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

Unaudited Financial Statement for the Second Quarter Ended 30 June 2014

*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**").*

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About us

Halcyon Agri Corporation Limited and its subsidiaries (the "**Group**" or "**Halcyon Agri**") specialise in the processing and merchandising of natural rubber. The Group is headquartered in Singapore, where its risk management and merchandising operations are located. One of the largest producers of Standard Indonesian Rubber ("SIR"), Halcyon Agri's six subsidiaries in Indonesia own and operate a total of 12 crumb rubber factories with a combined licenced export capacity of 568,000 tonnes per annum. In Malaysia, the Group owns and operates two Standard Malaysian Rubber ("SMR") factories in Perak with a combined annual capacity of 180,000 tonnes, as well as approximately 10,000 hectares of Sultanate land which is slated to become one of the largest natural rubber plantations in Kelantan. Halcyon Agri exports its production to a global customer base which includes the leading 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 2014 ("Q2 2014") and 30 June 2013 ("Q2 2013") and for the First Half Ended 30 June 2014 ("H1 2014") and 30 June 2013 ("H1 2013")

	Group			Group		
	Q2 2014 (Unaudited)	Q2 2013 (Unaudited)	Change	H1 2014 (Unaudited)	H1 2013 (Unaudited)	Change
	US$'000	US$'000	%	US$'000	US$'000	%
Revenue	37,202	53,976	(31.1)	77,967	104,088	(25.1)
Cost of sales	(33,791)	(48,557)	(30.4)	(71,696)	(94,633)	(24.2)
Gross profit	3,411	5,419	(37.1)	6,271	9,455	(33.7)
Other income	5	-	n/m	40	-	n/m
Selling expenses	(492)	(373)	31.9	(832)	(682)	22.0
Administrative expenses	(1,849)	(1,657)	11.6	(3,791)	(3,170)	19.6
Operating profit	1,075	3,389	(68.3)	1,688	5,603	(69.9)
Finance income	6	13	(53.8)	34	26	30.8
Finance costs	(435)	(422)	3.1	(725)	(890)	(18.5)
Profit before taxation	646	2,980	(78.3)	997	4,739	(79.0)
Income tax expense	(42)	(334)	(87.4)	(59)	(572)	(89.7)
Profit for the financial period	604	2,646	(77.2)	938	4,167	(77.5)
Profit attributable to:						
Owners of the company	622	2,664	(76.7)	974	4,196	(76.8)
Non-controlling interest	(18)	(18)	-	(36)	(29)	24.1
	604	2,646	(77.2)	938	4,167	(77.5)
Other comprehensive income						
Items that may be reclassified subsequently to profit and loss						
Exchange differences on translation of foreign operations	(540)	(402)	34.3	1,362	(465)	n/m
Items that may not be reclassified subsequently to profit and loss						
Total comprehensive income for the financial period	64	2,244	(97.1)	2,300	3,702	(37.9)
Total comprehensive income attributable to:						
Owners of the Company	82	2,262	(96.4)	2,336	3,731	(37.4)
Non-controlling interests	(18)	(18)	-	(36)	(29)	24.1
	64	2,244	(97.1)	2,300	3,702	(37.9)
Earnings before interest,tax,depreciation and amortisation	1,482	3,645	(59.3)	2,649	6,108	(56.6)
Earnings per share("EPS")(refer item 6):						
Basic and diluted EPS in US cents	0.16	0.92	(82.9)	0.25	1.45	(83.0)
Adjusted EPS in US cents	0.16	0.67	(76.7)	0.25	1.06	(76.8)

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 2014 (Unaudited)	Q2 2013 (Unaudited)	Change	H1 2014 (Unaudited)	H1 2013 (Unaudited)	Change
	US$'000	US$'000	%	US$'000	US$'000	%
Cost of inventories recognised as an expense [1]	(33,791)	(48,557)	(30.4)	(71,696)	(94,633)	(24.2)
Employee benefits expenses	(2,365)	(1,935)	22.2	(4,328)	(3,739)	15.8
Management fees	-	(97)	n/m	-	(194)	n/m
Depreciation	(407)	(256)	59.0	(961)	(505)	90.3
Non-recurring expenses:						
-Initial public offering ("IPO") expenses	-	(51)	n/m	-	(334)	n/m
-Acquisitions-related expenses	(32)	(20)	60.0	(138)	(20)	590.0
Professional fees	(153)	(246)	(37.8)	(305)	(416)	(26.7)
Foreign exchange(loss) gain	(56)	(17)	229.4	(150)	10	n/m

n/m - not meaningful

[1] Included in cost of inventories recognised as expense is the cost of raw materials amounting to US$30.7 million (Q2 2013: US$45.9 million, H1 2014: US$66.0 million, H1 2013: US$89.7 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 2014 and 31 December 2013.

