



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

Unaudited Financial Statements for the Third Quarter Ended 30 September 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- Third Quarter 2019 ("Q3 2019") and 9 Months Ended 30 September 2019 ("9M 2019")

	Group			Group		
	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
US\$'000	US\$'000	%	US\$'000	US\$'000	%	
Revenue	513,067	552,907	(7.2)	1,424,954	1,602,730	(11.1)
Cost of sales	(486,152)	(520,380)	(6.6)	(1,332,334)	(1,501,161)	(11.2)
Gross profit	26,915	32,527	(17.3)	92,620	101,569	(8.8)
Other income	332	248	33.9	8,357	1,312	537.0
Selling expenses	(11,812)	(12,148)	(2.8)	(32,438)	(32,682)	(0.7)
Administrative expenses	(19,472)	(17,956)	8.4	(61,194)	(59,185)	3.4
Administrative expenses - foreign exchange (loss)/gain	(1,566)	5,237	n/m	1,653	3,544	(53.4)
Operating (loss)/profit	(5,603)	7,908	n/m	8,998	14,558	(38.2)
Finance income	1,265	930	36.0	4,269	3,391	25.9
Finance costs	(10,936)	(8,639)	26.6	(31,059)	(21,374)	45.3
Share of loss of associates	(10)	(71)	(85.9)	(158)	(18)	777.8
(Loss)/Profit before taxation	(15,284)	128	n/m	(17,950)	(3,443)	421.3
Income tax (expense)/credit	(1,331)	715	n/m	(2,464)	(1,293)	90.6
(Loss)/Profit for the period	(16,615)	843	n/m	(20,414)	(4,736)	331.0
(Loss)/Profit attributable to:						
Owners of the Company	(15,583)	1,732	n/m	(19,005)	(1,121)	1,595.4
Non-controlling interest	(1,032)	(889)	16.1	(1,409)	(3,615)	(61.0)
	(16,615)	843	n/m	(20,414)	(4,736)	331.0
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	2,356	14,992	(84.3)	32,690	36,308	(10.0)
(Loss)/Earnings per share ("LPS/EPS") (refer item 6):						
Basic and diluted (LPS)/EPS in US cents	(0.98)	0.11	n/m	(1.19)	(0.07)	1,595.4
Adjusted (LPS)/EPS in US cents	(0.98)	0.11	n/m	(1.19)	(0.07)	1,595.4

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 - Third Quarter 2019 ("Q3 2019") and 9 Months Ended 30 September 2019 ("9M 2019")

	Group			Group		
	Q3 2019 (Unaudited)	Q3 2018 (Unaudited)	Change	9M 2019 (Unaudited)	9M 2018 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
(Loss)/Profit for the period	(16,615)	843	n/m	(20,414)	(4,736)	331.0
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit and loss</i>						
Exchange differences on translation of foreign operations	(13,287)	(13,946)	(4.7)	(7,334)	(28,835)	(74.6)
Net fair value changes on derivative instruments at fair value through other comprehensive income reclassified to profit or loss	-	-	n/m	314	-	n/m
Net fair value loss on equity instruments at fair value through other comprehensive income	(2)	-	n/m	(1)	-	n/m
Realisation of foreign currency translation reserve upon liquidation of a subsidiary	-	(5,333)	n/m	-	(5,333)	n/m
<i>Items that will not be reclassified subsequently to profit and loss</i>						
Actuarial gain on retirement benefit obligation (net of tax)	-	-	n/m	54	-	n/m
Other comprehensive loss for the period	(13,289)	(19,279)	(31.1)	(6,967)	(34,168)	(79.6)
Total comprehensive loss for the period	(29,904)	(18,436)	62.2	(27,381)	(38,904)	(29.6)
Total comprehensive loss attributable to:						
Owners of the Company	(28,150)	(16,701)	68.6	(25,317)	(33,278)	(23.9)
Non-controlling interests	(1,754)	(1,735)	1.1	(2,064)	(5,626)	(63.3)
	(29,904)	(18,436)	62.2	(27,381)	(38,904)	(29.6)

