HALCYON AGRI

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

Unaudited Financial Statement for the First Quarter Ended 31 March 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**") operate in the midstream of the natural rubber supply chain, specialising in the processing and merchandising of natural rubber. The Group is headquartered in Singapore, where its risk management and merchandising operations are located, with key operating assets located in Indonesia and Malaysia.

In Indonesia, the Group owns and operates two natural rubber processing factories in Palembang, the capital of South Sumatra Province, and the PT Golden Energi factory in the neighbouring Jambi Province.

In Malaysia, the Group owns and operates two natural rubber processing factories (also known as Hevea KB) in Ipoh and 7,200 hectares of Sultanate land to be developed as natural rubber plantations in Kelantan.

The Group's products are exported to a global customer base, including a substantial number of the top 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 First Quarter Ended 31 March 2014 ("Q1 2014") and 31 March 2013 ("Q1 2013")

	Group		
	Q1 2014 (Unaudited)	**Q1 2013 (Unaudited)**	**Change**
	US$'000	US$'000	%
Revenue	40,765	50,111	(18.7)
Cost of sales	(37,906)	(46,076)	(17.7)
Gross profit	2,859	4,035	(29.1)
Other income	35	-	n/m
Selling expenses	(340)	(309)	10.0
Administrative expenses	(1,942)	(1,512)	28.4
Operating profit	612	2,214	(72.4)
Finance income	28	13	115.4
Finance costs	(290)	(468)	(38.0)
Profit before taxation	350	1,759	(80.1)
Income tax expense	(17)	(238)	(92.9)
Profit for the financial period	333	1,521	(78.1)
Profit attributable to:			
Owners of the company	352	1,532	(77.0)
Non-controlling interest	(19)	(11)	72.7
	333	1,521	(78.1)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations	1,902	(63)	n/m
Total comprehensive income for the financial period	2,235	1,458	53.3
Total comprehensive income attributable to:			
Owners of the Company	2,254	1,469	53.5
Non-controlling interests	(19)	(11)	72.7
	2,235	1,458	53.3
Earnings before interest,tax,depreciation and amortisation	1,166	2,463	(52.7)
Earnings per share("EPS")(refer item 6):			
Basic and diluted EPS in US cents	0.09	0.56	(83.8)
Adjusted EPS in US cents	0.09	0.39	(77.0)

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		
	Q1 2014 (Unaudited)	Q1 2013 (Unaudited)	Change
	US$'000	US$'000	%
Cost of inventories recognised as an expense [1]	(37,906)	(46,076)	(17.7)
Employee benefits expenses	(1,964)	(1,804)	8.9
Management fees	-	(97)	n/m
Depreciation	(554)	(249)	122.5
Non-recurring expenses:			
-Initial public offering ("IPO") expenses	-	(283)	n/m
-Acquisitions-related expenses	(107)	-	n/m
Professional fees	(151)	(170)	(11.2)
Foreign exchange(loss) gain	(94)	27	n/m

n/m - not meaningful

[1] Included in cost of inventories recognised as expense is the cost of raw materials amounting to US$35.3 million (Q1 2013: US$43.9 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 31 March 2014 and 31 December 2013.

