored to the specific role and circumstances of each Director and KMP, including the CEO, are reviewed and discussed in the RC meeting. When it recommends the remuneration package to the Board, the RC takes into consideration the aforementioned factors, the strategic direction of the Group and industry practice, and benchmarks the remuneration package against relevant industry players to ensure an appropriate remuneration level and mix that recognises the performance, potential and responsibilities of these individuals.

Specific remuneration packages for each Director in respect of FY2020 have been approved by the Board and is explicitly disclosed on a named basis, on pages 73 to 76 of this annual report.

Remuneration of Non-executive Directors. The Directors' Fees for each non-executive Director which comprise a basic fee and attendance fees, are appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities. Directors' Fees are reviewed annually by the RC to benchmark such fees against the amounts paid by other listed companies of similar size. No changes are proposed to the Directors' Fees structure for the financial year ending 31 December 2021 ("FY2021"), and it remains the same as FY2020. The Directors' Fees structure is as follows:

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

The Company submits the quantum of Directors' Fees of each financial year, which is to be paid quarterly in arrears, to Shareholders for approval at its AGM. Shareholders' approval will be sought at the forthcoming AGM of the Company on 15 June 2021 in respect of the proposed payment of Directors' fees of up to S$750,000 (payable quarterly in arrears) for FY2021.

Remuneration of Executive Director and KMP. Performance measures and remuneration packages of the executive Director and KMP emphasis on value creation and are principally based on the achievement of the objectives of their functions as set up in the key performance indicators ("KPI") agreed by each individual, taking into consideration the scope of work, performance, potential and responsibilities of these individuals. Qualitative evaluation, such as vocational competence, responsibility at work and activity in the workplace, as well as the quality of work in relation to the demands and goals of duties, has also been used to evaluate and assess the Management's performance in FY2020.

The Company has three (3) KMP (who are not Director or the CEO) for FY2020. Disclosure of their remuneration pursuant to the Code is as follows:

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

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

The total remuneration paid to the three (3) KMP (who are not Directors or the CEO) for FY2020 was approximately S$1,470,000, and has been approved by the Board.

Summary of RC Observations for FY2020. The Group's remuneration policies are appropriate, effective, meet the commercial requirements to remain competitive, are sensitive to the time horizon of risk and allow flexibility in response to prevailing circumstances, and align with the long-term interest of the Group. Currently, there are no employee share schemes provided by the Company or the Group, and the Company does not have any long-term incentive plans. None of the Directors and KMP received any termination, retirement and post-employment benefits. All Directors and the KMP are remunerated on an earned basis. There is no employee in the Group who is a substantial shareholder of the Company or immediate family member of a Director or the CEO or substantial shareholders.

The COVID-19 pandemic has brought new and unique challenges to the global economy and the Group's business in the first-half of 2020 was not spared from the sudden downturn. The performance targets and financial metrics for FY2020 have been adversely affected by the on-going pandemic, and KPI planned and set for the KMP at the beginning of the year are inevitably not achievable. As the COVID-19 situation was evolving rapidly, KPI for FY2020 were not adjusted as changes may not be reflective of the business environment which was highly volatile throughout FY2020.

The Board recognises that despite the FY2020 KPI were not met, the Management devoted extra efforts and energy to fulfilling their commitments under the demanding circumstances during the challenging year, and its responses to overcome the unprecedented crisis are commendable.

The Board is of the view that the Company's remuneration decision for FY2020 aligns with the long-term interests of Shareholders and other stakeholders, as well as the risk management policy of the Company. The Company did not engage any remuneration consultants or professional firms in FY2020.

ACCOUNTABILITY AND AUDIT

The Board is accountable and answerable to the Shareholders for all aspects of the Company. It endeavours to ensure that Shareholders are furnished with timely information, full disclosure of material information and aims to present a balanced and understandable assessment of the Company's performance, position and prospects to the Shareholders. It is imperative that the Shareholders are kept informed of the impact of COVID-19 on the Group's operation and performance. The Board is responsible for the governance of risks and ensuring that effective system of risk management and internal controls is in place. Its function relating to overseeing both internal and external audits is delegated to the AC.

Risk Management and Internal Controls

The Board as a whole is responsible for the governance of risk and the overall internal controls framework. It determines the nature and extent of the significant risks which is appropriate for the Company in achieving its strategic objection and creating value for the Shareholders. The Board provides oversight in the design, implementation and monitoring of the risk management framework and policies, as well as the system of internal controls. It has significantly heightened vigilance on the effectiveness of internal controls and placed close scrutiny on high-risk areas in the wake of COVID-19 crisis.

The Board also ensures that Management puts in place action plans to mitigate the risks identified, and undertake remedial actions to rectify any control lapses. It devotes significant attention to maintaining an effective system of risk management and internal controls, to safeguard the investment of the Company and its Shareholders, and ensure that risks are managed in the best interests of the Group. The principal risks facing the Company are described under the Risk Management section on pages 28 to 29 of this annual report.

In assessing the effectiveness of the Group's internal controls, the Board focuses on identifying control gaps in the business process, areas for improvement and areas where controls can be strengthened. This process assists in ensuring that primary key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations. The Company's internal audits supplement the Group's evaluation on all matters concerning internal controls including the assessment of any issue identified in the course of internal audit as well as the administration and implementation of the Group's internal policies and procedures.

The Company has a dedicated team which is responsible for developing, monitoring and maintaining risk management controls and reporting any key issues to Management. A risk management committee ("RMC") formed by the Management which comprises the CEO, Managing Director – HRC Group, Chief Commercial Officer – Corrie MacColl Group and CFO, is responsible to assess and determine the nature and extent of the financial risks which the Company is allowed to take. The Group Risk Management Policy which imposed appropriate measures and limits to control commercial risk exposures be reviewed regularly to ensure it is symmetric with market environment and Group's operations.

The internal controls practice of each of the Group's functions is reviewed annually or when circumstances warrant the review process. The Management constantly review legal and regulatory developments regarding COVID-19 as well as the Company's risk-mitigation policies and protocols, and adjust such protocols as necessary to conform to developing regulatory circumstances, especially if a particular regulatory scheme relates to activities that are core to the Group's operations, to enhance the standard operating procedures and ensure the business is fully compliant with the applicable regulations and Group's policies. The Board's commentary on the Company's risk management and internal controls is set out on page 85 of this annual report.

Audit Committee

The AC is chaired by the Lead Independent Director, Mr Nisbet, and comprise only non-executive Directors, namely, Mr Liew, Mr Qin, Mr Lam and Mr Eddie Chan. The members of the AC are professionals who have extensive experience in senior management positions, including two (2) retired audit partners from Big-four accounting firms with extensive accounting and financial management expertise. The AC members are therefore appropriately qualified to discharge their responsibilities. None of the AC members were previous partners or directors of the Company's external audit firm within the last two (2) years and none of the AC members hold any financial interest in such external audit firm.

The main responsibility and objective of the AC is to assist the Board in fulfilling its financial and other oversight responsibilities by serving as an independent and objective party to oversee, monitor and appraise the integrity of the Company's financial reporting process, the internal controls and risk management systems as well as the audits processes. Significant findings in the course of its reviews are reported to the Board.

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

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

(b) review the assurance provided by the CEO and the CFO on the financial records and financial statements;

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

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

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

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

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

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

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

To ensure it could discharge its functions properly, AC has the explicit authority to investigate any matters within its TOR and has full access to and the cooperation of Management. The AC has full discretion to invite any Director or executive officer to attend any AC meeting to answer questions which the AC may have. It also has direct access to the Company's external auditors and is conferred the authority to source external resources including obtaining legal or other professional advice and services. It may commission an independent audit on internal controls and risk management for its assurance, or where it is not satisfied with the systems of internal controls and risk management.

The AC performed, among others, the following core duties and activities in FY2020:

Financial Reporting. The Company's financial results are prepared and presented in compliance with statutory requirements including applicable accounting standards and Listing Manual. The AC safeguards the integrity in financial reporting and ensures such reporting is in compliance with the requirements of the Singapore Financial Reporting Standards. It reviews all announcements relating to the Company's financial performance, and oversees significant financial reporting issues and assessments, in particular, reviews the Group's application and consistency of financial and accounting policies, judgements and practices. The AC, when satisfied that the financial results and related announcements meet statutory requirements, would submit and recommend the release of the financial results and related announcements to the Board. Any significant issues and judgement that AC considered in relation to the financial statements and the actions to address such concerns will also be reported to the Board.

Following the amendments to Rule 705(2) of the Listing Manual effective from 7 February 2020, the Board has decided to announce its financial statements on a half-yearly basis, and provide voluntary interim business performance updates on financial and other operational metrics to the Shareholders periodically. The Company continues to comply with its continuing disclosure obligations to keep the Shareholders updated when appropriate, should there be any material developments (financial or otherwise) relating to the Company or the Group. Its half-yearly and full year financial results are provided to Shareholders and published on the SGX-ST within the timeline stipulated under the Listing Manual, after they are approved by the Board.

Given the extremely rapid and onset of the COVID-19 crisis, the Company's liquidity and capital considerations have been monitored closely by the Management and the impact of the crisis on the Company's cash flow, status of upcoming maturities of outstanding indebtedness as well as compliance with financial covenants are reported to the AC regularly.

External Audits. AC reviews the overall scope of external audits prior to each audit process, to ensure material areas are covered and sufficient attention is dedicated to emerging and existential risk. During the course of review of the Company's financial statements for FY2020, the AC has reviewed and discussed each of the key audit matters ("KAMs") with the Management as well as EY. The AC has assessed and considered the Management's approach, methodology and assumptions applied to each of the KAMs, and was satisfied with the appropriateness of the analyses performed by the Management. The AC agrees and concurs with the basis and conclusions included in EY's report with respect to the KAMs. For more information on the KAMs, please refer to page 103 of this annual report.

The scope and results of auditing by the Company's external auditors, EY, its cost effectiveness, as well as its independence and objectivity are reviewed by the AC annually. The AC and the Board are satisfied that the aggregate amount of audit fees paid and/or payable to EY in connection with the audit as well as non-audit services for FY2020 is appropriate. Having considered the relevant provisions under the applicable regulations, the cooperation extended by the Management and the fact that the non-audit services were provided by a separate team from EY, AC is of the view that the independence or objectivity of EY is not impaired. For details of fees paid and/or payable to EY in respect of audit and non-audit services, please refer to Note 8 of the Notes to the Financial Statements on page 129 of this annual report.

Taking into consideration all relevant factors (with reference to the audit quality indicators as published by the Accounting and Regulatory Authority) including the adequacy of resources, experience of supervisory and professional staff to be assigned to the audit process, the quality of work carried out by EY, the size and complexity of the Group, its businesses and operations, AC has recommended that EY be re-appointed as the Company's external auditors for FY2021. The appointment of external auditors of the Group complies with Rules 712 and 715 of the Listing Manual.

Internal audits. The primary functions of the internal audit function are to:

(a) assess the relevant risks related to the Group's business operations and evaluate if an adequate system of internal controls is in place to protect the funds and assets of the Group;

(b) assess if operations of the business processes under review are conducted efficiently and effectively and to ensure control procedures are complied with; and

(c) identify and recommend improvement to internal control procedures, where required.

The Board believes that outsourcing the internal audit function to a professional firm is beneficial as the professional service provider has a broad range of expertise, resources, advanced degrees and technological specialisation to undertake the internal audit of the Group, especially for the Group's business which has global presence.

AC decides on the appointment, termination and remuneration of Nexia TS Risk Advisory Pte Ltd ("Nexia"), the Group's internal auditor since May 2013. To ensure that the review on internal controls is conducted effectively, Nexia's primary reporting line is to the AC, and it is granted unfettered access to all the Company's documents, records, properties and personnel.

Internal audits are performed accordingly to the audit plan and scope agreed between Nexia and the AC. Nexia reviews, then evaluates and tests the effectiveness of the internal controls on material business process including financial, operational, compliance and information technology controls that are in place in each of the Group's key operating units. Notwithstanding the COVID-19 pandemic posed challenges to the internal audit priorities and led to a shift in audit approach to remote auditing, the internal audits for FY2020 had been able to complete according to its schedule.

Nexia presented the internal audit reports, which compile the detailed findings relevant to the Group's key operating units which it had reviewed, to the AC during quarterly meetings. Any material non-compliance or failure in internal controls, recommendations for improvements and remedial actions taken by Management are reported to the AC. If action plans to mitigate the risks are required, the AC would instruct and ensure that Management undertakes follow-up actions.

The AC reviews the adequacy, effectiveness, independence and scope of the internal audit function annually, including the internal audit plans, activities, budget for internal audit and organisational structure of Nexia. It believes that the internal audit conducted by Nexia for FY2020 attained professional standards, including those promulgated by The Institute of Internal Auditors. The AC is satisfied that the internal audit function has adequate resources given that there is a team of 11 members assigned to the Company's internal audits, led by Ms Pamela Chen who has 14 years of relevant experience, and Nexia has appropriate standing within the Group during FY2020, and that the quantum of fee paid or payable to Nexia should not put its objectivity at risk.

The AC meets with the internal and external auditors without the presence of Management at least once a year, to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems.

Governance of Risk. The AC is tasked to assist the Board to oversee Management in the design, implementation and monitoring of the internal controls and risk management systems. This includes identifying weaknesses, assessing risks of the new possesses relating to COVID-19 measures, and recommending areas for improvement and additional risk mitigations, where necessary. The Management reviews the conditions of the industry and any factors or events that may affect the Group's operations, and presented its observation of the potential risks to the AC during quarterly meetings. Any material changes to the key risks areas are also reported to the AC as soon as they are identified. AC has reviewed the up-to-date risk register, the implementation and execution of standard operating procedures, as well as remedial actions recommended by the internal auditor and implemented by Management. The AC reports annually to the Board, its view on the effectiveness and adequacy of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

Whistleblowing Framework. The Group has in place and has published on its website, the Whistleblowing Policy as well as a channel to raise concerns about any suspected improprieties. Its Whistleblowing Policy provides employees and third-parties a direct channel to the AC for the raising of concerns about any improprieties in matters of financial reporting, or other aspects in confidence and in good faith, without fear of reprisal. All whistleblowing matters come under the purview of the AC, to ensure independent investigation of such matters and for appropriate follow-up action. The Whistleblowing Policy and its effectiveness will be reviewed by the AC periodically, with any recommendations regarding updates or amendments being made to the Board as required.

Interested Person Transactions ("IPT"). The AC reviews IPTs (if any) at its quarterly meetings, to ensure that established procedures for monitoring the IPTs have been complied with. The AC is satisfied that the guidelines and review procedures established to review IPTs have been complied with in FY2020. Further information relating to the IPTs during FY2020 is provided under the section "Interested Person Transactions".

Summary of the Board and AC's Observations for FY2020. The Board is of the view that the AC comprises members with requisite qualifications and sufficient financial management expertise to discharge the AC's functions competently. It has received assurances from the CEO and CFO that for FY2020:

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

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

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

(a) the reviews of the reports of Nexia;

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

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

(d) reports from EY,

the Board, with the concurrence of the AC, is of the opinion that the Group's present risk management and internal controls systems are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group. However, the Board notes that the risk management and internal controls provide reasonable, but not absolute, assurance against material misstatements of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board also notes that all internal control systems contain inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error losses, fraud or other irregularities.

