



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

Unaudited Financial Statement for the Second Quarter Ended 30 June 2017

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- Second Quarter 2017 ("Q2 2017") and First Half 2017 ("H1 2017")

	Group			Group		
	Q2 2017 (Unaudited)	Q2 2016 (Unaudited)	Change	H1 2017 (Unaudited)	H1 2016 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Continuing Operations						
Revenue	527,696	198,606	165.7	1,036,872	381,849	171.5
Cost of sales	(495,462)	(189,505)	161.5	(956,398)	(360,780)	165.1
Gross profit	32,234	9,101	254.2	80,474	21,069	282.0
Other income	424	367	15.5	604	1,106	(45.4)
Selling expenses	(9,911)	(3,119)	217.8	(15,620)	(6,262)	149.4
Administrative expenses	(17,163)	(5,584)	207.4	(32,530)	(13,806)	135.6
Administrative expenses - non-recurring	-	(2,431)	n/m	-	(4,208)	n/m
Operating profit/(loss)	5,584	(1,666)	n/m	32,928	(2,101)	n/m
Finance income	652	339	92.3	823	571	44.1
Finance costs	(6,195)	(6,890)	(10.1)	(12,670)	(13,565)	(6.6)
Share of profit of associate	5,329	-	n/m	7,269	-	n/m
Profit/(Loss) before taxation	5,370	(8,217)	n/m	28,350	(15,095)	n/m
Income tax (expense)/benefit	(2,257)	456	n/m	(7,532)	840	n/m
Profit/(Loss) from continuing operations	3,113	(7,761)	n/m	20,818	(14,255)	n/m
Discontinued Operation						
Profit/(Loss) from discontinued operation	400	-	n/m	(7,715)	-	n/m
Total profit/(loss) for the period	3,513	(7,761)	n/m	13,103	(14,255)	n/m
Profit/(Loss) attributable to:						
Owners of the Company						
- continuing operations, net of tax	1,518	(7,993)	n/m	17,020	(14,625)	n/m
- discontinued operation, net of tax	219	-	n/m	(4,245)	-	n/m
	1,737	(7,993)	n/m	12,775	(14,625)	n/m
Non-controlling interests						
- continuing operations, net of tax	1,595	232	587.5	3,798	370	926.5
- discontinued operation, net of tax	181	-	n/m	(3,470)	-	n/m
	1,776	232	665.5	328	370	(11.4)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")						
- continuing operations	11,489	654	1,656.7	43,924	2,534	1,633.4
- discontinued operation	1,070	-	n/m	(5,953)	-	n/m
Earnings/(Loss) per share ("EPS/LPS"):						
Basic and diluted EPS/(LPS) in US cents						
- continuing operations (refer item 6)	0.10	(1.33)	n/m	1.07	(2.44)	n/m
- discontinued operation	0.01	-	n/m	(0.27)	-	n/m
Adjusted EPS/(LPS) in US cents						
- continuing operations (refer item 6)	0.10	(0.50)	n/m	1.07	(0.92)	n/m
- discontinued operation	0.01	-	n/m	(0.27)	-	n/m

n/m - not meaningful

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

Consolidated Statement of Comprehensive Income - Second Quarter 2017 ("Q2 2017") and First Half 2017 ("H1 2017")

	Group			Group		
	Q2 2017 (Unaudited)	Q2 2016 (Unaudited)	Change	H1 2017 (Unaudited)	H1 2016 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Profit/(Loss) for the financial period	3,513	(7,761)	n/m	13,103	(14,255)	n/m
Other comprehensive income/(loss)						
<i>Items that may be reclassified subsequently to profit and loss</i>						
Exchange differences on translation of foreign operations	11,638	(1,441)	n/m	28,322	5,443	420.3
Recognised in the profit and loss accounts on occurrence of hedged transactions	-	187	n/m	-	2,124	n/m
Other comprehensive income/(loss) for the financial period	11,638	(1,254)	n/m	28,322	7,567	274.3
Total comprehensive income/(loss) for the financial period	15,151	(9,015)	n/m	41,425	(6,688)	n/m
Total comprehensive income/(loss) attributable to:						
Owners of the Company	12,777	(9,271)	n/m	39,800	(7,631)	n/m
Non-controlling interests	2,374	256	827.3	1,625	943	72.3
	15,151	(9,015)	n/m	41,425	(6,688)	n/m

