



Halcyon Agri Corporation Limited

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

Financial Statements
For the Second Half 2021 (“H2 2021”) and
Financial Year ended 31 December 2021
 (“FY2021”)

Halcyon Agri Corporation Limited and its Subsidiaries

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Halcyon Agri Corporation Limited and its Subsidiaries

PART A: FINANCIAL STATEMENTS

A1: Consolidated Income Statement

For the Second Half 2021 and Financial Year ended 31 December 2021

	Note in	Group			Group		
		H2 2021	H2 2020	Change	FY 2021	FY 2020	Change
		Unaudited US\$'000	Unaudited US\$'000	%	Unaudited US\$'000	Audited US\$'000	%
Revenue		1,307,739	938,612	39.3	2,459,821	1,708,786	44.0
Cost of sales		(1,217,956)	(870,783)	39.9	(2,296,948)	(1,607,216)	42.9
Gross profit		89,783	67,829	32.4	162,873	101,570	60.4
Other income	4	10,034	5,729	75.1	18,265	6,925	163.8
Selling expenses		(30,132)	(22,979)	31.1	(57,639)	(43,252)	33.3
General and administrative expenses		(42,385)	(56,933)	(25.6)	(86,585)	(103,842)	(16.6)
General and administrative expenses – foreign exchange gain/(loss)		30	4,515	(99.3)	(800)	7,328	n/m
Operating profit/(loss)		27,330	(1,839)	n/m	36,114	(31,271)	n/m
Finance income		2,991	3,240	(7.7)	6,377	5,829	9.4
Finance costs	5	(13,780)	(12,263)	12.4	(25,893)	(31,228)	(17.1)
Share of (loss)/profit of associates		(389)	84	n/m	(204)	253	n/m
Profit/(Loss) before tax	6	16,152	(10,778)	n/m	16,394	(56,417)	n/m
Income tax credit/(expense)	7	696	(8,227)	n/m	659	(4,196)	n/m
Profit/(Loss) for the financial period/year		16,848	(19,005)	n/m	17,053	(60,613)	n/m
Profit/(Loss) attributable to:							
Owners of the Company		10,788	(13,393)	n/m	11,547	(53,776)	n/m
Non-controlling interests		6,060	(5,612)	n/m	5,506	(6,837)	n/m
		16,848	(19,005)	n/m	17,053	(60,613)	n/m
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)		43,243	15,340	181.9	61,110	1,553	3,835.0
Earnings/(Loss) per share (“EPS”)/ (“LPS”):							
Basic and diluted (US cents per share)	8	0.44	(0.90)	n/m	0.25	(3.43)	n/m

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A2: Consolidated Statement of Comprehensive Income For the Second Half 2021 and Financial Year ended 31 December 2021

	Group			Group		
	H2 2021 Unaudited US\$'000	H2 2020 Unaudited US\$'000	Change %	FY 2021 Unaudited US\$'000	FY 2020 Audited US\$'000	Change %
Profit/(Loss) for the financial period/year	16,848	(19,005)	n/m	17,053	(60,613)	n/m
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of foreign operations	(13,876)	42,252	n/m	(31,057)	28,831	n/m
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Actuarial gain on retirement benefit obligation (net of tax)	937	391	139.6	937	532	76.1
Net fair value gain on equity instruments at fair value through other comprehensive income	–	2	n/m	–	–	n/m
Other comprehensive (loss)/income for the financial period/year net of tax	<u>(12,939)</u>	<u>42,645</u>	<u>n/m</u>	<u>(30,120)</u>	<u>29,363</u>	<u>n/m</u>
Total comprehensive income/(loss) for the financial period/year net of tax	<u>3,909</u>	<u>23,640</u>	<u>(83.5)</u>	<u>(13,067)</u>	<u>(31,250)</u>	<u>(58.2)</u>
Attributable to:						
- Owners of the Company	(1,467)	27,897	n/m	(17,171)	(25,396)	(32.4)
- Non-controlling interests	5,376	(4,257)	n/m	4,104	(5,854)	n/m
Total comprehensive income/(loss) for the financial period/year net of tax	<u>3,909</u>	<u>23,640</u>	<u>(83.5)</u>	<u>(13,067)</u>	<u>(31,250)</u>	<u>(58.2)</u>

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Statements of Financial Position As at 31 December 2021 and 31 December 2020

	Note in Part C	Group		Company	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
ASSETS					
Non-current assets					
Intangible assets	9	299,125	300,439	416	665
Property, plant and equipment	10	268,540	304,263	1,166	2,103
Plantation and biological assets	14	530,671	524,765	–	–
Investment properties	11	42,169	43,584	–	–
Deferred tax assets	13	24,226	17,267	–	–
Deferred charges		496	527	–	–
Other assets		1,232	1,866	–	–
Debt instruments carried at fair value through profit and loss		2,417	2,713	–	–
Loans and other receivables	15	51,147	60,224	–	–
Investment in subsidiaries	12	–	–	1,133,074	962,208
Investment in associates	12	9,187	1,298	7,718	–
Total non-current assets		1,229,210	1,256,946	1,142,374	964,976
Current assets					
Cash and bank balances		33,396	45,722	391	239
Trade receivables		165,059	157,385	–	–
Loans and other receivables	15	104,699	86,586	408,504	651,501
Tax receivables		4,144	5,810	–	–
Derivative financial instruments		23,317	15,854	3,976	10,578
Inventories	16	496,976	389,252	–	–
Consumable biological assets		83	6	–	–
		827,674	700,615	412,871	662,318
Assets classified as held for sale		6,417	6,430	–	–
Total current assets		834,091	707,045	412,871	662,318
Total assets		2,063,301	1,963,991	1,555,245	1,627,294
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments		2,647	7,498	4,300	10,335
Trade payables		57,449	33,178	–	–
Other payables		96,510	60,871	76,589	183,415
Loan payables	17	634,191	836,715	329,800	574,107
Provision for taxation		1,157	6,692	442	72
Lease liabilities		3,286	2,621	698	1,058
Total current liabilities		795,240	947,575	411,829	768,987
Net current assets/(liabilities)		38,851	(240,530)	1,042	(106,669)

