HALCYON AGRI

ANNUAL REPORT 2013

The Seeds of Growth

Corporate **Profile**

Halcyon Agri Corporation Limited and its subsidiaries (the "Group") operate in 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 domiciled) 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 a factory in the neighbouring Jambi Province.

In Malaysia, the Group owns and operates two Natural Rubber processing factories in Ipoh and 7,200 hectares of cultivable 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 10 international tyre manufacturers.

Industry **Background**

The Natural Rubber industry is a US$25 billion per annum business, making it the second largest tropical crop after crude palm oil.

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

Demand for tyres and therefore the demand for Natural Rubber is mostly steered by the global vehicle population and driven mileage. Emerging markets such as China are powering the growth in the vehicle population.

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

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

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

This annual report 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 annual report.

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

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

Design **Rationale:** The Seeds of Growth

In our first year as a listed entity, Halcyon Agri has been busy planting the seeds of growth in 2013. Through acquisitions of land and factories in Indonesia and Malaysia, we have more than doubled our potential production capacity to 360,000 tonnes per annum. We have also enhanced our existing Indonesian facilities and expanded our management team.

In our design, the rubber seeds displayed on the front cover represent the Natural Rubber industry we operate in while the ochre used as an anchor background colour in the inside pages reflects the natural hue of the inside shell of the rubber seed. To complement the design, we have contemporary fonts and abstract jewel-like graphics which convey the modern, 21st century company that is Halcyon Agri.

Contents

Chairman's **Statement**

Dear Shareholders,

The marketplace for Natural Rubber is known for its price volatility. As with all commodities, the market dynamics find a price ceiling where demand is either destroyed or substituted, and a floor where the price approximates marginal cost of production.

On 14 February 2011 the first position of the SGX TSR-20 contract peaked at an all-time high of US$5,750 per tonne. Since then, Natural Rubber has been caught in a bear spiral that found its lowest close to date at US$1,790 per tonne on 25 February 2014. That represents a peak-to-trough decline of 68.9% in the space of 3 years. At current prices below US$2,000 per tonne, it is said that many smallholders in Indonesia have already started to cut back on production.

In 2013, the SGX TSR-20 first position opened at US$3,065 per tonne and closed at US$2,265 per tonne, which equates to a contraction of 26.1%.

This bear market is the background against which we have been executing our buy-and-build growth strategy of acquiring rubber processing assets in strategic locations in Indonesia and Malaysia and enhancing their value through capital expenditure in capacity and by applying our risk adverse operating system to manage the key risks embedded in Natural Rubber processing.

Following our Initial Public Offering ("IPO") on 1 February 2013, Halcyon Agri became the best performing IPO on the Singapore Exchange in 2013, rallying 112.5% from launch price of S$0.36 per share to S$0.765 per share at the end of the year. Our market capitalisation grew from S$105 million at the IPO to S$283 million on 31 December 2013.

In the course of 2013 we tapped the equity markets three times: issuing 40 million shares at the IPO (S$0.36 per share), 40 million shares in a private placement to Credence Partners in June 2013 (S$0.5175 per share) and an additional 40 million shares in a private placement which was again anchored by Credence Partners in December 2013 (S$0.72 per share) In total, we raised S$65.3 million before placement fees, at an average issue price of S$0.545 per share.

Strategic Review

In 2013 we announced three important acquisitions:

- Chip Lam Seng assets in Perak, Malaysia, announced in June 2013. These are two SMR factories with annual capacity of 180,000 tonnes;
- PT Golden Energi in Jambi, Indonesia, announced in October 2013. This is a SIR factory with export capacity of 50,000 tonnes per annum; and
- JFL Agro plantation land bank in Kelantan, Malaysia, announced in November 2013.

Horizontally, we have almost quadrupled our potential production capacity to 360,000 tonnes per annum and we can now offer a second Standard Indonesian Rubber ("SIR") origin, Jambi, as well as Standard Malaysian Rubber ("SMR"). Vertically, we now own approximately 10,000 hectares of plantation land in Malaysia, of which 7,200 hectares are suitable for establishing a rubber plantation, and of which 200 hectares are already planted with oil palm seedlings.

Operations Review

In 2013, our two rubber processing factories, HMK1 and HMK2, underwent a significant asset enhancement programme. Both factories have benefitted from a combined investment of approximately US$9 million to expand capacity, enhance quality and improve working and living conditions for our workers and staff. Throughout the entire construction period, both factories kept operating at capacity and increased their combined output by 18% from 67,317 tonnes in 2012 to 79,473 tonnes in 2013. In terms of headcount, our Indonesian full time employees increased from 591 to 659, our Singapore full time employees increased from 6 to 22 and our newly established Malaysian workforce stood at 5 by the end of 2013. We were also the first Natural Rubber processor to publish a Sustainability Report certified by the Global Reporting Initiative ("GRI") in compliance with the SGX guidelines for listed companies.

On the logistics front, our Palembang plants are the first Indonesian Rubber processing factories to be awarded Compliant Company Status by the U.S. Customs-Trade Partnership Against Terrorism ("C-TPAT").

Corporate Structure

In the course of the year, we realigned our Group structure to accommodate the announced acquisitions and to cater for future growth. The latest Group structure is shown on page 23.

Financial Snapshot

In 2013, the increase in total production volume (+18%) was more than offset by a contraction in revenue per tonne ("ASP") (-22%), which caused a decline in revenue of 8%. Increased operating costs, mainly due to increased employees cost in preparation for the various acquisitions that were completed in February 2014, led to a decline in EBITDA (-8%) and Net Profit (-10%).

Operating Financial Statistics		FY2012	FY2013	Change
Sales Volume	tonnes	67,046	79,108	18% ↑
Revenue	US$ million	222.0	205.0	-8% ↓
Revenue per tonne	US$	3,311	2,591	-22% ↓
Gross Profit	US$ million	20.0	20.2	1% ↑
EBITDA	US$ million	14.3	13.1	-8% ↓
Net Profit	US$ million	10.1	9.1	-10% ↓

Chairman's **Statement**

The Board is proposing to declare a first and final dividend of S$0.01 per share, which represents a payout of approximately 35% of the Group's profit after tax attributable to owners of the Company.

Per Share Data		FY2012	FY2013	Change
Proforma Net Income (1)	US$ cents (1)	2.67	2.46	-8%
Proforma Net Book Value (2)	US$ cents (2)	7.10	21.70	206%

(1) Proforma Net Income has been computed based on the profit attributable to owners of the Company and outstanding share capital as at 31 December 2013 of 370,000,000 ordinary shares

(2) Proforma Net Book Value has been computed based on the net assets of the Company and outstanding share capital as at 31 December 2013 of 370,000,000 ordinary shares

The Seeds of Growth

Natural Rubber is a sustainable, non-substitutable key ingredient to personal mobility. The demand for Natural Rubber is determined by global vehicle density as well as by total mileage driven. Global vehicle density and utilisation in turn are largely determined by GDP growth, in particular in the emerging high-population economies of China, India, Indonesia and Brazil.

The International Rubber Study Group ("IRSG"), in its December 2013 publication, forecast global Natural Rubber demand to reach 16.0 million tonnes by 2021, which represents a 45.5% increase over 2012 actual consumption, and a 42.0% increase over estimated 2013 consumption. Given the positive demand outlook the possible bottleneck will be supply at the mid and upstream levels of the value chain.

Chairman's **Statement**

The Natural Rubber industry is at a crossroads, where the ultimate consumer, the vehicle owner, increasingly demands full supply chain transparency, and where the ultimate supplier, the smallholder and processor, faces succession issues.

This is the time when we must continue to sow the Seeds of Growth, by building upon acquired assets, and further professionalising our approach to management and operating systems.

2013 was an important year: we strengthened our balance sheet, increased capacity and ventured upstream. We face a remarkable opportunity to develop the next generation business model for the Natural Rubber industry: a Supply Chain Management business, similar in positioning and structure to the leading businesses in other important agricultural crops.

In the 2012 Annual Report, I set our medium term capacity goal at 1,000 tonnes per day, or 360,000 tonnes per annum. We were fortunate to be able to reach this goal in 1Q2014, ahead of schedule. Going forward, our target is to fully activate the potential capacity we now own, to develop our Natural Rubber plantations and to continue growing our business through selective acquisitions and investments.

Thank You

On behalf of the Board of Directors, I would like to extend our sincere gratitude and appreciation to our many stakeholders for their commitment and support. I also thank my management team as well as the entire staff and workforce in Singapore, Indonesia and Malaysia for their hard work and commitment to building an outstanding business.

Robert Meyer
Executive Chairman and CEO

Financial **Highlights**

Profit and Loss	FY2011	FY2012	FY2013
	US$ million	US$ million	US$ million
Revenue	231.4	222.0	205.0
Gross Profit	10.0	20.0	20.2
Operating Profit	7.0	13.6	12.1
Profit Before Tax	4.8	11.5	10.7
Profit for the Financial Year	4.4	10.1	9.1
EBITDA	5.6	14.3	13.1
Adjusted EPS (US cents) (1)	1.19	2.67	2.46

Balance Sheet	FY2011	FY2012	FY2013
	US$ million	US$ million	US$ million
Total Non-Current Assets	22.3	21.3	27.9
Total Current Assets	34.8	40.8	79.9
Total Assets	57.1	62.1	107.8
Total Current Liabilities	31.2	34.7	26.1
Total Non-Current Liabilities	8.9	1.1	1.4
Total Liabilities	40.1	35.8	27.5
Net Current Assets	3.7	6.1	53.8
Net Assets	17.0	26.3	80.3

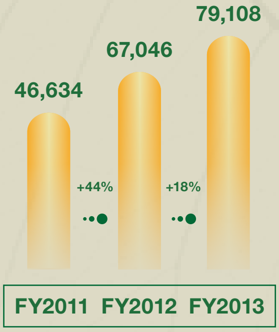
(1) For comparative purpose, the adjusted EPS for the periods under review have been computed based on the profit attributable to owners of the Company and number of ordinary shares in issue as at 31 December 2013 of 370,000,000 ordinary shares.

Value Added Statement	FY2011	FY2012	FY2013
	US$ million	US$ million	US$ million
Revenue	231.4	222.0	205.0
Purchase of Materials and Services	(221.9)	(202.0)	(184.5)
Value Added from Operations	**9.5**	**20.1** [(1)]	**20.5**
Non-Production Income			
Other Income	2.1	- [(2)]	- [(2)]
Finance Income	- [(2)]	- [(2)]	0.2
Total Value Added	**11.6**	**20.1**	**20.7**
Distribution			
Employees Wages, Pensions and other Benefits	3.9	5.7	7.3
Finance Cost	2.3	2.1	1.7
Corporate Tax	0.4	1.4	1.6
Total Distributed	**6.6**	**9.3** [(1)]	**10.6**
Retained in the Business			
Depreciation	0.7	0.8	1.0
Non-Controlling Interests	-	0.2	- [(2)]
Retained Earnings	4.4	9.9	9.1
	11.6 [(1)]	**20.1** [(1)]	**20.7**

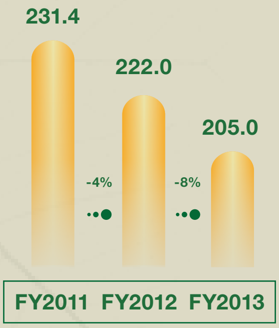
(1) Figures do not add up due to rounding.
(2) Figures are less than US$0.05 million.

Financial **Highlights**

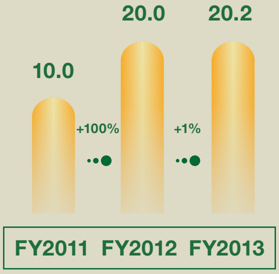
Sales Volume
(tonnes)



Revenue
(US$ million)



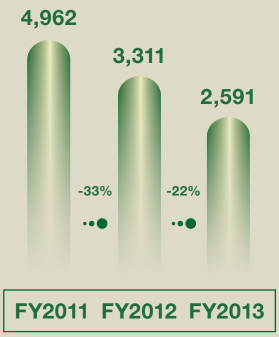
Gross Profit
(US$ million)



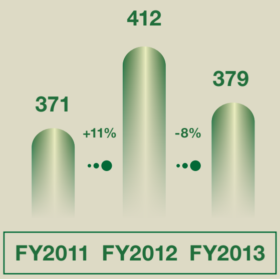
EBITDA
(US$ million)

Net Profit
(US$ million)

Revenue
(US$ per tonne)

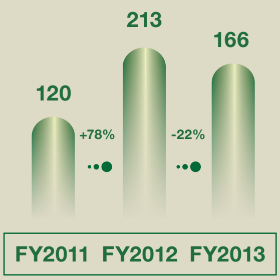


Gross Material Profit
(US$ per tonne)

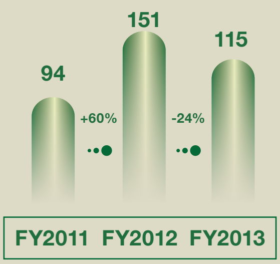


Gross Profit
(US$ per tonne)

EBITDA
(US$ per tonne)



Net Profit
(US$ per tonne)



Income Statement

In FY2013, the Group's revenue decreased by US$17.0 million, or 8%, from US$222.0 million in FY2012 to US$205.0 million, mainly due to lower revenue per tonne in FY2013 of US$2,591 per tonne (FY2012: US$3,311 per tonne). This decrease was offset by the 18% increase in our sales volume from 67,046 tonnes in FY2012 to 79,108 tonnes in FY2013.

The Group's gross profit increased by US$0.2 million from US$20.0 million in FY2012 to US$20.2 million in FY2013, even though the sales volume increased by 18%. This is mainly due to lower gross material profit per tonne in FY2013 (US$379) compared with FY2012 (US$412). The lower gross material profit per tonne in FY2013 was due to factors such as unseasonal rains and flooding in the second quarter of FY2013, which caused a scarcity of raw materials in the vicinity of Palembang.

The Group's profit after tax in FY2013 was US$9.1 million, a decrease of US$1.0 million or 10% of the corresponding FY2012 figure of US$10.1 million. The decrease was mainly due to the decrease in gross profit, and the increase in administration expenses of US$1.8 million. The increase in administration expenses reflects the scaling up of the Group's business as its expansion plans were implemented. The decrease was partially offset by lower selling expenses and finance costs of US$0.1 million and US$0.5 million respectively.

The Group's EBITDA in FY2013 was US$13.1 million, a decrease of US$1.2 million or 8% of EBITDA in FY2012 of US$14.3 million.

Balance Sheet

The Group's net assets increased by US$54.0 million (from US$26.3 million as at 31 December 2012 to US$80.3 million as at 31 December 2013), mainly due to the increase in the Company's share capital of US$51.2 million in FY2013 and the Group's FY2013 net profit. Our net current assets increased by US$47.7 million, from US$6.1 million as at 31 December 2012 to US$53.8 million as at 31 December 2013.

Cash Flow

The Group's cash and cash equivalents increased by US$40.8 million during FY2013 (from US$8.9 million in FY2012 to US$49.7 million in FY2013), mainly due to net cash generated from operating activities of US$11.7 million and net cash from financing activities of US$41.4 million, offset by net cash used in investing activities of US$10.9 million.

