

HALCYON AGRI

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

Unaudited Financial Statement for the Third Quarter Ended 30 September 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.

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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 Third Quarter Ended 30 September 2013 ("Q3 2013") and 30 September 2012 ("Q3 2012") and for the Nine Months Ended 30 September 2013 ("9M 2013") and 30 September 2012 ("9M 2012")

	Group			Group		
	Q3 2013 (Unaudited)	Q3 2012 (Unaudited)	Change	9M 2013 (Unaudited)	9M 2012 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	47,358	55,962	(15.4)	151,446	177,582	(14.7)
Cost of sales	(40,827)	(50,285)	(18.8)	(135,460)	(161,880)	(16.3)
Gross profit	6,531	5,677	15.0	15,986	15,702	1.8
Other income	-	82	n/m	-	100	n/m
Selling expenses	(349)	(351)	(0.6)	(1,031)	(1,072)	(3.8)
Administrative expenses	(1,920)	(1,392)	37.9	(5,089)	(2,968)	71.5
Operating profit	4,262	4,016	6.1	9,866	11,762	(16.1)
Finance income	10	6	66.7	35	23	52.2
Finance costs	(403)	(413)	(2.4)	(1,293)	(1,494)	(13.5)
Profit before taxation	3,869	3,609	7.2	8,608	10,291	(16.4)
Income tax expense	(353)	(368)	(4.1)	(925)	(1,052)	(12.1)
Profit for the financial period	3,516	3,241	8.5	7,683	9,239	(16.8)
Profit attributable to:						
Owners of the company	3,545	3,231	9.7	7,739	9,047	(14.5)
Non-controlling interest	(29)	10	n/m	(56)	192	n/m
	3,516	3,241	8.5	7,683	9,239	(16.8)
Other comprehensive income						
Exchange differences on translation of foreign operations	(2,462)	(151)	1,533.5	(2,927)	(766)	282.3
Total comprehensive income for the financial period	1,054	3,090	(65.9)	4,756	8,473	(43.9)
Total comprehensive income attributable to:						
Owners of the Company	1,083	3,080	(64.8)	4,812	8,281	(41.9)
Non-controlling interests	(29)	10	n/m	(56)	192	n/m
	1,054	3,090	(65.9)	4,756	8,473	(43.9)
Earnings before interest, tax, depreciation and amortisation	4,507	4,209	7.1	10,616	12,329	(13.9)
Earnings per share("EPS")(refer item 6):						
Basic and diluted EPS in US cents	1.17	2,627	n/m	2.56	7,355	n/m
Adjusted EPS in US cents	1.07	0.98	9.7	2.35	2.74	(14.5)

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		
	Q3 2013 (Unaudited)	Q3 2012 (Unaudited)	Change	9M 2013 (Unaudited)	9M 2012 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Cost of inventories recognised as an expense ⁽¹⁾	(40,827)	(50,285)	(18.8)	(135,460)	(161,880)	(16.3)
Employee benefits expenses	(1,790)	(1,154)	55.1	(5,529)	(4,279)	29.2
Management fees	(94)	(255)	(63.1)	(288)	(763)	(62.3)
Depreciation	(245)	(193)	26.9	(750)	(567)	32.3
Non-recurring expenses:						
- Initial public offering ("IPO") expenses	-	-	n/m	(334)	-	n/m
- Acquisitions-related expenses	(100)	-	n/m	(120)	-	n/m
Professional fees	(202)	(50)	304.0	(618)	(100)	518.0
Foreign exchange gain (loss)	(359)	7	n/m	(349)	82	n/m

n/m - not meaningful

⁽¹⁾ Included in cost of inventories recognised as expense is the cost of raw materials amounting to US\$38.7 million (Q3 2012: US\$48.2 million, 9M 2013: US\$128.4 million, 9M 2012: US\$155.6 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 September 2013 and 31 December 2012.

