

# HALCYON AGRI

HALCYON AGRI CORPORATION LIMITED  
(Company Registration No.: 200504595D)

## Unaudited Financial Statement for the Second Quarter Ended 30 June 2013

---

*Halcyon Agri Corporation Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 1 February 2013. The initial public offering of the Company (the "IPO") was sponsored by PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor" or "PPCF").*

*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr Mark Liew, Managing Director, Corporate Finance, at 20 Cecil Street, #21-02 Equity Plaza, Singapore 049705, telephone (65) 6229 8088.*

### **About us**

Halcyon Agri Corporation Limited and its subsidiaries (the "Group") operate in the midstream of the natural rubber supply chain, specialising in the processing and merchandising of natural rubber. Headquartered in Singapore, where its risk management and merchandising operations are located, the Group currently owns and operates two rubber processing facilities, HMK1 and HMK2, in Palembang. The Group's products, namely SIR20, SIR20-VK and SIR20-Compound, are exported to a global customer base, including many of the top 20 international tyre manufacturers.

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Consolidated Statement of Comprehensive Income for the Second Quarter Ended 30 June 2013 ("Q2 2013") and 30 June 2012 ("Q2 2012") and for the First Half Ended 30 June 2013 ("H1 2013") and 30 June 2012 ("H1 2012")**

	Group			Group		
	Q2 2013 (Unaudited)	Q2 2012 (Unaudited)	Change	H1 2013 (Unaudited)	H1 2012 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
<b>Revenue</b>	53,976	69,496	(22.3)	104,088	121,620	(14.4)
Cost of sales	(48,557)	(62,577)	(22.4)	(94,633)	(111,595)	(15.2)
<b>Gross profit</b>	5,419	6,919	(21.7)	9,455	10,025	(5.7)
Other income	-	18	n/m	-	18	n/m
Selling expenses	(373)	(384)	(2.9)	(682)	(721)	(5.4)
Administrative expenses	(1,657)	(672)	146.6	(3,170)	(1,576)	101.1
<b>Operating profit</b>	3,389	5,881	(42.4)	5,603	7,746	(27.7)
Finance income	13	9	44.4	26	17	52.9
Finance costs	(422)	(566)	(25.4)	(890)	(1,081)	(17.7)
<b>Profit before taxation</b>	2,980	5,324	(44.0)	4,739	6,682	(29.1)
Income tax expense	(334)	(521)	(35.9)	(572)	(684)	(16.4)
<b>Profit for the financial period</b>	2,646	4,803	(44.9)	4,167	5,998	(30.5)
<b>Profit attributable to:</b>						
Owners of the company	2,664	4,812	(44.6)	4,196	5,816	(27.9)
Non-controlling interest	(18)	(9)	100.0	(29)	182	n/m
	2,646	4,803	(44.9)	4,167	5,998	(30.5)
<b>Other comprehensive income</b>						
Exchange differences on translation of foreign operations	(402)	(472)	(14.9)	(465)	(615)	(24.4)
<b>Total comprehensive income for the financial period</b>	2,244	4,331	(48.2)	3,702	5,383	(31.2)
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	2,262	4,340	(47.9)	3,731	5,201	(28.3)
Non-controlling interests	(18)	(9)	100.0	(29)	182	n/m
	2,244	4,331	(48.2)	3,702	5,383	(31.2)
Earnings before interest, tax, depreciation and amortisation	3,645	6,086	(40.1)	6,108	8,145	(25.0)
<b>Earnings per share("EPS")(refer item 6):</b>						
Basic and diluted EPS in US cents	0.92	3,912	n/m	1.45	4,728	n/m
Adjusted EPS in US cents	0.81	1.46	(44.6)	1.27	1.76	(27.9)

n/m - not meaningful

## 1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

Profit for the financial period has been arrived at after crediting (charging) the following:						
	Group			Group		
	Q2 2013 (Unaudited)	Q2 2012 (Unaudited)	Change	H1 2013 (Unaudited)	H1 2012 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Cost of inventories recognised as an expense <sup>(1)</sup>	(48,557)	(62,577)	(22.4)	(94,633)	(111,595)	(15.2)
Employee benefits expenses	(1,935)	(1,798)	7.6	(3,739)	(3,125)	19.6
Management fees	(97)	(255)	(62.0)	(194)	(508)	(61.8)
Depreciation	(256)	(183)	39.9	(505)	(374)	35.0
Non-recurring expenses:						
- Initial public offering ("IPO") expenses	(51)	-	n/m	(334)	-	n/m
- Expenses in relation to acquisition of Chip Lam Seng ("CLS") assets	(20)	-	n/m	(20)	-	n/m
Professional fees	(246)	(32)	668.8	(416)	(50)	732.0
Foreign exchange gain (loss)	(17)	101	n/m	10	75	(86.7)

n/m - not meaningful

<sup>(1)</sup> Included in cost of inventories recognised as expense is the cost of raw materials amounting to US\$45.9 million (Q2 2012: US\$59.9 million, H1 2013: US\$89.7 million, H1 2012: US\$107.3 million).