SHAREHOLDER RIGHTS AND ENGAGEMENT

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

Shareholder Rights and Conduct of Shareholder Meetings

The Company's general meetings provide an opportune forum for Shareholders to meet the Board and senior management and to interact with them. It is the Company's principal forum for dialogue with Shareholders. In light of safe distancing measures amid COVID-19 outbreak, the 2020 AGM was held via electronic means in accordance with the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.

Shareholders were invited to attend the 2020 AGM via live audio-visual webcast. In order to understand the view of Shareholders, to gather inputs and address their concerns, Shareholders are encouraged to submit questions in advance of the general meeting. All substantial and relevant questions were addressed prior to the AGM through publication on the Singapore Exchange's website and on the Company's website.

General meetings are attended by all Directors whenever possible, and would normally be chaired by the Chairman of the Board. Chairmen of the Board Committees are also available at the meetings to answer any questions relating to the operations of the Board Committees. The Company's external auditors are also present to address Shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Wherever practicable, updates on the Company's performance and position are presented to the Shareholders in the general meetings, and such presentation materials are made available on the SGX-ST and the Company's website prior to the meetings, for the benefit of the Shareholders.

The Company notifies the Shareholders on the meeting schedule and the agenda of meeting at least 14 or 21 days (as the case may be) prior to the date appointed for the general meeting. The notice of general meeting issued to all Shareholders is advertised in newspapers (where applicable) and disseminated through SGXNet, as well as published on the Company's website. As 2020 AGM was the first virtual general meeting held by the Company, the notice convening such meeting was published 25 days in advance of the date of the 2020 AGM, to allow amble time for the dissemination of details relating to the alternative arrangements for the 2020 AGM.

Rules (including the appointment of proxy(ies) and voting procedures) that govern the attendance for general meetings are clearly set out in the notice of general meeting as well as the proxy form. Pursuant to the Constitution, every Shareholder is entitled to attend and vote at the general meetings of the Company and is allowed to appoint not more than two (2) proxies to vote on his/her behalf at the general meetings during his/her absence. Notwithstanding, specified intermediaries such as CPF, banks and capital market services license holders which provide custodial services are allowed to appoint multiple proxies.

Sufficient and necessary information required for Shareholders to make informed decisions is provided or accompanied by the notice convening each general meeting. At general meetings, each issue is proposed as a separate resolution. The Company adopted and complied with voting process stipulated under the *Guidance on the Conduct of General meetings amid Evolving COVID-19 Situation* for the unconventional AGM held in year 2020. Shareholders (whether individual or corporate) who wish to vote on the resolutions tabled at the AGM have to appoint the chairman of the AGM as their proxy to attend, speak and vote on their behalf. The voting outcomes including the number of votes cast for and against were validated by the polling agent prior to the 2020 AGM, and results of the poll are displayed on-screen during the virtual meeting proceeding. The poll results also be announced to the public through SGXNet in accordance with the format prescribed under the Listing Manual.

The proceedings of general meetings are properly recorded and the minutes of the 2020 AGM are published on SGXNet and on the Company's website within one (1) month after the meeting.

The record of Directors' attendance at the general meeting held in FY2020 is set out on pages 73 to 76 of this annual report.

Dividend Policy. The Company currently does not have a fixed dividend policy, to allow greater flexibility on the capital management. It continually reviews strategic options to enhance shareholders value, including potential acquisitions or realisation of assets. As any of such strategic actions would affect the allocation of fund, the Company decided to review and/or determine its dividend policy at the most appropriate time. The Company recorded a net loss and consequently no dividend has been declared or recommended in respect of FY2020.

Engagement with Shareholders

The Company recognises that effective communication with investors assists the creation and maintenance of an informed market, and enhances corporate governance by encouraging a culture of transparency in relation to its corporate activities and proposals. The Company gives Shareholders a balanced and understandable assessment of its performance, position and prospects, and informs Shareholders immediately of any major or material developments or events that have an impact on the Group or may influence their investment decisions. To facilitate Shareholders' rights and to ensure fair communication with the Shareholders, all information about the Company's new initiatives which would be likely to materially affect the price or value of the Company's shares are promptly disseminated to Shareholders through the following platforms:

(a) SGXNet announcements and news release;

(b) annual report and notice of general meetings issued to all Shareholders;

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

(d) the Company's general meeting; and

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

The Company has in place an Investor Relations Policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with Shareholders. The Company employs various platforms, including briefing for analysts after the release of its financial results whenever practicable, to effectively engage the Shareholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information. Shareholders or public may ask questions relating to the Company through the online submission form under the Company's website.

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

The Group's efforts in upholding the highest standards of corporate governance have been acknowledged by the Singapore Exchange Regulation Pte. Ltd. ("SGX RegCo"), with the Company be included in and remained on the SGX Fast Track since 2019. Under this programme, the Company will enjoy prioritised clearance on selected corporate action submissions to SGX RegCo. Recognition from the SGX RegCo is a testament to the Company's good corporate governance standing and compliance track record.

Engagement with Stakeholders

Ethical and ecologically sustainable business practices are fundamental to the Company's strategy for long-term growth. Understanding stakeholder perspectives is critical to determining, assessing and managing key risks and issues. As such, the Company has arrangements in place to identify and engage with the material stakeholder groups, including employees and those working across the supply chain. The Company adopts an inclusive approach to balance the needs and interests of material stakeholders, as part of its overall responsibility to ensure the best interests of the Company are served.

HeveaConnect, a joint venture between the Company, ITOCHU Corporation, DBS Bank Ltd. and Asian Gateway Investments Pte. Ltd., a wholly-owned subsidiary of the Singapore Exchange Limited, is one of the Company's major initiatives which aims to connect natural rubber stakeholders in the rubber industry and supports the Company's commitment towards a more sustainable rubber industry. HeveaConnect digital marketplace aims to promote greater price transparency in the natural rubber market, and serves as an all-inclusive platform for farmers, producers, tyre manufacturers, as well as facilitators such as financial institutions, logistics and warehousing suppliers. Its goal is to be the leading digital marketplace for sustainable natural rubber and a trading platform, which promotes eco-friendly practices and embraces supply chain transparency.

The COVID-19 pandemic has created significant environmental, health and safety and social impacts, risks and challenges for workforces across the economies where the Group operates, disrupting supply chain and affecting considerations for stakeholder engagement. The Company remains committed to working with stakeholders and engages them at all levels including customers, competitors, industry associations, employees, regulators, and suppliers, to combat the COVID-19 impact and navigate the challenges.

Other information on the Group's corporate social responsibility initiatives and engagements with material stakeholder groups is set out under the Sustainability Report contained within this annual report.

Anti-Corruption and Bribery

The Company is committed to conduct its business with integrity, fairness and transparency and does not tolerate corruption and bribery in any form, direct or indirect. It has procedures in place to comply with applicable anti-bribery laws and regulations. Under the Company's Anti-Corruption and Bribery Policy, the Directors, Management and employees of the Group must not accept, offer, promise, or pay anything of value to another person with the intention to obtain or retain business, to improperly influence an official action or to secure an unfair business advantage, whether directly or through a third party.

DEALING IN SECURITIES

The Company observes and complies with Rule 1207(19) of the Listing Manual on dealings in securities and issues notices to its Directors, officers and employees on the restrictions in dealing in the Company's securities during the period commencing one (1) month before the announcement of the Company's half-yearly and full year financial results, and ending on the date of the announcement of the relevant results. Notices prohibiting dealing in Company's securities will also be sent to the Group's Directors, officers and employees as and when circumstances are deemed appropriate, such as when a discussion relating to an acquisition is expected to take a long period of time before it achieves certainty.

Directors, officers and employees are reminded periodically not to trade in the Company's securities at any time while in possession of unpublished price sensitive information, and to refrain from dealing in the Company's securities on short-term considerations. They are also advised to be mindful of the laws on insider trading at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS

The assessment of IPT is under the purview of the AC, to ensure that any transaction to be entered into with interested persons (as defined in the Listing Manual) will be assessed independently, and that the transaction is carried out on normal commercial terms and are not prejudicial to the interests of the Company or its minority Shareholders.

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

The Company does not have a general mandate from Shareholders for IPT. Consequently, there have been no IPT conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual. The details of the IPT transacted by the Group during FY2020 (excluding transactions less than $100,000) are as follows:

Name of interested person	Nature of relationship	Aggregate value of all IPT during FY2020 (US$)	Aggregate value of all IPT conducted under shareholders' mandate pursuant to Rule 920
Sinochem International (Overseas) Pte. Ltd. ("SIO")	Controlling shareholder who owns 54.99% shares in the Company	1,478,783	Not applicable
Sinochem International Corporation Co., Ltd.	Holding company of SIO	6,000,000	
	Total	**7,478,783**	**–**

The aggregate value of abovementioned IPTs represents approximately 2.60% of the Group's audited consolidated net tangible assets for the financial year ended 31 December 2019, and is not subject to Rules 905 and 906 of the Listing Manual. Nonetheless, the AC has engaged and received opinions from qualified independent financial advisor that these IPTs are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

MATERIAL CONTRACTS

Other than the service agreement entered into with the CEO, there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Directors, or controlling shareholders which are either still subsisting at the end of FY2020 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2019.

DISCLOSURE ON COMPLIANCE WITH THE CODE

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

Principle and Provisions	Page reference in this Annual Report
General Compliance with all the principles and provisions of the Code	Yes. Page 71
Key information on each Director • Background of Directors • Age, designation, roles, appointment dates, length of directorship, present and pass three (3) years directorship in other listed companies (if any), meeting attendance and remuneration • Supplemental information on Directors seeking re-election at AGM • Director's shareholding	Pages 11 to 14 Pages 73 to 76 Pages 91 to 100 Page 101
Provision 1.2 The induction, training and development provided to new and existing directors	Page 80
Disclosure Guide Types of information and training provided to new directors and existing directors to keep them up-to-date	Pages 78 and 80
Disclosure Guide Types of information which the company provides to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the company, and the frequency of such information provided	Pages 78 and 80
Provision 1.3 Matters that require board approval	Page 77
Provision 1.4 Names of the members of the board committees, the terms of reference, any delegation of the board's authority to make decisions, and a summary of each board committee's activities	Pages 72 and 79 to 85
Provision 1.5 The number of meetings of the board and board committees held in the year, as well as the attendance of every board member at these meetings	Pages 73 to 76
Provision 2.4 The board diversity and progress made towards implementing the board diversity policy, including objectives	Page 78
Practice Guidance 4 How the board, with its collection of skills, experience and diversity, meets the needs of the company	Pages 71 and 78
Disclosure Guide (a) The board's policy with regard to diversity in identifying director nominees (b) Whether the current composition of the board provides diversity on each of the following – skills, experience, gender and knowledge of the company, and elaborate with numerical data where appropriate (c) Steps that the board has taken to achieve the balance and diversity necessary to maximise its effectiveness	Pages 71 and 78
Provision 4.3 Process for the selection, appointment and re-appointment of directors to the board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidate	Pages 79 to 80
Provision 4.4 The board should identify in the company's annual report each director it considers to be independent. Where the board considers a director to be independent in spite of the existence of a relationship which may affect his or her independence, the nature of the director's relationship and the reasons for considering him or her as independent should be disclosed	Pages 71 and 79
Disclosure Guide Compliance with the guideline on the proportion of independent directors on the board	Page 78
Disclosure Guide Identify the independent director who has served on the board for more than nine years from the date of his first appointment, and set out the board's reasons for considering him or her independent	Pages 79 and 80
Provision 4.5 The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the nominating committee's and board's reasoned assessment of the ability of the director to diligently discharge his or her duties are disclosed	Pages 73 to 76, and 80 to 81

Principle and Provisions	Page reference in this Annual Report
Disclosure Guide (a) Maximum number of listed company board representations which directors may hold, and the reasons for this number should be disclosed (b) Specific considerations in deciding on the capacity of directors	Pages 80 to 81
Provision 5.2 How the assessments of the board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors	Pages 80 to 81
Provision 6.4 The company discloses the engagement of any remuneration consultants and their independence	Page 83
Principle 8 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration, and the relationship between remuneration, performance and value creation	Pages 81 to 83
Provision 8.1 The company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel	Pages 73 to 76, 81 and 82
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder	Not Applicable Page 83
Provision 8.3 The company discloses all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company, and also discloses details of employee share schemes	Pages 81 to 83
Practice Guidance 8 The aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and at least the top five key management personnel (who are not directors or the CEO)	Not Applicable Page 83
Provision 9.2 Whether the board has received assurance from (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) the CEO and the other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems	Page 85
Practice Guidance 9 The board should comment on the adequacy and effectiveness of the company's risk management and internal control system	Page 85
Disclosure Guide Whether the company have an internal audit function	Pages 84 to 85
Disclosure Guide Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	Pages 84 and 129
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year	Pages 73 to 76
Provision 12.1 The steps taken by the company to solicit and understand the views of shareholders	Pages 86 to 87
Provision 13.2 The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	Page 87
Disclosure Guide Where dividends are not paid, company should disclose their reasons	Page 86

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The information required under Rule 720(6) and Appendix 7.4.1 of the SGX-ST Listing Manual in respect of Directors seeking re-election at the Annual General Meeting on 15 June 2021 is set out below.

