



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

**Unaudited Financial Statement for the First Quarter Ended 31 March 2018**

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

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

**Consolidated Profit and Loss Accounts- First Quarter 2018 ("Q1 2018")**

	Group		
	Q1 2018 (Unaudited)	Q1 2017 (Restated)	Change
	US\$'000	US\$'000	%
<b>Revenue</b>	429,897	509,176	(15.6)
Cost of sales	(407,095)	(460,936)	(11.7)
<b>Gross profit</b>	22,802	48,240	(52.7)
Other income	426	180	136.7
Selling expenses	(6,455)	(5,709)	13.1
Administrative expenses	(14,587)	(15,367)	(5.1)
<b>Operating profit</b>	2,186	27,344	(92.0)
Finance income	1,314	171	668.4
Finance costs	(4,401)	(6,475)	(32.0)
Share of profit of associate	-	1,940	n/m
<b>(Loss)/profit before tax from continuing operations</b>	(901)	22,980	n/m
Income tax expense	(657)	(5,456)	(88.0)
<b>(Loss)/profit from continuing operations, net of tax</b>	(1,558)	17,524	n/m
<b>Discontinued Operation</b>			
Profit/(Loss) from discontinued operations, net of tax	1,806	(8,115)	n/m
<b>Profit for the financial period</b>	248	9,409	(97.4)
<b>Profit/(Loss) attributable to:</b>			
Owners of the Company			
- continuing operations, net of tax	264	15,322	(98.3)
- discontinued operation, net of tax	993	(4,464)	n/m
	1,257	10,858	(88.4)
Non-controlling interests			
- continuing operations, net of tax	(1,822)	2,202	n/m
- discontinued operation, net of tax	813	(3,651)	n/m
	(1,009)	(1,449)	(30.4)
Earnings before interest, tax, depreciation and amortisation ("EBITDA")			
- continuing operations	8,518	32,435	(73.7)
- discontinued operation	3,298	(7,022)	n/m
	11,816	25,413	(53.5)
<b>Earnings/(Loss) per share ("EPS/LPS"):</b>			
Basic and diluted EPS/(LPS) in US cents			
- continuing operations (refer item 6)	0.02	0.96	(98.3)
- discontinued operation	0.06	(0.28)	n/m
Adjusted EPS/(LPS) in US cents			
- continuing operations (refer item 6)	0.02	0.96	(98.3)
- discontinued operation	0.06	(0.28)	n/m

n/m - not meaningful

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

**Consolidated Statement of Comprehensive Income - First Quarter 2018 ("Q1 2018")**

	Group		
	Q1 2018 (Unaudited)	Q1 2017 (Restated)	Change
	US\$'000	US\$'000	%
<b>Profit for the financial period</b>	248	9,409	(97.4)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations	10,650	16,684	(36.2)
<b>Other comprehensive income for the financial period</b>	10,650	16,684	(36.2)
<b>Total comprehensive income for the financial period</b>	10,898	26,093	(58.2)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company	11,603	26,842	(56.8)
Non-controlling interests	(705)	(749)	(5.9)
	10,898	26,093	(58.2)

n/m - not meaningful

**Note:**

Refer item (5) on details of restatement for Q1 2017.

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

Profit for the financial period has been arrived at after crediting/(charging) the following:			
	Group		
	Q1 2018 (Unaudited)	Q1 2017 (Restated)	Change
	US\$'000	US\$'000	%
<b>Continuing operations</b>			
Amortisation of intangible asset	(72)	(20)	264.6
Cost of inventories recognised as an expense	(407,095)	(460,936)	(11.7)
Depreciation:			
-Cost of sales	(4,661)	(4,215)	10.6
-Selling expenses	(24)	(24)	-
-Administrative expenses	(1,525)	(867)	75.9
	(6,210)	(5,106)	21.6
Employee benefits expenses:			
-Cost of sales	(11,508)	(10,256)	12.2
-Selling expenses	(1,444)	(1,163)	24.2
-Administrative expenses	(10,086)	(9,270)	8.8
	(23,038)	(20,689)	11.4
Finance cost:			
-Working capital loans ^	(1,250)	(2,287)	(45.3)
-Term loans	(3,129)	(2,598)	20.4
-Medium Term Notes ("MTN")	-	(1,573)	n/m
-Finance lease obligation	(22)	(17)	29.4
	(4,401)	(6,475)	(32.0)
Foreign exchange gain:			
-Cost of sales	506	1,260	(59.8)
-Administrative expenses	4,242	1,961	116.3
	4,748	3,221	47.4
Non-recurring expenses (Included within administrative expenses):			
-Acquisitions-related expenses	(59)	-	n/m
	(59)	-	n/m
Other income:			
-Fair value (loss)/gain on biological assets	(43)	48	n/m
-Others	469	132	255.3
	426	180	136.7
Professional fees	(1,206)	(677)	78.1

n/m - not meaningful

### Note:

Refer item (5) on details of restatement for Q1 2017.