	Group		Company	
	30 Sep 13	31 Dec 12	30 Sep 13	31 Dec 12
	Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
ASSETS				
Non-current assets				
Intangible assets	10,000	10,000	-	-
Property, plant and equipment	11,613	10,922	13	-
Investment in subsidiaries	-	-	16,000	16,000
Deferred charges	137	202	-	-
Deferred tax assets	130	156	-	-
Total non-current assets	21,880	21,280	16,013	16,000
Current assets				
Cash and bank balances	30,534	11,866	18,040	467
Trade receivables	5,638	6,816	-	-
Other receivables	4,660	1,131	27,201	15,956
Derivative financial instruments	1,573	718	-	-
Inventories	28,166	20,298	-	-
Total current assets	70,571	40,829	45,241	16,423
Total assets	92,451	62,109	61,254	32,423
LIABILITIES AND EQUITY				
Current liabilities				
Derivative financial instruments	616	977	-	-
Trade payables	135	1,625	-	-
Other payables	2,670	3,028	11,459	13,532
Loan payables	29,739	28,110	6,472	8,301
Provision for taxation	707	982	-	27
Total current liabilities	33,867	34,722	17,931	21,860
Net current assets (liabilities)	36,704	6,107	27,310	(5,437)
Non current liabilities				
Retirement benefit obligations	640	529	-	-
Deferred tax liabilities	752	587	-	-
Total non current liabilities	1,392	1,116	-	-
Net assets	57,192	26,271	43,323	10,563
Capital and reserves				
Share capital	41,016	12,500	41,016	12,500
Capital reserves	143	143	-	-
Accumulated profits (losses)	19,763	14,372	2,307	(1,937)
Foreign currency translation reserves	(3,853)	(926)	-	-
Equity attributable to owners of the company	57,069	26,089	43,323	10,563
Non-controlling interests	123	182	-	-
Total equity	57,192	26,271	43,323	10,563
Total liabilities and equity	92,451	62,109	61,254	32,423

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

As at 30 September 2013 (Unaudited)		As at 31 December 2012 (Audited)	
Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
29,739	-	28,110	-

Amount repayable after one year

As at 30 September 2013 (Unaudited)		As at 31 December 2012 (Audited)	
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 September 2013.

	Group		Group	
	Q3 2013 (Unaudited)	Q3 2012 (Unaudited)	9M 2013 (Unaudited)	9M 2012 (Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
Profit before income tax	3,869	3,609	8,608	10,291
Adjustments for:				
Depreciation expense	245	193	750	567
Retirement benefit expense	76	52	235	213
Interest income	(10)	(6)	(35)	(23)
Interest expense	403	413	1,293	1,494
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised	(1,735)	544	(1,160)	(498)
Operating profit before working capital changes	2,848	4,805	9,691	12,044
Trade receivables	3,977	9,556	1,178	6,244
Other receivables and deferred charges	545	(35)	(557)	(514)
Inventories	(7,282)	12,214	(7,925)	(2,556)
Trade payables	(24)	(701)	(1,491)	435
Other payables	591	(5,384)	(528)	(5,094)
Cash from operations	655	20,455	368	10,559
Interest received	10	6	35	23
Interest paid	(175)	(402)	(584)	(969)
Tax paid	(448)	(102)	(969)	(298)
Net cash from/(used in) operating activities	42	19,957	(1,150)	9,315
Investing activities				
Deposit paid for acquisition of CLS assets	-	-	(2,054)	-
Deposit paid in advance for the purchase of property, plant and equipment	(185)	-	(1,301)	-
Purchase of property, plant and equipment	(1,112)	(36)	(3,615)	(237)
Net cash used in investing activities	(1,297)	(36)	(6,970)	(237)
Financing activities				
Proceeds from issuance of shares, net of expenses	-	-	28,516	-
Decrease in pledge deposits	-	1,005	-	1,005
Dividend paid	-	-	(2,350)	-
Repayment of term loans	(622)	(1,252)	(1,829)	(3,750)
Interest paid on term loans	(129)	(177)	(421)	(504)
Net proceeds of working capital loans	4,194	(18,413)	3,458	(4,744)
Net cash from/(used in) financing activities	3,443	(18,837)	27,374	(7,993)
Net increase in cash and cash equivalents	2,188	1,084	19,254	1,085
Cash and cash equivalents at beginning of the period	25,820	3,780	8,857	3,897
Effects of exchange rate changes on the balance of cash held in foreign currencies	(484)	(36)	(587)	(154)
Cash and cash equivalents at end of the period	27,524	4,828	27,524	4,828
Cash and bank balances comprise the following:				
Cash and cash equivalents	27,524	4,828	27,524	4,828
Fixed deposits - pledged	3,010	3,503	3,010	3,503
	30,534	8,331	30,534	8,331

