

# HALCYON AGRI CORPORATION LIMITED

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

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## PROPOSED ACQUISITION OF A CRUMB RUBBER FACTORY IN BINTAN, INDONESIA

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### 1. INTRODUCTION

The Board of Directors (the “**Board**”) of Halcyon Agri Corporation Limited (the “**Company**”) and together with its subsidiaries, the “**HAC Group**”) wishes to announce that the Company’s Indonesian subsidiary, PT. Hok Tong (“**Hok Tong**”) has on 8 December 2017, entered into a conditional share sale & purchase agreement (the “**CSPA**”) with Global Key Holdings Limited (“**GKHL**”) and Lydia Yuliaty Tandi (“**LYT**”) (collectively, the “**Vendors**”) for the acquisition of 80% of the issued and paid-up share capital of PT. Pulau Bintan Djaya (“**PBD**”) (the “**Proposed Acquisition**”), which owns a natural rubber processing factory located in Bintan Timur, Indonesia together with all associated land, buildings, plant and machinery (the “**Asset**”).

### 2. INFORMATION RELATING TO PBD AND THE ASSET

- 2.1 PBD is an Indonesian limited liability company founded in 1967 and is in the business of producing Standard Indonesian Rubber (SIR), offering compound rubber, SIR 10, SIR 20 and SIR VK. The net asset value represented by 80% of PBD’s shares (the “**Sale Shares**”) as at 31 December 2016 is approximately US\$0.6 million.
- 2.2 The Asset comprises the sole natural rubber processing factory on Bintan Island, Riau region, which is in proximity to the Company’s headquarters in Singapore. It has a licensed capacity of 60,000 metric tonnes per annum and is an approved supplier to the major tyre manufacturers including Goodyear, Bridgestone, Cooper Tires and Michelin.

### 3. PRINCIPAL TERMS OF THE CSPA

#### 3.1 Sale Shares

Pursuant to the CSPA and for the purpose of the Proposed Acquisition, Hok Tong has agreed to acquire:

- (a) 123,750 shares (representing 75% of issued and paid-up capital) in PBD from GKHL; and
- (b) 8,250 ordinary shares (representing 5% of issued and paid-up capital) in PBD from LYT.

Following completion of the Proposed Acquisition, PBD will be 80% owned by Hok Tong and 20% owned by GKHL.

#### 3.2 Conditions Precedent

Completion of the Proposed Acquisition is conditional upon the fulfilment (or waiver) of, *inter alia*, the following conditions (the “**Conditions Precedent**”):

- (a) satisfactory completion of legal, financial and tax due diligence exercises on PBD and the Asset by the HAC Group;

- (b) all necessary approvals and consents as may be necessary from any third party, governmental and regulatory bodies or relevant competent authority for the Proposed Acquisition having been obtained and not been withdrawn; and
- (c) there has been no material adverse change on the business, operations, property, conditions (financial or otherwise) or prospects of PBD between the date of the CSPA and the date of completion of the Proposed Acquisition (the **"Completion"**).

### 3.3 **Completion**

- 3.3.1 Completion shall take place on or before 31 March 2018 or any other date as may be agreed by the parties in writing (the **"Completion Date"**).
- 3.3.2 Upon completion, all the rights, ownership and title attached to the Sale Shares, as well as corresponding obligations thereto shall be transferred to and vested in Hok Tong, free from all encumbrances.

### 3.4 **Put Option**

Pursuant to the CSPA, Hok Tong has agreed to grant to GKHL, an irrevocable put option for a period of two (2) years (effective from the Completion Date) to require Hok Tong to acquire all its remaining 20% equity interest in PBD on the same terms and conditions for the sale and purchase of 80% of PBD (the **"Put Option"**).

## 4. **RATIONALE FOR THE PROPOSED ACQUISITION**

The Board believes that the Proposed Acquisition is in the best interests of the Company and its shareholders (the **"Shareholders"**) for the following reasons:

- (a) The Proposed Acquisition is consistent with the Company's business strategy to continue growing the HAC Group's business through selective acquisitions and investments, thereby establishing itself as a leading global natural rubber supply chain manager.
- (b) The Proposed Acquisition represents the opportunity for the Group to expand its footprint into the Riau region, via the acquisition of this unique and highly complementary Asset. The Asset is particularly unique, being the one and only Indonesian rubber producer allowed to operate within a bonded warehouse zone, which enjoys tax-free benefits for importing raw materials, which provides PBD with a competitive advantage.
- (c) The current management team in PBD has extensive experience in the natural rubber industry and is familiar with daily operations, including strong relationships with other rubber producers and suppliers in the Riau region. The HAC Group intends to capitalise on their expertise as part of its expansion plan to venture into Riau region when opportunities arise.

## 5. **FINANCIAL EFFECTS**

- 5.1 The financial effects of the Proposed Acquisition as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the HAC Group after the Proposed Acquisition. Such financial effects have been prepared pursuant to the requirements of Rule 1010(8) and Rule 1010(9) of the Listing Manual and based on the latest audited consolidated financial statements of the HAC Group for financial year ended 31 December 2016 (**"FY2016"**) and the audited financial statements of PBD for FY2016 under the following scenarios:

- (a) HAC Group acquires 80% of PBD and the Put Option is not exercised (the “**80% Scenario**”); and
- (b) HAC Group acquires 100% of PBD (the “**100% Scenario**”).

