



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

Unaudited Financial Statements for the First Quarter Ended 31 March 2019

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

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

Consolidated Profit and Loss Accounts- First Quarter 2019 ("Q1 2019")

	Group		
	Q1 2019	Q1 2018	Change
	(Unaudited)	(Restated)	
	US\$'000	US\$'000	%
Revenue	399,744	475,696	(16.0)
Cost of sales	(368,011)	(447,174)	(17.7)
Gross profit	31,733	28,522	11.3
Other income	753	440	71.1
Selling expenses	(9,866)	(9,298)	6.1
Administrative expenses	(20,368)	(19,597)	3.9
Administrative expenses - foreign exchange gain	1,231	4,566	(73.0)
Operating profit	3,483	4,633	(24.8)
Finance income	1,042	1,316	(20.8)
Finance costs	(8,803)	(5,082)	73.2
Share of (loss)/profit of an associate	(71)	54	n/m
(Loss)/Profit before taxation	(4,349)	921	n/m
Income tax expense	(605)	(673)	(10.1)
(Loss)/Profit for the period	(4,954)	248	n/m
(Loss)/Profit attributable to:			
Owners of the Company	(5,701)	1,257	n/m
Non-controlling interest	747	(1,009)	n/m
	(4,954)	248	n/m
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	10,840	11,816	(8.3)
(Loss)/Earnings per share ("LPS/EPS") (refer item 6):			
Basic and diluted (LPS)/EPS in US cents	(0.36)	0.08	n/m
Adjusted (LPS)/EPS in US cents	(0.36)	0.08	n/m

n/m - not meaningful

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

Consolidated Statement of Comprehensive Income - First Quarter 2019 ("Q1 2019")

	Group		
	Q1 2019 (Unaudited)	Q1 2018 (Restated)	Change
	US\$'000	US\$'000	%
(Loss)/Profit for the period	(4,954)	248	n/m
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations	4,880	10,650	(54.2)
Net fair value changes on derivative instruments at fair value through other comprehensive income reclassified to profit or loss	236	-	n/m
Other comprehensive income for the period	5,116	10,650	(52.0)
Total comprehensive income for the period	162	10,898	(98.5)
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(586)	11,603	n/m
Non-controlling interests	748	(705)	n/m
	162	10,898	(98.5)

n/m - not meaningful

Note:

Please refer to Section (5) on details of restatement for Q1 2018.

1(a)(ii) Notes to Consolidated Profit and Loss Accounts

(Loss)/Profit for the period has been arrived at after crediting/(charging) the following:			
	Group		
	Q1 2019	Q1 2018	Change
	(Unaudited)	(Restated)	
	US\$'000	US\$'000	%
Amortisation of intangible asset	(135)	(72)	87.5
Cost of inventories recognised as an expense	(368,011)	(447,174)	(17.7)
Depreciation:			
-Cost of sales	(5,552)	(5,236)	6.0
-Selling expenses	(36)	(24)	50.0
-Administrative expenses	(1,672)	(1,801)	(7.2)
	(7,260)	(7,061)	2.8
Employee benefits expenses:			
-Cost of sales	(13,808)	(12,814)	7.8
-Selling expenses	(1,637)	(1,501)	9.1
-Administrative expenses	(8,856)	(10,424)	(15.0)
	(24,301)	(24,739)	(1.8)
Finance cost:			
-Working capital loans	(5,266)	(1,931)	172.7
-Term loans	(3,424)	(3,129)	9.4
-Finance lease obligation	(113)	(22)	413.6
	(8,803)	(5,082)	73.2
Foreign exchange gain:			
-Cost of sales	199	506	(60.7)
-Administrative expenses	1,231	4,566	(73.0)
	1,430	5,072	(71.8)
Non-recurring expenses:			
-Acquisitions-related expenses	-	(59)	n/m
	-	(59)	n/m
Other income:			
-Fair value loss on biological assets	(13)	(43)	(69.8)
-Others	766	483	58.6
	753	440	71.1
Professional fees	(1,119)	(1,240)	(9.8)

n/m - not meaningful

Note:

Please refer to Section (5) on details of restatement for Q1 2018.