Working Capital

As at 31 December 2013, the Group's net working capital amounted to US$23.3 million (31 December 2012: US$17.6 million), as set out below:

Working Capital	**31 Dec 12**	**31 Dec 13**
	US$ million	**US$ million**
Cash and Bank Balances	11.9	14.9 (1)
Trade Receivables	6.8	7.3
Inventories	20.3	16.4
Less: Trade Payables	(1.6)	-
Less: Working Capital Loan	(19.8)	(15.3)
Net Working Capital	**17.6**	**23.3**

(1) The remaining net proceeds from the Placements amounting to US$37.8 million has been excluded from the above cash and bank balances as at 31 December 2013, as these funds will only be applied solely for strategic purposes, such as acquisitions and investments.

Board of **Directors**

(From Left: Mr Alan Nisbet, Mr Robert Meyer, Mr Pascal Demierre, Mr Randolph Khoo, Mr Jason Barakat-Brown)

Alan Nisbet

Lead Independent Director

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

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

From 1973 to 2011, he worked for Deloitte & Touche LLP (where he was made partner in 1989) and its antecedent firms in Australia, USA and Singapore, and was involved in the co-ordination and oversight of various aspects of the professional services rendered, including share valuations and due diligence reviews on behalf of multi-national and Singapore companies.

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

Robert Meyer

Executive Chairman and CEO

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

He is also the founder and non-executive chairman of the Halcyon Investment Corporation Pte Ltd and its subsidiaries (collectively known as "Halcyon Group").

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

Pascal Demierre

Executive Director

Mr Pascal Demierre was appointed to the Board of Halcyon Agri Corporation Limited on 8 July 2010, and also serves on the Audit Committee and the Remuneration Committee. He was re-designated from Non-Executive Director to Executive Director with effect from 1 October 2013. He is responsible for all corporate matters including legal, corporate governance, corporate structuring, information technology, human resources and general administration.

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

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

Randolph Khoo

Independent Director

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

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

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

Jason Barakat-Brown

Independent Director

Mr Jason Barakat-Brown is an Independent Director. He is the Chairman of the Remuneration Committee and serves on the Audit Committee and the Nominating Committee. He is currently Managing Director and Head of Advisory at Religare Capital Markets Pte. Ltd. ("Religare"), an emerging markets focused investment bank.

He has 19 years' experience in finance and investment banking, specialising in mergers and acquisitions. Prior to joining Religare, Jason was Managing Partner at Candor Advisory Partners and, before that, Joint Head of Mergers & Acquisitions and Corporate Finance for UBS in South East Asia, where he served 10 years in investment banking in Singapore and Australia. Mr Barakat-Brown was also an investment banker with Jardine Feming Ord Minnett and Schroders Corporate Finance in Sydney, Australia and, prior to that, served as a market risk analyst in bank supervision for the Reserve Bank of Australia.

He graduated with a Bachelor of Commerce (Honours) from the University of Queensland in Brisbane, Australia.

Key **Management**

(From Left: Mr Andrew Trevatt, Mr Leonard Beschizza, Mr Ng Eng Kiat, Mr James Bugansky)

Andrew Trevatt

Chief Commercial Officer

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

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

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

He studied in Meopham Secondary School and graduated in 1982.

Leonard Beschizza

Director of Operations, Palembang

Mr Leonard Beschizza is responsible for industrial and human resource matters in Palembang, including the daily procurement and monitoring of raw materials.

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

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

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

Ng Eng Kiat

Chief Financial Officer

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

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

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

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

James Ronald Bugansky

Technical Director

Mr James Bugansky was appointed as Technical Director on 1 October 2013. His responsibilities revolve around analysing, maintaining and ultimately improving the Group's technical resources in both existing factories, as well as in potential mid and upstream acquisitions. Prior to his appointment, he had worked as an exclusive consultant for the Group since May 2013.

Mr James Bugansky has more than 34 years of experience in Natural Rubber processing and plantations. Following his graduation from the Ohio State University in 1976, he started work in the rubber industry as the Plantation Management Trainee of PT Goodyear Sumatra Plantation before moving up to be the Assistant Managing Director of Goodyear Guatemala Plantation, and subsequently Goodyear Brazil Plantation. From 1984 to 2001, he held a senior management position at The Goodyear Tire & Rubber Company's Head Quarters covering different areas from research and development (Senior Research Fellow - Research / Corporate), administrative management (Manager Plantation Operations), purchasing to inventory and material management (Global Materials Manager).

In 2001, he returned to plantation work at PT Goodyear Sumatra Plantation Company in Indonesia as General Manager and Director. Thereafter he worked as the Factories Operations Manager at Firestone Liberia from 2007 to 2009 taking responsibility for three natural rubber processing factories and one rubber wood factory. Following this, and prior to his service with the Group, he was an independent consultant and worked for GMG Global as the General Manager Industrial Performance/EHS.

Natural Rubber **Market Review**

Natural Rubber prices (referenced to the SGX-ST TSR20 futures contract price) started 2013 at US$3,065 per tonne before sliding lower to US$2,359 per tonne in mid April. After this slide in price, we saw a short recovery to US$2,664 per tonne in four weeks, only to fall again to the year's low of US$2,159 per tonne in mid July 2013. For the remainder of 2013, Natural Rubber prices remained on the weak side, ranging between US$2,220 per tonne and US$2,500 per tonne.

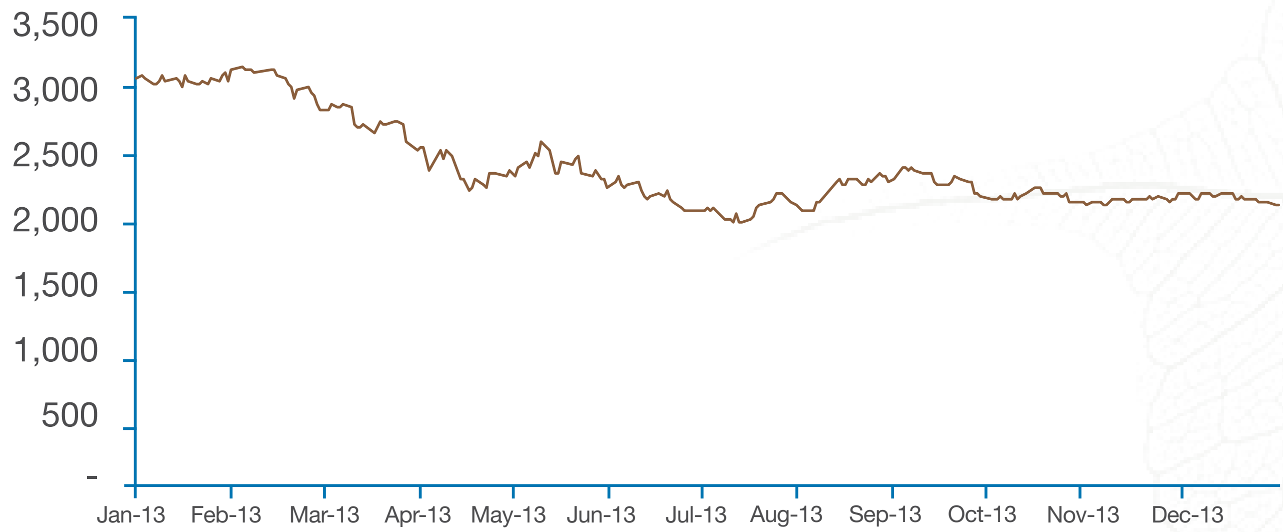
Prices were weighed down throughout 2013 by the increase in Natural Rubber inventories in China and Thailand. In Thailand, the build-up of Natural Rubber inventories was caused by the implementation of a price support mechanism as the Thai government bought a substantial volume of Natural Rubber from farmers. Natural Rubber inventories in Chinese warehouses continued to expand throughout 2013 in view of an expected increase in demand for Natural Rubber. However, this resulted in Chinese consumers reducing their inventories, as Natural Rubber became available for immediate delivery from nearby warehouses.

Whilst 2013 was again a volatile year for Natural Rubber prices, farmers kept pace with the markets and continued to follow lower prices with little resistance. This was assisted by weakening Asian currencies that helped local prices stay ahead of falling USD-denominated export prices.

Consumers of Natural Rubber and in particular the large tyre manufacturers had a very good year with Natural Rubber prices being way below their budgeted levels. Sales of new vehicles increased steadily with good sales across almost all sectors in China, the US and even Western Europe. This led to many of the larger tyre manufacturers increasing their output of tyres by expanding and investing in existing and new factories. Natural Rubber planting has also kept pace with the increase in demand and we see significant increases in production from certain emerging countries.

The Natural Rubber prices continued to slide downwards in early 2014: the SGX-ST TSR20 futures contract price fell to US$1,790 per tonne towards the end of February 2014, the lowest since February 2009. We believe that Natural Rubber prices will continue to be volatile.

SICOM price movement in FY2013 (US$ per tonne) (1)



(1) Sourced from Bloomberg L.P.

Our Business Model

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

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

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

Our Processing Facilities

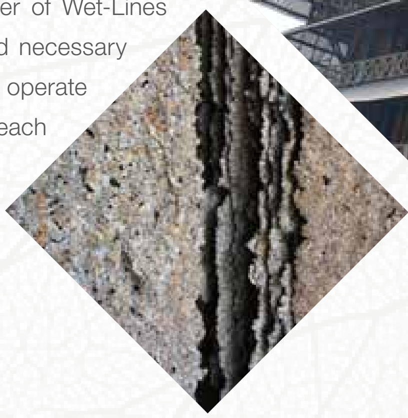
In 2013, Halcyon Agri operated two rubber processing facilities, HMK1 and HMK2, in Palembang, the capital of South Sumatra Province, Indonesia.

Asset Enhancement Programme

2013 saw the continuation of investment in our processing facilities. In HMK1 we undertook the renovation of our hanging sheds and by year end had completed 95% of the works. We also expanded our water treatment facilities in both HMK1 and HMK2 to cater for future expansion and to keep our environmental pollutants well within acceptable levels. The benefit of the new raw material storage warehouse at HMK2, completed in the early part of the year, was realised in the second quarter of the year when the onset of peak production saw the warehouse full from May 2013 through to September 2013. The final piece of external infrastructure investment was the building of a new hanging shed at HMK2. Located at the outer edge of the factory and facing the river, it will provide better ventilation for the rubber blankets which in turn will lead to more uniform material going into the dryers.

The enhancement programme has resulted in both an increase in volume and capacity utilisation.

The capacity of the processing facilities is a function of the number of Wet-Lines and Dry-Lines installed, the number of shifts worked each day, and necessary downtime for routine repairs and maintenance. Our Group's facilities operate six days a week with up to three shifts per day, and a number of hours each week are set aside for downtime for repairs and maintenance.



Operations **Review**

The table below summarises the estimated annual maximum production capacity and estimated average annual utilisation rates for our Group's processing facilities for FY2013, FY2012 and FY2011. The maximum annual production capacity was estimated based on (a) the average number of employees and machines for the respective financial years and (b) the operation of three 8-hour shifts per day, for the total number of days of operation per financial year.

	Maximum production capacity (tonnes)	Actual Utilisation (tonnes)	Utilisation Rate (%)
FY2013	106,422 (1)	79,473	75
FY2012	92,380 (1)	67,317	73
FY2011	82,460 (2)	45,286	55

(1) Maximum production capacity is measured in terms of tonnes of Natural Rubber processed, and is based on three 8-hour shifts per day, for 298 days of operation for the financial year.

(2) Maximum production capacity is measured in terms of tonnes of Natural Rubber processed, and is based on three 8-hour shifts per day, for 266 days of operation for the financial year, commencing from 2 February 2011 when HAC effectively took over HMK1 and HMK2.

The increase in productivity was the result of both increased factory capacity and a concerted effort and commitment to good production management practices. As an integrated producer and merchandiser of Technically Specified Rubber we are dedicated to improving the overall efficiency of our processing operations. To facilitate metrics monitoring and decision-making activities within our operations, we have adopted and placed greater emphasis on new technologies as well as ensured continuity of performance across the Group to exceed customer requirements on quality standards, production efficiency and environmental compliance as we drive forward to become a leader in the Natural Rubber industry. This has enabled us to sustain our business model by improving efficiency and productivity, resulting in positive earnings and enhanced shareholder value.

Expanding Capacity

Halcyon Agri embarked on a major strategic expansion in 2013. In addition to increasing the capacity of its existing facilities in Palembang, Indonesia, the Group announced acquisitions of midstream assets in Malaysia and Indonesia that would lift its potential annual production capacity to approximately 360,000 tonnes per annum. The midstream assets acquired during 2013 were:

- Hevea KB Sdn Bhd (previously known as CLS Sdn Bhd), which owns two Natural Rubber processing factories located in Ipoh, Malaysia, with an estimated combined annual production capacity of 180,000 tonnes. The factories are capable of producing numerous grades of Standard Malaysian Rubber ("SMR") including SMR20, SMR10, SMR20CV, SMR10CV, compound and latex grades

- PT Golden Energi, which owns a Natural Rubber processing factory in Jambi, and has a license to export 50,000 tonnes of SIR per annum. The factory is capable of producing numerous grades of SIR.

Both acquisitions were completed in the first quarter of 2014.

Our Suppliers

Our raw materials, which are rubber slabs made from coagulated cup lumps, are purchased from more than 400 different sources through both intermediaries/collectors and directly from farmers and agents. In 2013 we continued to build on our strong relationship with existing suppliers. The buying practices that we employ allowed us both to significantly increase volume and to procure supplies at competitive prices throughout the year.

Our Products

Our processing facilities implement strict quality control measures. Both facilities are ISO9001 certified and finished products are tested in our own laboratories to ensure that our products conform to international Technically Specified Rubber ("TSR") specifications. Our laboratories, which are located within our facilities, are certified by GAPKINDO. Our finished products meet or exceed international specifications for each and every grade of rubber that is produced. Both facilities are regularly audited by our major customers to ensure that processing and quality controls conform to their internal requirements.

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

Operations **Review**

Our Customers

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

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

Our products are also approved for delivery to SICOM.

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

Our People

Since the commencement of the Group's business, we have succeeded in utilising the strengths and capabilities of our people. The professionalism, dedication and teamwork demonstrated by our people are the key factors in our Group's success so far. As of 31 December 2013, we have 686 full-time employees.

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

Overview

The Group recognises that risk is intrinsic to the Group's business and that risk management is imperative for business sustainability. Our business is exposed to a variety of risks with the majority being financial risks which include price risk, credit and counterparty risk, liquidity risk, interest rate risk and foreign exchange risk.

In order to protect and create value for shareholders, the Group proactively manages risks and embeds the risk management process into the Group's planning and decision-making as well as its day-to-day operations. An experienced key management team is responsible for identifying, evaluating and managing such risks as well as updating key risks in the risk registers. Risk registers are updated on a regular basis. Significant risks, measures taken by management to address them and residual risk exposures impacting the Group are presented to the Company's audit committee.

Price Risk

The price of Natural Rubber and rubber products are influenced by various factors such as weather, currency movements, futures market activity, market interventions and political disruptions. Prices of Natural Rubber have been volatile and we, like other participants in the natural rubber industry, are exposed to the risk of fluctuations in the price of natural rubber.