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 September 2013 and as at 30 September 2012

Group (Unaudited)	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 July 2013	41,016	143	16,218	(1,391)	152	56,138
Total comprehensive income (loss) for the period	-	-	3,545	(2,462)	(29)	1,054
Balance at 30 September 2013	41,016	143	19,763	(3,853)	123	57,192

Group (Unaudited)	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 July 2012	12,500	143	10,318	(739)	182	22,404
Total comprehensive income (loss) for the period	-	-	3,231	(151)	10	3,090
Balance at 30 September 2012	12,500	143	13,549	(890)	192	25,494

Company (Unaudited)	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 July 2013	41,016	-	2,435	-	-	43,451
Total comprehensive loss for the period	-	-	(128)	-	-	(128)
Balance at 30 September 2013	41,016	-	2,307	-	-	43,323

Company (Unaudited)	Share capital	Capital reserves	Accumulated losses	Foreign currency translation reserves	Non-controlling interests	Total
	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000	US\$ '000
Balance at 1 July 2012	12,500	-	(471)	-	-	12,029
Total comprehensive loss for the period	-	-	(471)	-	-	(471)
Balance at 30 September 2012	12,500	-	(942)	-	-	11,558

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.

	Number of ordinary shares	US\$'000
Issued and paid up		
At 1 July 2013	330,000,000	41,016
Issue of share capital	-	-
At 30 September 2013	<u>330,000,000</u>	<u>41,016</u>

There were no outstanding options, convertibles or treasury shares as at 30 September 2013 and 30 September 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 September 2013 and 31 December 2012. As such, the number of issued shares excluding treasury shares as at 30 September 2013 and 31 December 2012 were 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	
	Q3 2013	Q3 2012	9M 2013	9M 2012
	Unaudited	Unaudited	Unaudited	Unaudited
Profit attributable to owners of the Company(US\$'000)	3,545	3,231	7,739	9,047
Basic and diluted earnings per share ("EPS") in US cents ⁽¹⁾	1.17	2,627	2.56	7,355
Adjusted EPS in US cents ⁽²⁾	1.07	0.98	2.35	2.74
Adjusted EPS in SGD cents ⁽³⁾	1.35	1.23	2.92	3.45

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 September 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 September 2013 and 30 September 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 September 2013 Unaudited	31 December 2012 Audited	30 September 2013 Unaudited	31 December 2012 Audited
Net asset value per ordinary share based on issued share capital (US cents)	17.33	21,358.54	13.13	8,587.80
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) ⁽¹⁾	17.33	7.96	13.13	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 September 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 Q3 2013 vs Q3 2012 and 9M 2013 vs 9M 2012

Snapshot

Operating financial statistics

		Q3 2013	Q3 2012	Change	9M 2013	9M 2012	Change
Sales volume	tonnes	19,362	18,672	3.7%	55,822	51,691	8.0%
Revenue	US\$ million	47.4	56.0	-15.4%	151.4	177.6	-14.7%
Revenue per tonne	US\$	2,446	2,997	-18.4%	2,713	3,435	-21.0%
Gross profit	US\$ million	6.5	5.7	15.0%	16.0	15.7	1.8%
EBITDA - adjusted ⁽¹⁾	US\$ million	4.6	4.2	9.5%	11.1	12.3	-10.2%
Net Profit - adjusted ⁽¹⁾	US\$ million	3.6	3.2	11.5%	8.1	9.2	-11.9%

Note:

- (1) The results have been adjusted to exclude the non-recurring expenses of US\$0.1 million in Q3 2013 and US\$0.5 million in 9M 2013.