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

Consolidated Statements of Financial Position as at 31 March 2019 and 31 December 2018				
	Group		Company	
	31 Mar 19	31 Dec 18	31 Mar 19	31 Dec 18
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Intangible assets	300,708	300,903	1,102	1,164
Property, plant and equipment	306,844	294,972	2,163	168
Plantation related properties	376,197	370,183	-	-
Biological assets	10,393	10,208	-	-
Investment properties	47,974	46,799	-	-
Deferred tax assets	14,593	15,056	-	-
Deferred charges	356	352	-	-
Other assets	1,747	1,787	-	-
Loan receivables	3,453	3,491	-	-
Investment in an associate	1,155	1,190	-	-
Investment in subsidiaries	-	-	680,010	680,010
Total non-current assets	1,063,420	1,044,941	683,275	681,342
Current assets				
Cash and bank balances	191,875	125,214	60,341	770
Trade receivables	147,976	146,745	-	-
Loan and other receivables	146,211	146,186	825,208	808,726
Tax receivables	11,461	9,386	-	-
Derivative financial instruments	14,794	44,190	68	670
Inventories	385,578	297,941	-	-
Consumable biological assets	10	17	-	-
Total current assets	897,905	769,679	885,617	810,166
Total assets	1,961,325	1,814,620	1,568,892	1,491,508
LIABILITIES AND EQUITY				
Current liabilities				
Derivative financial instruments	894	1,920	68	670
Trade payables	33,229	34,570	-	-
Other payables	59,778	55,682	122,696	123,150
Loan payables	790,254	520,400	527,250	293,750
Provision for taxation	10,281	12,418	1	1
Operating lease liabilities	1,448	-	641	-
Finance lease obligation	44	42	-	-
Total current liabilities	895,928	625,032	650,656	417,571
Net current assets	1,977	144,647	234,961	392,595
Non-current liabilities				
Loan payables	407,876	391,640	297,429	297,817
Retirement benefit obligations	19,394	19,024	-	-
Deferred tax liabilities	39,253	38,643	159	36
Operating lease liabilities	8,981	-	1,682	-
Finance lease obligation	129	132	-	-
Other payables	4,329	4,263	-	-
Total non current liabilities	479,962	453,702	299,270	297,853
Net assets	585,435	735,886	618,966	776,084
Capital and reserves				
Share capital	603,874	603,874	603,874	603,874
Perpetual securities	-	148,690	-	148,690
Capital reserves	1,617	1,617	-	-
Other reserves	(3,030)	(3,313)	(1,310)	-
Accumulated (losses)/profits	(60,165)	(51,651)	16,402	23,520
Foreign currency translation reserves	12,628	7,749	-	-
Equity attributable to owners of the Company	554,924	706,966	618,966	776,084
Non-controlling interests	30,511	28,920	-	-
Total equity	585,435	735,886	618,966	776,084
Total liabilities and equity	1,961,325	1,814,620	1,568,892	1,491,508

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

	As at 31 March 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	101,493	688,761	77,036	443,364
Finance lease	44	-	42	-

Amount repayable after one year

	As at 31 March 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	18,767	389,109	1,375	390,265
Finance lease	129	-	132	-

Details of any collateral

Certain loans are secured by corporate guarantees from the Company or by a charge over certain of the Group's inventories, property, plant and equipment ("PPE") and certain cash and bank balances.

Included in unsecured loan payable is an amount of US\$150.0 million relates to the perpetual securities (that was previously classified as equity) following the Company's announcement of its intention to redeem on 26 April 2019.

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

Consolidated Statement of Cash Flows - First Quarter 2019 ("Q1 2019")