n/m - not meaningful

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

(Loss)/Profit for the period has been arrived at after (charging)/crediting the following:						
	Group			Group		
	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Amortisation of intangible asset	(152)	(90)	68.6	(432)	(235)	83.8
Depreciation of right-of-use assets	(702)	-	n/m	(1,857)	-	n/m
Cost of inventories recognised as an expense	(486,152)	(520,380)	(6.6)	(1,332,334)	(1,501,161)	(11.2)
Depreciation:						
-Cost of sales	(5,600)	(5,236)	7.0	(17,010)	(16,040)	6.0
-Selling expenses	(36)	(23)	56.5	(108)	(71)	52.1
-Administrative expenses	(1,446)	(1,709)	(15.4)	(4,365)	(5,229)	(16.5)
	(7,082)	(6,968)	1.6	(21,483)	(21,340)	0.7
Employee benefits expenses:						
-Cost of sales	(14,904)	(14,750)	1.0	(42,878)	(41,499)	3.3
-Selling expenses	(1,848)	(1,934)	(4.4)	(5,244)	(5,199)	0.9
-Administrative expenses	(9,241)	(10,126)	(8.7)	(28,371)	(30,301)	(6.4)
	(25,993)	(26,810)	(3.0)	(76,493)	(76,999)	(0.7)
Finance cost:						
-Working capital loans	(6,768)	(5,492)	23.2	(18,913)	(12,401)	52.5
-Term loans	(4,048)	(3,147)	28.6	(11,789)	(8,951)	31.7
-Finance lease obligation	(120)	-	n/m	(357)	(22)	1,522.7
	(10,936)	(8,639)	26.6	(31,059)	(21,374)	45.3
Foreign exchange gain/(loss):						
-Cost of sales	2,278	1,573	44.8	5,524	(1,009)	n/m
-Administrative expenses	(1,566)	5,237	n/m	1,653	3,544	(53.4)
	712	6,810	(89.5)	7,177	2,535	183.1
Non-recurring expenses:						
-Acquisitions-related expenses	-	(30)	n/m	-	(446)	n/m
	-	(30)	n/m	-	(446)	n/m
Other income:						
-Fair value gain/(loss) on biological assets	-	18	n/m	(13)	(31)	(58.1)
-Reversal of impairment of doubtful debt	-	-	n/m	7,171	-	n/m
-Others	332	230	44.3	1,199	1,343	(10.8)
	332	248	33.9	8,357	1,312	537.0
Professional fees	(1,381)	(1,687)	(18.1)	(4,407)	(4,359)	1.1

n/m - not meaningful

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 30 September 2019 and 31 December 2018				
	Group		Company	
	30 Sep 19	31 Dec 18	30 Sep 19	31 Dec 18
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	US\$'000	US\$'000	US\$'000	US\$'000
ASSETS				
Non-current assets				
Intangible assets	299,790	300,903	977	1,164
Property, plant and equipment	301,162	294,972	3,447	168
Plantation related properties	385,860	370,183	-	-
Biological assets	10,453	10,208	-	-
Investment properties	48,477	46,799	-	-
Deferred tax assets	15,828	15,056	-	-
Deferred charges	524	352	-	-
Other assets	2,382	1,787	-	-
Loan receivables	3,348	3,491	-	-
Investment in an associate	1,103	1,190	-	-
Investment in subsidiaries	-	-	685,671	680,010
Total non-current assets	1,068,927	1,044,941	690,095	681,342
Current assets				
Cash and bank balances	84,580	125,214	293	770
Trade receivables	157,570	146,745	-	-
Loan and other receivables	151,448	146,186	661,992	808,726
Tax receivables	10,419	9,386	-	-
Derivative financial instruments	40,098	44,190	1,104	670
Inventories	287,759	297,941	-	-
Consumable biological assets	10	17	-	-
Total current assets	731,884	769,679	663,389	810,166
Total assets	1,800,811	1,814,620	1,353,484	1,491,508
LIABILITIES AND EQUITY				
Current liabilities				
Derivative financial instruments	2,341	1,920	735	670
Trade payables	23,571	34,570	-	-
Other payables	58,232	55,682	96,037	123,150
Loan payables	606,253	520,400	349,062	293,750
Provision for taxation	10,012	12,418	329	1
Operating lease liabilities	2,661	-	948	-
Finance lease obligation	46	42	-	-
Total current liabilities	703,116	625,032	447,111	417,571
Net current assets	28,768	144,647	216,278	392,595
Non-current liabilities				
Loan payables	466,379	391,640	297,342	297,817
Retirement benefit obligations	20,587	19,024	-	-
Deferred tax liabilities	40,646	38,643	348	36
Operating lease liabilities	8,330	-	1,980	-
Finance lease obligation	110	132	-	-
Other payables	4,297	4,263	-	-
Total non current liabilities	540,349	453,702	299,670	297,853
Net assets	557,346	735,886	606,703	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	(2,952)	(3,313)	(1,310)	-
Accumulated (losses)/profits	(73,979)	(51,651)	4,139	23,520
Foreign currency translation reserves	1,072	7,749	-	-
Equity attributable to owners of the Company	529,632	706,966	606,703	776,084
Non-controlling interests	27,714	28,920	-	-
Total equity	557,346	735,886	606,703	776,084
Total liabilities and equity	1,800,811	1,814,620	1,353,484	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 30 September 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	114,544	491,709	77,036	443,364
Finance lease	46	-	42	-