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
1. **Date of appointment**	7 January 2013	1 October 2014	23 April 2019	26 June 2020	28 July 2020
2. **Date of last re-appointment**	23 April 2018	23 April 2019	Not applicable	Not applicable	Not applicable
3. **Age**	70	66	73	50	65
4. **Country of principal residence**	Singapore	Singapore	Singapore	Singapore	Singapore
5. **The Board's comments on this re-election** (including rationale, selection criteria, and the search and nomination process)	The Board, after reviewed the recommendation from the Nominating Committee and Mr Alan Rupert Nisbet's professional expertise and experience (as set out below), the Board approved that Mr Nisbet stands for re-election as an Independent Director of the Company. Process for the selection and re-appointment of Directors to the Board is set out on page 80 of the Annual Report.	The Board, after reviewed the recommendation from the Nominating Committee and Mr Liew Choon Wei's professional expertise and experience (as set out below), the Board approved that Mr Liew stands for re-election as an Independent Director of the Company. Process for the selection and re-appointment of Directors to the Board is set out on page 80 of the Annual Report.	The Board, after reviewed the recommendation from the Nominating Committee and Mr Lam Chun Kai's professional expertise and experience (as set out below), the Board approved that Mr Lam stands for re-election as an Independent Director of the Company. Process for the selection and re-appointment of Directors to the Board is set out on page 80 of the Annual Report.	The Board, after reviewed the recommendation from the Nominating Committee and Mr Li Xuetao's professional expertise and experience (as set out below), the Board approved that Mr Li stands for re-election as an Executive Director of the Company. Process for the selection and re-appointment of Directors to the Board is set out on page 80 of the Annual Report.	The Board, after reviewed the recommendation from the Nominating Committee and Mr Eddie Chan Yean Hoe's professional expertise and experience (as set out below), the Board approved that Mr Eddie Chan stands for re-election as an Independent Director of the Company. Process for the selection and re-appointment of Directors to the Board is set out on page 80 of the Annual Report.
6. **Whether appointment is executive, and if so, the area of responsibility**	Independent and Non-executive	Independent and Non-executive	Independent and Non-executive	Executive, responsible for formulating and executing the business strategy of the Group and overseeing its day-to-day management.	Independent and Non-executive
7. **Job title (e.g. Lead ID, AC Chairman, AC Member etc.)**	Lead Independent Director, Chairman of Audit Committee, Member of Nominating, Remuneration and Strategy and Investment Committees	Independent Director, Chairman of Remuneration Committee, Member of Audit and Nominating Committees	Independent Director, Chairman of Nominating Committee, Member of Audit and Strategy and Investment Committees	Executive Director and Chief Executive Officer ("CEO"), Member of Strategy and Investment Committee	Independent Director and member of Audit Committee

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
8. **Professional qualifications**	• Member of the Institute of Singapore Chartered Accountants and formerly a practising Associate of the Institute of Chartered Accountants in Australia • Graduate Diploma of Business Studies (Accounting) from the Caulfield Institute of Technology, Melbourne, Australia	• Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants	• MIChemE Chartered Engineer (UK)	• Bachelor of Economics from University of International Business and Economics, Beijing • Master of Change Management from BI Norwegian School of Management – Fudan University	• Certified Public Accountant • Member of Malaysian Institute of Certified Public Accountants • Chartered member of the Malaysian Institute of Accountants
9. **Working experience and occupation(s) during the past 10 years**	From 1973 to 2011, Mr Nisbet worked for Deloitte & Touche LLP (where he was made partner in 1989) and its antecedent firms in Australia, USA and Singapore, and was involved in the coordination and oversight of various aspects of the professional services rendered, including share valuations and due diligence reviews on behalf of multi-national and Singapore companies. Mr Nisbet was Head of Audit & Assurance Services for Deloitte Southeast Asia and was previously responsible for the establishment and operations of the Deloitte Enterprise Risk Service (ERS) function in Singapore and led that practice division for (4) four years. In that capacity, he led and delivered corporate governance, risk management, internal audit and IT security services to Deloitte's clients.	Mr Liew joined Ernst & Young LLP (Singapore) in 1979 and was Audit Partner for its largest real estate, commodities, banking, media, hospitality and retail clients before retiring in 2013	Mr Lam has many years of corporate experience, particularly in the petroleum and petrochemicals industries. He held the following offices before retiring in 2017: • 2008 to 2011: Venture Director, Shell Eastern Petrochemical Complex • March 2012 to April 2013: CEO (Interim), Jurong Aromatics Corp, Singapore • February 2016 to August 2017: CEO, Jurong Aromatics Corp, Singapore	Mr Li has been with Sinochem group of companies ("Sinochem Companies") for more than 10 years. His position and roles with Sinochem Companies during the past 10 years are as follows: • February 2017 to June 2020 – Director of Strategic Synergy Department of Chemical SBU of Sinochem Group and Deputy Director of Strategy Development Department of Sinochem International Corporation ("SIC") • March 2015 to January 2017 – CEO and Executive Director of GMG Global Ltd ("GMG") • January 2013 to February 2015 – Vice President of SIC and CEO of Trading and Distribution Business Division	Mr Eddie Chan was an Executive Director and a Partner of Ernst & Young Malaysia with extensive experience in auditing, corporate restructuring, taxation and accounting, particularly in the petroleum and petrochemicals industries, rubber and oil palm plantation. He held several senior finance roles in oil and gas companies until his retirement in 2019. He has served as: • 2016 to 2019 – Independent Director, Chairman of the Risk Management Committee, member of the Audit Committee and Remuneration Committee (2014 to 2016), Non-executive Director, member of the Audit Committee and Nomination Committee, Daiman Development Berhad • 2015 – Adviser to CEO, Jurong Aromatics

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
				• August 2011 to January 2013 – Vice President of SIC, Chairman of Risk Management Committee and General Counsel, in charge of Risk Management Department, Legal Department, Department of Futures and Derivatives Management, Department of Industry Sites Management and Department of Environment, Health and Safety • September 2008 to August 2011 – Executive Director, Chief Operating Officer and Vice President of GMG	• 2011 to 2014 – Executive Director, Daiman Development Berhad • 2003 to 2011 – Director – Finance, CNOOC & Shell Petrochemicals Pte Ltd
10. **Shareholding interest in the listed issuer and its subsidiaries**	Deemed interest in 400,000 shares in the Company	None	None	None	None

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
11. **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries**	None	None	None	Prior to his appointment as the Company's Director on 26 June 2020, Mr Li was a co-worker of Mr Qin Jinke (a Non-executive Non-independent Director) and Mr Liu Hongsheng (Chairman of the Board and a Non-executive Non-independent Director) at SIC, the holding company of Sinochem International (Overseas) Pte. Ltd. (a 54.99% shareholder). Save as disclosed in this annual report, there are no relationships (including family relationships) between Mr Li and the other Directors and its substantial shareholders or its officers.	None
12. **Conflict of interests (including any competing business)**	None	None	None	None	None
13. **Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer**	Yes	Yes	Yes	Yes	Yes

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
14. **Other Principal Commitments including Directorships** *(a) Past (for the last 5 years)*	• Director, Accounting and Corporate Regulatory Authority • Director, RF Capital (Advisory) Pte. Limited • Director, RF Capital (Credit) Pte. Limited • Director, RF Capital (Empirica) Pte. Limited • Director, RF Capital (Private Equity) Pte. Limited • Director, RF Capital (Real Estate) Pte. Limited • Director, RF Capital (Services) Pte. Limited • Director, RF Capital Pte. Limited • Director, Roberts Constructions Pte. Limited • Director, RF Corval REFM Pte. Limited • Director, RF Corval Capital Partners Pte. Limited • Director, RF Corval Pte. Limited • Director, RF Infrastructure Pte Limited • Director, RF Corval Holdings Pte. Limited • Director, RF Corval MEA Pte. Limited • Director, RF ECP Pte. Limited	None	• Director, Sinochem International Corp Care Co., Ltd. • Board member, Energy Market Authority, Singapore • Supervisory Board Member, Hertel Group, Netherlands • Advisor to Chairman, Jurong Aromatics Corp, Singapore • Supervisory Board Member, Royal Vopak, Netherlands • Independent Director, Chairman of Remuneration Committee and Member of Strategy and Investment Committee, Sinochem International Corporation, China • Executive Advisor to CEO, Yokogawa Electric, Japan	• CEO and Executive Director, GMG • Vice President of SIC and CEO of Trading and Distribution Business Division	• Independent Director, Chairman of the Risk Management Committee, member of the Audit Committee and Remuneration Committee, Daiman Development Berhad

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
	• Director, RF Renewables Pte. Limited • Principal, Kanni Advisory				
(b) Present	• Independent and Non-Executive Director, Halcyon Agri Corporation Limited • Director, Standard Chartered Bank (Singapore) Limited • Director, KrisEnergy Ltd. • Director, Ascendas Property Fund Trustee Pte. Ltd. • Director, Keppel REIT Management Limited (Manager of Keppel REIT) • Director, RF Brussels Pte. Limited • Director, Roberts Investments Pte. Limited • Director, Roberts Investments Holdings Pte. Limited • Director, RF Holdings Pte. Limited	• Independent Director, Halcyon Agri Corporation Limited • Independent Director at Frasers Hospitality Asset Management Pte Ltd (manager of Frasers Hospitality Real Estate Investment Trust) and Frasers Hospitality Trust Management Pte Ltd (trustee-manager of Frasers Hospitality Business Trust), member of the Audit Committee, Remuneration Committee and Nominating Committee • Independent Director, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee of F J Benjamin Holdings Ltd • Independent Director at The Hour Glass Limited and Chairman of its Audit Committee	• Independent Director, Halcyon Agri Corporation Limited	• Executive Director and CEO, Halcyon Agri Corporation Limited	• Independent Director, Halcyon Agri Corporation Limited

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
15. **Other declarations**					
(a) Was there at any time during the last 10 years an application or a petition under any bankruptcy laws of any jurisdiction filed against you, or against a partnership of which you were a partner at the time when you were a partner or at any time within 2 years from the date you ceased to be a partner?	No	No	No	No	No
(b) Was there at any time during the last 10 years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which you were a director or an equivalent person or a key executive, at the time when you were a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date you ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No	No
(c) Is there any unsatisfied judgment against you?	No	No	No	No	No
(d) Have you been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or have been the subject of any criminal proceedings (including any pending criminal proceedings of which you are aware) for such purpose?	No	No	No	No	No

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
(e) Have you been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere? Have you ever been the subject of any criminal proceedings (including any pending criminal proceedings of which you are aware) for such breach?	No	No	No	No	No
(f) Have you, at any time in the last 10 years, had any judgment entered against you in any civil proceedings, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere or a finding of fraud, misrepresentation or dishonesty on your part? Have you been the subject of any civil proceedings (including any pending civil proceedings of which you are aware) involving an allegation of fraud, misrepresentation or dishonesty on your part?	No	No	No	No	No
(g) Have you been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No	No
(h) Have you ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
(i) Have you been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining you from engaging in any type of business practice or activity?	No	No	No	No	No
(j) Have you ever, to your knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:					
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;	No	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;	No	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No	No

Name of Director	ALAN RUPERT NISBET	LIEW CHOON WEI	LAM CHUN KAI @ LAM CHUNG KAI	LI XUETAO	EDDIE CHAN YEAN HOE
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, *in connection with any matter occurring or arising during the period when you were so concerned with the entity or business trust?*	No	No	No	No	No
(k) Have you been the subject of any current or past investigation or disciplinary proceedings, or have been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, SGX-ST, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No	No

The directors present their statement to the members together with the audited consolidated financial statements of Halcyon Agri Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds on the basis of going concern as disclosed in Note 2.1, to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

The directors of the Company in office at the date of this statement are:

Liu Hongsheng
Alan Nisbet
Liew Choon Wei
Wang Wei
Qin Jinke
Lam Chun Kai
Li Xuetao
Eddie Chan Yean Hoe

3. Arrangements to enable directors to acquire shares or debentures

Except as disclosed in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

4. Directors' interest in shares or debentures

The following director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in the shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Alan Nisbet	–	–	400,000	400,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Share options

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group were granted.

(b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6. Audit committee

The Company's audit committee (AC) carried out its functions in accordance with section 201B (5) of the Companies Act, Chapter 50 of Singapore, and it had performed the following core duties and activities (not exhaustive) during the financial year ended 31 December 2020:

a) Reviewed the audit plans, adequacy, effectiveness, scope of audit and reporting obligation of the internal and external auditors;

b) Reviewed the quarterly financial results, the half-yearly and full year financial statements as well as the auditor's report, before their submission to the board of directors (the "Board");

c) Assessed and concluded the key audit matters with external auditor;

d) Reviewed the effectiveness of the internal control systems, including financial, operational, compliance and information technology controls, as well as the risk management systems;

e) Held a private discussion with the internal and external auditors to discuss matters which would be more appropriately deliberated without the presence of the Company's management, such as the cooperation of and assistance given by the Company's management to the internal and external auditors;

f) Reviewed legal and regulatory matters that may have a material impact on the financial statements;

g) Reviewed and evaluated the services of external auditor including the amount of fees paid and/or payable to the external auditor as well as their independence and objectivity;

h) Reviewed the nature and extent of non-audit services provided by the external auditor;

i) Recommended the re-appointment of the external auditor to the Board;

j) Reported to the Board, the material matters deliberated by the AC with appropriate recommendations (as the case may be);

k) Reviewed the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

l) Reviewed interested person transactions which fall under the scope of the Listing Manual of the Singapore Exchange Securities Trading Limited; and

m) Reviewed whistleblowing policy arrangement, lead the independent investigations and ensure appropriate follow-up actions.

The AC, having reviewed all non-audit services provided by the external auditor, is satisfied that the nature and extent of such services would not affect the independence of the external auditor.

During the year, four AC meetings were held. The AC also had a private discussion with internal and external auditors, without the presence of the Company's management.

Further details regarding the AC are disclosed in the Corporate Governance Report.

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Alan Nisbet
Director

Li Xuetao
Director

Singapore
10 May 2021

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 2020, the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year then ended.

Basis for opinion

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

Key audit matters

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

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

1. Impairment of goodwill and process know-how

As at 31 December 2020, the Group's goodwill and process know-how amounted to US$286,379,000 and US$10,000,000 respectively. These represent approximately 40% of the Group's net assets.

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

The Group uses assumptions in respect of future market and economic conditions such as forecasted rubber price, forecasted sales volume 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 2020, biological assets of the Group amounted to US$355,384,000 (2019: US$299,466,000). 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 professional valuers engaged by the Group. The fair value reports are reviewed by us together with our valuation specialists for appropriateness of the fair value methodology used and reasonableness of the assumptions used which include forecast cash flows, discount rates and yield rates for the plantation and market prices of the latex and log. We assessed the competence, capability and objectivity of the independent professional valuers and assessed the reasonableness of their conclusions having regard to the key assumptions mentioned above. 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.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Yee Woon Yim.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
10 May 2021

	Note	2020 US$'000	2019 US$'000
Revenue	4	1,708,786	1,907,747
Cost of sales		(1,607,216)	(1,800,395)
Gross profit		101,570	107,352
Other income	5	6,925	62,248
Selling expenses		(43,252)	(45,174)
General and administrative expenses		(103,842)	(90,467)
General and administrative expenses – foreign exchange gain		7,328	4,361
Operating (loss)/profit		(31,271)	38,320
Finance income	6(a)	5,829	6,069
Finance costs	6(b)	(31,228)	(40,826)
Share of profit/(loss) of an associate		253	(252)
(Loss)/Profit before tax	8	(56,417)	3,311
Income tax expense	7	(4,196)	(7,041)
Loss for the financial year		(60,613)	(3,730)
Loss attributable to:			
Owners of the Company		(53,776)	(1,633)
Non-controlling interests		(6,837)	(2,097)
		(60,613)	(3,730)
Loss per share ("LPS"):			
Basic and diluted (US cents per share)	10	(3.43)	(0.31)

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 2020

	Note	2020 US$'000	2019 US$'000
Loss for the financial year		(60,613)	(3,730)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		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
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on retirement benefit obligation (net of tax)		532	697
Net fair value loss on equity instruments at fair value through other comprehensive income		–	(2)
Other comprehensive income for the financial year net of tax		29,363	8,180
Total comprehensive (loss)/income for the financial year net of tax		(31,250)	4,450
Attributable to:			
– Owners of the Company		(25,396)	6,529
– Non-controlling interests		(5,854)	(2,079)
Total comprehensive (loss)/income for the financial year net of tax		(31,250)	4,450

