HALCYON AGRI

ANNUAL REPORT 2012

NEW HORIZONS

CORPORATE PROFILE

At Halcyon Agri, we operate in the midstream of the Natural Rubber supply chain, specialising in the processing and merchandising/marketing of processed Natural Rubber.

The Group produces Technically Specified Rubber ("TSR") of Indonesian origin to a range of specifications (e.g. SIR20, SIR20-VK and SIR20-Compound), which is used as an essential input to the manufacture of vehicle tyres.

Our headquarters, risk management, merchandising and marketing operations are located in Singapore.

We own and operate two long established Natural Rubber processing facilities located in Palembang, South Sumatra, Indonesia, which is the largest Natural Rubber exporting province in Indonesia.

Our products are sold to a global customer base, including many of the top 20 global tyre manufacturers.

INDUSTRY BACKGROUND

The Natural Rubber industry is a US$33 billion per annum business, making it the second largest tropical agriculture crop after palm oil.

The global tyre manufacturing industry, for which Natural Rubber is an essential input, is the largest consumer, accounting for approximately 70% of the global consumption of Natural Rubber.

Demand for tyres and therefore the demand for Natural Rubber is mostly driven by the global vehicle population, which currently exceeds 1 billion units. Emerging markets such as China are driving the growth in the vehicle population.

Despite decades of research, no synthetic substitute has been found which fully mimics the properties of Natural Rubber and higher proportions of Natural Rubber in tyres is linked to premium high performance finished products.

Rubber trees, Hevea Brasiliensis, from which Natural Rubber is sourced, grow well only within 10 to 15 degrees of the equator. Indonesia is the second largest rubber producing country in the world, accounting for 27% of global production. Palembang is the largest Natural Rubber exporting province in Indonesia, accounting for approximately one-third of total Indonesian Natural Rubber exports.

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company's Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance at 20 Cecil Street, #21-01 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.

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CHAIRMAN'S STATEMENT

"My vision is for the Group to develop into a leading global Natural Rubber producer, in terms of quality of production, sustainability and profitability."

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Halcyon Agri Corporation Limited ("Halcyon Agri" and together with its subsidiaries, the "Group"), I am pleased to present you with the Annual Report for the financial year ended 31 December 2012 ("FY2012").

Snapshot

In summary, we significantly increased our sales volume in FY2012 (+44%), whilst maintaining strict adherence to our risk-averse operating model. This led to an improvement in our operating financial statistics at the gross profit (+100%), EBITDA (+155%) and net profit (+130%) levels.

Operating Financial Statistics		FY2011	FY2012	Change
Sales Volume	tonnes	46,634	67,046	44%
Revenue	US$ million	231.4	222.0	-4%
Revenue per tonne	US$	4,962.0	3,311.2	-33%
Gross Profit	US$ million	10.0	20.0	100%
EBITDA	US$ million	5.6	14.3	155%
Net Profit	US$ million	4.4	10.1	130%

The Board is proposing to declare a first and final dividend of S$0.01 per share, which represents a payout of approximately 25 percent of the Group's net profit for FY2012.

Hevea Global Pte Ltd ("Hevea Global")

The risk management, trade financing and merchandising activities are undertaken by our wholly-owned subsidiary, Hevea Global. During FY2012, Hevea Global has increased its sales to existing customers and continues to add in new customers. The finance team had supported this expansion with increased working capital facilities at improved terms.

Hevea Processing Pte Ltd ("Hevea Processing") and PT Hevea MK

Since acquiring the HMK1 and HMK2 processing facilities, our wholly-owned subsidiary, Hevea Processing, and its Indonesian subsidiary, PT Hevea MK, have increased the number of raw material suppliers as well as strengthened relationships with existing ones. We also invested in our processing facilities by upgrading the factory buildings and finishing a new wet-line at HMK2. Consequently, the overall capacity utilisation rate had improved from 55% in the financial year ended 31 December 2011 ("FY2011") to 73% in FY2012.

Corporate Social Responsibility ("CSR")

A sustainable business makes for sustainable profits. In FY2012, we have progressed on our roadmap towards developing and implementing best CSR practices within the sector.

Our first full Sustainability Report will be published in mid-2013 in compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") guidelines for Sustainability Reporting and those of the Global Reporting Initiative ("GRI").

Per Share Data

As a recurring measure of progress, I would like to propose the following framework to chart the financial results of any given financial year against the prior financial year on a per share basis:

Per Share Data		FY2011	FY2012	Change	
Proforma Net Income[1]	US cents	1.52	3.40	124%	⬆
Proforma Net Book Value[2]	US cents	9.70	13.15	36%	⬆

[1] Proforma Net Income has been computed based on the profit attributable to owners of the Company and share capital of 290,000,000 ordinary shares after the Initial Public Offering (the "IPO").

[2] Proforma Net Book Value has been computed based on the net assets of the Company, adjusted for net proceeds from the IPO, IPO expenses and share capital of 290,000,000 ordinary shares after the IPO.

Based on the share capital of 290,000,000 ordinary shares after the IPO, proforma net income per share increased by 124% to US 3.40 cents in FY2012 from US 1.52 cents in FY2011. The increase in proforma net book value per share from FY2011 to FY2012 is US 3.45 cents per share, reflecting a 36% increase from US 9.70 cents in FY2011 to US 13.15 cents in FY2012.

CHAIRMAN'S STATEMENT

New Horizons

My vision is for the Group to develop into a leading global Natural Rubber producer, in terms of quality of production, sustainability and profitability. In concrete terms, this means producing up to 1,000 tonnes of TSR20 and specialty grades of natural rubber per day, from a sensible mix of origins, partially supported by upstream investments.

As it stands, Hevea Global is scalable to market our increased production to the world's leading consumers of Natural Rubber. Our CSR framework is almost complete and is equally scalable to cater for increased production volumes.

Our Standard Indonesian Rubber ("SIR") production facilities in Palembang are being further expanded, upgraded and enhanced. Production capacity is slated to reach 150,000 tonnes per annum from 2015 onwards.

Over time, Hevea Processing is likely to further expand the scale of our mid-stream operations through strategic acquisitions of rubber factories in Indonesia and beyond, as and when opportunities arise that allow us to apply our business model in an undiluted form.

Finally, our third operating vertical, Halcyon Plantations Pte Ltd ("Halcyon Plantations"), will seek opportunities to invest in upstream opportunities, with the purpose of supporting our factories with high-quality raw material.

CHAIRMAN'S STATEMENT

Thank You

On behalf of the Board of Directors, I would like to thank all stakeholders for their commitment and ongoing support.

Our management, staff and employees allow me to chart the course that we are on. Thank you for the dedication to excellence that I witness every day.

To our shareholders, I wish to thank you for making it all possible.

Robert Meyer
Executive Chairman and CEO

FINANCIAL HIGHLIGHTS

Profit and Loss	FY2011	FY2012
	US$ million	US$ million
Revenue	231.4	222.0
Gross Profit	10.0	20.0
Operating Profit	7.0	13.6
Profit Before Tax	4.8	11.5
Profit for the Financial Year	4.4	10.1
EBITDA	5.6	14.3
Adjusted EPS (US cents)[1]	1.79	4.01

Balance Sheet	FY2011	FY2012
	US$ million	US$ million
Total Non-Current Assets	22.3	21.3
Total Current Assets	34.8	40.8
Total Assets	57.1	62.1
Total Current Liabilities	31.2	34.7
Total Non-Current Liabilities	8.9	1.1
Total Liabilities	40.1	35.8
Net Current Assets	3.7	6.1
Net Assets	17.0	26.3

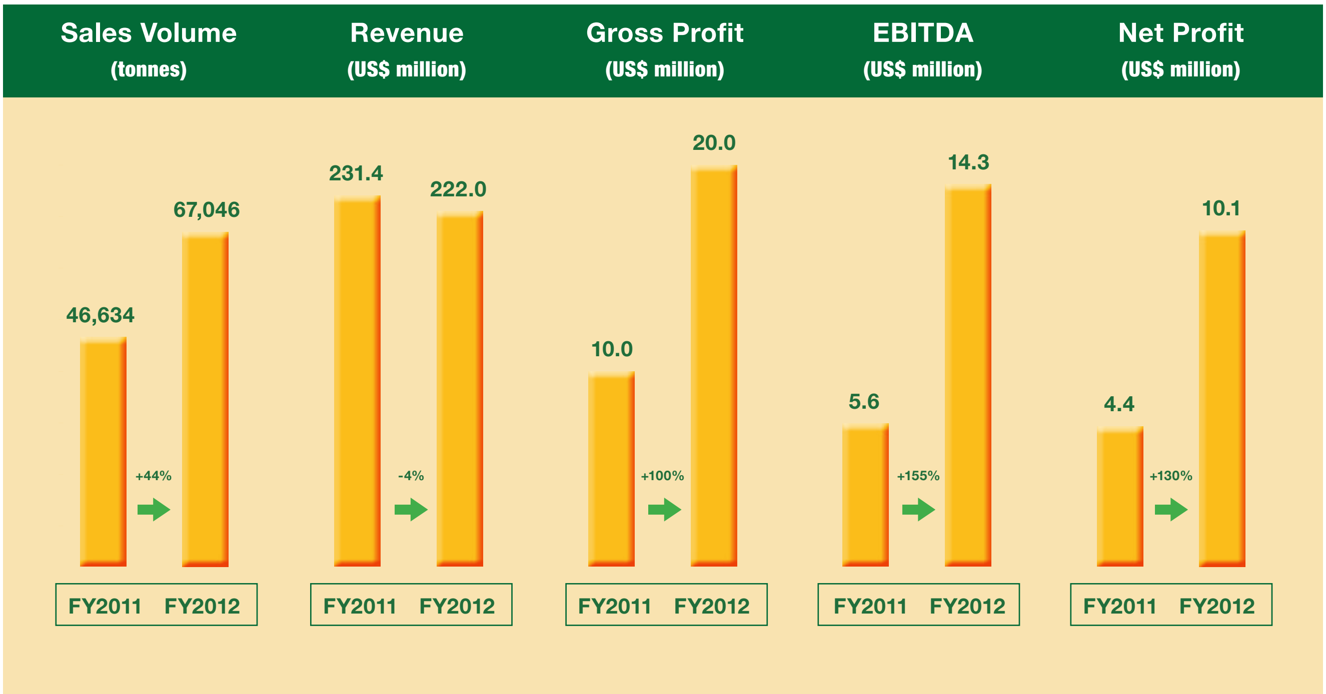
[1] On 31 January 2013, the Company has completed its IPO and for comparative purposes, the adjusted EPS have been computed based on profit attributable to owners of the Company and the pre-placement share capital of 246,000,000 shares.

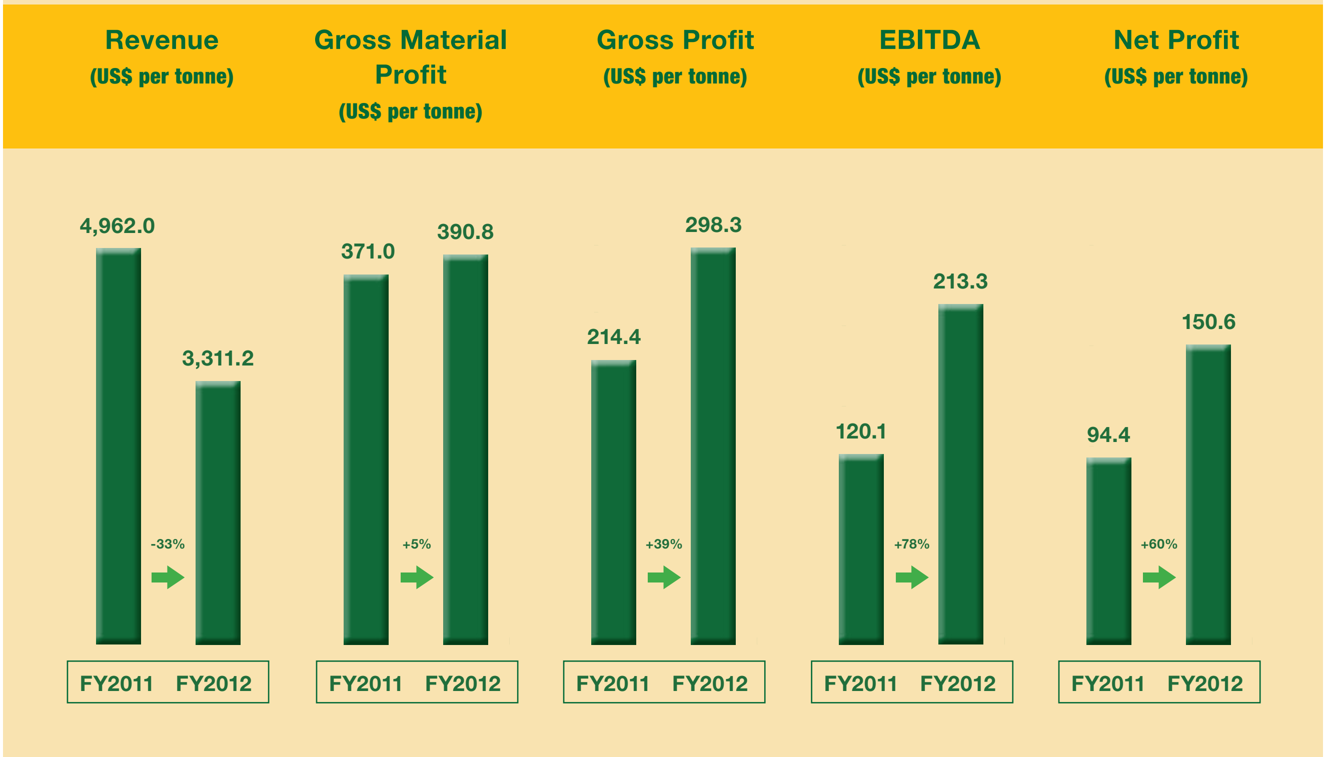
FINANCIAL HIGHLIGHTS

Value Added Statement	FY2011	FY2012
	US$ million	US$ million
Revenue	231.4	222.0
Purchase of Materials and Services	(221.9)	(202.0)
Value Added from Operations	**9.5**	**20.1**[1]
Non-Production Income		
Other Income	2.1	-[2]
Finance Income	-[2]	-[2]
Total Value Added	**11.6**	**20.1**
Distribution		
Employees Wages, Pensions and other Benefits	3.9	5.7
Finance Cost	2.3	2.1
Corporate Tax	0.4	1.4
Total Distributed	**6.6**	**9.3**[1]
Retained in the Business		
Depreciation	0.7	0.8
Non-Controlling Interests	-	0.2
Retained Earnings	4.4	9.9
	11.6[1]	**20.1**[1]

[1]Figures do not add up due to rounding.
[2]Figures are less than US$0.05 million.

FINANCIAL HIGHLIGHTS





FINANCIAL REVIEW

Income Statement

In FY2012, the Group's revenue decreased by US$9.4 million or 4%, from US$231.4 million in FY2011 to US$222.0 million, mainly due to lower revenue per tonne of US$3,311.2 in FY2012 (FY2011: US$4,962.0 per tonne). This decrease was offset by the 44% increase in our sales volume from 46,634 tonnes in FY2011 to 67,046 tonnes in FY2012.