	Group	
	Q1 2019	Q1 2018
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Operating activities:		
(Loss)/Profit before taxation	(4,349)	921
Adjustments for:		
Depreciation expense	7,260	7,061
Amortisation of intangible assets	135	72
Retirement benefit expense	1,158	795
Interest income	(1,042)	(1,316)
Interest expense	8,803	5,082
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised	(12,551)	1,578
Fair value loss on biological assets	13	43
Unrealised foreign exchange loss/(gain)	57	(2,625)
(Gain)/Loss on disposal of property, plant and equipment and investment properties	(46)	50
Write off of property, plant and equipment and investment properties	8	-
Share of loss/(profit) of associates	71	(54)
Operating cash flows before working capital changes	(483)	11,607
Trade and other receivables	2,477	(54,914)
Inventories	(44,242)	(54,738)
Trade and other payables	(1,837)	1,795
Cash generated used in operations	(44,085)	(96,250)
Interest received	285	481
Interest paid	(4,564)	(2,217)
Tax paid	(2,805)	(2,233)
Net cash used in operating activities	(51,169)	(100,219)
Investing activities		
Acquisition of subsidiaries (net of cash acquired)	-	(44,594)
Acquisition of non-controlling interests	-	(15,260)
Deposit paid for proposed acquisition of subsidiary	-	(7,919)
Capital expenditure on property, plant and equipment, intangible assets and plantation assets	(14,747)	(14,778)
Proceeds from disposal of property, plant and equipment and investment properties	58	87
Net cash used in investing activities	(14,689)	(82,464)
Financing activities		
Net proceeds from/(repayment of) term loans	21,014	(3,424)
Net proceeds from working capital loans	114,571	204,753
Interest paid on term loans	(3,416)	(2,726)
Repayment of obligation under finance lease arrangement	(7)	(582)
Increase in pledged deposits	-	(34)
Net cash generated from financing activities	132,162	197,987
Net increase in cash and cash equivalents	66,304	15,304
Cash and cash equivalents at beginning of the period	122,931	153,372
Effects of exchange rate changes on the balance of cash held in foreign currencies	367	(256)
Cash and cash equivalents at end of the period	189,602	168,420
Cash and bank balances comprise the following:		
Cash and cash equivalents	189,602	168,420
Fixed deposits - pledged	2,272	4,840
	191,875	173,260

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

Consolidated Statements of Changes in Equity as at 31 March 2019 and 31 March 2018

	Attributable to owners of the Company						Non-controlling interests	Total
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserves US\$'000	Other reserves US\$'000	Accumulated (losses)/profits US\$'000	Foreign currency translation reserves US\$'000	Total equity attributable to owners of the Company US\$'000	US\$'000
Group (Unaudited)								
Balance at 1 January 2019	603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920
Total comprehensive loss for the period								
(Loss)/profit for the period	-	-	-	-	(5,701)	-	(5,701)	747
Other comprehensive income	-	-	-	236	-	4,879	5,115	1
Total	-	-	-	236	(5,701)	4,879	(586)	748
Transactions with owners, recognised directly in equity								
Distribution to perpetual securities holders	-	-	-	-	(2,813)	-	(2,813)	-
Reclassification of perpetual securities to loan payables	-	(148,690)	-	(1,310)	-	-	(150,000)	-
Total	-	(148,690)	-	(1,310)	(2,813)	-	(152,813)	-
Changes in ownership interests in subsidiaries								
Issuance of shares of a subsidiary to non-controlling interests	-	-	-	1,357	-	-	1,357	843
Total	-	-	-	1,357	-	-	1,357	843
Balance at 31 March 2019	603,874	-	1,617	(3,030)	(60,165)	12,628	554,924	30,511
Group (Unaudited)								
Balance at 1 January 2018 (As previously restated)	603,874	148,690	711	-	(6,258)	42,672	789,689	42,910
Total comprehensive income for the period								
Profit/(loss) for the period	-	-	-	-	1,257	-	1,257	(1,009)
Other comprehensive income	-	-	-	-	-	10,346	10,346	304
Total	-	-	-	-	1,257	10,346	11,603	(705)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control	-	-	-	-	(8,121)	-	(8,121)	(7,139)
Total	-	-	-	-	(8,121)	-	(8,121)	(7,139)
Balance at 31 March 2018	603,874	148,690	711	-	(13,122)	53,018	793,171	35,066
Company (Unaudited)								
Balance at 1 January 2019	603,874	148,690	-	-	23,520	-	776,084	-
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(4,305)	-	(4,305)	-
Total	-	-	-	-	(4,305)	-	(4,305)	-
Transactions with owners, recognised directly in equity								
Distribution to perpetual securities holders	-	-	-	-	(2,813)	-	(2,813)	-
Reclassification of perpetual securities to loan payables	-	(148,690)	-	(1,310)	-	-	(150,000)	-
Total	-	(148,690)	-	(1,310)	(2,813)	-	(152,813)	-
Balance at 31 March 2019	603,874	-	-	(1,310)	16,402	-	618,966	-
Company (Unaudited)								
Balance at 1 January 2018 (As previously restated)	603,874	148,690	-	-	62,604	-	815,168	-
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(3,279)	-	(3,279)	-
Total	-	-	-	-	(3,279)	-	(3,279)	-
Balance at 31 March 2018	603,874	148,690	-	-	59,325	-	811,889	-

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

	Number of ordinary shares	US\$'000
Issued and paid-up		
At 31 December 2018 and 31 March 2019	<u>1,595,011,941</u>	<u>603,874</u>

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 March 2019 and 31 March 2018.