In order to minimise our exposure to market movements, we mitigate our risks through the pricing mechanism of our long term sales contracts which are referenced to the average SGX-ST TSR20 price for the month prior to the shipment date. Our aim is to largely match the daily volumes of our customers' orders with our daily supply of raw materials which would be subject to the maximum open position set out in our hedging policy. When these volumes do not match, we will from time-to-time hedge through the futures market using SGX-ST TSR20 and physical SIR20 in order to maintain as much market neutrality as possible.

Daily reports setting out the aggregate amount and cost of raw materials purchased and our sales and inventory marked to prevailing market value, are generated for review by our senior management and risk management teams, which utilise these reports to determine the net position of our sales and cost of goods sold and to monitor our hedging positions. Our hedging positions are also reviewed by our CFO on a weekly basis.

Credit and Counterparty Risk

The majority of the Group's sales are export sales in bulk to customers in the USA, EU and Asia, for which letters of credit from customers or cash against the presentation of documents of title are required. As such, the Group is exposed to credit and counterparty risks arising from normal business activities if its customers or counterparties fail to meet their contractual obligations.

To mitigate such risk, the Group only transacts with counterparties after taking steps to assess their credit worthiness. Counterparties are evaluated by considering their financial standing, and past transactional experience with such counterparties. The credit terms granted to customers are reviewed periodically and modified as appropriate. Some of our customers are also covered under our credit insurance policy.

Liquidity Risk

Our Group's working capital cycle is approximately two to four months, starting from the purchase of raw materials to the receipt of payment from customers. To ensure the availability of cash to fulfil operational needs at all times, the Group actively manages its liquidity requirements by monitoring and coordinating various sources of funds available to the Group under normal and stressed conditions while also maintaining sufficient headroom or unutilised committed borrowing facilities at all times.

Interest Rate Risk

The Group has borrowings to fund its operational requirements which are subject to fixed and/or floating interest rates. The Group aims to minimise the interest rate risk associated with such borrowings by ensuring that its borrowings have repayment terms that match the Group's cash requirements and the trend of the interest rate in such period is maintained.

Foreign Exchange Risk

The Group's reporting currency as well as its sales are denominated in United States Dollars while the majority of Group's expenses are denominated in the local currency of the country in which its operations are based, ie. Indonesian Rupiah, Malaysian Ringgit and Singapore Dollar. Foreign currency risk arises from exchange rate movements. We closely monitor the foreign exchange risk on an ongoing basis and may employ hedging instruments to manage the exposure should the need arise.

Corporate **Social Responsibility**

At Halcyon Agri we recognise the inextricable link between responsible business practices and sustainable growth. Environmental, health and safety issues, and our social impacts are key considerations right at the heart of everything that we do. 2013 has been a year where we have aggressively launched new initiatives along our journey towards our goal of being an exemplary leader in best practices within the sector.

Responsibility to Our Stakeholders

We are committed to working with stakeholders and regularly engage them at all levels including customers, competitors, industry associations, employees, regulators, and suppliers. In early 2013, we conducted a management workshop to review our stakeholder and materiality assessment. The aim was to ensure inclusivity in mapping stakeholders and to ensure completeness and continued relevance of our identified key material issues.

Through regular participation in industry meetings organised by groups, such as the International Rubber Study Group (IRSG) and the Indonesian Rubber Association (Gapkindo), Halcyon Agri is on the forefront of developments within the industry and understand the needs of stakeholders.

In order to boost external communication, Halcyon Agri published its first Sustainability Report for the financial year 2012 in mid-2013. The report is certified towards the principles and framework of Global Reporting Initiative's 3.1 Reporting Guidelines, and aligned with the SGX-ST Guide on Sustainability Reporting for Listed Companies. We encourage feedback from our stakeholders to make Halcyon Agri more accountable to society and the environment.

Responsibility to Our Environment

Top management is committed towards full integration of environmental, health and safety (EHS) management systems across all production facilities. In 2013 we departmentalised dedicated EHS operational units at each facility and formed a Technical Management Team at group level to ensure alignment of management systems and performance standards across all facilities.

As part of our EHS management system procedures, aspects of factory management that have significant environmental impacts are identified. Action plans to mitigate negative impacts, while promoting positive ones are developed, implemented and monitored so as to achieve continuous improvement. A 5-year EHS management plan has been developed to provide each facility with a clear direction and key actions that are to be taken to progressively advance our position towards better EHS performance.

Specific environmental initiatives relating to our processes address solid waste reduction and management, pollution control and management of air emissions and trade effluent, energy and water efficiency, and good housekeeping. In 2013, significant investment has been made to upgrade and expand water treatment plants at HMK 1 and HMK 2. The expected completion of works in mid-2014 will mean increased production capacity and improved performance.

Despite expansion works throughout the year , housekeeping was kept in check through the creation and deployment of management-led teams that coordinate regular clean-up activities and organise awareness campaigns.

To work towards continuously improving production energy efficiency, we maintain a strict regime for the maintenance and replacement of our production machinery. This helps us minimise the production cost of Natural Rubber products through resource savings.

A project seeded in 2013 that will take effect in 2014 will be the replacement of traditional wooden shipping pallets with recycled/recyclable/reusable plastic ones. This will reduce our usage of timber. Also in the pipeline, on an exploratory level, is a switch to natural gas as a fuel source, thus reducing overall emissions.

Responsibility to Our Employees

At Halcyon Agri our uppermost challenge is to ensure that "No One Gets Hurt." Occupational health and safety (OHSA) is the key component of our EHS policy, which plays out pervasively through our EHS system procedures and applies to all employees, contractors, sub-contractors, suppliers and visitors.

Striving towards our goal of "Zero Accidents", we have aggressively driven towards compliance with international OHSA standards. In 2013, our EHS departments have conducted thorough risk assessments and have exercised controls to eliminate or minimise risk. However, realising that creating a safe working environment is not a static target, we will, based on a concrete management platform, continuously reassess, implement changes, and review.

Halcyon Agri is an equal opportunities employer and offers opportunities to all regardless of gender, race, and background, without discrimination.

Responsibility to Our Community

Recognising the importance and opportunities of creating a healthy social environment and how this links to the health of our workers and thus business, Halcyon Agri invests in its people by providing housing for employees and their families, basic utilities, places of worship, agricultural land, and food allowances. As an enrichment activity we encourage participation in sports, and starting in 2012 we trained a youth football team comprising children of our staff. The team first participated in an international tournament in Singapore in 2012 and returned in force in 2013.

Throughout 2013 we have made further investments to improve housing as well as created new housing. Improved housekeeping has given rise to safer recreational areas and eco-gardens.

EHS Key Performance Indicators

Halcyon Agri continues rigorous monitoring of key EHS indicators including energy and water use, as well as sources of pollution, with the objectives of continuous improvement, troubleshooting, benchmarking performance, cost-savings, and a safer working environment.

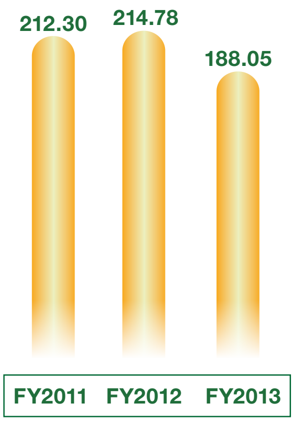
Relative to FY2012, FY2013 saw a slight improvement in overall energy efficiency. The decline in diesel efficiency was due to lesser reliance on diesel and greater reliance on coal, both of which are interchangeable as drier fuel. Electricity efficiency improved significant by 26% during the same period largely owing to larger production volumes but not requiring additional loads.

Although conservation efforts have continued, there has been a significant increase in water usage owing to higher production volumes. Likewise, pollutant indications have shown a slight overall increase due to higher production volumes prior to the commissioning of new water treatment plants currently being built. However, peaks in effluent indicators have always remained well below legal limits with no non-compliance issues.

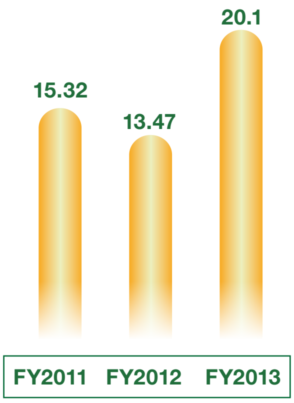
Although incident rates have been historically low, 2013 saw a slight increase over the previous year. Work related injuries were minor to moderate in severity and there were no work related fatalities in the year.

Corporate **Social Responsibility**

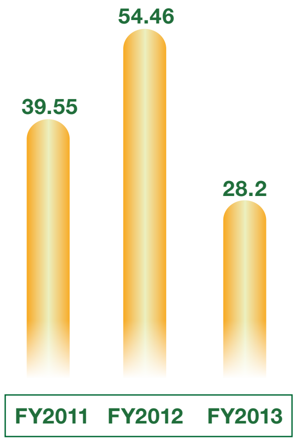
Electricity Efficiency
(Kwh/tonne)



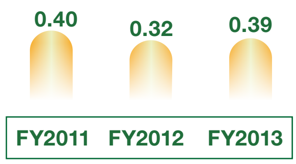
Diesel Efficiency
(Litres/tonne)



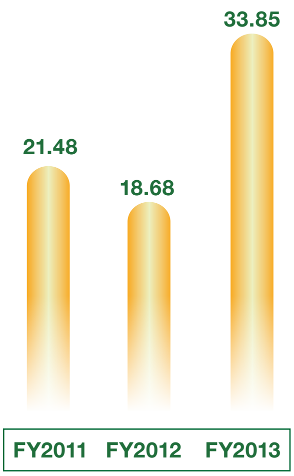
Coal Efficiency
(Kilos/tonne)



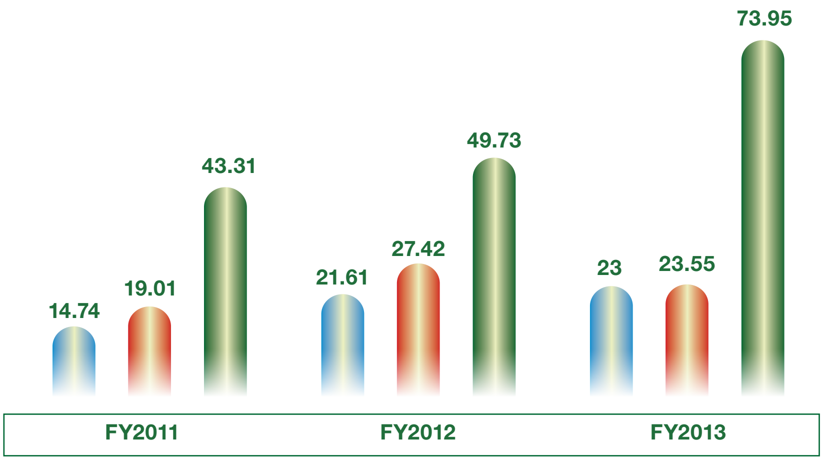
Lost Time Incident Rate
(per 200,000 working hours)



Water Efficiency
(Litres/tonne)

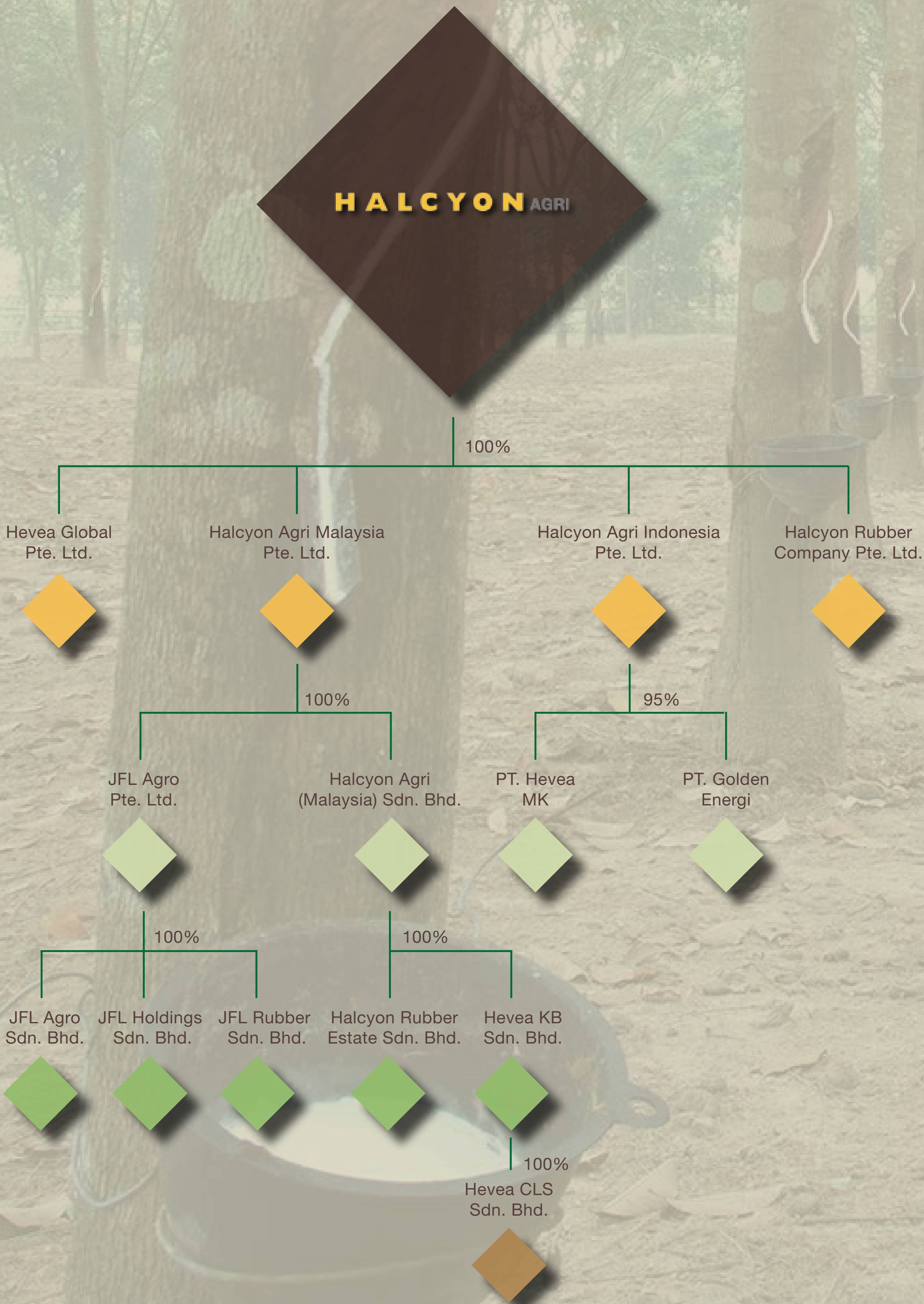


Trade Effluent Indicators
(mg/L)



- Biological Oxygen Demand (BOD). BOD Limit: 60 mg/L
- Total Suspended Solids (TSS). TSS Limit: 100 mg/L
- Chemical Oxygen Demand (COD). COD Limit: 200mg/L

Corporate **Structure**



Corporate Infomation

Board of Directors

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

Audit Committee

Alan Nisbet (Chairman)
Pascal Demierre
Randolph Khoo
Jason Barakat-Brown

Remuneration Committee

Jason Barakat-Brown (Chairman)
Alan Nisbet
Pascal Demierre
Randolph Khoo

Nominating Committee

Randolph Khoo (Chairman)
Robert Meyer
Alan Nisbet
Jason Barakat-Brown

Company Secretary

Teo Meng Keong

Registered Office

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

Principal Place of Business

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

Share Registrar

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

Auditors

Deloitte & Touche LLP
6 Shenton Way
#32-00 OUE Downtown 2
Singapore 068809

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

Principal Bankers

CIMB Bank
Standard Chartered Bank

Catalist Sponsor

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

Halcyon Agri Corporation Limited (the "Company" or "HAC" and together with its subsidiaries, the "Group") believes that good corporate governance is imperative to the sustained growth and success of the Group. It therefore continually seeks to uphold a high standard of corporate governance and looks to improve corporate transparency to safeguard the interests of all its stakeholders through sound corporate policies, business practices and internal controls.