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
ASSETS					
Non-current assets					
Intangible assets	11	300,439	300,941	665	914
Property, plant and equipment	12	304,263	311,652	2,103	3,320
Plantation and biological assets	16	524,765	466,079	–	–
Investment properties	13	43,584	44,718	–	–
Deferred tax assets	15	17,267	21,259	–	–
Deferred charges		527	433	–	–
Other assets		1,866	1,618	–	–
Debt instruments	17	2,713	–	–	–
Loans and other receivables	20	60,224	3,425	–	–
Investment in subsidiaries	14(a)	–	–	962,208	685,671
Investment in an associate	14(b)	1,298	1,035	–	–
Total non-current assets		1,256,946	1,151,160	964,976	689,905
Current assets					
Cash and bank balances	18	45,722	57,905	239	369
Trade receivables	19	157,385	133,753	–	–
Loans and other receivables	20	86,586	159,700	651,501	861,924
Tax receivables		5,810	11,696	–	–
Derivative financial instruments	21	15,854	20,523	10,578	928
Inventories	22	389,252	375,394	–	–
Consumable biological assets	16	6	6	–	–
		700,615	758,977	662,318	863,221
Assets classified as held for sale	23	6,430	4,820	–	–
Total current assets		707,045	763,797	662,318	863,221
Total assets		1,963,991	1,914,957	1,627,294	1,553,126
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	21	7,498	10,534	10,335	507
Trade payables	24	33,178	38,331	–	–
Other payables	25	60,871	55,076	183,415	257,991
Loan payables	26	836,715	611,821	574,107	347,047
Provision for taxation		6,692	6,187	72	552
Lease liabilities	31	2,621	3,124	1,058	1,021
Total current liabilities		947,575	725,073	768,987	607,118
Net current (liabilities)/assets		(240,530)	38,724	(106,669)	256,103
Non-current liabilities					
Loan payables	26	174,870	511,912	–	342,454
Retirement benefit obligations	27	24,535	22,541	–	–
Deferred tax liabilities	15	45,331	48,012	260	71
Lease liabilities	31	9,389	10,203	758	1,823
Other payables	25	13,186	8,228	80,458	–
Total non-current liabilities		267,311	600,896	81,476	344,348
Net assets		749,105	588,988	776,831	601,660
Capital and reserves					
Share capital	28	603,874	603,874	603,874	603,874
Perpetual securities	29	192,640	–	192,640	–
Capital reserve	30(a)	2,420	1,814	–	–
Other reserves	30(b)	717	(2,952)	(1,310)	(1,310)
Accumulated losses		(114,753)	(56,162)	(18,373)	(904)
Foreign currency translation reserve	30(c)	42,809	14,903	–	–
Equity attributable to owners of the Company		727,707	561,477	776,831	601,660
Non-controlling interests		21,398	27,511	–	–
Total equity		749,105	588,988	776,831	601,660
Total liabilities and equity		1,963,991	1,914,957	1,627,294	1,553,126

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 2020

	Note	Share capital US$'000	Perpetual securities US$'000	Capital reserve US$'000	Other reserve US$'000	Accumulated losses US$'000	Foreign currency translation reserve US$'000	Total equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to owners of the Company								
Group										
At 1 January 2020		603,874	–	1,814	(2,952)	(56,162)	14,903	561,477	27,511	588,988
Loss for the year		–	–	–	–	(53,776)	–	(53,776)	(6,837)	(60,613)
Other comprehensive income		–	–	–	–	474	27,906	28,380	983	29,363
Total comprehensive (loss)/income for the year		–	–	–	–	(53,302)	27,906	(25,396)	(5,854)	(31,250)
Contributions by and distributions to owners										
Issuance of perpetual securities, net of transaction costs	29	–	198,640	–	–	–	–	198,640	–	198,640
Guarantee fee capitalized 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)	(83)
Total contributions by and distributions to owner		–	192,640	606	–	(606)	–	192,640	(83)	192,557
Changes in ownership interests in subsidiaries										
Acquisition of remaining interest in a subsidiary		–	–	–	3,669	(4,683)	–	(1,014)	(176)	(1,190)
Total changes in ownership interests in subsidiaries		–	–	–	3,669	(4,683)	–	(1,014)	(176)	(1,190)
At 31 December 2020		603,874	192,640	2,420	717	(114,753)	42,809	727,707	21,398	749,105

	Note	Share capital US$'000	Perpetual securities US$'000	Capital reserve US$'000	Other reserve US$'000	Accumulated losses US$'000	Foreign currency translation reserve US$'000	Total equity attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to owners of the Company								
Group										
At 1 January 2019		603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920	735,886
Loss for the year		–	–	–	–	(1,633)	–	(1,633)	(2,097)	(3,730)
Other comprehensive income		–	–	–	314	694	7,154	8,162	18	8,180
Total comprehensive income/(loss) for the year		–	–	–	314	(939)	7,154	6,529	(2,079)	4,450
Contributions by and distributions to owners										
Distribution to perpetual securities holders	29	–	–	–	–	(3,375)	–	(3,375)	–	(3,375)
Reclassification of perpetual securities to loan payables		–	(148,690)	–	(1,310)	–	–	(150,000)	–	(150,000)
Statutory reserve fund		–	–	197	–	(197)	–	–	–	–
Dividend paid to non-controlling interests		–	–	–	–	–	–	–	(173)	(173)
Total contributions by and distributions to owner		–	(148,690)	197	(1,310)	(3,572)	–	(153,375)	(173)	(153,548)
Changes in ownership interests in subsidiaries										
Issuance of shares of a subsidiary to non-controlling interests		–	–	–	1,357	–	–	1,357	843	2,200
Total changes in ownership interests in subsidiaries		–	–	–	1,357	–	–	1,357	843	2,200
At 31 December 2019		603,874	–	1,814	(2,952)	(56,162)	14,903	561,477	27,511	588,988

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

	Note	Share capital US$'000	Perpetual securities US$'000	Other reserves US$'000	Accumulated profits/ (losses) US$'000	Total equity US$'000
Company						
At 1 January 2020		603,874	–	(1,310)	(904)	601,660
Loss for the year representing total comprehensive loss for the year		–	–	–	(17,469)	(17,469)
Contributions by and distributions to owners						
Issuance of perpetual securities, net of transaction costs	29	–	198,640	–	–	198,640
Guarantee fee capitalized in relation to issuance of perpetual securities		–	(6,000)	–	–	(6,000)
Total transactions with owners in their capacity as owners		–	192,640	–	–	192,640
At 31 December 2020		603,874	192,640	(1,310)	(18,373)	776,831
At 1 January 2019		603,874	148,690	–	23,520	776,084
Loss for the year representing total comprehensive loss for the year		–	–	–	(21,049)	(21,049)
Contributions by and distributions to owners						
Distribution to perpetual securities holders	29	–	–	–	(3,375)	(3,375)
Reclassification of perpetual securities to loan payables		–	(148,690)	(1,310)	–	(150,000)
Total transactions with owners in their capacity as owners		–	(148,690)	(1,310)	(3,375)	(153,375)
At 31 December 2019		603,874	–	(1,310)	(904)	601,660

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 2020

	Note	2020 US$'000	2019 US$'000
Operating activities			
(Loss)/Profit before tax		(56,417)	3,311
Adjustments for:			
Depreciation expense	8	28,797	29,367
Amortisation of intangible assets	8	909	839
Amortisation of right-of-use assets	8	3,066	2,798
Retirement benefit expense	8	4,304	7,016
Interest income	6	(5,829)	(6,069)
Interest expense	6	31,228	40,826
Fair value loss/(gain) on open forward commodities contracts and inventories, unrealised		13,992	(7,880)
Fair value gain on investment properties	5	(793)	(80)
Fair value gain on biological assets	5	(3,454)	(52,698)
Unrealised foreign exchange loss/(gain)		6,123	(196)
(Reversal)/Impairment of property, plant and equipment	8	(113)	257
Gain on disposal of property, plant and equipment and investment properties	8	(43)	(265)
Write off of property, plant and equipment	8	95	591
Inventories written down	8	–	1,546
Allowance for expected credit losses on trade and other receivables	8	644	324
Net provision/(reversal) of allowance for doubtful debt		5,757	(4,671)
Share of (profit)/loss of an associate		(253)	252
Operating cash flows before changes in working capital		28,013	15,268
Trade and other receivables		(16,428)	8,212
Inventories		(20,835)	(34,587)
Trade and other payables		870	(3,647)
Cash used in operations		(8,380)	(14,754)
Interest received		1,045	2,082
Interest paid		(20,236)	(25,564)
Tax refund/(paid)		5,807	(3,381)
Net cash used in operating activities		(21,764)	(41,617)
Investing activities			
Proceeds from issuance of shares of a subsidiary to non-controlling interests		–	2,200
Acquisition of remaining interest in a subsidiary		(4,859)	–
Capital expenditure on property, plant and equipment, and intangible assets		(16,549)	(30,855)
Capital expenditure on plantation and biological assets		(27,879)	(37,390)
Proceeds from disposal of property, plant and equipment and investment properties		615	523
Net cash used in investing activities		(48,672)	(65,522)
Financing activities			
Repayment of perpetual securities		–	(150,000)
Net (repayment)/proceeds of borrowings		(124,886)	209,920
Net (repayment)/proceeds of term loans		(14,160)	159,779
Net (repayment)/proceeds of other working capital loans		(110,726)	50,141
Repayment of obligation under lease arrangements	31	(3,647)	(3,055)
Interest paid on term loans		(13,879)	(14,623)
Dividend distributed to perpetual securities holders	29	–	(3,375)
Dividend paid to non-controlling interests		(83)	(173)
Decrease/(Increase) in pledged deposits		577	(22)
Net proceeds from issuance of perpetual securities	29	198,640	–
Net cash generated from financing activities		56,722	38,672
Net decrease in cash and cash equivalents		(13,714)	(68,467)
Cash and cash equivalents at the beginning of year		55,627	122,931
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,979	1,163
Cash and cash equivalents at the end of year		43,892	55,627
Cash and bank balances comprise the following:			
Cash and cash equivalents		43,892	55,627
Fixed deposits – pledged		1,830	2,278
		45,722	57,905

Reconciliation of borrowings arising from financing activities:

	Group	
	Loan payables US$'000 (Note 26)	**Lease liabilities** US$'000 (Note 31)
At 1 January 2019	912,040	174
Net proceeds/(repayment) of borrowings	209,920	(3,055)
Non-cash items:		
– Addition on right-of-use assets	–	15,702
– Foreign exchange movement	550	27
– Amortisation fee for loan	1,223	–
– Interest expense	–	479
Total non-cash items	1,773	16,208
At 31 December 2019	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

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

1. Corporate information

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

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

As at 31 December 2020, 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 indirectly owned by 中国中化集团公司 (also known as Sinochem Group) ("ultimate holding company"), a state-owned enterprise of the People's Republic of China.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

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

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

As of 31 December 2020, the balance sheet of the Group shows a net current liability position of US$240,530,000 (2019: net current asset position of US$38,724,000) which was predominantly due to the reclassification of a long-term loan amounting to US$300,000,000 (the "Loan") due by December 2021 (i.e. due to be settled within twelve months after the reporting period).

Subsequent to 31 December 2020, the Company has successfully secured a syndicated loan to refinance the Loan before it comes due as disclosed in Note 39(c). As such, the Board believe that the going concern assumption remain appropriate in the preparation of the financial statements.

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

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2020. In addition to the above, the Group has elected to early adopt Amendment to SFRS(I) 16 Leases: COVID-19 Related to Rent Concessions as of 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

(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) 9 Financial Instruments, SFRS(I) 1-39 Financial Instruments: Recognition and Measurement, SFRS(I) 7 Financial Instruments: Disclosures, SFRS(I) 4 Insurance Contracts, SFRS(I) 16 Leases: Interest Rate Benchmark Reform – Phase 2	1 January 2021
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) 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. Summary of significant accounting policies (cont'd)

2.3 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

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

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with SFRS(I) 1-39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.11(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.4 Transactions with non-controlling interests

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

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.5 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.6 Associates

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

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

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

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

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

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

2.7 Foreign currency

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

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling as at the statement of financial position date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into USD at the rate of exchange ruling at the statement of financial position date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

2.8 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.18. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Leasehold improvements and renovation	–	10 years
Office equipment	–	2 years
Computers and software	–	1 to 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 77 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.

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

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

2.11 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.

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. Summary of significant accounting policies (cont'd)

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

In the financial year ended 31 December 2019, the Group reclassified the Cameroon plantation from bearer plant to biological assets. Fair value gain arising from reclassification of rubber trees from bearer plants to non-bearer plants is recognised in profit or loss in the year of reclassification.

Further details are disclosed in Note 3.1(a).

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.

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Debt instruments

(i) Amortised cost

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

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

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is 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 instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

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

Derivatives

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

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.

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.

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

2.14 Financial instruments (cont'd)

(c) Gain/loss on commodity contracts

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

2.15 Impairment of financial assets

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

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

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

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

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

2.16 Cash and cash equivalents

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

2.17 Inventories

Inventories except consumables are carried at the fair market value at the end of each reporting period, whereby the resulting unrealised gain or loss is recognised in profit or loss. This is an alternative policy allowed by SFRS(I) 1-2 Inventories for commodity broker or trader, as this better reflect the performance of the Group. The Group's operating activities, including procurement of raw materials, selling of finished goods and entering into forward commodity (natural rubber) contracts are subject to movements in the market prices of natural rubber. The Group has two main types of sales contracts and purchase contracts; long term contracts ("LTCs") and spot contracts ("Spot"). The prices for LTCs are usually determined based on the average market price 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. Summary of significant accounting policies (cont'd)

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Provisions

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

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

2.20 Employee benefits

(a) Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Service costs which include current service cost, past service cost and gains or losses on non-routine settlement are recognised as expense in profit or loss. Net interest is calculated by applying the discount rate based on high quality long term bonds at the beginning of the period to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Defined benefit costs are categorised as follows:

- Service cost;
- Net interest expense or income of the net retirement benefit obligation; and
- Re-measurements of net retirement benefit obligation

The Group presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefit expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

(b) Employee leave entitlement

Employees' entitlement to annual leave is recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2. 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.

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. Summary of significant accounting policies (cont'd)

2.23 Revenue

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

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Rental income

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

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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

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

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

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

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

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

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

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

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

2.24 Taxes (cont'd)

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

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

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

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

(c) *Sales tax*

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

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

2.25 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

Fair valuation of shares 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

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

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

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

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

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

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

2.28 Segment reporting

For management purposes, the Group is organised into operating segments based on their business units. Management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 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:

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

The Group has rubber plantations in Malaysia and Cameroon.

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

The Group has assessed that there is an established 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.

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

Further details are disclosed in Note 2.12.

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

Judgement has been made by the Group to identify the cash-generating units and assess the future market and economic assumptions, such as forecasted rubber price, forecasted sales volume, growth rate and pre-tax discount rates. The Group has estimated the recoverable amounts of cash-generating units to which goodwill and process know-how has been allocated to, based on value-in-use approach. Estimates used in deriving the value-in-use, are disclosed in Note 3.2(a).