**1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of immediately preceding financial year**

Consolidated Statements of Financial Position as at 30 June 2013 and 31 December 2012.

	Group		Company	
	30 Jun 13	31 Dec 12	30 Jun 13	31 Dec 12
	Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	10,000	10,000	-	-
Property, plant and equipment	12,591	10,922	14	-
Investment in subsidiaries	-	-	16,000	16,000
Deferred charges	173	202	-	-
Deferred tax assets	155	156	-	-
<b>Total non-current assets</b>	<b>22,919</b>	<b>21,280</b>	<b>16,014</b>	<b>16,000</b>
<b>Current assets</b>				
Cash and bank balances	28,829	11,866	16,570	467
Trade receivables	9,615	6,816	-	-
Other receivables	5,201	1,131	26,697	15,956
Derivative financial instruments	2,543	718	-	-
Inventories	18,559	20,298	-	-
<b>Total current assets</b>	<b>64,747</b>	<b>40,829</b>	<b>43,267</b>	<b>16,423</b>
<b>Total assets</b>	<b>87,666</b>	<b>62,109</b>	<b>59,281</b>	<b>32,423</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Derivative financial instruments	995	977	-	-
Trade payables	159	1,625	-	-
Other payables	1,980	3,028	8,733	13,532
Loan payables	26,167	28,110	7,093	8,301
Provision for taxation	903	982	4	27
<b>Total current liabilities</b>	<b>30,204</b>	<b>34,722</b>	<b>15,830</b>	<b>21,860</b>
<b>Net current assets (liabilities)</b>	<b>34,543</b>	<b>6,107</b>	<b>27,437</b>	<b>(5,437)</b>
<b>Non current liabilities</b>				
Retirement benefit obligations	671	529	-	-
Deferred tax liabilities	653	587	-	-
<b>Total non current liabilities</b>	<b>1,324</b>	<b>1,116</b>	<b>-</b>	<b>-</b>
<b>Net assets</b>	<b>56,138</b>	<b>26,271</b>	<b>43,451</b>	<b>10,563</b>
<b>Capital and reserves</b>				
Share capital	41,016	12,500	41,016	12,500
Capital reserves	143	143	-	-
Accumulated profits (losses)	16,218	14,372	2,435	(1,937)
Foreign currency translation reserves	(1,391)	(926)	-	-
Equity attributable to owners of the company	55,986	26,089	43,451	10,563
Non-controlling interests	152	182	-	-
<b>Total equity</b>	<b>56,138</b>	<b>26,271</b>	<b>43,451</b>	<b>10,563</b>
<b>Total liabilities and equity</b>	<b>87,666</b>	<b>62,109</b>	<b>59,281</b>	<b>32,423</b>

---

**1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

<b>As at 30 June 2013 (Unaudited)</b>		<b>As at 31 December 2012 (Audited)</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
26,167	-	28,110	-

**Amount repayable after one year**

<b>As at 30 June 2013 (Unaudited)</b>		<b>As at 31 December 2012 (Audited)</b>	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
-	-	-	-

**Details of any collateral**

Working capital loans are secured by corporate guarantees from the Company and by a charge over certain of the Group's inventories and pledged deposits.

Term loans are secured by a charge over certain of the Group's property, plant and equipment.