n/m - not meaningful

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

Profit/(loss) for the financial period has been arrived at after crediting/(charging) the following:						
	Group			Group		
	Q2 2017 (Unaudited)	Q2 2016 (Unaudited)	Change	H1 2017 (Unaudited)	H1 2016 (Unaudited)	Change
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Continuing operations						
Amortisation of intangible asset	(19)	(17)	13.3	(39)	(35)	11.4
Cost of inventories recognised as an expense	(495,462)	(189,505)	161.5	(956,398)	(360,780)	165.1
Depreciation:						
-Cost of sales	(4,500)	(1,875)	140.0	(8,715)	(3,735)	133.3
-Selling expenses	(25)	(20)	25.0	(49)	(46)	6.5
-Administrative expenses	(1,342)	(408)	228.9	(2,209)	(819)	169.7
	(5,867)	(2,303)	154.8	(10,973)	(4,600)	138.5
Employee benefits expenses:						
-Cost of sales	(12,061)	(4,553)	164.9	(22,317)	(8,848)	152.2
-Selling expenses	(1,386)	(1,194)	16.1	(2,549)	(2,171)	17.4
-Administrative expenses	(8,892)	(3,176)	180.0	(18,162)	(6,529)	178.2
	(22,339)	(8,923)	150.4	(43,028)	(17,548)	145.2
Finance cost:						
-Working capital loans	(1,602)	(2,077)	(22.9)	(3,889)	(4,156)	(6.4)
-Term loans	(2,971)	(3,147)	(5.6)	(5,569)	(6,137)	(9.3)
-Medium Term Notes ("MTN")	(1,609)	(1,644)	(2.1)	(3,182)	(3,227)	(1.4)
-Finance lease obligation	(13)	(22)	(40.9)	(30)	(45)	(33.3)
	(6,195)	(6,890)	(10.1)	(12,670)	(13,565)	(6.6)
Foreign exchange gain/(loss):						
-Cost of sales	1,106	(289)	n/m	2,366	725	226.3
-Administrative expenses	1,763	(17)	n/m	3,724	(2,048)	n/m
	2,869	(306)	n/m	6,090	(1,323)	n/m
Non-recurring expenses:						
-Acquisitions-related expenses	-	(590)	n/m	-	(1,294)	n/m
-Expense on Consent Solicitation Exercise ("CSE")	-	(767)	n/m	-	(767)	n/m
-Amortisation of fee incurred for syndicated loan facility	-	(1,074)	n/m	-	(2,147)	n/m
	-	(2,431)	n/m	-	(4,208)	n/m
Other income:						
-Fair value (loss)/gain on biological assets	(129)	251	n/m	(81)	874	n/m
-Others	553	116	376.7	685	232	195.3
	424	367	15.5	604	1,106	(45.4)
Professional fees	(1,119)	(319)	250.8	(1,796)	(618)	190.6

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 2017 and 31 December 2016				
	Group		Company	
	30 Jun 17	31 Dec 16	30 Jun 17	31 Dec 16
	Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
ASSETS				
Non-current assets				
Intangible assets	200,454	200,496	-	-
Property, plant and equipment	219,661	244,826	1,040	207
Plantation related properties	312,298	281,703	-	-
Biological assets	7,384	6,821	-	-
Investment properties	24,727	39,791	-	-
Deferred tax assets	11,881	13,227	232	-
Deferred charges	243	207	-	-
Other assets	198	259	-	-
Loan receivables	3,401	3,209	-	-
Investment in associates	-	189,700	-	-
Investment in subsidiaries	-	-	615,640	615,640
Total non-current assets	780,247	980,239	616,912	615,847
Current assets				
Cash and bank balances	225,845	66,625	148	430
Trade receivables	151,488	98,066	-	-
Loan and other receivables	59,261	60,669	630,895	372,056
Tax receivables	2,184	1,767	-	-
Derivative financial instruments	78,258	30,889	-	-
Inventories	329,826	319,973	-	-
Consumable biological assets	54	134	-	-
	846,916	578,123	631,043	372,486
Assets of disposal group classified as held for sale	283,292	-	-	-
Total current assets	1,130,208	578,123	631,043	372,486
Total assets	1,910,455	1,558,362	1,247,955	988,333
LIABILITIES AND EQUITY				
Current liabilities				
Derivative financial instruments	31,547	58,786	-	-
Trade payables	54,087	46,265	-	-
Other payables	54,315	44,305	45,699	33,776
Loan payables	464,278	244,645	168,788	2,750
Provision for taxation	12,039	4,148	413	412
Finance lease obligation	480	497	480	465
	616,746	398,646	215,380	37,403
Liabilities of disposal group classified as held for sale	15,111	-	-	-
Total current liabilities	631,857	398,646	215,380	37,403
Net current assets	498,351	179,477	415,663	335,083
Non current liabilities				
Loan payables	403,419	460,372	300,142	357,654
Retirement benefit obligations	13,137	14,297	-	-
Deferred tax liabilities	23,374	34,763	337	25
Finance lease obligation	337	600	-	581
Other payables	1,816	1,850	-	-
Total non current liabilities	442,083	511,882	300,479	358,260
Net assets	836,515	647,834	732,096	592,670
Capital and reserves				
Share capital	603,874	603,874	603,874	603,874
Perpetual securities	148,690	-	148,690	-
Capital reserves	455	455	-	-
Accumulated profits/(losses)	86,176	74,748	(20,468)	(11,204)
Foreign currency translation reserves	(51,301)	(78,325)	-	-
Equity attributable to owners of the Company	787,894	600,752	732,096	592,670
Non-controlling interests	48,621	47,082	-	-
Total equity	836,515	647,834	732,096	592,670
Total liabilities and equity	1,910,455	1,558,362	1,247,955	988,333