Amount repayable after one year

	As at 30 September 2019 (Unaudited)		As at 31 December 2018 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	82,677	383,702	1,375	390,265
Finance lease	110	-	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.

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 - Third Quarter 2019 ("Q3 2019") and 9 Months Ended 30 September 2019 ("9M 2019")

	Group		Group	
	Q3 2019	Q3 2018	9M 2019	9M 2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
(Loss)/Profit before taxation	(15,284)	128	(17,950)	(3,443)
Adjustments for:				
Depreciation expense	7,082	6,968	21,483	21,340
Amortisation of intangible assets	152	90	432	235
Depreciation of right-of-use assets	702	-	1,857	-
Retirement benefit expense	936	769	2,846	2,295
Interest income	(1,265)	(930)	(4,269)	(3,391)
Interest expense	10,816	8,639	30,702	21,374
Interest on operating lease liabilities	120	-	357	-
Fair value loss/(gain) on open forward commodities contracts and inventories, unrealised	3,812	5,451	(6,292)	6,130
Fair value (gain)/loss on biological assets	-	(18)	13	31
Unrealised foreign exchange loss/(gain)	3,219	4,076	2,205	(1,418)
(Gain)/Loss on disposal of property, plant and equipment and investment properties	(11)	26	(122)	175
Write off of property, plant and equipment	34	-	42	-
Gain on realisation of foreign currency translation reserve upon liquidation of a subsidiary	-	(5,333)	-	(5,333)
Reversal of impairment of doubtful debt	-	-	(7,171)	-
Share of loss of associates	10	71	158	18
Operating cash flows before working capital changes	10,323	19,937	24,291	38,013
Trade and other receivables	(1,898)	(13,934)	(9,515)	(78,343)
Inventories	33,019	21,036	19,993	9,295
Trade and other payables	(2,951)	3,087	(8,398)	(24,768)
Cash generated from/(used in) operations	38,493	30,126	26,371	(55,803)
Interest received	300	482	957	2,249
Interest paid	(7,304)	(5,084)	(20,335)	(10,932)
Tax refund/(paid)	271	(3,222)	(3,329)	(7,911)
Net cash generated from/(used in) operating activities	31,760	22,302	3,664	(72,397)
Investing activities				
Acquisition of subsidiaries (net of cash acquired)	-	-	-	(109,579)
Proceeds from issuance of shares to non-controlling interests	-	-	2,200	-
Acquisition of non-controlling interests	-	-	-	(15,260)
Capital expenditure on property, plant and equipment, intangible assets and plantation assets	(14,429)	(18,984)	(44,835)	(54,464)
Proceeds from disposal of property, plant and equipment and investment properties	131	85	250	1,266
Net cash used in investing activities	(14,298)	(18,899)	(42,385)	(178,037)
Financing activities				
Repayment of perpetual securities	-	-	(150,000)	-
Net (repayment)/proceeds of term loans	(5,111)	(687)	84,738	(15,124)
Net (repayment)/proceeds of working capital loans	(29,476)	(3,823)	79,398	284,288
Interest paid on term loans	(3,851)	(3,330)	(10,655)	(9,121)
Distribution to perpetual securities holders	-	-	(3,375)	(3,375)
Dividend paid on ordinary shares	-	-	-	(24,088)
Repayment of obligation under lease arrangements	(785)	-	(2,089)	(582)
Repayment of shareholder loan for newly acquired subsidiaries	-	-	-	(10,306)
Dividend paid to non-controlling interest	(173)	-	(173)	(354)
(Increase)/Decrease in pledged deposits	(22)	402	(22)	1,175
Net cash (used in)/generated from financing activities	(39,418)	(7,438)	(2,178)	222,513
Net decrease in cash and cash equivalents	(21,956)	(4,035)	(40,899)	(27,921)
Cash and cash equivalents at beginning of the period	105,421	132,321	122,931	153,372
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,112)	(5,786)	321	(2,951)
Cash and cash equivalents at end of the period	82,353	122,500	82,353	122,500
Cash and bank balances comprise the following:				
Cash and cash equivalents	82,353	122,500	82,353	122,500
Fixed deposits - pledged	2,227	3,442	2,227	3,442
	84,580	125,942	84,580	125,942