As a result of the increase in sales volume, the Group's gross profit increased by US$10.0 million or 100% from US$10.0 million in FY2011 to US$20.0 million in FY2012. The increase in our gross material profit per tonne on our own production from US$371.0 in FY2011 to US$390.8 in FY2012, as a result of more effective raw material procurement, also contributed to the increase in the Group's gross margin of 9.0% in FY2012 from 4.3% in FY2011.

The Group's net profit in FY2012 was US$10.1 million, an increase of US$5.7 million or 130% over the net profit in FY2011 of US$4.4 million. The increase was mainly due to the increase in the gross profit, as explained above, partially offset by the increase in the selling expenses and administration expenses of US$0.5 million and US$0.7 million from FY2011 compared to FY2012 respectively.

The Group's EBITDA in FY2012 was US$14.3 million, an increase of US$8.7 million or 155% over the EBITDA in FY2011 of US$5.6 million.

Balance Sheet

The Group's net assets had increased by US$9.3 million, from US$17.0 million as at 31 December 2011 to US$26.3 million as at 31 December 2012. Our net current assets had increased by US$2.4 million, from US$3.7 million as at 31 December 2011 to US$6.1 million as at 31 December 2012.

Cash Flow

The Group's cash and cash equivalents had increased by US$5.0 million during FY2012, from US$3.9 million in FY2011 to US$8.9 million in FY2012, mainly due to net cash generated from operating activities of US$7.4 million, partially offset by net cash used in investing activities of US$0.5 million and net cash used in financing activities of US$1.8 million.

Working Capital

In FY2012, the Group continued to generate positive cash flows to strengthen our working capital position. As at 31 December 2012, the Group's net working capital amounted to US$17.6 million (31 December 2011: US$12.9 million), as set out below:

Working Capital	31 Dec 11	31 Dec 12
	US$ million	**US$ million**
Cash and Bank Balances	8.4	11.9
Trade Receivables	10.6	6.8
Inventories	11.2	20.3
Less: Trade Payables	-[1]	(1.6)
Less: Working Capital Loan	(17.3)	(19.8)
Net Working Capital	**12.9**	**17.6**

[1]Figure is less than US$0.05 million

BOARD OF DIRECTORS

(From Left: Mr. Alan Nisbet, Mr. Robert Meyer, Mr. Pascal Demierre, Mr. Randolph Khoo)

Mr. Alan Nisbet

Lead Independent Director

Mr. Alan Nisbet is the Lead Independent Director and is also the Chairman of the Audit Committee and the Remuneration Committee, as well as a member of the Nominating Committee. He is currently the principal of Kanni Advisory, which is a consultancy firm that specialises in financial and business advisory services.

He is a board and audit committee member of the Accounting and Corporate Regulatory Authority (ACRA) and a member of the Public Accountants Oversight Committee, which is responsible for the oversight of public accountants providing audit services in Singapore. He is also a director and the Chairman of the audit committee of Ascendas Pte. Ltd.

From 1973 to 2011, he 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 co-ordination 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.

He is a member of the Institute of Certified Public Accountants of Singapore and formerly a practising associate of the Institute of Chartered Accountants in Australia. He graduated with a Diploma of Business Studies (Accounting) from the Caulfield Institute of Technology, Melbourne, Australia in 1971.

BOARD OF DIRECTORS

Mr. Robert Meyer

Executive Chairman and CEO

Mr. Robert Meyer is the Executive Chairman and Chief Executive Officer of the Group, and is also a member of the Nominating Committee. He is in charge of formulating and executing the strategic business development of the Group, and his responsibilities include overseeing the core aspects of the business such as our rubber processing operations and sales and marketing operations.

He is currently the Executive Chairman of NH Ceramics Ltd (a company listed on the Catalist) and had been on the board since 9 April 2012. He is also the founder and non-executive chairman of the Halcyon Investment Corporation Pte Ltd and its subsidiaries (collectively known as “Halcyon Group”). In addition, he was a member of one of the sub-committees of the Economic Strategies Committee, which was formed by the Government of Singapore in May 2009.

He graduated with a Bachelor of Arts (Diplom-Betriebswirt) from the European Business School (Schloss Reichartshausen) in Oestrich-Winkel, Germany in 1999.

Mr. Pascal Demierre

Non-Executive Director

Mr. Pascal Demierre was appointed to the Board of Halcyon Agri Corporation Limited on 8 July 2010, and also serves on the Audit Committee and the Remuneration Committee. He is currently employed under the Halcyon Group and is responsible for all corporate infrastructure matters including legal, corporate governance, corporate structuring, information technology, human resources and general administration.

He is also an independent director of The Hour Glass Limited (a company listed on the Main Board of the SGX-ST) since 1 April 2011.

He graduated with a Bachelor of Law (Second Upper) from King’s College London, United Kingdom in 1998, and with a Graduate Diploma in Law from the National University of Singapore in 2002.

Mr. Randolph Khoo

Independent Director

Mr. Randolph Khoo is an Independent Director and is also the Chairman of the Nominating Committee and serves on the Audit Committee and the Remuneration Committee. He is currently a director of Drew & Napier LLC, a corporation of advocates and solicitors, heads its Family and International Personal Relationships Practice and heads the disputes resolution sections of China, India and International Trade Desks.

He is an advocate and solicitor of the Supreme Court of Singapore, a Notary Public and a Commissioner for Oaths. He is a Fellow of the Singapore Institute of Arbitrators, the Chartered Institute of Arbitrators and the Malaysian Institute of Arbitrators, a Panel Arbitrator with the Singapore Institute of Arbitrators and under the Law Society of Singapore Arbitration Scheme and the Malaysian Institute of Arbitrators, as well as a member of the International Bar Association, Society of International Law (Singapore), Law Society of Singapore and the Singapore Academy of Law. He served on the Advocacy Committee of the Law Society of Singapore. From 1995 to 2001, he was also an Ad-hoc Adjunct Tutor for the Faculty of Law, National University of Singapore.

He graduated with a degree in Law from the National University of Singapore in 1989.

KEY MANAGEMENT

(From Left: Mr. Leonard Beschizza, Mr. Andrew Trevatt, Mr. Ng Eng Kiat, Mr. Rachman Rachmadi, Mr. Alex Kurniawan Edy)

Mr. Leonard Beschizza
Managing Director

Mr. Leonard Beschizza is responsible for industrial relations, including risk management and corporate governance.

He started working as a trader with Pacol Ltd, London, a member of the Gill & Duffus Group in 1971. He went on to become a director of Pacol Sdn Bhd and Pacol Singapore in 1976. In 1978, he returned to Pacol Ltd, London, to head the Natural Rubber trading desk and was appointed as a main board director in 1985. In 1987, he went on to become the director of Centrotrade Singapore and headed the Natural Rubber trading team at Centrotrade Singapore. In 1995, he headed the sales and marketing department in PT PP London Sumatra Indonesia and dealt with the price risk management of agricultural products. In addition, he was a moderator at the Indonesian Palm Oil Association or GAPKI (Gabungan Pengusaha Kelapa Sawit Indonesia) conferences in 2008, 2009 and 2010.

He joined our Group in 2010. After working for about 40 years in the Natural Rubber and agricultural industry, he is experienced in most aspects of the Natural Rubber business, including the processing and trading of physical rubber and futures. He also has an in-depth knowledge of the palm oil and cocoa industry.

He studied in Forest School, Snaresbrook, Essex, England and graduated in 1968.

Mr. Andrew Trevatt
Managing Director

Mr. Andrew Trevatt is resposible for merchandising, risk management and business development.

He started work in 1982 as a junior auditor/ assistant to the senior accountant at Aarons Grew & Woodcroft, Certified Accountants, London. In 1986, he commenced working as a trader for Lewis & Peat (Rubber) Ltd, London, and stayed with the company for 14 years till 2000. His last position held at Lewis & Peat (Rubber) Ltd, London, was trading director. In 2002, he went on to work in Sri Trang International Pte. Ltd. as its chief executive officer. In 2007, he joined Louis Dreyfus Commodities Asian Pte. Ltd. as a trading manager.

He joined our Group in 2010. With 26 years of experience in the Natural Rubber industry, he has a thorough understanding of its operations, including customer and supplier relationships, Natural Rubber processing knowledge and customer requirement knowledge.

He studied in Meopham Secondary School and graduated in 1982.

KEY MANAGEMENT

Mr. Ng Eng Kiat
Chief Financial Officer

Mr. Ng Eng Kiat was appointed as the Group CFO on 1 January 2013. He has been responsible for overseeing the accounting and financial matters of our Group since he joined the Halcyon Group in December 2011 as the Group Financial Controller.

Prior to joining our Group, he worked as an Assurance Supervisor in KPMG LLP in Kuala Lumpur, Malaysia from 2002 to 2005. In 2005, he went on to join Ernst & Young LLP in Leeds, England as an Assurance Manager, and thereafter worked at the same firm in Singapore as an Assurance Senior Manager from 2010 to 2011.

He has been a fellow member of the Association of Chartered Certified Accountants since 2005 and is also a member of the Institute of Certified Public Accountants of Singapore.

He graduated from the Multimedia University in Malaysia in 2002 with a Bachelor's Degree (First Class) in Accounting.

Mr. Rachman Rachmadi
Head of Procurement

Mr. Rachman Rachmadi joined our Group in 2011 as part of our acquisition of the HMK1 and HMK2 facilities. Since he joined our Group, he has been responsible for overseeing the financial matters of PT Hevea MK and manages PT Hevea MK's raw material procurement and payment process. He has been involved in the Natural Rubber industry for over 40 years and, in particular, has been closely involved with the operations of HMK1 and HMK2 for 25 years.

He started work in 1968 as a director of PT Garuntang, a company engaged in the rubber business in the Lampung Province in Indonesia. In 1987, he joined PT Perusahaan Getah Para Muara Kelingi, from whom we acquired the HMK1 and HMK2 facilities, as its finance manager. In 1990, he was made a director of PT Perusahaan Getah Para Muara Kelingi and he remained with this company until our acquisition of HMK1 and HMK2 in 2011.

He graduated from a high school in the Sulawesi Province of Indonesia in 1964.

Mr. Alex Kurniawan Edy
Head of Production

Mr. Alex Kurniawan Edy joined our Group in 2011 as part of our acquisition of the HMK1 and HMK2 facilities. Since he joined our Group, he has been responsible for overseeing the rubber processing operations, administrative and human resource matters of PT Hevea MK. He has been involved in the Natural Rubber industry for 20 years and, during this period, has been exclusively employed in relation to HMK1 and HMK2.

He started work at PT Perusahaan Getah Para Muara Kelingi in 1992 as its factory manager and remained in the employment of PT Perusahaan Getah Para Muara Kelingi until our acquisition of HMK1 and HMK2 in 2011.

He has been the Chairman of the South Sumatra office of the Indonesian Rubber Association (GAPKINDO) since 1996 and is also the Vice Chairman of GAPKINDO's central office in Jakarta.

He graduated from a high school in Palembang, Indonesia in 1981.

NATURAL RUBBER MARKET REVIEW

The year 2012 has shown the rubber community that Natural Rubber prices are not unidirectional and it is uncertain where the Natural Rubber prices will move going forward.

The Natural Rubber prices reached its all-time high in early 2011, after fully recovering from the losses suffered in the 2008/2009 subprime mortgage crisis. While the average Natural Rubber price had decreased towards mid-August 2012, the lowest level reached was still approximately US$1,200 and US$1,300 per tonne above the previous lows, the levels at which the rubber farmers were still enjoying a good return from their small holdings. From the Natural Rubber trade perspective, the current Natural Rubber prices are conducive in terms of long term sustainability.

The relatively stable Natural Rubber price in 2012 has given a period of relative calm for the industry to prepare itself for steady growth in the demand and the price of Natural Rubber.

SICOM is probably the most reliable indicator of Natural Rubber fundamentals over twelve months, which also mirrors the physical market's SIR values. At the end of 2011, the SICOM TSR20 price was US$3,230 per tonne. However, the price has moved steadily lower in the third quarter of 2012, as a result of the Eurozone crisis.

SICOM TSR20 (US$ per tonne)[1]

(1) Sourced from Bloomberg L.P.

NATURAL RUBBER MARKET REVIEW

During 2012, we did not get the impression that either exporters or consumers were unhappy with the Natural Rubber price levels. The only concern may have come from Thailand's major political commitments to its farmers, but unsupported by other rubber producing countries. Indonesian exporters had been helped domestically by the Indonesia Central Bank's decision to devalue the Indonesia Rupiah, which keeps them ahead in the competition. On the other side, consumers and buyers enjoyed the comfort of being able to buy at prices below their budgets towards the end of 2011, enabling them to buy forwards and avoid the pitfalls of bunching in the spot market and competing with buyers from China who traditionally limit their buying tenure to one or two months forward.

Based on the current market condition, we believe that the general economic sentiment has improved. Japan's drive to depreciate the yen is already reaping benefits for corporates and therefore a stronger Japan plus a reviving China should attract investors' interest and thereby help to drive the Tokyo and Shanghai future markets. In The Association of Natural Rubber Producing Countries ("ANRPC")'s latest bulletin, it was reported that China's 2012 Natural Rubber imports increased 15% to 3.28 million tonnes. Whilst Europe continues to paint a less than rosy picture with its automotive industry, the US automotive industry is going from strength to strength.

Despite the above, the Natural Rubber market is expected to remain volatile throughout 2013 and we will remain cautiously optimistic with regards to the overall sector fundamentals and the long term prospects of the Natural Rubber industry.

OPERATIONS REVIEW

Our Business Model

Halcyon Agri has successfully developed a unique business model that enables us to operate our rubber processing facilities efficiently and profitably, while minimising our exposure to variations in the market price of Natural Rubber. The key features of our business model are as follows:

- Selling a high proportion of our sales volume under long term sales contracts;
- Structuring our long term sales contracts with variable pricing such that the sale price for our products is referenced to the prevailing market price over a time period corresponding to the period in which the related raw material purchases are made;
- Operating within a low risk position limit; and
- Dealing only with creditworthy customers.

Our distinct business model has enabled us to more than double our net profit from US$4.4 million in FY2011 to US$10.1 million in FY2012.

In the following sections, Halcyon Agri's key management provide their review on the Group's operations, covering our processing facilities, our suppliers, our products, our customers and our people.

Our Processing Facilities

Our Group's processing facilities, namely HMK1 and HMK2, are situated on the banks of the Musi River in Palembang, which is the largest Natural Rubber exporting province in Indonesia. Both processing facilities are long established, having been in operation for approximately 50 years in the case of HMK1 and approximately 30 years in the case of HMK2.

Asset Enhancement Programme

Since the acquisition of HMK1 and HMK2 by the Group, we undertook a range of investments in our processing facilities. In HMK1, all the roofing and side paneling of the hanging sheds and part of the warehousing space were replaced. One of the old hanging sheds was dismantled and replaced with a new raw material storage warehouse, including new foundations and flooring. In HMK2, a new Wet-Line was completed and replacement rollers for crepers, new chain drives for the dryer and a new weighbridge were installed. We have further invested in our processing facilities for the welfare of delivery drivers, including showers, toilets and rest areas.

The asset enhancement programme has resulted in an increase in our production volume from 45,286 tonnes in FY2011 to 67,317 tonnes in FY2012, an increase of about 49% from FY2011. As a result of the asset enhancement programme, our processing facilities' utilisation rates have increased from 55% in FY2011 to about 73% in FY2012.