**1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Consolidated Statement of Cash Flows for the Financial Period Ended 30 June 2013.**

	Group		Group	
	Q2 2013 (Unaudited)	Q2 2012 (Unaudited)	H1 2013 (Unaudited)	H1 2012 (Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities:</b>				
Profit before income tax	2,980	5,324	4,739	6,682
Adjustments for:				
Depreciation expense	256	183	505	374
Retirement benefit expense	79	161	159	161
Interest income	(13)	(9)	(26)	(17)
Interest expense	422	566	890	1,081
Fair value gain/(loss) on open forward commodities contracts and inventories, unrealised	1,005	188	575	(1,042)
Operating profit before working capital changes	4,729	6,413	6,842	7,239
Trade receivables	(1,609)	862	(2,799)	(3,312)
Other receivables and deferred charges	(532)	550	(1,102)	(479)
Inventories	3,804	(7,051)	(643)	(14,770)
Trade payables	(178)	(106)	(1,467)	1,136
Other payables	877	309	(1,119)	290
Cash from/(used in) operations	7,091	977	(287)	(9,896)
Interest received	13	9	26	17
Interest paid	(192)	(350)	(409)	(567)
Tax paid	(469)	(140)	(521)	(196)
Net cash from/(used in) operating activities	6,443	496	(1,191)	(10,642)
<b>Investing activities</b>				
Deposit paid for acquisition of CLS assets	(2,054)	-	(2,054)	-
Deposit paid in advance for the purchase of property, plant and equipment	(1,116)	-	(1,116)	-
Purchase of property, plant and equipment	(479)	(133)	(2,504)	(201)
Net cash used in investing activities	(3,649)	(133)	(5,674)	(201)
<b>Financing activities</b>				
Proceeds from issuance of shares, net of expenses	16,316	-	28,516	-
Decrease in pledge deposits	-	(798)	-	-
Dividend paid	(2,350)	-	(2,350)	-
Repayment of term loans	(609)	(1,248)	(1,208)	(2,498)
Interest paid on term loans	(141)	(171)	(292)	(327)
Net proceeds of working capital loans	(4,889)	(1,284)	(736)	13,669
Net cash from/(used in) financing activities	8,327	(3,501)	23,930	10,844
Net increase/(decrease) in cash and cash equivalents	11,121	(3,138)	17,064	1
Cash and cash equivalents at beginning of the period	14,852	6,865	8,857	3,897
Effects of exchange rate changes on the balance of cash held in foreign currencies	(153)	53	(101)	(118)
<b>Cash and cash equivalents at end of the period</b>	<b>25,820</b>	<b>3,780</b>	<b>25,820</b>	<b>3,780</b>
<b>Cash and bank balances comprise the following:</b>				
Cash and cash equivalents	25,820	3,780	25,820	3,780
Fixed deposits - pledged	3,009	4,523	3,009	4,523
	28,829	8,303	28,829	8,303

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Consolidated Statements of Changes in Equity as at 30 June 2013 and as at 30 June 2012**

<b>Group (Unaudited)</b>	Share capital	Capital reserves	Accumulated profits	Foreign currency translation reserves	Non-controlling interests	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 April 2013	24,700	143	15,904	(989)	170	39,928
Issue of share capital	16,316	-	-	-	-	16,316
Dividend paid	-	-	(2,350)	-	-	(2,350)
Total comprehensive income (loss) for the period	-	-	2,664	(402)	(18)	2,244
Balance at 30 June 2013	41,016	143	16,218	(1,391)	152	56,138

<b>Group (Unaudited)</b>	Share capital	Capital reserves	Accumulated profits	Foreign currency translation reserves	Non-controlling interests	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 April 2012	12,500	143	5,506	(267)	191	18,073
Total comprehensive income (loss) for the period	-	-	4,812	(472)	(9)	4,331
Balance at 30 June 2012	12,500	143	10,318	(739)	182	22,404

<b>Company (Unaudited)</b>	Share capital	Capital reserves	Accumulated profit/(losses)	Foreign currency translation reserves	Non-controlling interests	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 April 2013	24,700	-	4,901	-	-	29,601
Issue of share capital	16,316	-	-	-	-	16,316
Dividend paid	-	-	(2,350)	-	-	(2,350)
Total comprehensive loss for the period	-	-	(116)	-	-	(116)
Balance at 30 June 2013	41,016	-	2,435	-	-	43,451

<b>Company (Unaudited)</b>	Share capital	Capital reserves	Accumulated profit/(losses)	Foreign currency translation reserves	Non-controlling interests	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 April 2012	12,500	-	(575)	-	-	11,925
Total comprehensive income for the period	-	-	104	-	-	104
Balance at 30 June 2012	12,500	-	(471)	-	-	12,029

**1(d)(ii) Details of any changes in the company’s share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

	30 June 2013	31 March 2013	30 June 2013	31 March 2013
	Number of ordinary shares	Number of ordinary shares	US\$'000	US\$'000
<b>Issued and paid up</b>				
At 1 April 2013	290,000,000	290,000,000	24,700	24,700
Issue of share capital <sup>(1)</sup>	40,000,000	-	16,316	-
At 30 June 2013	330,000,000	290,000,000	41,016	24,700

Notes:

- (1) On 24 June 2013 the Company completed the placement of 40,000,000 shares to Credence Capital Fund II (Cayman) Limited (“Credence”) at S\$0.5175 per share (the “**Placement**”). The total number of ordinary shares outstanding after the Placement is 330,000,000.