^ Working capital expense has been netted off with interest income receivable from discontinued operations of US\$0.7 million in Q1 2018 (Q1 2017: US\$0.2 million).

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

Consolidated Statements of Financial Position as at 31 March 2018 and 31 December 2017				
	Group		Company	
	31 Mar 18 (Unaudited) US\$'000	31 Dec 17 (Restated) US\$'000	31 Mar 18 (Unaudited) US\$'000	31 Dec 17 (Audited) US\$'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	244,214	200,416	-	-
Property, plant and equipment	253,400	244,929	1,124	1,025
Plantation related properties	347,627	328,164	-	-
Biological assets	9,659	8,861	-	-
Investment properties	25,238	25,256	-	-
Deferred tax assets	13,806	14,346	-	-
Deferred charges	411	531	-	-
Other assets	1,747	1,793	-	-
Loan receivables	3,764	3,641	-	-
Investment in subsidiaries	-	-	600,824	600,824
Total non-current assets	899,866	827,937	601,948	601,849
<b>Current assets</b>				
Cash and bank balances	164,502	152,229	1,746	706
Trade receivables	170,626	121,689	-	-
Loan and other receivables	131,905	111,058	969,785	671,089
Tax receivables	4,078	2,175	-	-
Derivative financial instruments	55,969	22,885	-	-
Inventories	330,871	305,347	-	-
Consumable biological assets	6	49	-	-
	857,957	715,432	971,531	671,795
Assets of disposal group classified as held for sale	104,094	89,384	-	-
Total current assets	962,051	804,816	971,531	671,795
<b>Total assets</b>	<b>1,861,917</b>	<b>1,632,753</b>	<b>1,573,479</b>	<b>1,273,644</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Derivative financial instruments	10,235	145	-	-
Trade payables	32,549	38,757	-	-
Other payables	65,930	60,443	381,856	155,335
Loan payables	422,103	207,551	80,750	2,750
Provision for taxation	22,042	21,040	-	412
Finance lease obligation	-	496	-	496
	552,859	328,432	462,606	158,993
Liabilities of disposal group classified as held for sale	24,771	16,463	-	-
Total current liabilities	577,630	344,895	462,606	158,993
<b>Net current assets</b>	<b>384,421</b>	<b>459,921</b>	<b>508,925</b>	<b>512,802</b>
<b>Non current liabilities</b>				
Loan payables	402,156	402,960	298,979	299,367
Retirement benefit obligations	20,368	19,024	-	-
Deferred tax liabilities	31,097	30,782	-	25
Finance lease obligation	-	86	-	86
Other payables	1,865	1,843	-	-
Total non current liabilities	455,486	454,695	298,979	299,478
<b>Net assets</b>	<b>828,801</b>	<b>833,163</b>	<b>811,894</b>	<b>815,173</b>
<b>Capital and reserves</b>				
Share capital	603,874	603,874	603,874	603,874
Perpetual securities	148,690	148,690	148,690	148,690
Capital reserves	711	711	-	-
Accumulated (losses)/profits	(12,558)	(5,694)	59,330	62,609
Foreign currency translation reserves	53,018	42,672	-	-
Equity attributable to owners of the Company	793,735	790,253	811,894	815,173
Non-controlling interests	35,066	42,910	-	-
Total equity	828,801	833,163	811,894	815,173
<b>Total liabilities and equity</b>	<b>1,861,917</b>	<b>1,632,753</b>	<b>1,573,479</b>	<b>1,273,644</b>

**Note:**

Refer item (5) on details of restatement as at 31 December 2017.

