



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

Unaudited Financial Statements for the First Half Ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 Half 2020 ("H1 2020")

	Group		
	H1 2020	H1 2019	Change
	(Unaudited)	(Unaudited)	
	US\$'000	US\$'000	%
Revenue	770,174	911,887	(15.5)
Cost of sales	(736,433)	(846,182)	(13.0)
Gross profit	33,741	65,705	(48.6)
Other income	1,196	8,025	(85.1)
Selling expenses	(20,273)	(20,626)	(1.7)
Administrative expenses	(46,909)	(41,722)	12.4
Administrative expenses - foreign exchange gain	2,813	3,219	(12.6)
Operating (loss)/profit	(29,432)	14,601	n/m
Finance income	2,589	3,004	(13.8)
Finance costs	(18,965)	(20,123)	(5.8)
Share of profit/(loss) of an associate	169	(148)	n/m
Loss before taxation	(45,639)	(2,666)	1,611.9
Income tax credit/(expense)	4,031	(1,133)	n/m
Loss for the financial period	(41,608)	(3,799)	995.2
Loss attributable to:			
Owners of the Company	(40,383)	(3,422)	1,080.1
Non-controlling interest	(1,225)	(377)	224.9
	(41,608)	(3,799)	995.2
(Loss)/Earnings before interest, tax, depreciation and amortisation ("EBITDA")	(13,787)	30,334	n/m
Loss per share ("LPS") (refer item 6):			
Basic and diluted LPS in US cents	(2.53)	(0.21)	1,080.1
Adjusted LPS in US cents	(2.53)	(0.21)	1,080.1

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 Half 2020 ("H1 2020")

	Group		
	H1 2020 (Unaudited)	H1 2019 (Unaudited)	Change
	US\$'000	US\$'000	%
Loss for the financial period	(41,608)	(3,799)	995.2
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations	(13,421)	5,953	n/m
Net fair value changes on derivative instruments at fair value through other comprehensive income reclassified to profit or loss	-	314	n/m
Net fair value (loss)/income on equity instruments at fair value through other comprehensive income	(2)	1	n/m
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Actuarial gain on retirement benefit obligation (net of tax)	141	54	161.1
Other comprehensive (loss)/income for the financial period	(13,282)	6,322	n/m
Total comprehensive (loss)/income for the financial period	(54,890)	2,523	n/m
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(53,293)	2,833	n/m
Non-controlling interests	(1,597)	(310)	415.2
	(54,890)	2,523	n/m

n/m - not meaningful

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

Loss for the period has been arrived at after (charging)/crediting the following:			
	Group		
	H1 2020	H1 2019	Change
	(Unaudited)	(Unaudited)	
	US\$'000	US\$'000	%
Amortisation of intangible asset	(447)	(405)	10.4
Depreciation of right-of-use assets	(1,424)	(1,155)	23.3
Cost of inventories recognised as an expense	(736,433)	(846,182)	(13.0)
Depreciation:			
-Cost of sales	(10,610)	(11,410)	(7.0)
-Selling expenses	(22)	(72)	(69.4)
-Administrative expenses	(3,253)	(2,794)	16.4
	(13,885)	(14,276)	(2.7)
Employee benefits expenses:			
-Cost of sales	(26,683)	(27,974)	(4.6)
-Selling expenses	(2,767)	(3,396)	(18.5)
-Administrative expenses	(19,434)	(19,130)	1.6
	(48,884)	(50,500)	(3.2)
Finance cost:			
-Working capital loans	(11,672)	(12,145)	(3.9)
-Term loans	(7,002)	(7,741)	(9.5)
-Finance lease obligation	(291)	(237)	22.8
	(18,965)	(20,123)	(5.8)
Foreign exchange (loss)/gain:			
-Cost of sales	(6,994)	3,246	n/m
-Administrative expenses	2,813	3,219	(12.6)
	(4,181)	6,465	n/m
Non-recurring expenses (included within administrative expenses):			
-Business rationalisation expenses	(4,496)	-	n/m
	(4,496)	-	n/m
Other income:			
-Fair value loss on biological assets	-	(13)	n/m
-Reversal of allowance for doubtful debt	-	7,171	n/m
-Government grant for job support scheme	651	-	n/m
-Others	545	867	(37.1)
	1,196	8,025	(85.1)
Professional fees	(2,330)	(3,026)	(23.0)