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Statements of Financial Position As at 31 December 2021 and 31 December 2020

	Note in Part C	Group		Company	
		31 December 2021	31 December 2020	31 December 2021	31 December 2020
		Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
Non-current liabilities					
Loan payables	17	452,727	174,870	282,000	–
Retirement benefit obligations		22,338	24,535	–	–
Deferred tax liabilities	13	47,156	45,331	354	260
Lease liabilities		8,033	9,389	44	758
Other payables		10,329	13,186	33,010	80,458
Total non-current liabilities		540,583	267,311	315,408	81,476
Net assets		727,478	749,105	828,008	776,831
Capital and reserves					
Share capital	19	603,874	603,874	603,874	603,874
Perpetual securities	20	192,640	192,640	192,640	192,640
Capital reserve		2,740	2,420	–	–
Other reserves		(1,517)	717	(1,310)	(1,310)
(Accumulated losses)/Retained Earnings		(112,996)	(114,753)	32,804	(18,373)
Foreign currency translation reserve		13,025	42,809	–	–
Equity attributable to owners of the Company		697,766	727,707	828,008	776,831
Non-controlling interests		29,712	21,398	–	–
Total equity		727,478	749,105	828,008	776,831
Total liabilities and equity		2,063,301	1,963,991	1,555,245	1,627,294

Halcyon Agri Corporation Limited and its Subsidiaries

A4: Statements of Changes in Equity
For the Financial Year ended 31 December 2021

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000	US\$'000	US\$'000
Group (Unaudited)									
At 1 January 2021	603,874	192,640	2,420	717	(114,753)	42,809	727,707	21,398	749,105
Profit for the year	–	–	–	–	11,547	–	11,547	5,506	17,053
Other comprehensive income	–	–	–	–	898	(29,616)	(28,718)	(1,402)	(30,120)
Total comprehensive (loss)/income for the year	–	–	–	–	12,445	(29,616)	(17,171)	4,104	(13,067)
<u>Contributions by and distributions to owners</u>									
Distribution to perpetual securities holders	–	–	–	–	(7,600)	–	(7,600)	–	(7,600)
Statutory reserve fund	–	–	320	–	(320)	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(209)	(209)
Total contributions by and distributions to owner	–	–	320	–	(7,920)	–	(7,600)	(209)	(7,809)
<u>Changes in ownership interests in subsidiaries</u>									
Deemed disposal of a subsidiary due to dilution of interest	–	–	–	(2,234)	2,045	–	(189)	(336)	(525)
Transaction with non-controlling interests of a subsidiary	–	–	–	–	(4,813)	(168)	(4,981)	4,755	(226)
Total changes in ownership interests in subsidiaries	–	–	–	(2,234)	(2,768)	(168)	(5,170)	4,419	(751)
At 31 December 2021	603,874	192,640	2,740	(1,517)	(112,996)	13,025	697,766	29,712	727,478

Halcyon Agri Corporation Limited and its Subsidiaries

**A4: Statements of Changes in Equity
For the Financial Year ended 31 December 2020**

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000	US\$'000	US\$'000
Group (Audited)									
At 1 January 2020	603,874	–	1,814	(2,952)	(56,162)	14,903	561,477	27,511	588,988
Loss for the year	–	–	–	–	(53,776)	–	(53,776)	(6,837)	(60,613)
Other comprehensive income	–	–	–	–	474	27,906	28,380	983	29,363
Total comprehensive (loss)/income for the year	–	–	–	–	(53,302)	27,906	(25,396)	(5,854)	(31,250)
<u>Contributions by and distributions to owners</u>									
Issuance of perpetual securities, net of transaction costs	–	198,640	–	–	–	–	198,640	–	198,640
Guarantee fee capitalised in relation to issuance of perpetual securities	–	(6,000)	–	–	–	–	(6,000)	–	(6,000)
Statutory reserve fund	–	–	606	–	(606)	–	–	–	–
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(83)	(83)
Total contributions by and distributions to owner	–	192,640	606	–	(606)	–	192,640	(83)	192,557
<u>Changes in ownership interests in subsidiaries</u>									
Acquisition of remaining interest in a subsidiary	–	–	–	3,669	(4,683)	–	(1,014)	(176)	(1,190)
Total changes in ownership interests in subsidiaries	–	–	–	3,669	(4,683)	–	(1,014)	(176)	(1,190)
At 31 December 2020	603,874	192,640	2,420	717	(114,753)	42,809	727,707	21,398	749,105

Halcyon Agri Corporation Limited and its Subsidiaries

A4: Statements of Changes in Equity

For the Financial Year ended 31 December 2021 and 31 December 2020

	Share capital US\$'000	Perpetual securities US\$'000	Other reserves US\$'000	(Accumulated losses)/ Retained Earnings US\$'000	Total equity US\$'000
Company (Unaudited)					
At 1 January 2021	603,874	192,640	(1,310)	(18,373)	776,831
Profit for the year representing total comprehensive income for the year	–	–	–	58,777	58,777
<u>Contributions by and distributions to owners</u>					
Distribution to perpetual securities holders	–	–	–	(7,600)	(7,600)
Total transactions with owners in their capacity as owners	–	–	–	(7,600)	(7,600)
At 31 December 2021	603,874	192,640	(1,310)	32,804	828,008
Company (Audited)					
At 1 January 2020	603,874	–	(1,310)	(904)	601,660
Loss for the year representing total comprehensive loss for the year	–	–	–	(17,469)	(17,469)
<u>Contributions by and distributions to owners</u>					
Issuance of perpetual securities, net of transaction costs	–	198,640	–	–	198,640
Guarantee fee capitalized in relation to issuance of perpetual securities	–	(6,000)	–	–	(6,000)
Total transactions with owners in their capacity as owners	–	192,640	–	–	192,640
At 31 December 2020	603,874	192,640	(1,310)	(18,373)	776,831