	Group		Company	
	31 Mar 14	31 Dec 13	31 Mar 14	31 Dec 13
ASSETS	Unaudited US$'000	Audited US$'000	Unaudited US$'000	Audited US$'000
Non-current assets				
Intangible assets	13,804	10,000	-	-
Property, plant and equipment	86,961	15,537	170	168
Investment in subsidiaries	-	-	16,000	16,000
Deferred charges	125	124	-	-
Deferred tax assets	210	197	-	-
Other assets	-	2,054	-	2,054
Biological Assets	208	-	-	-
Total non-current assets	101,308	27,912	16,170	18,222
Current assets				
Cash and bank balances	22,860	52,688	6,321	22,627
Trade receivables	5,942	7,347	-	-
Other receivables	4,321	2,592	81,882	43,345
Derivative financial instruments	1,747	903	-	-
Inventories	21,196	16,409	-	-
Total current assets	56,066	79,939	88,203	65,972
Total assets	**157,374**	**107,851**	**104,373**	**84,194**
LIABILITIES AND EQUITY				
Current liabilities				
Derivative financial instruments	2,313	789	-	-
Trade payables	656	-	-	-
Other payables	26,449	2,866	11,535	12,553
Loan payables	24,540	21,143	5,195	5,840
Provision for taxation	1,346	1,352	23	40
Finance lease	398	-	382	-
Total current liabilities	55,702	26,150	17,135	18,433
Net current assets (liabilities)	364	53,789	71,068	47,539
Non current liabilities				
Retirement benefit obligations	769	648	-	-
Deferred tax liabilities	1,571	781	29	29
Finance lease	1,853	-	1,788	-
Total non current liabilities	4,193	1,429	1,817	29
Net assets	97,479	80,272	85,421	65,732
Capital and reserves				
Share capital	78,508	63,713	78,508	63,713
Capital reserves	143	143	-	-
Accumulated profits	21,547	21,195	6,913	2,019
Foreign currency translation reserves	(3,039)	(4,941)	-	-
Equity attributable to owners of the company	97,159	80,110	85,421	65,732
Non-controlling interests	320	162	-	-
Total equity	**97,479**	**80,272**	**85,421**	**65,732**
Total liabilities and equity	**157,374**	**107,851**	**104,373**	**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 31 Mar 2014 (Unaudited)		As at 31 Dec 2013 (Audited)	
	Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
Loans	24,539	655	21,143	-
Finance lease	398	-	-	-

Amount repayable after one year

	As at 31 Mar 2014 (Unaudited)		As at 31 Dec 2013 (Audited)	
	Secured US$'000	Unsecured US$'000	Secured US$'000	Unsecured US$'000
Loans	-	-	-	-
Finance lease	1,853	-	-	-

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.

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 31 March 2014

	Group	
	Q1 2014 (Unaudited)	Q1 2013 (Unaudited)
	US$'000	US$'000
Operating activities:		
Profit before income tax	350	1,759
Adjustments for:		
Depreciation expense	554	249
Retirement benefit expense	77	80
Interest income	(27)	(13)
Interest expense	290	468
Fair value gain on open forward commodities contracts and inventories, unrealised	1,411	(431)
Operating profit before working capital changes	2,655	2,112
Trade receivables	1,405	(1,190)
Other receivables and deferred charges	(1,729)	(570)
Inventories	(5,425)	(4,447)
Trade payables	656	(1,289)
Other payables	(1,127)	(1,996)
Cash used in operations	(3,565)	(7,380)
Interest received	28	13
Interest paid	(143)	(217)
Tax paid	(22)	(53)
Net cash used in operating activities	(3,702)	(7,637)
Investing activities		
Acquisition of subsidiaries (net cash acquired)	(28,091)	-
Purchase of property, plant and equipment	(3,684)	(2,025)
Net cash used in investing activities	(31,775)	(2,025)
Financing activities		
Proceeds from issuance of shares	-	12,200
Repayment of term loans	(644)	(598)
Interest paid on term loans	(79)	(152)
Net proceeds of working capital loans	4,042	4,153
Proceeds received under finance lease arrangement	2,251	-
Net cash from financing activities	5,570	15,603
Net (decrease) increase in cash and cash equivalents	(29,907)	5,941
Cash and cash equivalents at beginning of the period	49,677	8,857
Effects of exchange rate changes on the balance of cash held in foreign currencies	79	54
Cash and cash equivalents at end of the period	**19,849**	**14,852**
Cash and bank balances comprise the following:		
Cash and cash equivalents	19,849	14,852
Fixed deposits - pledged	3,011	3,009
	22,860	17,861