Revenue

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

	Q3 2013		Q3 2012		9M 2013		9M 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	46.0	97.1%	56.5	101.0%	150.0	99.1%	175.9	99.1%
Other revenue ⁽¹⁾	1.4	2.9%	(0.5)	-1.0%	1.4	0.9%	1.7	0.9%
Total revenue	47.4	100.0%	56.0	100.0%	151.4	100.0%	177.6	100.0%

Sales volume of our products (tonnes)	19,362	18,672	55,822	51,691
Revenue per tonne (US\$)	2,446	2,997	2,713	3,435

Note:

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

Q3 2013 vs Q3 2012

Revenue decreased by US\$8.6 million or 15.4%, from US\$56.0 million in Q3 2012 to US\$47.4 million in Q3 2013 mainly due to lower average selling prices in Q3 2013, whereby revenue per tonne decreased from US\$2,997 in Q3 2012 to US\$2,446 in Q3 2013. This decrease was partially offset by a 3.7% increase in sales volume from 18,672 tonnes in Q3 2012 to 19,362 tonnes in Q3 2013.

9M 2013 vs 9M 2012

Revenue decreased by US\$26.2 million or 14.7%, from US\$177.6 million in 9M 2012 to US\$151.4 million in 9M 2013 mainly due to lower average selling prices in 9M 2013, whereby revenue per tonne decreased from US\$3,435 in 9M 2012 to US\$2,713 in 9M 2013. This decrease was partially offset by a 8.0% increase in sales volume from 51,691 tonnes in 9M 2012 to 55,822 tonnes in 9M 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 86.2%, 89.9%, 89.4% and 91.2% of revenue in Q3 2013, Q3 2012, 9M 2013 and 9M 2012, respectively. The breakdown is shown below:

	Q3 2013		Q3 2012		9M 2013		9M 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	(38.7)	94.8%	(48.2)	95.9%	(128.4)	94.8%	(155.6)	96.1%
Processing cost	(2.1)	5.2%	(2.1)	4.1%	(7.1)	5.2%	(6.3)	3.9%
Total cost of sales	(40.8)	100.0%	(50.3)	100.0%	(135.5)	100.0%	(161.9)	100.0%

Q3 2013 vs Q3 2012

Cost of sales decreased by US\$9.5 million or 18.8%, from US\$50.3 million in Q3 2012 to US\$40.8 million in Q3 2013, mainly due to lower raw material costs in Q3 2013 (US\$38.7 million) as compared to Q3 2012 (US\$48.2 million).

9M 2013 vs 9M 2012

Cost of sales decreased by US\$26.4 million or 16.3%, from US\$161.9 million in 9M 2012 to US\$135.5 million in 9M 2013, mainly due to lower raw material costs in 9M 2013 (US\$128.4 million) as compared to 9M 2012 (US\$155.6 million).

Gross profit

The gross material profit per tonne information is shown below:

	Q3 2013	Q3 2012	9M 2013	9M 2012
Total revenue (US\$ million)	47.4	56.0	151.4	177.6
Cost of raw materials (US\$ million)	(38.7)	(48.2)	(128.4)	(155.6)
Gross material profit (US\$ million)	8.7	7.8	23.0	22.0
Sales volume of our products (tonnes)	19,362	18,672	55,822	51,691
Gross material profit (US\$ per tonne)	449	415	413	425

Q3 2013 vs Q3 2012

Gross profit increased by US\$0.8 million or 15.0% from US\$5.7 million in Q3 2012 to US\$6.5 million in Q3 2013. The increase in gross profit is mainly due to increase in gross material profit per tonne from US\$415 in Q3 2012 to US\$449 in Q3 2013. The increase in gross material profit was mainly driven by the improved availability of raw materials supply and hence, enhanced our procurement effectiveness.

9M 2013 vs 9M 2012

Gross profit increased by US\$0.3 million or 1.8% from US\$15.7 million in 9M 2012 to US\$16.0 million in 9M 2013. The increase in gross profit is mainly due to increase in sales volume from 51,691 tonnes in 9M 2012 to 55,822 tonnes in 9M 2013, offset by lower gross material profit in 9M 2013 as compared to 9M 2012.

Profit before tax

Q3 2013 vs Q3 2012

Profit before tax in Q3 2013 was US\$3.9 million, an increase of US\$0.3 million or 7.2% from the profit before tax in Q3 2012 of US\$3.6 million. Adding back non-recurring expenses of US\$0.1 million in Q3 2013, profit before taxation in Q3 2013 would have been US\$4.0 million, which is an increase of US\$0.4 million or 11.1% from Q3 2012 profit before taxation of US\$3.6 million.