Expanding Production Capacity

One of the Group's strategies is to continue to expand our existing processing facilities by adding new machinery and related supporting facilities. For example, we completed the construction of an additional Wet-Line at HMK2 in September 2012 entirely in-house, and the Wet-Line has been fully operational since 15 January 2013. This new Wet-Line is expected to bring additional capacity of approximately 10,500 tonnes per annum.

Our successful IPO on 1 February 2013 has enabled us to execute our expansion strategy to increase our capacity by approximately 50,000 tonnes per annum. The expansion exercise is targeted to be completed by mid-2014, with the effect of increased capacity expected to be coming through in financial year ending 31 December 2015 ("FY2015").

Other Development

Our processing facilities are currently far advanced in the process of obtaining accreditation to become a Customs–Trade Partnership Against Terrorism ("CTPAT") compliant company, to meet the requirement by one of our key customers. With the accreditation, our Group will be able to deliver our products to more customers especially those based in regions where the custom regulations are stricter, for example, the United States of America.

Our Suppliers

Our raw materials, which are rubber slabs made from coagulated cup lumps, are purchased from more than 400 different sources, through both intermediaries/aggregators and direct from farmers and agents. Since acquiring HMK1 and HMK2 facilities, our Group has strengthened relationships with existing raw material suppliers and increased our number of raw material suppliers. We have implemented buying practices that allow us to procure our raw material supplies at competitive prices throughout the year.

The strong relationships we have with our existing raw material suppliers and our ability to obtain new raw material sources will provide good support to the Group's expansion strategy.

Our Products

Our processing facilities implemented a strict quality control measure. Both facilities are ISO 9001 certified and finished products are tested in our own laboratories to ensure that our products conform to the international TSR specifications. Our laboratories, which are located within our facilities, are certified by GAPKINDO. Our finished products meet or exceed the international specifications for each and every grade of rubber that is produced. Both facilities are regularly audited by our major customers to ensure that the processing and quality controls conform to their internal requirements.

Our Group is one of the leading producers of SIR20-VK in Indonesia. SIR20-VK is highly sought after by tyre manufacturers as its technical properties allow them to lower their energy costs and increase throughput, resulting in a significantly lower cost of production. As a result, SIR20-VK attracts a premium over standard rubber products. We seek to maximise the proportion of our production of SIR20-VK over the next few years.

OPERATIONS REVIEW

Our Customers

Our customer base consists of a range of blue-chip international tyre manufacturers as well as international trading houses. Our Group generally seeks to sell the majority of our output to end users (principally tyre manufacturers), particularly those with a specific requirement for SIR20-VK rubber. In order to sell rubber to leading tyre manufacturers, Natural Rubber producers need to undertake a rigorous qualification/certification programme to ensure that their output meets the standards required. These qualification processes take up to 12 months depending upon the tyre manufacturer and involve a range of tests, including on-site inspections. Currently, our Group is an approved supplier to the following tyre manufacturers:

(a) Bridgestone;
(b) Ceat India;
(c) Continental;
(d) Cooper Tire;
(e) Goodyear;
(f) JK Tyre India;
(g) Kumho;
(h) Sumitomo Tyre; and
(i) Toyo Tires.

Our products are also approved for delivery by SICOM.

Being an approved supplier to the above customers is a testament to our products quality and our production excellence. With the Group's ongoing expansion, we will be able to sell our products to them without taking time to obtain further approval from these customers.

Our People

Since the commencement of the Group's business, we have succeeded in utilising the strengths and capabilities of our people. The professionalism, dedication and teamwork demonstrated by our people are the key factors in our Group's success so far. As of 31 December 2012, we have 597 full time employees.

Our Group believes in the development of our staff's knowledge and experience. We place emphasis on staff training to improve and upgrade our employees' technical knowledge and skills in their respective fields.

Risks

Our business is exposed to various types of financial risks, such as price risk, credit and counterparty risk, liquidity risk, interest rate risk and foreign exchange risk. The Group actively monitors and manages these risks through our operations and reporting structures, and experienced key management team, which is responsible for identifying, evaluating, managing and controlling such risks.

Price Risk

We seek to run our business in order to minimise our exposure to market movements. Prices of Natural Rubber have been volatile and we, like other participants in the Natural Rubber industry, are exposed to the risk of fluctuations in the price of Natural Rubber. We mitigate our risks through the pricing mechanism of our long term sales contracts which are referenced to the average SICOM TSR 20 price for the month prior to the shipment date. Our aim is to largely match the daily volumes of our customers' orders with our daily supply of raw materials which would be subject to the maximum open position set out in our hedging policy. Accordingly, when these volumes do not match, we will from time to time hedge through the futures market using SICOM TSR20 and physical SIR20 in order to maintain as much market neutrality as possible.

Daily reports setting out the aggregate amount and cost of raw materials purchased and our sales and inventory, which are marked to prevailing market value, are generated for review by certain members of our senior management team, namely, our Executive Chairman and CEO, and both our Managing Directors, who utilise these reports to determine the net position of our sales and cost of goods sold and to monitor our hedging positions. Our hedging positions are also reviewed by our CFO on a weekly basis.

Credit and Counterparty Risk

Our Group's sales are to customers in USA, EU and Asia, for which the Group requires cash against the presentation of documents of title. As such, the Group is exposed to credit and counterparty risks arising from the normal business activities if its customers or counterparties fail to meet their contractual obligations. To mitigate such risk, the Group only transacts with counterparties after taking steps to assess their creditworthiness while also taking into account past transactional experience with such counterparties and their financial position. Certain of our customers are also covered under our credit insurance policy.

Liquidity Risk

Our Group's working capital cycle is approximately two to four months, starting from the purchase of raw materials to the receipt of payment from customers. As such, the Group closely monitors its liquidity requirement to ensure it has sufficient cash to meet its operational needs while also maintaining sufficient headroom or unutilised committed borrowing facilities at all times.

Interest Rate Risk

The Group has fixed and floating interest rate borrowings, and as such, the Group is exposed to interest rate risk. The Group manages its exposure to interest rate risk by ensuring that the borrowings have repayment terms that match the Group's cash requirements and monitoring the trend of the interest rate in such period.

Foreign Exchange Risk

The Group is exposed to foreign exchange risks arising from its exposure to currencies such as the Indonesian Rupiah and the Singapore Dollar. These foreign exchange risks arise primarily from the difference of currencies denominated in the Group's operating costs. We closely monitor the foreign exchange risk on an ongoing basis and may employ hedging instruments to manage the exposure should the need arise.

CORPORATE SOCIAL RESPONSIBILITY

At Halcyon Agri we recognise the nexus between good environmental, social and governance practices and a healthy sustainable business. 2012 has been a year where we have chartered our roadmap and commenced the journey towards our goal of being an exemplary leader in best practices within the sector. Our policy is to work with stakeholders including industry partners, adopting a proactive approach towards minimising the environmental impacts of our practices and processes and positively contributing towards the communities in which we operate.

Management Commitment

Our key management is committed towards a progressive implementation of Halcyon Agri's Corporate Social Resposibility ("CSR") initiatives. Currently, our production facilities are certified to ISO 9001. Our operations are compliant with the ISO 14001 Environmental Management System and the Group will conduct an external audit by mid-2013 to achieve certification to ISO 14001. Certification to OHSA 18000 for Occupational Health and Safety is also targeted to be obtained in 2013.

Stakeholder Engagement

The Group engages in regular dialogue with our customers, suppliers, workers and their families in order to understand and respond to their needs. Through regular participation in industry meetings organised by groups, such as the International Rubber Study Group ("IRSG") and GAPKINDO, Halcyon Agri is on the forefront of developments within the industry and understands the needs of our stakeholders.

Waste Reduction & Recycling

Initiatives to reduce, reuse, and recycle waste are a standard operational practice at our production sites. Production machinery is serviced on-site in order to prolong their operational lifespan. All scrap steel is recycled. Rubber debris collected from wet lines is donated to surrounding small enterprises that supply other manufacturers that make rubber products such as shoe soles and carpet backings.

Pollution Control

Production facilities utilise a chemical free active flow biological effluent treatment system. Discharged water is tested on a daily basis to ensure that effluent quality is well above legal compliance limits. We also recycle water to supplement operational usage and provide for the community's non-portable usage. Likewise, air emissions from our facilities are tested for compliance on a regular basis.

Process Efficiency

We continually seek to improve the efficiency of our processing methods through the modification and strict maintenance regime for our production machinery. This helps us to minimise the production cost of natural rubber products through resource savings. Existing heating systems are optimised to deliver maximum energy efficiency with monitoring and benchmarking of energy use as a standard practice. While we are currently engaged in expansion plans to boost production capacity, we are also conducting research to identify the best available technology to meet energy demands though a sustainable source with a low carbon footprint.

Social Investment

Recognising the importance and opportunities of creating a healthy social environment where our businesses operate, Halcyon Agri invests in its people by providing housing, places of worship, agricultural land, and food allowances for its staff. As an enrichment activity, we encourage sports and in 2012, trained a youth football team comprising children of our staff. The team participated in an international tournament in Singapore in 2012 and will continue to do so annually.

Sustainability Reporting

Halcyon Agri has already conducted a full sustainability assessment with an external consultant. The assessment was undertaken to provide some background and guidance on the commitment the Group has made to produce a Sustainability Report for the financial year 2012. The report will be published in mid-2013 and will be based on SGX Guidelines for Sustainability Reporting and those of the Global Reporting Initiative ("GRI").

CORPORATE SOCIAL RESPONSIBILITY

Environmental Key Performance Indicators ("KPIs")

Halcyon Agri continues rigorous monitoring of key aspects including energy and water use, as well as sources of pollution, with the objectives of continuous improvement, troubleshooting, benchmarking performance, costs savings, and contributing towards environmental performance.

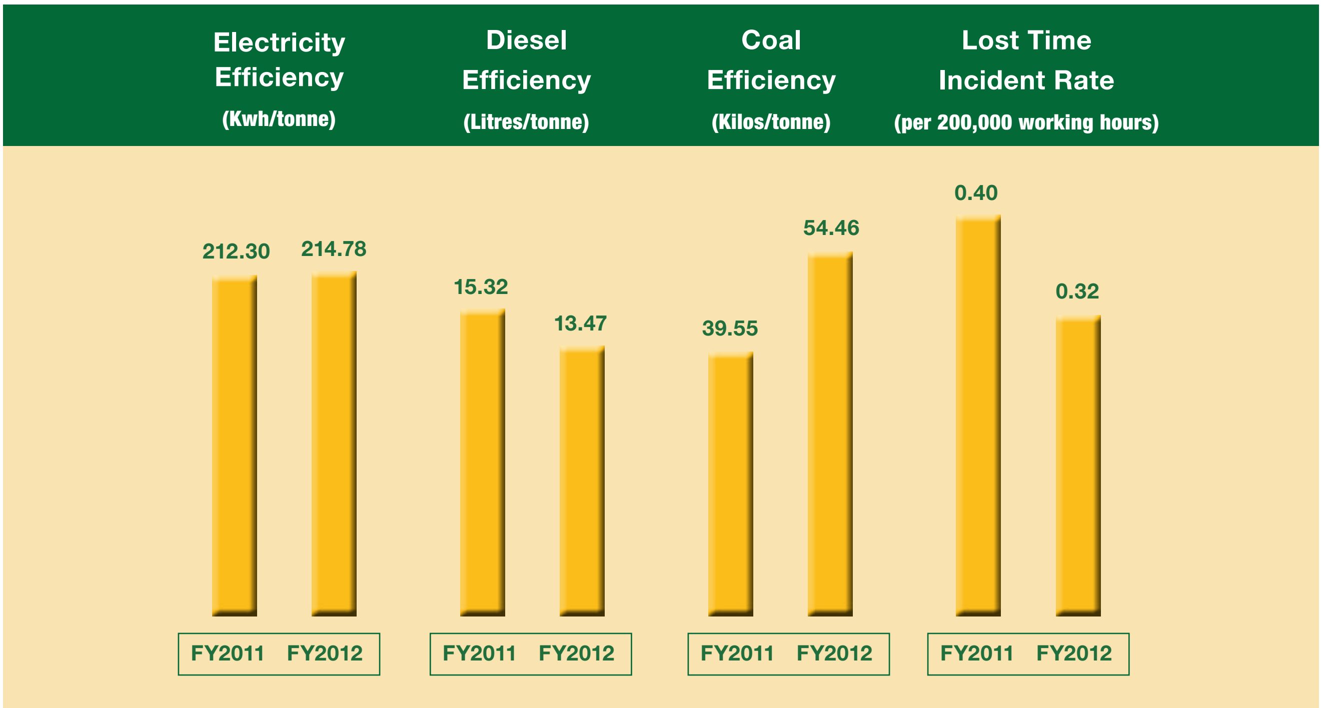
Relative to FY2011, FY2012 saw a slight decline in overall energy efficiency. Although efficiency in diesel usage improved significantly, this was offset by a drop in the efficiency of coal usage. One of the reasons for this is due to the servicing and shutdown of coal fuelled dryer lines in mid-2012, which meant greater use of mixed fuel lines, which still required coal to run at a passive background level.

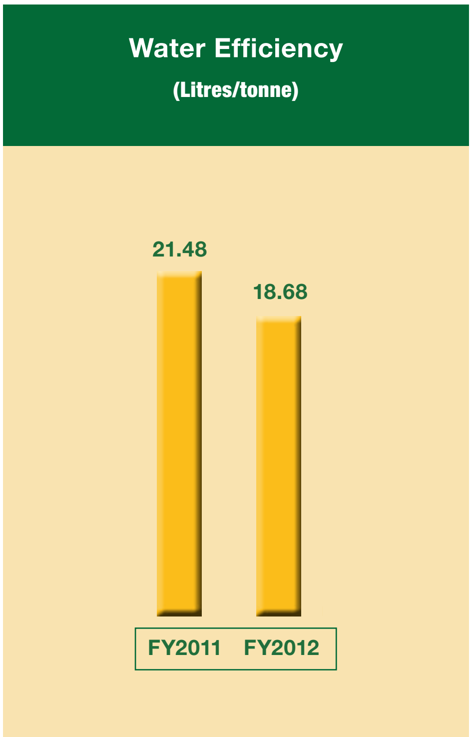
Although conservation efforts have led to an improvement in water usage, there has been a rise in key pollution indicators. This is mainly due to higher production volumes and occasional intake of dirty raw material. The Company is working closely with suppliers to boost greater consistency in raw material purchased. Peaks in effluent indicators have always remained well below legal limits with no non-compliance issues.