	Group		Company	
	30 Jun 14	31 Dec 13	30 Jun 14	31 Dec 13
ASSETS	Unaudited US$'000	Audited US$'000	Unaudited US$'000	Audited US$'000
Non-current assets				
Intangible assets	13,929	10,000	-	-
Property, plant and equipment	89,488	15,537	197	168
Investment in subsidiaries	-	-	16,000	16,000
Deferred charges	200	124	-	-
Deferred tax assets	200	197	-	-
Other assets	-	2,054	-	2,054
Biological Assets	447	-	-	-
Total non-current assets	104,264	27,912	16,197	18,222
Current assets				
Cash and bank balances	29,976	52,688	16,514	22,627
Trade receivables	5,016	7,347	-	-
Other receivables	4,539	2,592	72,294	43,345
Derivative financial instruments	1,181	903	-	-
Inventories	30,065	16,409	-	-
Total current assets	70,777	79,939	88,808	65,972
Total assets	**175,041**	**107,851**	**105,005**	**84,194**
LIABILITIES AND EQUITY				
Current liabilities				
Derivative financial instruments	2,148	789	-	-
Trade payables	2,399	-	-	-
Other payables	27,902	2,866	370	12,553
Loan payables	29,922	21,143	7,288	5,840
Provision for taxation	700	1,352	15	40
Finance lease	399	-	390	-
Total current liabilities	63,470	26,150	8,063	18,433
Net current assets	7,307	53,789	80,745	47,539
Non current liabilities				
Loan payables	13,062	-	13,062	-
Retirement benefit obligations	802	648	-	-
Deferred tax liabilities	1,562	781	29	29
Finance lease	1,754	-	1,687	-
Total non current liabilities	17,180	1,429	14,778	29
Net assets	94,391	80,272	82,164	65,732
Capital and reserves				
Share capital	78,508	63,713	78,508	63,713
Capital reserves	143	143	-	-
Accumulated profits	19,017	21,195	3,656	2,019
Foreign currency translation reserves	(3,579)	(4,941)	-	-
Equity attributable to owners of the company	94,089	80,110	82,164	65,732
Non-controlling interests	302	162	-	-
Total equity	**94,391**	**80,272**	**82,164**	**65,732**
Total liabilities and equity	**175,041**	**107,851**	**105,005**	**84,194**

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 June 2014 (Unaudited)		As at 31 Dec 2013 (Audited)	
	Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
Loans	29,922	-	21,143	-
Finance lease	399	-	-	-

Amount repayable after one year

	As at 30 June 2014 (Unaudited)		As at 31 Dec 2013 (Audited)	
	Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
Loans	13,062	-	-	-
Finance lease	1,754	-	-	-

Details of any collateral

Working capital loans are secured by corporate guarantees from the Company and by a charge over some of the Group's property, plant and equipment, inventories, trade receivables and pledged deposits.

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

Finance leases are secured by the lessor's title to the leased assets.