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

Consolidated Statements of Changes in Equity as at 30 September 2019 and 30 September 2018

	Attributable to owners of the Company						Non-	Total	
	Share capital	Perpetual securities	Capital reserves	Other reserves	Accumulated (losses)/profits	Foreign currency translation reserves	controlling interests		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Group (Unaudited)									
Balance at 1 July 2019	603,874	-	1,617	(2,952)	(58,392)	13,635	557,782	29,468	587,250
Total comprehensive income for the period									
Loss for the period	-	-	-	-	(15,583)	-	(15,583)	(1,032)	(16,615)
Other comprehensive loss	-	-	-	-	(4)	(12,563)	(12,567)	(722)	(13,289)
Total	-	-	-	-	(15,587)	(12,563)	(28,150)	(1,754)	(29,904)
Balance at 30 September 2019	603,874	-	1,617	(2,952)	(73,979)	1,072	529,632	27,714	557,346
Group (Unaudited)									
Balance at 1 July 2018 (Restated)	603,874	148,690	711	-	(44,695)	28,948	737,528	31,783	769,311
Total comprehensive loss for the period									
Profit/(Loss) for the period	-	-	-	-	1,732	-	1,732	(889)	843
Other comprehensive loss	-	-	-	-	-	(18,433)	(18,433)	(846)	(19,279)
Total	-	-	-	-	1,732	(18,433)	(16,701)	(1,735)	(18,436)
Balance at 30 September 2018	603,874	148,690	711	-	(42,963)	10,515	720,827	30,048	750,875
Company (Unaudited)									
Balance at 1 July 2019	603,874	-	-	(1,310)	9,837	-	612,401	-	612,401
Total comprehensive loss for the period									
Loss for the period	-	-	-	-	(5,698)	-	(5,698)	-	(5,698)
Total	-	-	-	-	(5,698)	-	(5,698)	-	(5,698)
Balance at 30 September 2019	603,874	-	-	(1,310)	4,139	-	606,703	-	606,703
Company (Unaudited)									
Balance at 1 July 2018 (Restated)	603,874	148,690	-	-	28,206	-	780,770	-	780,770
Total comprehensive loss for the period									
Loss for the period	-	-	-	-	(3,766)	-	(3,766)	-	(3,766)
Total	-	-	-	-	(3,766)	-	(3,766)	-	(3,766)
Balance at 30 September 2018	603,874	148,690	-	-	24,440	-	777,004	-	777,004

- 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 30 June 2019 and 30 September 2019	<u>1,595,011,941</u>	<u>603,874</u>

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 September 2019 and 30 September 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 30 September 2019 and 31 December 2018. As such, the number of issued shares excluding treasury shares as at 30 September 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 (included in PPE) 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 is as follows:

	Group
	Increase/(Decrease)
	US\$'000
Profit or loss (9M 2019)	
Administrative expenses - rental expenses	(1,997)
Administrative expenses - depreciation of right-of-use assets	1,857
Finance expenses on lease liabilities	357
Statement of financial position	
Non-current assets - Right-of-use assets	10,841
Non-current liabilities - Operating lease liabilities	8,330
Current liabilities - Operating lease liabilities	2,661

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

	Group		Group	
	Q3 2019 (Unaudited)	Q3 2018 (Unaudited)	9M 2019 (Unaudited)	9M 2018 (Unaudited)
(Loss)/Profit attributable to owners of the Company (US\$'000)	(15,583)	1,732	(19,005)	(1,121)
Basic and diluted (loss)/earnings per share ("LPS/EPS") in US cents ⁽¹⁾	(0.98)	0.11	(1.19)	(0.07)
Adjusted (LPS)/EPS in US cents ⁽²⁾	(0.98)	0.11	(1.19)	(0.07)
Adjusted (LPS)/EPS in SGD cents ⁽³⁾	(1.34)	0.15	(1.63)	(0.09)