The increase in profit before tax was mainly due to increase in gross profit. The increase was partially offset by increase in general and administration expenses from Q3 2012 compared to Q3 2013. Administrative expenses increased by US\$0.5 million or 37.9% from US\$1.4 million in Q3 2012 to US\$1.9 million in Q3 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, unrealised exchange loss on our Indonesia rupiah cash balances and non-recurring expense accounted for the majority of the increase in administrative expenses.

9M 2013 vs 9M 2012

Profit before tax in 9M 2013 was US\$8.6 million, a decrease of US\$1.7 million or 16.4% from the profit before tax in 9M 2012 of US\$10.3 million. The decrease was mainly due to the decrease in gross profit in 9M 2013 and increase in general and administration expenses outlined above.

Profit after tax

Q3 2013 vs Q3 2012

Profit after tax in Q3 2013 was US\$3.5 million, an increase of US\$0.3 million or 8.5% over the corresponding figure in Q3 2012 of US\$3.2 million. Adding back non-recurring expenses of US\$0.1 million in Q3 2013, profit after taxation in Q3 2013 would have been US\$3.6 million, which is an increase of US\$0.4 million or 12.5% over profit after taxation of US\$3.2 million in Q3 2012.

9M 2013 vs 9M 2012

Profit after tax in 9M 2013 was US\$7.7 million, a decrease of US\$1.5m million or 16.8% over the corresponding figure in 9M 2012 of US\$9.2 million.

Review of the Financial Position of the Group

Non-current assets

Increase in property, plant and equipment as at 30 September 2013 (US\$11.6 million) of US\$0.7 million from 31 December 2012 (US\$10.9 million) was mainly due to the addition of plant and machineries and assets under construction during 9M 2013 of US\$3.6 million, offset by a depreciation charge of US\$0.8 million and foreign currencies translation of US\$2.1 million.

Current assets

Current assets increased by US\$29.7 million or 72.8% from US\$40.8 million as at 31 December 2012 to US\$70.5 million as at 30 September 2013, due to the following:

- Increase in cash and bank balances of US\$18.6 million, mainly as a result of the IPO and the placement proceeds less amounts utilised up to 30 September 2013. The increase is partially offset by the dividend paid on 22 May 2013 and the deposit paid for the proposed acquisition of CLS assets which was announced on 3 June 2013;
- Increase in other receivables of US\$3.6 million, mainly due to deposit paid for the proposed acquisition of CLS assets and deposit paid in advance for plant and machineries in relation to HMK1 and HMK2's expansion;
- Decrease in trade receivables of US\$1.2 million as a result of the decrease in average selling price but offset by an increase in export volume towards the end of September 2013 as compared to towards the end of 31 December 2012;
- Increase in derivative financial assets of US\$0.9 million, mainly due to a higher amount of outstanding fixed price sales contracts as at 30 September 2013 as compared to 31 December 2012; and
- Increase in inventories of US\$7.9 million, due to additional inventories held as a result of higher raw material purchases in Q3 2013 as compared to Q4 2012.

Current liabilities

The increase in current loan payables as at 30 September 2013 of US\$1.6 million is mainly due to higher utilisation of working capital loan balances of US\$3.5 million (30 September 2013: US\$23.3 million; 31 December 2012: US\$19.8 million) offset by the decrease in term loan balances of US\$1.9 million (30 September 2013: US\$6.4 million; 31 December 2012: US\$8.3 million) as a result of scheduled amortisation.

The decrease in trade and other payables of US\$1.9 million is mainly due to more timely payment of trade payables as at 30 September 2013 compared to 31 December 2012 and payment of IPO expenses accrued as at 31 December 2012 in 9M 2013.

Equity

The Group's equity increased by US\$30.9 million from US\$26.3 million as at 31 December 2012 to US\$57.2 million as at 30 September 2013, mainly due to the increase in the Company's share capital of US\$28.5 million in 9M 2013 and the Group's 9M 2013 net profit. The increase is partially offset by a US\$2.4 million dividend payment in 9M 2013.