Halcyon Agri Corporation Limited and its Subsidiaries

A5: Consolidated Cash Flow Statement For the Second Half 2021 and Financial Year ended 31 December 2021

	Note in Part C	Group		Group	
		H2 2021 Unaudited US\$'000	H2 2020 Unaudited US\$'000	FY 2021 Unaudited US\$'000	FY 2020 Audited US\$'000
Operating activities					
Profit/(Loss) before tax		16,152	(10,778)	16,394	(56,417)
Adjustments for:					
Depreciation expense	6	14,788	14,912	29,554	28,797
Amortisation of intangible assets	6	375	462	784	909
Amortisation of right-of-use assets	6	1,610	1,642	3,120	3,066
Retirement benefit expense		259	1,758	2,734	4,304
Interest income		(2,991)	(3,240)	(6,377)	(5,829)
Interest expense		13,506	11,701	25,365	30,638
Interest on operating lease liabilities		274	562	528	590
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised		(14,470)	(4,486)	(13,911)	13,992
Fair value gain on investment properties	4	(1,651)	(793)	(1,651)	(793)
Fair value gain on biological assets	4	(6,777)	(3,454)	(6,777)	(3,454)
Unrealised foreign exchange (gain)/loss		(1,084)	6,833	(1,007)	6,123
Reversal of impairment of property, plant and equipment		–	(113)	–	(113)
Gain on disposal of property, plant and equipment, plantation and investment properties		(1,021)	(11)	(1,029)	(43)
Write off of property, plant and equipment	6	327	174	329	95
Allowance for expected credit loss on trade and other receivables	6	1,514	669	1,716	644
Gain on disposal of subsidiaries	4	(168)	–	(7,763)	–
(Reversal of allowance)/Allowance for doubtful debts		(1,837)	5,757	(1,837)	5,757
Share of loss/(profit) of associates		389	(84)	204	(253)
Operating cash flows before changes in working capital		19,195	21,511	40,376	28,013
Trade and other receivables		23,804	(62,716)	(12,032)	(16,428)
Inventories		(89,152)	(81,508)	(100,520)	(20,835)
Trade and other payables		18,290	16,424	37,725	870
Cash used in operations		(27,863)	(106,289)	(34,451)	(8,380)
Interest received		279	752	837	1,045
Tax (paid)/refund		(351)	3,953	(1,158)	5,807
Net cash used in operating activities		(27,935)	(101,584)	(34,772)	(1,528)

Halcyon Agri Corporation Limited and its Subsidiaries

A5: Consolidated Cash Flow Statement For the Second Half 2021 and Financial Year ended 31 December 2021

	Group		Group	
	H2 2021	H2 2020	FY 2021	FY 2020
	Unaudited	Unaudited	Unaudited	Audited
	US\$'000	US\$'000	US\$'000	US\$'000
Investing activities				
Proceeds from disposal of a subsidiary	600	–	600	–
Acquisition of remaining interest in a subsidiary	–	–	–	(4,859)
Capital expenditure on property, plant and equipment, and intangible assets	(3,967)	(8,714)	(7,920)	(16,549)
Capital expenditure on plantation and biological assets	(11,162)	(16,488)	(20,274)	(27,879)
Proceeds from disposal of property, plant and equipment and investment properties	6,645	425	7,185	615
Interest received from loan to a third party	826	–	1,420	–
Net cash used in investing activities	(7,058)	(24,777)	(18,989)	(48,672)
Financing activities				
Net proceeds/(repayment) of borrowings	51,593	(119,772)	85,054	(124,886)
Repayment of obligation under lease arrangements	(1,268)	(1,929)	(2,541)	(3,647)
Interest paid	(12,174)	(19,525)	(32,046)	(34,115)
Dividend paid to non-controlling interests	(209)	(83)	(209)	(83)
Decrease in pledged deposits	244	21	1,831	577
Dividend paid to perpetual securities	(3,800)	–	(7,600)	–
Guarantee fee paid in relation to issuance of perpetual securities	–	–	(1,200)	–
Net proceeds from perpetual securities	–	198,640	–	198,640
Net cash generated from financing activities	34,386	57,352	43,289	36,486
Net decrease in cash and cash equivalents	(607)	(69,009)	(10,472)	(13,714)
Cash and cash equivalents at the beginning of period/year	34,511	110,333	43,892	55,627
Effect of exchange rate changes on the balance of cash held in foreign currencies	(508)	2,568	(24)	1,979
Cash and cash equivalents at the end of period/year	33,396	43,892	33,396	43,892
Cash and bank balances comprise the following:				
Cash and cash equivalents	33,396	43,892	33,396	43,892
Fixed deposits – pledged	–	1,830	–	1,830
	33,396	45,722	33,396	45,722

PART B: REVIEW OF THE PERFORMANCE OF THE GROUP AND MARKET OUTLOOK
B1: Review of Performance of the Group

REVIEW OF THE INCOME STATEMENT OF THE GROUP FOR H2 2021 VS H2 2020

Performance by segment

		CMCP Group		CMCI Group		HRC Group		Group	
		H2 2021	H2 2020	H2 2021	H2 2020	H2 2021	H2 2020	H2 2021	H2 2020
Sales volume	tonnes	13,649	12,332	194,273	188,680	549,341	488,434	714,607	656,115
	US\$								
Total revenue	Million	25.0	18.3	384.3	285.8	969.6	680.6	1,307.7	938.6
Gross profit/(loss)	US\$								
	Million	5.0	(2.2)	35.2	15.9	49.8	54.4	89.8	67.8
Operating profit/(loss)*	US\$								
	Million	4.1	(16.2)	16.7	1.9	16.3	20.4	27.3	(1.8)

* Segmental operating profits figures mentioned herein excluded management fees.