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 31 March 2014 and as at 31 March 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 January 2014	63,713	143	21,195	(4,941)	162	80,272
Total comprehensive income (loss) for the period						
Profit (loss) for the period	-	-	352	1,902	(19)	2,235
Total	-	-	352	1,902	(19)	2,235
Transactions with owners, recognised directly in equity						
Non-controlling interest arising from acquisition of subsidiary	-	-	-	-	177	177
Issue of share capital	14,795	-	-	-	-	14,795
Total	14,795	-	-	-	177	14,972
Balance at 31 March 2014	78,508	143	21,547	(3,039)	320	97,479

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 January 2013	12,500	143	14,372	(926)	181	26,270
Total comprehensive income (loss) for the period						
Profit (loss) for the period	-	-	1,532	(63)	(11)	1,458
Total	-	-	1,532	(63)	(11)	1,458
Transactions with owners, recognised directly in equity						
Issue of share capital	12,200	-	-	-	-	12,200
Total	12,200	-	-	-	-	12,200
Balance at 31 March 2013	24,700	143	15,904	(989)	170	39,928

Company (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 January 2014	63,713	-	2,019	-	-	65,732
Total comprehensive income for the period						
Profit for the period	-	-	4,894	-	-	4,894
Total	-	-	4,894	-	-	4,894
Transactions with owners, recognised directly in equity						
Issue of share capital	14,795	-	-	-	-	14,795
Total	14,795	-	-	-	-	14,795
Balance at 31 March 2014	78,508	-	6,913	-	-	85,421

Company (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 January 2013	12,500	-	(1,937)	-	-	10,563
Total comprehensive income for the period						
Profit for the period	-	-	6,838	-	-	6,838
Total	-	-	6,838	-	-	6,838
Transactions with owners, recognised directly in equity						
Issue of share capital	12,200	-	-	-	-	12,200
Total	12,200	-	-	-	-	12,200
Balance at 31 March 2013	24,700	-	4,901	-	-	29,601

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 January 2014	370,000,000	63,713
Issue of share capital (1)	26,000,000	14,795
At 31 March 2014	396,000,000	78,508

Note:

(1) The Company had on 29 January 2014, issued and allotted 26,000,000 fully paid ordinary shares (the "Shares") based on the issue price of S$0.72 per Share as part of the purchase consideration for the acquisition of the entire issued and paid up share capital of JFL Agro Pte. Ltd. ("JFL Agro").

There were no outstanding options, convertibles or treasury shares as at 31 March 2014 and 31 March 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 31 March 2014 and 31 December 2013. As such, the number of issued shares excluding treasury shares as at 31 March 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	
	Q1 2014	**Q1 2013**
	Unaudited	**Unaudited**
Profit attributable to owners of the Company (US$'000)	352	1,532
Basic and diluted earnings per share ("EPS") in US cents (1)	0.09	0.56
Adjusted EPS in US cents (2)	0.09	0.39
Adjusted EPS in SGD cents (3)	0.11	0.47

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 31 March 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 31 March 2014 and 31 March 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	
	31 March 2014	**31 December 2013**	**31 March 2014**	**31 December 2013**
	Unaudited	**Audited**	**Unaudited**	**Audited**
Net asset value per ordinary share based on issued share capital (US cents)	24.62	21.70	21.57	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)]	24.62	20.27	21.57	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 31 March 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 Q1 2014 vs Q1 2013

Snapshot

Operating financial statistics

		Q1 2014	Q1 2013	Change
Sales volume	tonnes	19,161	16,534	15.9%
Revenue	US$ million	40.8	50.1	-18.7%
Revenue per tonne	US$	2,127	3,031	-29.8%
Gross profit	US$ million	2.9	4.0	-29.1%
EBITDA - adjusted (1)	US$ million	1.3	2.8	-54.5%
Net Profit - adjusted (1)	US$ million	0.4	1.8	-75.6%

Note:

(1) The results have been adjusted to exclude the non-recurring expenses in Q1 2014, totaling US$0.1 million in Q1 2014 (Q1 2013: US$0.3 million)