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 June 2020 and 31 December 2019				
	Group		Company	
	30 Jun 20 (Unaudited) US\$'000	31 Dec 19 (Audited) US\$'000	30 Jun 20 (Unaudited) US\$'000	31 Dec 19 (Audited) US\$'000
ASSETS				
Non-current assets				
Intangible assets	300,513	300,941	790	914
Property, plant and equipment	301,030	311,652	2,655	3,320
Plantation and biological assets	472,084	466,079	-	-
Investment properties	43,486	44,718	-	-
Deferred tax assets	24,514	21,259	-	-
Deferred charges	435	433	-	-
Other assets	1,516	1,618	-	-
Loan and other receivables	53,023	3,425	-	-
Investment in an associate	1,173	1,035	-	-
Investment in subsidiaries	-	-	685,671	685,671
Total non-current assets	1,197,774	1,151,160	689,116	689,905
Current assets				
Cash and bank balances	112,018	57,905	8,666	369
Trade receivables	109,981	133,753	-	-
Loan and other receivables	90,180	159,700	791,212	861,924
Tax receivables	9,940	11,696	-	-
Derivative financial instruments	48,483	20,523	8,650	928
Inventories	262,158	375,394	-	-
Consumable biological assets	6	6	-	-
	632,766	758,977	808,528	863,221
Assets classified as held for sale	4,708	4,820	-	-
Total current assets	637,474	763,797	808,528	863,221
Total assets	1,835,248	1,914,957	1,497,644	1,553,126
LIABILITIES AND EQUITY				
Current liabilities				
Derivative financial instruments	10,097	10,534	8,498	507
Trade payables	27,568	38,331	-	-
Other payables	50,387	55,076	213,914	257,991
Loan payables	599,714	611,821	344,672	347,047
Provision for taxation	5,937	6,187	423	552
Lease liabilities	3,068	3,124	985	1,021
Total current liabilities	696,771	725,073	568,492	607,118
Net current (liabilities)/assets	(59,297)	38,724	240,036	256,103
Non-current liabilities				
Loan payables	516,538	511,912	338,195	342,454
Retirement benefit obligations	23,727	22,541	-	-
Deferred tax liabilities	46,740	48,012	221	71
Lease liabilities	9,993	10,203	1,228	1,823
Other payables	8,571	8,228	-	-
Total non current liabilities	605,569	600,896	339,644	344,348
Net assets	532,908	588,988	589,508	601,660
Capital and reserves				
Share capital	603,874	603,874	603,874	603,874
Capital reserves	1,814	1,814	-	-
Other reserves	717	(2,952)	(1,310)	(1,310)
Accumulated losses	(101,088)	(56,162)	(13,056)	(904)
Foreign currency translation reserves	1,853	14,903	-	-
Equity attributable to owners of the Company	507,170	561,477	589,508	601,660
Non-controlling interests	25,738	27,511	-	-
Total equity	532,908	588,988	589,508	601,660
Total liabilities and equity	1,835,248	1,914,957	1,497,644	1,553,126

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

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	128,362	471,352	121,293	490,528
Finance lease	47	-	48	-

Amount repayable after one year

	As at 30 June 2020 (Unaudited)		As at 31 December 2019 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	73,653	442,885	83,792	428,120
Finance lease	73	-	98	-

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"), trade receivables 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 - First Half 2020 ("H1 2020")