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 2014

	Group		Group	
	Q2 2014 (Unaudited)	Q2 2013 (Unaudited)	H1 2014 (Unaudited)	H1 2013 (Unaudited)
	US$'000	US$'000	US$'000	US$'000
Operating activities:				
Profit before income tax	646	2,980	997	4,739
Adjustments for:				
Depreciation expense	407	256	961	505
Retirement benefit expense	65	79	142	159
Interest income	(6)	(13)	(34)	(26)
Interest expense	435	422	725	890
Fair value (gain) loss on open forward commodities contracts and inventories, unrealised	(1,511)	1,005	(100)	575
Operating profit before working capital changes	36	4,729	2,691	6,842
Trade receivables	926	(1,609)	2,331	(2,799)
Other receivables and deferred charges	(295)	(532)	(2,024)	(1,102)
Inventories	(7,013)	3,804	(12,438)	(643)
Trade payables	1,743	(178)	2,399	(1,467)
Other payables	449	877	(678)	(1,119)
Cash (used in) from operations	(4,154)	7,091	(7,719)	(288)
Interest received	6	13	34	26
Interest paid	(290)	(192)	(434)	(409)
Tax paid	(675)	(469)	(697)	(521)
Net cash (used in) from operating activities	(5,113)	6,443	(8,816)	(1,192)
Investing activities				
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)
Acquisition of subsidiaries (net cash acquired)	(153)	-	(28,244)	-
Purchase of property, plant and equipment	(2,609)	(479)	(6,292)	(2,504)
Net cash used in investing activities	(2,762)	(3,649)	(34,536)	(5,674)
Financing activities				
Proceeds from issuance of shares	-	16,316	-	28,516
Decrease in pledge deposits	1,240	-	1,240	-
Dividend paid	(3,152)	(2,350)	(3,152)	(2,350)
Net proceeds (repayment) of term loans	15,155	(609)	14,511	(1,208)
Interest paid on term loans	(212)	(141)	(291)	(292)
Net proceeds (repayment) of working capital loans	3,288	(4,889)	7,330	(736)
Proceeds received under finance lease arrangement	-	-	2,251	-
Repayments of obligations under finance lease arrangemen	(98)	-	(98)	-
Net cash from financing activities	16,221	8,327	21,791	23,930
Net increase (decrease) in cash and cash equivalents	8,346	11,121	(21,561)	17,064
Cash and cash equivalents at beginning of the period	19,849	14,852	49,677	8,857
Effects of exchange rate changes on the balance of cash held in foreign	9	(153)	88	(101)
Cash and cash equivalents at end of the period	**28,204**	**25,820**	**28,204**	**25,820**
Cash and bank balances comprise the following:				
Cash and cash equivalents	28,204	25,820	28,204	25,820
Fixed deposits - pledged	1,772	3,009	1,772	3,009
	29,976	28,829	29,976	28,829

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 2014 and as at 30 June 2013

Group (Unaudited)	Share capital US$ '000	Capital reserves US$ '000	Accumulated profits (losses) US$ '000	Foreign currency translation reserves US$ '000	Non-controlling interests US$ '000	Total US$ '000
Balance at 1 April 2014	78,508	143	21,547	(3,039)	320	97,479
Total comprehensive income (loss) for the period						
Profit (loss) for the period	-	-	622	(540)	(18)	64
Total	-	-	622	(540)	(18)	64
Transactions with owners, recognised directly in equity						
Dividend paid	-	-	(3,152)	-	-	(3,152)
Total	-	-	(3,152)	-	-	(3,152)
Balance at 30 June 2014	78,508	143	19,017	(3,579)	302	94,391

Group (Unaudited)						
Balance at 1 April 2013	24,700	143	15,904	(989)	170	39,928
Total comprehensive income (loss) for the period						
Profit (loss) for the period	-	-	2,664	(402)	(18)	2,244
Total	-	-	2,664	(402)	(18)	2,244
Transactions with owners, recognised directly in equity						
Issue of share capital	16,316	-	-	-	-	16,316
Dividend paid	-	-	(2,350)	-	-	(2,350)
Total	16,316	-	(2,350)	-	-	13,966
Balance at 30 June 2013	41,016	143	16,218	(1,391)	152	56,138

Company (Unaudited)						
Balance at 1 April 2014	78,508	-	6,913	-	-	85,421
Total comprehensive income for the period						
Loss for the period	-	-	(105)	-	-	(105)
Total	-	-	(105)	-	-	(105)
Transactions with owners, recognised directly in equity						
Dividend paid	-	-	(3,152)	-	-	(3,152)
Total	-	-	(3,152)	-	-	(3,152)
Balance at 30 June 2014	78,508	-	3,656	-	-	82,164

Company (Unaudited)						
Balance at 1 April 2013	24,700	-	4,901	-	-	29,601
Total comprehensive loss for the period						
Loss for the period	-	-	(116)	-	-	(116)
Total	-	-	(116)	-	-	(116)
Transactions with owners, recognised directly in equity						
Issue of share capital	16,316	-	-	-	-	16,316
Dividend paid	-	-	(2,350)	-	-	(2,350)
Total	16,316	-	(2,350)	-	-	13,966
Balance at 30 June 2013	41,016	-	2,435	-	-	43,451

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.