There were no outstanding options, convertibles or treasury shares as at 30 June 2013 and 30 June 2012.

**1(d)(iii) To show the number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

The Company did not hold any treasury shares as at 30 June 2013 and 31 December 2012. As such, the number of issued shares excluding treasury shares as at 30 June 2013 and 31 December 2012 was 330,000,000 shares and 123,000 shares respectively.

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

Not applicable. There were no treasury shares during and as at the end of the current financial period reported on.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The figures have not been reviewed or audited by the Company’s auditors.

**3. Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of matter)**

Not applicable.



---

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in paragraph 5, the financial statements have been prepared using the same accounting policies and methods of computation as presented in the audited financial statements for the financial year ended 31 December 2012.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted all applicable new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") which became effective for accounting periods beginning on or after 1 January 2013. The adoption of these new and revised FRS and INT FRS are currently assessed to have no material financial impact on the Group's financial statements for the current financial period reported on.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group		Group	
	Q2 2013	Q2 2012	H1 2013	H1 2012
	Unaudited	Unaudited	Unaudited	Unaudited
Profit attributable to owners of the Company(US\$'000)	2,664	4,812	4,196	5,816
Basic and diluted earnings per share ("EPS") in US cents <sup>(1)</sup>	0.92	3,912	1.45	4,728
Adjusted EPS in US cents <sup>(2)</sup>	0.81	1.46	1.27	1.76
Adjusted EPS in SGD cents <sup>(3)</sup>	1.01	1.84	1.59	2.22

Notes:

- (1) The basic and diluted EPS for the periods under review have been computed based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue for the respective periods.
- (2) For comparative purposes, the adjusted EPS for the periods under review have been computed based on the profit attributable to owners of the Company and number of ordinary shares in issue as at 30 June 2013 of 330,000,000 ordinary shares.
- (3) Translated at the average exchange rates for each respective periods.

There were no potentially dilutive ordinary shares in issue as at 30 June 2013 and 30 June 2012.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year**

	Group		Company	
	30 June 2013 Unaudited	31 December 2012 Audited	30 June 2013 Unaudited	31 December 2012 Audited
Net asset value per ordinary share based on issued share capital (US cents)	17.01	21,357	13.17	8,588
Number of ordinary shares outstanding	330,000,000	123,000	330,000,000	123,000
Adjusted net asset value per ordinary share based on issued share capital (US cents) <sup>(1)</sup>	17.01	7.96	13.17	3.20

Note:

(1) For comparative purposes, the adjusted net asset value per ordinary share for the periods under review has been computed based on the Group's and the Company's net asset value and the number of ordinary shares issued as at 30 June 2013.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## Review of the Income Statement of the Group for Q2 2013 vs Q2 2012 and H1 2013 vs H1 2012

### Snapshot

#### Operating financial statistics

		Q2 2013	Q2 2012	Change	H1 2013	H1 2012	Change
Sales volume	tonnes	19,926	19,122	4.2%	36,459	33,019	10.4%
Revenue	US\$ million	54.0	69.5	-22.3%	104.1	121.6	-14.4%
Revenue per tonne	US\$	2,709	3,634	-25.5%	2,855	3,683	-22.5%
Gross profit	US\$ million	5.4	6.9	-21.7%	9.5	10.0	-5.7%
EBITDA - adjusted <sup>(1)</sup>	US\$ million	3.7	6.1	-38.9%	6.5	8.1	-20.7%
Net Profit - adjusted <sup>(1)</sup>	US\$ million	2.7	4.8	-43.4%	4.5	6.0	-24.6%

Note:

- (1) The results have been adjusted to exclude the non-recurring expenses of US\$0.1 million in Q2 2013 and US\$0.4 million in H1 2013.