5.2 The effect of the transaction on the earnings per share (“**EPS**”) shown below is based on the assumptions that the Proposed Acquisition had been effected at the beginning of FY2016:

EPS	As at 31 December 2016	After completion of the Proposed Acquisition	
		80% Scenario	100% Scenario
Earnings (US\$'000)	74,380 <sup>(1)</sup>	73,867 <sup>(2)</sup>	73,739 <sup>(2)</sup>
Weighted average number of ordinary shares <sup>(3)</sup>	876,275,000	876,275,000	876,275,000
Adjusted EPS (US cents)	8.49	8.43	8.42
Adjusted EPS (S\$ cents)	11.71	11.63	11.61

Notes:

- (1) The earnings are based on the consolidated profit attributable to the owners of the Company for FY2016.
- (2) Includes the earnings as set out in note (1), PBD’s net loss of US\$0.6 million attributable to the owners (translated at the average exchange rate of US\$1.00 : S\$1.38, being the HAC Group’s average exchange rate for FY2016).
- (3) The weighted average number of ordinary shares of 876,275,000 is based on FY2016 audited financial statements.

5.3 The effect of the Proposed Acquisition on the net tangible asset value (“**NTA**”) per share is based on the assumption that the Proposed Acquisition had been effected at the end of FY2016:

NTA	As at 31 December 2016	After completion of the Proposed Acquisition
		80% and 100% Scenario
Consolidated NTA (US\$'000)	447,338 <sup>(1)</sup>	448,064 <sup>(2)</sup>
Number of issued shares	1,595,011,941	1,595,011,941
Adjusted NTA per share (US cents)	28.05	28.09
Adjusted NTA per share (S\$ cents) <sup>(3)</sup>	40.67	40.73

Notes:

- (1) Based on the HAC Group’s consolidated NTA as of 31 December 2016.
- (2) Includes the NTA as set out in note (1), PBD’s NTA of approximately US\$0.7 million as at 31 December 2016.
- (3) Translated at the HAC Group’s exchange rate of US\$1.00 : S\$1.45 as at 31 December 2016.

5.4 It should be noted that PBD’s earnings in FY2016 were affected by a restriction on natural rubber exports being imposed by the Governments of Thailand, Indonesia, Malaysia and Vietnam, which greatly restricted sales volumes, (ii) the highly volatile natural rubber market price environment, (iii) unfavourable exchange rate movements between USD and IDR and (iv) limited accessibility to competitive working capital financing.

## 6. OTHER INFORMATION

6.1 Based on the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Proposed Acquisition is a "Non-Discloseable Transaction" within the meaning of Rule 1008 of the Listing Manual of the SGX-ST.

### 6.2 Waiver from Rule 1010(3) of the Listing Manual

6.2.1 The Company made an application to the SGX-ST for a waiver from complying with Rule 1010(3) of the Listing Manual in relation to the Proposed Acquisition (the "**Waiver**"). On 8 December 2017, the Company received a letter from the SGX-ST stating that based on the Company's submissions and representations to the SGX-ST, it has no objection to the Waiver, subject to the following:

- (a) the Company announcing the Waiver granted, the reasons for seeking the Waiver and the conditions as required under Rule 107 of the Listing Manual; and
- (b) submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the company and the constitution of the Company.

6.2.2 The Company's application for Waiver is on the basis that HAC Group continues to seek opportunities to improve its business through the growth of the scale of its operations, and through the integration of new businesses across the natural rubber supply chain. It intends to acquire additional rubber processing factories in the Riau region when opportunities arise. Disclosure of the consideration would affect HAC Group's competitiveness and ability to negotiate other acquisitions, and may result in the loss of potential acquisition opportunities for the Company which would have an adverse impact on its future business development.

6.2.3 The purchase consideration for the Proposed Acquisition or for 100% of PBD (in the event that the Put Option is exercised) is less than 5% of the Company's market capitalisation as at 7 December 2017 (being the last market day preceding the date of the CSPA). It will be funded through internal resources and is not expected to have any material impact on the consolidated NTA per share or EPS of the HAC Group for the financial year ending 31 December 2017.

6.3 No person has been proposed to be appointed as an executive Director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

6.4 The Company shall make further announcement(s) as and when there are material developments to the Proposed Acquisition.

## 7. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the date hereof, none of the Directors and to the best of the Directors' knowledge, none of the controlling shareholder of the Company or their respective associates has any interest, direct or indirect, in the Proposed Acquisition, other than that arising from their respective shareholdings and/or directorships, as the case may be, in the Company.

## **8. CAUTIONARY STATEMENT**

Shareholders and potential investors should exercise caution when trading in the Company's shares, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

By Order of the Board

Pascal Demierre  
Executive Director  
8 December 2017