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

3.2 Key sources of estimation uncertainty

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

(a) Impairment of goodwill and process know-how

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

The value in use calculation requires the Group to estimate the future cash flows 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 2020 is US$296,379,000 (2019: 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).

4. Revenue

	Group	
	2020	**2019**
	US$'000	US$'000
Sale of goods	1,708,786	1,907,747

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

5. Other income

	Group	
	2020	**2019**
	US$'000	US$'000
Fair value gain on investment properties (Note 13)	793	80
Fair value gain on biological assets (Note 16)	3,454	52,698
Reversal of impairment of doubtful debt	–	7,171
Government grants	1,510	–
Others	1,168	2,299
	6,925	62,248

6. (a) Finance income

	Group	
	2020	**2019**
	US$'000	US$'000
Interest income:		
– Loans and receivables	4,898	4,862
– Deposits	931	1,207
	5,829	6,069

6. (b) Finance costs

	Group	
	2020	**2019**
	US$'000	US$'000
Interest expense on:		
– Term loans	18,372	21,974
– Working capital loans	22,306	29,458
– Lease liabilities (Note 31)	590	479
	41,268	51,911
Less: interest expense capitalised in:		
– Plantation and biological assets (Note 16)	(10,040)	(11,085)
Total finance costs	31,228	40,826

7. Income tax expense

	Group	
	2020	**2019**
	US$'000	US$'000
Consolidated income statement		
Current tax		
Current tax expense	(3,339)	(4,387)
Over provision in prior years	255	173
Deferred tax		
Tax credit relating to the origination and reversal of temporary differences (Note 15)	(1,112)	(2,827)
Income tax expense recognised in loss	(4,196)	(7,041)

Relationship between tax expense and accounting loss

Reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Group	
	2020	**2019**
	US$'000	US$'000
(Loss)/Profit before tax	(56,417)	3,311
Tax at the domestic income tax rate of 17% (2019: 17%)	9,591	(563)
Effect of non-deductible expenses	(11,620)	(8,905)
Effect of non-taxable income	5,113	2,204
Effect of tax exempt income	584	40
Interest income deducted at source	583	139
Effect of different tax rates of subsidiaries operating in other jurisdictions	6,658	(3,182)
Deferred tax asset not recognised	(8,758)	(3,775)
Utilisation of previously unrecognised deferred tax asset	1,064	1,976
Recognition of deferred tax assets not recognised in prior years	342	–
Effect of tax incentive at lower rate	(3,671)	5,652
Share of result of an associate	22	(50)
Over provision in prior years	255	173
Tax on revenue	(720)	(901)
Change of tax rates of subsidiaries operating in other jurisdictions	(491)	–
Reversal of deferred tax assets previously recognised	(4,159)	–
Reversal of temporary difference relating to deferred tax liabilities	847	–
Others	164	151
Income tax expense recognised in loss	(4,196)	(7,041)

Two of the subsidiaries within the Group, Hevea Global Pte Ltd ("HG") and New Continent Enterprises (Private) Limited ("NCE") were granted the Global Trader Programme ("GTP") Incentive subject to the fulfilment of certain conditions. The GTP award was granted to HG from 1 July 2016 to 31 December 2020. 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. (Loss)/Profit before tax

	Group 2020 US$'000	2019 US$'000
(a) (Loss)/Profit before tax has been arrived at after charging/(crediting):		
Non-recurring expenses:		
– Professional fees relating to issuance of perpetual securities	827	–
– Restructuring and retrenchment expenses	7,836	3,496
	8,663	3,496
– Impairment of property, plant and equipment	–	257
– Allowance for advances to suppliers	1,704	2,500
– Allowance for other tax receivables	4,053	–
– Inventories written down	–	1,546
	5,757	4,303
Depreciation of property, plant and equipment and plantation related properties included in:		
– Cost of sales	21,894	23,027
– Selling expenses	38	144
– Administrative expenses	6,865	6,196
	28,797	29,367
Foreign exchange gain included in:		
– Cost of sales	(8,934)	(6,615)
– Administrative expenses	(7,328)	(4,361)
	(16,262)	(10,976)
Amortisation:		
– Intangible assets (Note 11)	909	839
– Right-of-use assets (Note 12b)	3,066	2,798
	3,975	3,637
Professional fees	6,190	6,158
Audit fees:		
– Paid/payable to auditors of the Company	1,280	1,357
– Paid/payable to other auditors	97	42
Non-audit fees:		
– Paid/payable to auditors of the Company	16	50
Gain on disposal of property, plant and equipment and investment properties	(43)	(265)
Lease expenses on short-term leases and low-value assets	1,029	1,411
Write off of property, plant and equipment	95	591
(Reversal)/Impairment of property, plant and equipment (Note 12)	(113)	257
Impairment losses on financial assets	644	324
Inventories recognised as an expense in cost of sales [1]	1,607,216	1,800,395

[1] Included unrealised fair value (loss)/gain on open forward commodity contracts and adjustment on inventories for loss of US$13,992,000 (2019: gain of US$7,880,000).

	Group 2020 US$'000	2019 US$'000
(b) Employee benefits expenses (including directors' remuneration):		
– Defined benefit plans	4,304	7,016
– Defined contribution plans	2,636	2,841
– Staff welfare	2,145	3,065
– Staff salaries	91,494	94,646
	100,579	107,568
Included in:		
– Cost of sales	58,072	60,845
– Selling expenses	4,689	7,275
– Administrative expenses	37,818	39,448
	100,579	107,568

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2020

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

	Group 2020 US$'000	2019 US$'000
(Loss)/Profit before tax	(56,417)	3,311
Adjustments for:		
Depreciation expense (Note 8)	28,797	29,367
Finance costs (Note 6(b))	31,228	40,826
Loss on disposal of investment properties and property, plant and equipment and write off of property, plant and equipment, net	52	326
Interest income (Note 6(a))	(5,829)	(6,069)
Amortisation of intangible assets (Note 8)	909	839
Amortisation of right-of-use assets (Note 8)	3,066	2,798
Share of (profit)/loss of an associate	(253)	252
EBITDA	1,553	71,650
Add: Non-recurring expenses (Note 8)	8,663	3,496
Less: Fair value gain on investment properties (Note 5)	(793)	(80)
Adjusted EBITDA	9,423	75,066

10. Loss per share ("LPS")

	Group Basic and diluted 2020 US$'000	2019 US$'000
Loss for the year attributable to owners of the Company	(53,776)	(1,633)
Dividend on perpetual securities	(895)*	(3,375)
Adjusted loss for the year attributable to owners of the Company	(54,671)	(5,008)
	Number of ordinary shares '000 Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012
Loss per share (US Cents)	(3.43)	(0.31)

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

11. Intangible assets

Group	Process know-how US$'000	Goodwill US$'000	Customer related intangibles US$'000	Trademark US$'000	Computer software US$'000	Total US$'000
Cost:						
At 1 January 2019	10,000	287,399	2,800	33	1,247	301,479
Additions	–	–	–	–	509	509
Finalisation of purchase price allocation review (Note 14(a)(i))	–	(1,020)	–	–	–	(1,020)
Transfer from property, plant and equipment (Note 12)	–	–	–	–	2,531	2,531
Exchange difference	–	–	–	1	–	1
At 31 December 2019 and 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	10,000	286,379	2,800	36	4,694	303,909
Accumulated amortisation:						
At 1 January 2019	–	–	473	20	83	576
Transfer from property, plant and equipment (Note 12)	–	–	–	–	1,144	1,144
Amortisation for the year (Note 8)	–	–	280	9	550	839
As at 31 December 2019 and 1 January 2020	–	–	753	29	1,777	2,559
Amortisation for the year (Note 8)	–	–	280	5	624	909
Exchange difference	–	–	–	2	–	2
At 31 December 2020	–	–	1,033	36	2,401	3,470
Net carrying amount:						
At 31 December 2019	10,000	286,379	2,047	5	2,510	300,941
At 31 December 2020	10,000	286,379	1,767	–	2,293	300,439

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

Company	Computer software US$'000
Cost:	
At 1 January 2019, 31 December 2019 and 31 December 2020	1,247
Accumulated amortisation:	
At 1 January 2019	83
Amortisation for the year	250
At 31 December 2019 and 1 January 2020	333
Amortisation for the year	249
At 31 December 2020	582
Net carrying amount:	
At 31 December 2019	914
At 31 December 2020	665

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.

11. Intangible assets (cont'd)

Goodwill

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

	Group 2020 US$'000
A CGU within HRC (known as HRC Group)	252,110
A CGU within HRC (known as SINRIO Group)	4,491
A CGU within Corrie MacColl Group	29,778
	286,379

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 4 to 7 years (2019: 5 to 8 years).

Computer software

Computer software has a remaining amortisation period of 3 to 5 years (2019: 4 to 6 years).

Trademark

Trademark has been fully amortised during the year (2019: remaining useful life of 1 year).

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 2020. No impairment loss was recognised as at 31 December 2020 as the recoverable amounts of the respective CGU to which goodwill and process know-how have been allocated to were in excess of their respective carrying values. The recoverable amount of the CGUs have been determined based on value in use calculations using five years cash flow projections from financial budgets approved by management and assumed a terminal growth rate thereafter.

Key assumptions used in the value in use calculations

Cash generating units/intangible assets	Carrying amount as at 31 December 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		

Cash generating units/intangible assets	Carrying amount as at 31 December 2019 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		

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 unit to materially exceed its recoverable amount.

12. Property, plant and equipment

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	US$'000	US$'000	US$'000
Property, plant and equipment (Note 12(a))	292,573	298,519	390	520
Right-of-use assets (Note 12(b))	11,690	13,133	1,713	2,800
	304,263	311,652	2,103	3,320

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

12(a) Property, plant and equipment

Group	Leasehold improvements and renovation US$'000	Office equipment US$'000	Computers and software US$'000	Leasehold buildings US$'000	Plant and machinery US$'000	Vehicles US$'000	Leasehold land US$'000	Freehold land US$'000	Assets under construction US$'000	Total US$'000
Cost:										
At 1 January 2019	2,577	17,149	5,013	147,456	89,679	6,800	69,095	8,981	16,407	363,157
Additions	650	1,337	709	331	4,048	639	256	–	22,375	30,345
Finalisation of purchase price allocation review (Note 14(a)(i))	–	–	–	–	333	–	–	–	–	333
Disposals	–	(62)	(171)	(135)	(1,036)	(1,358)	–	–	–	(2,762)
Write offs	–	(98)	–	(34)	(3,262)	(133)	–	–	(13)	(3,540)
Transfer to plantation related properties (Note 16)	–	–	–	–	–	–	–	–	(85)	(85)
Transfer to intangible assets (Note 11)	–	–	(2,531)	–	–	–	–	–	–	(2,531)
Transfer to right-of-use assets (Note 12(b))	–	–	–	–	–	(219)	–	–	–	(219)
Reclassifications	49	2,633	(541)	(2,902)	7,895	158	(353)	361	(7,300)	–
Exchange difference	138	97	89	2,159	3,242	1,693	1,701	971	137	10,227
At 31 December 2019 and 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 difference	130	1,677	178	6,519	4,369	1,781	1,023	(386)	1,801	17,092
At 31 December 2020	5,587	23,194	3,013	158,197	109,092	6,542	71,804	9,927	28,660	416,016

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

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

Group	Leasehold improvements and renovation US$'000	Office equipment US$'000	Computers and software US$'000	Leasehold buildings US$'000	Plant and machinery US$'000	Vehicles US$'000	Leasehold land US$'000	Freehold land US$'000	Assets under construction US$'000	Total US$'000
Accumulated depreciation and impairment:										
At 1 January 2019	1,651	4,854	2,312	23,543	27,410	386	8,029	–	–	68,185
Disposals	–	(54)	(139)	(100)	(864)	(1,347)	–	–	–	(2,504)
Depreciation for the year (Note 8)	996	1,697	586	8,182	11,821	1,497	2,072	–	–	26,851
Impairment	–	–	–	–	257	–	–	–	–	257
Write offs	–	(94)	–	(34)	(2,772)	(49)	–	–	–	(2,949)
Transfer to plantation related properties (Note 16)	–	346	–	516	746	295	–	–	–	1,903
Transfer to intangible assets (Note 11)	–	–	(1,144)	–	–	–	–	–	–	(1,144)
Reclassifications	–	1,271	(412)	(2,780)	2,171	(250)	–	–	–	–
Exchange difference	56	206	80	743	2,533	1,887	302	–	–	5,807
At 31 December 2019 and 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 difference	203	823	153	2,358	3,594	1,865	51	–	–	9,047
At 31 December 2020	3,909	10,683	1,929	41,060	50,730	2,641	12,491	–	–	123,443
Net carrying amount:										
At 31 December 2019	711	12,830	1,285	116,805	59,597	5,161	60,296	10,313	31,521	298,519
At 31 December 2020	1,678	12,511	1,084	117,137	58,362	3,901	59,313	9,927	28,660	292,573

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

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

Company	Renovation US$'000	Computers US$'000	Office equipment US$'000	Total US$'000
Cost:				
At 1 January 2019	214	178	4	396
Additions	79	389	9	477
Disposal	–	(40)	–	(40)
At 31 December 2019 and 1 January 2020	293	527	13	833
Additions	–	7	–	7
Disposal	–	(6)	–	(6)
At 31 December 2020	293	528	13	834
Accumulated depreciation:				
At 1 January 2019	98	126	4	228
Depreciation for the year	40	81	2	123
Disposal	–	(38)	–	(38)
At 31 December 2019 and 1 January 2020	138	169	6	313
Depreciation for the year	41	92	4	137
Disposal	–	(6)	–	(6)
At 31 December 2020	179	255	10	444
Net carrying amount:				
At 31 December 2019	155	358	7	520
At 31 December 2020	114	273	3	390

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$47,067,000 (2019: US$62,544,000) to secure the Group's and the Company's loans and borrowings (Note 26).

12(b) Right-of-use assets

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

Leases of land and office generally have lease terms between 1 and 91 years, machinery and other equipment generally have lease terms between 1 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets.

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

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

Group	Land and office US$'000	Office equipment and motor vehicles US$'000	Total US$'000
At 1 January 2019	–	–	–
Transfer from property, plant and equipment (Note 12(a))	–	218	218
Adoption of SFRS(I) 16	11,066	425	11,491
At 1 January 2019 (revised)	11,066	643	11,709
Additions	4,146	90	4,236
Depreciation for the year	(2,653)	(145)	(2,798)
Exchange difference	(12)	(2)	(14)
At 31 December 2019 and 1 January 2020	12,547	586	13,133
Additions	1,284	233	1,517
Depreciation for the year	(2,831)	(235)	(3,066)
Exchange difference	136	(30)	106
At 31 December 2020	11,136	554	11,690
Net carrying amount:			
At 31 December 2019	12,547	586	13,133
At 31 December 2020	11,136	554	11,690

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

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

Company	Land and office US$'000	Office equipment and motor vehicles US$'000	Total US$'000
At 1 January 2019	–	–	–
Adoption of SFRS(I) 16	2,400	190	2,590
At 1 January 2019 (revised)	2,400	190	2,590
Additions	1,021	–	1,021
Depreciation for the year	(822)	(38)	(860)
Exchange difference	46	3	49
At 31 December 2019 and 1 January 2020	2,645	155	2,800
Depreciation for the year	(969)	(36)	(1,005)
Exchange difference	(77)	(5)	(82)
At 31 December 2020	1,599	114	1,713
Net carrying amount:			
At 31 December 2019	2,645	155	2,800
At 31 December 2020	1,599	114	1,713

Motor vehicles with carrying amount of US$118,000 (2019: US$198,000) is secured over the lease liabilities of US$98,000 (2019: US$145,000) as at 31 December 2020.