### Revenue

Revenue breakdown, sales volume and revenue per tonne information are set below:

	Q2 2013		Q2 2012		H1 2013		H1 2012	
	US\$ million	As a % of total revenue	US\$ million	As a % of total revenue	US\$ million	As a % of total revenue	US\$ million	As a % of total revenue
Sales of our products	54.5	100.9%	69.4	99.8%	104.0	99.9%	119.4	98.2%
Other revenue <sup>(1)</sup>	(0.5)	-0.9%	0.1	0.2%	0.1	0.1%	2.2	1.8%
<b>Total revenue</b>	<b>54.0</b>	<b>100.0%</b>	<b>69.5</b>	<b>100.0%</b>	<b>104.1</b>	<b>100.0%</b>	<b>121.6</b>	<b>100.0%</b>

<b>Sales volume of our products (tonnes)</b>	<b>19,926</b>	<b>19,122</b>	<b>36,459</b>	<b>33,019</b>
<b>Revenue per tonne (US\$)</b>	<b>2,709</b>	<b>3,634</b>	<b>2,855</b>	<b>3,683</b>

Note:

- (1) Comprises physical rubber hedging revenue and revenue from the unrealised fair value gain/(loss) in open forward commodity contracts.

#### *Q2 2013 vs Q2 2012*

Revenue decreased by US\$15.5 million or 22.3%, from US\$69.5 million in Q2 2012 to US\$54.0 million in Q2 2013 mainly due to lower average selling prices in Q2 2013, whereby revenue per tonne decreased from US\$3,634 in Q2 2012 to US\$2,709 in Q2 2013. This decrease was partially offset by a 4.2% increase in sales volume from 19,122 tonnes in Q2 2012 to 19,926 tonnes in Q2 2013.

#### *H1 2013 vs H1 2012*

Revenue decreased by US\$17.5 million or 14.4%, from US\$121.6 million in H1 2012 to US\$104.1 million in H1 2013 mainly due to lower average selling prices in H1 2013, whereby revenue per tonne

decreased from US\$3,683 in H1 2012 to US\$2,855 in H1 2013. This decrease was partially offset by a 10.4% increase in sales volume from 33,019 tonnes in H1 2012 to 36,459 tonnes in H1 2013.

### **Cost of sales**

Cost of sales comprises the cost of procuring and processing raw materials into Natural Rubber for export. Cost of sales accounted for 90.0%, 90.1%, 90.9% and 91.8% of revenue in Q2 2013, Q2 2012, H1 2013 and H1 2012, respectively. The breakdown is shown below:

	Q2 2013		Q2 2012		H1 2013		H1 2012	
	US\$ million	As a % of total cost of sales	US\$ million	As a % of total cost of sales	US\$ million	As a % of total cost of sales	US\$ million	As a % of total cost of sales
Raw materials	(45.9)	94.4%	(59.9)	95.6%	(89.7)	94.8%	(107.3)	96.2%
Processing cost	(2.7)	5.6%	(2.7)	4.4%	(4.9)	5.2%	(4.3)	3.8%
<b>Total cost of sales</b>	<b>(48.6)</b>	<b>100.0%</b>	<b>(62.6)</b>	<b>100.0%</b>	<b>(94.6)</b>	<b>100.0%</b>	<b>(111.6)</b>	<b>100.0%</b>

#### *Q2 2013 vs Q2 2012*

Cost of sales decreased by US\$14.0 million or 22.4%, from US\$62.6 million in Q2 2012 to US\$48.6 million in Q2 2013, mainly due to lower raw material costs in Q2 2013 (US\$45.9 million) as compared to Q2 2012 (US\$59.9 million).

#### *H1 2013 vs H1 2012*

Cost of sales decreased by US\$17.0 million or 15.2%, from US\$111.6 million in H1 2012 to US\$94.6 million in H1 2013, mainly due to lower raw material costs in H1 2013 (US\$89.7 million) as compared to H1 2012 (US\$107.3 million).

### **Gross profit**

The gross material profit per tonne information is shown below:

	Q2 2013	Q2 2012	H1 2013	H1 2012
Total revenue (US\$ million)	54.0	69.5	104.1	121.6
Cost of raw materials (US\$ million)	(45.9)	(59.9)	(89.7)	(107.3)
Gross material profit (US\$ million)	8.1	9.6	14.4	14.3
Sales volume of our products (tonnes)	19,926	19,122	36,459	33,019
Gross material profit (US\$ per tonne)	407.6	504.2	394.8	432.2

#### *Q2 2013 vs Q2 2012*

Gross profit decreased by US\$1.5 million or 21.7% from US\$6.9 million in Q2 2012 to US\$5.4 million in Q2 2013. The decrease in gross profit is mainly due to decrease in gross material profit per tonne from US\$504.2 in Q2 2012 to US\$407.6 in Q2 2013. The decline in gross material profit was mainly driven by a scarcity of raw materials supply as a result of unseasonal rains and flooding.