Revenue

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

	Q1 2014		Q1 2013	
	US$ million	**As a % of total revenue**	**US$ million**	**As a % of total revenue**
Sales of our products	42.3	103.7%	49.6	99.0%
Other revenue (1)	(1.5)	-3.7%	0.5	1.0%
Total revenue	**40.8**	**100.0%**	**50.1**	**100.0%**
Sales volume of our products (tonnes)		**19,161**		**16,534**
Revenue per tonne (US$)		**2,127**		**3,031**

Note:

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

Q1 2014 vs Q1 2013

Revenue decreased by US$9.3 million or 18.7%, from US$50.1 million in Q1 2013 to US$40.8 million in Q1 2014 mainly due to lower average selling prices in Q1 2014, whereby revenue per tonne decreased from US$3,031 in Q1 2013 to US$2,127 in Q1 2014. The decrease was partially offset by increase in sales volume from 16,534 tonnes in Q1 2013 to 19,161 tonnes in Q1 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 92.9% and 92.0%, of revenue in Q1 2014 and Q1 2013, respectively. The breakdown is shown below:

	Q1 2014		Q1 2013	
	US$ million	**As a % of total cost of sales**	**US$ million**	**As a % of total cost of sales**
Raw materials	(35.3)	93.2%	(43.9)	95.2%
Processing cost	(2.6)	6.8%	(2.2)	4.8%
Total cost of sales	**(37.9)**	**100.0%**	**(46.1)**	**100.0%**

Q1 2014 vs Q1 2013

Cost of sales decreased by US$8.2 million or 17.7%, from US$46.1 million in Q1 2013 to US$37.9 million in Q1 2014, mainly due to the lower raw material costs whereby cost of raw materials per tonne decreased from US$2,655 in Q1 2013 to US$1,844 in Q1 2014. The decrease in cost of sales was offset by the increase in sales volume of 2,627 tonnes.

Gross profit

The gross profit per tonne information is shown below:

	Q1 2014	Q1 2013
Total revenue (US$ million)	40.8	50.1
Cost of raw materials (US$ million)	(35.3)	(43.9)
Gross material profit (US$ million) [1]	5.4	6.2
Processing costs (US$ million)	(2.6)	(2.2)
Gross profit (US$ million)	2.9	4.0
Sales volume of our products (tonnes)	19,161	16,534
Gross material profit (US$ per tonne)	284	376
Gross profit (US$ per tonne)	149	243

(1) Figures do not add up due to rounding

Q1 2014 vs Q1 2013

Gross profit decreased by US$1.1 million or 29.1% from US$4.0 million in Q1 2013 to US$2.9 million in Q1 2014. The decrease in gross profit was mainly due to decrease in gross material profit per tonne from US$376 in Q1 2013 to US$284 in Q1 2014, a decrease of 24.5%, offset by the increase in sales volume of 2,627 tonnes, an increase of 15.9%. The decrease in gross material profit per tonne in Q1 2014 was mainly due to prolonged dry season in Indonesia which restricted the supply of raw materials. This effect was further intensified with the drop of natural rubber price, whereby SGX-ST TSR20 futures contract price reached US$1,790 per tonne, lowest since February 2009.

Profit before tax

Q1 2014 vs Q1 2013

Profit before tax in Q1 2014 was US$0.4 million, a decrease of US$1.4 million or 80.1% from the profit before tax in Q1 2013 of US$1.8 million. The decrease in the profit before tax was mainly due to the lower gross profit achieved in Q1 2014, as compared to Q1 2013. Further, the Group had incurred higher selling and administrative expenses, from US$1.8 million in Q1 2013 to US$2.3 million in Q1 2014, an increase of US$0.5 million or 27.8%. The higher administrative expenses reflect the effect of the scaling up of the Group's operations in the financial year ended 31 December 2013. The increase in depreciation expense from US$0.2 million to US$0.6 million is mainly due to additional depreciation arising from the newly acquired assets in Q1 2014. In particular, administrative expenses for those newly acquired operations were approximately US$0.2 million, which still have not generated income to the Group in Q1 2014.