HAC adheres closely to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code") and other applicable laws, rules and regulations, including the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules").

This report sets out the corporate governance practices and structures that were in place during the financial year under review, with specific references made to the principles and guidelines of the Code, and where applicable, deviations from the Code are explained.

BOARD MATTERS

The Board's Conduct of its Affairs

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

The primary role of the Board of Directors (the "Board") is to protect and enhance long-term shareholders' value. Its responsibilities entail overseeing the Group's business performance and affairs, providing the Group with entrepreneurial leadership, and setting its strategic direction and performance objectives. The Board also reviews annual budgets, financial plans, major acquisitions and divestments, funding and investment proposals, and monitors the performance of the Group (including financial performance as well as management's performance), and ensures the Group complies with relevant laws and regulations.

To assist the Board in the execution of its duties and responsibilities, the Board has delegated specific authority to three Board Committees, namely, the Audit Committee (the "AC"), Nominating Committee (the "NC") and Remuneration Committee (the "RC") (collectively the "Board Committees"). Each of the Board Committees functions within clearly defined terms of reference, which have been approved by the Board. Further details of the scope and function of the Board Committees are set out on pages 28, 31 and 37 of this annual report.

While the Board Committees have the delegated power to make decisions or make recommendations within the scope of their respective terms of reference, the ultimate responsibility for decisions and actions rests with the Board as a whole. To ensure that the process of decision-making by the Board and Board Committees is independent, each member of the Board and Board Committees abstains from voting on any resolutions and making recommendations and/or participating in matters in which he has an interest.

The day-to-day management, administration and operation of the Group are delegated to the Executive Directors and the management of the Group (the "Management"). The functions and performance of the Management are supervised and constantly monitored by the Board.

The Board conducts regular meetings on a quarterly basis. It also holds ad-hoc meetings if warranted by circumstances deemed appropriate by the Board. During the financial year, there were four Board meetings where the Board reviewed the Group's financial performance, annual budget, corporate strategy, business plans, potential acquisitions, risk management policies and significant operational matters. During the financial year, the Board also met casually for matters relating to the Risk Management Framework and strategic directions of the Group.

To ensure meetings are held with maximum Directors' participation, telephonic attendance and conference via audio-visual communication at Board meetings are allowed under the Company's Articles of Association (the "Articles"). Between scheduled meetings, matters that require the Board's approval are circulated to all Directors for their consideration and decision.

The Directors' attendance at Board and Board Committee meetings during the financial year ended 31 December 2013 ("FY2013") is set out as follows:

Meeting of	**Board of Directors**	**Audit Committee**	**Remuneration Committee**	**Nominating Committee**
Number of meetings held	4	4	1	1
Name of Director	**Member Attendance**			
Robert Meyer	4	Non-member	Non-member	1
Pascal Demierre	4	4	1	Non-member
Alan Nisbet	4	4	1	1
Randolph Khoo	3	3	1	1
Jason Barakat-Brown (1)	1	1	–	–

Note:

(1) Mr Jason Barakat-Brown was appointed as Independent Director, Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee on 1 October 2013.

The Board has an internal framework to ensure that the type of material transactions that require the Board's approval is consistently applied throughout the Group. Matters reserved for the Board's review and decision include:

(a) Overall Group business and budget strategy;

(b) Capital expenditures, investments or divestments exceeding certain material limits;

(c) All capital-related matters including capital issuance and redemption;

(d) Significant policies governing the operations of the Group;

(e) Corporate strategic development and restructuring;

(f) Material interested person transactions; and

(g) Risk management strategies.

As part of the Company's continuing efforts to update its Directors on changes to the regulatory environment, Directors are encouraged to attend relevant seminars and courses which are paid for by the Company. Directors are also regularly updated with the latest professional developments in relation to the Catalist Rules, changes in financial reporting standards and other applicable regulatory updates or amendments to relevant laws, rules and regulations to ensure compliance of the same by all Directors.

Newly-appointed directors are issued with a formal letter of appointment setting out their duties and/or obligations and are given a comprehensive and formal induction covering the Group's business activities, strategic directions, policies, key areas of operations and governance practices. This ensures that they have a proper understanding of the Group and are fully aware of their duties and obligations of being a Director.

Board Composition and Balance

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

The Board presently has five members comprising two Executive Directors and three Independent Directors. As at the date of this report, the Board comprises the following members:

Mr Robert Meyer	*(Executive Chairman and Chief Executive Officer)*
Mr Pascal Demierre	*(Executive Director)*
Mr Alan Nisbet	*(Lead Independent Director)*
Mr Randolph Khoo	*(Independent Director)*
Mr Jason Barakat-Brown	*(Independent Director)*

The Company endeavors to maintain a strong and independent element on the Board to ensure that the Independent Directors would be able to constructively challenge and develop proposals on strategies. The Board considers an independent director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment of the Group's affairs with a view to the best interests of the Company.

Each of the Independent Directors has completed an independent director's declaration form and confirmed his independence. The independence of each Director has been and will be reviewed by the NC annually and as and when circumstances require with reference to the guidelines as set out in the Code. The NC has determined that the Independent Directors are independent.

With the independent directors making up more than half of the Board, the NC is of the view that there is a strong and independent element on the Board. The requirement of the Code is also met for independent directors to make up at least half of the Board where the Chairman of the Board and the Chief Executive Officer ("CEO") is the same person. In addition, none of the Directors have served for a continuous period of nine years or more.

The Board proactively seeks to maintain an appropriate balance of expertise, skill and attributes among the Directors and it believes that the current Board members comprise persons with a broad range of expertise and experience in diverse areas including accounting, finance, law, business and management, strategic planning and regional business experience. The profile of each Board member is presented in this annual report under the heading "Board of Directors".

Taking into account the nature and scope of the Company's operations, the Board, with the assistance of the NC, has reviewed the composition and the effectiveness of the Board and is satisfied that the Board is of the appropriate size for effective decision-making, has the right mix of expertise and experience, and collectively possesses the necessary core competencies for the Board to effectively discharge its duties.

Chairman and Chief Executive Officer

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

The Executive Chairman and CEO, Mr Robert Meyer, leads all Board meetings and ensures information flows in a timely manner between the Board and Management. He provides leadership to the Board and steers effective, productive and comprehensive discussions amongst members of the Board and Management on strategic, business and other issues pertinent to the Group.

Mr Meyer is in charge of the management and strategic direction of the Group and assumes the executive responsibilities for the day-to-day management of the Group. He plays a vital role and provides the Group with strong leadership and vision, which are instrumental in developing the business of the Group and growing the Group's operations.

The role of the Chairman and CEO is not separate as the Board is of the view that it is in the best interests of the Group to adopt a single leadership structure to ensure that the decision-making process of the Group would not be unnecessarily impeded as well as to ensure that the Group is able to grasp business opportunities efficiently and promptly. In addition, the Board believes that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions, without any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board as a whole.

The strong independent element on the Board is strengthened by the appointment of a lead independent director. Mr Alan Nisbet, the Lead Independent Director since 2013, continues to avail himself to address shareholders' concerns and acts as a counter-balance in the decision-making process.

Where necessary, the Lead Independent Director will chair meetings with the Independent Directors without involvement of other Directors, to aid and facilitate well-balanced viewpoints on the Board.

Board Membership

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

The NC is responsible for making recommendations to the Board on all appointments and re-appointments to the Board as well as the appointment of key management personnel. The NC comprises four members, a majority of whom, including the chairman, are Independent Directors. The members of the NC are as follows:

Mr Randolph Khoo	(Chairman)	*(Independent Director)*
Mr Alan Nisbet	(Member)	*(Lead Independent Director)*
Mr Jason Barakat-Brown	(Member)	*(Independent Director)*
Mr Robert Meyer	(Member)	*(Executive Chairman and Chief Executive Officer)*

The NC reviews the structure, size and composition of the Board, identifies the balance of skills, knowledge and experience required for the Board to discharge its responsibilities effectively and nominates candidates to meet the needs and requirements of the Group. The NC is guided by written terms of reference approved by the Board, which set out the duties and responsibilities of the NC. The principal roles of the NC include, *inter alia*:

(a) to make recommendations to the Board on all nominations for appointments and re-appointments to the Board and the Board Committees as well as the appointment of key management personnel;

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

(c) to review and determine whether a Director is independent, in accordance with the guidelines contained in the Code;

(d) to evaluate whether or not a Director is able to and has adequately carried out his duties as a Director of the Company, in particular, whether the Directors concerned have multiple board representations or if any of these multiple directorships are in conflict with the interests of the Company;

(e) to decide how the performance of the Board, the Board Committees and Directors may be evaluated and propose objective performance criteria; and

(f) to make recommendations to the Board on the review of training and professional developments programs for the Board.

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

(a) directorships without other executive roles – Six

(b) directorships with other executive roles – Four

The Management of the Group leads the search and identification of suitable candidates for new appointment to the Board while NC will evaluate and select candidates in consideration of factors such as the ability of the prospective candidate to contribute to discussions, deliberations and activities of the Board. The NC also reviews the composition of the Board including the mix of expertise, skills and attributes of existing Directors, to identify needed and/or desired competencies to supplement the Board's existing attributes. In doing so, where necessary or appropriate, the NC may tap its networking contacts and/or engage external professional headhunters to assist with identifying and shortlisting candidates. The NC can also approach relevant institutions such as the Singapore Institute of Directors, professional organisations or business federations to source for suitable candidates.

Appointments of new Directors are deliberated and approved by the Board based on the recommendations of the NC. The Articles clearly state the procedures for the appointment of new Directors, re-election and removal of Directors.

The Articles also require not less than one-third of the Board to retire from office by rotation at each annual general meeting ("AGM"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. A retiring Director is eligible for re-election by the shareholders at the AGM. The Board has accepted the NC's recommendation to seek approval from shareholders at the forthcoming AGM to re-elect Mr Pascal Demierre and Mr Alan Nisbet, who will be retiring under the provision of the aforesaid Articles. Mr Demierre will, upon re-election as a Director, remain as an Executive Director and a member of the AC and RC. Mr Demierre will be considered non-independent for the purpose of Rule 704(7) of the Catalist Rules. Mr Nisbet will, upon re-election as a Director, remain as the Lead Independent Director, Chairman of the AC, and a member of the NC and RC. Mr Nisbet will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

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

Each of the Directors submitted for re-appointment at the forthcoming AGM, namely, Mr Demierre, Mr Nisbet and Mr Barakat-Brown, does not has any relationship including immediate family relationships with the other Directors, the Company or its 10% shareholders. In making the above recommendations, the NC has also considered the respective Director's overall performance and contributions.

Each member of the NC has abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director of the Company. In the event any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter. Mr Nisbet and Mr Barakat-Brown have abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of their own performance or re-election as a Director.

The date of initial appointment and last re-election of each Director, together with his directorships in other listed companies, are set out below:

				Directorships in other listed companies	
Director	**Position**	**Date of Initial Appointment**	**Date of Last Re-election/ Re-appointment**	**Current**	**Past three years**
Robert Meyer	Executive Chairman and CEO	8 July 2010	23 April 2013	NA	NH Ceramics Ltd
Pascal Demierre	Executive Director	8 July 2010	15 June 2012	The Hour Glass Limited	NA
Alan Nisbet	Lead Independent Director	7 January 2013	23 April 2013	NA	NA
Randolph Khoo	Independent Director	7 January 2013	23 April 2013	NA	Jubilee Industries Holdings Ltd.
Jason Barakat-Brown	Independent Director	1 October 2013	NA	NA	NA

Note:

NA – Not Applicable

Key information regarding the Directors is presented in this annual report under the heading "Board of Directors".

Board Performance

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

The Board has established and implemented a formal process for assessing the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

The evaluation is done through written assessments by each Director. The Directors are required to assess the performance of the Board and the Board Committees. The review allows each individual Director to assess the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. It provides insights into the functioning of the Board, whilst identifying areas that might need strengthening and development.

The performance criteria for Board evaluation includes board size and composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions, board committee performance in relation to discharging their responsibilities set out in their respective terms of reference, and financial targets which include return on capital employed, return on equity, debt/equity ratio, dividend pay-out ratio, economic value added, earnings per share, and total shareholder return (i.e. dividend plus share price increase over the year). The Directors are also encouraged to assess his individual contributions to the effectiveness of the Board by providing any feedback by completing an individual Director self-assessment form.

The findings of the performance evaluation (including such feedback and comments received from the Directors) are then reviewed by the NC, in consultation with the Chairman of the Board. The Board will review feedback from the NC collectively and decide and agree on action plans to address the concerns raised by Directors.

Following this year's review, the NC is of the view that the Board and the Board Committees have operated effectively and each Director has contributed to the overall effectiveness of the Board. Although some Directors hold other board representations, the NC is of the view that they are nevertheless able to carry, and have effectively carried out, their duties as a Director of the Company.

Access to Information

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

Each member of the Board has complete access to information regarding the Group as may be required for the discharge of his duties and responsibilities. All Directors are furnished on a monthly basis with complete and timely information concerning the Group's performance, financial position and prospects to enable them to be fully cognisant of the decisions and actions of the Company's senior management.

Prior to each Board meeting, the members of the Board are each provided with board papers, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Senior management, if required, will attend Board meetings to address queries from the Directors. Senior management who can provide additional insight into the matters at hand are present at the relevant time during the Board meeting.

The Directors have separate and independent access to the Company Secretary. The Company Secretary or his colleague attends all Board meetings and meetings of the Board Committees and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also ensures that good information flows within the Board and Board Committees and between Management and the Independent Directors. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises the following members and is chaired by Mr Jason Barakat-Brown, an Independent Director:

Mr Jason Barakat-Brown	(Chairman)	*(Independent Director)*
Mr Alan Nisbet	(Member)	*(Lead Independent Director)*
Mr Randolph Khoo	(Member)	*(Independent Director)*
Mr Pascal Demierre	(Member)	*(Executive Director)*

Notwithstanding that the Code recommends that all members of the RC should be non-executive directors, the Board believes that an RC member engaged in the day-to-day operations of the Company would have a better understanding on the job duties of executives, which is essential for the RC in recommending the level and mix of remuneration, to ensure that remuneration packages are commensurate with the job scope and level of responsibilities of each of the executives.

Pursuant to the terms of reference of the RC, all decisions of the RC shall be decided unanimously and exclude the deliberation, vote or approval of a member who has an interest in the subject matter under consideration. No member of the RC shall participate in the deliberation and decision on his own remuneration or that of employees related to him. Hence, the Board believes that retaining an RC member who also holds a executive position will not lead to a conflict of interest or impede the independence of the RC.