#### *H1 2013 vs H1 2012*

Gross profit decreased by US\$0.5 million or 5.7% from US\$10.0 million in H1 2012 to US\$9.5 million in H1 2013 as a result of the lower gross material profits experienced in Q2 2013.

---

## **Profit before tax**

### *Q2 2013 vs Q2 2012*

Profit before tax in Q2 2013 was US\$3.0 million, a decrease of US\$2.3 million or 44.0% from the profit before tax in Q2 2012 of US\$5.3 million. Adding back non-recurring expenses of US\$0.4 million in H1 2013, profit before taxation in H1 2013 would have been US\$5.1 million, which is a decrease of US\$1.6 million or 23.8% from H1 2012 profit before taxation of US\$6.7 million.

The decrease was mainly due to decrease in gross profit and increase in general and administration expenses from Q2 2012 compared to Q2 2013. Administrative expenses increased by US\$1.0 million or 146.6% from US\$0.7 million in Q2 2012 to US\$1.7 million in Q2 2013. This increase reflects the scaling up of the Group's business as its expansion plans are implemented. Increased employee benefit expenses, professional fees, depreciation expense and non-recurring expense accounted for the majority of the increase in administrative expenses.

Finance costs decreased by US\$0.2 million or 25.4% from US\$0.6 million in Q2 2012 to US\$0.4 million in Q2 2013. This was mainly due to a decrease in interest expense on working capital loans as a result of lower average outstanding amount during Q2 2013 as compared to Q2 2012.

Adding back non-recurring expenses of US\$0.1 million in Q2 2013, profit before taxation in Q2 2013 would have been US\$3.1 million, which is a decrease of US\$2.2 million or 41.5% from Q2 2012 profit before taxation of US\$5.3 million.

### *H1 2013 vs H1 2012*

Profit before tax in H1 2013 was US\$4.7 million, a decrease of US\$2.0 million or 29.1% from the profit before tax in H1 2012 of US\$6.7 million. The decrease was mainly due to decrease in gross profit and increase in general and administration expenses outlined above.

## **Profit after tax**

### *Q2 2013 vs Q2 2012*

Profit after tax in Q2 2013 was US\$2.6 million, a decrease of US\$2.2 million or 44.9% over the corresponding figure in Q2 2012 of US\$4.8 million. Adding back non-recurring expenses of US\$0.4 million in H1 2013, profit after taxation in H1 2013 would have been US\$4.6 million, which is a decrease of US\$1.4 million or 23.3% over profit after taxation of US\$6.0 million in Q2 2012.

Adding back non-recurring expenses of US\$0.1 million in Q2 2013, profit after taxation in Q2 2013 would have been US\$2.7 million, which is a decrease of US\$2.1 million or 43.8% over profit after taxation of US\$4.8 million in Q2 2012.

### *H1 2013 vs H1 2012*

Profit after tax in H1 2013 was US\$4.2 million, a decrease of US\$1.8m million or 30.5% over the corresponding figure in H1 2012 of US\$6.0 million.

---

## **Review of the Financial Position of the Group**

### **Non-current assets**

Increase in property, plant and equipment as at 30 June 2013 (US\$12.6 million) of US\$1.7 million from 31 December 2012 (US\$10.9 million) was mainly due to the addition of plant and machineries and assets under construction during H1 2013 of US\$2.5 million, partially offset by a depreciation charge of US\$0.5 million.

### **Current assets**

Current assets increased by US\$23.9 million or 58.6% from US\$40.8 million as at 31 December 2012 to US\$64.7 million as at 30 June 2013, due to the following:

- Increase in cash and bank balances of US\$17.0 million, mainly as a result of the IPO and the Placement proceeds less amounts utilised up to 30 June 2013. The increase is partially offset by the dividend paid on 22 May 2013 and the deposit paid for the acquisition of CLS assets which was announced on 3 June 2013;
- Increase in other receivables of US\$4.1 million, mainly due to deposit paid for the acquisition of CLS assets and deposit paid in advance for plant and machineries in relation HMK1 and HMK2 expansion;
- Increase in trade receivables of US\$2.8 million as a result of higher export volume towards the end of June 2013 as compared to towards the end of 31 December 2012;
- Increase in derivative financial assets of US\$1.8 million, mainly due to a higher amount of outstanding fixed price sales contracts as at 30 June 2013 as compared to 31 December 2012; and
- Decrease in inventories of US\$1.7 million, due to lower average purchase price in June 2013 as compared to December 2012.