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

13. Investment properties

	Group	
	2020 US$'000	2019 US$'000
Statement of financial position:		
At 1 January	44,718	46,799
Fair value gain recognised in profit or loss (Note 5)	793	80
Reclassification to assets of disposal group classified as held-for-sale (Note 23)	(1,680)	(4,820)
Exchange difference	(247)	2,659
At 31 December	43,584	44,718
Income statement:		
Rental income from investment properties:		
– Minimum lease payments	19	17
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	10	9

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 2020 and 31 December 2019. 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.

13. Investment properties (cont'd)

The investment properties held by the Group as at 31 December 2020 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Residential houses in Palembang, Indonesia	Residential	Leasehold	14 – 23 years
Land in Palembang, Indonesia	Vacant land	Leasehold	11 – 19 years
Offices in Palembang, Indonesia	Offices	Leasehold	1 – 19 years
Shophouses in Medan, Indonesia	Shophouse	Leasehold	1 year
Shophouse in Jakarta, Indonesia	Shophouse	Leasehold	2 years
Residential house in Banjarmasin, Indonesia	Residential	Leasehold	9 years
Shophouse in Jambi, Indonesia	Shophouse	Leasehold	18 years
Land in Pontianak, Indonesia	Vacant land	Leasehold	16 – 17 years
Shophouse in Rantau, Indonesia	Shophouse	Leasehold	11 years
Land in Riau, Indonesia	Vacant land	Leasehold	2 years
Shophouse in Riau, Indonesia	Shophouse	Leasehold	14 years
Shophouses in Pontianak, Indonesia	Shophouse	Leasehold	2 – 6 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 Narathiwas, Thailand	Vacant land	Freehold	–
Residential houses and offices in Narathiwas, Thailand	House and office	Freehold	–

14. Investment in subsidiaries and associates

14(a) Investment in subsidiaries

	Company	
	2020 US$'000	2019 US$'000
Unquoted ordinary shares, at cost	685,671	680,010
Amount due from subsidiaries	276,537	5,661
	962,208	685,671

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

Details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2020	2019
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]	Singapore	Natural rubber supply chain and trading platform	71.09	71.09

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2020	2019
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	80.00
PT. Sumber Alam [2]	Indonesia	Natural rubber processing	100.00	100.00
PT. Sumber Djantin [2]	Indonesia	Natural rubber processing	100.00	100.00
Subsidiaries of Corrie MacColl Pte. Ltd.				
G.P. Sentosa Enterprises Co., Ltd. [2]	Thailand	Investment holding	100.00	100.00
Teck Bee Hang Co., Ltd. [2]	Thailand	Natural rubber processing	55.00	55.00
Ivoirienne de Traitement du Caoutchouc S.A. [2]	Ivory Coast	Dormant	60.00	60.00
GMG Investment Congo SARL [4]	Democratic Republic of Congo	In liquidation	100.00	100.00
JFL Agro Sdn. Bhd. [2]	Malaysia	In the process of strike off	100.00	100.00
Centrotrade 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

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2020	2019
Subsidiary of JFL Agro Sdn. Bhd.				
Halcyon Rubber Estates Sdn. Bhd. [2]	Malaysia	Struck off during the year	–	100.00
Subsidiaries of Sinochem International Natural Rubber Investment (Overseas) Pte. Ltd.				
New Continent Enterprises (Private) Limited [1]	Singapore	Natural rubber trading and distribution	100.00	100.00
SINRIO Malaysia Pte. Ltd. [1]	Singapore	Investment holding	100.00	100.00
Hainan Sinochem Rubber Co., Ltd. [2]	People's Republic of China	Natural rubber processing	99.71	99.71
SDCI Singapore Pte. Ltd. [1]	Singapore	Investment holding	100.00	100.00
SINRIO Thailand Pte. Ltd. [1]	Singapore	Investment holding	100.00	100.00
Subsidiary of New Continent Enterprises (Private) Limited				
Halcyon Agri Natural Rubber (Shanghai) Limited [2]	People's Republic of China	Natural rubber trading and distribution	100.00	100.00
Subsidiary of SINRIO Malaysia Pte. Ltd.				
SINRIO (Malaysia) Sdn. Bhd. [2]	Malaysia	Investment holding	100.00	100.00
Subsidiaries of SINRIO (Malaysia) Sdn. Bhd.				
Hevea KB Sdn. Bhd. [2]	Malaysia	Natural rubber processing	100.00	100.00
Euroma Rubber Industries Sendirian Berhad [2]	Malaysia	Natural rubber processing	100.00	100.00
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

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2020	2019
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
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] [5]	United States	Trading and distribution of natural rubber, latex and synthetic rubber	100.00	100.00
Momentum Technologies Laboratories, Inc. [2]	United States	Provides laboratory services specialising in thermoplastic elastomers, resins, latex, polymers, and additives	100.00	100.00
Centrotrade Rubber, Inc. [2] [5]	United States	Trading and distribution of natural rubber, latex and synthetic rubber	–	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

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

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

Name	Country of incorporation	Principal activities	Proportion (%) of Group effective ownership interest 2020	2019
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 it is not a significant subsidiary 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) Merged with Corrie MacColl North America, Inc. during the year.

(i) Transaction with non-controlling interests

In January 2020, the Group's subsidiaries, PT. Hok Tong ("Hok Tong") and Anson Company (Private) Limited ("Anson") completed the acquisition of 20% of the issued and paid-up share capital of PT. Pulau Bintan Djaya ("PBD") from non-controlling interests for a consideration of US$4,859,000.

With the completion of the acquisition, PBD became a 100% owned subsidiary of the Group, with 99% owned by Hok Tong and 1% owned by Anson.

(ii) Striking-off a subsidiary

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

14(b) Investment in an associate

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

	Group 2020 US$'000	2019 US$'000
Feltex Co., Ltd.	1,298	1,035

Name	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2020	2019
Held through a subsidiary				
Feltex Co., Ltd [1]	Thailand	Natural rubber processing	24.80	24.80

(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.

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

	Group 2020 US$'000	2019 US$'000
Total comprehensive income/(loss), net of tax	589	(581)

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	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Differences in depreciation for tax purposes	1,297	(144)	3,351	156	(178)	(66)
Tax losses carry forward	18,529	22,983	(4,591)	7,092	–	–
Retirement benefit liabilities	3,569	3,893	(219)	(445)	–	–
Fair value uplift of biological assets	(10,519)	(10,064)	(421)	(8,786)	–	–
Fair value uplift of investment properties	(5,005)	(3,677)	(47)	73	–	–
Fair value uplift of property, plant and equipment acquired in business combination	(27,981)	(31,549)	438	190	–	–
Unremitted foreign source income	(7,355)	(6,032)	(1,389)	128	(82)	(5)
Forward currency contracts	(1,235)	(3,556)	1,420	(1,088)	–	–
Others	636	1,393	346	(147)	–	–
Tax expense			(1,112)	(2,827)		
Net deferred tax liabilities	(28,064)	(26,753)			(260)	(71)
Reflected in the statement of financial position as follows:						
Deferred tax assets	17,267	21,259			–	–
Deferred tax liabilities	(45,331)	(48,012)			(260)	(71)
Deferred tax liabilities, net	(28,064)	(26,753)			(260)	(71)

	Group	
	2020 US$'000	2019 US$'000
Reconciliation of deferred tax liabilities, net		
At 1 January	(26,753)	(23,587)
Tax expense during the year recognised in profit or loss	(1,112)	(2,827)
Tax expense during the year recognised in other comprehensive income	(204)	(215)
Utilisation of group relief	–	(280)
Exchange difference	5	156
At 31 December	(28,064)	(26,753)

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$149,144,000 and US$66,133,000 (2019: US$87,156,000 and US$52,444,000) respectively that are available for offset against future taxable profits. The tax losses have no expiry date except for an amount of US$134,233,000 which will expire in five years (2019: US$69,208,000) and US$ 8,267,000 which will expire after five years (2019: US$11,775,000).

The related deferred tax benefits of US$47,284,000 (2019: US$26,098,000) were not recognised as the recoverability was considered not probable.

Unrecognised temporary differences relating to investments in subsidiaries

A deferred tax liability of US$28,284,000 (2019: US$28,616,000) that could arise upon the distribution of profit at certain subsidiaries has not been provided for as at 31 December 2020 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								
	Leasehold land use rights US$'000	Freehold land use rights US$'000	Plantation US$'000	Plantation establishment costs US$'000	Other plantation related costs US$'000	Total plantation related properties US$'000	Non-current biological assets US$'000	Consumable biological assets US$'000	Total US$'000
Group									
Cost									
At 1 January 2019	85,605	58,108	46,937	185,422	–	376,072	10,208	17	386,297
Additions	–	–	–	36,662	–	36,662	728	–	37,390
Capitalisation of depreciation	–	–	–	348	–	348	–	–	348
Transfer to biological assets	–	–	(41,180)	(204,353)	–	(245,533)	245,533	–	–
Reclassification	–	–	–	(15,108)	15,108	–	–	–	–
Transfer to property, plant and equipment (Note 12)	–	–	–	1,988	–	1,988	–	–	1,988
Fair value adjustment (Note 5)	–	–	–	–	–	–	52,709	(11)	52,698
Exchange difference	379	–	10	161	–	550	(4,076)	–	(3,526)
At 31 December 2019	85,984	58,108	5,767	5,120	15,108	170,087	305,102	6	475,195
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
Accumulated depreciation									
At 1 January 2019	1,712	–	4,177	–	–	5,889	–	–	5,889
Depreciation for the year (Note 8)	1,013	–	1,805	–	–	2,818	46	–	2,864
Transfer to biological assets	–	–	(5,659)	–	–	(5,659)	5,659	–	–
Transfer to inventory	–	–	402	–	–	402	–	–	402
Exchange difference	23	–	(5)	–	–	18	(63)	–	(45)
At 31 December 2019	2,748	–	720	–	–	3,468	5,642	–	9,110
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	–	1044	–	–	4,857	8,928	–	13,785
Carrying amount									
At 31 December 2019	83,236	58,108	5,047	5,120	15,108	166,619	299,460	6	466,085
At 31 December 2020	83,425	58,108	5,092	6,926	15,836	169,387	355,378	6	524,771

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

Country	Malaysia	Cameroon	Cameroon	Ivory Coast
Type of ownership	Leasehold	Freehold	Land use rights	Land use rights
Total land area (ha)	9,844	58,929	52,607	1,581

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

Interest expense amounting to US$10,040,000 was capitalised in 2020 (2019: US$11,085,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.77% – 7.15% (2019: 3.81% – 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% (2019: 13.0%) per annum.

17. Debt instruments

During the year, 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.

The debt instrument measured at amortised cost as follows:

	Group 2020 US$'000
3,000 Non-voting Class A Preferred Stock	3,000
Fair value adjustment at initial recognition	(287)
Debt instrument at amortised cost	2,713

18. Cash and bank balances

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Cash at bank and on hand	42,594	54,500	239	369
Short term deposits	1,298	1,127	–	–
Cash and cash equivalents	43,892	55,627	239	369
Short term deposits – pledged	1,830	2,278	–	–
Total cash and bank balances	45,722	57,905	239	369

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 2020 for the Group is 3.88% per annum (2019: 3.63%).

Cash and bank balances of US$1,831,000 (2019: US$2,278,000) of the Group have been charged as security for the Group's general banking facilities (Note 26) and performance guarantee.

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

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
United States Dollar	4,765	9,089	–	–
Singapore Dollar	1,081	1,141	154	170
Euro	1,960	888	8	122
Pound Sterling	309	949	4	5
Swedish Krona	6	–	–	–

19. Trade receivables

	Group	
	2020 US$'000	2019 US$'000
External parties	157,385	133,753

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$26,777,000 (2019: US$31,887,000) 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	
	2020 US$'000	2019 US$'000
United States Dollar	14,641	16,209
Euro	13,466	10,502
Pound Sterling	3,436	2,648
Swedish Krona	403	1,181

Expected credit losses ("ECL")

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

	Group	
	2020 US$'000	2019 US$'000
Loss allowances as at 1 January	700	611
Charge for the year	58	81
Written off	(142)	–
Exchange difference	(9)	8
At 31 December	607	700

20. Loans and other receivables

	Group		Company	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Financial assets				
Non-current:				
Loan to non-controlling interests of a subsidiary	3,741	3,425	–	–
Loan to a third party	56,483	–	–	–
	60,224	3,425	–	–
Current:				
Loan to a third party	572	52,298	–	–
Other receivables	25,971	17,710	111	1
Amounts due from subsidiaries	–	–	650,668	861,101
Deposits	10,852	20,491	306	392
	37,395	90,499	651,085	861,494
Non-financial assets				
Current:				
Prepayments	21,981	34,212	267	375
Other tax receivables	27,210	34,989	149	55
Total non-financial assets	49,191	69,201	416	430
Total current loan and other receivables	86,586	159,700	651,501	861,924
Total non-current loan and other receivables	60,224	3,425	–	–

20. Loans and other receivables (cont'd)

The loan to non-controlling interests of a subsidiary is unsecured, repayable in 2025 and earns interest at 5% per annum (2019: 5%).

The loan to a third party was secured by the following:

(i) borrower's equity interest in a third-party company
(ii) borrower's receivables and bank balances
(iii) certain borrower's investment properties

During the year, the loan to third party was successfully restructured with a new repayment schedule with progressive payments for a period up to 31 December 2024 which bears an interest at 10%-11% (2019: 5.5%-7.5%) per annum and to be repaid semi-annually. The Group assessed the provision of expected credit losses ("ECL"), and determine it is immaterial as at 31 December 2020 (2019: Nil).

Included within other receivables are corporate social responsibility receivable ("CSR receivable") amounting to US$9,043,000 (2019: US$7,640,000) and interest receivables amounting to US$6,494,000 (2019:US$1,430,000). 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.

During the year, the Group had assessed the recoverability of other tax receivables and provided for an allowance for other tax receivables amounting to US$4,053,000 which relates to value-added tax receivables from certain local governments of countries where the Group's subsidiaries operates in.

As at 31 December 2020, amounts due from subsidiaries amounting to US$81,338,700 (2019: US$52,889,000) are unsecured bears an average interest of 2.25% (2019: 4.91%) per annum, repayable on demand and are expected to be settled in cash. The remaining amounts are unsecured, non-interest bearing, repayable on demand and are expected to be settled in cash.