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

The Company did not hold any treasury shares as at 31 March 2019 and 31 December 2018. As such, the number of issued shares excluding treasury shares as at 31 March 2019 and 31 December 2018 were 1,595,011,941 shares.

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

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

- 1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on**

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

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

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

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

Not applicable.

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

Except as disclosed in Section 5, the financial statements have been prepared using the same accounting policies and methods of computation as presented in the audited financial statements for the financial year ended 31 December 2018.

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

The Group has adopted all applicable new and revised Financial Reporting Standards and Interpretations of Financial Reporting Standards which became effective for accounting periods beginning on or after 1 January 2019.

SFRS(I) 16 Leases

The Group has on 1 January 2019 adopted SFRS(I) 16 Leases, which is effective for annual period beginning on or after 1 January 2019.

The Group has adopted the new standard on 1 January 2019 by applying SFRS(I)16 retrospectively with the right-of-use assets recognised at the date of initial application (1 January 2019) at an amount equal to the lease liability, using the Group's current incremental borrowing rates.

In addition, the Group elected the following practical expedients:

- (i) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- (ii) to apply single discount rate to a portfolio of leases with reasonably similar characteristics

The impact of adopting SFRS(I) 16 are as follows:

	Group Increase/(Decrease) US\$'000
Profit or loss	
Administrative expenses - rental expenses	(636)
Administrative expenses - depreciation of right-of-use assets	558
Finance expenses on lease liabilities	113
Statement of financial position	
Non-current assets - Right-of-use assets	10,479
Non-current liabilities - Operating lease liabilities	8,981
Current liabilities - Operating lease liabilities	1,448

Prior year adjustment in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations

In 2017, the Group had classified the processing business in Thailand (Teck Bee Hang Co., Ltd and its subsidiaries ("TBH Group")) as an asset held for sale, following the Group's strategic review. The decision was made at that time on the basis of the poor financial performance of TBH Group and also, unfavourable market environment in Thailand.

Subsequent to 2017, positive changes have been made to TBH Group's business and operations leading to improvement in TBH's financial performance in H1 2018. As part of the Group's continuous reassessment of its key business segments, it now determines that TBH fits into the Group's ongoing business strategy and the initial plan to dispose/discontinue the operations of TBH has changed significantly. As such, the Group decided to reclassify TBH Group out from discontinued operations to continuing operations.

Accordingly, the comparative figures in the income statement and cash flow statements for Q1 2018 have been re-presented to reflect TBH Group as continuing operations in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations.

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

	Group	
	Q1 2019	Q1 2018
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to owners of the Company (US\$'000)	(5,701)	1,257
Basic and diluted (loss)/earnings per share ("LPS/EPS") in US cents ⁽¹⁾	(0.36)	0.08
Adjusted (LPS)/EPS in US cents ⁽²⁾	(0.36)	0.08
Adjusted (LPS)/EPS in SGD cents ⁽³⁾	(0.48)	0.10

Notes:

- (1) The basic and diluted (LPS)/EPS for the periods under review have been computed based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue for the respective periods.
- (2) For comparative purposes, the adjusted (LPS)/EPS for the periods under review have been computed based on the profit attributable to owners of the Company and number of ordinary shares in issue as at 31 March 2019 of 1,595,011,941 ordinary shares.
- (3) Translated at the average exchange rates for each respective period.

The basic and diluted (LPS)/EPS for Q1 2019, Q1 2018 were the same as there were no potentially dilutive ordinary shares in issue as at 31 March 2019 and 31 March 2018.

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

	Group		Company	
	31 March 2019 (Unaudited)	31 December 2018 (Audited)	31 March 2019 (Unaudited)	31 December 2018 (Audited)
Net asset value per ordinary share based on issued share capital (US cents)	36.70	46.14	38.81	48.66
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	49.61	62.97	52.45	66.41
Number of ordinary shares outstanding	1,595,011,941	1,595,011,941	1,595,011,941	1,595,011,941

Note:

(1) Translated at the closing exchange rates for each respective period.