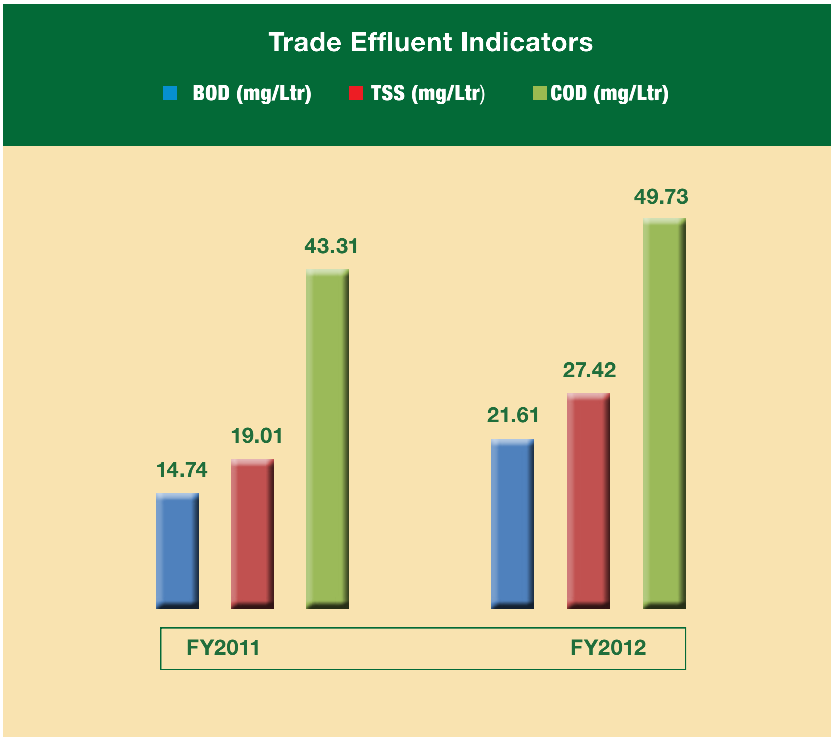
Health & Safety KPIs

Although health and safety incident rates have been historically low, FY2012 saw an improvement over the previous year. Nevertheless, the Group views any single incident as serious and will drive continuous improvement through employee education, upgrading, and better housekeeping. There were no work related fatalities during FY2012.

CORPORATE SOCIAL RESPONSIBILITY

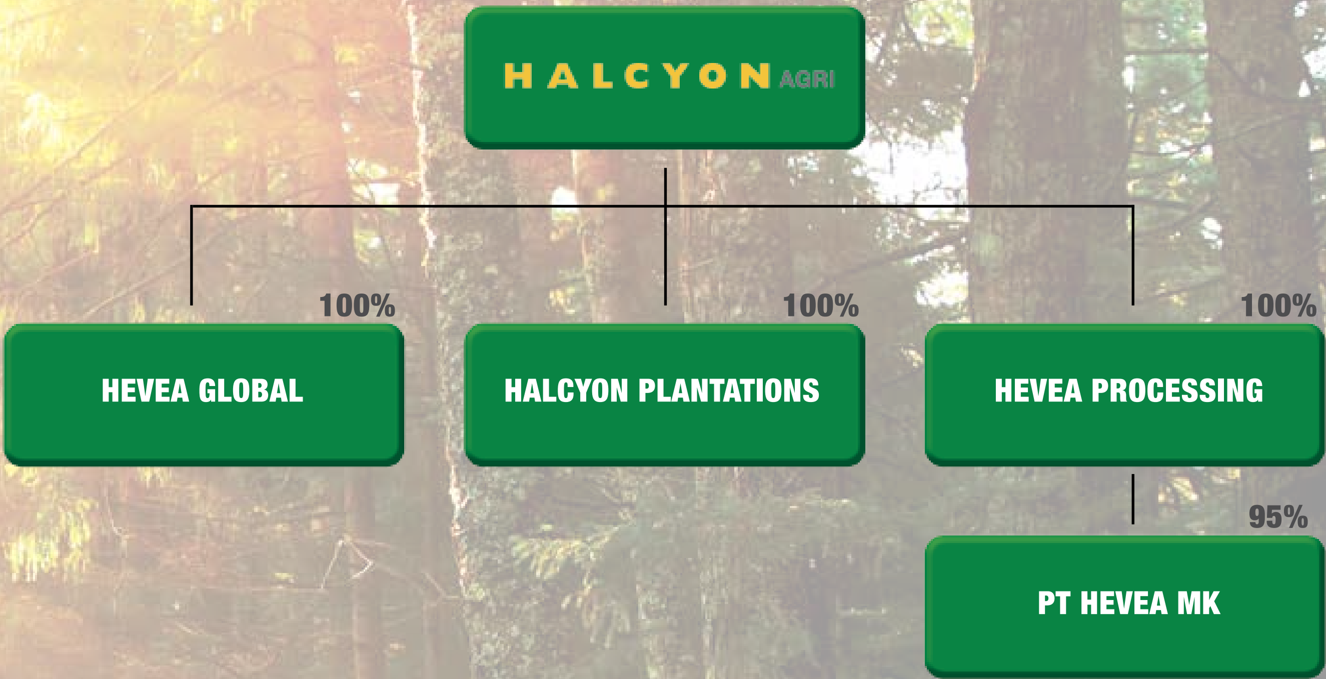






Biological Oxygen Demand (BOD)
Total Suspended Solids (TSS)
Chemical Oxygen Demand (COD)

CORPORATE STRUCTURE



CORPORATE INFORMATION

Board of Directors

Robert Meyer (Executive Chairman and CEO)
Alan Nisbet (Lead Independent Director)
Pascal Demierre (Non-Executive Director)
Randolph Khoo (Independent Director)

Audit Committee

Alan Nisbet (Chairman)
Pascal Demierre
Randolph Khoo

Remuneration Committee

Alan Nisbet (Chairman)
Pascal Demierre
Randolph Khoo

Nominating Committee

Randolph Khoo (Chairman)
Robert Meyer
Alan Nisbet

Company Secretary

Teo Meng Keong

Registered Office

250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101
Tel (65) 6734 7220
Fax (65) 6264 3783

Principal Place of Business

250 North Bridge Road
#12-01 Raffles City Tower
Singapore 179101
Tel (65) 6734 7220
Fax (65) 6264 3783

Share Registrar

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel (65) 6536 5355
Fax (65) 6536 1360

Auditors

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way Tower Two
#32-00
Singapore 068809

Partner-in-charge: Jeremy Toh Yew Kuan
(since financial year ended 31 December 2012)

Principal Bankers

CIMB Bank
Standard Chartered Bank

Catalist Sponsor

PrimePartners Corporate Finance Pte Ltd
20 Cecil Street
#21-02 Equity Plaza
Singapore 049705

CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

Halcyon Agri Corporation Limited (the "Company") is committed to achieving and maintaining high standards of corporate governance principles and processes in managing its business and affairs, so as to improve the performance, accountability, and transparency of the Company and its subsidiaries (collectively the "Group").

During the financial year under review, the Board of Directors of the Company (the "Board" or the "Directors") has reviewed its corporate governance practices and ensured that they are in compliance with the applicable provisions of the Code of Corporate Governance 2012 (the "2012 Singapore CG Code") issued by the Monetary Authority of Singapore and the Catalist Rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Catalist Rules"). Although the revised 2012 Singapore CG Code will only take effect in respect of annual reports for the financial year commencing from 1 November 2012, the Company has complied with its key guidelines and principles, where appropriate, for the purpose of enhancing its corporate governance practices and framework.

This corporate governance report sets out how the Company has applied the principles of good corporate governance in a disclosure-based regime where the accountability of the Board to the Company's shareholders and the management to the Board provides a framework for achieving a mutually beneficial tripartite relationship aimed at creating, enhancing and growing sustainable shareholders' value.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the corporate strategies of the Group and directions and goals for the management. The Board also supervises the management and monitors the management's performance against the goals set to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group.

Regular meetings are held by the Board to deliberate the strategic policies of the Company including significant acquisitions and disposals, review and approve annual budgets, review the performance of the business and approve the public release of periodic financial results. The Board has scheduled to meet at least four times a year and these meetings will coincide with the Group's quarterly financial results announcement. To ensure meetings are held regularly with maximum Directors' participation, the Company's Articles of Association (the "Articles") allow for the telephone conferencing meetings. The Board will also convene additional meetings for particular matters as and when they are deemed necessary.

The day-to-day management, administration and operation of the Group are delegated to the Executive Director and the Managing Directors of the Group. The Managing Directors do not sit on the Board. Each Managing Director of the Group has accumulated sufficient and valuable experience to hold his position in order to ensure that his/her duties can be carried out in an effective and efficient manner.

The Board has established an internal framework to ensure that the type of material transactions that require the Board's approval is consistently applied throughout the Group. Matters requiring Board's approval include:

i. Overall Group business and budget strategy;

ii. Capital expenditures, investments or divestments exceeding certain material limits;

iii. All capital-related matters including capital issuance and redemption;

iv. Significant policies governing the operations of the Company;

v. Corporate strategic development and restructuring;

vi. Material interested person transactions; and

vii. Risk management strategies.

For each newly appointed Director, he/she will receive a comprehensive and formal induction covering the Company's business operations, policy and procedures as well as the statutory and regulatory obligations of being a Director to ensure that he/she has a proper understanding of the Company and is fully aware of his/her responsibilities and obligations of being a Director. The Company will provide training for first-time Directors in areas such as accounting, legal and industry specific knowledge as appropriate and such training will be arranged and funded by the Company. For future appointments, the Company will also provide each newly appointed Director with a formal letter of appointment setting out the Director's duties and obligations.

All the Directors of the Company have prior experience as a Director of public listed companies in Singapore, except Mr. Alan Nisbet. Mr. Alan Nisbet has no prior experience as a Director of a public listed company in Singapore but has completed the Listed Company Director courses conducted by the Singapore Institute of Directors (the "SID") to prepare and familiarise himself with the roles and responsibilities of a Director of a listed company.

The Company is responsible for arranging and funding the training of Directors. Directors are regularly updated with the latest professional developments in relation to the Catalist Rules and other applicable regulatory updates or amendments to relevant laws, rules and regulations to ensure the compliance of the same by all Directors. In addition, the Directors have continuously participated in appropriate professional development activities such as attending internal sessions in relation to the corporate governance policies and reading materials in relation to the regulatory updates to develop and refresh their knowledge and skills.

The Board has formed specialised committees namely the Audit Committee (the "AC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC") (collectively the "Committees") to assist in carrying out and discharging its duties and responsibilities efficiently and effectively. The Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The Board also constantly reviews the effectiveness of each Committee.

As the Company was admitted to the Catalist Board of the SGX-ST only on 1 February 2013, no Board or Committee meetings were held during the financial year ended 31 December 2012.

While the Board considers Directors' attendance at Board meetings to be important, it is not the only criterion which the Board uses to measure Directors' contributions. The Board also takes into account the contributions by Board members in other forms including periodical reviews, provision of guidance and advice on various matters relating to the Group.

CORPORATE GOVERNANCE REPORT

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises four Directors: 1 Executive Director, 1 Non-Executive Director and 2 Independent Directors, which have the appropriate mix of core competencies and diversity of experience to direct and lead the Company. There is therefore a good balance between the executive and non-executive Directors, resulting in a strong and independent element on the Board. As at the date of this report, the Board comprises the following members:

Mr. Robert Meyer	(Executive Chairman and Chief Executive Officer)
Mr. Alan Nisbet	(Lead Independent Director)
Mr. Pascal Demierre	(Non-Executive Director)
Mr. Randolph Khoo	(Independent Director)

The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

The Board is of the view that the current board size is appropriate to effectively facilitate the operations of the Group, taking into account the nature and scope of the Company's operations. The Board believes that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. The NC is also of the view that the Board comprises persons who as a group provide capabilities required for the Board to be effective.

The Board at all times complied with the minimum requirements of the Catalist Rules relating to the appointment of at least two non-executive Directors who are independent, and also complied with Guideline 2.1 of the 2012 Singapore CG Code that at least one third of the Board comprises Independent Directors. Guideline 2.2 of the 2012 Singapore CG Code, which requires that the Independent Directors make up at least half of the Board in view that the Chairman and the CEO of the Company is the same person, is also satisfied. Furthermore, the Company has received from each of its Independent Directors, an annual confirmation of his independence pursuant to Guideline 2.3 of the 2012 Singapore CG Code.

The independence of each Director is also reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC has reviewed and determined that the said Directors are independent.

There is no relationship among members of the Board. Key information regarding the directors is given in the "Board of Directors" section on pages 10 to 11 of this annual report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the "Report of Directors" section on pages 43 to 45 of this annual report.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr. Robert Meyer has been the Executive Chairman and Chief Executive Officer ("CEO") of the Company since 1 January 2013. The Company has not adopted the recommendation of the 2012 Singapore CG Code to have different individuals appointed as the Chairman and the CEO. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure so as to ensure that the decision-making process of the Group would not be unnecessarily hindered as well as to ensure that the Group is able to grasp business opportunities efficiently and promptly.

Pursuant to Guideline 3.3(a) of the 2012 Singapore CG Code, Mr. Alan Nisbet has been appointed as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute balanced viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Chairman. He is available to shareholders where they have concerns for which contact through the normal channels of the Executive Chairman and CEO or chief financial officer has failed to resolve or is inappropriate.

Mr. Robert Meyer is in charge of the Group's overall strategic directions and manages the day-to-day business operations. He also ensures timeliness of information flow between the Board and management. He plays a vital role in developing the business of the Group and provides the Group with strong leadership and vision.

Major decisions made by the Executive Chairman and CEO are reviewed by the Board. His performance and re-appointment to the Board is reviewed by the NC and his remuneration package is reviewed by the RC. The AC, NC and RC comprise a majority of Independent Directors of the Company. As such, the Board believes that there are adequate safeguards in place to ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.

The Board has established a NC which comprises three members, a majority of whom including the chairman, are Independent Directors. The members of the NC are as follows:

Mr. Randolph Khoo	(Chairman)	Independent Director
Mr. Alan Nisbet	(Member)	Lead Independent Director
Mr. Robert Meyer	(Member)	Executive Chairman and CEO

The NC functions under the terms of reference, which sets out its responsibilities which include, *inter alia*:

(a) to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an Independent Director. All Directors shall be required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;

(b) to recommend to the Board the review of board succession plans for the Company's Directors, in particular, for the Chairman and the CEO;

(c) to determine annually whether or not a Director is independent;

(d) in respect of a director who has multiple board representations on various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards; and

(e) to decide how the performance of the Board, the Committees and Directors may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long terms shareholders' value.

The Company has in place policies and procedures for the appointment of new Directors to the Board, including a search and nomination process. The search for a suitable candidate is drawn from the contacts and networks of existing Directors. The NC can also approach relevant institutions such as the SID, professional organisations or business federations to source for a suitable candidate. New Directors are appointed by way of Directors' Resolutions, after the NC has reviewed and nominated them by taking into consideration the qualification and experience of each candidate, his/her ability to increase the effectiveness of the Board and to add value to the Group's business in line with its strategic objectives. The Articles have stated clearly the procedures for the appointment of new Directors, re-election and removal of Directors.

The Articles require one-third of the Board to retire from office by rotation at each annual general meeting ("AGM"). A retiring Director is eligible for re-election by the shareholders at the AGM. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The NC has recommended to the Board that Mr. Robert Meyer be re-elected at the forthcoming AGM. Mr. Robert Meyer will, upon re-election as a Director, remain as a member of the NC.

The Articles further provide that any Director appointed to fill a casual vacancy shall hold office only until the next AGM of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. The NC has recommended to the Board that Mr. Alan Nisbet and Mr. Randolph Khoo, who are due to retire pursuant to the aforesaid provision, be re-elected at the forthcoming AGM. Mr. Alan Nisbet will, upon re-election as a Director, remain as the Lead Independent Director of the Company, Chairman of the AC and RC and a member of the NC. Mr. Randolph Khoo will, upon re-election as Director of the Company, remain as the Chairman of the NC and a member of the AC and RC. Both Mr. Alan Nisbet and Mr. Randolph Khoo will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

In making the above recommendations, the NC has considered the respective Directors' overall contributions and performance. Mr. Robert Meyer, Mr. Alan Nisbet and Mr. Randolph Khoo have abstained from making any recommendations and/or participating in any deliberations of the NC in respect of the assessments of their own performance or re-nomination as a Director.