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 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	219,596	244,682	141,246	103,399
Finance lease	480	-	497	-

Amount repayable after one year

	As at 30 June 2017 (Unaudited)		As at 31 December 2016 (Audited)	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	5,937	397,482	7,914	452,458
Finance lease	337	-	600	-

Details of any collateral

Working capital loans are secured by corporate guarantees from the Company and by a charge over some of the Group's inventories, property, plant and equipment, certain cash and bank balances and trade receivables.

Term loans are secured by a charge over certain of the Group's property, plant and equipment.

Finance leases are secured by the lessor's title to the leased assets.

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- Second Quarter 2017 ("Q2 2017") and First Half 2017 ("H1 2017")

	Group		Group	
	Q2 2017	Q2 2016	H1 2017	H1 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities:				
Profit/(loss) before taxation from continuing operations	5,370	(8,217)	28,350	(15,095)
Profit/(loss) before taxation from discontinued operation	387	-	(7,770)	-
Profit/(loss) before taxation	5,757	(8,217)	20,580	(15,095)
Adjustments for:				
Depreciation expense	6,719	2,303	12,663	4,600
Amortisation of intangible asset	19	17	39	35
Retirement benefit expense	634	408	1,164	860
Interest income	(657)	(339)	(828)	(571)
Interest expense	6,306	6,890	12,935	13,565
Fair value loss/(gain) on open forward commodities contracts and inventories, unrealised	33,707	(2,460)	28,654	(6,495)
Fair value loss/(gain) on biological assets	129	(251)	81	(874)
Unrealised foreign exchange loss	-	17	-	2,048
Amortisation fee for syndicated loan facility	-	1,074	-	2,147
Gain on disposal of property, plant and equipment and investment properties	(9)	-	(91)	-
Write off of property, plant and equipment	28	-	75	-
Share of profit of associates	(5,604)	-	(7,401)	-
Operating cash flows before working capital changes	47,029	(558)	67,871	220
Trade and other receivables	24,405	1,127	(59,464)	15,704
Inventories	13,252	8,494	(121,476)	16,758
Trade and other payables	(36,956)	(5,076)	12,825	(11,382)
Cash generated from/(used in) operations	47,730	3,987	(100,244)	21,300
Interest received	657	339	828	571
Interest paid	(2,301)	(2,160)	(4,141)	(4,199)
Tax (paid)/received	(496)	568	(1,602)	457
Net cash generated from/(used in) operating activities	45,590	2,734	(105,159)	18,129
Investing activities				
Acquisition of non-controlling interests	(1,250)	-	(1,250)	-
Option fee received from proposed disposal of an associate	-	-	5,403	-
Capital expenditure on property, plant and equipment and plantation assets	(13,739)	(1,509)	(24,596)	(3,449)
Proceeds from disposal of property, plant and equipment and investment properties	22	-	104	-
Net cash used in investing activities	(14,967)	(1,509)	(20,339)	(3,449)
Financing activities				
Net repayment of syndicated loan facility - term loan	-	(6,125)	-	(12,005)
Net drawdown of syndicated loan facility - working capital loan	-	11,500	-	8,500
Net proceed from issuance of perpetual securities	148,690	-	148,690	-
Net (repayment)/proceeds of term loans	(3,357)	-	23,609	-
Net (repayment)/proceeds of working capital loans	(3,968)	(7,591)	129,825	(4,824)
Interest paid on term loans and syndicated facility	(2,754)	(3,147)	(4,831)	(6,137)
Interest paid on Medium Term Notes ("MTN")	-	-	(2,908)	(2,889)
Repayment of obligation under finance lease arrangement	(123)	(108)	(280)	(214)
Dividend paid to non-controlling interest	(183)	(166)	(183)	(166)
Increase in pledged deposits	-	-	(4,445)	-
Net cash generated/(used in) from financing activities	138,305	(5,637)	289,477	(17,735)
Net increase/(decrease) in cash and cash equivalents	168,928	(4,412)	163,979	(3,055)
Cash and cash equivalents at beginning of the period	61,119	71,492	66,625	70,541
Effects of exchange rate changes on the balance of cash held in foreign currencies	1,408	(389)	851	(795)
Cash and cash equivalents at end of the period	231,455	66,691	231,455	66,691
Cash and bank balances comprise the following:				
Cash and cash equivalents:				
- Continuing operations	222,841	66,691	222,841	66,691
- Disposal group asset held for sale	8,614	-	8,614	-
	231,455	66,691	231,455	66,691
Fixed deposits - pledged:				
- Continuing operations	3,004	-	3,004	-
- Disposal group asset held for sale	1,550	-	1,550	-
	4,554	-	4,554	-
	236,009	66,691	236,009	66,691