The key responsibilities of the RC are:

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

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

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

In discharging its duties, the RC meets annually to review and make recommendations on the remuneration framework and specific remuneration packages for the Directors and key management personnel. The recommendations of the RC submitted to the entire Board for endorsement. All aspects of remuneration of Directors and key management personnel, including but not limited to Directors fees, salaries, allowances, bonuses and benefits in kind, will be covered by the RC.

Where applicable, the RC will also review annually the remuneration of employees related to the Directors and substantial shareholders to ensure that their remuneration packages are in line with the staff remuneration guidelines and are commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increases and/or promotions for these employees. The RC also had an informal discussion with the Chairman to review the variable bonus proposed for Executive Directors and key management personnel in respect of FY2013.

The RC may from time to time, and where necessary or required, seek advice from external consultants in framing remuneration policy and determining the level and mix of remuneration for Directors and key management personnel, so that the Company remains competitive in this regard. If external consultants are appointed, the RC will ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. The expense of such services shall be borne by the Company.

In the event of termination of the Executive Directors' and key management personnel's contracts of service, the RC will review the Company's obligations to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Level and Mix of Remuneration

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

In recommending the level and mix of remuneration, the RC seeks to build, motivate and retain Directors and key management personnel. It ensures that competitive remuneration policies and practices are in place to draw and motivate high-performing executives to drive the Group's businesses to greater growth, efficiency and profitability. In its deliberations, the RC takes into consideration industry practices and benchmarks against relevant industry players to ensure that its remuneration and employment conditions are responsive to the market.

Executive Directors are not paid director fees. The RC seeks to ensure that the level and mix of remuneration of Executive Directors and key management personnel is competitive, relevant and appropriate in linking rewards with performance such as quality of work, project management, progress control, safety control and customer relationships. The amount and mix of compensation is aligned with the interests of shareholders and promotes the long-term success of the Group.

The mix of fixed and variable rewards is considered appropriate for the Group and for each individual executive. The RC is of the view that the overall level of remuneration for Directors and executives is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk policies.

Non-Executive Directors of the Company do not receive a salary and are instead compensated by fixed directors' fees. The remuneration of Non-Executive Directors is commensurate with their contribution and responsibilities taking into account their level and quality of contribution and their respective responsibilities, including attendance and time spent at Board meetings and Board Committee meetings. Each Non-Executive Director is paid a basic fee and attendance fees for each day of attending Board and/or Board Committee meetings. In addition, the chairman of the AC is paid an additional basic fee for his services as chairman of AC.

Directors' fees are reviewed periodically to benchmark such fees against the amounts paid by other major listed companies in Singapore. The Company submits the quantum of Directors' fees of each financial year to the shareholders for approval at each AGM. The structure of Director's fees for Non-Executive Directors for FY2013 is as follows:

Director's Fee Structure

	Basic Fee per annum (S$)				Attendance Fee (S$)
	Board	**Audit Committee**	**Nominating Committee**	**Remuneration Committee**	**Board and Board Committees**
Chairman	NA [(1)]	20,000	–	–	2,000 for each day of attending any Board or Board Committee meeting
Non-Executive Member	40,000	–	–	–	

Note:

(1) The Executive Chairman is not paid a director's fee

In view of the Group's expansion which is likely to involve greater participation by Directors in the coming year, it was proposed that the basic director's fee be increased from S$40,000 to S$45,000 per annum, with effect from the financial year ending 31 December 2014.

Disclosure on Remuneration

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

The breakdown of the remuneration of the Directors of the Company and the four (4) key management personnel (who are not Directors or the CEO) of the Group for FY2013 is as follows:

Directors

Name of Director	Based/Fixed Salary (%)	Proposed Directors' Fee (%)	Directors' Allowance/ Benefit (%)	Variable Bonus (1) (%)	Remuneration Band (2)
Robert Meyer	64	NA (3)	–	36	Band 4
Pascal Demierre	35	NA (3)	–	65	Band 2
Alan Nisbet	NA (4)	100	NA (4)	NA (4)	Band 1
Randolph Khoo	NA (4)	100	NA (4)	NA (4)	Band 1
Jason Barakat-Brown	NA (4)	100	NA (4)	NA (4)	Band 1

Note:

(1) Variable bonus is based on accrual basis

(2) Remuneration Bands are as follows:

- Below S$250,000 (Band 1)

- Between S$250,000 to S$499,999 (Band 2)

- Between S$500,000 to S$749,999 (Band 3)

- Between S$750,000 to S$999,999 (Band 4)

(3) Executive Directors are not paid a director's fee

(4) Non-executive Directors are not paid a salary, allowance or bonus

Shareholders' approval will be sought at the forthcoming AGM of the Company on 23 April 2014, for the payment of:

(a) Directors' fees proposed for FY2013 amounting to an aggregate of S$126,000; and

(b) Directors' fees proposed for financial year ending 2014 of up to S$200,000 (payable quarterly in arrears).

4 Key Management Personnel

Name	Position	Salary (%)	Allowance/ Benefit (%)	Variable Bonus [1] (%)	Remuneration Band [2]
Andrew Trevatt	Chief Commercial Officer	43	26	31	Band 4
Ng Eng Kiat	Chief Financial Officer	69	–	31	Band 2
James Bugansky	Technical Director	45	–	55	Band 1
Leonard Beschizza	Director of Operations, Palembang	43	22	35	Band 3

Note:

(1) Variable bonus is based on accrual basis

(2) Remuneration Bands are as follows:

- Below S$250,000 (Band 1)

- Between S$250,000 to S$499,999 (Band 2)

- Between S$500,000 to S$749,999 (Band 3)

- Between S$750,000 to S$999,999 (Band 4)

The total remuneration payable to the four key management personnel was S$1,941,777 for FY2013.

The remuneration of the Company's four key management personnel takes into account the pay and employment conditions within the industry and is performance-related.

The Company is of the opinion that it is not in the best interest of the Company to disclose the exact details of remuneration of the Directors and key management personnel due to competition within the industry for key talent.

All Directors and the key management personnel are remunerated on an earned basis and there were no termination, retirement and post-employment benefits granted during FY2013. The Company has yet to introduce any long-term incentives plans.

There are no employees in the Group who are immediate family members of a Director or the CEO. There are currently no employee share option schemes provided by the Company or the Group.

ACCOUNTABILITY AND AUDIT

Accountability

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

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

The Board acknowledges its responsibility to inform shareholders of all major developments of the Company and announces such developments and its quarterly and full-year financial results which present a balanced and informed assessment of the Company's performance, position and prospects via public announcements and through SGXNET, in accordance with statutory and regulatory requirements and applicable accounting standards.

Management provides the Board with updates covering operational performance, financial results, marketing, business development and other relevant information on a monthly basis and as the Board may require from time to time. This allows the Board to monitor the Group's performance as well as Management's achievements of the goals and objectives determined and set by the Board.

Risk Management and Internal Controls

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

The Group's system of internal controls plays a key role in the identification and management of risks that are significant to the achievement of the Group's business objectives. The Board as a whole is responsible for the governance of risk and provides oversight in the design, implementation and monitoring of the risk management framework and system of internal controls, as well as ensuring that Management puts in place action plans to mitigate the risks identified.

The AC assists the Board to oversee Management in the formulation, updating and maintenance of an adequate and effective risk management framework while the Board evaluates the adequacy and effectiveness of the system of risk management and internal controls, including financial, operational, compliance and information technology controls on an annual basis.

To assess the effectiveness of the Group's internal controls more independently, the AC has recommended, and the Board has approved, the appointment of Nexia TS Risk Advisory Pte Ltd (the "IA") as the Group's internal auditors. The IA is tasked to conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls, and a risk assessment to ensure the adequacy thereof. The findings of the review conducted by the IA together with the review undertaken by the external auditors as part of their statutory audit for FY2013 were presented to the AC. The AC has reviewed the IA and external auditors' findings for FY2013 and is of the view that there were no material non-compliance or failures in internal controls, and no major recommendations for improvements reported by the IA in respect of the internal audit and the external auditors in respect of the external audit performed during FY2013.

The AC also reviews the effectiveness of the actions taken by Management on the recommendations made by the IA and external auditors, and ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

The Board has received assurance from the Executive Chairman and CEO, and the Chief Financial Officer ("CFO"): (i) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) regarding the effectiveness of the Company's risk management and internal control systems.

Based on the report of the IA and internal controls established and maintained by the Group, actions taken by the Management, assurance from the Executive Chairman and CEO and the CFO as well as reviews performed by internal auditors and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal controls system are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group for FY2013.

However, it should be noted that the internal controls system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and that it can provide only reasonable, and not absolute, assurance against material misstatement of loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error losses, fraud or other irregularities.

Audit Committee

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

The AC comprises the following four members, of which three members are Independent Directors and one is an Executive Director:

Mr Alan Nisbet	(Chairman)	(Lead Independent Director)
Mr Randolph Khoo	(Member)	(Independent Director)
Mr Jason Barakat-Brown	(Member)	(Independent Director)
Mr Pascal Demierre	(Member)	(Executive Director)

Mr Pascal Demierre was appointed an Executive Director on 1 October 2013 and remains as a member of the AC as the Board is of the view that the presence of an executive director on the AC can enhance and facilitate good communication between the Management and the AC, as well as a better understanding of the Company's business by the AC members.

All the members of the AC have many years of experience in senior management positions in different sectors. The Board is satisfied that the members of the AC have the requisite qualifications as well as sufficient financial management expertise and experience to discharge their duties competently.

The AC has explicit authority to investigate any matters within its terms of reference and has full access to and cooperation of the Management, and has full discretion to invite any Director or executive officer to attend its meetings. In addition, the AC has direct access to the external auditors and if required, has authority to seek external resources to enable the AC to discharge its functions properly, including obtaining legal or other professional advice and services, (such expenses to be borne by the Company).

The main responsibility of the AC is to assist the Board in the discharge of its oversight responsibilities in the areas of financial and accounting practices, operational and compliance controls, internal controls, and corporate and financial risk management. The AC is also apprised of any changes to the accounting standards and issues which have a direct impact on the Company's Financial Statements by the external auditors at AC meetings which are attended by external auditors. Significant findings in the course of its review are reported to the Board.

The AC is guided by written terms of reference endorsed by the Board and which set out its duties and responsibilities. The members of the AC perform the following functions:

(a) review the audit plans and reports of our internal and external auditors;

(b) review the financial statements before submission to the Board for approval;

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

(d) review and consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal thereof;

(e) review and report to the Board at least annually on the effectiveness and adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls;

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

(g) review the effectiveness and adequacy of the internal accounting and financial control procedures;

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

(i) review the effectiveness of and consider the appointment and termination of our internal auditors; and

(j) generally undertake such other functions and duties as may be required by the Catalist Rules.

The AC reviews the overall scope of both the internal and external audits and meets with the internal and external auditors, without the presence of Management, at least once a year to obtain feedback on the competency and adequacy of the finance function and to ascertain if there are any material weaknesses or control deficiencies in the Group's financial reporting and operational systems. As an Executive Director, Mr Demierre is excluded from the aforesaid meeting notwithstanding that he is a member of the AC. This is to ensure that the AC remains a platform for external and internal auditors to provide their independent opinions without the influence of Management, and also to ensure that the presence of an Executive Director on the AC will not lead to any conflict of interest or impede the independence of the AC.

During FY2013, the AC conducted a review of the scope and results of the audit by the external auditors, Deloitte & Touche LLP ("Deloitte"), and its cost effectiveness, as well as the independence and objectivity of the external auditors. It also reviewed all non-audit services provided by the external auditors, and the aggregate amount of audit fees paid to them. For details of fees payable to Deloitte in respect of audit and non-audit services, please refer to Note 10 of the section entitled "Notes to the Financial Statements" on page 71. The AC is satisfied that neither the independence nor objectivity of Deloitte is at risk, and that they are able to meet the audit requirements and statutory obligations of the Company. Accordingly, the AC has recommended the re-appointment of Deloitte as the Company's external auditors at the forthcoming AGM of the Company. In recommending the re-appointment of the external auditors, the AC has considered and reviewed a variety of factors including the adequacy of resources, experience of supervisory and professional staff to be assigned to the audit, and size and complexity of the Group, its businesses and operations. The Company confirms that it has complied with Rules 712 and 715 of the Catalist Rules in engaging Deloitte, as the external auditors of the Company, and a member of the Deloitte global network as the external auditors for its subsidiaries in Indonesia and Malaysia.

The Company is dedicated to the highest standards of corporate governance, and has in place a whistle-blowing framework, which provides employees and third-parties a direct channel to the AC, for raising concerns about any improprieties in matters of financial reporting or other aspects in confidence and in good faith, without fear of reprisal. The whistle-blowing policy aims to encourage the reporting of such matters in good faith, with the confidence that employees and/or third-parties making such reports will be treated fairly and, to the extent possible, be protected from reprisal. As such, the aforesaid policy comes under the purview of the AC without involvement of the Management, to ensure independent investigation of such matters and for appropriate follow up action. The policy and its effectiveness are reviewed by the AC periodically, with recommendations regarding updates or amendments, if any, being made to the Board as required.

During FY2013, the AC has also reviewed the reports on interested person transactions ("IPTs") to ensure that established procedures and the prevailing rules and regulation of the Catalist Rules for monitoring of IPTs have been complied with. These transactions are reviewed half yearly by the AC and annually by the external auditors. The AC is satisfied that the guidelines and review procedures established to monitor IPTs have been complied with.

Internal Audit

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

The Board is of the view that the outsourcing of the internal audit function would enhance independence as well as improve the quality of the audit as external professional firms are equipped with a broad range of expertise with advanced degrees and technological specialisation. Accordingly, the AC has approved the appointment of the IA to undertake the internal audit function of the Group.

The internal audit function's primary line of reporting is to the AC Chairman, although it would also report administratively to the CEO. The primary functions of the internal audit function are to:

(a) assess the relevant risks related to the Group's business operations and evaluate if adequate systems of internal controls are in place to protect the funds and assets of the Group;

(b) assess if operations of the business processes under review are conducted efficiently and effectively and to ensure control procedures are complied with; and

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

During FY2013, the IA conducted its audit reviews based on internal audit plans approved by the AC. The IA has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. All internal audit reports detailing findings and recommendations are presented to the AC at least once a year, and more often as and when required. The AC noted that the internal audit conducted by the IA adheres to professional standards including those promulgated by the Institute of Internal Auditors.

The AC reviews the adequacy and effectiveness of the internal audit function annually, and is satisfied that the internal audit function has adequate resources and appropriate standing within the Group during FY2013.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Board is mindful of its obligation to provide regular, effective and fair communication with shareholders and is committed to making timely, full and accurate disclosure to the shareholders and the public. All information on the Company's new initiatives which would be likely to materially affect the price or value of the Company's shares will be promptly disseminated through SGXNET, press releases and the Company's corporate website, to ensure fair communication with shareholders and enable them to make informed investment decisions.

The Board continues to enforce best practices in corporate governance in all aspects of the Group's operations, as well as maintaining high standards of disclosure and corporate transparency. At the Investors' Choice Awards 2013 organised by the Securities Investors Association (Singapore), the Company's efforts and aspirations in attaining and surpassing high standards of corporate governance was affirmed and the Company was awarded runner-up for the Most Transparent Company Award in the New Issues category.