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

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

REVIEW OF THE INCOME STATEMENT OF THE GROUP FOR Q1 2019 VS Q1 2018

Overview

Snapshot

Operating financial statistics

		Q1 2019	Q1 2018 (Restated)	Change
Total sales volume	tonnes	278,355	306,499	-9.2%
Revenue	US\$ million	399.7	475.7	-16.0%
Revenue per tonne	US\$	1,436	1,552	-7.5%
Gross profit	US\$ million	31.7	28.5	11.3%
EBITDA	US\$ million	10.8	11.8	-8.3%
Net (loss)/profit	US\$ million	(5.0)	0.2	n/m

n/m - not meaningful

Revenue

Q1 2019 vs Q1 2018

Revenue decreased by US\$76.0 million or 16.0%, from US\$475.7 million in Q1 2018 to US\$399.7 million in Q1 2019 due to the decrease in sales volume by 28,144 tonnes or 9.2% from 306,499 tonnes in Q1 2018 to 278,355 tonnes in Q1 2019. This is in line with the sales effort which is targeted towards securing better margin than higher volume, in view of raw material tightness in Indonesia and Thailand (which did not happen in Q1 2018). In addition, average revenue per tonne has also dropped from US\$1,552 at Q1 2018 to US\$1,436 at Q1 2019, in line with the movement of natural rubber market price during these periods.

Cost of sales

Cost of sales comprises the cost of procuring and processing raw materials into finished goods, and other incidental costs to transport the goods to customers.

Q1 2019 vs Q1 2018

Cost of sales decreased by US\$79.2 million or 17.7%, from US\$447.2 million in Q1 2018 to US\$368.0 million in Q1 2019, due to the decrease in volume and lower natural rubber market price.

Gross profit

	Q1 2019	Q1 2018 (Restated)	Change
Gross profit (US\$ million)	31.7	28.5	11.3%
Sales volume (tonnes)	278,355	306,499	-9.2%
Gross profit per tonne (US\$)	114	93	22.5%

Q1 2019 vs Q1 2018

Gross profit increased by US\$3.2 million or 11.3% from US\$28.5 million in Q1 2018 to US\$31.7 million in Q1 2019 mainly due to higher gross profit per tonne of US\$114 (Q1 2018: US\$93) despite lower sales volume of 278,355 tonnes in Q1 2019 compared to 306,499 tonnes in Q1 2018. This is mainly contributed by improvements in the procurement process in the Africa subsidiaries and better results of their operations.

(Loss)/Profit before tax

Q1 2019 vs Q1 2018

Loss before tax in Q1 2019 was US\$4.3 million, a decrease of US\$5.2 million from profit before tax of US\$0.9 million in Q1 2018. The decrease in profit before tax was mainly due to:

- (i) lower foreign exchange gain in Q1 2019 of US\$1.2 million (Q1 2018: US\$4.6 million); and
- (ii) higher financing cost in order to fulfil working capital needs especially for the acquisitions completed in 2018, and higher interest rates in Q1 2019 as compared to Q1 2018.

The decrease in profit before tax was partially offset by higher gross profit as mentioned above.

(Loss)/Profit after tax

Q1 2019 vs Q1 2018

Loss after tax in Q1 2019 was US\$4.9 million, compared to profit after tax of US\$0.2 million in Q1 2018 due to higher tax expenses from profit making entities.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2019 VS 31 DECEMBER 2018

Non-current assets

Non-current assets increased by US\$18.5 million or 1.8% from 31 December 2018 (US\$1,044.9 million) to 31 March 2019 (US\$1,063.4 million), mainly due to the following factors:

- (i) recognition of US\$10.5 million in right-of-use assets pursuant to the adoption of SFRS(I) 16 with effect from 1 Jan 2019 (please refer to Section 5);
- (ii) US\$14.7 million additional investment in PPE and plantation related properties as part of the planned capital expenditure; and
- (iii) net foreign exchange difference arising from the translation of foreign currency denominated PPE and plantation related properties of US\$1.9 million.

The increase in non-current assets was partially offset by depreciation expense of US\$7.3 million.

Current assets

Current assets increased by US\$128.2 million or 16.7% from 31 December 2018 (US\$769.7 million) to 31 March 2019 (US\$897.9 million) mainly due to:

- (i) increase in cash and bank balances of US\$66.7 million; and
- (ii) increase in inventories of US\$87.6 million due higher volume and higher natural rubber price.