Issued and paid up	Number of ordinary shares	US$'000
At 1 April and 30 June 2014	396,000,000	78,508

There were no outstanding options, convertibles or treasury shares as at 30 June 2014 and 30 June 2013.

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 2014 and 31 December 2013. As such, the number of issued shares excluding treasury shares as at 30 June 2014 and 31 December 2013 were 396,000,000 shares and 370,000,000 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 2013.

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 2014. 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 2014 Unaudited	**Q2 2013 Unaudited**	**H1 2014 Unaudited**	**H1 2013 Unaudited**
Profit attributable to owners of the Company (US$'000)	622	2,664	974	4,196
Basic and diluted earnings per share ("EPS") in US cents (1)	0.16	0.92	0.25	1.45
Adjusted EPS in US cents (2)	0.16	0.67	0.25	1.06
Adjusted EPS in SGD cents (3)	0.20	0.84	0.31	1.34

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 2014 of 396,000,000 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 2014 and 30 June 2013.

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 2014	31 December 2013	30 June 2014	31 December 2013
	Unaudited	Audited	Unaudited	Audited
Net asset value per ordinary share based on issued share capital (US cents)	23.84	21.70	20.75	17.77
Number of ordinary shares outstanding	396,000,000	370,000,000	396,000,000	370,000,000
Adjusted net asset value per ordinary share based on issued share capital (US cents) (1)	23.84	20.27	20.75	16.60

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 2014 of 396,000,000 shares.

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 2014 vs Q2 2013 and H1 2014 vs H1 2013

Snapshot

Operating financial statistics

		Q2 2014	Q2 2013	Change	H1 2014	H1 2013	Change
Sales volume	tonnes	19,336	19,926	-3.0%	38,497	36,459	5.6%
Revenue	US$ million	37.2	54.0	-31.1%	78.0	104.1	-25.1%
Revenue per tonne	US$	1,924	2,709	-29.0%	2,025	2,855	-29.1%
Gross profit	US$ million	3.4	5.4	-37.1%	6.3	9.5	-33.7%
EBITDA - adjusted (1)	US$ million	1.5	3.7	-59.3%	2.8	6.5	-56.9%
Net Profit - adjusted (1)	US$ million	0.6	2.7	-76.6%	1.1	4.5	-76.2%

Note:

(1) The results have been adjusted to exclude the non-recurring expenses of US$32,000 in Q2 2014 (Q2 2013: US$0.1 million), and US$0.2 million in H1 2014 (H1 2013: US$0.4 million).

Revenue

	Q2 2014		Q2 2013		H1 2014		H1 2013	
	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	36.5	98.1%	54.5	100.9%	78.8	101.0%	104.0	99.9%
Other revenue [(1) (2)]	0.7	1.9%	(0.5)	-0.9%	(0.8)	-1.0%	0.1	0.1%
Total revenue	37.2	**100.0%**	54.0	**100.0%**	78.0	**100.0%**	104.1	**100.0%**
Sales volume of our products (tonnes)	**19,336**		**19,926**		**38,497**		**36,459**	
Revenue per tonne (US$)	**1,924**		**2,709**		**2,025**		**2,855**	

Notes:

(1) Comprises physical rubber hedging revenue and revenue from the unrealised fair value gain/(loss) in open forward commodity contracts and the Group's natural rubber inventories.

(2) This amount includes net gain/(loss) relating to the Group's natural rubber forward contracts of loss US$0.2 million in Q2 2014 (Q2 2013: loss US$0.6 million, H1 2014: loss US$1.8 million and H1 2013: loss US$0.7 million) entered as part of the Group's price risk management, due to the mismatch between the Group's committed sales volume and raw material purchase volume.