Communication with Shareholders

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

It is the policy of the Board that all shareholders should be informed in a comprehensive and timely manner on all major or material developments that impact the Group. The Company communicates pertinent and timely information to its shareholders through:

(a) SGXNET announcements and news release;

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

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

(d) Company's AGM; and

(e) The Company's website at http://www.halcyonagri.com where the shareholders can access materials on the financial results, press releases, annual report and profile of the Group. The website also contains an Investor Relations contact and various others investor related information on the Group which serve as an important resource for investors.

The Company does not have a fixed dividend policy but the current intention is to pay a dividend of not less than 25% of the Group's net profits attributable to shareholders for FY2013, based on the recommendation of the Board.

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

Conduct of Shareholder Meetings

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

The Board supports and encourages active shareholder participation at general meetings to stay apprised of the Group's strategy and goals. It believes that general meetings serve as an opportune forum for shareholders to meet and interact with the Board and senior management.

The Company's general meetings are attended by all Directors, including the Chairman of the Board. The Chairmen of the Board Committees are normally available at the meetings to answer any questions relating to the work of the Board Committees. The external auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

To ensure that all shareholders are properly informed of the meeting schedule, the notice of general meeting is sent to all shareholders, advertised in newspapers and disseminated through SGXNET at least 14 or 21 days, as the case may be, prior to the date appointed for the annual or extraordinary general meeting. Shareholders are informed of the rules, including voting procedures, that govern general meetings in the notice of general meeting disseminated. Every shareholder of the Company is entitled to attend and vote at general meetings of the Company and is allowed to appoint not more than two proxies to vote on his/her behalf at general meetings during his/her absence.

At a general meeting, each distinct issue is proposed as a separate resolution and shareholders are invited to put forth any questions they may have on the motions to be debated and decided upon. Proceedings of the general meetings are properly recorded, and include all comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management. Minutes of general meetings are available to shareholders upon request.

At an extraordinary general meeting ("EGM") held in December 2013 to approve *inter alia*, an interested person transaction, the Company opted for poll voting for greater transparency. Shareholders presented or represented at the EGM voted on a one share, one vote basis. The voting results of all votes cast for or against each resolution was screened at the EGM and announced to the public through SGXNET after the EGM. Save for the aforementioned EGM, the resolutions at the annual general meeting of the Company held in FY2013 were put to vote by show of hands.

The Board is of the view that voting by poll is time-consuming and increases the cost of holding general meetings. However, the Board will continue to study the feasibility of conducting poll voting in general meetings on a case-by-case basis. Unless the context otherwise requires or a poll is demanded in accordance with the provision of the Articles, the Company shall, for the time being continue to conduct its votes on a show of hands.

DEALING IN SECURITIES

In compliance with Rule 1204(19) of the Catalist Rules on dealings in securities, the Company issues quarterly reminders to its Directors, officers and employees on the restrictions in dealing in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year, and one month before the announcement of the Company's full-year financial results, and ending on the date of the announcement of the relevant results.

Directors, officers and employees are also reminded not to trade in the Company's securities at any time while in possession of unpublished price-sensitive information and to refrain from dealing in the Company's securities on short-term considerations. They are also advised to be mindful of the laws on insider-trading at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS POLICY

The Group obtained a general mandate from shareholders of the Company for interested person transactions at the AGM held on 23 April 2013. The details of the interested person transaction transacted during FY2013 by the Group are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000.00 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000.00)
Halcyon Corporate Services Pte. Ltd. ("HCS") (1)	S$119,000	S$360,000
Laveyne Limited (2) (in reference to acquisition of JFL Agro Pte. Ltd.)	S$13,750,000	–

Notes:

(1) *HCS is a wholly owned subsidiary of Halcyon Investment Corporation Pte. Ltd. ("HIC"). As at 31 December 2013, HIC owned 27.24% of the Company through Halcyon Agri Resources Pte. Ltd. ("HAR"). Therefore, HCS is an associate of HAR 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, to which the above interested person transaction is related, was terminated by mutual agreement and the services contemplated under the BSA will be handled by the Company internally.

(2) *Laveyne Limited is beneficially owned by Dato' Lynette Nee Lord Le Mercier, a controlling shareholder of the Company. The IPT transaction has been approved by the shareholders of the Company in an EGM of the Company held on 12 December 2013.*

MATERIAL CONTRACTS

Save as disclosed under the "Interested Persons Transactions Policy", there were no material contracts (including loans) entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Directors, or controlling shareholders which are either still subsisting at the end of FY2013 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2012.

UTILISATION OF INITIAL PUBLIC OFFERING ("IPO") PROCEEDS

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

Description	Proceeds raised (US$ million)	Amount utilised (US$ million)	Amount unutilised (US$ million)
Expansion and upgrading of processing facilities	6.9	6.0	0.9
General working capital [(1)]	4.2	4.2	–
Total	11.1	10.2	0.9

Note:

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

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

UTILISATION OF PLACEMENT PROCEEDS

In FY2013, the Company 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 details of the utilisation of the net proceeds from the Credence Placement I are as shown below:

Description	Proceeds raised (US$ million)	Amount utilised (US$ million)	Amount unutilised (US$ million)
Strategic purposes, such as acquisitions and investments	16.3		
● *To satisfy part of the purchase consideration for the CLS Sdn. Bhd. acquisition which was completed on 16 January 2014*	–	16.3	–
Total	16.3	16.3	–

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

Description	Proceeds raised (US$ million)	Amount utilised (US$ million)	Amount unutilised (US$ million)
Strategic purposes, including but not limited to the financing of the proposed acquisition of JFL Agro Pte. Ltd.	22.7		
● *To satisfy part of the first tranche of purchase consideration for the JFL Agro Pte. Ltd. acquisition which was completed on 29 January 2014*	–	6.8	
● *To satisfy the purchase consideration and costs for the PT Golden Energi acquisition which was completed on 19 February 2014*	–	7.0	
● *Payment for the professional fees in relation to the above-mentioned acquisitions*	–	0.6	
Total	22.7	14.4	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, 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.

NON-SPONSORSHIP FEES

The amount of non-sponsor fees paid to PrimePartners Corporate Finance Pte. Ltd. for FY2013 was S$139,500.

FINANCIAL CONTENTS

The directors present their report together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2013.

1 DIRECTORS

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

Robert Meyer	
Alan Rupert Nisbet	(Appointed on January 7, 2013)
Pascal Demierre	
Randolph Khoo Boo Teck	(Appointed on January 7, 2013)
Jason Barakat-Brown	(Appointed on October 1, 2013)

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		Deemed interest	
	Number of ordinary shares			
Name of director	**At beginning of year or date of appointment, if later**	**At end of year**	**At beginning of year or date of appointment, if later**	**At end of year**
The company				
Robert Meyer (1)	2,000 (2)	4,550,000	1,500 (2)	105,350,000
Pascal Demierre (1)	1,700 (2)	4,400,000	–	–
Alan Rupert Nisbet	–	–	–	400,000
Jason Barakat-Brown	150,000	150,000	–	–

(1) By virtue of section 7 of the Singapore Companies Act, these directors are deemed to have an interest in all the related corporations of the company.

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

The directors' interests in the shares and options of the company at January 21, 2014 were the same at December 31, 2013.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

(a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the company or any corporation in the group were granted.

(b) Options exercised

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

6 AUDIT COMMITTEE

The Audit Committee of the company, consisting of independent non-executive directors, Mr Alan Rupert Nisbet (Chairman), Mr Randolph Khoo Boo Teck, Mr Jason Lewis Barakat-Brown and an executive director, Mr Pascal Demierre. The Audit Committee Meeting has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

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

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

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

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

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

6 AUDIT COMMITTEE (cont'd)

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

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

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

____
Robert Meyer

____
Pascal Demierre

27 March 2014

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 50 to 83 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2013, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Robert Meyer

Pascal Demierre

27 March 2014

INDEPENDENT AUDITORS' REPORT

To the Members of Halcyon Agri Corporation Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Halcyon Agri Corporation Limited (the "company") and its subsidiaries (the "group") which comprise the statements of financial position of the group and the company as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 50 to 83.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at December 31, 2013 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	Group 2013 US$'000	Group 2012 US$'000
Revenue	6	204,970	222,009
Cost of sales		(184,722)	(202,049)
Gross profit		20,248	19,960
Other income	7	6	23
Selling expenses		(1,389)	(1,512)
Administrative expenses		(6,735)	(4,913)
Operating profit		12,130	13,558
Finance income		207	37
Finance costs	8	(1,650)	(2,126)
Profit before taxation		10,687	11,469
Income tax expense	9	(1,576)	(1,419)
Profit for the financial year	10	9,111	10,050
Profit attributable to:			
Owners of the company		9,093	9,869
Non-controlling interest		18	181
		9,111	10,050
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(4,052)	(802)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gain on retirement benefit obligation (net of tax)		80	–
Total comprehensive income for the financial year		5,139	9,248
Total comprehensive income attributable to:			
Owners of the company		5,121	9,067
Non-controlling interest		18	181
		5,139	9,248
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	27	13,141	14,342
Earnings per share ("EPS"):			
Basic and diluted (cents)	28	2.88	8,024
Adjusted (cents)	28	2.46	2.67

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

For the financial year ended 31 December 2013

		Group		Company	
	Note	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
ASSETS					
Non-current assets					
Intangible assets	11	10,000	10,000	–	–
Property, plant and equipment	12	15,537	10,922	168	–
Investment in subsidiaries	13	–	–	16,000	16,000
Deferred charges		124	202	–	–
Deferred tax assets	14	197	156	–	–
Other assets	31	2,054	–	2,054	–
Total non-current assets		27,912	21,280	18,222	16,000
Current assets					
Cash and bank balances	15	52,688	11,866	22,627	467
Trade receivables	16	7,347	6,816	–	–
Other receivables	17	2,592	1,131	43,345	15,956
Derivative financial instruments	18	903	718	–	–
Inventories	19	16,409	20,298	–	–
Total current assets		79,939	40,829	65,972	16,423
Total assets		107,851	62,109	84,194	32,423
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	18	789	977	–	–
Trade payables	20	–	1,626	–	–
Other payables	21	2,866	3,028	12,553	13,532
Loan payables	22	21,143	28,110	5,840	8,301
Provision for taxation		1,352	982	40	27
Total current liabilities		26,150	34,723	18,433	21,860
Net current assets (liabilities)		53,789	6,106	47,539	(5,437)
Non-current liabilities					
Retirement benefit obligations	23	648	529	–	–
Deferred tax liabilities	14	781	587	29	–
Total non-current liabilities		1,429	1,116	29	–
Net assets		80,272	26,270	65,732	10,563
Capital and reserves					
Share capital	24	63,713	12,500	63,713	12,500
Capital reserves	25	143	143	–	–
Accumulated profits (losses)		21,195	14,372	2,019	(1,937)
Foreign currency translation reserve		(4,941)	(926)	–	–
Equity attributable to owners of the company		80,110	26,089	65,732	10,563
Non-controlling interest		162	181	–	–
Total equity		80,272	26,270	65,732	10,563
Total liabilities and equity		107,851	62,109	84,194	32,423

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	Note	Share capital US$'000	Capital reserves US$'000	Accumulated profits (losses) US$'000	Foreign currency translation reserves US$'000	Non-controlling interest US$'000	Total US$'000
Group							
Balance at January 1, 2012		12,500	143	4,503	(124)	–	17,022
Total comprehensive income (loss) for the year							
Profit for the year		–	–	9,869	–	181	10,050
Other comprehensive income (loss)		–	–	–	(802)	–	(802)
Total		–	–	9,869	(802)	181	9,248
Balance at December 31, 2012		12,500	143	14,372	(926)	181	26,270
Total comprehensive income (loss) for the year							
Profit for the year		–	–	9,093	–	18	9,111
Other comprehensive income (loss)		–	–	80	(4,052)	–	(3,972)
Total		–	–	9,173	(4,052)	18	5,139
Transactions with owners, recognised directly in equity							
Issue of share capital	24	51,213	–	–	–	–	51,213
Dividend paid	30	–	–	(2,350)	–	–	(2,350)
Total		51,213	–	(2,350)	–	–	48,863
Balance at December 31, 2013		63,713	143	21,195	(4,941)	162	80,272
Company							
Balance at January 1, 2012		12,500	–	(582)	–	–	11,918
Profit for the year representing total comprehensive loss for the year		–	–	(1,355)	–	–	(1,355)
Balance at December 31, 2012		12,500	–	(1,937)	–	–	10,563
Profit for the year representing total comprehensive income for the year		–	–	6,306	–	–	6,306
Transactions with owners, recognised directly in equity							
Issue of share capital	24	51,213	–	–	–	–	51,213
Dividend paid	30	–	–	(2,350)	–	–	(2,350)
Total		51,213	–	(2,350)	–	–	48,863
Balance at December 31, 2013		63,713	–	2,019	–	–	65,732

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	2013 US$'000	2012 US$'000
Operating activities			
Profit before income tax		10,687	11,469
Adjustments for:			
Depreciation expense		1,011	784
Retirement benefit expense		390	329
Interest income		(207)	(37)
Interest expense		1,650	2,126
Fair value loss (gain) on open forward commodities contracts, unrealised		638	(1,369)
Operating profit before working capital changes		14,169	13,302
Trade receivables		(531)	3,795
Other receivables and deferred charges		(1,339)	36
Inventories		2,877	(5,654)
Trade payables		(1,626)	1,593
Other payables		(177)	(4,346)
Cash generated from operations		13,373	8,726
Interest received		207	37
Interest paid		(780)	(1,053)
Tax paid		(1,082)	(255)
Net cash from operating activities		11,718	7,455
Investing activities			
Deposits paid on acquisition of assets	31	(2,054)	–
Purchase of property, plant and equipment		(8,889)	(507)
Net cash used in investing activities		(10,943)	(507)
Financing activities			
Proceeds from issuance of shares		51,213	–
Pledged deposits	15	(2)	1,500
Dividend paid	30	(2,350)	–
Repayment of term loans		(2,461)	(5,199)
Interest paid on term loans		(519)	(621)
Net proceeds of working capital loans		(4,506)	2,480
Net cash from (used in) financing activities		41,375	(1,840)
Net increase in cash and cash equivalents		42,150	5,108
Cash and cash equivalents at the beginning of year		8,857	3,897
Effect of exchange rate changes on the balance of cash held in foreign currencies		(1,330)	(148)
Cash and cash equivalents at the end of year	15	49,677	8,857

See accompanying notes to financial statements.