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

	<b>As at 31 March 2018 (Unaudited)</b>		<b>As at 31 December 2017 (Audited)</b>	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	201,277	220,826	33,672	173,879
Finance lease	-	-	496	-

**Amount repayable after one year**

	<b>As at 31 March 2018 (Unaudited)</b>		<b>As at 31 December 2017 (Audited)</b>	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Loan payables	3,443	398,713	3,215	399,745
Finance lease	-	-	86	-

**Details of any collateral**

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

The finance leases which are secured by the lessor's title to the leased assets have been fully repaid during Q1 2018.

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

**Consolidated Statement of Cash Flows - First Quarter 2018 ("Q1 2018")**

	Group	
	Q1 2018 (Unaudited)	Q1 2017 (Restated)
	US\$'000	US\$'000
<b>Operating activities:</b>		
(Loss)/profit before taxation from continuing operations	(901)	22,980
Profit/(loss) before taxation from discontinued operation	1,822	(8,157)
<b>Profit before taxation</b>	<b>921</b>	<b>14,823</b>
Adjustments for:		
Depreciation expense	7,061	5,944
Amortisation of intangible asset	72	20
Retirement benefit expense	795	530
Interest income	(1,316)	(171)
Interest expense	5,082	6,629
Fair value loss/(gain) on open forward commodities contracts and inventories, unrealised	1,578	(5,053)
Fair value loss/(gain) on biological assets	43	(48)
Unrealised foreign exchange gain	(2,625)	-
Loss/(gain) on disposal of property, plant and equipment and investment properties and write off of property, plant and equipment	50	(35)
Share of profit of associates	(54)	(1,797)
Operating cash flows before working capital changes	11,607	20,842
Trade and other receivables	(54,914)	(83,869)
Inventories	(54,738)	(134,728)
Trade and other payables	1,795	49,781
Cash used in operations	(96,250)	(147,974)
Interest received	481	171
Interest paid	(2,217)	(1,840)
Tax paid	(2,233)	(1,106)
Net cash used in operating activities	<b>(100,219)</b>	<b>(150,749)</b>
<b>Investing activities</b>		
Acquisition of subsidiaries (net of cash acquired)	(44,594)	-
Acquisition of non-controlling interests	(15,260)	-
Deposit paid for proposed acquisition of subsidiaries	(7,919)	-
Option fee received from proposed disposal of an associate	-	5,403
Capital expenditure on property, plant and equipment and plantation assets	(14,778)	(10,857)
Proceeds from disposal of property, plant and equipment and investment properties	87	82
Net cash used in investing activities	<b>(82,464)</b>	<b>(5,372)</b>
<b>Financing activities</b>		
Net (repayment)/proceeds of term loans & syndicated loan facility	(3,424)	26,966
Net proceeds of working capital loans	204,753	133,793
Interest paid on term loans and syndicated loan facility	(2,726)	(2,077)
Interest paid on Medium Term Notes ("MTN")	-	(2,908)
Repayment of obligation under finance lease arrangement	(582)	(157)
Increase in pledged deposits	(34)	(4,445)
Net cash generated from financing activities	197,987	151,172
Net increase/(decrease) in cash and cash equivalents	15,304	(4,949)
Cash and cash equivalents at beginning of the period	153,372	66,625
Effects of exchange rate changes on the balance of cash held in foreign currencies	(256)	(557)
<b>Cash and cash equivalents at end of the period</b>	<b>168,420</b>	<b>61,119</b>
<b>Cash and bank balances comprise the following:</b>		
Cash and cash equivalents:		
- Continuing operations	161,248	58,156
- Disposal group classified as held for sale	7,172	2,963
	<b>168,420</b>	<b>61,119</b>
Fixed deposits - pledged:		
- Continuing operations	3,254	2,929
- Disposal group classified as held for sale	1,586	1,516
	<b>4,840</b>	<b>4,445</b>
	<b>173,260</b>	<b>65,564</b>