Key information regarding the Directors, including their present and past three years' directorships in other listed companies and other principal commitments are set out on pages 10 to 11 and below:

Director	Position	Date of Initial Appointment	Date of Last Re-election/ Re-appointment	Directorships in other listed companies	
				Current	Past three years
Mr. Robert Meyer	Executive Chairman and CEO	8 July 2010	30 June 2011	NH Ceramics Ltd	NA
Mr. Pascal Demierre	Non-Executive Director	8 July 2010	15 June 2012	The Hour Glass Limited	NA
Mr. Alan Nisbet	Lead Independent Director	7 January 2013	NA	NA	NA
Mr. Randolph Khoo	Independent Director	7 January 2013	NA	NA	Jubilee Industries Holdings Ltd.

NA – Not Applicable

Each member of the NC abstains from voting on any resolutions and making recommendation and/or participating in respect of matters in which he has an interest.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has established processes including taking into consideration the attendance record at the meetings of the Board and the Committees for monitoring and evaluating the performance of the Board as a whole and effectiveness and contribution of individual directors. At the same time, the processes also identify weaker areas where improvements can be made. The Board and individual Directors can direct more effort in those areas for achieving better performance of the Board and better effectiveness of individual Directors.

The NC has been tasked to propose objective performance criteria which are to be approved by the Board. The performance criteria shall allow comparison with industry peers, addressing how the Board has enhanced long-term shareholders' value and consideration of the Company's share price performance over a five-year period vis-a-vis a benchmark index of its industry peers. Other performance criteria that may be used include return on assets, return on equity, return on investment, economic value added and profitability on capital employed.

The NC, shall also review the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole.

Where a Director has multiple board representations, the NC will evaluate whether or not the Director is able to carry out and has been adequately carrying out his/her duties as a Director of the Company taking into consideration time and resources allocated to the affairs of the Company.

In addition, to address the competing time commitments that are faced by the Directors who serve on multiple boards of publicly listed companies, the Board has determined that the maximum number of board representations each Director is allowed to hold is as follows:

i. directorships without other executive roles – 6

ii. directorships with other executive roles – 4

As the Company was only listed on 1 February 2013 and other than disclosed herein, there was no other activity carried out by the NC.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

All Directors are furnished on an on-going basis with complete, adequate and timely information concerning the Company to enable them to be fully cognisant of the decisions and actions of the Company's executive management. The Board has unrestricted access to the Company's records and information.

The Board has separate and independent access to management and the Company Secretary at all times. Senior management are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings, or by external consultants engaged on specific projects.

The Company Secretary or his/her representative attends all Board meetings and meetings of the Committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also ensures that good information flows within the Board and its Committees and between management and the Independent Directors. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

To effect the best corporate governance, the Company has established a RC. The RC comprises three members, all of whom are Non-executive and the majority of whom are Independent Directors:

Mr. Alan Nisbet	(Chairman)	Lead Independent Director
Mr. Randolph Khoo	(Member)	Independent Director
Mr. Pascal Demierre	(Member)	Non-Executive Director

The RC recommends to the Board a framework of remuneration for the Directors and key management personnel, and determines specific remuneration package for each Executive Director as well as for the key management personnel. The recommendations will be submitted for endorsement by the Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits in kind, will be covered by the RC. The RC will also review annually the remuneration of employees related to the Directors 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. Each RC member will abstain from voting on any resolution in respect of his/her remuneration package or that of employees related to him/her.

The RC is responsible for the following:

(a) to recommend to the Board a framework of remuneration for the Directors and key management personnel, and to determine specific remuneration packages for each executive Director and the CEO (or executive of equivalent rank);

(b) in the case of service contracts, to consider what compensation commitments the Directors' or key management personnel' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of such long-term incentive schemes (if any) including share schemes as may be implemented, to consider whether Directors should be eligible for benefits under such long-term incentive schemes.

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary and ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. The expense of such services shall be borne by the Company.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC will take into consideration the pay and employment conditions within the industry and in comparable companies. The remuneration of Non-Executive Directors is also reviewed to ensure that the remuneration is commensurate with the contribution and responsibilities of the Non-Executive Directors.

The service contract with the Executive Chairman and CEO commenced on 1 January 2013, with a specific term of 3 years, renewable automatically for successive terms of three years, provided that the appointments may be terminated by the Company or respective Director with a written notice of not less than six months. There is no service contract with the Non-Executive Director, or the Independent Directors, and the term of their appointment is not fixed.

The Company will submit the quantum of Directors' fees of each financial each year to the shareholders for approval at each AGM.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: ***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

There was no payment of any Directors' remuneration or fees in the financial year ended 31 December 2012.

Mr. Robert Meyer and Mr. Pascal Demierre were not remunerated by the Company during the financial year ended 31 December 2012. The Independent Directors, Mr. Alan Nisbet and Mr. Randolph Khoo were appointed after the financial year ended 31 December 2012 and hence, were not remunerated during the aforesaid year.

The summary compensation table for the top five key management personnel (who are not Directors or the CEO) of the Group for the financial year ended 31 December 2012 is set out below:

Key Executives	**Position**
Mr. Leonard Beschizza	Managing Director
Mr. Andrew Trevatt	Managing Director
Mr. Ng Eng Kiat	Chief Financial Officer ("CFO")
Mr. Rachman Rachmadi	Head of Procurement
Mr. Alex Kurniawan Edy	Head of Production

Key Management Personnel	**Salary %**	**Bonus %**	**Benefits %**	**Total %**
Above S$750,000				
Mr. Leonard Beschizza	41	34	25	100
Mr. Andrew Trevatt	41	34	25	100
Below S$250,000				
Mr. Ng Eng Kiat(1)	NA	NA	NA	NA
Mr. Rachman Rachmadi	70	30	–	100
Mr. Alex Kurniawan Edy	67	33	–	100

NA – Not Applicable

(1) Mr. Ng Eng Kiat was appointed after the financial year ended 31 December 2012 and hence, was not remunerated during the aforesaid year.

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO) is S$2,134,000.

No employee of the Company and its subsidiaries was an immediate family member of a Director and/or the CEO whose remuneration exceeded S$50,000 during the financial year ended 31 December 2012.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Catalist Rules.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

Management provides the Board with updates covering operational performance, financial results, marketing and business development and other relevant information on a monthly basis and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospect.

The Board also acknowledges its responsibility for preparing the financial statements of the Group. The Board ensures that the preparation of the financial statements of the Group is in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in "The Independent Auditors' Report" section on pages 47 to 48 of this annual report.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objective.

The Group's system of internal controls plays a key role in the identification and management of risks that are significant to the achievement of the Group's business objectives. The process of business risk management has been integrated throughout the Group into the business planning and monitoring process. Management continuously evaluates and monitors the significant risks identified. The Board oversees Management in the design, implementation and monitoring of the risk management and internal control systems and reviews the overall risk management process to ensure that there are adequate controls and other processes in place to manage the significant risks identified.

The Board is responsible to ensure that a review of the adequacy and effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management, is conducted annually. In this respect, the AC will review the audit plans, and the findings of the external and internal auditors and report the AC's opinion to the Board, and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process. The Company will continue to make efforts in improving its internal control systems.

CORPORATE GOVERNANCE REPORT

Based on the professional report submitted by PricewaterhouseCoopers LLP on the internal procedures, the various management controls put in place by the Group, work performed by the external auditors and reviews performed by the management, Committees and the Board, the Board with the concurrence of the AC, are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2012, pursuant to Rule 1204(10) of the Catalist Rules.

Furthermore, the Board has also received assurance from the Executive Chairman and CEO, and CFO on the following:

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

(b) regarding the effectiveness of the Company's risk management and internal control systems.

However, it should be noted that, the internal controls system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement 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 notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error losses, fraud or other irregularities.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference, which clearly set out its authority and duties.

The Company has established the AC since January 2013 comprising the following three members, all of whom are Non-Executive and the majority of whom are Independent Directors:

Mr. Alan Nisbet	(Chairman)	Lead Independent Director
Mr. Randolph Khoo	(Member)	Independent Director
Mr. Pascal Demierre	(Member)	Non-Executive Director

All the members of the AC have had many years of experience in senior management positions in different sectors. The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions. The AC functions under written terms of reference, which sets out its responsibilities as follows:

i. review the audit plans and reports of our internal and external auditors;

ii. review the financial statements before submission to the Board for approval;

iii. review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

iv. review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal thereof;

v. review and reporting to the Board at least annually the effectiveness and adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls;

vi. review the interested person transactions (within the definition of the Catalist Rules) involving the Group in accordance with the Catalist Rules;

vii. review the effectiveness and adequacy of the internal accounting and financial control procedures;

viii. generally undertake such other functions and duties as may be required by the Catalist Rules;

ix. review and approve future hedging policy, instruments used for hedging and foreign exchange policy and practice of the Group (if it becomes applicable to the Group in the future); and

x. review the effectiveness of and consider the appointment and termination of our internal auditors.

As the Company was only listed on 1 February 2013 and other than disclosed herein and in the Offer Document dated 24 January 2013, there was no other activity carried out by the AC.

The AC has the power to conduct or authorise investigations into any matters within the AC's terms of reference. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting any resolutions in respect of matters he/she is interested in.

The AC has full access to and co-operation of management and has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

The AC will meet with both the external and internal auditors without the presence of management at least once a year.

The Company confirms that it has complied with Rules 712 and 715 of the Catalist Rules in engaging Deloitte & Touche LLP, registered with the Accounting and Corporate Regulatory Authority, Singapore, as the external auditors of the Company, and a member of the Deloitte & Touche LLP global network as the external auditors for its subsidiary in Indonesia. The AC reviews the scope and results of the external audit, and the independence of the external auditors annually. The AC, having reviewed the range and value of non-audit services performed by the external auditors, Deloitte & Touche LLP, was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Therefore, the AC recommends the re-appointment of Deloitte & Touche LLP as external auditors at the forthcoming AGM. There is no disagreement between the Board and AC regarding the selection, appointment, resignation or dismissal of the external auditors. During the financial year under review, the Group has paid an aggregate of US$77,000 (2011: US$77,000) to the external auditors for its audit services, and has paid an aggregate of US$11,000 (2011: US$11,000) to the external auditors for its other non-audit professional services.

The Company has in place a whistle-blowing framework for employees of the Group to raise concerns about any improprieties to the AC.

Internal Audit

Principle 13: ***The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.***

The Company has conducted a full review of its internal procedures in the fourth quarter of the financial year ended 31 December 2012 by PricewaterhouseCoopers LLP in accordance with standards set by internationally recognised professional bodies, and is currently implementing those suggestions or proposals raised. The AC is in the process of identifying and appointing an appropriate internal audit firm for the Company, to undertake regular and detailed internal audit procedures, and to report its findings to the AC accordingly.

The internal audit function of the Group will report primarily to the AC, but will also report administratively to the CEO. The primary functions of internal audit are to:

(a) assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and to ensure control procedures are complied with;

(b) assess if operations of the business processes under review are conducted efficiently and effectively; and

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

The AC has reviewed the professional report submitted by PricewaterhouseCoopers LLP on internal procedures, the external auditors' report and the internal controls in place, and is satisfied that there are adequate internal controls in the Company. The AC will review on an annual basis the adequacy and effectiveness of the internal audit function.

The AC is satisfied that the review of internal procedures of the Group performed by PricewaterhouseCoopers LLP as mentioned above has been adequately resourced and has appropriate standing within the Group. The AC is also of the view that the review of internal procedures of the Group performed by PricewaterhouseCoopers LLP is staffed with persons with the relevant qualifications and experience.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: ***Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update governance arrangement.***

The Company treats all shareholders fairly and equitably, and recognise, protect and facilitate the exercise of shareholders' right and continually review and update such governance arrangement.

The Company is committed to making timely, full and accurate disclosure to the shareholders and the public. All information on the Company's new initiatives which would be likely to materially affect the price or value of the Company's shares will be disseminated via SGXNET to ensure fair communication with shareholders.

Communication with Shareholders

Principle 15: ***Companies should actively engage their shareholders and put in place an investor relation policy to promote regular, effective and fair communication with shareholders.***

In line with the continuous obligations of the Company pursuant to the Catalist Rules, the Board's policy is that all shareholders be informed of all major developments that impact the Group. Information is disseminated to shareholders and investors on a timely basis through:

(a) SGXNET announcements and news release;

(b) Annual Report and Notice of AGM issued to all shareholders;

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

(d) Company's AGM; and

(e) Company's website at http://www.halcyonagri.com at which shareholders can access information on the Group.

In addition, the Company currently holds media/analyst briefings upon the release of its financial results.

The Company currently does not have a fixed dividend policy but the current intention is to pay a dividend of not less than 25% of the Group's net profits attributable to shareholders for the financial year ended 31 December 2012 and the financial year ended 31 December 2013, based on the recommendation of the Board.

For the current year under review, the Board has proposed the payment of Singapore Cents 1 (S$0.01) per share at the forthcoming AGM for shareholders' approval. Details of the proposed dividend are stated in the Notice of AGM attached to this Annual Report.

Conduct of Shareholder Meetings

Principle 16: ***Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.***

The Company's General Meetings (Annual General Meeting and/or Extraordinary General Meetings ("EGM")) are the principal forums for dialogue with shareholders. The Company's General Meetings will be attended by all Directors, including the Chairman of the Board. The Chairmen of the Committees are normally available at the meetings to answer any questions relating to the work of the Committees. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the AGM/EGM to ensure high level of accountability and to stay apprised of the Group's strategy and goals. Notice of the General Meetings will be advertised in newspapers and announced on SGXNET.

The Company's Articles allow a shareholder entitled to attend and vote to appoint not more than two proxies who need not be a shareholder of the Company, to attend and vote at the meetings. The Company ensures that there are separate resolutions at General Meetings on each distinct issue.

The proceeding of the General Meetings will be properly recorded, including all comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and management. All minutes of General Meetings will be opened for the inspection of shareholders within one month after the General Meetings upon request by any shareholder.

DEALING IN SECURITIES

In line with Rule 1204(19) of the Catalist Rules on dealings in securities, the Company has in place a policy prohibiting share dealings by Directors and employees of the Company during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters and one month before the announcement of the Company's full year financial statements, as the case may be, and ending on the date of the announcement of the relevant results or when in possession of price-sensitive information which is not available to the public. The Directors and employees of the Company are also discouraged from dealing in the Company's securities on short-term considerations. This has been made known to the Directors, officers and staff of the Company and the Group. They are also reminded to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transactions with an interested person (as defined in the Catalist Rules) and has established procedures for the review and approval of all interested person transactions entered into by the Group. The AC has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)
Halcyon Investment Corporation Pte. Ltd.[1]	S$1,200,000	NA*

NA – Not applicable

* The Group does not have a general mandate for recurring interested person transactions for FY2012.

(1) Halcyon Investment Corporation Pte. Ltd. owns approximately 34.76% of our Company through Halcyon Agri Resources Pte. Ltd., which is a controlling shareholder of the Company, and therefore, is an interested person pursuant to Chapter 9 of the Catalist Rules.