Group

As the demand recovery gains momentum, the Group registered a sales volume of 714,607 tonnes in H2 2021, 8.9% higher than H2 2020. Buoyed by the volume growth and the higher average selling prices, the Group's revenue increased from US\$938.6 million in H2 2020, to US\$1,307.7 million in H2 2021. The Group's effective execution of business strategies has resulted in margin expansion from H2 2020 to H2 2021, and ultimately reversing a US\$1.8 million operating loss in H2 2020, to record a US\$27.3 million operating profit in H2 2021.

CMC Plantations (CMCP)

Majority of CMCP's plantations are currently in gestation phase and continued investments are required to nurture the plantations to reach maturity. During H2 2021, CMCP recorded a biological fair value uplift of US\$6.8m as compared to US\$3.5m in H2 2020 which reflects an improved value of the investment in the plantations as a result of continuing effort to nurture them. Excluding the biological fair value uplift, the operating loss has narrowed down to US\$2.7 million in H2 2021 from US\$19.7 million in H2 2020 despite the increase in the operating costs from the increase in mature areas due to better profitability from higher selling prices and better yields.

CMC International (CMCI)

CMCI's effective supply chain management strategies and entrenched customer relationships has minimised the effects from the global supply chain disruption, and recorded a marginal increase in sales volume. Gross profit more than doubled from H2 2020, driven by the surge in demand for domestically-stocked natural rubber and latex. As a result, operating profits surged to US\$16.7 million in H2 2021, from US\$1.9 million in H2 2020.

Halcyon Rubber Company (HRC)

On the back of 12.5% increase in sales volume and 26.7% increase in the average selling prices, HRC Group's revenue increased from US\$680.6 million to US\$969.6 million. The higher volumes are reflective of the demand strength (especially in the automotive sector) between two periods, where the global economy is on the cusp of recovery in H2 2020, having just exited the widespread lockdown occurred a few months prior. Conversely, the demand is recovering at full speed in H2 2021, which is reflected in the robust order book. However, the processing margins in H2 2021 were affected by scarcity-driven margin compression especially in Indonesia, a situation of which did not occur in H2 2020. Hence, gross profit and operating profit trended lower in H2 2021.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
B1: Review of Performance of the Group (cont'd)

Operating financial statistics

		H2 2021	H2 2020	Change	FY2021	FY2020	Change
Total sales volume	tonnes	714,607	656,115	8.9%	1,372,241	1,186,515	15.7%
Revenue	US\$ Million	1,307.7	938.6	39.3%	2,459.8	1,708.8	44.0%
Revenue per tonne	US\$	1,830	1,431	27.9%	1,793	1,440	24.5%
Gross profit	US\$ Million	89.8	67.8	32.4%	162.9	101.6	60.3%
EBITDA	US\$ Million	43.2	15.3	182.4%	61.1	1.6	3718.8%
Net profit/(loss)	US\$ Million	16.8	(19.0)	n/m	17.1	(60.6)	n/m

Revenue

H2 2021 vs H2 2020

Revenue increased by US\$369.1 million or 39.3%, from US\$938.6 million in H2 2020 to US\$1,307.7 million in H2 2021 mainly due to an increase in sales volume by 58,492 tonnes or 8.9% from 656,115 tonnes in H2 2020 to 714,607 tonnes in H2 2021 and increase in revenue per tonne of US\$399, as a result higher natural rubber prices.

FY 2021 vs FY 2020

Revenue increased by US\$751.0 million or 44.0%, from US\$1,708.8 million in FY 2020 to US\$2,459.8 million in FY 2021, mainly due to the increase in sales volume by 185,726 tonnes or 15.7% from 1,186,515 tonnes in FY 2020 to 1,372,241 tonnes in FY 2021. This is in line with the improved downstream demand, following the resumption of industrial activities following the easing of COVID-19 restrictions. In addition, the revenue per tonne of US\$1,793, is also higher by US\$353 compared to last year, which is in line with pricing trends during the respective years.

Cost of sales

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

H2 2021 vs H2 2020

Cost of sales increased by US\$347.1 million or 39.9%, from US\$870.8 million in H2 2020 to US\$1,217.9 million in H2 2021. This is mainly driven by cost of sales per tonne increased from US\$1,327 per tonne in H2 2020 to US\$1,704 per tonne in H2 2021, in line with rubber price trends in the respective periods, as well as higher volume procured in H2 2021, compared to H2 2020.