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

**Consolidated Statements of Changes in Equity as at 31 March 2018 and 31 March 2017**

	Attributable to owners of the Company					Total equity attributable to owners of the Company US\$'000	Non-controlling interests	Total
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserves US\$'000	Accumulated profits/ losses US\$'000	Foreign currency translation reserves US\$'000		US\$'000	US\$'000
<b>Group (Unaudited)</b>								
Balance at 1 January 2018, as previously reported	603,874	148,690	711	76,422	(34,776)	794,921	42,910	837,831
Impact of adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") - item (5)	-	-	-	(82,116)	77,448	(4,668)	-	(4,668)
Balance at 1 January 2018, as restated	603,874	148,690	711	(5,694)	42,672	790,253	42,910	833,163
<b>Total comprehensive income for the period</b>								
Profit/(loss) for the period	-	-	-	1,257	-	1,257	(1,009)	248
Other comprehensive income	-	-	-	-	10,346	10,346	304	10,650
Total	-	-	-	1,257	10,346	11,603	(705)	10,898
<b>Changes in ownership interests in subsidiaries</b>								
Acquisition of non-controlling interests without a change in control	-	-	-	(8,121)	-	(8,121)	(7,139)	(15,260)
Total	-	-	-	(8,121)	-	(8,121)	(7,139)	(15,260)
Balance at 31 March 2018	603,874	148,690	711	(12,558)	53,018	793,735	35,066	828,801
<b>Group (Restated)</b>								
Balance at 1 January 2017, as previously reported	603,874	-	455	48,116	(77,448)	574,997	47,082	622,079
Impact of adoption of SFRS(I) - item (5)	-	-	-	(81,395)	77,448	(3,947)	-	(3,947)
Balance at 1 January 2017, as restated	603,874	-	455	(33,279)	-	571,050	47,082	618,132
<b>Total comprehensive income/(loss) for the period</b>								
Profit/(Loss) for the period, as restated	-	-	-	10,858	-	10,858	(1,449)	9,409
Other comprehensive income	-	-	-	-	15,984	15,984	700	16,684
Total	-	-	-	10,858	15,984	26,842	(749)	26,093
Balance at 31 March 2017, as restated	603,874	-	455	58,974	(61,464)	601,839	46,333	648,172
<b>Company (Unaudited)</b>								
Balance at 1 January 2018	603,874	148,690	-	62,609	-	815,173	-	815,173
<b>Total comprehensive loss for the period</b>								
Loss for the period	-	-	-	(3,279)	-	(3,279)	-	(3,279)
Total	-	-	-	(3,279)	-	(3,279)	-	(3,279)
Balance at 31 March 2018	603,874	148,690	-	59,330	-	811,894	-	811,894
<b>Company (Unaudited)</b>								
Balance at 1 January 2017	603,874	-	-	(11,204)	-	592,670	-	592,670
<b>Total comprehensive loss for the period</b>								
Loss for the period	-	-	-	(4,802)	-	(4,802)	-	(4,802)
Total	-	-	-	(4,802)	-	(4,802)	-	(4,802)
Balance at 31 March 2017	603,874	-	-	(16,006)	-	587,868	-	587,868

- 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**

	<b>Number of ordinary shares</b>	<b>US\$'000</b>
<b>Issued and paid-up</b>		
At 31 December 2017 and 31 March 2018	<u>1,595,011,941</u>	<u>603,874</u>

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 March 2018 and 31 March 2017.

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

The Company did not hold any treasury shares as at 31 March 2018 and 31 December 2017. As such, the number of issued shares excluding treasury shares as at 31 March 2018 and 31 December 2017 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 2017.

**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 2018.

**(a) Convergence with International Financial Reporting Standards (“IFRS”)**

The Group has on 1 January 2018 adopted a new financial reporting framework identical to the IFRS, i.e. Singapore Financial Reporting Standards (International) (“SFRS(I”).

**(i) Exemption for cumulative translation differences**

On transition to the new financial reporting framework, the Group has elected the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the Group has reclassified an amount of US\$77,448,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

**(ii) Deferred tax on unremitted foreign sourced income**

With the adoption of SFRS(I) by the Group from 1 January 2018, the Group is no longer able to apply the Recommended Accounting Practice 8 exemption of not providing deferred tax liability for unremitted foreign sourced income which it has no intention of remitting into Singapore. Consequently, the Group has recognised deferred tax liabilities of US\$4,668,000 and US\$3,947,000 as at 31 December 2017 and 31 December 2016 respectively, on the Group’s unremitted foreign sourced income.