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 30 September 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 Q3 2019 and Q3 2018 were the same as there were no potentially dilutive ordinary shares in issue as at 30 September 2019 and 30 September 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	
	30 September 2019 (Unaudited)	31 December 2018 (Audited)	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Net asset value per ordinary share based on issued share capital (US cents)	34.94	46.14	38.04	48.66
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	48.10	62.97	52.35	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 Q3 2019 VS Q3 2018 AND 9M 2019 VS 9M 2018

Overview

Snapshot

Operating financial statistics

		Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Total sales volume	tonnes	333,682	374,380	-10.9%	946,172	1,055,096	-10.3%
Revenue	US\$ million	513.1	552.9	-7.2%	1,425.0	1,602.7	-11.1%
Revenue per tonne	US\$	1,538	1,477	4.1%	1,506	1,519	-0.9%
Gross profit	US\$ million	26.9	32.5	-17.3%	92.6	101.6	-8.8%
EBITDA	US\$ million	2.4	15.0	-84.3%	32.7	36.3	-10.0%
Net (loss)/profit	US\$ million	(16.6)	0.8	n/m	(20.4)	(4.7)	331.0%

n/m - not meaningful

Revenue

Q3 2019 vs Q3 2018

Revenue decreased by US\$39.8 million or 7.2%, from US\$552.9 million in Q3 2018 to US\$513.1 million in Q3 2019 due to the decrease in sales volume by 40,698 tonnes or 10.9% from 374,380 tonnes in Q3 2018 to 333,682 tonnes in Q3 2019, driven by weaker demand across the board on the back of slumping vehicles and OEM sales, as SICOM average price in Q3 2019 is higher than average in Q3 2018.

9M 2019 vs 9M 2018

Revenue decreased by US\$177.7 million or 11.1%, from US\$1,602.7 million in 9M 2018 to US\$1,425.0 million in 9M 2019 due to the decrease in sales volume by 108,924 tonnes or 10.3% from 1,055,096 tonnes in 9M 2018 to 946,172 tonnes in 9M 2019 for the reasons as explained above, coupled with lower average revenue per tonne from US\$1,519 in 9M 2018 to US\$1,506 in 9M 2019.

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.

Q3 2019 vs Q3 2018

Cost of sales decreased by US\$34.2 million or 6.6%, from US\$520.4 million in Q3 2018 to US\$486.2 million in Q3 2019 in line with the decrease in volume.

9M 2019 vs 9M 2018

Cost of sales decreased by US\$168.9 million or 11.2%, from US\$1,501.2 million in 9M 2018 to US\$1,332.3 million in 9M 2019 in line with the decrease in volume.

Gross profit

	Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Gross profit (US\$ million)	26.9	32.5	-17.3%	92.6	101.6	-8.8%
Sales volume (tonnes)	333,682	374,380	-10.9%	946,172	1,055,096	-10.3%
Gross profit per tonne (US\$)	81	87	-7.2%	98	96	1.7%

Q3 2019 vs Q3 2018

Gross profit decreased by US\$5.6 million or 17.3% from US\$32.5 million in Q3 2018 to US\$26.9 million in Q3 2019 mainly due to lower gross profit per tonne of US\$81 (Q3 2018: US\$87) and lower sales volume of 333,682 tonnes in Q3 2019 compared to 374,380 tonnes in Q3 2018 on the back of relatively higher raw material prices.

9M 2019 vs 9M 2018

Gross profit decreased by US\$9.0 million or 8.8% from US\$101.6 million in 9M 2018 to US\$92.6 million in 9M 2019 mainly due to lower sales volume of 946,172 tonnes in 9M 2019 compared to 1,055,096 tonnes in 9M 2018, partially offset by higher gross profit per tonne of US\$98 in 9M 2019 compared to US\$96 in 9M 2018. This is in line with the sales strategy focusing on better margin than volume.

(Loss)/Profit before tax

Q3 2019 vs Q3 2018

Loss before tax in Q3 2019 was US\$15.3 million, a decline of US\$15.4 million from profit before tax of US\$0.1 million in Q3 2018 mainly due to:

- (i) decrease in gross profit of US\$5.6 million as mentioned above;
- (ii) foreign exchange loss in Q3 2019 of US\$1.6 million as compared to foreign exchange gain of US\$5.2 million in Q3 2018; and
- (iii) increase in finance cost by US\$2.3 million from US\$8.6 million in Q3 2018 to US\$10.9 million in Q3 2019 due to higher utilisation of banking facilities.