	Group	
	H1 2020	H1 2019
	(Unaudited)	(Unaudited)
	US\$'000	US\$'000
Operating activities:		
Loss before taxation	(45,638)	(2,666)
Adjustments for:		
Depreciation expense	13,885	14,276
Amortisation of intangible assets	447	405
Amortisation of right-of-use assets	1,424	1,155
Retirement benefit expense	2,545	1,910
Interest income	(2,589)	(3,004)
Interest expense	18,937	19,886
Interest on operating lease liabilities	28	237
Fair value loss/(gain) on open forward commodities contracts and inventories, unrealised	18,478	(10,104)
Fair value (gain)/loss on biological assets	-	13
Unrealised foreign exchange gain	(710)	(1,014)
Gain on disposal of property, plant and equipment and investment properties	(32)	(111)
(Write back)/write off of property, plant and equipment	(79)	8
Reversal of allowance for expected credit losses on trade and other receivables	(25)	-
Reversal of allowance for doubtful debt	-	(7,171)
Share of (profit)/loss of an associate	(169)	148
Operating cash flows before working capital changes	6,502	13,968
Trade and other receivables	46,288	(7,617)
Inventories	60,673	(13,026)
Trade and other payables	(15,554)	(5,447)
Cash generated from/(used in) operations	97,909	(12,122)
Interest received	293	657
Interest paid	(9,302)	(13,031)
Tax refund/(paid)	1,854	(3,600)
Net cash generated from/(used in) operating activities	90,754	(28,096)
Investing activities		
Proceeds from issuance of shares to non-controlling interests	-	2,200
Exercise of put option by a non-controlling interests	(4,859)	-
Capital expenditure on property, plant and equipment and intangible assets	(7,835)	(12,616)
Capital expenditure on plantation assets	(11,391)	(17,790)
Proceeds from disposal of property, plant and equipment and investment properties	190	119
Net cash used in investing activities	(23,895)	(28,087)
Financing activities		
Repayment of perpetual securities	-	(150,000)
Net proceeds of term loans	3,564	89,849
Net (repayment)/proceeds of working capital loans	(8,678)	108,874
Interest paid on term loans	(5,288)	(6,804)
Distribution to perpetual securities holders	-	(3,375)
Repayment of obligation under lease arrangements	(1,718)	(1,304)
Decrease in pledged deposits	556	-
Net cash (used in)/generated from financing activities	(11,564)	37,240
Net increase/(decrease) in cash and cash equivalents	55,295	(18,943)
Cash and cash equivalents at beginning of the period	55,627	122,931
Effects of exchange rate changes on the balance of cash held in foreign currencies	(589)	1,433
Cash and cash equivalents at end of the period	110,333	105,421
Cash and bank balances comprise the following:		
Cash and cash equivalents	110,333	105,421
Fixed deposits - pledged	1,685	2,273
	112,018	107,694

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

Consolidated Statements of Changes in Equity as at 30 June 2020 and 30 June 2019

	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 2020	603,874	-	1,814	(2,952)	(56,162)	14,903	561,477	27,511 588,988
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(40,383)	-	(40,383)	(1,225) (41,608)
Other comprehensive income/(loss)	-	-	-	-	140	(13,050)	(12,910)	(372) (13,282)
Total	-	-	-	-	(40,243)	(13,050)	(53,293)	(1,597) (54,890)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control	-	-	-	3,669	(4,683)	-	(1,014)	(176) (1,190)
Total	-	-	-	3,669	(4,683)	-	(1,014)	(176) (1,190)
Balance at 30 June 2020	603,874	-	1,814	717	(101,088)	1,853	507,170	25,738 532,908
Group (Unaudited)								
Balance at 1 January 2019	603,874	148,690	1,617	(3,313)	(51,651)	7,749	706,966	28,920 735,886
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(3,422)	-	(3,422)	(377) (3,799)
Other comprehensive income	-	-	-	314	55	5,886	6,255	67 6,322
Total	-	-	-	314	(3,367)	5,886	2,833	(310) 2,523
Transactions with owners, recognised directly in equity								
Distribution to perpetual securities holders	-	-	-	-	(3,374)	-	(3,374)	- (3,374)
Reclassification of perpetual securities to loan payables	-	(148,690)	-	(1,310)	-	-	(150,000)	- (150,000)
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	-	-	15 15
Total	-	(148,690)	-	(1,310)	(3,374)	-	(153,374)	15 (153,359)
Changes in ownership interests in subsidiaries								
Issuance of shares of a subsidiary to non-controlling interests	-	-	-	1,357	-	-	1,357	843 2,200
Total	-	-	-	1,357	-	-	1,357	843 2,200
Balance at 30 June 2019	603,874	-	1,617	(2,952)	(58,392)	13,635	557,782	29,468 587,250
Company (Unaudited)								
Balance at 1 January 2020	603,874	-	-	(1,310)	(904)	-	601,660	- 601,660
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(12,152)	-	(12,152)	- (12,152)
Total	-	-	-	-	(12,152)	-	(12,152)	- (12,152)
Balance at 30 June 2020	603,874	-	-	(1,310)	(13,056)	-	589,508	- 589,508
Company (Unaudited)								
Balance at 1 January 2019	603,874	148,690	-	-	23,520	-	776,084	- 776,084
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(10,309)	-	(10,309)	- (10,309)
Total	-	-	-	-	(10,309)	-	(10,309)	- (10,309)
Transactions with owners, recognised directly in equity								
Distribution to perpetual securities holders	-	-	-	-	(3,374)	-	(3,374)	- (3,374)
Reclassification of perpetual securities to loan payables	-	(148,690)	-	(1,310)	-	-	(150,000)	- (150,000)
Total	-	(148,690)	-	(1,310)	(3,374)	-	(153,374)	- (153,374)
Balance at 30 June 2019	603,874	-	-	(1,310)	9,837	-	612,401	- 612,401