FY 2021 vs FY 2020

Cost of sales increased by US\$689.7 million or 42.9%, from US\$1,607.2 million in FY 2020 to US\$2,296.9 million in FY 2021 in line with the increase in volume by 15.7%. Cost of sales per tonne increased from US\$1,354 per tonne in FY 2020 to US\$1,674 per tonne in FY 2021, in line with the trend of the rubber prices.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
B1: Review of Performance of the Group (cont'd)

Gross profit

	H2 2021	H2 2020	Change	FY2021	FY2020	Change
Gross profit (US\$ Million)	89.8	67.8	32.4%	162.9	101.6	60.3%
Sales volume (tonnes)	714,607	656,115	8.9%	1,372,241	1,186,515	15.7%
Gross profit per tonne (US\$)	126	103	22.3%	119	86	38.4%

H2 2021 vs H2 2020

Gross profit increased by US\$22.0 million or 32.4% from US\$67.8 million in H2 2020 to US\$89.8 million in H2 2021 mainly due to an improvement in gross profit per tonne from US\$103 in H2 2020 to US\$126 in H2 2021, and an increase in sales volume of 8.9% from 656,115 tonnes in H2 2020 to 714,607 tonnes in H2 2021. The expansion of unit margins is reflective of the strengthened demand, and the Group's effectiveness in capturing market opportunities.

FY 2021 vs FY 2020

Gross profit increased by US\$61.3 million or 60.3% from US\$101.6 million in FY 2020 to US\$162.9 million in FY 2021 mainly driven by a 15.7% year-on-year increase in sales volume, and an increase of 38.4% in gross profit per tonne in FY 2021 as compared to FY 2020.

Profit/(Loss) before tax

H2 2021 vs H2 2020

Profit before tax in H2 2021 was US\$16.2 million compared with US\$10.8 million loss before tax recorded in the previous corresponding period, mainly due to the following reasons:

- (i) increase in gross profit by US\$22.0 million due to the reasons aforementioned;
- (ii) allowance of doubtful debts recorded in H2 2020 US\$5.7 million not recurring in H2 2021;
- (iii) reversal of allowance of doubtful debts of US\$1.8 million in H2 2021;
- (iv) decrease in retirement benefit obligation expense of US\$1.6 million; and
- (v) decrease in general and administrative expenses.

This was offset by:

- (i) increase in selling expenses by US\$7.2 million, in line with the increase in sales volume
- (ii) decrease in foreign exchange gain by US\$4.5 million; and
- (iii) increase in net financing cost by US\$1.8 million mainly due to higher interest expense as a result of increased working capital funding requirement as a result of the increase in sales volume and rubber price.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
B1: Review of Performance of the Group (cont'd)

FY 2021 vs FY 2020

The Group reported a profit before tax of US\$16.4 million, as compared to a loss before tax of US\$56.4 million in FY 2020. The increase of US\$72.8 million is mainly due to the following reasons:

- (i) increase in gross profit by US\$61.3 million due to the reasons aforementioned;
- (ii) decrease in business rationalisation expenses by US\$3.6 million;
- (iii) allowance of doubtful debts recorded in FY 2020 US\$5.7 million not recurring in FY 2021;
- (iv) reversal of allowance of doubtful debts of US\$1.8 million in FY 2021;
- (v) decrease in retirement benefit obligation expense of US\$1.6 million;
- (vi) decrease in general and administrative expenses; and
- (vii) decrease in net financing costs by US\$5.9 million due to availability of perpetual securities.

This was offset by an increase in selling expenses by US\$14.4 million, in line with the increase in sales volume.

Profit/ (Loss) after tax

H2 2021 vs H2 2020

Profit after tax in H2 2021 was US\$16.8 million, compared to a loss after tax of US\$19.0 million in H2 2020 which is in line with the increase in profit before tax of US\$26.9 million and a decrease in tax expense of US\$8.9 million, as a result of the changes in the deferred tax position between both periods.

FY 2021 vs FY 2020

Profit after tax in FY 2021 was US\$17.1 million, compared to a loss after tax of US\$60.6 million in FY 2020 mainly driven by the increase in profit before tax by US\$72.8 million, which is explained by the reasons mentioned above.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2021 VS 31 DECEMBER 2020

Non-current assets

Non-current assets decreased by US\$27.7 million or 2.2% from 31 December 2020 (US\$1,256.9 million) to 31 December 2021 (US\$1,229.2 million), mainly due to the following factors:

- (i) depreciation and amortisation expense of US\$33.5 million; and
- (ii) foreign currency translation loss of US\$36.8 million due to strengthening of US Dollars against local currencies in relation to property, plant and equipment (“PPE”), and plantation related properties

The decrease in non-current assets was partially offset by US\$28.2 million investment in PPE, and plantation related properties as part of planned capital expenditure programme.

Current assets

Current assets increased by US\$127.0 million or 18.0% from 31 December 2020 (US\$707.0 million) to 31 December 2021 (US\$834.1 million) mainly due to increase in:

- (i) inventories of US\$107.7 million, driven by higher average unit costs, in line with higher rubber prices; and
- (ii) loans and other receivables of US\$18.1 million due to reclassification of scheduled loan repayment by a third party from non-current to current of US\$6.2 million and prepayment on freight charges for inventory of US\$7.0 million;

This was partially offset by a decrease in cash and bank balances of US\$12.3 million, mainly due to deployment of funds to fund working capital investments.

Current liabilities

Current liabilities decreased by US\$152.3 million or 16.1% during the year from 31 December 2020 (US\$947.6 million) to 31 December 2021 (US\$795.2 million), mainly due to the reduction in:

- (i) loan payables of US\$202.5 million, predominantly due to successful refinancing of US\$300 million term loan. As such, the new loan has been classified as non-current liabilities. The decrease was partially offset by an increase in working capital loans of US\$138.3 million to fund the increased net working capital;
- (ii) derivative financial instruments of US\$4.9 million;
- (iii) decrease in provision for taxation of US\$5.5 million; and

which was partially offset by:

- (i) increase in other payables of US\$35.6 million, mainly due to increase in the advances received with respect to contracted sales of US\$20.1 million and other tax payables of US\$1.3 million;
- (ii) increase in trade payables of US\$24.3 million.