The impact of convergence with SFRS(I) are as follows:

	<b>Group</b>	
	<b>31 Dec 2017</b>	<b>1 Jan 2017</b>
	<b>Increase/(Decrease)</b>	<b>Increase/(Decrease)</b>
	<b>US\$’000</b>	<b>US\$’000</b>
<b>Statement of financial position</b>		
Deferred tax liabilities	4,668	3,947
Accumulated profits/(losses)	(82,116)	(81,395)
Foreign currency translation reserves	77,448	77,448
	<hr/>	<hr/>
		<b>Group</b>
		<b>Q1 2017</b>
		<b>Increase/(Decrease)</b>
		<b>US\$’000</b>
<b>Profit or loss</b>		
Deferred tax expense		<hr/> <hr/> 180

(b) **Adoption of SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers**

The Group has performed a detailed analysis of the impact of adoption of SFRS(I) 9 and SFRS(I) 15, and assessed the impact to be immaterial. As such, there is no restatements to the Group's prior period's financial statements upon the adoption of SFRS(I) 9 and SFRS(I) 15.

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

The income statement comparative figures for Q1 2017 have been re-presented to reflect Teck Bee Hang Co., Ltd group ("Teck Bee Hang") as discontinued operations in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Refer Note 8 for details on the discontinued operation.

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

	Group	
	Q1 2018 (Unaudited)	Q1 2017 (Restated)
<b><u>Continuing operations</u></b>		
Profit attributable to owners of the Company (US\$'000)	264	15,322
Basic and diluted earnings per share ("EPS") in US cents <sup>(1)</sup>	0.02	0.96
Adjusted EPS in US cents <sup>(2)</sup>	0.02	0.96
Adjusted EPS in SGD cents <sup>(3)</sup>	0.02	1.35
<b><u>Discontinued operations</u></b>		
Profit/(loss) attributable to owners of the Company (US\$'000)	993	(4,464)
Basic and diluted earnings per share ("EPS") in US cents <sup>(1)</sup>	0.06	(0.28)
Adjusted EPS in US cents <sup>(2)</sup>	0.06	(0.28)
Adjusted EPS in SGD cents <sup>(3)</sup>	0.08	(0.39)

Notes:

- (1) The basic and diluted EPS for the periods under review have been computed based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue for the respective periods.
- (2) For comparative purposes, the adjusted EPS for the periods under review have been computed based on the profit attributable to owners of the Company and number of ordinary shares in issue as at 31 March 2018 of 1,595,011,941 ordinary shares.
- (3) Translated at the average exchange rates for each respective period.

The basic and diluted EPS for Q1 2018 and Q1 2017 were the same as there were no potentially dilutive ordinary shares in issue as at 31 March 2018 and 31 March 2017.

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

	Group		Company	
	31 March 2018 (Unaudited)	31 December 2017 (Restated)	31 March 2018 (Unaudited)	31 December 2017 (Audited)
Net asset value per ordinary share based on issued share capital (US cents)	51.96	52.24	50.90	51.11
Net asset value per ordinary share based on issued share capital (SGD cents) <sup>(1)</sup>	68.34	69.82	66.94	68.31
Number of ordinary shares outstanding	1,595,011,941	1,595,011,941	1,595,011,941	1,595,011,941

Note:

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

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

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

**REVIEW OF THE INCOME STATEMENT OF THE GROUP FOR Q1 2018 VS Q1 2017**

**Overview**

**Snapshot**

**Operating financial statistics (continuing operations)**

		Q1 2018	Q1 2017 Restated	Change
Total sales volume	tonnes	276,562	261,877	5.6%
Revenue	US\$ million	429.9	509.2	-15.6%
Revenue per tonne	US\$	1,554	1,944	-20.1%
Gross profit	US\$ million	22.8	48.2	-52.7%
EBITDA	US\$ million	8.5	32.4	-73.7%
Net (loss)/profit	US\$ million	(1.6)	17.5	n/m

n/m - not meaningful

Q1 2018 results included the results of our newly acquired or incorporated assets and subsidiaries, namely Wurfbain Polymer B.V., Alan L Grant Polymer, Inc., Corrie Maccoll Rubber Ltd, Centrotrade Hatyai Co., Ltd., and Kelvin Terminals B.V. (collectively known as "Corrie MacColl") and PT Pulau Bintan Djaya ("PT PBD").

## **Revenue**

### *Q1 2018 vs Q1 2017*

Revenue decreased by US\$79.3 million or 15.6%, from US\$509.2 million in Q1 2017 to US\$429.9 million in Q1 2018 mainly due to the decrease in revenue per tonne from US\$1,944 (Q1 2017) to US\$1,554 (Q1 2018), in line with the movement of the natural rubber market price during these periods; which was partially offset by higher sales volumes from 261,877 tonnes in Q1 2017 to 276,562 tonnes in Q1 2018, mainly due to contribution from the newly acquired subsidiaries.