The details of the interested person transaction transacted during the financial year ended 31 December 2012 by the Group are as follows:

Management arrangement with Halcyon Investment Corporation Pte. Ltd.

Pursuant to a management agreement previously entered into between the Company and Halcyon Investment Corporation Pte. Ltd. on 1 April 2011 (the "MA"), the Company made monthly payments of S$100,000 to Halcyon Investment Corporation Pte. Ltd. for its business development and management services.

The services that Halcyon Investment Corporation Pte. Ltd. provided to the Company under the MA include the following:

(a) providing financial support services, including the preparation of financial projections, managing cash flow and treasury functions;

(b) supporting and assisting executive management;

(c) assisting with respect to human resource management;

(d) identifying and exploiting business opportunities; and

(e) providing market intelligence which support our Company's business planning.

The MA expired on 31 December 2012.

MATERIAL CONTRACTS

Save for the abovementioned MA, 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 the financial year ended 31 December 2012 or if not then subsisting, entered into since the end of the previous financial year.

UTILISATION OF INITIAL PUBLIC OFFERING ("IPO") PROCEEDS

The details of the utilisation of the net IPO proceeds are as shown below:

Description	**Proceeds raised (US$'000)**	**Amount utilised (US$'000)**	**Amount unutilised (US$'000)**
Expansion and upgrading of processing facilities	6,900	1,600	5,300
General working capital [1]	4,200	4,200	–
Total	11,100	5,800	5,300

(1) Amount for general working capital purposes has been fully utilised for the procurement of raw materials.

The application of the IPO proceeds is in accordance with the intended use of proceeds from the IPO as disclosed to the shareholders of the Company in the Offer Document dated 24 January 2013. The Company will make periodic announcements on the use of the balance of the net proceeds from the IPO as and when the funds are materially disbursed.

NON-SPONSORSHIP FEES

Non-sponsor services (as Sponsor to the Company's IPO) were rendered by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd., to the Group and their related fees for the financial year ended 31 December 2012 amounted to S$210,000.

REPORT OF THE DIRECTORS

For the financial year ended December 31, 2012

The directors present their report together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2012.

1 DIRECTORS

The directors of the company in office at the date of this report are:

Robert Meyer	
Alan Rupert Nisbet	(Appointed on January 7, 2013)
Pascal Demierre	
Randolph Khoo Boo Teck	(Appointed on January 7, 2013)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in name of director		Shareholdings in which directors are deemed to have an interest	
	Number of ordinary shares			
Name of director	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
The company				
Robert Meyer	–	2,000	1,000	1,500
Pascal Demierre	1,000	1,700	–	–
Andrew Trevatt (Resigned on January 7, 2013)	12,000	12,000	–	–
Leonard Beschizza (Resigned on January 7, 2013)	12,000	12,000	–	–

The directors' interests in the shares and options of the company at January 21, 2013 were the same at December 31, 2012.

REPORT OF THE DIRECTORS

For the financial year ended December 31, 2012

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of the related corporations.

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 Audit Committee of the company, consisting all non-executive directors, is chaired by Mr Alan Rupert Nisbet, an independent director, and includes Mr Randolph Khoo Boo Teck, an independent director and Mr Pascal Demierre. As the company is listed on the Catalist Board of the SGX-ST on February 1, 2013, the Audit Committee Meeting was not carried out in financial year 2012. The first Audit Committee Meeting was convened on February 27, 2013, whereby the Audit Committee members have reviewed the following:

(a) the audit plans and results of the internal auditors' examination and evaluation of the group's systems of internal accounting controls;

(b) the group's financial and operating results and accounting policies;

(c) the annual announcements as well as the related press releases on the results and financial position of the company and the group;

(d) the co-operation and assistance given by the management to the group's external auditors; and

(e) the re-appointment of the external auditors of the group.

6 AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the group at the forthcoming AGM of the company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Robert Meyer

Pascal Demierre

March 27, 2013

STATEMENT OF DIRECTORS

For the financial year ended December 31, 2012

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 49 to 87 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2012, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Robert Meyer

Pascal Demierre

March 27, 2013

INDEPENDENT AUDITORS' REPORT

For the financial year ended December 31, 2012

Report on the Financial Statements

We have audited the accompanying financial statements of Halcyon Agri Corporation Limited (the "company") and its subsidiaries (the "group") which comprise the statements of financial position of the group and the company as at December 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 87.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2012 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

For the financial year ended December 31, 2012

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
March 27, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended December 31, 2012

	Note	Group 2012 US$'000	Group 2011 US$'000
Revenue	6	222,009	231,355
Cost of sales		(202,049)	(221,322)
Gross profit		19,960	10,033
Other income	7	23	2,145
Selling expenses		(1,512)	(998)
Administrative expenses		(4,913)	(4,173)
Operating profit		13,558	7,007
Finance income		37	37
Finance costs	8	(2,126)	(2,274)
Profit before taxation		11,469	4,770
Income tax expense	9	(1,419)	(375)
Profit for the financial year	10	10,050	4,395
Profit attributable to:			
Owners of the company		9,869	4,395
Non-controlling interest		181	–
		10,050	4,395
Other comprehensive income			
Exchange differences on translation of foreign operations		(802)	(121)
Total comprehensive income for the financial year		9,248	4,274
Total comprehensive income attributable to:			
Owners of the company		9,067	4,274
Non-controlling interest		181	–
		9,248	4,274
Earnings before interest, tax, depreciation and amortisation	29	14,342	5,578
Earnings per share ("EPS"):			
Basic and diluted (dollars) [1]	30	80.24	35.73
Adjusted (cents) [2]	30	4.01	1.79

Notes

(1) The basic and diluted EPS have been computed based on profit attributable to owners of the company and the company's share capital of 123,000 shares.

(2) On January 31, 2013, the company has completed its placement of shares with Catalist Board of the SGX-ST and for comparative purposes, the adjusted EPS have been computed based on profit attributable to owners of the company and the pre-placement share capital of 246,000,000 shares (Note 33).

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

For the financial year ended December 31, 2012

	Note	Group 2012 US$'000	Group 2011 US$'000	Company 2012 US$'000	Company 2011 US$'000
ASSETS					
Non-current assets					
Intangible assets	11	10,000	10,000	–	–
Property, plant and equipment	12	10,922	11,963	–	–
Investment in subsidiaries	13	–	–	16,000	16,000
Deferred charges		202	251	–	–
Deferred tax assets	14	156	46	–	–
Total non-current assets		21,280	22,260	16,000	16,000
Current assets					
Cash and bank balances	15	11,866	8,406	467	42
Trade receivables	16	6,816	10,611	–	–
Other receivables	17	1,131	1,512	15,956	15,087
Derivative financial instruments	18	718	3,067	–	–
Inventories	19	20,298	11,230	–	–
Total current assets		40,829	34,826	16,423	15,129
Total assets		62,109	57,086	32,423	31,129
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	18	977	1,282	–	–
Trade payables	20	1,626	33	–	–
Other payables	21	3,028	7,318	13,532	5,711
Loan payables	22	28,110	22,329	8,301	5,000
Provision for taxation		982	205	27	–
Total current liabilities		34,723	31,167	21,860	10,711
Net current assets (liabilities)		6,106	3,659	(5,437)	4,418
Non-current liabilities					
Loan payables	22	–	8,500	–	8,500
Retirement benefit obligations	23	529	222	–	–
Deferred tax liabilities	14	587	175	–	–
Total non-current liabilities		1,116	8,897	–	8,500
Net assets		26,270	17,022	10,563	11,918
Capital and reserves					
Share capital	24	12,500	12,500	12,500	12,500
Capital reserves	25	143	143	–	–
Accumulated profits (losses)		14,372	4,503	(1,937)	(582)
Foreign currency translation reserve		(926)	(124)	–	–
Equity attributable to owners of the company		26,089	17,022	10,563	11,918
Non-controlling interest		181	–	–	–
Total equity		26,270	17,022	10,563	11,918
Total liabilities and equity		62,109	57,086	32,423	31,129

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended December 31, 2012

	Note	Share capital US$'000	Capital reserves US$'000	Accumulated profits (losses) US$'000	Foreign currency translation reserves US$'000	Non-controlling interest US$'000	Total US$'000
Group							
Balance at January 1, 2011		7,000	143	108	(3)	–	7,248
Issue of share capital	24	5,500	–	–	–	–	5,500
Total comprehensive income (loss) for the year		–	–	4,395	(121)	–	4,274
Balance at December 31, 2011		12,500	143	4,503	(124)	–	17,022
Total comprehensive income (loss) for the year		–	–	9,869	(802)	181	9,248
Balance at December 31, 2012		12,500	143	14,372	(926)	181	26,270
Company							
Balance at January 1, 2011		7,000	–	(3)	–	–	6,997
Issue of share capital	24	5,500	–	–	–	–	5,500
Total comprehensive loss for the year		–	–	(579)	–	–	(579)
Balance at December 31, 2011		12,500	–	(582)	–	–	11,918
Total comprehensive loss for the year		–	–	(1,355)	–	–	(1,355)
Balance as December 31, 2012		12,500	–	(1,937)	–	–	10,563

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended December 31, 2012

	Note	2012 US$'000	2011 US$'000
Operating activities			
Profit before income tax		11,469	4,770
Adjustments for:			
Negative goodwill arising on acquisition		–	(2,145)
Depreciation expense		784	716
Retirement benefit expense		329	230
Interest income		(37)	(37)
Interest expense		2,126	2,274
Fair value (gain) loss on open forward commodities contracts, unrealised		(1,369)	805
Operating profit before working capital changes		13,302	6,613
Trade receivables		3,795	(3,550)
Other receivables and deferred charges		36	1,026
Inventories		(5,654)	(5,221)
Trade payables		1,593	(6,877)
Other payables		(4,346)	5,686
Retirement benefit obligation		–	(7)
Cash from (used in) operations		8,726	(2,330)
Interest received		37	37
Interest paid		(1,053)	(1,455)
Tax paid		(255)	(41)
Net cash from (used in) operating activities		7,455	(3,789)
Investing activities			
Acquisition of intangible asset		–	(9,220)
Purchase of property, plant and equipment		(507)	(10,806)
Net cash used in investing activities		(507)	(20,026)
Financing activities			
Proceeds from issuance of shares		–	5,500
Pledged deposits	15	1,500	(4,009)
Proceeds from term loans		–	16,500
Repayment of term loans		(5,199)	(3,000)
Interest paid on term loans		(621)	(731)
Net proceeds of working capital loans		2,480	9,717
Net cash (used in) from financing activities		(1,840)	23,977
Net increase in cash and cash equivalents		5,108	162
Cash and cash equivalents at the beginning of year		3,897	3,479
Effect of exchange rate changes on the balance of cash held in foreign currencies		(148)	256
Cash and cash equivalents at the end of year	15	8,857	3,897

See accompanying notes to financial statements.

1 GENERAL

The company (Registration No. 200504595D) is incorporated in Singapore, with its principal place of business and registered office at 250 North Bridge Road, Raffles City Tower, #12-01, Singapore 179101.

The principal activity of the company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the year ended December 31, 2012 were authorised for issue by the Board of Directors on March 27, 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2012, the group has adopted all the new and revised FRSs and Interpretations of FRS (“INT FRS”) that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group’s and company’s accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

Amendments to FRS 1	-	*Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)*
Amendments to FRS 19	-	*Employee Benefits*
FRS 110	-	*Consolidated Financial Statements*
FRS 112	-	*Disclosure of Interests in Other Entities*
FRS 113	-	*Fair Value Measurement*

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the 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 interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits respectively*;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment at the acquisition date*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVESTMENT IN SUBSIDIARIES - In the company's financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". These are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividends or interest earned on the financial asset. Fair value is determined in the manner described in Note 4 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade or other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Interest-bearing bank and other borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to commodity price risk, including forward commodity (natural rubber) contracts. Details of derivative financial instruments are disclosed in Note 18 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

INVENTORIES - Inventories except consumables are carried at the fair market value at the end of each reporting period. The resulting unrealised gain or loss is recognised in profit or loss. 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.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Depreciation is charged so as to write off the cost of equipment over their estimated useful lives, using the straight-line method, on the following bases:

Office equipment	-	2 years
Leasehold improvements and renovation	-	10 years
Computers and software	-	1 to 5 years
Leasehold buildings	-	20 years
Plant and machinery	-	10 years
Vehicles	-	4 to 10 years

Fully depreciated assets still in use are retained in the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS - Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the group reviews the carrying amounts of assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 the group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of these cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset as if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from rendering of services is recognised upon completion of the service.

Physical sale of commodities is recognised as revenue when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transaction (including future cost) can be measured reliably.

Commodity contracts to buy and sell 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.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. 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. Actuarial gains and losses that exceed 10% of the greater of the present value of the group's defined benefit obligation and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are presented in United States dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies are recorded at the rates prevailing on the date of the transaction. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the statement of cash flows comprise cash and bank balances that are subject to an insignificant risk of changes in value less pledged deposits.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies which are described in Note 2 above, the management is of the opinion that any instances of application of judgement are not expected to have significant effect on the amounts recognised in the financial statements.

(ii) 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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the intangible asset. The value in use calculation requires the group to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. The group's carrying amount of intangible asset at December 31, 2012 is US$10,000,000 (2011 : US$10,000,000) (Note 11).

Useful life of intangible asset

Management reviews the estimated useful life of intangible asset at the end of each annual reporting period to determine whether events and circumstances continue to support an indefinite useful life. The group's carrying amount of intangible asset at December 31, 2012 is US$10,000,000 (2011 : US$10,000,000) (Note 11).

Useful lives of property, plant and equipment

As described in Note 2, the group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The group's carrying amount of property, plant and equipment at December 31, 2012 is US$10,922,000 (2011 : US$11,963,000) (Note 12).

4 FINANCIAL RISKS AND MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	19,722	20,150	16,172	14,785
Derivative financial instruments	718	3,067	–	–
Financial liabilities				
Amortised cost	32,764	38,180	21,833	19,211
Derivative financial instruments	977	1,282	–	–

(b) Financial risk management policies and objectives

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 of 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 exchange risk management

As disclosed in Note 2 of the financial statements, the functional currency of the company is the United States dollars.

As at the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2012	2011	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Singapore dollars	801	–	390	232	753	–	107	15
Indonesian rupiah	1,517	6,049	4,338	6,394	–	–	–	–

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% 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 10% 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 10% against the functional currency of each group entity, profit or loss will increase (decrease) by:

	Singapore dollar impact		Indonesian Rupiah	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Group				
Profit or loss	(41)	23	282	34
Company				
Profit or loss	(65)	2	–	–

(ii) Interest rate risk management

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 both derivatives and 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 profit would decrease/increase by US$141,000 (2011 : US$154,000). This is mainly attributable to the group's exposure to interest rates on its balance due to the bank and financial institutions.

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

(iii) Credit risk management

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. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. 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.

Further details of credit risks on trade receivables are disclosed in Note 16 to the financial statements.

(iv) Liquidity risk

The group maintains sufficient liquidity at all times by efficient cash management. The group's ability to meet its obligations is managed by maintaining appropriate level of cash balance.

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. 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 table includes both interest and principal cash flows.