Non-current liabilities

Non-current liabilities increased by US\$273.3 million or 102.2% from 31 December 2020 (US\$267.3 million) to 31 December 2021 (US\$540.6million), mainly due to:

- (i) increase in loan payables of US\$277.9 million due to the completion of US\$300 million syndicated term loan as aforementioned;

which was partially offset by:

- (i) decrease in other payables of US\$2.9 million; and
- (ii) decrease in retirement benefit obligations of US\$2.2 million.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2021 VS 31 DECEMBER 2020
(CONT'D)

Equity

The Group's equity decreased by US\$21.6 million, from US\$749.1 million as at 31 December 2020 to US\$727.5 million as at 31 December 2021, due to the translation loss from foreign operations and distribution to perpetual securities holders, set off by the net profit for the year.

Group funding structure

The table below summarises the funding structure of the Group:

	Balance at 31 December 2021 US\$ Million	Balance at 31 December 2020 US\$ Million
Net working capital assets ⁽¹⁾	623.4	545.2
Cash and cash equivalents	33.4	45.7
Loan receivables	63.9	61.7
Total net working capital employed	720.7	652.6
Working capital loans	601.8	463.5
% Efficiency of Working Capital Funding	83.5%	71.0%
Operational long-term assets ⁽²⁾	1,051.5	1,064.5
Non-core assets ⁽³⁾	42.2	43.6
Other borrowings	485.1	548.1
% Fixed Asset Gearing	44.4%	49.5%
Total equity	727.5	749.1

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

⁽²⁾ Operational long-term assets of the Group are defined as intangible assets, PPE, plantation and biological assets, and other non-current assets and right-of-use assets, net off against non-current liabilities.

⁽³⁾ Non-core assets mainly made up of investment properties.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 31 DECEMBER 2021 VS 31 DECEMBER 2020 (CONT')

Group Cash Flow

H2 2021

The Group's cash and cash equivalents decreased by US\$0.6 million during H2 2021.

The Group has recorded a cash inflow from operating activities before working capital changes of US\$19.2 million. However, the ramping up of operations have resulted in a cash outflow from working capital changes of US\$47.1 million, driven by the increase in inventory balance of US\$89.2 million, offset by increase in trade and other payables of US\$18.3 million.. Thus, the Group has recorded a net cash used in operating activities of US\$27.9 million during H2 2021.

Net cash used in investing activities of US\$7.1 million was mainly due to capital expenditure on PPE and plantation related assets of US\$15.1 million, offset by the proceeds from disposal of PPE and investment properties of US\$6.6 million.

Net cash generated from financing activities was US\$34.4 million, mainly due to net proceeds from working capital loans and term loans of US\$51.6 million, offset by interest paid of US\$12.2 million and dividend paid on perpetual securities of US\$3.8 million.

FY 2021

The Group's cash and cash equivalents decreased by US\$10.5 million during FY 2021.

The Group has recorded a cash inflow from operating activities before working capital changes of US\$40.4 million. This was offset by cash outflow from working capital changes of US\$74.8 million arising from higher rubber prices and ramping up of operations, which drove the increase in inventory balance of US\$100.5 million, offset by increase in trade and other payables of US\$37.7 million. Therefore, the Group has recorded a net cash used in operating activities of US\$34.8 million.

Net cash used in investing activities of US\$19.0 million was mainly due to capital expenditure on PPE and plantation related assets.

Net cash generated from financing activities was US\$43.3 million, mainly due to net proceeds from borrowings of US\$85.1 million to support the group's working capital requirements aforementioned, offset by interest paid of US\$32.0 million and dividends paid on perpetual securities of US\$7.6 million.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)

B2: The significant trends 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 operating period and the next 12 months

The movement of natural rubber prices (indicated by SICOM TSR20 1st position) in FY 2021 is reflective of the significant improvement in the operating conditions in the natural rubber industry. Since the beginning of the year, the prices have surged to a four-year high of US\$2,000 per MT in end-February 2021, before retreating to range-trade between US\$1,600 to US\$1,800 for the remaining of the year. At the time of writing, the prices are still holding up.

Macro-economic environment remains upbeat. Global economy capped off a strong year in FY 2021, with the final GDP growth estimates by OECD and IMF being 5.6% and 5.9% respectively – beating estimates. The respective organisation has expected that 2022 GDP growth rates to moderate to 4.5% and 4.4%.

While the natural rubber demand typically moves in tandem with the GDP growth rates, from a short to medium term view, the tailwind factors such as more-contagious-but-less-fatal Omicron variant, as well as the countries' stepping up of the reopening measures with commitment to embrace the "New Normal" endemicity, to boost the demand for natural rubber. Nonetheless, the global supply chain constraints and disruptions remains a downside risk which might affect the demand growth.

On the supply side, the persistent supply constraint in the traditional origins (Thailand, Indonesia and Malaysia) might change the competitive landscape, where those natural rubber producers with sufficient capital and liquidity to seek for alternative raw material sources to supplement their existing sources. Those producers who cannot adapt to these changes might lose their competitiveness and will be phased out of the industry over time.

In conclusion, the Group maintains its view on the long-term supply/demand dynamics of natural rubber to remain favourable, as multiple positive factors, such as governments' push to reopen borders and lift restrictions, infrastructure spending and robust economy outlook, to underpin the long-term demand for these key natural resources, and outweigh the emergence of natural rubber from non-traditional origins.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

1. Corporate information

Halcyon Agri Corporation Limited (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The registered office of the Company is located at 180 Clemenceau Avenue, #05-02 Haw Par Centre, Singapore 239922.