9M 2019 vs 9M 2018

Loss before tax in 9M 2019 was US\$18.0 million, an increase of US\$14.6 million from US\$3.4 million in 9M 2018 mainly due to:

- (i) decrease in gross profit of US\$9.0 million as mentioned above; and
- (ii) increase in finance cost by US\$9.7 million from US\$21.4 million in 9M 2018 to US\$31.1 million in 9M 2019 due to higher utilisation of banking facilities;

which was partially offset with the reversal of a provision for doubtful receivables recorded as other income in 2019.

(Loss)/Profit after tax

Q3 2019 vs Q3 2018

Loss after tax in Q3 2019 was US\$16.6 million, compared to profit after tax of US\$0.8 million in Q3 2018. The tax expense is the result of recognition of additional deferred tax liabilities during the year.

9M 2019 vs 9M 2018

Loss after tax in 9M 2019 was US\$20.4 million, compared to US\$4.7 million in 9M 2018. The tax expense is the result of recognition of additional deferred tax liabilities during the year, partially offset by lower taxation charges in 2018 as a result of reversal of provision of past years' taxation as a result of a tax clearance from IRAS.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 30 SEPTEMBER 2019 VS 31 DECEMBER 2018

Non-current assets

Non-current assets increased by US\$24.0 million or 2.3% from 31 December 2018 (US\$1,044.9 million) to 30 September 2019 (US\$1,068.9 million), mainly due to the following factors:

- (i) recognition of US\$10.8 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); and
- (ii) US\$44.8 million additional investment in PPE and plantation related properties as part of the planned capital expenditure.

The increase in non-current assets was partially offset by:

- (i) depreciation expense of US\$23.3 million; and
- (ii) net foreign exchange difference arising from the translation of foreign currency denominated PPE, plantation related properties and investment properties of US\$9.5 million.

Current assets

Current assets decreased by US\$37.8 million or 4.9% from 31 December 2018 (US\$769.7 million) to 30 September 2019 (US\$731.9 million) mainly due to decrease in:

- (i) cash and bank balances of US\$40.6 million mainly due to repayment of perpetual securities and finance costs, partially offset by proceeds from loan drawn;
- (ii) inventories of US\$10.1 million due to lower valuation and volume as compared to 31 December 2018; and
- (iii) derivative financial instruments of US\$4.1 million, mainly due to lower valuation gain on open sales contracts as at 30 September 2019.

The decrease in current assets was partially offset by an increase in trade receivables of US\$10.9 million and loan and other receivables of US\$5.3 million mainly due to higher sales volume as at the end of September 2019, as compared to end of December 2018, reversal of a provision for doubtful receivables, and increase in interest and deposit receivables.

The Group is reviewing the terms to restructure the EUR42 million loan extended to a third party. The said loan will continue to be secured by the security provided under the existing loan agreement with the addition of a few other properties from the borrower.

Current liabilities

Current liabilities increased by US\$78.1 million or 12.5% during the period from 31 December 2018 (US\$625.0 million) to 30 September 2019 (US\$703.1 million), mainly due to net additional loan drawdown of US\$85.9 million, partially offset by decrease in trade payables of US\$11.0 million in line with decrease in inventories.

The breakdown of the current loan payables are as follows:

(US\$ million)	30 September 2019	31 December 2018
Working capital loans	599.3	519.1
Term loans	7.0	1.3
Total	606.3	520.4

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

Non-current liabilities

Non-current liabilities increased by US\$86.6 million or 19.1% from 31 December 2018 (US\$453.7 million) to 30 September 2019 (US\$540.3 million), mainly due to:

- (i) net increase in loan payables of US\$74.8 million due to drawdown of new loan; and
- (ii) increase in operating lease liabilities of US\$8.3 million as a result of adoption of SFRS(I) 16 (please refer to Section 5).

Equity

The Group's equity decreased by US\$178.5 million, from US\$735.9 million as at 31 December 2018 to US\$557.3 million as at 30 September 2019, following the redemption of the perpetual securities of US\$148.7 million, net loss incurred for the period of US\$20.4 million, and the foreign translation difference during the period of US\$7.3 million.