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 2017 and 30 June 2016

Group (Unaudited)	Share capital US\$'000	Perpetual securities US\$'000	Capital reserves US\$'000	Accumulated (losses)/ profits US\$'000	Foreign currency translation reserves US\$'000	Hedging reserve US\$'000	Non-controlling interests US\$'000	Total US\$'000
Balance at 1 April 2017	603,874	-	455	85,786	(62,341)	-	46,333	674,107
Total comprehensive income for the period								
Profit for the period	-	-	-	1,737	-	-	1,776	3,513
Other comprehensive income	-	-	-	-	11,040	-	598	11,638
Total	-	-	-	1,737	11,040	-	2,374	15,151
Transactions with owners, recognised directly in equity								
Issuance of perpetual securities, net of transaction costs	-	148,690	-	-	-	-	-	148,690
Dividend paid to non-controlling interest	-	-	-	-	-	-	(183)	(183)
Total	-	148,690	-	-	-	-	(183)	148,507
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests without a change in control	-	-	-	(832)	-	-	(418)	(1,250)
Effect of additional investment in a subsidiary	-	-	-	(515)	-	-	515	-
Total	-	-	-	(1,347)	-	-	97	(1,250)
Balance at 30 June 2017	603,874	148,690	455	86,176	(51,301)	-	48,621	836,515
Group (Unaudited)								
Balance at 1 April 2016	156,551	-	143	(2,269)	(51,645)	(252)	24,925	127,453
Total comprehensive loss for the period								
(Loss)/Profit for the period	-	-	-	(7,993)	-	-	232	(7,761)
Other comprehensive (loss)/income	-	-	-	-	(1,465)	187	24	(1,254)
Total	-	-	-	(7,993)	(1,465)	187	256	(9,015)
Transactions with owners, recognised directly in equity								
Dividend paid to non-controlling interest	-	-	-	-	-	-	(166)	(166)
Total	-	-	-	-	-	-	(166)	(166)
Balance at 30 June 2016	156,551	-	143	(10,262)	(53,110)	(65)	25,015	118,272
Company (Unaudited)								
Balance at 1 April 2017	603,874	-	-	(16,006)	-	-	-	587,868
Total comprehensive loss for the period								
Loss for the period	-	-	-	(4,462)	-	-	-	(4,462)
Total	-	-	-	(4,462)	-	-	-	(4,462)
Transactions with owners, recognised directly in equity								
Issuance of perpetual securities, net of transaction costs	-	148,690	-	-	-	-	-	148,690
Total	-	148,690	-	-	-	-	-	148,690
Balance at 30 June 2017	603,874	148,690	-	(20,468)	-	-	-	732,096
Company (Unaudited)								
Balance at 1 April 2016	156,551	-	-	(4,620)	-	-	-	151,931
Total comprehensive loss for the period								
Loss for the period	-	-	-	(1,725)	-	-	-	(1,725)
Total	-	-	-	(1,725)	-	-	-	(1,725)
Balance at 30 June 2016	156,551	-	-	(6,345)	-	-	-	150,206

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

	Number of ordinary shares	US\$'000
Issued and paid up		
At 31 March 2017 and 30 June 2017	<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 2017 and 30 June 2016.

- 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 2017 and 31 December 2016. As such, the number of issued shares excluding treasury shares as at 30 June 2017 and 31 December 2016 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 paragraph 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 2016.

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 (“FRS”) and Interpretations of Financial Reporting Standards (“INT FRS”) which became effective for accounting periods beginning on or after 1 January 2017. 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		Group	
	Q2 2017	Q2 2016	H1 2017	H1 2016
<u>Continuing operations</u>	Unaudited	Unaudited	Unaudited	Unaudited
Profit/(Loss) attributable to owners of the Company (US\$'000)	1,518	(7,993)	17,020	(14,625)
Basic and diluted earnings/(loss) per share (“EPS/LPS”) in US cents ⁽¹⁾	0.10	(1.33)	1.07	(2.44)
Adjusted EPS/(LPS) in US cents ⁽²⁾	0.10	(0.50)	1.07	(0.92)
Adjusted EPS/(LPS) in SGD cents ⁽³⁾	0.13	(0.68)	1.49	(1.26)

Notes:

- (1) The basic and diluted EPS/(LPS) for the periods under review have been computed based on the profit/(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 EPS/(LPS) for the periods under review have been computed based on the profit/(loss) attributable to owners of the Company and number of ordinary shares in issue as at 30 June 2017 of 1,595,011,941 ordinary shares.
- (3) Translated at the average exchange rates for each respective period.

The basic and diluted EPS for Q2 2017, Q2 2016, H1 2017 and H1 2016 were the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2017 and 30 June 2016.