The increase in current assets was partially offset by decrease in derivative financial instruments of US\$29.4 million, mainly due to lower valuation gain on open sales contracts as at 31 March 2019.

Current liabilities

Current liabilities increased by US\$270.9 million or 43.3% during the period from 31 December 2018 (US\$625.0 million) to 31 March 2019 (US\$895.9 million), mainly due to reclassification of perpetual securities (previously as equity) following the Company's announcement of its intention to redeem on 26 April 2019, and net loan drawdown of US\$118.0 million.

The breakdown of the current loan payables are as follows:

(US\$ million)	31 March 2019	31 December 2018
Working capital loans	635.7	519.1
Term loans	4.5	1.3
Perpetual securities	150.0	-
Total	790.2	520.4

* Please refer to group funding structure section for further explanation.

Non-current liabilities

Non-current liabilities increased by US\$26.3 million or 5.8% from 31 December 2018 (US\$453.7 million) to 31 March 2019 (US\$480.0 million), mainly due to:

- (i) net increase in loan payables of US\$16.2 million due to drawdown of a new term loan; and
- (ii) increase in operating lease liabilities of US\$9.0 million as a result of adoption of SFRS(I) 16 (please refer to Section 5).

Equity

The Group's equity decreased by US\$150.5 million, from US\$735.9 million as at 31 December 2018 to US\$585.4 million as at 31 March 2019, mainly due to reclassification of the perpetual securities to current liabilities and net loss incurred for the period. The decrease is offset by the foreign translation difference during the period.

Group funding structure

The table below summarises the funding structure of the Group:

(US\$ million)	Balance at 31-Mar-19	Balance at 31-Dec-18	Balance at 30-Sep-18	Balance at 30-Jun-18
Working capital employed ⁽¹⁾	659.3	539.4	513.8	536.0
Working capital loans	636.4	520.4	507.4	515.1
% Efficiency of Working Capital Funding	96.5%	96.5%	98.8%	96.1%
Operational long term assets ⁽²⁾	943.4	938.7	923.6	861.3
Other borrowings	561.7	391.6	394.2	394.0
% Fixed Asset Gearing	59.5%	41.7%	42.7%	45.7%
Cash and cash equivalents ⁽³⁾	133.0	122.9	122.5	132.3
Non-core assets ⁽⁴⁾	48.0	46.8	93.2	149.3
Total equity (excluding Perpetual Securities)	585.4	587.2	602.7	621.2
Perpetual Securities	-	148.7	148.7	148.7
Total equity (including Perpetual Securities)	585.4	735.9	751.4	769.9

Note 1: Working capital employed for the Group are defined as the sum of operational trade and other receivables, net derivative assets, cash and cash equivalents, pledged deposits, inventories, netted off against trade and other payables. In Dec-18, loan receivable from third party has been reclassified from non-core assets.

Note 2: Operational long term assets of the Group are defined as intangible assets, property, plant and equipment, plantation and biological assets, and other non-current assets and right-of-use assets, net off against non-current liabilities. In Sep-18, plantation assets and PPE in Malaysia have been re-classified from non-core assets.

Note 3: Cash and cash equivalents adjusted to working capital employed.

Note 4: Non-core assets includes loan receivable from third party (up to Sep-18) and investment properties, as well as plantation assets in Malaysia (up to June-18).

REVIEW OF THE STATEMENT OF CASH FLOWS OF THE GROUP FOR Q1 2019 VS Q1 2018

The following table sets out a summary of cash flows for Q1 2019 and Q1 2018

(US\$ million)	Q1 2019	Q1 2018
Net cash (used in)/generated from operating activities, before working capital changes	(7.6)	7.6
Changes in working capital	(43.6)	(107.8)
Net cash used in operating activities	(51.2)	(100.2)
Net cash used in investing activities	(14.7)	(82.5)
Net cash generated from financing activities	132.2	198.0
Net increase in cash and cash equivalents	66.3	15.3
Cash and cash equivalents at the beginning of the period	122.9	153.4
Effect of exchange rate changes on the balance of cash held in foreign currencies	0.4	(0.3)
Cash and cash equivalents at the end of the period	189.6	168.4

Q1 2019

The Group's cash and cash equivalents increased by US\$66.3 million during Q1 2019. It recorded a net cash used in operating activities of US\$51.2 million during Q1 2019 mainly due to higher inventory volume and value.