Profit after tax

Q1 2014 vs Q1 2013

Profit after tax in Q1 2014 was US$0.3 million, a decrease of US$1.2 million or 78.1% over the corresponding figure in Q1 2013 of US$1.5 million. Adding back non-recurring expenses of US$0.1 million (Q1 2013: US$0.3 million), profit after taxation in Q1 2014 would have been US$0.4 million (Q1 2013: US$1.8 million).

Review of the Financial Position of the Group

Non-current assets

Increase in non-current assets as at 31 March 2014 (US$101.3 million) of US$73.4 million from 31 December 2013 (US$27.9 million) was mainly due to the following:

- Increase in property, plant and equipment of US$71.4 million from 31 December 2013 (US$15.5 million) to 31 March 2014 (US$86.9million) as a result of completion of acquisition of Chip Lam Seng Sdn. Bhd. ("Chip Lam Seng") rubber processing facilities of US$19.2 million, PT Golden Energi's rubber processing facilities of US$4.2 million, and JFL Agro's leasehold land of US$43.3 million. In addition, the Group also incurred capital expenditure of US$3.7 million in HMK1, HMK2 and HKB processing facilities; and
- Increase in intangible asset of US$3.8 million, which relates to goodwill arising from acquisition of 95% equity interest of PT Golden Energi.

Current assets

Current assets decreased by US$23.8million or 29.8% from 31 December 2013 (US$79.9 million) to 31 March 2014 (US$56.1 million), due to the following:

- Decrease in cash and bank balances of US$29.8 million, mainly due to the payment for the acquisition of Chip Lam Seng rubber processing facilities, PT Golden Energi and JFL Agro, as these acquisitions completed in Q1 2014;
- Increase in other receivables of US$1.8 million, mainly due the prepayment, value-added tax receivables , and advances given to a raw materials supplier;
- Decrease in trade receivables of US$1.4 million, mainly due to the lower average selling prices in Q1 2014; and
- Increase in inventories of US$4.8 million, mainly due to commencement of raw material procurement in our newly acquired processing facilities.

Current liabilities

The increase in current loan payables as at 31 March 2014 of US$3.4 million was mainly due to higher utilisation of working capital loan balances of US$19.3 million (31 December 2013: US$15.3 million) and the decrease in term loan balances of US$0.6 million (31 December 2013: US$5.8 million) as a result of scheduled amortisation.

The increase in trade and other payables as at 31 March 2014 of US$24.3 million 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.

The increase in current and non-current finance lease as at 31 March 2014 of US$2.3 million was due to proceeds received under finance lease arrangement for certain purchase of the Group's plant and machinery.

Equity

The Group's equity increased by US$17.2 million from US$80.3 million as at 31 December 2013 to US$97.5 million as at 31 March 2014, mainly due to the increase in the Company's share capital of US$14.8 million in Q1 2014, the Group's Q1 2014 net profit and the translation gain on the Group's foreign investments of US$1.9 million in Q1 2014.

Working capital

As at 31 March 2014, net working capital amounted to US$21.7 million (31 December 2013: US$23.3 million), as set out below:

(US$ million)	**31 March 2014**	**31 December 2013**
Cash and bank balances	14.6[(1)]	14.9
Trade receivables	5.9	7.3
Inventories	21.2	16.4
Less: Trade payables	(0.7)	-
Less: Working capital loans	(19.3)	(15.3)
Net working capital	**21.7**	**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 31 March 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 Q1 2014 and Q1 2013:

(US$ million)	Q1 2014	Q1 2013
Net cash from operating activities, before working capital changes	2.5	1.9
Changes in working capital	(6.2)	(9.5)
Net cash used in operating activities	(3.7)	(7.6)
Net cash used in investing activities	(31.8)	(2.0)
Net cash from financing activities	5.6	15.6
Net (decrease) increase in cash and cash equivalents	(29.9)	6.0
Cash and cash equivalents at the beginning of the period	49.7	8.9
Effect of exchange rate changes on the balance of cash held in foreign currencies	0.1	0.1
Cash and cash equivalents at the end of the period	**19.9**	**15.0**

Q1 2014 vs Q1 2013

The Group's cash and cash equivalents decreased by US$29.9 million during Q1 2014. We recorded net cash outflow from operating activities of US$3.7 million mainly due to the procurement of raw materials for our newly acquired processing facilities.