Working capital

As at 30 September 2013, net working capital amounted to US\$26.7 million (31 December 2012: US\$17.6 million), as set out below:

(US\$ million)	30 September 2013	31 December 2012
Cash and bank balances ⁽¹⁾	16.3	11.9
Trade receivables	5.6	6.8
Inventories	28.2	20.3
Less: Trade payables	(0.1)	(1.6)
Less: Working capital loans	(23.3)	(19.8)
Net working capital	26.7	17.6

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 September 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 Q3 2013, Q3 2012, 9M 2013 and 9M 2012:

	Q3 2013	Q3 2012	9M 2013	9M 2012
(US\$ million)				
Net cash from operating activities, before working capital changes	2.2	4.3	8.1	10.8
Changes in working capital	(2.1)	15.7	(9.3)	(1.5)
Net cash from/(used in) operating activities	0.1	20.0	(1.2)	9.3
Net cash used in investing activities	(1.3)	(0.1)	(7.0)	(0.2)
Net cash from/(used in) financing activities	3.4	(18.8)	27.4	(8.0)
Net increase in cash and cash equivalents	2.2	1.1	19.2	1.1
Cash and cash equivalents at the beginning of the period	25.8	3.8	8.9	3.9
Effect of exchange rate changes on the balance of cash held in foreign currencies	(0.5)	(0.1)	(0.6)	(0.2)
Cash and cash equivalents at the end of the period	27.5	4.8	27.5	4.8

Q3 2013 vs Q3 2012

The Group's cash and cash equivalents increased by US\$2.2 million during Q3 2013. We recorded net cash inflow from operating activities of US\$0.1 million.

A net cash outflow from investing activities of US\$1.3 million was recorded, mainly attributable to the payment in relation to the purchase of property, plant and equipment.

Net cash generated from financing activities was US\$3.4 million, comprising net proceeds of working capital loans of US\$4.2 million, and repayment of term loans and its associated interest expense of US\$0.8 million.

9M 2013 vs 9M 2012

The Group's cash and cash equivalents increased by US\$19.2 million during 9M 2013. We recorded net cash outflow from operating activities of US\$1.2 million mainly attributable to higher raw material purchases in Q3 2013. Net cash outflow from investing activities was US\$7.0 million, comprising the deposit paid for the proposed acquisition of CLS assets of US\$2.1 million and payment in relation to the purchase of property, plant and equipment of US\$4.9 million.

Net cash generated from financing activities in 9M 2013 of US\$27.4 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 proceeds of working capital loans of US\$3.5 million, dividend paid of US\$2.4 million and repayment of term loans and its associated interest expense of US\$2.2 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

The natural rubber prices continued to remain depressed in the third quarter of 2013. The benchmark SGX-ST TSR 20 futures contract started at US\$2,237 per tonne in early July 2013, increasing to US\$2,497 per tonne in early September 2013 before closing at US\$2,306 per tonne at 30 September 2013. This is mainly due to uncertainty over the global economy. We believe that natural rubber prices will continue to be around the current level at least for the next 12 months.

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

We delivered 55,822 tonnes of our products in 9M 2013, as compared to 51,691 tonnes in 9M 2012, representing an increase of 8.0%. As at 30 September 2013, the Group had committed offtake of 26,575 tonnes for the remainder of 2013. This translates to a currently contracted volume of 82,397 tonnes, a 22.9% increase as compared to 67,046 tonnes sold in FY2012.

In 9M 2013, we announced three proposed acquisitions; namely acquisition of CLS assets, acquisition of JFL Agro and acquisition of PT. Golden Energi. We are making good developments on these proposed acquisitions and they are expected to be completed on time. Upon completion of these acquisitions, we will be on stronger platform in becoming one of the top global Natural Rubber producers.

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 Q3 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. ⁽¹⁾	-	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.

With effect from 1 October 2013, the Business Services Agreement (“BSA”) between the Company and HCS has been terminated by mutual agreement and the services contemplated under the BSA will be handled by the Company internally.

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 23 October 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)
Use of IPO proceeds			
Expansion and upgrading of processing facilities	6.9	4.6	2.3
General working capital ⁽¹⁾	4.2	4.2	-
Total	11.1	8.8	2.3

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 23 October 2013, the status on the use of the net proceeds from the Placement is as follows:

	Amount (US\$ million)
Net proceeds from the Placement	16.3
Less: Deposit paid for proposed acquisition of CLS assets	(2.1)
Balance net proceeds remaining as at 23 October 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 third quarter and nine months ended 30 September 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
Executive Director

By Order of the Board

Robert Meyer
Executive Chairman and CEO

Singapore,
23 October 2013