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 2017 Unaudited	31 December 2016 Audited	30 June 2017 Unaudited	31 December 2016 Audited
Net asset value per ordinary share based on issued share capital (US cents)	52.45	40.62	45.90	37.16
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	73.47	58.74	64.30	53.74
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 Q2 2017 VS Q2 2016 AND H1 2017 VS H1 2016

Overview

Snapshot

Operating financial statistics (continuing operations)

		Q2 2017	Q2 2016	Change	H1 2017	H1 2016	Change
Total sales volume	tonnes	272,300	151,609	79.6%	534,177	301,813	77.0%
Revenue	US\$ million	527.7	198.6	165.7%	1,036.9	381.8	171.5%
Revenue per tonne	US\$	1,938	1,310	47.9%	1,941	1,265	53.4%
Gross profit	US\$ million	32.2	9.1	254.2%	80.5	21.1	282.0%
EBITDA	US\$ million	11.5	0.7	1,656.8%	43.9	2.5	1633.4%
Net profit/(loss)	US\$ million	3.1	(7.8)	n/m	20.8	(14.3)	n/m

n/m - not meaningful

Q2 2017 and H1 2017 results included the full quarter and half yearly results of the new subsidiaries acquired in Q4 2016. As such, each item in the income statement for Q2 2017 and H1 2017 has shown a significant movement as compared to Q2 2016 and H1 2016.

Revenue

Q2 2017 vs Q2 2016

Revenue increased by US\$329.1 million or 165.7%, from US\$198.6 million in Q2 2016 to US\$527.7 million in Q2 2017 mainly due to the following reasons:

- (i) increase in revenue per tonne from US\$1,310 (Q2 2016) to US\$1,938 (Q2 2017), in line with the movement of the natural rubber market price during these periods; and
- (ii) higher sales volumes from 151,609 tonnes in Q2 2016 to 272,300 tonnes in Q2 2017, mainly due to contribution from the newly acquired assets and also, increased volume from our existing operations.

H1 2017 vs H1 2016

Revenue increased by US\$655.0 million or 171.5%, from US\$381.8 million in H1 2016 to US\$1,036.9 million in H1 2017 due to higher selling prices and higher sales volumes from 301,813 tonnes in H1 2016 to 534,177 tonnes in H1 2017 (as explained above). Selling prices increased as a result of the increase in the market price for natural rubber; revenue per tonne increased from US\$1,265 in H1 2016 to US\$1,941 in H1 2017.

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 (for sales not on FOB basis).

Q2 2017 vs Q2 2016 and H1 2017 vs H1 2016

Cost of sales increased by US\$306.0 million (H1 2017: US\$595.6 million) or 161.5% (H1 2017: 165.1%), from US\$189.5 million in Q2 2016 (H1 2016: US\$360.8 million) to US\$495.5 million in Q2 2017 (H1 2017: US\$956.4 million), due to the increase in sales volume and price of raw materials (in line with the increase in the market price for natural rubber).

Gross profit

	Q2 2017	Q2 2016	Change	H1 2017	H1 2016	Change
Gross profit (US\$ million)	32.2	9.1	254.2%	80.5	21.1	282.0%
Sales volume (tonnes)	272,300	151,609	79.6%	534,177	301,813	77.0%
Gross profit per tonne (US\$)	118	60	97.2%	151	70	115.8%

Q2 2017 vs Q2 2016 and H1 2017 vs H1 2016

Gross profit increased by US\$23.1 million (H1 2017: US\$59.4 million) or 254.2% (H1 2017: 282.0%) from US\$9.1 million in Q2 2016 (H1 2016: US\$21.1 million) to US\$32.2 million in Q2 2017 (H1 2017: US\$80.5 million) mainly due to improved margins in the Processing Segment and contributions from the operations acquired in Q4 2016, offset by margin compression in the Distribution Segment due to volatile market prices.

Profit before tax

Q2 2017 vs Q2 2016 and H1 2017 vs H1 2016

Profit before tax in Q2 2017 was US\$5.4 million (H1 2017: US\$28.4 million), an increase of US\$13.6 million (H1 2017: an increase of US\$43.4 million) from the loss before tax of US\$8.2 million in Q2 2016 (H1 2016: loss before tax of US\$15.1 million).

The increase in profit before tax was mainly due to the increase in gross profit, share of profit of associate and decrease in finance costs. The increase in profit before tax was offset by the increase in selling and administrative expenses, in line with the expanded operations after the acquisitions of GMG Group and Sinochem natural rubber assets in Q4 2016.

Profit after tax

Q2 2017 vs Q2 2016 and H1 2017 vs H1 2016

Profit after tax in Q2 2017 was US\$3.1 million (H1 2017: US\$20.8 million), an increase of US\$10.9 million (H1 2017: an increase of US\$35.1 million) from the loss after tax in Q2 2016 of US\$7.8 million (H1 2016: loss after tax of US\$14.3 million).