Group funding structure

The table below summarises the funding structure of the Group:

(US\$ million)	Balance at 30-Sep-19	Balance at 30-Jun-19	Balance at 31-Mar-19	Balance at 31-Dec-18
Working capital employed ⁽¹⁾	600.2	636.9	659.3	539.4
Working capital loans	599.2	630.9	636.4	520.4
% Efficiency of Working Capital Funding	99.8%	99.1%	96.5%	96.5%
Operational long term assets ⁽²⁾	942.5	954.0	943.4	938.7
Other borrowings	473.4	481.6	561.7	391.6
% Fixed Asset Gearing	50.2%	50.5%	59.5%	41.7%
Cash and cash equivalents ⁽³⁾	38.9	60.3	133.0	122.9
Non-core assets ⁽⁴⁾	48.5	48.5	48.0	46.8
Total equity (excluding Perpetual Securities)	557.3	587.2	585.4	587.2
Perpetual Securities	-	-	-	148.7
Total equity (including Perpetual Securities)	557.3	587.2	585.4	735.9

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, PPE, plantation and biological assets, and other non-current assets and right-of-use assets, net off against non-current liabilities.

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

Note 4: Non-core assets includes loan receivable from third party and investment properties.

REVIEW OF THE STATEMENT OF CASH FLOWS OF THE GROUP FOR Q3 2019 VS Q3 2018 AND 9M 2019 VS 9M 2018

The following table sets out a summary of cash flows for Q3 2019, Q3 2018, 9M 2019 and 9M 2018

(US\$ million)	Q3 2019	Q3 2018	9M 2019	9M 2018
Net cash generated from operating activities, before working capital changes	3.6	12.1	1.6	21.4
Changes in working capital	28.2	10.2	2.1	(93.8)
Net cash generated from/(used) in operating activities	31.8	22.3	3.7	(72.4)
Net cash used in investing activities	(14.3)	(18.9)	(42.4)	(178.0)
Net cash (used in)/generated from financing activities	(39.4)	(7.4)	(2.2)	222.5
Net decrease in cash and cash equivalents	(21.9)	(4.0)	(40.9)	(27.9)
Cash and cash equivalents at the beginning of the period	105.4	132.3	122.9	153.4
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1.1)	(5.8)	0.4	(3.0)
Cash and cash equivalents at the end of the period	82.4	122.5	82.4	122.5

Q3 2019

The Group's cash and cash equivalents decreased by US\$21.9 million during Q3 2019. It recorded a net cash generated from operating activities of US\$31.8 million during Q3 2019 mainly due to realisation of inventory held for delivery to customers.

Net cash used in investing activities of US\$14.3 million was mainly due to capital expenditure on PPE and plantation related assets.

Net cash used in financing activities was US\$39.4 million, mainly due to repayment of loans and payment of interest.

9M 2019

The Group's cash and cash equivalents decreased by US\$40.9 million during 9M 2019. It recorded a net cash generated from operating activities of US\$3.7 million during 9M 2019 mainly due to realisation of inventory held for delivery to customers.

Net cash used in investing activities of US\$42.4 million was mainly due to capital expenditure on PPE and plantation related assets and offset by the proceeds from issuance of shares to non-controlling interest.

Net cash used in financing activities was US\$2.2 million, was mainly due to repayment of perpetual securities and payment of interest, partially offset by proceeds from loans.

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

Halcyon Agri experienced very challenging operating conditions during the quarter. In short, we faced poor demand for finished goods at the same time as tight supply conditions for raw material in Indonesia, Malaysia and Thailand. This led to a compression in gross margin, which we were only partly able to absorb by reduced overheads and operating costs across all platforms.

In the period from May to August, the market structure of the prevailing reference price (SICOM TSR20) experienced an unusual shift into an inverted structure. This means that spot cargo carried a premium of up to US\$50 per tonne over the next month's cargo, which again carried a premium of up to US\$25 per tonne over cargo that was 3 months away from shipment.

This market structure is typically reflective of acute supply concerns, and is a rare occurrence in the natural rubber industry.

Halcyon Agri's HRC segment (Processing platform geared towards global tyre majors) sells most of its volumes on an outright basis, and not through Long-Term Contracts ("LTC"), whereas raw material is priced on a daily spot market, in reference to the first SICOM TSR20 position. The market inversion meant that HRC was forced to procure raw materials at a higher price than it could sell the finished goods. This structure, which ultimately collapsed back to a customary contango market in September, was extremely challenging for HRC, leading to marked decline in financial performance.

As the market inversion disappeared it became clear that this was an attempt by certain market participants to manipulate the nearby position for speculative gains. Unsurprisingly, the end of the inverted market coincided with the financial collapse of one of China's largest rubber dealers.

While HRC segment suffered, other processors may well have benefitted from this occurrence, provided they had a large percentage of LTC sales. HRC's strategy is to maintain control over its daily sales prices and to not become overly dependent on reference-based price fixing. This is in line with HRC's transition towards merchandising its production via HeveaConnect, the rubber market's digital marketplace for HeveaPRO-certified rubber.