1 GENERAL

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

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

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

The consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the year ended December 31, 2013 were authorised for issue by the Board of Directors on 27 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2013, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed:

<u>Amendments to FRS 1 Presentation of Items of Other Comprehensive Income</u>

The group has applied the amendments to FRS 1 Presentation of Items of Other Comprehensive Income retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 113 *Fair Value Measurement*

The group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

FRS 27 (Revised)	-	*Separate Financial Statements*
FRS 110	-	*Consolidated Financial Statements*
FRS 112	-	*Disclosure of Interests in Other Entities*
Amendments to FRS 36	-	*Impairment of Assets*
FRS 110, FRS 111, FRS 112	-	*Transition Guidance*

Consequential amendments were also made to various standards as a result of these new/revised standards.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

Effective interest method

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

Financial assets

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

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". These are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets (cont'd)

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

Derecognition of financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derivative financial instruments

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

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

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

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

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

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

INVENTORIES - Inventories except consumables are carried at the fair market value at the end of each reporting period. The resulting unrealised gain or loss is recognised in profit or loss. Consumables are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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

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

Leasehold improvements and renovation	-	10 years
Office equipment	-	2 years
Computers and software	-	1 to 5 years
Leasehold buildings	-	20 years
Plant and machinery	-	10 years
Vehicles	-	4 to 10 years
Leasehold land	-	20 to 40 years

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

PROVISIONS - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Commodity contracts to buy and sell commodities can be subject to net settlement if market conditions are favourable. Such commodity contracts and derivative financial instruments are marked to market at market rates prevailing at the end of the reporting period. Unrealised gains or losses are taken to profit or loss. Market value is generally based on listed market prices. If listed market prices are not available, market value is determined based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and price quotations for similar commodities traded in different markets, including markets located in different geographical areas.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Remeasurement comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement.

The group presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefit expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plan.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

CASH AND CASH EQUIVALENTS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value less pledged deposits.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Tax matters

Significant estimates are involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for expected tax issues base on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The major components of income tax are described in detail in Note 9.

Estimation impairment of intangible asset

Determining whether intangible asset is impaired requires an estimation of the value in use of the intangible asset. The value in use calculation requires the group to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate present value. The group's carrying amount of intangible asset at December 31, 2013 is US$10,000,000 (2012 : US$10,000,000) (Note 11).

Useful life of intangible asset

Management reviews the estimated useful life of intangible asset at the end of each annual reporting period to determine whether events and circumstances continue to support an indefinite useful life. The group's carrying amount of intangible asset at December 31, 2013 is US$10,000,000 (2012 : US$10,000,000) (Note 11).

Useful lives of property, plant and equipment

As described in Note 2, the group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The group's carrying amount of property, plant and equipment at December 31, 2013 is US$15,537,000 (2012 : US$10,922,000) (Note 12).

4 FINANCIAL RISKS AND MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	62,483	19,472	65,945	16,173
Derivative financial instruments	903	718	–	–
Financial liabilities				
Amortised cost	24,009	32,764	18,393	21,833
Derivative financial instruments	789	977	–	–

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives

The group has documented financial risk management policies. These policies set out the group's overall business strategies and its risk management philosophy. The group's overall financial risk management programme seeks to minimise potential adverse effects of the financial performance of the group.

The group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

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

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

	Group				**Company**			
	Liabilities		**Assets**		**Liabilities**		**Assets**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Singapore dollars	1,406	801	23,028	390	149	753	22,450	107
Indonesian rupiah	875	1,517	4,760	4,338	–	–	–	–
Malaysian ringgit	–	–	17,569	–	–	–	–	–

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where they gave rise to an impact on the group's profit or loss and/or equity.

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss will increase (decrease) by:

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Singapore dollars	2,162	(41)	2,230	(65)
Indonesian rupiah	388	282	–	–
Malaysian ringgit	1,757	–	–	–

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

(ii) Interest rate risk management

The group's primary interest rate risk arises from its loan payables.

The group's exposures to interest rates are set out below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the group's profit would decrease/increase by US$106,000 (2012 : US$141,000). This is mainly attributable to the group's exposure to interest rates on its balance due to the bank and financial institutions.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are creditworthy entities.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

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

(iv) Liquidity risk

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

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	On demand or within 1 year	Adjustment	Total
	%	US$'000	US$'000	
Group				
2013				
Non-interest bearing	–	2,866	–	2,866
Variable interest rate instruments	2.97	15,757	(454)	15,303
Fixed interest rate instruments	7.50	6,278	(438)	5,840
		24,901	(892)	24,009
2012				
Non-interest bearing	–	4,654	–	4,654
Variable interest rate instruments	4.48	20,696	(887)	19,809
Fixed interest rate instruments	7.50	8,924	(623)	8,301
		34,274	(1,510)	32,764
Company				
2013				
Non-interest bearing	–	12,553	–	12,553
Fixed interest rate instruments	7.50	6,278	(438)	5,840
		18,831	(438)	18,393
2012				
Non-interest bearing	–	13,532	–	13,532
Fixed interest rate instruments	7.50	8,924	(623)	8,301
		22,456	(623)	21,833

Non-derivative financial assets

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

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Total US$'000
2013			
Gross settlement:			
Forward commodity (natural rubber) contracts	114	–	114
2012			
Gross settlement:			
Forward commodity (natural rubber) contracts	(259)	–	(259)

(v) Commodity price risk

Due to the nature of the group's operations, the group is exposed to changes in agricultural commodity prices. At the end of the reporting period, a 5% increase/decrease of the commodities price index, with all other variables held constant, would have increased/decreased profit or loss before income tax by US$104,000 (2012 : US$29,000).

(vi) Fair values of financial assets and financial liabilities

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

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

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

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

At the end of each reporting period, the Group and Company's derivative financial instruments was measured based on Level 1.

4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

(c) Capital risk management policies and objectives

The group reviews its capital structure at least annually to ensure that the group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with. The capital structure of the group comprises only of issued capital and retained earnings.

The group's overall strategy remains unchanged from 2012.

5 RELATED PARTY TRANSACTIONS

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

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

	2013 US$'000	2012 US$'000
Management fees paid/payable to a related party	288	1,026

Compensation of directors and key management personnel

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

	2013 US$'000	2012 US$'000
Director's fees	96	–
Short-term benefits	2,518	1,692
	2,614	1,692

6 REVENUE

	Group	
	2013 US$'000	2012 US$'000
Sales of natural rubber-own products	205,524	219,467
Fair value (loss) gain on open forward commodity contracts, unrealised	(638)	1,369
Other physical rubber hedging revenue	84	1,173
	204,970	222,009

7 OTHER INCOME

	Group	
	2013 US$'000	2012 US$'000
Others	6	23
	6	23

8 FINANCE COSTS

	Group	
	2013	2012
	US$'000	US$'000
Interest expenses on:		
- Working capital loans	807	1,009
- Term loans	843	1,117
	1,650	2,126

9 INCOME TAX EXPENSE

Income tax recognised in profit or loss:

	Group	
	2013	2012
	US$'000	US$'000
Current tax expense	1,477	1,104
Underprovision in prior year	20	–
Deferred tax expense relating to the origination and reversal of temporary differences (Note 14)	79	315
	1,576	1,419

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

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

	Group	
	2013	2012
	US$'000	US$'000
Profit before tax	10,687	11,469
Tax at the domestic income tax rate of 17% (2012 : 17%)	1,817	1,950
Effect of non-deductible expenses	270	299
Effect of non-taxable income	(72)	(233)
Effect of tax exempt income	(41)	(42)
Effect of different tax rates of subsidiary operating in other jurisdiction	266	188
Additional tax allowance from Productivity and Innovation Credit	(211)	(39)
Effect of tax incentive at lower rate	(548)	(642)
Underprovision in prior year	20	–
Others	75	(62)
Income tax expense recognised in profit or loss	1,576	1,419

10 PROFIT FOR THE FINANCIAL YEAR

		Group	
		2013	2012
		US$'000	US$'000
(a)	Profit for the year has been arrived at after crediting (charging):		
	Depreciation		
	- Cost of sales	735	568
	- Administrative expenses	276	216
		1,011	784
	Professional fees	521	160
	Directors' remuneration (Note 5)	977	1,233
	Directors' fees	96	–
	Audit fees		
	- paid to auditors of the company	78	65
	- paid to other auditors	26	12
	Non-audit fees		
	- paid to auditors of the company	6	7
	- paid to other auditors	–	4
	Initial public offering fee	334	760
	Pre-operation expenses (Note 31)	350	–
	Acquisition related expenses	325	–
	Foreign exchange loss (gain)	227	(42)
	Management fees (Note 5)	288	1,026
	Rental expenses	188	121
	Cost of inventories recognised as expense	184,722	202,049

Included in cost of inventories recognised as expense are cost of raw materials amounting to US$174,982,000 as at December 31, 2013 (December 31, 2012 : US$194,351,000).

		Group	
		2013	2012
		US$'000	US$'000
(b)	Employee benefits expenses (including directors' remuneration)		
	- Defined benefit plan	390	329
	- Defined contribution plans	86	51
	- Staff welfare	109	70
	- Staff salaries	6,695	5,290
		7,280	5,740
	Included in:		
	- Cost of sales	3,172	2,572
	- Selling expenses	878	1,080
	- Administrative expenses	3,230	2,088
		7,280	5,740

11 INTANGIBLE ASSET

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

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

The group prepares cash flows forecasts derived from the most recent approved financial budgets for the next 3 years and extrapolates cash flows for the following 20 years based on an estimated growth rate of Nil% (2012 : Nil%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 8.6% (2012 : 10.7%).

At December 31, 2013, the recoverable amount of the intangible asset is in excess of their respective carrying amounts. Therefore, no impairment loss is required for the year.

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

12 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements and renovation US$'000	Office equipment US$'000	Computers and software US$'000	Leasehold buildings US$'000	Plant and machinery US$'000	Vehicles US$'000	Leasehold land US$'000	Asset under construction US$'000	Total US$'000
Cost:									
At January 1, 2012	1,139	47	176	3,342	2,652	1,158	4,061	90	12,665
Additions	11	119	99	10	–	129	–	139	507
Reclassification	(60)	–	–	60	–	–	–	–	–
Disposal	–	–	–	–	–	(73)	–	–	(73)
Exchange differences	(65)	(5)	–	(210)	(165)	(74)	(253)	(9)	(781)
At December 31, 2012	1,025	161	275	3,202	2,487	1,140	3,808	220	12,318
Additions	1,145	332	203	775	244	554	–	5,636	8,889
Reclassification	–	8	–	(8)	–	–	–	–	–
Disposal	–	–	–	–	–	(54)	–	–	(54)
Write off	–	(2)	(3)	–	–	–	–	–	(5)
Exchange differences	(337)	(69)	(4)	(773)	(547)	(299)	(787)	(797)	(3,613)
At December 31, 2013	1,833	430	471	3,196	2,184	1,341	3,021	5,059	17,535
Accumulated depreciation:									
At January 1, 2012	110	15	46	155	239	137	–	–	702
Depreciation charged	127	39	48	164	256	150	–	–	784
Disposal	–	–	–	–	–	(32)	–	–	(32)
Exchange differences	(8)	(2)	–	(14)	(22)	(12)	–	–	(58)
At December 31, 2012	229	52	94	305	473	243	–	–	1,396
Depreciation charged	116	82	99	162	231	179	142	–	1,011
Disposal	–	–	–	–	–	(32)	–	–	(32)
Exchange differences	(51)	(19)	(3)	(85)	(129)	(70)	(18)	–	(375)
Write off	–	–	(2)	–	–	–	–	–	(2)
At December 31, 2013	294	115	188	382	575	320	124	–	1,998
Carrying amount:									
As at December 31, 2012	796	109	181	2,897	2,014	897	3,808	220	10,922
As at December 31, 2013	1,539	315	283	2,814	1,609	1,021	2,897	5,059	15,537

The group's property, plant and equipment have been pledged to a bank for general banking facilities (Note 22), with a carrying value of US$10,069,000 (2012 : US$10,706,000).

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company

	Computer US$'000	Renovation US$'000	Total US$'000
Cost:			
At December 31, 2012 and January 1, 2013	–	–	–
Additions	84	95	179
At December 31, 2013	84	95	179
Accumulated depreciation:			
At December 31, 2012 and January 1, 2013	–	–	–
Depreciation for the year	9	2	11
At December 31, 2013	9	2	11
Carrying amount:			
At December 31, 2013	75	93	168
At December 31, 2012	–	–	–

13 SUBSIDIARIES

	2013 US$'000	2012 US$'000
Unquoted equity shares, at cost	16,000	16,000

Details of the company's subsidiaries at December 31, 2013 are as follows:

Name of subsidiary	Country of Incorporation (or registration)	Proportion of ownership interest		Principal activity
		% 2013	% 2012	
Hevea Global Pte Ltd (1)	Singapore	100	100	Natural rubber trading
Halcyon Agri Indonesia Pte Ltd (formerly known as Hevea Processing Pte Ltd) (1)	Singapore	100	100	Investment holding
Halcyon Agri Malaysia Pte Ltd (formerly known as Halcyon Plantation Pte Ltd) (2)	Singapore	100	100	Investment holding

13 SUBSIDIARIES (cont'd)

Name of subsidiary	Country of Incorporation (or registration)	Proportion of ownership interest % 2013	% 2012	Principal activity
Subsidiary of Halcyon Agri Indonesia Pte Ltd				
PT Hevea MK [3]	Indonesia	95	95	Natural rubber processing
Subsidiary of Halcyon Agri Malaysia Pte Ltd				
Halcyon Agri Malaysia Sdn Bhd [2] [4]	Malaysia	100	–	Investment holding
Halcyon Rubber Estate Sdn Bhd [2] [4]	Malaysia	100	–	Investment holding

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

(2) Dormant during the year.

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

(4) Incorporated during the financial year.

14 DEFERRED TAX

	Group 2013 US$'000	Group 2012 US$'000	Company 2013 US$'000	Company 2012 US$'000
Deferred tax assets	197	156	–	–
Deferred tax liabilities	(781)	(587)	(29)	–
	(584)	(431)	(29)	–

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

	Accelerated tax depreciation US$'000	Others US$'000	Total US$'000
At January 1, 2012	(157)	28	(129)
Charge to profit or loss for the year (Note 9)	(519)	204	(315)
Exchange differences	(56)	69	13
At December 31, 2012	(732)	301	(431)
Charge to profit or loss for the year (Note 9)	(212)	133	(79)
Exchange differences	330	(404)	(74)
At December 31, 2013	(614)	30	(584)

The deferred tax liabilities of the Company comprises of the effects from accelerated tax depreciation.

15 CASH AND BANK BALANCES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Cash at bank	49,519	8,857	22,627	467
Fixed deposits	158	–	–	–
	49,677	8,857	22,627	467
Fixed deposits - pledged	3,011	3,009	–	–
	52,688	11,866	22,627	467

Cash and bank balances comprise cash held by the group and company and short term bank deposits. The carrying amounts of these assets approximate their fair value.

Fixed deposits bear average effective interest rate of 0.21% (2012 : 0.21%) per annum and are for a tenure of approximately 365 days.

Cash and bank balances of US$3,011,000 (2012 : US$3,009,000) have been pledged for general banking facilities (Note 22).