Discontinued operation

Discontinued operation refers to the Group's processing business in Thailand, under the brand name of Teck Bee Hang ("TBH"), which has been classified as asset held for sale under FRS105 *Non-Current Assets Held for Sale and Discontinued Operations*, following the Group's strategic review undertaken in H1 2017. The discontinued operation contributed to a US\$7.7 million loss after tax in H1 2017 (Q2 2017: profit after tax of US\$0.4 million), with revenue of US\$95.4 million in H1 2017 (Q2 2017: revenue of US\$46.2 million).

REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 30 JUNE 2017 VS 31 DECEMBER 2016

Non-current assets

Non-current assets decreased by US\$200.0 million or 20.4% from 31 December 2016 (US\$980.2 million) to 30 June 2017 (US\$780.0 million), was mainly due to the following factors:

- (i) decrease in investment in associates due to reclassification of the Group's investment in associate, SIAT S.A. of US\$201.7 million from non-current assets to current assets as assets of disposal group classified as held for sale;
- (ii) decrease of US\$15.1 million in investment properties mainly due to reclassification of TBH Group's investment properties of US\$16.1 million from non-current asset to current assets as assets of disposal group classified as held for sale; and
- (iii) these decreases were offset by increase of US\$5.4 million in property, plant and equipment and plantation related properties mainly due to capital expenditure of US\$24.6 million and foreign exchange difference in an aggregate of US\$21.4 million, as a result of strengthening of respective local currency in Indonesia, Malaysia, China, Thailand and Africa, against US Dollar. This was offset by depreciation expense of US\$12.7 million and reclassification of TBH Group's property, plant and equipment of US\$27.6 million from non-current asset to current assets as assets of disposal group classified as held for sale.

Current assets

Current assets increased by US\$552.1 million or 95.5% from 31 December 2016 (US\$578.1 million) to 30 June 2017 (US\$1,130.2 million) was mainly due to:

- (i) increase in cash and bank balances of US\$159.2 million mainly due to the net proceeds of US\$148.7 million received from issuance of perpetual securities;
- (ii) increase in trade and other receivables of US\$52.0 million. This was mainly due to higher outstanding balances in connection with the higher natural rubber prices in Q2 2017 compared to Q4 2016;
- (iii) increase in inventories of US\$9.9 million, mainly due to an increase in inventory holding, offset by reclassification of US\$14.0 million of TBH group's inventories to assets of disposal group held for sale;
- (iv) increase in derivative financial instruments of US\$49.3 million mainly due to higher valuation gain on open sales contracts as at 30 June 2017; and
- (v) reclassification of investment in associate of US\$201.7 million and all non-current assets of TBH Group amounting to US\$46.2 million as part of assets of disposal group classified as held for sale totalling to US\$283.3 million.

Current liabilities

Current liabilities increased by US\$233.2 million or 58.5% from 31 December 2016 (US\$398.6 million) to 30 June 2017 (US\$631.9 million), mainly due to:

- (i) increase in trade and other payables of US\$17.8 million. This was mainly due to higher outstanding balances in connection with the higher natural rubber prices in Q2 2017 compared to Q4 2016, and option fee received from proposed disposal of SIAT S.A. of €5 million (equivalent to US\$5.4 million);
- (ii) increase in loan payables of US\$220.0 million mainly due to higher utilisation of working capital loan, in line with higher account receivables and inventories, and reclassification of S\$125 million MTN from non-current liabilities, which the redemption on 31 July 2017 has been announced on 30 June 2017;
- (iii) reclassification of all non-current liabilities of TBH group amounting to US\$9.9 million, as part of the liabilities within disposal group classified as held for sale, totalling to US\$15.1 million; and
- (iv) these increases were offset by a decrease in derivative financial instruments of US\$27.2 million, mainly due to lower valuation loss on open purchase contracts.

The breakdown of the current loan payables are as follows:

(US\$ million)	30 June 2017	31 December 2016
Working capital loans	367.4	234.2
Term loans	10.9	10.4
MTN	86.0	-
Total	464.3	244.6

Non-current liabilities

Non-current liabilities decreased by US\$69.8 million or 13.6% from 31 December 2016 (US\$511.9 million) to 30 June 2017 (US\$442.1 million), mainly due to reclassification of S\$125 million MTN as current liabilities as explained above, offset by an additional drawdown of a term loan.

Equity

The Group's equity increased by US\$188.7 million from US\$647.8 million as at 31 December 2016 to US\$836.5 million as at 30 June 2017, mainly due to the net proceed of US\$148.7 million received from issuance of perpetual securities, the Group's H1 2017 net income and foreign currency translation gain arising during the period.