- 1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2019 and 30 June 2020	<u>1,595,011,941</u>	<u>603,874</u>

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2020 and 30 June 2019.

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

The Company did not hold any treasury shares as at 30 June 2020 and 31 December 2019. As such, the number of issued shares excluding treasury shares as at 30 June 2020 and 31 December 2019 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 2019.

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 2020. The adoption of these new and revised FRS and INT FRS are assessed to have no material financial impact on the Group's financial statements for the current financial period reported on.

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

	Group	
	H1 2020	H1 2019
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (US\$'000)	(40,383)	(3,422)
Basic and diluted loss per share ("LPS") in US cents ⁽¹⁾	(2.53)	(0.21)
Adjusted LPS in US cents ⁽²⁾	(2.53)	(0.21)
Adjusted LPS in SGD cents ⁽³⁾	(3.56)	(0.29)

Notes:

- (1) The basic and diluted LPS for the periods under review have been computed based on the loss 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 for the periods under review have been computed based on the loss attributable to owners of the Company and number of ordinary shares in issue as at 30 June 2020 of 1,595,011,941 ordinary shares.
- (3) Translated at the average exchange rates for each respective period.

The basic and diluted LPS for H1 2020 and H1 2019 were the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2020 and 30 June 2019.

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

	Group		Company	
	30 June 2020 (Unaudited)	31 December 2019 (Audited)	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Net asset value per ordinary share based on issued share capital (US cents)	33.41	36.93	36.96	37.72
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	46.52	49.75	51.46	50.82
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 H1 2020 VS H1 2019

Snapshot

Operating financial statistics

		H1 2020	H1 2019	Change
Total sales volume	tonnes	530,401	612,490	-13.4%
Revenue	US\$ million	770.2	911.9	-15.5%
Revenue per tonne	US\$	1,452	1,489	-2.5%
Gross profit	US\$ million	33.7	65.7	-48.6%
EBITDA	US\$ million	(13.8)	30.3	n/m
Net loss	US\$ million	(41.6)	(3.8)	995.2%

n/m - not meaningful

Revenue

Revenue decreased by US\$141.7 million (15.5%), from US\$911.9 million in H1 2019 to US\$770.2 million in H1 2020 mainly due to the decrease in sales volumes by 82,089 tonnes (13.4%) from 612,490 tonnes in H1 2019 to 530,401 tonnes in H1 2020 as a result of weaker demand amidst the COVID-19 pandemic. The widespread lockdown in various countries have resulted in:

- (i) the tyre factories and most customers in the rubber industry in China reducing their orders followed by other parts of the world to match their reduced operations; and
- (ii) customers delaying their shipments due to overstocking at destination.

Cost of sales

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

Cost of sales decreased by US\$109.7 million or 13.0%, from US\$846.2 million in H1 2019 to US\$736.4 million in H1 2020 in line with the decrease in volume.

Gross profit

	H1 2020	H1 2019	Change
Gross profit (US\$ million)	33.7	65.7	-48.6%
Sales volume (tonnes)	530,401	612,490	-13.4%
Gross profit per tonne (US\$)	64	107	-40.7%

Gross profit decreased by US\$32.0 million (48.6%) from US\$65.7 million in H1 2019 to US\$33.7 million in H1 2020 mainly due to lower sales volumes of 530,401 tonnes in H1 2020 compared with 612,490 tonnes in H1 2019.