As at 31 December 2021, the Company is 54.99% owned by Sinochem International (Overseas) Pte. Ltd, a company incorporated and domiciled in Singapore. The penultimate holding company is Sinochem International Corporation Co., Ltd. ("SIC"), which is domiciled in the People's Republic of China and listed on the Shanghai Stock Exchange. SIC is indirectly owned by 中国中化集团公司 (also known as Sinochem Group) ("ultimate holding company"), a state-owned enterprise of the People's Republic of China.

The principal activity of the Company is investment holding. The main principal activities of the Group are:

- 1) Natural rubber processing
- 2) Natural rubber plantation
- 3) Natural rubber trading and distribution

2. Basis of preparation

The financial statements for the Second Half 2021 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last financial statements for the period ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"), except for the adoption of new and amended standards as set out in Note 2.1.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies adopted in the last annual financial statements.

The financial statements are presented in United States Dollar ("USD" or "US\$") and all values in the tables are rounded to the nearest thousand ("US\$'000") unless otherwise indicated.

2.1 Adoption of new and amended standards and interpretations

The Group has adopted all applicable SFRS(I) that are mandatory for financial years beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or financial position of the Group.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

3. Use of estimates and judgements

In preparing the financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Information about critical judgements in applying accounting policies and the assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that have most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – Impairment of goodwill and process know-how
- Note 14 – Classification of rubber trees as bearer plants and non-bearer plants
- Note 14 – Measurement of biological assets
- Note 15 – Recoverability of a loan to a third party

4. Other income

	Group		Group	
	H2 2021 US\$'000	H2 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000
Gain on disposal of subsidiaries	168	–	7,763	–
Gain on disposal of land owned by a subsidiary	938	–	938	–
Fair value gain on investment properties	1,651	793	1,651	793
Fair value gain on biological assets	6,777	3,454	6,777	3,454
Government grants	103	859	355	1,510
Others	397	623	781	1,168
	10,034	5,729	18,265	6,925

5. Finance costs

	Group		Group	
	H2 2021 US\$'000	H2 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000
Interest expense on:				
- Term loans	3,536	5,662	8,116	12,665
- Working capital loans	9,969	6,301	17,249	17,973
- Lease liabilities	275	300	528	590
Total finance costs	13,780	12,263	25,893	31,228

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

6. Profit/(Loss) before tax

	Group		Group	
	H2 2021	H2 2020	FY 2021	FY 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) before tax has been arrived at after charging/(crediting):				
Non-recurring expenses/(income):				
Business rationalisation expenses	4,192	3,340	4,192	7,836
(Reversal)/Allowance for doubtful debts	(1,837)	5,757	(1,837)	5,757
One-off professional expenses	555	–	766	–
Professional fees relating to issuance of perpetual securities	–	827	–	827
	2,910	9,924	3,121	14,420
Depreciation of property, plant and equipment and plantation related properties included in:				
- Cost of sales	11,119	11,284	22,480	21,894
- Selling expenses	17	16	33	38
- Administrative expenses	3,652	3,612	7,041	6,865
	14,788	14,912	29,554	28,797
Foreign exchange (gain)/loss included in:				
- Cost of sales	(3,574)	(15,928)	(4,119)	(8,934)
- Administrative expenses	(30)	(4,515)	800	(7,328)
	(3,604)	(20,443)	(3,319)	(16,262)
Amortisation:				
- Intangible assets	375	462	784	909
- Right-of-use assets	1,610	1,642	3,120	3,066
	1,985	2,104	3,904	3,975
Employee benefits expenses (including directors' remuneration)				
- Cost of sales	33,929	31,389	65,361	58,072
- Selling expenses	2,437	1,922	4,597	4,689
- Administrative expenses	19,252	18,384	38,104	37,818
	55,618	51,695	108,062	100,579
Professional fees	3,051	3,860	5,273	6,190
Lease expenses on short-term leases and low-value assets	725	511	1,243	1,029
Write off of property, plant and equipment	327	174	329	95
Impairment losses on financial assets	1,514	669	1,716	644
Inventories recognised as an expense in cost of sales	1,217,956	870,783	2,296,948	1,607,216

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

7. Income tax credit/(expense)

	Group		Group	
	H2 2021	H2 2020	FY 2021	FY 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Consolidated income statement				
Current tax				
Current tax expense	(5,907)	(2,742)	(8,118)	(3,339)
Over/(Under) provision in prior years	3,770	(319)	3,766	255
Deferred tax				
Tax credit/(expense) relating to the origination and reversal of temporary differences	2,833	(5,166)	5,011	(1,112)
Income tax credit/(expense) recognised in loss	696	(8,227)	659	(4,196)

The over provision of current tax expense in prior years mainly related to reversal of subsidiaries' tax provision previously recognised.

8. Earnings/(Loss) per share ("EPS")/("LPS")

	Group		Group	
	Basic and diluted		Basic and diluted	
	H2 2021	H2 2020	FY 2021	FY 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the period/year attributable to owners of the Company	10,788	(13,393)	11,547	(53,776)
Dividend on perpetual securities	(3,800)	(895)*	(7,600)	(895)*
Adjusted profit/(loss) attributable to owners of the Company	6,988	(14,288)	3,947	(54,671)
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012	1,595,012	1,595,012
Basic and diluted Earnings/(Loss) per share ("EPS")/("LPS")				
Earnings/(Loss) per share (US Cents)	0.44	(0.90)	0.25	(3.43)
Earnings/(Loss) per share (SGD Cents) ⁽¹⁾	0.59	(1.22)	0.33	(4.74)

* This amount represents prorated dividend reserved for distribution to perpetual securities holders for the period/year.