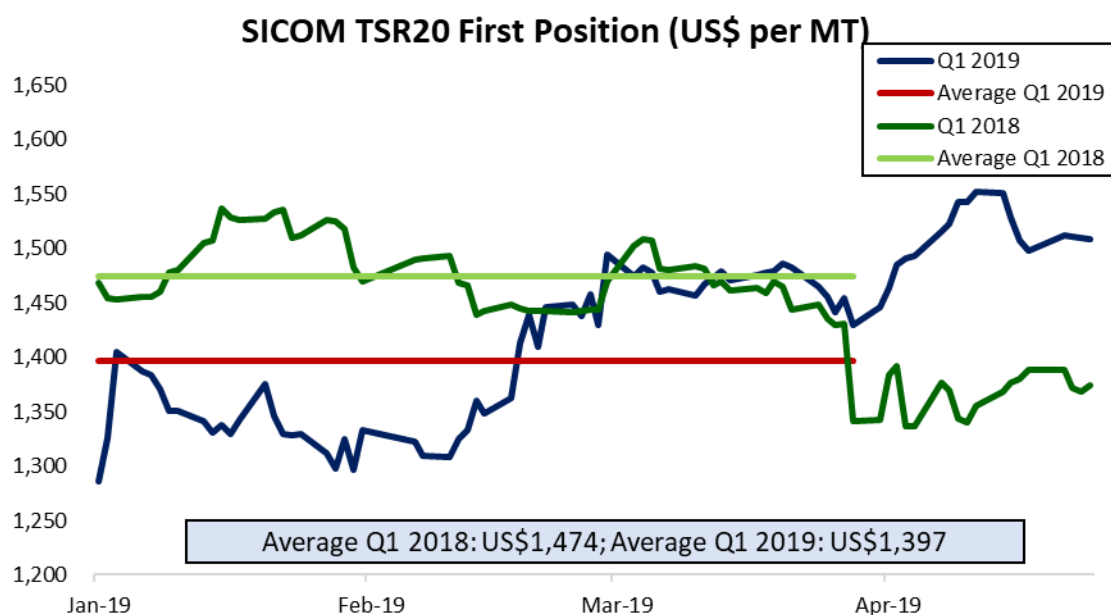
Net cash used in investing activities of US\$14.7 million was mainly due to capital expenditure on property, plant and equipment and plantation related assets.

Net cash generated from financing activities was US\$132.2 million, mainly due to proceeds from loans, partially offset by payment of interest.

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

The Company did not issue any forecast or prospect statement.

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



Rubber prices have experienced a modest recovery in Q1 2019 following marginally improved global sentiment. As the macroeconomic environment expected to be uncertain in the near term, the absence of any material improvement in weather conditions at origin is expected to cause more difficulties to the supply side in the near future, which should lend a degree of support to prices.

Against this background of challenging raw material supplies, the Group adapted its sales strategy by moving away from long term price averaged contract (“LTC”) based sales, towards spot sales. This move is in line with the Group’s commitment to shift the majority of the tyre-focused sales volume onto HeveaConnect, a new digital marketplace for sustainable natural rubber.

On 24 April 2019, HAC has announced that Sinochem International Corporation (“SIC”) has appointed Credit Suisse (Singapore) Limited to advise and assist on a strategic review of its investment in the Group (“Sinochem Review”). It should be noted that the Sinochem Review is not HAC’s initiative, and therefore the board of HAC is not privy to the nature, status or structure of the Sinochem Review. The Group shall make relevant announcements to update the shareholders appropriately should it receive notification from SIC on material developments.

Shareholders should note that there have been no assurances that any transaction will materialise or be forthcoming from the Sinochem Review and proposed CMC Listing. Shareholders are advised to exercise caution, and not take any action prejudicial to their interests, when dealing in the shares of the Company.

11. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

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

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

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

No.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

The Company recorded a net loss and consequently no dividend has been declared or recommended for the current financial period.

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

The Company does not have an IPT Mandate.

14. Segmental information

Halcyon Agri is a global leader in natural rubber, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber. The Group sources a broad range of grades from all major origins globally, operates 38 natural rubber processing facilities in Indonesia, Malaysia, Thailand, China and Africa, and distributes to an international customer base through its network of warehouses and sales offices in South East Asia, China, the United States of America and Europe.