Gross profit per tonne has also decreased from US\$107 in H1 2019 to \$64 in H1 2020 due to margin compression as the average SICOM trended lower at US\$1,221 per tonne in H1 2020 vs US\$1,456 per tonne in H1 2019. In addition, lower sales volume has led to under-utilisation of factory capacity, resulting in our factories fixed cost not being fully covered.

The gross profit in H1 2020 included a fair value loss on inventories, sales/purchases contracts of US\$18.5 million (H1 2019: US\$10.1 million fair value gain) mainly arising from the fair value adjustment to our unsold inventories in key destinations to serve our customers when the sales demand recovers.

Loss before tax

Loss before tax in H1 2020 was US\$45.6 million compared with US\$2.7 million loss before tax recorded in the previous corresponding period, mainly due to the following reasons:

- (i) decrease in gross profit by US\$32.0 million due to the reasons given above;
- (ii) a one-off reversal of a provision for doubtful receivables of US\$7.1 million which was recorded as other income in H1 2019; and
- (iii) increase in administrative expenses of US\$5.2 million, mainly due to business rationalisation expenses of US\$4.5 million (mainly comprising of redundancy expenses in our distribution and processing unit), and higher depreciation charge of the Cameroon assets.

Loss after tax

Loss after tax in H1 2020 was US\$41.6 million, compared with US\$3.8 million in H1 2019. The tax credit was the result of recognition of additional deferred tax assets during the period.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 30 JUNE 2020 VS 31 DECEMBER 2019

Non-current assets

Non-current assets increased by US\$46.6 million (4.0%) from 31 December 2019 (US\$1,151.2 million) to 30 June 2020 (US\$1,197.8 million), mainly due to the following factors:

- (i) reclassification of loan to a third party of US\$49.6 million from current assets to non-current assets; and
- (ii) US\$19.2 million additional investment in PPE and plantation related properties as part of planned capital expenditure.

The increase in non-current assets was partially offset by depreciation expense of US\$15.3 million and translation losses on PPE and plantation related properties of US\$8.3 million.

Current assets

Current assets decreased by US\$126.3 million (16.5%) from 31 December 2019 (US\$763.8 million) to 30 June 2020 (US\$637.5 million) mainly due to decrease in:

- (i) trade receivables of US\$23.8 million, primarily due to the decrease in sales;
- (ii) loans and other receivables of US\$69.5 million, mainly due to the reclassification of the loan to a third party mentioned above; and
- (iii) inventory of US\$113.2 million, as a result of ongoing inventory management and rubber price movement,

which was partially offset by increase in:

- (i) cash and bank balances of US\$54.1 million, mainly due to cash generated from operating activities; and
- (ii) derivative financial instruments of US\$27.9 million, mainly due to higher valuation gain on open sales contracts as at 30 June 2020.

Current liabilities

Current liabilities decreased by US\$28.3 million (3.9%) during the period from 31 December 2019 (US\$725.1 million) to 30 June 2020 (US\$696.8 million), mainly due to decrease in:

- (i) trade payables of US\$10.8 million, due to lower purchases;
- (ii) other payables of US\$4.7 million; and
- (iii) loan payables due to net loan repayments of US\$8.7 million and translation gain of US\$2.9 million.

The breakdown of current loan payables is as follows:

(US\$ million)	30 June 2020	31 December 2019
Working capital loans	561.1	572.6
Term loans	38.6	39.2
Total	599.7	611.8

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

Non-current liabilities

Non-current liabilities increased by US\$4.7 million (0.8%) from 31 December 2019 (US\$600.9 million) to 30 June 2020 (US\$605.6 million), mainly due to increase in:

- (i) loan payables of US\$4.6 million due to net loan drawdown; and
- (ii) retirement benefit obligations of US\$1.2 million.

The increase is offset by a decrease in deferred tax liabilities of US\$1.3 million.

Equity

The Group's equity decreased by US\$56.1 million, from US\$589.0 million as at 31 December 2019 to US\$532.9 million as at 30 June 2020, due to net losses incurred for the period of US\$54.9 million including translation difference in Other Comprehensive Income.