Q2 2014 vs Q2 2013

Revenue decreased by US$16.8 million or 31.1%, from US$54.0 million in Q2 2013 to US$37.2 million in Q2 2014 mainly due to lower average selling prices in Q2 2014, with revenue per tonne decreasing from US$2,709 in Q2 2013 to US$1,924 in Q2 2014. The revenue compression was further due to a decrease in sales volume of 590 tonnes in Q2 2014 as compared to Q2 2013.

H1 2014 vs H1 2013

Revenue decreased by US$26.1 million or 25.1%, from US$104.1 million in H1 2013 to US$78.0 million in H1 2014 mainly due to lower average selling prices in H1 2014, whereby revenue per tonne decreased from US$2,855 in H1 2013 to US$2,025 in H1 2014. This decrease was partially offset by the increase in sales volume from 36,459 tonnes in H1 2013 to 38,497 tonnes in H1 2014.

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 90.8**%,** 90.1%, 92.0%, and 90.9% of revenue in Q2 2014, Q2 2013, H1 2014 and H1 2013, respectively. The breakdown is shown below:

	Q2 2014		Q2 2013		H1 2014		H1 2013	
	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	(30.7)	90.8%	(45.9)	94.4%	(66.0)	92.1%	(89.7)	94.8%
Processing cost	(3.1)	9.2%	(2.7)	5.6%	(5.7)	7.9%	(4.9)	5.2%
Total cost of sales	(33.8)	**100.0%**	(48.6)	**100.0%**	(71.7)	**100.0%**	(94.6)	**100.0%**

Q2 2014 vs Q2 2013

Cost of sales decreased by US$14.8 million or 30%, from US$48.6 million in Q2 2013 to US$33.8 million in Q2 2014, mainly due to the lower raw material costs whereby cost of raw materials per tonne decreased from US$2,304 in Q2 2013 to US$1,586 in Q2 2014. The decrease in cost of sales was also due to the decrease in the sales volume of 590 tonnes.

H1 2014 vs H1 2013

Cost of sales decreased by US$22.9 million or 24.0%, from US$94.6 million in H1 2013 to US$71.7 million in H1 2014, mainly due to lower raw material costs with cost of raw materials per tonne decreasing from US$2,460 in H1 2013 to US$1,714 in H1 2014. This decrease was partially offset by the increase in sales volume.

Gross profit

The gross profit per tonne information is shown below:

	Q2 2014	**Q2 2013**	**H1 2014**	**H1 2013**
Total revenue (US$ million)	37.2	54.0	78.0	104.1
Cost of raw materials (US$ million)	(30.7)	(45.9)	(66.0)	(89.7)
Gross material profit (US$ million)	6.5	8.1	12.0	14.4
Processing costs (US$ million)	(3.1)	(2.7)	(5.7)	(4.9)
Gross profit (US$ million)	3.4	5.4	6.3	9.5
Sales volume of our products (tonnes)	19,336	19,926	38,497	36,459
Gross material profit (US$ per tonne)	338	408	311	395
Adjusted gross material profit (US$ per tonne) (1)	346	432	356	414

Note:

(1) The adjusted gross material profit per tonne was calculated by deducting from the gross material profit, the effect of the net gain/(loss) on the Group's forward commodity contracts entered as part of the Group's natural rubber price risk management, divided by sales volume.

Q1 2014 vs Q1 2013

Gross profit decreased by US$2.0 million or 37.1% from US$5.4 million in Q2 2013 to US$3.4 million in Q2 2014. The decrease in gross profit was mainly due to decrease in gross material profit per tonne from US$408 in Q2 2013 to US$338 in Q2 2014, a decrease of 17.2%.

The decrease in gross material profit per tonne in Q2 2014 was mainly due to the restricted supply of raw materials as a result of depressed natural rubber price since beginning 2014. As such, the Group faced tighter competition for raw material and hence, impacting the gross material profit during Q2 2014.

H1 2014 vs H1 2013

Gross profit decreased by US$3.2 million or 33.7% from US$9.5 million in H1 2013 to US$6.3 million in H1 2014 as a result of the lower gross material profits explained above.