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	
	2020	**2019**	**2020**	**2019**
	US$'000	US$'000	US$'000	US$'000
Opening loss allowance as at 1 January	3,393	668	166	61
Charge for the year	2,007	2,741	(67)	105
Exchange difference	131	(16)	–	–
At 31 December	5,531	3,393	99	166

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	
	2020	**2019**	**2020**	**2019**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	1,097	1	–	–
Singapore Dollar	218	69	149	55
Euro	2,125	1,703	–	–
Chinese Yuan Renminbi	2,732	1,875	–	–
Japanese Yen	771	1,462	–	–

21. Derivative financial instruments

	Group			
	2020		**2019**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	8,032	(7,498)	1,774	(1,801)
Forward commodity (natural rubber) contracts	7,822	–	18,749	(8,733)
Total	15,854	(7,498)	20,523	(10,534)

	Company			
	2020		**2019**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	US$'000	US$'000	US$'000	US$'000
Forward currency contracts	10,578	(10,335)	928	(507)

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

At the end of the reporting period, the total notional amounts of derivative financial instruments to which the Group is committed to are as follows:

	Notional amount		Positive fair value		Negative fair value	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward contracts on commodity (natural rubber):						
– Sales	611,058	523,677	2,290	–	–	(8,733)
– Purchases	252,212	187,473	5,532	18,749	–	–
Forward currency contracts	896,519	697,236	8,032	1,774	(7,498)	(1,801)
			15,854	20,523	(7,498)	(10,534)

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

22. Inventories

	Group	
	2020	**2019**
	US$'000	US$'000
At cost:		
– Consumables	27,223	26,767
At fair value:		
– Raw materials	128,840	103,209
– Work-in-progress	33,790	30,208
– Finished goods held for resale	199,399	215,210
	362,029	348,627
	389,252	375,394

The inventories as at the end of each reporting period in 2020 and 2019 included fair value gains of US$15,040,000 and US$26,615,000 respectively.

Inventories with carrying amount of US$132,231,000 (2019: US$132,856,000) 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) In 2019, the Group decided to dispose certain offices located in Indonesia. There is an interested party who has placed a deposit of US$354,000. Accordingly, these properties amounting to US$4,820,000 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 financial year 2021. To reaffirm its interest, the interested party has placed an additional deposit of US$709,000.

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

24. Trade payables

	Group 2020 US$'000	Group 2019 US$'000
External parties	33,178	38,331

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 2020 US$'000	Group 2019 US$'000
United States Dollar	1,569	6,044
Euro	–	1,344

25. Other payables

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Financial liabilities				
Current:				
Other payables	18,834	17,802	790	184
Accrued operating expenses	25,207	20,209	1,651	1,541
Amounts due to penultimate holding company	1,200	–	1,200	–
Accrued interest expense	2,861	2,848	201	699
Amounts due to subsidiaries	–	–	179,488	255,490
	48,102	40,859	183,330	257,914
Non-financial liabilities				
Current:				
Other tax payables	4,496	7,413	85	77
Advances from customers	8,273	6,804	–	–
	12,769	14,217	85	77
Total current other payables	60,871	55,076	183,415	257,991
Financial liabilities				
Non-current:				
Amounts due to penultimate holding company	4,800	–	4,800	–
Amounts due to subsidiaries	–	–	75,658	–
Other payables	6,945	6,740	–	–
	11,745	6,740	80,458	–
Non-financial liabilities				
Non-current:				
Government grants	1,441	1,488	–	–
	1,441	1,488	–	–
Total non-current other payables	13,186	8,228	80,458	–

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

As at 31 December 2020, certain amounts due to subsidiaries amounting to US$24,194,000 (2019: US$18,952,000) bears an average interest of 2.98% (2019: 4.23%) 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).

25. Other payables (cont'd)

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 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
United States Dollar	2,194	37	–	–
Singapore Dollar	137	6	–	–
Euro	3,962	2,624	–	–

26. Loan payables

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Current:				
– Working capital loans	463,524	572,644	215,500	317,375
– Term loans	373,191	39,177	358,607	29,672
	836,715	611,821	574,107	347,047
Non-current:				
– Term loans	174,870	511,912	–	342,454
	174,870	511,912	–	342,454
Total loan payables	1,011,585	1,123,733	574,107	689,501

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 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
United States Dollar	18,105	39,260	–	–
Euro	27,242	–	–	–

Working capital loans bear average interest rates of 4.81% (2019: 5.13%) per annum. Certain working capital loans amounting to US$189,788,000 (2019: US$205,084,000) 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).

The Group and the Company has the following term loans:

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Current				
Loan A	2,767	2,140	–	–
Loan B	298,841	–	298,841	–
Loan C	8,779	4,282	–	–
Loan D	3,038	3,083	–	–
Loan F	59,766	29,672	59,766	29,672
	373,191	39,177	358,607	29,672
Non-current				
Loan A	20,655	21,443	–	–
Loan B	–	297,642	–	297,642
Loan C	61,374	64,223	–	–
Loan D	14,433	16,186	–	–
Loan E	51,479	67,606	–	–
Loan F	–	44,812	–	44,812
Loan G	26,929	–	–	–
	174,870	511,912	–	342,454

26. Loan payables (cont'd)

Details of the term loans are as follow:

a) Loan A bears an average effective interest of 6.00% (2019: 6.00%) per annum and repayable on monthly instalments until 2026. This loan is unsecured.

b) Loan B bears an effective interest rate of 2.74% (2019: 4.06%) and is repayable in December 2021. This loan is unsecured.

c) Loan C bears an average effective interest rate of 7.15% (2019: 7.15%) per annum. Repayment commenced in 2020 on semi-annual instalments until 2027. This loan is unsecured.

d) Loan D bears an average effective interest rate of 9.00% (2019: 9.00%) per annum. Repayment has commenced during the year on quarterly instalments until 2026. This loan is secured on certain property, plant and equipment and inventories.

e) Loan E bears an average effective interest rate of 3.60% (2019: 4.05%) per annum and is repayable in 2024 (2019: repayable in 2021). The loan is secured on certain property, plant and equipment, pledged deposit, trade receivables and inventories.

f) Loan F bears an average effective interest rate of 2.06% (2019: 3.03%) per annum and is repayable on quarterly instalments until 2021. This loan is unsecured.

g) Loan G bears an average effective interest rate of 2.95% per annum and is repayable in 2023. This sustainability linked loan is unsecured.

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	
	2020	**2019**
	US$'000	US$'000
At 1 January	22,541	19,024
Benefit paid for the year	(2,747)	(3,253)
Changes charged to profit or loss		
– Current service costs	2,168	2,708
– Interest cost on benefit obligations	1,252	1,255
– Past service costs	25	64
– Net actuarial gain recognised during the year	215	97
– Provision of long term employee benefit	(152)	1,362
– Excess benefit	796	1,530
Re-measurement losses/(gain) in other comprehensive income		
– Actuarial changes arising from changes in demographic assumptions	(194)	117
– Actuarial changes arising from changes in financial assumptions	1,095	(312)
– Experience adjustments	(900)	(717)
Exchange difference	436	666
At 31 December	24,535	22,541

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	
	2020	**2019**
	%	%
Indonesia (Headcount: 2020 – 4,136, 2019 – 4,435)		
Discount rate	6.32 – 7.36	5.42 – 8.19
Future salary increment rate	5.00 – 9.00	5.00 – 9.00
Thailand (Headcount: 2020 – 1,035, 2019 – 1,038)		
Discount rate	0.98	1.45
Future salary increment rate	1.00 – 4.00	1.00 – 4.00
Cameroon (Headcount: 2020 – 6,521, 2019 – 6,798)		
Discount rate	3.50	3.50
Future salary increment rate	2.00 – 4.02	1.00 – 2.99
Ivory Coast (Headcount: 2020 – 1,268, 2019 – 998)		
Discount rate	3.50 – 6.00	3.50 – 6.00
Future salary increment rate	3.50 – 5.00	3.50 – 5.00

Three other assumptions: mortality rate, disability rate and voluntary resignation rate are not significant assumptions for these plans as there are insignificant changes in retirement benefit obligations arising from them.

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 2020 US$'000	Decrease in assumption 2020 US$'000	Increase in assumption 2019 US$'000	Decrease in assumption 2019 US$'000
Group				
One percentage point change in the assumed discount rate:				
– (Decrease)/Increase on the aggregate current service cost and interest cost	(372)	414	(238)	275
– (Decrease)/Increase on retirement benefit obligation	(1,503)	1,748	(1,434)	1,663
One percentage point change in the salary growth rate:				
– Increase/(Decrease) on the aggregate current service cost and interest cost	429	(360)	372	(298)
– Increase/(Decrease) on retirement benefit obligation	1,748	(1,529)	1,816	(1,485)

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 16.8 years (2019: 18.1 years).

28. Share capital

	Group and Company			
	2020		2019	
	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

Financial year ended 31 December 2019

During the financial year ended 31 December 2017, the Company issued perpetual securities with principal amount of US$150,000,000 bearing distributions at rate of 4.50% per annum. An amount of US$148,690,000 net of issuance costs, was recognised in equity. During the financial year 2019, the Board of Directors approved to distribute payment amounting to US$3,375,000 to the holders of the securities. On 26 April 2019, the Group has redeemed all the principal amount of the perpetual securities of US$150,000,000.

Financial year ended 31 December 2020

During the financial year ended 31 December 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 reserves pertain to the excess of capital paid by a shareholder for the shares in the subsidiary over the capital received from the same shareholder for the swap of the shares in the Company.

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

b) Other reserves

Other reserves pertain to premium paid by non-controlling interests for interest in a subsidiary.

c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

31. Lease liabilities

Group	Land and office US$'000	Office equipment and motor vehicles US$'000	Total US$'000
At 1 January 2019	–	–	–
Finance lease liabilities under SFRS(I) 1-17	–	174	174
Adoption of SFRS(I) 16	11,066	425	11,491
	11,066	599	11,665
Additions	4,120	91	4,211
Interest expense (Note 6(b))	467	12	479
Lease payment	(2,856)	(199)	(3,055)
Exchange difference	10	17	27
At 31 December 2019 and 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	11,511	499	12,010

Company	Land and office US$'000	Office equipment and motor vehicles US$'000	Total US$'000
At 1 January 2019	–	–	–
Additions	3,395	190	3,585
Interest expense	80	6	86
Lease payment	(865)	(41)	(906)
Exchange difference	75	4	79
At 31 December 2019 and 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	1,697	119	1,816

31. Lease liabilities (cont'd)

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Current	2,621	3,124	1,058	1,021
Non-current	9,389	10,203	758	1,823
	12,010	13,327	1,816	2,844

As at 31 December 2020, the average incremental borrowing rate applied and average interest rate in the lease were 5.16% and 4.92% (2019: 5.16% and 3.78%) per annum respectively. As at 31 December 2019, the Group leases motor vehicles under finance lease and average discount rate in finance lease was 1.89% per annum.

The Group lease liabilities of US$98,000 (2019: US$145,000) was secured over motor vehicles (Note 12(b)).

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

	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Singapore Dollar	2,059	3,187	1,816	2,844

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 2020 and 31 December 2019 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 2020 US$'000	Company 2019 US$'000
Subsidiaries	380,862	373,496

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:

	Note	Group 2020 US$'000	Group 2019 US$'000	Company 2020 US$'000	Company 2019 US$'000
Financial assets					
Debt instruments	17	2,713	–	–	–
Cash and bank balances	18	45,722	57,905	239	369
Trade receivables	19	157,385	133,753	–	–
Loans and other receivables	20	97,619	93,924	651,085	861,494
Derivative financial instruments	21	15,854	20,523	10,578	928
		319,293	306,105	661,902	862,791
Financial liabilities					
Trade payables	24	33,178	38,331	–	–
Other payables	25	59,847	47,599	263,788	257,914
Loan payables	26	1,011,585	1,123,733	574,107	689,501
Lease liabilities	31	12,010	13,327	1,816	2,844
Derivative financial instruments	21	7,498	10,534	10,335	507
		1,124,118	1,233,524	850,046	950,766

33. Financial risks and management (cont'd)

(b) Financial risk management policies and objectives

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The Group has documented financial risk management policies. These policies set out the Group's overall business strategies and its risk management philosophy. The Group's overall financial risk management programme seeks to minimise potential adverse effects on the financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign currency risk

As disclosed in Note 2.7 of the financial statements, the functional currency of the Company is the United States Dollar.

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

The Group enters into foreign currency forward contracts to hedge the foreign currency exposure for some of its receivables.

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	US$'000	US$'000	US$'000	US$'000
United States Dollar	(68)	(1,002)	–	–
Singapore Dollar	(45)	60	15	11
Euro [1]	(683)	456	–	6
Pound Sterling	184	180	–	–
Swedish Krona	20	59	–	–
Chinese Yuan Renminbi	143	99	1	–
Japanese Yen	39	75	–	–

[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$3,848,000 (2019: decrease/increase by US$4,540,000). 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.

33. Financial risks and management (cont'd)

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

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are creditworthy entities.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days of when they fall due, which are derived based on the Group's historical information.

To assess whether there is significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligation
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower
- Significant changes in the value of the collateral supporting the obligation or in the quality of third party guarantees or credit enhancements
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probably that the borrower will enter bankruptcy or other financial reorganisation
- There is disappearance of an active market for the financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and qualitative information about amount arising from expected credit losses for each class of financial assets.

(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 Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

(C) Debt instruments

During the year, 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.

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	
	2020	**2019**
	US$'000	US$'000
By country:		
Asia (excluding Singapore and China)	33,176	30,742
China	30,998	21,845
Singapore	5,507	3,793
United States of America ("USA")/Canada	36,889	40,878
Europe	43,213	28,692
Others	7,602	7,803
	157,385	133,753

The credit risk exposure on the Group's trade receivables is as follow:

		Days past due				
31 December 2020	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	US$'000	US$'000	US$'000	US$'000	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

		Days past due				
31 December 2019	**Current**	**<30 days**	**30-60 days**	**61-90 days**	**>91 days**	**Total**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
ECL rate	0.25%	0.29%	0.36%	0.49%	50.11%	
Total trade receivables	97,620	32,872	1,880	1,388	693	134,453
ECL	244	95	7	7	347	700

Further details of credit risk on trade receivables are disclosed in Note 19 to the financial statements.

(iv) Liquidity risk

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

The Group maintains sufficient liquidity at all times by efficient cash and working capital management.

The Group's ability to meet its obligations is managed by maintaining appropriate level of cash balance and working capital balances.

Subsequent to 31 December 2020, the Company has successfully secured a syndicated loan to refinance the Loan before it comes due as disclosed in Note 39(c). As such, the Board believe that the going concern assumption remain appropriate in the preparation of the financial statements.

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.