Notwithstanding net current liabilities as at 30 June 2020 (which was mainly due to the reclassification of a loan to third party from current asset to non-current asset as highlighted above), the Company will be able to meet its short term obligations as and when they fall due. Furthermore, the proposed renounceable rights issue which was announced by the Company on 22 June 2020¹ will improve the working capital position.

ADDITIONAL DISCLOSURES RELATING TO COVID-19

The evolving COVID-19 situation has resulted in unprecedented challenges to the market environment. As this pandemic may potentially pose significant financial reporting implications, SGX RegCo and ACRA have published additional guidance (the "Relevant Guidance") highlighting key focus areas when preparing and reviewing the financial statements, especially in areas where estimates, assumptions and judgement are required.

Asset Valuation

Management has considered the Relevant Guidance in the preparation of this financial statement and evaluated the key assumptions used in the assessment of the carrying values of the material assets within the Group, where relevant. Management has also exercised judgement in determining the significant assumptions used, and has relied on currently available information, making use of tools such as valuation models, in the assessment of the appropriateness of the carrying values of the Group's assets, including but not limited to the following assets as at 30 June 2020:

- a. Biological Assets
- b. Intangible Assets
- c. Property, Plant and Equipment
- d. Investment Properties

¹ https://links.sgx.com/FileOpen/HAC_Rights_Issue.ashx?App=Announcement&FileID=619881

The outcome of the Group's impairment assessments have concluded that there is no impairment required on the carrying values of the Group's assets.

In addition, analysis of expected credit losses on the existing portfolio of trade receivables has been performed, taking into account historical collection patterns as well as prevailing economic conditions. Relevant expected credit losses have been reflected accordingly in the financial statements based on the analysis performed. As the COVID-19 situation continues to evolve, the Group will proactively monitor the variables/parameters used in assessing the carrying value of the assets.

Going concern assessment

Management has also considered the going concern assessment in accordance with the Relevant Guidance. In particular, the following has been assessed:

Business Outlook

H1 2020 results were affected by COVID-19 as lockdown restrictions imposed by most resulted in factories operating at a restricted capacity. Despite the decrease in tyre factory procurement, our latex business thrived during the pandemic, driven by the increase in demand for concentrated latex for medical products and personal protective equipment (eg. masks and medical gloves).

Amid lockdown restrictions imposed around the world, a shift in mobility patterns were also observed: a reduction in personal driven miles but increase in commercial delivery, as the e-commerce industry thrives while community mobility stalls.

Looking ahead, as we observe the resumption of downstream industrial and manufacturing activities, coupled with the gradual easing of the travel restrictions, management is cautiously optimistic that the demand for natural rubber will recover in the near future along with the improvement in economic conditions. At the time of writing, the prices of natural rubber have strengthened by 9% from US\$1,134 in June 2020 to US\$1,230 in July 2020.

Tyres need natural rubber, and the world needs tyres. Wheels and tyres have played a significant role in our daily life, and will continue to be in the future. There has yet to be a viable alternative in replicating natural rubber and its isoprene chemical properties, and we remain optimistic about the prospects of natural rubber over the long term.

Please refer to section 10 for more details.

Liquidity

The near-term volatility and uncertainty in the macroeconomic situation induced by COVID-19 have emphasised the need for management to proactively manage its treasury operations to ensure there is sufficient liquidity across all of its operating entities. In doing so, the Group actively monitors its cash conversion cycle to ensure that our working capital days are not unduly delayed due to the effects of the pandemic – ensuring timely collection of receivables, and active communication with our customers to understand their requirements for the remainder of the year and to match such volumes with our capacity utilisation plan.

The Group maintains healthy unencumbered cash reserves, as well as sufficient headroom in our existing banking facilities in order to meet near-term obligations. The proposed rights issue will strengthen the balance sheet and augment the capital base, and prepare the Group ahead of demand recovery post COVID-19. Concurrently, management is in active conversations with certain key banking partners to review the terms of our existing borrowings in order to keep funding costs affordable, and that financing tenors are matched against the expected future cash flows.