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

(iv) Liquidity risk (cont'd)

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total US$'000
Group				
2012				
Non-interest bearing	–	4,654	–	4,654
Variable interest rate instruments	4.48	19,809	–	19,809
Fixed interest rate instruments	7.5	8,301	–	8,301
		32,764	–	32,764
2011				
Non-interest bearing	–	7,351	–	7,351
Variable interest rate instruments	5.45	22,329	8,500	30,829
		29,680	8,500	38,180
Company				
2012				
Non-interest bearing	–	13,532	–	13,532
Fixed interest rate instruments	7.5	8,301	–	8,301
		21,833	–	21,833
2011				
Non-interest bearing	–	5,711	–	5,711
Variable interest rate instruments	5.45	5,000	8,500	13,500
		10,711	8,500	19,211

Non-derivative financial assets

The group's and company's financial assets are substantially non-interest bearing and due within 1 year.

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table 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.

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

(iv) Liquidity risk (cont'd)

	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total US$'000
2012			
Gross settlement:			
Forward commodity (natural rubber) contracts	(259)	–	(259)
2011			
Gross settlement:			
Forward commodity (natural rubber) contracts	1,785	–	1,785

(v) Commodity price risk

Due to the nature of the group's operations, the group is exposed to changes in agricultural commodity prices. At the end of the reporting period, a 5% increase/decrease of the commodities price index, with all other variables held constant, would have increased/decreased profit or loss before income tax by US$29,000 (2011 : US$63,000).

(vi) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments or the fact that they bear variable interest rates.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, the company uses valuation models to determine the fair values based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and commodity exchange price quotations and dealer quotations for similar commodities traded in different markets and geographical areas, existing at the end of the reporting period.

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

(vi) Fair values of financial assets and financial liabilities (cont'd)

Financial instruments measured at fair value

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Financial assets				
2012				
Derivative financial instruments	718	–	–	718
2011				
Derivative financial instruments	3,067	–	–	3,067
Financial liabilities				
2012				
Derivative financial instruments	977	–	–	977
2011				
Derivative financial instruments	1,282	–	–	1,282

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2011 and 2012.

(c) Capital risk management policies and objectives

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, and to ensure that all externally imposed capital requirements are complied with. The capital structure of the group comprises only of issued capital and retained earnings.

The group's overall strategy remains unchanged from 2011.

5 RELATED PARTY TRANSACTIONS

Some of the company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

During the year, group entities entered into the following trading transactions with related parties:

	2012 US$'000	2011 US$'000
Management fees paid/payable to a related party	1,026	883

5 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management personnel during the year was as follows:

	2012 US$'000	2011 US$'000
Short-term benefits	1,692	1,474

6 REVENUE

	Group	
	2012 US$'000	2011 US$'000
Sales of natural rubber	220,640	227,197
Fair value gain (loss) on open forward commodity contracts, unrealised	1,369	(805)
Service fee income	–	4,963
	222,009	231,355

7 OTHER INCOME

	Group	
	2012 US$'000	2011 US$'000
Negative goodwill arising on acquisition (Note 27)	–	2,145
Others	23	–
	23	2,145

8 FINANCE COSTS

	Group	
	2012 US$'000	2011 US$'000
Interest expenses on:		
- Working capital loans	1,009	1,352
- Term loans (1)	1,117	922
	2,126	2,274

(1) Included in interest expenses on term loans is a non-recurring amortisation of a prepaid facility fee amounting to US$200,000, as a result of the term loan refinancing in November 2012.

9 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

	Group 2012 US$'000	Group 2011 US$'000
Current tax expense	1,104	245
Deferred tax expense relating to the origination and reversal of temporary differences (Note 14)	315	130
	1,419	375

Domestic income tax is calculated at 17% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	Group 2012 US$'000	Group 2011 US$'000
Profit before tax	11,469	4,770
Tax at the domestic income tax rate of 17% (2011 : 17%)	1,950	811
Effect of non-deductible expenses	299	131
Effect of non-taxable income	(233)	(543)
Effect of tax exempt income	(42)	(21)
Effect of different tax rates of subsidiary operating in other jurisdiction	188	163
Utilisation of previously unrecognised tax losses	–	(75)
Additional tax allowance from Productivity and Innovation Credit	(39)	(48)
Effect of tax incentive at lower rate	(642)	(59)
Others	(62)	16
Income tax expense recognised in profit or loss	1,419	375

10 PROFIT FOR THE FINANCIAL YEAR

		Group	
		2012	2011
		US$'000	US$'000
(a)	Profit for the year has been arrived at after crediting/(charging):		
	Depreciation		
	- Cost of sales	568	653
	- Administrative expenses	216	63
		784	716
	Professional fees		
	- Start up costs	–	665
	- Others	160	91
	Directors' remuneration (Note 5)	1,233	1,193
	Audit fees		
	- paid to auditors of the company	65	65
	- paid to other auditors	12	12
	Non-audit fees		
	- paid to auditors of the company	7	7
	- paid to other auditors	4	4
	Initial public offering fee	760	–
	Foreign exchange (gain) loss	(42)	83
	Management fees (Note 5)	1,026	883
	Rental expenses	121	124
	Export related expenses	476	208
	Warehouse management expenses	246	152
	Insurance	209	120
	Cost of inventories recognised as expense	(202,049)	(221,322)

Included in cost of inventories recognised as expense are:

- Cost of raw materials amounting to US$194,351,000 as at December 31, 2012 (December 31, 2011 : US$209,876,000); and

- Service charge by a service provider, for the processing and exporting of the Group's products, amounting to US$ Nil as at December 31, 2012 and US$6,049,000 as at December 31, 2011.

10 PROFIT FOR THE FINANCIAL YEAR (cont'd)

		Group	
		2012	2011
		US$'000	US$'000
(b)	Employee benefits expenses (including directors' remuneration)		
	- Defined benefit plan	329	230
	- Defined contribution plans	51	41
	- Staff welfare	70	33
	- Staff salaries	5,290	3,611
		5,740	3,915
	Included in:		
	- Cost of sales	2,572	1,591
	- Selling expenses	1,080	790
	- Administrative expenses	2,088	1,534
		5,740	3,915

11 INTANGIBLE ASSET

Intangible asset relates to process know-how on the production of a certain grade of rubber. The intangible asset has indefinite life and is tested annually for impairment or more frequently if there are indications that the intangible asset may be impaired.

The recoverable amount of the intangible asset is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the intangible asset. The growth rates are based on industry research and do not exceed the long term average growth rate of the industry. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flows forecasts derived from the most recent approved financial budgets for the next 3 years and extrapolates cash flows for the following 20 years based on an estimated growth rate of Nil % (2011 : Nil%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 10.7% (2011 : 10.7%).

At December 31, 2012, the recoverable amount of the intangible asset is in excess of their respective carrying amounts. Therefore, no impairment loss is required for the year.

Directors believe that any reasonably possible change in any of these key assumptions would not significantly cause the carrying amount to exceed the recoverable amount of the intangible asset.

12 PROPERTY, PLANT AND EQUIPMENT

	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	Land US$'000	Asset under construction US$'000	Total US$'000
Cost:									
At January 1, 2011	98	12	3	–	–	–	–	–	113
Additions	1,074	36	173	3,450	2,738	1,195	4,192	93	12,951
Exchange differences	(33)	(1)	–	(108)	(86)	(37)	(131)	(3)	(399)
At December 31, 2011	1,139	47	176	3,342	2,652	1,158	4,061	90	12,665
Additions	11	119	99	10	–	129	–	139	507
Reclassification	(60)	–	–	60	–	–	–	–	–
Disposal	–	–	–	–	–	(73)	–	–	(73)
Exchange differences	(65)	(5)	–	(210)	(165)	(74)	(253)	(9)	(781)
At December 31, 2012	1,025	161	275	3,202	2,487	1,140	3,808	220	12,318
Accumulated depreciation:									
At January 1, 2011	4	1	1	–	–	–	–	–	6
Depreciation charged	109	14	45	160	247	141	–	–	716
Exchange differences	(3)	–	–	(5)	(8)	(4)	–	–	(20)
At December 31, 2011	110	15	46	155	239	137	–	–	702
Depreciation charged	127	39	48	164	256	150	–	–	784
Disposal	–	–	–	–	–	(32)	–	–	(32)
Exchange differences	(8)	(2)	–	(14)	(22)	(12)	–	–	(58)
At December 31, 2012	229	52	94	305	473	243	–	–	1,396
Carrying amount:									
As at December 31, 2011	1,029	32	130	3,187	2,413	1,021	4,061	90	11,963
As at December 31, 2012	796	109	181	2,897	2,014	897	3,808	220	10,922

The group's property, plant and equipment have been pledged to a bank for general banking facilities (Note 22), with a carrying value of US$10,706,000 (2011 : US$11,697,000).

13 SUBSIDIARIES

	2012 US$'000	2011 US$'000
Unquoted equity shares, at cost	16,000	16,000

Details of the company's subsidiaries at December 31, 2012 are as follows:

Name of subsidiary	Country of Incorporation (or registration)	Proportion of ownership interest		Principal activity
		% 2012	% 2011	
Hevea Global Pte Ltd (1)	Singapore	100	100	Commodities trading
Hevea Processing Pte Ltd (1)	Singapore	100	100	Investment holding
Halcyon Plantation Pte Ltd (2)	Singapore	100	100	Natural rubber
Subsidiary of Hevea Processing Pte Ltd				
PT Hevea MK (3)	Indonesia	95	95	Natural rubber processing

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Dormant during the year.

(3) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

14 DEFERRED TAX

	Group	
	2012 US$'000	2011 US$'000
Deferred tax assets	156	46
Deferred tax liabilities	(587)	(175)
	(431)	(129)

14 DEFERRED TAX (cont'd)

The following are the major deferred tax liabilities and assets recognised by the group, and the movements thereon, during the year:

	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
As January 1, 2012	(157)	28	(129)
Charge to profit or loss for the year (Note 9)	(519)	204	(315)
Exchange differences	(56)	69	13
As December 31, 2012	(732)	301	(431)

15 CASH AND BANK BALANCES

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Cash at bank	8,857	3,897	467	42
Fixed deposits – pledged	3,009	4,509	–	–
	11,866	8,406	467	42

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 bear average effective interest rate of 0.21% (2011 : 0.66%) per annum and are for a tenure of approximately 365 days.

Cash and bank balances of US$3,009,000 (2011 : US$4,509,000) have been pledged for general banking facilities.

The group's and company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Singapore dollars	179	167	71	15
Indonesian rupiah	3,762	1,171	–	–

16 TRADE RECEIVABLES

	Group	
	2012	2011
	US$'000	US$'000
Outside parties	6,816	10,611

The average payment period on sale of goods ranges from 2 days to 15 days from the delivery of goods to customers. No interest is charged on the trade receivables.

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was granted up to the end of the reporting period. Accordingly, management believes that there is no allowance for doubtful debts required.

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

	Group	
	2012	2011
	US$'000	US$'000
Not past due and not impaired	6,816	5,389
Past due but not impaired	–	5,222
	6,816	10,611
Aging of receivables that are past due but not impaired:		
< 3 months	–	5,222

The group's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	2012	2011
	US$'000	US$'000
Indonesian rupiah	–	5,222

17 OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Other receivables	714	4	12	–
Deposits	76	1,130	25	1,000
Prepayments	341	378	250	344
Due from a subsidiary	–	–	15,669	13,743
	1,131	1,512	15,956	15,087

17 OTHER RECEIVABLES (cont'd)

Amount due from a subsidiary is unsecured, interest-free and repayable on demand.

Included in deposits is an amount of US$Nil (2011 : US$1,000,000) which has been deposited with a bank as collateral for a term loan.

The group's and company's other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	211	65	36	–
Indonesian rupiah	576	1	–	–

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2012		2011	
	US$'000	US$'000	US$'000	US$'000
	Assets	Liabilities	Assets	Liabilities
Forward commodity (natural rubber) contracts	718	(977)	3,067	(1,282)

The group utilises forward commodity (natural rubber) contracts to manage the fluctuations in world rubber prices.

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	
	2012	2011	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward contracts on commodities:						
- Sales	26,785	35,645	–	3,067	(977)	–
- Purchases	24,551	28,409	718	–	–	(1,282)
			718	3,067	(977)	(1,282)

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

19 INVENTORIES

	Group	
	2012	2011
	US$'000	US$'000
At cost:		
- Consumables	1,100	456
At fair value:		
- Raw materials	8,555	2,724
- Work-in-progress	5,047	4,291
- Finished goods held for resale	5,596	3,759
	20,298	11,230

The inventories as at the end of the reporting period in 2012 and 2011 includes fair value adjustments of US$1,915,000 and US$1,526,000 respectively.

Inventories with carrying amounts of US$19,198,000 (2011 : US$10,774,000) have been pledged as security for a trade financing facility recorded as loan payables in Note 22.

20 TRADE PAYABLES

	Group	
	2012	2011
	US$'000	US$'000
Outside parties	1,626	33

The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables.

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs.

21 OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Outside parties	2,685	7,081	511	299
Other taxes payable	343	122	272	–
Due to:				
Subsidiary (Note 5)	–	–	12,749	5,297
Related party	–	115	–	115
	3,028	7,318	13,532	5,711

21 OTHER PAYABLES (cont'd)

The group's and company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Indonesian rupiah	1,517	6,049	–	–
Singapore dollars	801	–	753	–

22 LOAN PAYABLES

	Group		Company	
	2012	2011	2012	2011
	US$'000	US$'000	US$'000	US$'000
Loan payables:				
Working capital loans	19,809	17,329	–	–
Term loan	8,301	13,500	8,301	13,500
	28,110	30,829	8,301	13,500
Less: Amount due for settlement within 12 months (shown under current liabilities)	(28,110)	(22,329)	(8,301)	(5,000)
Amount due for settlement after 12 months	–	8,500	–	8,500

Working capital loans bear average interest rates ranging from 2.51% to 3.54% (December 31, 2011 : 3.93% to 7.00%) per annum. These loans are secured by a charge over certain of the group's inventories (Note 19) and pledged deposits (Note 15).

In 2011, term loan bore average interest at 5.45% per annum and are secured by a charge over certain of the group's property, plant and equipment (Note 12).

In November 2012, the group entered into a loan agreement with a financial institution ("Lender") to refinance its existing term loan, which has an outstanding balance of US$8,500,000 as at the date of the refinancing. Under the refinancing agreement, the group is required to pay US$250,000 per month for 12 months with the remaining amount fully paid by December 31, 2013 ("Maturity Date"). The lender has the option to extend the Maturity Date for another 1 year period or such other conditions mutually agreed between the Lender and the group. The term loan bears interest at 7.5% per annum and is secured by a charge over certain of the group's property, plant and equipment.

The directors are of the view that the carrying amounts of loan payables approximate their fair values.