HeveaConnect, the joint venture between Halcyon Agri, Itochu Corporation and DBS Bank, made steady progress since going live in April 2019, traded in excess of 28,000 tonnes of HeveaPRO-certified rubber, translating to US\$38 million worth of product.

Corrie MacColl, the group's non-tyre and industrials business, faces lacklustre market conditions as the slow-down of the macro economy took its toll.

- Corrie MacColl's distribution business has had to contend with this sharp slowdown and has reduced inventory levels in Europe and the US accordingly. Increasing concerns about counterparty risk coupled with cautious inventory management will remain the main focus for the time being.

- Corrie MacColl’s plantation business progressed in significant ways over the summer, in particular with the development and implementation of its sustainability agenda in Cameroon. A multilateral effort between the company, civil society organisations, local representatives and the government of Cameroon have given a clear directive: do well, but do good!
- Precipitation levels in Cameroon were below average which caused latex production to drop slightly as compared with 2018. The new factory at Sudcam is almost complete and the long-awaited Outgrower Programme is underway.
- Low prices certainly affect the financial performance of our plantation business and we have limited influence over this variable. Our production volume will continue to grow, which will reduce unit costs, and this, coupled with our global customer base, will see our Cameroonian assets benefit in years to come. Should rubber prices recover in the future, our plantations will be well-positioned to deliver big volumes of sustainable natural rubber to the world’s premium consumers.

On the macro side, headwinds prevail with the occasional lull. The competitive tension between China and the US are structural and will continue to shape markets for the foreseeable future.

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 four key segments comprises **Corrie MacColl Group**, **HRC Group**, **SINRIO Group** and **Corporate Segment**.

In the course of Q3 2019, the operating structure has been further streamlined and the Company is consolidating its global tyre-maker processing and supply platform, under the umbrella of **HRC Group**, in view of the recent developments in natural rubber market, as well as convergence in quality requirement at consumers' end. Following which, the key segments of the Group comprises the following:

- **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 Centrotrade, Wurf bain, Corrie MacColl, Alan L. Grant, Momentum Technologies and Kelvin Terminals.
- **HRC Group** – This business segment includes our processing factories in Indonesia, China, Malaysia, Thailand and Ivory Coast, and distribution business in Singapore and China, whose customers are predominantly top-tier global tyre makers.
- **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 - Third Quarter 2019 ("Q3 2019") and Third Quarter 2018 ("Q3 2018")

(US\$'000)	Corrie MacColl Group		HRC Group		Corporate		Elimination		Consolidated	
	Q3 2019	Q3 2018 (Restated)	Q3 2019	Q3 2018 (Restated)	Q3 2019	Q3 2018	Q3 2019	Q3 2018 (Restated)	Q3 2019	Q3 2018
Revenue to third party	157,478	165,568	355,589	387,339	-	-	-	-	513,067	552,907
Inter-segment revenue	719	620	12,595	12,130	4,323	4,282	(17,637)	(17,032)	-	-
Total revenue	158,197	166,188	368,184	399,469	4,323	4,282	(17,637)	(17,032)	513,067	552,907
Gross profit	10,578	15,404	16,337	17,123	4,323	4,282	(4,323)	(4,282)	26,915	32,527
Operating (loss)/profit	(1,417)	9,938	(5,194)	(7,044)	1,008	5,014	-	-	(5,603)	7,908
Finance income									1,265	930
Finance costs									(10,936)	(8,639)
Share of loss of associates									(10)	(71)
(Loss)/Profit before taxation									(15,284)	128
Income tax (expense)/credit									(1,331)	715
(Loss)/Profit for the financial period									(16,615)	843
Total sales volume (tonnes)	97,958	100,021	244,945	283,313	-	-	(9,221)	(8,954)	333,682	374,380
Gross profit per tonne (US\$)	108	154	67	60	-	-	-	-	81	87
Other information:										
Management fee expense/(income)	-	-	4,238	4,275	(4,238)	(4,275)	-	-	-	-
Depreciation expenses (include right-of-use assets)	2,153	1,720	5,324	5,231	307	17	-	-	7,784	6,968
Capital expenditure	12,065	15,890	2,265	3,000	99	93	-	-	14,429	18,984

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 third quarter ended 30 September 2019 to be false or misleading in any material aspect.

By Order of the Board

Robert Meyer
Executive Director and CEO

Singapore,
14 November 2019