Group funding structure

The table below summarises the funding structure of the Group:

(US\$ million)	Balance at 30-Jun-20	Balance at 31-Dec-19
Net working capital assets ⁽¹⁾	424.1	540.9
Cash and cash equivalents	112.0	57.9
Loan receivables	53.9	51.7
Total net working capital employed	590.0	650.5
Working capital loans	561.1	572.6
% Efficiency of Working Capital Funding	95.1%	88.0%
Operational long term assets ⁽²⁾	1,015.6	1,017.5
Non-core assets ⁽³⁾	43.5	44.7
Other borrowings	555.1	551.1
% Fixed Asset Gearing	52.4%	51.9%
Total equity	532.9	589.0

Note 1: Net working capital assets for the Group are defined as the sum of operational trade and other receivables, net derivative assets, inventories, assets held for sale, net off against trade and other payables.

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: Non-core assets mainly made up of investment properties.

REVIEW OF THE STATEMENT OF CASH FLOWS OF THE GROUP FOR H1 2020 VS H1 2019

The following table sets out a summary of cash flows for H1 2020 and H1 2019

(US\$ million)	H1 2020	H1 2019
Net cash used in operating activities, before working capital changes	(0.6)	(2.0)
Changes in working capital	91.4	(26.0)
Net cash generated from/(used in) operating activities	90.8	(28.0)
Net cash used in investing activities	(23.9)	(28.1)
Net cash (used in)/generated from financing activities	(11.6)	37.2
Net increase/(decrease) in cash and cash equivalents	55.3	(18.9)
Cash and cash equivalents at the beginning of the period	55.6	122.9
Effect of exchange rate changes on the balance of cash held in foreign currencies	(0.6)	1.4
Cash and cash equivalents at the end of the period	110.3	105.4

The Group's cash and cash equivalents increased by US\$55.3 million during H1 2020. It recorded net cash generated from operating activities of US\$90.8 million during H1 2020 mainly due to the collection of trade and other receivables and decrease in inventory held.

Net cash used in investing activities of US\$23.9 million was mainly due to capital expenditure on PPE and plantation related assets of US\$19.2 million and acquisition of non-controlling interests of US\$4.8 million.

Net cash used in financing activities was US\$11.6 million, mainly due to repayment of working capital loans and payment of interest, offset by net proceeds of term loan.

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

Since the outbreak of COVID-19 early this year, many countries have implemented strict control and prevention measures, which include nationwide lockdowns and border closures to curb the spread of COVID-19. These measures have caused significant disruptions in global economic activity and affected Halcyon Agri's business, which thrives on global mobility and transportation. The slowdown in our customers' offtake amid weakened demand has resulted in contraction of our sales volume, causing most of our factories to operate at sub-optimal capacity.

The natural rubber pricing benchmark - SICOM TSR20 1st position started the year firm, capitalising from the upward momentum from Q4 2019, to the peak of US\$1,524 on 16 January 2020 before sideswiped by COVID-19 pandemic and collapsed to a trough of US\$1,034 after Lunar New Year, and close at US\$1,093 in end June.

Such steep decline and the depressed state of rubber prices, coupled with the lower sales volume, have seen the Group recording operating loss and net loss before tax in H1 2020. In view of the foregoing, the Company's expectation on the demand and its profitability for 2020 as disclosed in its announcement of the unaudited financial statement in respect of financial year ended 31 December 2019 are unlikely to be attainable. Notwithstanding, the Company's business rationalisation and deleveraging strategy are progressing as planned.

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

COVID-19 continues to cast a shadow on the Group's operating and financial performance during H1 2020, as lockdown restrictions imposed by many countries have seen factories to be temporarily shut, or to operate at restricted capacities. The under-utilisation of the downstream production capacities have directly resulted in slower offtake of tyre-grade rubber.

Despite the majority of the tyre factories resuming operations by the end of May 2020, the operating and offtake levels remained low, due to the slower-than-expected restocking pace, as our customers have been cautious in their procurement strategy amid prevailing conditions.

On the other hand, our latex business thrived during the pandemic, driven by the increase in demand for concentrated latex for medical products.