## **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).

### *Q1 2018 vs Q1 2017*

Cost of sales decreased by US\$53.8 million or 11.7%, from US\$460.9 million in Q1 2017 to US\$407.1 million in Q1 2018, due to the decrease in price of raw materials (in line with the decrease in the market price for natural rubber).

## **Gross profit**

	<b>Q1 2018</b>	<b>Q1 2017 Restated</b>	<b>Change</b>
Gross profit (US\$ million)	22.8	48.2	-52.7%
Sales volume (tonnes)	276,562	261,877	5.6%
Gross profit per tonne (US\$)	82	184	-55.2%

### *Q1 2018 vs Q1 2017*

Gross profit decreased by US\$25.4 million or 52.7% from US\$48.2 million in Q1 2017 to US\$22.8 million in Q1 2018 mainly due to lower gross profit per tonne of US\$102. Higher gross profit in Q1 2017 mainly due to rally in rubber prices in January and February of 2017 which enabled the Global Tyre Majors segment to capture good processing margin and also sales in China was generating higher margins during the price rally. As the rubber price continued at lower level this year, this had affected our gross profit in Q1 2018.

## **(Loss)/profit before tax**

### *Q1 2018 vs Q1 2017*

Loss before tax in Q1 2018 was US\$0.9 million, a decrease of US\$23.9 million from a profit before tax of US\$23.0 million in Q1 2017.

The decrease in profit before tax was mainly due to the decrease in gross profit of US\$25.4 million as mentioned above and the additional operating expenses from the newly acquired subsidiaries. This is partially offset by lower net finance cost in Q1 2018 as we replaced higher cost loans with cheaper facilities throughout 2017.

## **(Loss)/profit after tax**

### *Q1 2018 vs Q1 2017*

Loss after tax in Q1 2018 was US\$1.6 million, a decrease of US\$19.1 million from a profit after tax of US\$17.5 million in Q1 2017.

## **Discontinued operation**

Discontinued operation refers to the Group's processing business in Thailand, under the brand name of Teck Bee Hang, which has been classified as asset held for sale under SFRS(I) 5 *Non-Current Assets Held for Sale and Discontinued Operations*, following the Group's strategic review undertaken in the first half of 2017. The discontinued operation contributed to US\$1.8 million profit after tax in Q1 2018 (Q1 2017: loss after tax of US\$8.1 million), with revenue of US\$45.8 million in Q1 2018 (Q1 2017: US\$49.1 million), gross profit of US\$5.7 million in Q1 2018 (Q1 2017: gross loss of US\$4.3 million) and operating profit of US\$2.4 million in Q1 2018 (Q1 2017: operating loss of US\$7.9 million).

## **REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 31 MARCH 2018 VS 31 DECEMBER 2017**

### **Non-current assets**

Non-current assets increased by US\$72.0 million or 8.7% from 31 December 2017 (US\$827.9 million) to 31 March 2018 (US\$899.9 million), mainly due to the following factors:

- (i) increase of US\$43.8 million in intangible assets mainly related to the provisional goodwill arising from the acquisition of Corrie MacColl (US\$27.2 million) and 80% equity stake in PT PBD (US\$14.6 million);
- (ii) US\$14.8 million additional investment in PPE and plantation related properties as part of the planned capital expenditure;
- (iii) US\$8.7 million increase in PPE due to acquisition of Corrie MacColl (US\$2.1 million) and PT PBD (US\$6.6 million); and
- (iv) foreign exchange difference arising from the translation of PPE and plantation related properties in an aggregate of US\$12.3 million as a result of strengthening of respective local currency in Malaysia, China, Thailand and Africa, against US Dollar.

The increase in non-current assets was partially offset by a depreciation expense of US\$6.2 million.

### **Current assets**

Current assets increased by US\$157.2 million or 19.5% from 31 December 2017 (US\$804.8 million) to 31 March 2018 (US\$962.0 million) mainly due to:

- (i) increase in trade and other receivables of US\$69.8 million, increase in cash and bank balances of US\$12.3 million and inventories of US\$25.5 million mainly due to working capital arising from the new acquisitions; and
- (ii) increase in derivative financial instruments of US\$33.1 million mainly due to higher valuation gain on open sales contracts as at 31 March 2018.