23 RETIREMENT BENEFIT OBLIGATIONS

In 2011, the group started to provide defined post-employment benefits for its qualifying employees in accordance with Indonesia Labor Law No. 13/2003. The number of employees entitled to the benefits is 591 (2011: 595)

Amount recognised in the statement of comprehensive income with respect to these post-employment benefits are as follows:

	Group	
	2012	**2011**
	US$'000	**US$'000**
Current service cost	329	230

The amounts included in the statement of financial position arising from the group's obligation with respect to these post-employment benefits are as follows:

	Group	
	2012	**2011**
	US$'000	**US$'000**
At beginning of the period	222	–
Present value of defined benefits obligation	329	230
Unrecognised actuarial gain	(22)	(8)
Net liability	529	222

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

		2012	**2011**
Discount rate	:	6.00%	7.00%
Future salary increment rate	:	10.00%	10.00%
Mortality rate	:	100.00%	100.00%
Disability rate	:	5.00%	5.00%
Resignation rate	:	2.5% per annum until age 35, then decrease linearly until 0% at age 55	
Normal retirement rate	:	100.00%	100.00%

24 SHARE CAPITAL

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares		US$'000	US$'000
Issued and paid up:				
At beginning of year	123,000	105,000	12,500	7,000
Issue of share capital	–	18,000	–	5,500
At end of year	123,000	123,000	12,500	12,500

The company has one class of ordinary share which has no par value, carry one vote per share and carry a right to dividends as and when declared by the company.

25 CAPITAL RESERVES

In 2010, there was a restructuring involving a swap of the company's shares with the shares of a subsidiary held by the shareholders. The excess of the 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 is recorded in capital reserves.

26 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

On February 1, 2011, the group acquired a business comprising mainly property, plant and equipment for a cash consideration of US$10 million. This transaction has been accounted for in accordance with FRS 103 Business Combinations.

A) Assets acquired and liabilities assumed at the date of acquisition

	2011 US$'000
Non-current assets	
Property, plant and equipment, representing total net assets acquired	12,145

B) Negative goodwill arising on acquisition

	2011 US$'000
Consideration paid	10,000
Less: Fair value of identifiable net assets acquired	(12,145)
Negative goodwill arising on acquisition	(2,145)

Negative goodwill arose in the acquisition of the assets as the fair value of the plant and machinery acquired were in excess of the consideration.

26 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT (cont'd)

C) Impact of acquisition on the results of the group

In 2011, included in the profit for the year and revenue is US$2,003,000 and US$4,963,000 attributable to the additional business generated by the acquisition of the abovementioned property, plant and equipment.

Had the business combination during the year been effected at January 1, 2011, the financial statements of the group would have been similar to what was presented in the consolidated financial statements.

27 OPERATING LEASE COMMITMENTS

	Group	
	2012	2011
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense during the year/period	128	124

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2012	2011
	US$'000	US$'000
Within one	83	96
In the second to fifth years inclusive	3	83
	86	179

Operating lease payments represent rentals payable by the group for its office premises. Leases are negotiated for an average term of two years and rentals are fixed for an average of two years.

28 CONTINGENT LIABILITY

	Group	
	2012	2011
	US$'000	US$'000
Guarantees given to a bank with respect of bank facilities utilised by a shareholder	–	5,500

The guarantee given by the Group with respect of the above in 2011 has been fully discharged on November 2012.

29 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA")

	Group	
	2012	2011
	US$'000	US$'000
Profit before taxation	11,469	4,770
Adjustments for:		
Depreciation	784	716
Finance costs	2,126	2,274
Negative goodwill arising on acquisition	-	(2,145)
Interest income	(37)	(37)
EBITDA	14,342	5,578

30 EARNINGS PER SHARE

	Group			
	2012		2011	
	Basic and diluted	Adjusted	Basic and diluted	Adjusted
	US$'000	US$'000	US$'000	US$'000
Profit for the year attributable to owners of the company	9,869	9,869	4,395	4,395
	Number of ordinary shares		Number of ordinary shares	
	'000		'000	
Weighted average number of ordinary shares used to compute earnings per share	123	246,000	123	246,000
Earnings per share:				
cents	–	4.01	–	1.79
dollars	80.24	–	35.73	–

31 SEGMENT INFORMATION

The Group operates predominantly in the midstream of the natural rubber supply chain, specialising in the processing and merchandising/marketing of processed rubber. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance constitutes the consolidated results of the Group. Accordingly, the Group has one reporting segment under FRS 108 *Operating Segments*.

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, deferred charges and other assets) by geographical location are detailed below:

Revenue from external customers (according to origin of the customers' ultimate parent company)	**2012 US$'000**	**2011 US$'000**
USA	89,246	110,682
Asia (excluding Singapore and China)	80,060	87,261
Singapore (country of domicile)	41,835	28,472
Europe	8,395	782
China	1,104	–
	220,640	227,197

Non-current assets	**2012 US$'000**	**2011 US$'000**
Asia (excluding Singapore and China)	10,908	12,017
Singapore (country of domicile)	10,216	10,198
	21,124	22,215

32 DIVIDEND

In respect of the current year, the directors propose that a dividend of 1.0 cent per share will be paid to shareholders on May 22, 2013. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on May 22, 2013. The total estimated dividend to be paid is S$2,900,000 (equivalent to US$2,373,000).

33 EVENTS AFTER THE REPORTING PERIOD

(A) On January 7, 2013, the company undertook a share split whereby each of the company's existing shares on that day was sub-divided into 2,000 ordinary shares ("share split"). The number of the ordinary shares outstanding after the share split is 246,000,000 ordinary shares.

(B) On January 31, 2013, the company completed its placement of 61,000,000 shares which comprised 44,000,000 newly issued shares and 17,000,000 existing shares owned by the vendor as part of its Initial Public Offering ("IPO") on the Catalist Board of the SGX-ST at S$0.36 per share. The total number of the ordinary shares outstanding after the IPO is 290,000,000 ordinary shares.

There were no outstanding options, convertible or treasury shares as at December 31, 2012 and December 31, 2011.

34 RECLASSIFICATION AND COMPARATIVE FIGURES

Change in presentation of consolidated statement of comprehensive income from nature to function have been made to the prior year's financial statements to enhance comparability with the current year's financial statements, which in the opinion of management is more reflective of the group and company's result.

As a result, statement of comprehensive income and the related notes to the financial statements have been amended. Comparative figures have been adjusted to conform to the current year's presentation.

STATISTICS OF SHAREHOLDINGS

As at March 20, 2013

Issued and paid-up capital	:	S$33,340,104
Number of issued shares	:	290,000,000
Number of treasury shares	:	Nil
Voting rights	:	On Show of Hand: 1 vote for each member On a Poll: 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	–	–	–	–
1,000 - 10,000	71	22.12	514,000	0.18
10,001 - 1,000,000	223	69.47	22,038,000	7.60
1,000,001 AND ABOVE	27	8.41	267,448,000	92.22
TOTAL	**321**	**100.00**	**290,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1.	HALCYON AGRI RESOURCES PTE. LTD.	100,800,000	34.76
2.	LE MERCIER LYNETTE NEE LORD	55,000,000	18.97
3.	ANDREW TREVATT	19,600,000	6.76
4.	BESCHIZZA LEONARD PETER SILVIO	19,600,000	6.76
5.	SHAW VEE KING	11,100,000	3.83
6.	RAFFLES NOMINEES (PTE) LTD	6,368,000	2.20
7.	MAYBANK KIM ENG SECURITIES PTE LTD	5,211,000	1.80
8.	JEREMY LEE SHENG POH	4,610,000	1.59
9.	DEMIERRE PASCAL GUY CHUNG WEI	4,400,000	1.52
10.	MEYER GÜNTHER ROBERT	4,000,000	1.38
11.	ROYAL BANK OF CANADA (ASIA) LIMITED	3,823,000	1.32
12.	SIM SIEW TIN CAROL (SHEN XIUZHEN CAROL)	3,800,000	1.31
13.	DBS NOMINEES PTE LTD	3,650,000	1.26
14.	HSBC (SINGAPORE) NOMINEES PTE LTD	3,437,000	1.19
15.	NUT HILL INVESTMENTS LTD.	3,000,000	1.03
16.	UOB KAY HIAN PRIVATE LIMITED	2,517,000	0.87
17.	LAKEWAY PTE LTD	2,200,000	0.76
18.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,000,000	0.69
19.	OCBC SECURITIES PTE LTD	1,858,000	0.64
20.	GOH YEO HWA	1,700,000	0.59
TOTAL		**258,674,000**	**89.23**

STATISTICS OF SHAREHOLDINGS

As at March 20, 2013

SUBSTANTIAL SHAREHOLDERS

	Name of Substantial Shareholders	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Halcyon Agri Resources Pte. Ltd.	100,800,000	34.76	–	–
2	Halcyon Investment Corporation Pte. Ltd. [a]	–	–	100,800,000	34.76
3	Michael Tay Wee Jin [b]	1,100,000	0.38	100,800,000	34.76
4	Le Mercier Lynette Nee Lord	55,000,000	18.97	–	–
5	Andrew Trevatt	19,600,000	6.76	–	–
6	Beschizza Leonard Peter Silvio	19,600,000	6.76	–	–

(a) Halcyon Investment Corporation Pte. Ltd. is deemed interested in 100,800,000 shares held through Halcyon Agri Resources Pte. Ltd. by virtue of its 100% ownership in Halcyon Agri Resources Pte. Ltd.

(b) Michael Tay Wee Jin is deemed interested in 100,800,000 shares held through Halcyon Agri Resources Pte. Ltd., a wholly-owned subsidiary of Halcyon Investment Corporation Pte. Ltd., by virtue of his controlling interest of 22.6% in Halcyon Investment Corporation Pte. Ltd.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 20 March 2013, approximately 27.72% of the issued ordinary shares of the Company is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited which requires at least 10% of a listed issuer's equity securities to be held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Halcyon Agri Corporation Limited (the "**Company**") will be held at RELC International Hotel, Meeting Room 603/604, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Tuesday, 23 April 2013 at 10.00 a.m. for the purpose of transacting the following business:

Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve a first and final tax exempt (one-tier) dividend of 1.0 Singapore cent (S$0.01) per ordinary share in respect of the financial year ended 31 December 2012. **(Resolution 2)**

3. To re-elect Mr Robert Gunther Meyer who is retiring pursuant to Article 91 of the Articles of Association of the Company. **(Resolution 3)**

   Mr Robert Gunther Meyer will, upon re-election as a Director of the Company, remain as Executive Chairman and Chief Executive Officer, and a member of the Nominating Committee.

4. To re-elect Mr Alan Rupert Nisbet who is retiring pursuant to Article 97 of the Articles of Association of the Company. **(Resolution 4)**

   *Mr Alan Rupert Nisbet will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and Remuneration Committee, and a member of the Nominating Committee. He will be considered independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**")*

5. To re-elect Mr Khoo Boo Teck Randolph who is retiring pursuant to Article 97 of the Articles of Association of the Company. **(Resolution 5)**

   Mr Khoo Boo Teck Randolph will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. He will be considered independent for the purpose of Rule 704(7) of the Catalist Rules.

6. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may be properly transacted at an annual general meeting.

Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:

8. **Authority to Allot and Issue Shares** **(Resolution 7)**

THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:

(I) (a) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(b) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(II) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time of such issuance of Shares,

PROVIDED THAT:

(a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution), shall not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) that may be issued under sub-paragraph (a) above, the percentage of the issued Shares shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from the exercise of share options or vesting of share awards which are outstanding and/or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note]

9. **Approval for the Shareholders' Mandate for Interested Person Transactions.** **(Resolution 8)**

THAT for the purposes of Chapter 9 of the Catalist Rules:

(I) approval be and is hereby given for the Company, its subsidiaries and associated companies that are entities at risk (as defined in Chapter 9 of the Catalist Rules), or any of them, to enter into any of the transactions falling within the categories of interested person transactions as set out in paragraph 3.3 of the Company's appendix to shareholders dated 8 April 2013 (the "**Appendix**"), with any party who is of the class of interested persons described in the Appendix, provided that such interested person transactions are made on normal commercial terms, are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the review procedures for interested person transactions as set out in paragraph 3.5 of the Appendix (the "**General Mandate**");

(II) the General Mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company; and

(III) the Directors of the Company and each of them be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the General Mandate and/or this Resolution.

[See Explanatory Note]

By Order of the Board

Teo Meng Keong
Company Secretary
Singapore
8 April 2013

Explanatory Notes:

Resolution 7

The Resolution 7, if passed, will empower the Directors of the Company, effective from the conclusion of the above AGM until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution 7, for such purposes as the Directors may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution 7 would not exceed one hundred per cent (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 7. For the issue and allotment of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued and allotted shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 7.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares will be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution 7 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding and/or subsisting at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares.

Resolution 8

The Resolution 8, if passed, will authorise the Company, its subsidiaries and associate companies that are entities at risk (as defined in Chapter 9 of the Catalist Rules) or any of them, to enter into certain interested person transactions with certain classes of interested persons as described in the Appendix. This authority will, unless revoked or varied by the Company in a general meeting, continue to be in force until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier. More details on the General Mandate is set out in the Appendix.

Notes:

1. A member of the Company entitled to attend and vote at the AGM of the Company is entitled to appoint not more than two proxies to attend in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

3. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time appointed for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOK CLOSURE DATE FOR DIVIDEND

NOTICE IS HEREBY GIVEN that subject to the approval of shareholders to the first and final dividend being obtained at the forthcoming Annual General Meeting ("**AGM**"), the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2013 for the purpose of determining shareholders' entitlements to the proposed first and final dividend.

Duly stamped and completed transfers received by our Share Transfer Office, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5 p.m. on 8 May 2013 will be registered to determine shareholders' entitlements to the proposed first and final dividend. Members of the Company whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with the shares of the Company as at 5 p.m. on 8 May 2013 will be entitled to such proposed dividend. The said first and final dividend will be paid by the Company to CDP which will distribute the dividends to holders of the securities accounts.

The first and final dividend, if approved by Members of the Company at the forthcoming AGM, will be paid on 22 May 2013.

By Order of the Board

Teo Meng Keong
Company Secretary

Singapore
8 April 2013

HALCYON AGRI CORPORATION LIMITED

(Company Registration No. 200505595D)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

Important:

1. For investors who have used their CPF monies to buy HALCYON AGRI CORPORATION LIMITED shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely For Information Only.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We, ______________________ (Name) *NRIC/Passport/Co. Reg. No. ______________________

of ____ (address)

being a *member/members of HALCYON AGRI CORPORATION LIMITED (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

*and/or

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her, the Chairman of the Annual General Meeting ("AGM"), as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at RELC International Hotel, Meeting Room 603/604, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Tuesday, 23 April 2013 at 10.00 a.m. and at any adjournment thereof.

** Delete accordingly*

(Please indicate with an "**X**" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the Notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM.)

	ORDINARY RESOLUTIONS	For	Against
	Ordinary Business		
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2012 and the Reports of the Directors and the Auditors thereon		
Resolution 2	To approve a first and final tax exempt (one-tier) dividend of 1.0 Singapore cent (S$0.01) per ordinary share in respect of the financial year ended 31 December 2012		
Resolution 3	To re-elect Mr Robert Gunther Meyer as a Director of the Company		
Resolution 4	To re-elect Mr Alan Rupert Nisbet as a Director of the Company		
Resolution 5	To re-elect Mr Khoo Boo Teck Randolph as a Director of the Company		
Resolution 6	To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Resolution 7	To authorise the Directors to allot and issue shares		
Resolution 8	To approve the Shareholder's Mandate for Interested Person Transactions		

Date this ____________ day of ________________ 2013

Total Number of Shares held in :	
CDP Register	
Register of Members	

____

Signature(s) of Members(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the general meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry one hundred per cent (100%) of the shareholdings of his/its appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

4. The instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623, not less than 48 hours before the time set for the general meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the general meeting, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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HALCYON AGRI

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