On 1 January 2018, the Group has streamlined its operating structure into the following key segments:

- **Corrie MacColl Group** – This business segment includes our plantation and processing business in Cameroon and Malaysia and our distribution business under the brand name of Centrotech, Wurfbain, Corrie MacColl, Alan L. Grant, Momentum Technologies and Kelvin Terminals.
- **HRC Group** – This business segment includes our processing factories in Indonesia and distribution business in Singapore, whose customers are predominantly top-tier global tyre makers.
- **SINRIO Group** – This business segment includes our processing factories in China, Malaysia, Thailand and Ivory Coast, and our distribution business in Singapore and China, whose customers are predominantly tyre makers based in PRC.
- **Corporate Segment** – covers group strategic management, corporate finance, group administration and legal matters, treasury, and taxation.

Segmental performance is continuously monitored to optimise the allocation of resources between segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment Information - First Quarter 2019 ("Q1 2019") and First Quarter 2018 ("Q1 2018")

(US\$'000)	Corrie MacColl Group		HRC Group		SINRIO Group		Corporate		Elimination		Consolidated	
	Q1 2019	Q1 2018	Q1 2019	Q1 2018 (Restated)	Q1 2019	Q1 2018 (Restated)	Q1 2019	Q1 2018	Q1 2019	Q1 2018	Q1 2019	Q1 2018 (Restated)
Revenue to third party	127,819	135,136	109,109	163,050	162,816	177,510	-	-	-	-	399,744	475,696
Inter-segment revenue	120	4,056	24,607	11,343	8,425	24,786	3,169	3,829	(36,321)	(44,015)	-	-
Total revenue	127,939	139,192	133,716	174,393	171,241	202,296	3,169	3,829	(36,321)	(44,015)	399,744	475,696
Gross profit	4,925	6,455	8,690	10,426	18,118	11,641	3,169	3,829	(3,169)	(3,829)	31,733	28,522
Operating (loss)/profit	(5,883)	2,922	2,191	3,920	7,084	(984)	91	(1,225)	-	-	3,483	4,633
Finance income											1,042	1,316
Finance costs											(8,803)	(5,082)
Share of (loss)/profit of an associate											(71)	54
(Loss)/Profit before taxation											(4,349)	921
Income tax expense											(605)	(673)
(Loss)/Profit for the financial period											(4,954)	248
Total sales volume (tonnes)	83,462	85,991	99,236	117,526	120,882	131,867	-	-	(25,225)	(28,884)	278,355	306,499
Gross profit per tonne (US\$)	59	75	88	89	150	88	-	-	-	-	114	93
Other information:												
Management fee expense/(income)	-	-	2,218	2,573	951	1,256	(3,169)	(3,829)	-	-	-	-
Depreciation expenses	1,732	1,616	2,838	2,372	2,664	3,057	26	16	-	-	7,260	7,061
Capital expenditure	11,732	11,923	1,109	1,751	1,364	990	542	114	-	-	14,747	14,778
	Corrie MacColl Group		HRC Group		SINRIO Group		Corporate		Elimination		Consolidated	
	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18	31-Mar-19	31-Dec-18
Segment Assets	1,025,101	1,008,340	627,538	591,954	438,365	397,307	1,572,250	1,494,485	(1,701,929)	(1,677,465)	1,961,325	1,814,620
Segment Liabilities	602,960	579,356	550,366	516,464	302,234	268,727	948,612	716,086	(1,028,282)	(1,001,899)	1,375,890	1,078,734

* Processing and plantation assets in Ivory Coast have been reclassified from HRC Group to SINRIO Group in Jan-19 and has been reflected retrospectively for Q1 2018 and Dec-18

15. Undertakings from Directors and executive officers pursuant to Rule 720(1)

The Company confirms that each of its directors and executive officers has provided and has not withdrawn, a duly signed undertaking in the format set out in Appendix 7.7 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

16. Negative confirmation by the Board pursuant to Rule 705(5)

We, Robert Meyer and Pascal Demierre, hereby confirm on behalf of the Board of Directors (the "Board") of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the first quarter ended 31 March 2019 to be false or misleading in any material aspect

By Order of the Board

Robert Meyer
Executive Director and CEO

Singapore,
8 May 2019