Assets and liabilities of disposal group classified as held for sale

Assets and liabilities of disposal group classified as held for sale refer to the assets and liabilities of TBH group and the Group's investment in SIAT S.A., which are in the process of disposal. The key components are as follows:

	30 Jun 17
	Unaudited
	US\$'000
<u>ASSETS</u>	
Investment in associate	201,716
Property, plant and equipment	27,595
Investment properties	16,079
Cash and bank balances	10,164
Other working capital assets	27,738
Total assets	283,292
<u>LIABILITIES</u>	
Working capital liabilities	7,736
Deferred tax liabilities	7,375
	15,111
Net assets	268,181

Working capital

As at 30 June 2017, net working capital amounted to US\$199.6 million, as set out below:

(US\$ million)	30 June 2017	31 December 2016
Cash and bank balances	139.8 ⁽¹⁾	66.6
Trade receivables	151.5	98.1
Inventories	329.8	320.0
Less: Trade payables	(54.1)	(46.3)
Less: Working capital loans (current)	(367.4)	(234.2)
Net working capital	199.6	204.2

Note:

- (1) Cash and bank balances exclude US\$86.0 million reserved for repayment of MTN due on 31 July 2017.

REVIEW OF THE CASH FLOW STATEMENT OF THE GROUP FOR Q2 2017 VS Q2 2016 AND H1 2017 VS H1 2016

The following table sets out a summary of cash flows for Q2 2017, Q2 2016, H1 2017 and H1 2016:

(US\$ million)	Q2 2017	Q2 2016	H1 2017	H1 2016
Net cash generated from/(used in) operating activities, before working capital changes	44.9	(1.8)	62.9	(3.0)
Changes in working capital	0.7	4.5	(168.1)	21.1
Net cash generated from/(used in) operating activities	45.6	2.7	(105.2)	18.1
Net cash used in investing activities	(15.0)	(1.5)	(20.3)	(3.4)
Net cash generated from/(used in) financing activities	138.3	(5.6)	289.5	(17.7)
Net increase/(decrease) in cash and cash equivalents	168.9	(4.4)	164.0	(3.0)
Cash and cash equivalents at the beginning of the period	61.1	71.5	66.6	70.5
Effect of exchange rate changes on the balance of cash held in foreign currencies	1.4	(0.4)	0.8	(0.8)
Cash and cash equivalents at the end of the period	231.4	66.7	231.4	66.7

Q2 2017 vs Q2 2016

The Group's cash and cash equivalents increased by US\$168.9 million during Q2 2017. It recorded net cash inflow from operating activities of US\$45.6 million during Q2 2017.

Cash outflow from investing activities of US\$15.0 million was mainly due to capital expenditure on property, plant and equipment and plantation assets.

Net cash inflow from financing activities was US\$138.3 million, mainly due to the net proceeds of US\$148.7 million received from issuance of perpetual securities, offset by net repayment of various loans and payment of associated interest costs.

H1 2017 vs H1 2016

The Group's cash and cash equivalents increased by US\$164.0 million during H1 2017. It recorded net cash outflow from operating activities of US\$105.2 million during H1 2017.

Cash outflow from investing activities of US\$20.3 million was mainly due to capital expenditure on property, plant and equipment and plantation assets, offset by option fee received from proposed disposal of an associate.

Net cash inflow from financing activities was US\$289.5 million, mainly due to net proceeds from issuance of perpetual securities of US\$148.7 million and net proceeds from various loans, offset by payment of associated interest costs.

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

Following the completion of its recent merger, Halcyon Agri has implemented new management, marketing and reporting platforms, both geographically and strategically, to manage the significant increase in the scale, scope and market share levels of the enlarged group. The Group continues to realise the positive impact of cost and revenue synergies, which together with improvement in operating leverage, has benefited the Group's performance as seen in its H1 2017 financials.

As part of Halcyon Agri's ongoing strategic review, and capital and asset optimisation, the Group has classified its investment in SIAT S.A, as well as its operating assets in Thailand, as assets held for sale. With regards to SIAT S.A., Halcyon Agri has extended the call option expiry date to 15th September 2017 to allow the purchaser additional time to finalise their financing arrangements. Subject to the exercise of the call option, the respective sale and purchase agreement shall be executed by 30th September 2017. The sale proceeds from this disposal, together with the net proceeds from the issuance of US\$150 million perpetual securities in April 2017, provide the Group with the resources to further strengthen its capital base, and to continue investing in the expansion of the Group's three primary segments of operations, namely origination, processing and global distribution.

The natural rubber market continues to be affected by significant price volatility. While market prices are presumed to maintain levels which support the sustainable development of the industry, continued price volatility is also expected over the remainder of 2017. The Group continues to tighten operational cost controls and to optimise its capital and asset base in anticipation of a tightening in supply of natural rubber as well as ongoing market volatility. Halcyon Agri is convinced that the natural rubber products it produces and distributes remain irreplaceable to global mobility, and health and safety needs.