## **Current liabilities**

Current liabilities increased by US\$232.7 million or 68.3% from 31 December 2017 (US\$344.9 million) to 31 March 2018 (US\$577.6 million), mainly due to:

- (i) increase in loan payables of US\$214.5 million, mainly due to drawing of loans for working capital purposes, mostly for the newly acquired subsidiaries; and
- (ii) increase in derivative financial instruments of US\$10.1 million mainly due to higher valuation loss on open purchase contracts.

The breakdown of the current loan payables are as follows:

<b>(US\$ million)</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
Working capital loans	410.7	196.6
Term loans	11.4	11.0
<b>Total</b>	<b>422.1</b>	<b>207.6</b>

## **Non-current liabilities**

Non-current liabilities increased by US\$0.8 million or 0.2% from 31 December 2017 (US\$454.7 million) to 31 March 2018 (US\$455.5 million), mainly due to additional provision of retirement benefit obligation of US\$1.3 million and deferred tax liabilities of US\$0.3 million, offset by decrease in term loans of US\$0.8 million.

## **Equity**

The Group's equity decreased by US\$4.4 million from US\$833.2 million as at 31 December 2017 to US\$828.8 million as at 31 March 2018, mainly due to decrease in non-controlling interests, offset by Q1 2018 net income and foreign currency translation gain 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 Teck Bee Hang. The key components are as follows:

	<b>31 Mar 18</b>
	<b>Unaudited</b>
	<b>US\$'000</b>
<b><u>ASSETS</u></b>	
Investment in associate	1,464
Property, plant and equipment	27,406
Investment properties	17,185
Cash and bank balances	8,758
Other working capital assets	49,281
Total assets	104,094
<b><u>LIABILITIES</u></b>	
Working capital liabilities	17,111
Deferred tax liabilities	7,660
Total liabilities	24,771
<b>Net assets</b>	<b>79,323</b>

## **Working capital**

As at 31 March 2018, net working capital amounted to US\$222.8 million, as set out below:

<b>(US\$ million)</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
Cash and bank balances	164.5	152.2
Trade receivables	170.6	121.7
Inventories	330.9	305.3
Less: Trade payables	(32.5)	(38.8)
Less: Working capital loans (current)	(410.7)	(196.6)
<b>Net working capital</b>	<b>222.8</b>	<b>343.8</b>

## **REVIEW OF THE CASH FLOW STATEMENT OF THE GROUP FOR Q1 2018 VS Q1 2017**

The following table sets out a summary of cash flows for Q1 2018 and Q1 2017:

<b>(US\$ million)</b>	<b>Q1 2018</b>	<b>Q1 2017 (Restated)</b>
Net cash generated from operating activities, before working capital changes	7.6	18.1
Changes in working capital	(107.8)	(168.8)
Net cash used in operating activities	(100.2)	(150.7)
Net cash used in investing activities	(82.5)	(5.4)
Net cash generated from financing activities	198.0	151.2
Net increase/(decrease) in cash and cash equivalents	15.3	(4.9)
Cash and cash equivalents at the beginning of the period	153.4	66.6
Effect of exchange rate changes on the balance of cash held in foreign currencies	(0.3)	(0.6)
<b>Cash and cash equivalents at the end of the period</b>	<b>168.4</b>	<b>61.1</b>

### *Q1 2018 vs Q1 2017*

The Group's cash and cash equivalents increased by US\$15.3 million during Q1 2018. It recorded net cash used in operating activities of US\$100.2 million during Q1 2018.

Cash used in investing activities of US\$82.5 million was mainly due to acquisition of Corrie MacColl and PT PBD, acquisition of non-controlling interests, and capital expenditure on PPE and plantation assets.