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

	2020 US$'000						2019 US$'000					
	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
Group												
Financial assets:												
Trade and other receivables – interest bearing	9.66	6,273	31,622	48,238	(20,668)	65,465	9.69	51,708	–	4,454	(1,028)	55,134
Trade and other receivables – non-interest bearing		189,539	–	–	–	189,539		172,543	–	–	–	172,543
Debt instruments		–	2,713	–	–	2,713		–	–	–	–	–
Cash at banks and in hand		42,595	–	–	–	42,595		54,500	–	–	–	54,500
Short term deposits	3.88	1,349	–	–	(50)	1,299	3.63	1,127	–	–	–	1,127
Total undiscounted financial assets		239,754	34,335	48,238	(20,718)	301,609		279,878	–	4,454	(1,028)	283,304
Financial liabilities:												
Trade and other payables – interest bearing	6.93	–	1,800	1,600	(711)	2,689	6.93	–	1,800	1,600	(946)	2,454
Trade and other payables – non-interest bearing		82,483	2,400	5,455	–	90,338		79,190	–	4,285	–	83,475
Lease liabilities	4.92	3,059	3,632	27,033	(21,714)	12,010	3.78	3,532	4,975	13,099	(8,279)	13,327
Loan payables – variable rate	2.76	715,157	81,442	–	(25,711)	770,888	3.73	500,617	460,001	–	(51,497)	909,121
Loan payables – fixed rate	7.17	161,483	43,019	77,313	(41,118)	240,697	7.92	129,762	42,672	90,028	(47,851)	214,611
Total undiscounted financial liabilities		962,182	132,293	111,401	(89,254)	1,116,622		713,101	509,448	109,012	(108,573)	1,222,988

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

2020 US$'000	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
Company						
Financial assets:						
Trade and other receivables – non-interest bearing		568,446	–	–	–	568,446
Trade and other receivables – interest bearing	2.91	85,041	–	–	(2,402)	82,639
Cash at banks and in hand		239	–	–	–	239
Total undiscounted financial assets		653,726	–	–	(2,402)	651,324
Financial liabilities:						
Trade and other payables –non-interest bearing		159,136	2,400	78,058	–	239,594
Trade and other payables – interest bearing	2.98	24,915	–	–	(721)	24,194
Lease liabilities (Note 31)	3.63	1,107	734	12	(37)	1,816
Loan payables – variable rate	2.70	591,046	–	–	(16,939)	574,107
Total undiscounted financial liabilities		776,204	3,134	78,070	(17,697)	839,711

2019 US$'000	Weighted average effective interest rate %	On demand or within one year	One to three years	Over three years	Adjustment	Total
Company						
Financial assets:						
Trade and other receivables – non-interest bearing		808,605	–	–	–	808,605
Trade and other receivables – interest bearing	4.91	55,487	–	–	(2,598)	52,889
Cash at banks and in hand		369	–	–	–	369
Total undiscounted financial assets		864,461	–	–	(2,598)	861,863
Financial liabilities:						
Trade and other payables –non-interest bearing		238,962	–	–	–	238,962
Trade and other payables – interest bearing	4.23	19,754	–	–	(802)	18,952
Lease liabilities (Note 31)	3.27	1,088	1,801	56	(101)	2,844
Loan payables – variable rate	3.67	342,787	389,628	–	(42,914)	689,501
Total undiscounted financial liabilities		602,591	391,429	56	(43,817)	950,259

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 our open commodity positions. The Group also reviewed daily monitoring reports on market positioning to facilitate decision making process on our 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$430,000 (2019: increased/decreased profit before income tax by US$1,172,000) and increased/decreased equity by US$430,000 (2019: increased/decreased equity by US$1,172,000).

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 2020 US$'000	Group 2019 US$'000
Banking facilities covered by letter of comfort from penultimate holding company	520,000	490,000
Fee charged by penultimate holding company for issuance of letter of comfort	518	–
Guarantee fee chargeable by penultimate holding company relating to the issuance of perpetual securities	6,000	–

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year were as follows:

	Group 2020 US$'000	Group 2019 US$'000
Directors' fees (Note 8)	399	446
Short-term benefits		
– Directors of the Company	981	1,145
– Other key management personnel	1,118	1,056
	2,498	2,647

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 business segment includes our plantation and processing business in Cameroon and Malaysia and our distribution business under the brand name of Corrie MacColl, Momentum Technologies and Kelvin Terminals

(b) HRC Group – This business segment includes our processing factories in Indonesia, China, Malaysia, Thailand and Ivory Coast, and distribution business in Singapore and China, whose customers are predominantly top-tier global tyre makers.

(c) Corporate segment – covers group strategic management, corporate finance, group administration and legal matters, treasury, and taxation.

Segmental performance is continuously monitored to optimise the allocation of resources between segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

35. Segment information (cont'd)

	Corrie MacColl Group 2020 US$'000	Corrie MacColl Group 2019 US$'000	HRC Group 2020 US$'000	HRC Group 2019 US$'000	Corporate 2020 US$'000	Corporate 2019 US$'000	Elimination 2020 US$'000	Elimination 2019 US$'000		Consolidated 2020 US$'000	Consolidated 2019 US$'000
Revenue to third party	533,295	594,967	1,175,290	1,312,721	201	59	–	–		1,708,786	1,907,747
Inter-segment revenue	1,487	1,791	58,424	61,333	14,014	14,961	(73,925)	(78,085)	A	–	–
Total revenue	534,782	596,758	1,233,714	1,374,054	14,215	15,020	(73,925)	(78,085)		1,708,786	1,907,747
Gross profit	21,658	30,697	80,259	76,595	14,062	15,021	(14,409)	(14,961)	B	101,570	107,352
Operating (loss)/profit	(31,056)	45,382	2,311	(6,696)	(2,410)	(537)	(116)	171		(31,271)	38,320
Finance income										5,829	6,069
Finance costs										(31,228)	(40,826)
Share of result of associates										253	(252)
(Loss)/Profit before tax										(56,417)	3,311
Income tax expense										(4,196)	(7,041)
Loss for the financial year										(60,613)	(3,730)
Segment assets	1,237,845	1,271,969	1,025,317	1,054,205	1,637,769	1,637,419	(1,936,940)	(2,048,636)	C	1,963,991	1,914,957
Segment liabilities	789,664	808,246	844,474	866,140	852,352	1,029,239	(1,271,604)	(1,377,656)	D	1,214,886	1,325,969
Other information:											
Management fee expense/(income)	–	–	13,618	14,702	(13,618)	(14,702)	–	–		–	–
Depreciation expense (include right-of-use assets)	9,359	9,108	21,240	21,993	1,264	1,064	–	–		31,863	32,165
Fair value gain on investment properties	–	–	(793)	(80)	–	–	–	–		(793)	(80)
Fair value gain on biological assets	(3,454)	(52,698)	–	–	–	–	–	–		(3,454)	(52,698)
Unrealised fair value loss/(gain) on open forward commodity contracts and adjustment on inventories	11,482	5,917	2,510	(13,797)	–	–	–	–		13,992	(7,880)
Capital expenditure on property, plant and equipment	8,697	19,645	7,506	10,139	346	1,071	–	–		16,549	30,855
Capital expenditure on plantation assets	27,558	37,105	321	285	–	–	–	–		27,879	37,390

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 2020 US$'000	Group 2019 US$'000
Sales of natural rubber		
Singapore	80,963	27,026
Asia (excluding Singapore and China)	478,505	562,731
China	494,731	507,329
USA/Canada	310,757	396,217
Europe	289,539	374,241
Others	54,291	40,203
	1,708,786	1,907,747

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

	Group 2020 US$'000	Group 2019 US$'000
Non-current assets		
Singapore	76,761	22,226
Asia	558,238	562,384
Africa	559,722	500,614
Europe	28,001	28,842
Others	16,957	15,835
	1,239,679	1,129,901

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.

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 2020 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 unobservable inputs (Level 3) US$'000	Total US$'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**

	Group 2019 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	20,523	–	–	20,523
Financial assets as at 31 December 2019	**20,523**	–	–	**20,523**
Non-financial assets:				
Inventories	–	348,627	–	348,627
Biological assets	–	–	299,466	299,466
Investment properties	–	–	44,718	44,718
Non-financial assets as at 31 December 2019	–	**348,627**	**344,184**	**692,811**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	10,534	–	–	10,534
Financial liabilities as at 31 December 2019	**10,534**	–	–	**10,534**

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

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

	Company 2020 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 unobservable inputs (Level 3) US$'000	Total US$'000
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**

	Company 2019 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US$'000	Significant observable inputs other than quoted prices (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	928	–	–	928
Financial assets as at 31 December 2019	**928**	–	–	**928**
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	507	–	–	507
Financial liabilities as at 31 December 2019	**507**	–	–	**507**

(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.

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

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Biological assets

The fair value of the Group's major biological assets has been determined based on valuations by an independent professional valuer using the discounted cash flow valuation approach. The most significant inputs into the discounted cash flow valuation approach are the average annual yield and discount rate. The fair value of biological assets is computed using the following:

	2020	2019
Malaysia		
Average annual yield for oil palm and rubber trees in Malaysia plantation (mT per ha)	1.7	1.7
Discount rate for oil palm and rubber trees in Malaysia plantation (%)	11.0	11.0
Average yield per tapping cycle for oil palm in Malaysia plantation (mT per ha)	7.4	7.4
Cameroon		
Average annual yield for rubber trees in Cameroon plantation (mT per ha)	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$6,488,000 and a 0.5% increase/decrease in discount rate will decrease/increase the fair value of biological asset by US$19,577,000 for Cameroon plantations.

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):

	2020 Biological assets US$'000	2020 Investment properties US$'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

	2019 Biological assets US$'000	2019 Investment properties US$'000	Total US$'000
Group			
Opening balance	10,225	46,799	57,024
Fair value gain recognised in profit or loss	52,698	80	52,778
Additions	728	–	728
Depreciation for the year	(46)	–	(46)
Reclassification to assets of disposal classified as held-for-sale (Note 23)	–	(4,820)	(4,820)
Reclassification	239,874	–	239,874
Exchange differences	(4,013)	2,659	(1,354)
Closing balance	299,466	44,718	344,184

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial years ended 31 December 2020 and 31 December 2019.

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 receivable (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 2020 and 2019.

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. Refer to Note 2.1 for current year review.

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 2019 and 31 December 2020, with the exception of loans of certain subsidiaries for financial year ended 31 December 2020. As at 31 December 2020, the subsidiaries obtained waivers from the banks for bank loans with carrying amount of US$180,861,000 (2019: US$97,540,000) for the non-fulfilment of financial covenants. The Company has obtained waiver from the bank to test certain financial covenants for a bank loan amounting to US$58,766,000 (2019: US$74,485,000) as at 31 December 2020.

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 2020 and 31 December 2019.

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 2020 US$'000	Group 2019 US$'000
Loan payables (Note 26)	1,011,585	1,123,733
Lease liabilities (Note 31)	12,010	13,327
Total borrowing	1,023,595	1,137,060
Adjust for: Working capital items		
– Trade receivables (Note 19)	(157,385)	(133,753)
– Inventories (Note 22)	(389,252)	(375,394)
– Cash and bank balances (Note 18)	(45,722)	(57,905)
– Trade payables (Note 24)	33,178	38,331
Adjusted net borrowing	464,414	608,339
Total equity	749,105	588,988
Adjusted gearing ratio	0.62	1.03

39. Event occurring after the reporting period

a) Striking-off a subsidiary

In February 2021, the Group struck off its wholly-owned dormant subsidiary, JFL Agro Sdn. Bhd. The deregistration did not result in any profit or loss impact.

b) Changes of interest in a subsidiary

In March 2021, a subsidiary of the Group, HeveaConnect Pte. Ltd. ("HeveaConnect") issued 35,162 new ordinary shares ("HC shares") to a third party 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.

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%. Accordingly, HeveaConnect ceased to be a Company's subsidiary and it will be equity-accounted for as an associate.

c) Loan refinancing

In April 2021, the Company has secured a syndicated loan of US$270,000,000 (the "Syndicated Loan") with an option to upsize to US$300,000,000. The Syndicated Loan carries a tenure of three years and the proceeds will be used to refinance an existing term loan of US$300,000,000 that is due in December 2021. The completion of Syndicated Loan is subject to fulfilment of, inter alia, the Conditions Precedent as set out in the facility agreement, which are expected to be satisfied in May 2021.

The proforma financial effects subsequent to the drawdown of the Syndicated Loan are as follows:

	31 December 2020	**Effects of Syndicated Loan**	**31 December 2020 (Proforma)**
	US$'000	US$'000	US$'000
Consolidated statement of financial position			
Loan payables (current)	836,715	(270,000)	566,715
Net current (liabilities)/assets	(240,530)	270,000	29,470
Loan payables (non-current)	174,870	270,000	444,870

d) Return of the South Concession owned by Sud Cameroun Hevea S.A. ("Sudcam")

In February 2021, the Board of Sudcam, a non-wholly owned subsidiary of the Group, has approved the returning of the South Concession, which comprises 13,731 hectare of unplanted lands, to the Cameroonian government. Subsequently, the management of Sudcam has submitted a formal request to the Ministry of State Property, Surveys and Land Tenure of Cameroon regarding this matter, to which the Ministry has yet to respond.

40. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 10 May 2021.

STATISTICS OF SHAREHOLDINGS

AS AT 30 APRIL 2021

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

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1,999	18.76	116,177	0.01
100 – 1,000	3,355	31.48	1,445,510	0.09
1,001 – 10,000	3,566	33.47	15,477,556	0.97
10,001 – 1,000,000	1,699	15.94	91,594,008	5.74
1,000,001 AND ABOVE	37	0.35	1,486,378,690	93.19
TOTAL	**10,656**	**100.00**	**1,595,011,941**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SINOCHEM INTERNATIONAL (OVERSEAS) PTE LTD	877,056,655	54.99
2	UOB KAY HIAN PRIVATE LIMITED	168,397,625	10.56
3	CITIBANK NOMINEES SINGAPORE PTE LTD	90,062,598	5.65
4	DBS NOMINEES (PRIVATE) LIMITED	88,607,369	5.56
5	GMG HOLDING (H.K.) LIMITED	72,922,374	4.57
6	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	52,500,000	3.29
7	RAFFLES NOMINEES (PTE.) LIMITED	18,087,982	1.13
8	OCBC SECURITIES PRIVATE LIMITED	12,137,427	0.76
9	PANWELL (PTE) LTD	11,601,183	0.73
10	NOMURA SINGAPORE LIMITED	11,211,047	0.70
11	ANDREW TREVATT	9,005,266	0.56
12	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	5,726,101	0.36
13	CHONG GEORGE	5,632,100	0.35
14	COFFEE EXPRESS 2000 PTE LTD	5,500,000	0.34
15	PHILLIP SECURITIES PTE LTD	4,970,121	0.31
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	4,764,844	0.30
17	BESCHIZZA LEONARD PETER SILVIO	4,003,000	0.25
18	ALLPLUS HOLDINGS PTE LTD	3,616,650	0.23
19	GE JIANMING	3,550,347	0.22
20	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,448,808	0.22
	TOTAL	**1,452,801,497**	**91.08**

SUBSTANTIAL SHAREHOLDERS

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

Notes:

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

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

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

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on the information available to the Company as at 30 April 2021, approximately 28.81% of the issued ordinary shares of the Company is held by the public. Therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

HALCYON AGRI CORPORATION LIMITED
180 Clemenceau Avenue
#05-02 Haw Par Centre
Singapore 239922
www.halcyonagri.com

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC™ C021898