Having reached a trough of US\$1,038 per tonne at end of Q1 2020 on the back of volatility induced by the pandemic, the SICOM TSR20 reference price has gradually recovered during Q2 2020, testing support levels at US\$1,050 before rallying to the quarter-peak of US\$1,183 before retreating to close the quarter at US\$1,134, which is 9.2% higher than the close of previous quarter.

As we continue to observe gradual easing of lockdown restrictions around the world, we are optimistic that the economy will start to heal, bringing a recovery in demand for mobility along with it, which will drive the consumption of natural rubber.

Amidst the near-term volatility and uncertainty in the macroeconomic situation, Halcyon Agri's business architecture remains intact, and our key priorities remain unchanged:

- **Proactively manage our capital structure, and maintain sufficient liquidity headroom across all operating entities.** On the back of the proposed rights issue, the Group sets out to strengthen its balance sheet and augment its capital base ahead of the anticipation of economic recovery post COVID-19. In the meantime, we aim to keep our funding costs

affordable and balanced with the Group's needs, and are concurrently maintaining active dialogue with certain banking partners to review the terms of our existing borrowings, including but not limited to financing tenor and financing terms.

- **Cost containment and efficiency improvement.** Amidst the challenging operating conditions, the Group is focusing on the rationalisation of cost levels. The Group also seeks to take advantage of the weaker competitive landscape to expand its market share, as the pandemic has brought about financial difficulties to smaller producers in key rubber origins. An increased market share will allow the group to scale up meaningfully with economic recovery, and to achieve better economies of scale.
- **Sustainability and profitability remain key focuses.** We remain focused on delivering top quality products, which are sustainably sourced and responsibly produced. Leveraging our "People, Planet, Profit" framework, we will continue to embrace good corporate citizenship, and create sustainable value for all stakeholders.

There have been no material developments to the proposed renounceable rights issue announced by the Company on 22 June 2020, and the Company will make further announcement(s) as and when there are material developments on this matter.

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.

The key segments of the Group comprise 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 Corrie MacColl, 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.

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, Liu Hongsheng and Li Xuetao, hereby confirm on behalf of the Board 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 half ended 30 June 2020 to be false or misleading in any material aspect.

17. Additional information relating to acquisitions and realisations pursuant to Rule 706A

Corrie MacColl is a long-established natural rubber trading company with roots stemming from the 1940s. The Corrie MacColl Group is leveraging this heritage to advance the sustainability agenda for the natural rubber industry, to shape a future for sustainable natural rubber production. The revitalisation involved changes in corporate structure and alignment of the names of the subsidiaries.

(i) Merger of subsidiaries

Alan L Grant Polymer, Inc. (“ALG”) and Centrotrade Rubber, Inc. (“Centrotrade”) have merged into a single corporation with ALG as the surviving company (the “Merger”). ALG has been renamed as “Corrie MacColl North America, Inc.” with effect from 31 March 2020, 2359 hours (Eastern Daylight Time).

Both ALG and Centrotrade are indirect wholly-owned subsidiaries of the Company registered in the State of Delaware. The Merger is not expected to have any material impact on the consolidated net tangible assets or earnings per share of the Group for the financial year ending 31 December 2020.

(ii) Change of name of subsidiaries

The following indirect wholly-owned subsidiaries have been renamed as part of the process of brand harmonisation:

<u>Former Name</u>	<u>Now Known As</u>
Corrie MacColl North America, Inc.	: Corrie MacColl Holdings, Inc.
Alan L Grant Polymer, Inc.	: Corrie MacColl North America, Inc.
Wurfbain Polymer B.V.	: Corrie MacColl Europe B.V.
Wurfbain Polymer İthalat ve İhracat Anonim Şirketi	: Corrie MacColl İthalat ve İhracat Anonim Şirketi
Centrotrade Deutschland GmbH	: Corrie MacColl Deutschland GmbH
Centrotrade (Thailand) Co., Ltd.	: Corrie MacColl (Thailand) Co., Ltd.
Centrotrade Hatyai Co., Ltd.	: Corrie MacColl Hatyai Co., Ltd.
Centrotrade Commodities Malaysia Sdn. Bhd.	: Corrie MacColl Malaysia Sdn. Bhd.

By Order of the Board
Li Xuetao
Executive Director and CEO

Singapore,
14 August 2020