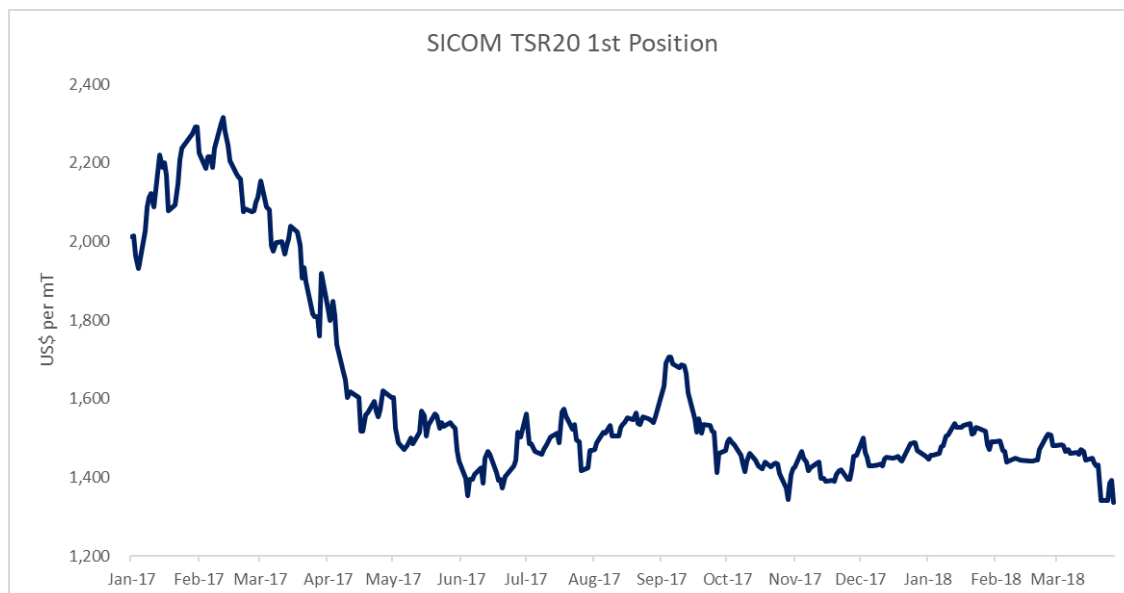
Net cash generated from financing activities was US\$198.0 million, mainly due to net proceeds from various loans, offset by payment of associated interest costs.

## **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**

An overview of the historical market price trend – referenced to SICOM TSR20 1st position, is as follows:



The implementation of the fifth wave of Agreed Export Tonnage Scheme over Q1 2018 by member countries of Tripartite Rubber Council, did not yield the expected results as there has been no significant improvement in prices even after the imposition of export curbs. The continued depressed prices have affected our performance in Q1 2018. However, with the expiry of the export curbs at the end of March 2018, we expect sales volume from our factories in Indonesia, Malaysia and Thailand to improve for the remainder of 2018. While we expect that market prices moving forward will be anchored by the volatility caused by economic uncertainties as well as speculative activities, Halcyon Agri remains cautiously optimistic that the market price of natural rubber will improve with its growing demand spurred by increased infrastructure spending such as China's One Belt One Road initiative and the growth of e-commerce and hence, last mile deliveries worldwide.

Raw material supply remains a challenge in Indonesia as the country's production is recovering from wintering season in Q4 2017. At current price levels, smallholders are less incentivised to tap rubber or plant more rubber trees. This affects the supply, requiring more aggressive pricing of raw material purchased by our local factories, which in turn, affects our margins as reflected in our Q1 results. While we remain positive that the current situation will improve, we are conscious that the availability of raw material is dependent on factors beyond our control such as weather, soil conditions and the absolute level of the reference TSR 20 contract.

For the remainder of 2018, management is focused on the following:

- Integration of the five newly acquired SIR factories under PT Pulau Bintan Djaya, PT Sumber Alam and PT Sumber Djantin. We expect to realise the benefits from the creation of our second Indonesian hub in Pontianak over the course of 2018 as well as from the enlarged production base in Indonesia where we are the largest producer of SIR.
- Actively manage our raw materials procurement strategy in Indonesia to capitalise on our significantly enlarged raw material purchasing base.



- Review the strategic options for Teck Bee Hang, our Thai subsidiary with our minority partners on a mutually beneficial restructuring plan.
- Strategic review of our SINRIO PRC Tyre Majors business with the goal of transforming our China focused vertical into the market leader for the Chinese tyre market.
- Strengthen the positioning of our Global Non-Tyre & Specialty Tyre business.

**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.

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

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

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

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



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

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

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

We, Robert Meyer and Pascal Demierre, hereby confirm on behalf of the Board of Directors (the “Board”) of the Company that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the first quarter ended 31 March 2018 to be false or misleading in any material aspect.

**By Order of the Board**

Robert Meyer  
Executive Director and CEO

Singapore,  
7 May 2018