A net cash outflow from investing activities of US$31.8 million was recorded, mainly attributable to the consideration paid for our newly acquired operations in Q1 2014 and annual capital expenditure incurred in Q1 2014.

Net cash generated from financing activities was US$5.6 million, comprising the net proceeds of working capital loans of US$4.0 million, proceeds received under finance lease arrangements of US$2.2 million and offset by the repayment of term loans and its associated interest expense of US$0.7 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

The abnormal combination of excess Technically Specified Rubber ("TSR") inventories, especially in China and Thailand, and tight raw material, especially in Southern Sumatra due to an unusually intense dry spell from mid-January 2014 to end-March 2014, continued to create adverse market conditions in Q1 2014. The price for Natural Rubber, expressed by the first position of the SGX-ST TSR 20 futures contract, fell to US$1,790 per tonne towards the end of February 2014, and recovered slightly in March to US$1,900 per tonne levels, only to resume its downward plunge to a 4 year low of US$1,646 per tonne on 21 April 2014.

Against this challenging background, we delivered 19,161 tonnes of HMKI and HMKII production in Q1 2014, which represents an increase of 16% over Q1 2013 (16,534 tonnes). The market squeeze of tight raw material and low TSR prices resulted in a compression of gross material profit ("GMP") to US$5.4 million (Q1 2013: US$6.2m). We were able to partially compensate for the reduction in GMP with a 16% increase in sales volume to deliver an adjusted EBITDA of US$1.3m and adjusted Net Profit of US$0.4m.

The aforementioned adverse operating conditions were driven by two factors; at least one of these is now changing in our favour, as Southern Sumatra has emerged from wintering, and local farmers find it difficult to delay peak production any further. There are certainly some smallholders that have decided to abandon their tapping business for a while and look for income elsewhere, but for the majority of Southern Sumatra's rubber tappers, rural life offers very little in the way of alternative income. In fact, their subsistence requirements dictate a certain daily net cash amount that their sales of cup lump and field latex must produce.

While we are unable to control the market price for Natural Rubber, it stands to reason that fundamentals must apply at some point. As at 31 March 2014, the Group has committed offtake of 52,762 tonnes to be delivered in the remainder of the financial year ending 31 December 2014 ("FY2014"). This has since been further increased by 1,673 tonnes, as the Group secured additional offtake from 1 April 2014 to 5 May 2014. This translates to a currently contracted volume of 73,596 tonnes, which represents 93% of our 2013 sales volume.

Regardless of the above, it is noteworthy that our Group has continued to operate profitably, despite the margin squeeze of tight raw material in Southern Sumatra, and the additional overhead of running our Ipoh and Jambi factories in pre-production mode for much of the quarter under review. As it stands today, Ipoh has been producing since 17 March 2014, and the first shipments have since been received by our customers. Our laboratory reports show that the Malaysian raw material is of premium quality, and our technical team has reconditioned the first of the two Ipoh factories (HKBI) to a high standard. Initial client visits have been positive.

PT Golden Energi, our new factory in Jambi ("HGE"), will require most of Q2 2014 to reach operating status; initial test runs of the wet production line show good results, and the technical team is currently completing the configuration of the dry process and packaging lines.

In summary, the Group's performance for Q1 2014 is encouraging, even if the financial performance has been weighed down by the factors outlined above. Our installed capacity is largely progressing according to schedule, with HGE scheduled to commence commercial production in May 2014, our asset enhancement programme in Palembang being on schedule to come to a successful end in June 2014 and the re-commissioning of the second Ipoh factory (HKBII) being scheduled for August 2014.

Our risk-averse operating system has performed well during these difficult times that started in November 2013. We remain cautiously optimistic for the remainder of the year.

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 6 May 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	6.5	0.4
General working capital [1]	4.2	4.2	-
Total	**11.1**	**10.7**	**0.4**

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 6 May 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 first quarter ended 31 March 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,
6 May 2014