16 TRADE RECEIVABLES

	Group	
	2013	2012
	US$'000	US$'000
Outside parties	7,347	6,816

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

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

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

	Group	
	2013	2012
	US$'000	US$'000
Not past due and not impaired	7,347	6,816

Trade receivables with carrying amounts of US$7,347,000 (2012 : US$6,816,000) have been pledged as security for a trade financing facility recorded as loan payables in Note 22

17 OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Other receivables	1,546	714	–	12
Deposits	902	76	99	25
Prepayments	144	341	27	250
Due from a subsidiary	–	–	43,219	15,669
	2,592	1,131	43,345	15,956

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

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2013		2012	
	Assets	Liabilities	Assets	Liabilities
	US$'000	US$'000	US$'000	US$'000
Forward commodity (natural rubber) contracts	903	(789)	718	(977)

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

At the end of the reporting period, the total notional amounts of derivative financial instruments to which the group is committed to are as follows:

	Notional amount		Positive fair value		Negative fair value	
	2013	2012	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Forward contracts on commodities:						
- Sales	26,232	26,785	903	–	–	(977)
- Purchases	11,578	24,551	–	718	(789)	–
			903	718	(789)	(977)

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

19 INVENTORIES

	Group	
	2013	2012
	US$'000	US$'000
At cost:		
- Consumables	1,271	1,100
At fair value:		
- Raw materials	3,296	8,555
- Work-in-progress	5,834	5,047
- Finished goods held for resale	6,008	5,596
	16,409	20,298

The inventories as at the end of the reporting period in 2013 and 2012 includes fair value adjustments of US$903,000 and US$1,915,000 respectively.

Inventories with carrying amounts of US$15,138,000 (2012 : US$19,198,000) have been pledged as security for a trade financing facility recorded as loan payables in Note 22.

20 TRADE PAYABLES

	Group	
	2013	2012
	US$'000	US$'000
Outside parties	–	1,626

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

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

21 OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Outside parties	2,760	2,685	460	511
Other taxes payable	106	343	42	272
Due to:				
Subsidiary (Note 5)	–	–	12,051	12,749
	2,866	3,028	12,553	13,532

22 LOAN PAYABLES

	Group		Company	
	2013	2012	2013	2012
	US$'000	US$'000	US$'000	US$'000
Loan payables:				
Working capital loans	15,303	19,809	–	–
Term loan	5,840	8,301	5,840	8,301
	21,143	28,110	5,840	8,301

Working capital loans bear average interest rates ranging from 2.61% to 3.33% (December 31, 2012 : 2.51% to 3.54%) per annum. These loans are secured by a charge over certain of the group's trade receivables (Note 16), inventories (Note 19) and pledged deposits (Note 15).

In November 2012, the group entered into a loan agreement with a financial institution ("Lender") to refinance its existing term loan, which had an outstanding balance of US$8,500,000 as at the date of the refinancing. Under the refinancing agreement, the group was required to pay US$250,000 per month for 12 months with the remaining amount fully paid by December 31, 2013 ("Maturity Date"). The Maturity Date had been extended from December 31, 2013 to December 15, 2014 by the lender. The term loan bears interest at 7.5% per annum and was secured by a charge over certain of the group's property, plant and equipment.

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

23 RETIREMENT BENEFIT OBLIGATIONS

In 2012, the group started to provide defined post-employment benefits for its qualifying employees in accordance with Indonesia Labor Law No. 13/2003. The number of employees entitled to the benefits is 659 (2012 : 591)

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

	Group	
	2013	2012
	US$'000	US$'000
Current service cost	390	329

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

	Group	
	2013	2012
	US$'000	US$'000
At beginning of the period	529	222
Present value of defined benefits obligation	390	329
Actuarial gain	(123)	(22)
Benefits paid	(3)	–
Exchange difference	(145)	–
Net liability	648	529

23 RETIREMENT BENEFIT OBLIGATIONS (cont'd)

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

		2013	2012
Discount rate	:	9.00%	6.00%
Future salary increment rate	:	10.00%	10.00%
Mortality rate	:	100.00%	100.00%
Disability rate	:	5.00%	5.00%
Resignation rate	:	2.5% per annum until age 35, then decrease linearly until 0% at age 55	
Normal retirement rate	:	100.00%	100.00%

24 SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	Number of ordinary shares		US$'000	US$'000
Issued and paid up:				
At beginning of year	123,000	123,000	12,500	12,500
Effect of share split [(1)]	245,877,000	–	–	–
Issues of share capital	124,000,000	–	51,213	–
At end of year	370,000,000	123,000	63,713	12,500

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

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

25 CAPITAL RESERVES

Capital reserves pertain to the excess of capital paid by a shareholder for the shares in the subsidiary over the capital received from the same shareholder for the swap of the shares in the company.

26 OPERATING LEASE COMMITMENTS

	Group	
	2013	2012
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense during the year	184	128

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

	Group	
	2013	2012
	US$'000	US$'000
Within one	390	83
In the second to fifth years inclusive	500	3
	890	86

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

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

	Group	
	2013	2012
	US$'000	US$'000
Profit before taxation	10,687	11,469
Adjustments for:		
Depreciation	1,011	784
Finance costs	1,650	2,126
Interest income	(207)	(37)
EBITDA	13,141	14,342

28 EARNINGS PER SHARE

	Group			
	2013		2012	
	Basic and diluted US$'000	Adjusted [1] US$'000	Basic and diluted US$'000	Adjusted [1] US$'000
Profit for the year attributable to owners of the company	9,093	9,093	9,869	9,869
	Number of ordinary shares '000		Number of ordinary shares '000	
Weighted average number of ordinary shares used to compute earnings per share	315,292	370,000	123	370,000
Earnings per share:				
cents	2.88	2.46	8,024	2.67

(1) 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 December 2013 of 370,000,000 ordinary shares.

29 SEGMENT INFORMATION

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

Geographical information

The group's revenue from external customers and information about its segment assets (non-current assets including intangible assets, property, plant and equipment, deferred charges and other assets) by geographical location are detailed below:

Sales of natural rubber-own products (according to origin of the customers ultimate parent company)	2013 US$'000	2012 US$'000
USA	53,697	89,246
Asia (excluding Singapore and China)	76,252	79,267
Singapore (country of domicile)	61,568	41,412
Europe	4,314	8,438
China	9,693	1,104
	205,524	219,467

Non-current assets	2013 US$'000	2012 US$'000
Asia (excluding Singapore and China)	15,300	10,908
Singapore (country of domicile)	12,400	10,216
	27,700	21,124

30 DIVIDEND

On May 22, 2013, a dividend of 1.0 cent per share (total dividend of US$2,350,000) was paid to shareholders in respect of the previous financial year.

In respect of the current year, the directors propose that a dividend of 1.0 cent per share will be paid to shareholders on May 22, 2014. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is S$3,960,000 (equivalent to US$3,158,000).

31 EVENTS AFTER THE REPORTING PERIOD

On January 16, 2014, a subsidiary, Halcyon Agri Malaysia Sdn Bhd has completed the acquisition of assets from Chip Lam Seng Sdn Bhd via the acquisition of CLS Sdn Bhd (renamed as Hevea KB Sdn Bhd) for a total consideration of RM63.0 million (approximately US$20.0 million). As at December 31, 2013, a deposit amounting to US$2,054,000 has been paid to the vendors.

On January 29, 2014, a subsidiary, Halcyon Agri Malaysia Pte Ltd has completed the acquisition of the entire issued and paid up capital of JFL Agro Pte Ltd for a total consideration of RM143.2 million (approximately US$43.2 million) of which RM49.0 million (approximately U$14.8 million) settled via issuance of 26 million company shares to the vendor, RM22.6 million (approximately U$6.8 million) settled via cash and the remaining of RM71.6 million (approximately U$21.6 million) still remain unpaid until the fulfilment of certain condition of the acquisition by the vendors. Subsequently, JFL Agro Pte Ltd became the wholly owned subsidiary of the company.

On February 19, 2014, a subsidiary, Halcyon Agri Indonesia Pte Ltd has completed the acquisition of the 95% of the issued and paid up capital of PT Golden Energi for a total consideration of US$7.0 million. Subsequently, PT Golden Energi became the subsidiary of the company.

STATISTICS OF SHAREHOLDINGS

As at 20 March 2014

Issued and paid-up capital	:	S$101,560,104
Number of issued shares	:	396,000,000
Number of treasury shares	:	Nil
Voting rights	:	On Show of Hand - 1 vote for each member On a Poll - 1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	397	44.46	2,886,000	0.73
10,001 - 1,000,000	474	53.08	31,938,000	8.06
1,000,001 AND ABOVE	22	2.46	361,176,000	91.21
TOTAL :	893	100.00	396,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	HSBC (SINGAPORE) NOMINEES PTE LTD	75,056,339	18.95
2.	RAFFLES NOMINEES (PTE) LIMITED	72,954,000	18.42
3.	CREDENCE CAPITAL FUND II (CAYMAN) LIMITED	52,500,000	13.26
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	23,538,694	5.94
5.	DBS NOMINEES (PRIVATE) LIMITED	23,489,000	5.93
6.	ANDREW TREVATT	19,400,000	4.90
7.	BESCHIZZA LEONARD PETER SILVIO	18,800,000	4.75
8.	SHAW VEE KING	10,744,689	2.71
9.	BANK OF SINGAPORE NOMINEES PTE. LTD.	9,884,000	2.50
10.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,831,000	1.98
11.	OCBC SECURITIES PRIVATE LIMITED	7,309,000	1.85
12.	DEMIERRE PASCAL GUY CHUNG WEI	6,400,000	1.62
13.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	6,000,000	1.52
14.	VENSTAR INVESTMENTS II LTD	5,378,000	1.36
15.	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,840,000	1.22
16.	UOB KAY HIAN PRIVATE LIMITED	4,572,000	1.15
17.	JEMMY ENTERPRISES LIMITED	3,330,278	0.84
18.	SIM SIEW TIN CAROL (SHEN XIUZHEN CAROL)	3,300,000	0.83
19.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,230,000	0.56
20.	PHILLIP SECURITIES PTE LTD	1,518,000	0.38
	TOTAL :	359,075,000	90.67

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	Number of shares	%	Number of shares	%
Lynette Nee Lord Le Mercier	61,500,000	15.53	–	–
Credence Capital Fund II (Cayman) Limited	52,500,000	13.26	–	–
Gunther Robert Meyer (1)	4,550,000	1.15	31,765,611	8.02
Keystone Pacific Pte. Ltd.	27,215,611	6.87	–	–
Michael Tay Wee Jin	22,705,694	5.73	–	–
Demierre Pascal Guy Chung-Wei	21,734,576	5.49	–	–

Note:

(1) Gunther Robert Meyer is deemed interested in the following shares:

- *4,000,000 shares held by Nut Hill Investments Ltd., a company wholly owned by his spouse, Ms Tan Su-Lyn;*
- *550,000 shares held by his father, Gunther Richard Meyer; and*
- *27,215,611 shares held by Keystone Pacific Pte. Ltd., a company wholly owned by Gunther Robert Meyer.*

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

On the basis of the information available to the Company as at 20 March 2014, approximately 50.68% of the issued ordinary shares of the Company is held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited which requires at least 10% of a listed issuer's equity securities to be held by the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Halcyon Agri Corporation Limited (the "**Company**") will be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Wednesday, 23 April 2014 at 10.00 a.m. for the purpose of transacting the following business:

Ordinary Business

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and the Auditors thereon. **(Resolution 1)**

2. To approve a first and final tax exempt (one-tier) dividend of 1.0 Singapore cent (S$0.01) per ordinary share in respect of the financial year ended 31 December 2013. **(Resolution 2)**

3. To re-elect Mr Pascal Guy Chung Wei Demierre who is retiring pursuant to Article 91 of the Articles of Association of the Company. **(Resolution 3)**

   *Mr Pascal Guy Chung Wei Demierre will, upon re-election as a Director of the Company, remain as Executive Director, and a member of the Audit Committee and Remuneration Committee. He will be considered non-independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**")*

4. To re-elect Mr Alan Rupert Nisbet who is retiring pursuant to Article 91 of the Articles of Association of the Company. **(Resolution 4)**

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

5. To re-elect Mr Jason Lewis Barakat-Brown who is retiring pursuant to Article 97 of the Articles of Association of the Company. **(Resolution 5)**

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

6. To approve the sum of S$126,000 to be paid to non-executive Directors as Directors' fees for the financial year ended 31 December 2013. **(Resolution 6)**

7. To approve the sum of up to S$200,000 to be paid quarterly in arrears, to non-executive Directors as Directors' fees for the financial year ending 31 December 2014. **(Resolution 7)**

8. To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

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

Special Business

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

10. **Authority to Allot and Issue Shares** **(Resolution 9)**

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

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

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

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

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

PROVIDED THAT:

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

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

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

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

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

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

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

[See Explanatory Note]

By Order of the Board

Teo Meng Keong
Company Secretary
Singapore
8 April 2014

Explanatory Notes:

Resolution 9

Resolution 9, if passed, will empower the Directors of the Company, effective from the conclusion of the above AGM until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue Shares and convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution 9, for such purposes as the Directors may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this Resolution 9 would not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 9. For the issue and allotment of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued and allotted shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) at the time of passing of this Resolution 9.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares will be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution 9 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding and/or subsisting at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares.

Notes:

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

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

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

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

NOTICE OF BOOK CLOSURE DATE FOR DIVIDEND

NOTICE IS HEREBY GIVEN that subject to the approval of shareholders to the first and final dividend being obtained at the forthcoming Annual General Meeting ("**AGM**"), the Share Transfer Books and Register of Members of the Company will be closed on 9 May 2014 for the purpose of determining shareholders' entitlements to the proposed first and final dividend.

Duly stamped and completed transfers received by our Share Transfer Office, Boardroom Corporate & Advisory Services Pte Ltd, 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5 p.m. on 8 May 2014 will be registered to determine shareholders' entitlements to the proposed first and final dividend. Members of the Company whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with the shares of the Company as at 5 p.m. on 8 May 2014 will be entitled to such proposed dividend. The said first and final dividend will be paid by the Company to CDP which will distribute the dividends to holders of the securities accounts.

The first and final dividend, if approved by Members of the Company at the forthcoming AGM, will be paid on 22 May 2014.

By Order of the Board

Teo Meng Keong
Company Secretary
Singapore
8 April 2014

HALCYON AGRI CORPORATION LIMITED

(Company Registration No. 200504595D)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

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

of ____ (address)

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

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

*and/or

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

or failing him/her, the Chairman of the Annual General Meeting ("**AGM**"), as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the AGM of the Company to be held at RELC International Hotel, 30 Orange Grove Road (Off Orchard Road), Singapore 258352 on Wednesday, 23 April 2014 at 10.00 a.m. and at any adjournment thereof.

** Delete accordingly*

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

	Ordinary Resolutions	For	Against
	Ordinary Business		
Resolution 1	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2013 and the Reports of the Directors and the Auditors thereon		
Resolution 2	To approve a first and final tax exempt (one-tier) dividend of 1.0 Singapore cent (S$0.01) per ordinary share in respect of the financial year ended 31 December 2013		
Resolution 3	To re-elect Mr Pascal Guy Chung Wei Demierre as a Director of the Company		
Resolution 4	To re-elect Mr Alan Rupert Nisbet as a Director of the Company		
Resolution 5	To re-elect Mr Jason Lewis Barakat-Brown as a Director of the Company		
Resolution 6	To approve Directors' fees for the financial year ended 31 December 2013		
Resolution 7	To approve Directors' fees for the financial year ending 31 December 2014, payable quarterly in arrears		
Resolution 8	To re-appoint Messrs Deloitte & Touche LLP as Auditors of the Company and to authorise the Directors to fix their remuneration		
	Special Business		
Resolution 9	To authorise the Directors to allot and issue shares		

Date this ____________ day of ____________________ 2014

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

____

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

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES:

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

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

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

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

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

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

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

General:

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

HALCYON AGRI

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