Profit before tax

Q2 2014 vs Q2 2013

Profit before tax in Q2 2014 was US$0.7 million, a decrease of US$2.3 million or 78.0% from the profit before tax in Q2 2013 of US$3.0 million. The decrease in the profit before tax was mainly due to the lower gross profit achieved in Q2 2014, as compared to Q2 2013. Further, the Group incurred higher selling and administrative expenses, from US$2.0 million in Q2 2013 to US$2.3 million in Q2 2014, an increase of US$0.3 million or 15.0%. The higher administrative expenses reflect the effect of scaling up the Group's operations in the financial year ended 31 December 2013. The increase in depreciation expense from US$0.2 million to US$0.4 million is mainly due to additional depreciation arising from the newly acquired assets in the first quarter of 2014. In addition, the newly acquired factory assets (i.e. Hevea KB and Hevea GE) have not reached output levels sufficient for breakeven production.

H1 2014 vs H1 2013

Profit before tax in H1 2014 was US$1.0 million, a decrease of US$3.7 million or 79% from the profit before tax in H1 2013 of US$4.7 million. The decrease was mainly due to decrease in gross profit and increase in general and administrative expenses outlined above.

Profit after tax

Q2 2014 vs Q2 2013

Profit after tax in Q2 2014 was US$0.6 million, a decrease of US$2.0 million or 77.0% over the corresponding figure in Q2 2013 of US$2.6 million.

H1 2014 vs H1 2013

Profit after tax in H1 2014 was US$0.9 million, a decrease of US$3.3 million or 77.0% from the profit after tax in H1 2013 of US$4.2 million. The decrease was mainly due to decrease in gross profit and increase in general and administrative expenses outlined above.

Review of the Financial Position of the Group

Non-current assets

Increase in non-current assets as at 30 June 2014 (US$104.3 million) of US$76.4 million from 31 December 2013 (US$27.9 million) was mainly due to the following:

- Increase in property, plant and equipment of US$74.0 million from 31 December 2013 (US$15.5 million) to 30 June 2014 (US$89.5 million) as a result of the completion of the acquisition of assets of Chip Lam Seng Sdn. Bhd. ("Chip Lam Seng Assets") for US$19.2 million, PT Golden Energi for US$4.3 million, and JFL Agro Pte Ltd ("JFL Agro") for US$43.3 million. In addition, the Group also incurred scheduled capital expenditure of US$7.2 million in HMK1, HMK2 and HKB processing facilities. This increase was partially offset by a depreciation charge of US$1.0 million and exchange difference of US$1.0 million.
- Increase in intangible assets of US$3.9 million, which relates to goodwill arising from the acquisition of 95% of the equity interest in PT Golden Energi.

Current assets

Current assets decreased by US$9.1million or 11.4% from 31 December 2013 (US$79.9 million) to 30 June 2014 (US$70.8 million), due to the following:

- Decrease in cash and bank balances of US$22.7 million, mainly due to payments made for the acquisitions of Chip Lam Seng Assets, PT Golden Energi and JFL Agro, and the payment of an ordinary dividend on 22 May 2014. The decrease is partially offset by the receipt of a term loan from IE Singapore ("IE Singapore Loan") of US$15.8 million under International Finance Scheme ("IFS") for the Group's general working capital purposes;
- Increase in other receivables of US$1.9 million, mainly due the prepayment, value-added tax receivable , and advance given to a raw material supplier;
- Decrease in trade receivables of US$2.3 million, mainly due to lower average selling prices in H1 2014; and
- Increase in inventories of US$13.7 million, mainly due to the commencement of raw material procurement for our newly-acquired processing facilities (i.e. Hevea KB and Hevea GE).

Liabilities

The increase in current and non-current loan payables as at 30 June 2014 of US$21.8 million was mainly due to increased utilisation of working capital loan balances of US$7.3 million (30 June 2014: US$22.7 million and 31 December 2013: US$15.3 million) and the net increase in the term loan balance of US$14.6 million (30 June 2014: US$20.4 million and 31 December 2013: US$5.8 million). The net increase in the term loan balance is mainly due to the receipt of the IE Singapore Loan of US$15.8 million.

The increase in trade and other payables to US$27.4 million as at 30 June 2014 was mainly due to the remaining consideration payable to the vendors of JFL Agro of US$21.6 million and the vendors of Chip Lam Seng Assets of US$3.1 million and amounts payable to raw material suppliers of US$2.4 million.