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

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 33 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 Group's supply chain model is designed to capture adjacent margins along the natural rubber value chain, as follows:

- **Plantation Segment** – the management of mainly natural rubber estates, both owned by the Group and external third parties, employing latest agronomical models and best ecological practices to achieve world-leading sustainable yields.
- **Processing Segment** – the procurement and processing of raw materials into high quality technically specified rubber ("TSR") in our 33 processing factories, with a strong focus on Corporate Social Responsibility ("CSR") and the development of premium grades.
- **Distribution Segment** – the merchandising and distribution of natural rubber and latex from the Group's own factories as well as selected third party origins and grades.
- **Corporate Segment** – covers group strategic management, corporate finance, group administration and legal matters, treasury, taxation and investment properties.

The results of the operating segments are reviewed continuously by the Group's executive team to optimise allocation of resources between the segments. Segmental performance is evaluated based on operating profit or loss which, in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

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

Segment information- Second Quarter 2017 ("Q2 2017") and Second Quarter 2016 ("Q2 2016")

(US\$'000)	Plantation		Processing		Distribution		Corporate		Elimination		Consolidated	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Revenue to third party	67	20	247,429	99,716	280,200	98,870	-	-	-	-	527,696	198,607
Inter-segment revenue	5,228	-	162,086	18,111	70	4,767	2,535	2,182	(169,919)	(25,060)	-	-
Total revenue	5,295	20	409,515	117,827	280,270	103,637	2,535	2,182	(169,919)	(25,060)	527,696	198,607
Gross profit/(loss)	2,170	20	31,813	7,074	(2,051)	2,007	2,535	2,182	(2,233)	(2,182)	32,234	9,101
Operating profit/(loss)	(780)	83	15,643	759	(10,869)	(1,100)	1,711	(1,408)	(121)	-	5,584	(1,666)
Finance income											652	339
Finance cost											(6,195)	(6,890)
Share of profit of associate											5,329	-
Profit/(Loss) before taxation											5,370	(8,217)
Income tax (expense)/benefit											(2,257)	456
Profit/(Loss) from continuing operations, net of tax											3,113	(7,761)
Profit from discontinued operations, net of tax											400	-
Profit/(Loss) for the financial period											3,513	(7,761)
Total sales volume (tonnes)	3,042	-	211,169	89,781	146,590	78,960	-	-	(88,501)	(17,132)	272,300	151,609
Gross profit/(loss) per tonne (US\$)	713	-	151	79	(14)	25	-	-	-	-	118	60
Other information:												
Depreciation expenses	2,177	31	3,616	2,203	56	51	18	18	-	-	5,867	2,303
Capital expenditure	11,101	564	1,648	840	101	46	889	59	-	-	13,739	1,509

Segment information - First Half 2017 ("H1 2017") and First Half 2016 ("H1 2016")

	Plantation		Processing		Distribution		Corporate		Elimination		Consolidated	
	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016	H1 2017	H1 2016
(US\$'000)												
Revenue to third party	89	28	479,596	195,132	557,187	186,689	-	-	-	-	1,036,872	381,849
Inter-segment revenue	13,444	-	259,503	30,080	4,146	11,725	5,070	4,364	(282,163)	(46,169)	-	-
Total revenue	13,533	28	739,099	225,212	561,333	198,414	5,070	4,364	(282,163)	(46,169)	1,036,872	381,849
Gross profit	4,974	28	71,574	11,847	3,926	9,194	5,070	4,364	(5,070)	(4,364)	80,474	21,069
Operating profit/(loss)	1,035	573	41,615	(64)	(10,190)	2,319	468	(4,939)	-	10	32,928	(2,101)
Finance income											823	571
Finance cost											(12,670)	(13,565)
Share of profit of associate											7,269	-
Profit/(Loss) before taxation											28,350	(15,095)
Income tax (expense)/benefit											(7,532)	840
Profit/(Loss) from continuing operations, net of tax											20,818	(14,255)
Loss from discontinued operations, net of tax											(7,715)	-
Profit/(Loss) for the financial period											13,103	(14,255)
Total sales volume (tonnes)	7,514	-	379,044	181,547	292,295	153,943	-	-	(144,676)	(33,677)	534,177	301,813
Gross profit per tonne (US\$)	662	-	189	65	13	60	-	-	-	-	151	70
Other information:												
Depreciation expenses	2,625	111	8,208	4,350	103	103	37	36	-	-	10,973	4,600
Capital expenditure	18,735	1,316	4,794	1,959	175	116	892	58	-	-	24,596	3,449

	Plantation		Processing		Distribution		Corporate		Elimination		Consolidated	
	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
Segment Assets	414,219	376,564	755,686	824,222	515,511	352,090	1,962,133	1,661,244	(1,737,094)	(1,655,758)	1,910,455	1,558,362
Segment Liabilities	174,508	147,105	394,099	492,077	407,911	229,641	789,808	633,950	(692,386)	(592,245)	1,073,940	910,528

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 second quarter and first half ended 30 June 2017 to be false or misleading in any material aspect.

By Order of the Board

Robert Meyer
Executive Director and CEO

Singapore,
2 August 2017