### **Current liabilities**

The decrease in current loan payables as at 30 June 2013 of US\$1.9 million is mainly due to lower working capital loan balances of US\$0.8 million (30 June 2013: US\$19.0 million; 31 December 2012: US\$19.8 million), and decrease in term loan balances of US\$1.3 million (30 June 2013: US\$7.0 million; 31 December 2012: US\$8.3 million) as a result of scheduled amortisation.

The decrease in trade and other payables of US\$2.5 million is mainly due to more timely payment of trade payables as at 30 June 2013 compared to 31 December 2012 and payment of IPO expenses accrued as at 31 December 2012 in H1 2013.

### **Equity**

The Group's equity increased by US\$29.8 million from US\$26.3 million as at 31 December 2012 to US\$56.1 million as at 30 June 2013, mainly due to the increase in the Company's share capital of US\$28.5 million in H1 2013 and the Group's H1 2013 net profit. The increase is partially offset by a US\$2.4 million dividend payment in H1 2013.

---

### **Working capital**

As at 30 June 2013, net working capital amounted to US\$23.6 million (31 December 2012: US\$17.6 million), as set out below:

<b>(US\$ million)</b>	<b>30 June 2013</b>	<b>31 December 2012</b>
Cash and bank balances <sup>(1)</sup>	14.6	11.9
Trade receivables	9.6	6.8
Inventories	18.6	20.3
Less: Trade payables	(0.2)	(1.6)
Less: Working capital loans	(19.0)	(19.8)
<b>Net working capital</b>	<b>23.6</b>	<b>17.6</b>

#### **Note:**

- (1) The remaining net proceeds from the Placement amounting to US\$14.2 million has been excluded from the above cash and bank balances as at 30 June 2013, as this fund will only be applied solely for strategic purposes, such as acquisitions and investments.

### **Review of the Cash Flow Statement of the Group**

The following table sets out a summary of cash flows for Q2 2013, Q2 2012, H1 2013 and H1 2012:

<b>(US\$ million)</b>	<b>Q2 2013</b>	<b>Q2 2012</b>	<b>H1 2013</b>	<b>H1 2012</b>
Net cash from operating activities, before working capital changes	4.1	5.9	5.9	6.5
Changes in working capital	2.3	(5.4)	(7.1)	(17.1)
Net cash from/(used in) operating activities	6.4	0.5	(1.2)	(10.6)
Net cash used in investing activities	(3.6)	(0.1)	(5.7)	(0.2)
Net cash from/(used in) financing activities	8.3	(3.5)	23.9	10.9
Net increase/(decrease) in cash and cash equivalents	11.1	(3.1)	17.0	0.1
Cash and cash equivalents at the beginning of the period	14.9	6.8	8.9	3.8
Effect of exchange rate changes on the balance of cash held in foreign currencies	(0.2)	0.1	(0.1)	(0.1)
<b>Cash and cash equivalents at the end of the period</b>	<b>25.8</b>	<b>3.8</b>	<b>25.8</b>	<b>3.8</b>

---

#### *Q2 2013 vs Q2 2012*

The Group's cash and cash equivalents increased by US\$11.1 million during Q2 2013. We recorded net cash inflow from operating activities of US\$6.4 million.

A net cash outflow from investing activities of US\$3.6 million was recorded, which comprises the deposit paid for the acquisition of CLS assets of US\$2.1 million and payment in relation to the purchase of property, plant and equipment of US\$1.5 million.

Net cash generated from financing activities was US\$8.3 million, comprising the net proceeds from the Placement undertaken in June 2013 of US\$16.3 million, net repayment of working capital loans of US\$4.9 million, dividend paid of US\$2.4 million and repayment of term loans and its associated interest expense of US\$0.8 million.

#### *H1 2013 vs H1 2012*

The Group's cash and cash equivalents increased by US\$17.0 million during H1 2013. We recorded net cash outflow from operating activities of US\$1.2 million. Net cash outflow from investing activities was US\$5.7 million, comprising the deposit paid for the acquisition of CLS assets of US\$2.1 million and payment in relation to the purchase of property, plant and equipment of US\$3.6 million.

Net cash generated from financing activities in H1 2013 of US\$23.9 million comprised the net proceeds received from the issuance of the Company's shares of US\$28.5 million pursuant to the IPO and the Placement, net repayment of working capital loans of US\$0.7 million, dividend paid of US\$2.4 million and repayment of term loans and its associated interest expense of US\$1.5 million.

#### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable. No forecast or prospect statement has been previously issued to the shareholders.

#### **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

In the first half of 2013, the natural rubber prices trended downward, as evidenced by the first position of the SGX-ST TSR 20 futures contract retreating from US\$3,048 per tonne in early January 2013 to US\$2,230 per tonne at the end of June 2013, a 26.8% decline. This decline is due to the uncertainty over the global economy, in particular concern over China's growth, which accounts for more than one-third of world consumption of natural rubber. We expect continued volatility in natural rubber prices in the second half of 2013.

Despite this volatility, we remain positive on the future strength and prospects of the natural rubber industry and remain committed to produce quality products for our customers. Our business model and risk management approach place the Group in a strong position to continue to operate profitably in spite of volatile market conditions.



---

We delivered 36,459 tonnes of our products in H1 2013, as compared to 33,019 tonnes in H1 2012, representing an increase of 10.4%. As at 30 June 2013, the Group had committed offtake of 43,960 tonnes for the remainder of 2013. This translates to a currently contracted volume of 80,419 tonnes, a 19.9% increase as compared to 67,046 tonnes sold in FY2012. This volume may increase by 5,766 tonnes if the Group's customers exercise their options to increase their offtake.

Further, upon completion of the acquisition of CLS assets (announced on 3 June 2013), which is expected no later than Q4 2013, we will be able to offer alternative products to our customers and indirectly, diversifying our production mix.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No dividends have been declared or recommended for the current financial period.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared (recommended), a statement to that effect**

No dividend has been declared or recommended for the current financial period.

**13. If the group has obtained a general mandate from shareholders for Interested Person Transactions (“IPT”), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group has obtained a general mandate from shareholders of the Company for interested person transactions at the Annual General Meeting held on 23 April 2013. During Q2 2013, the following interested person transactions were entered into by the Group:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920 of the SGX-ST Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders’ mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than S\$100,000)
Halcyon Corporate Services Pte. Ltd. <sup>(1)</sup>	-	S\$120,000

(1) Halcyon Corporate Services Pte. Ltd. (“HCS”) is a wholly-owned subsidiary of Halcyon Investment Corporation Pte. Ltd. (“HIC”). HIC owns 30.55% of the Company through Halcyon Agri Resources Pte. Ltd. Therefore, HCS is an associate and is deemed an interested person pursuant to Chapter 9 of the Catalist Rules.

#### **14. Use of IPO proceeds**

The Company refers to the net proceeds (IPO proceeds minus listing expenses) amounting to S\$13.8 million (equivalent to US\$11.1 million) raised from the IPO on the Catalist Board of the SGX-ST on 1 February 2013.

As at 14 August 2013, the status on the use of IPO proceeds is as follows:

	Allocation (US\$ million)	Accumulated actual utilisation (US\$ million)	Amount yet to be utilised (US\$ million)
<b>Use of IPO proceeds</b>			
Expansion and upgrading of processing facilities	6.9	3.3	3.6
General working capital <sup>(1)</sup>	4.2	4.2	-
<b>Total</b>	<b>11.1</b>	<b>7.5</b>	<b>3.6</b>

---

**Note:**

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

The utilisation is in accordance with the intended use of the IPO proceeds and in accordance with the percentage allocated, as stated in the Offer Document, which was registered with the SGX-ST on 24 January 2013.

**15. Use of proceeds from the Placement**

The Company refers to the net proceeds from the Placement which was completed on 24 June 2013 amounting to US\$16.3 million.

As at 14 August 2013, the status on the use of the net proceeds from the Placement is as follows:

	<b>Amount (US\$ million)</b>
Net proceeds from the Placement	16.3
Less: Deposit paid for acquisition of CLS assets	<u>(2.1)</u>
Balance net proceeds remaining as at 14 August 2013	<u>14.2</u>

The utilisation is in accordance with the intended use of proceeds from the Placement.

**16. Negative Confirmation by the Board Pursuant to Rule 705(5).**

We, Robert Meyer and Pascal Demierre, hereby confirm on behalf of the Board of Directors (the "Board") of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the second quarter and first half ended 30 June 2013 to be false or misleading in any material aspect.

On behalf of the Board of Directors:

Robert Meyer  
Executive Chairman and CEO

Pascal Demierre  
Non-Executive Director

**By Order of the Board**

Robert Meyer  
Executive Chairman and CEO

Singapore,  
14 August 2013