The increase in derivative financial instruments was mainly due to revaluation of outstanding natural rubber forward contracts as at 30 June 2014 as compared to 31 December 2013.

The increase in current and non-current finance leases as at 30 June 2014 of US$2.2 million was due to proceeds received under a finance lease arrangement for purchases of the plant and machinery and was offset by a repayment of US$0.1 million.

Equity

The Group's equity increased by US$14.1 million from US$80.3 million as at 31 December 2013 to US$94.4 million as at 30 June 2014, mainly due to the increase in the Company's share capital of US$14.8 million in H1 2014 and the Group's H1 2014 net profit. These increases are partially offset by the US$3.2 million dividend payment to the Company's shareholders in May 2014.

Working capital

As at 30 June 2014, net working capital amounted to US$31.7 million (31 December 2013: US$23.3 million), as set out below:

(US$ million)	**30 June 2014**	**31 December 2013**
Cash and bank balances	21.7[(1)]	14.9
Trade receivables	5.0	7.3
Inventories	30.1	16.4
Less: Trade payables	(2.4)	-
Less: Working capital loans	(22.7)	(15.3)
Net working capital	**31.7**	**23.3**

Note:
(1) The remaining net proceeds from the Placements (as defined herein) amounting to US$8.3 million has been excluded from the above cash and bank balances as at 30 June 2014, as these funds 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 2014, Q2 2013, H1 2014 and H1 2013:

(US$ million)	**Q2 2014**	**Q2 2013**	**H1 2014**	**H1 2013**
Net cash (used in)/ from operating activities, before working capital changes	(0.9)	4.1	1.6	5.9
Changes in working capital	(4.2)	2.3	(10.4)	(7.1)
Net cash (used in) /from operating activities	(5.1)	6.4	(8.8)	(1.2)
Net cash used in investing activities	(2.8)	(3.6)	(34.5)	(5.7)
Net cash from financing activities	16.2	8.3	21.8	23.9
Net increase (decrease) in cash and cash equivalents	8.3	11.1	(21.6) [(1)]	17.0
Cash and cash equivalents at the beginning of the period	19.8	14.9	49.7	8.9
Effect of exchange rate changes on the balance of cash held in foreign currencies	0.1	(0.2)	0.1	(0.1)
Cash and cash equivalents at the end of the period	**28.2**	**25.8**	**28.2**	**25.8**

Note: (1) Figures do not add up due to rounding

Q2 2014 vs Q2 2013

The Group's cash and cash equivalents increased by US$8.3 million during Q2 2014. We recorded net cash outflow from operating activities of US$5.1 million mainly due to the procurement of raw materials for our newly-acquired processing facilities.

A net cash outflow from investing activities of US$2.8 million was recorded, mainly attributable to the payment for the purchase of property, plant and equipment of US$ 2.6 million and the additional consideration paid for the acquisition of new subsidiaries of US$0.2 million.

Net cash generated from financing activities was US$16.2 million, comprising mainly the net proceeds of working capital loans of US$3.3 million, proceeds from the IE Singapore Loan of US$15.8 million and offset by the repayment of term loans and associated interest expense of US$0.9 million, the decrease in pledged deposits of US$1.2 million and the dividend payment of US$3.2 million.

H1 2014 vs H1 2013

The Group's cash and cash equivalents decreased by US$21.6 million during H1 2014. We recorded net cash outflows from operating activities of US$8.8 million mainly due to the procurement of raw materials for our newly-acquired processing facilities.

A net cash outflow from investing activities of US$34.5 million was recorded, mainly attributable to the consideration paid for our newly-acquired operations of US$28.2 million in H1 2014 and payment in relation to the purchase of property, plant and equipment of US$6.3 million.

Net cash generated from financing activities was US$21.8 million, comprising the net proceeds of working capital loans of US$7.3 million, proceeds received under finance lease arrangements of US$2.2 million, proceeds from term loans of US$15.8 million and offset by the repayment of term loans and associated interest expense of US$1.6 million, the decrease in pledged deposits of US$1.2 million and the dividend payment of US$3.2 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 trend 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 Q1 2014, the price for Natural Rubber (expressed by the first position of the SGX-ST TSR20 futures contract), fell to US$1,790 per tonne towards end of February 2014, before recovering slightly in March 2014 to approximately US$1,900 per tonne. Subsequently, the price plunged again to a 4- year low of US$1,646 per tonne on 21 April 2014.

We delivered 36,219 tonnes of HMKI and HMKII production and 2,278 tonnes of HKB production in H1 2014, bringing total sales volume of 38,497 tonnes (H1 2013: 36,459 tonnes). Despite the peak production season in Indonesia in Q2 2014, raw material availability remained tight as farmers are increasingly unable to follow the market to ever lower levels. As a consequence, the Group's key operating metric, gross material profit ("GMP"), compressed by US$84 per tonne in H1 2014 to US$311 per tonne (H1 2013: US$395 per tonne). In compliance with the Group's risk management policy, our natural rubber hedging activities incurred additional costs of US$1.8 million in H1 2014.

As at 30 June 2014, the Group has committed offtake of 46,853 tonnes to be delivered for the remainder of the financial year ending 31 Dec 2014. This has since been further increased by 1,593 tonnes, as the Group secured additional offtake from 1 July 2014 to 12 Aug 2014. This currently translates to a contracted volume of 86,943 tonnes, exceeding 2013 sales by approximately 10%. This is before taking into account additional sales volumes arising from the acquisition of Anson Company (Private) Limited ("Anson"), which completed in Q3 2014. Anson has a portfolio of market-leading, well-managed facilities that fit perfectly into our existing business.

By integrating the merchandising margin of Anson, our Group will be able to capture the full margin contribution of the additional production, which, coupled with fixed overhead recovery spread over a quadrupled output, will facilitate profitability recovery on a per tonne basis.

The Anson acquisition was financed through a combination of internal resources, co-investment from Angsana Capital Limited (wholly owned by our Group CEO, Robert Meyer), syndicated loan facilities with Credit Suisse AG, Singapore Branch and DBS Bank Ltd. and the issuance of medium term notes on 31 July 2014.

The Company would also like to update that its indirect subsidiary, PT. Hevea MK, has obtained approvals for the requisite building licenses in Indonesia.

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.

Not applicable. The Group does not have a general mandate for IPTs.

14. Use of IPO proceeds

The Company refers to the net proceeds (IPO gross 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 2014, the status on the use of IPO net 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	6.9	-
General working capital (1)	4.2	4.2	-
Total	**11.1**	**11.1**	**-**

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 Placements

In FY 2013, the Company has issued and allotted:

(a) 40,000,000 placement shares at the issue price of S$0.5175 per share to Credence Capital Fund II (Cayman) Limited ("**Credence**") which was completed on 24 June 2013, with net proceeds of approximately US$16.3 million (the "**Credence Placement I**");

(b) 27,500,000 placement shares at the issue price of S$0.72 per share to 15 placees, which was completed on 22 November 2013, with net proceeds of approximately US$15.6 million (the "**General Mandate Placement**"); and

(c) 12,500,000 placement shares at the issue price of S$0.72 per share to Credence, which was completed on 23 December 2013, with net proceeds of approximately US$7.1 million (the "**Credence Placement II**").

(collectively, the "**Placements**")

The net proceeds from the Credence Placement I have been fully utilised on 16 January 2014 for the acquisition of Hevea KB assets.

The details of the utilisation of the net proceeds from the General Mandate Placement and the Credence Placement II are shown as below:

	Amount (US$ million)
Aggregate net proceeds from the General Mandate Placement and the Credence Placement II	22.7
Less: Partial consideration paid for acquisition of JFL Agro Pte Ltd	(6.8)
Consideration paid for acquisition of PT Golden Energi	(7.0)
Payment of professional fees in relation to the above-mentioned acquisitions	(0.6)
Balance net proceeds remaining as at 14 August 2014	8.3

The applications of the Placements' proceeds are in accordance with the intended use of proceeds from the Placements as disclosed to the shareholders of the Company in the Company's announcements dated 15 May 2013 and 6 November 2013, and circular to shareholders dated 27 November 2013. The Company will make periodic announcements on the use of the balance of the net proceeds from the Placements as and when the funds are materially disbursed and/or in the Company's financial results announcements.

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 ended 30 June 2014 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,
14 August 2014