⁽¹⁾ Translated at the average exchange rates for each respective period/year.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

9. Intangible assets

Goodwill

Goodwill acquired through business combinations have been allocated to following cash-generating units ("CGU"), for impairment testing:

	Group	
	31 December 2021	31 December 2020
	US\$'000	US\$'000
A CGU within HRC (known as HRC Group)	252,110	252,110
A CGU within HRC (known as SINRIO Group)	4,491	4,491
A CGU within Corrie MacColl Group	29,778	29,778
	286,379	286,379
Software	1,258	2,293

Impairment testing of goodwill and process know-how with indefinite life

The above goodwill and process know-how were tested for impairment as at 31 December 2021. No impairment loss was recognised as at 31 December 2021 as the recoverable amounts of the respective CGU to which goodwill and process know-how have been allocated to were in excess of their respective carrying values. The recoverable amount of the CGUs has been determined based on value in use calculations using five years cash flow projections from financial budgets approved by management and assumed a terminal growth rate thereafter.

Key assumptions used in the value in use calculations

Cash generating units/intangible assets	Discount rate (pre-tax)	Growth rate
HRC Group:		
- Goodwill	10%	3%
- Process know-how	10%	3%
SINRIO Group:		
- Goodwill	10%	4%
Corrie MacColl Group:		
- Goodwill	10%	3%

10. Property, plant and equipment

As at 31 December 2021, the Group acquired assets amounting to US\$7,908,000 (31 December 2020: US\$16,219,000) and disposed of assets amounting to US\$4,824,000 (31 December 2020: US\$572,000).

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

11. Investment properties

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2021. The valuations were performed by independent valuers with recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 23.

Disposal of investment properties

In 2021, the Group disposed certain investment properties at fair value and received sales proceeds of US\$815,000.

12. Investment in subsidiaries/associates

HeveaConnect

In March 2021, a subsidiary of the Group, HeveaConnect Pte. Ltd. (“HeveaConnect”) issued 35,162 new ordinary shares (“HC shares”) to a third party (“Investor”) for US\$1,500,000 and the Company transferred 56,962 HC shares (the “Trust Shares”) into a trust managed and administered by an independent trustee.¹

Subsequent to the issuance of new HC shares and transfer of the Trust Shares, the Company’s effective shareholding in HeveaConnect has reduced from 71.09% to 49.91% and the Group no longer has control over majority of the HeveaConnect’s board. Accordingly, HeveaConnect ceased to be a Company’s subsidiary and it has been equity-accounted for as an associate.

As part of the initial recognition of investment in associate, the Group has engaged an independent valuer to carry out a purchase price allocation review (“PPA”). Based on the PPA exercise, the Group concluded that the investment amount includes US\$1,158,000 of intangible assets and US\$6,005,000 of goodwill, classified as interest in associates as of the date of initial recognition.

Ivoirienne de Traitement du Caoutchouc S.A.

In December 2021, the Group has disposed its entire shareholding interest, representing 60% of the issued and paid-up share capital in Ivoirienne de Traitement du Caoutchouc S.A. (“ITCA”) for a total cash consideration of US\$600,000 (the “Disposal”).

The consideration was arrived at on a willing-seller and willing-buyer basis, taking into consideration of financial position of ITCA. Following the Disposal, ITCA has ceased to be a subsidiary of the Group.

The Disposal did not have any material impact on the consolidated net tangible assets per share or earnings per share of the Group for the financial year ended 31 December 2021.

¹ <https://links.sgx.com/1.0.0/corporate-announcements/ZIXM7O819VNU67WH/5c1c76479953d6a25813a4a969a8265ae62cbbca0109c0f4bc727badd2d1627d>

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

13. Deferred taxes

The net increase in deferred tax asset of US\$5,134,000 is mainly due to recognition of deferred tax assets from subsidiaries' tax losses and capital allowances as at 31 December 2021.

14. Plantation and biological assets

As at 31 December 2021, the increase of US\$5,906,000 of the Group's plantation and biological assets is mainly due to fair value adjustment of US\$6,714,000, additional cost capitalised of US\$29,653,000 and transfer from property, plant and equipment of US\$1,658,000, offset by depreciation charges of US\$4,766,000, disposal of US\$200,000 and exchange loss of US\$27,411,000.

Interest expense amounting to US\$9,312,000 was capitalised in 2021 (2020: US\$10,040,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 1.84% - 7.15% (2020: 2.77%-7.15%) per annum, representing the effective interest rate of the relevant borrowings.

A review of the recoverable amount for the plantation in Cameroon was determined based on the value in use calculation and the discount rate of 13.0% (2020: 13.0%) per annum.

Classification of rubber trees as bearer plants or non-bearer plants

The Group has assessed that there is an established commercial market for end-of-life rubber trees in Malaysia and Cameroon, and it is the Group's business plan to convert the rubber trees into products other than incidental scrap at the end of the rubber production life. As such, the classification of rubber plantations in Malaysia and Cameroon remains the same as preceding year.

Measurement of biological assets

The fair value of biological assets is estimated using the discounted cash flow model ("DCF") by independent professional valuers as at 31 December 2021. This requires an estimate of the expected future cash flows from the biological assets to be made and a suitable discount rate to be chosen, in order to calculate the present value of future cash flows.

Return of the South Concession owned by Sud Cameroun Hevea S.A. ("Sudcam")

In February 2018, the government has granted a provisional concession land (13,731 hectares) to Sudcam, a non-wholly owned subsidiary of the Group. As the Group has adopted a zero deforestation policy in 2018, Sudcam has decided to return the concession land to the government in February 2021. There is no material impact to the Group as the land was undeveloped.

Disposal of plantation land

In December 2021, Tropical Rubber Cote D'ivoire S.A. ("TRCI SA"), a subsidiary of the Group has disposed 3 hectares of freehold land for a consideration of US\$1,500,000 and a gain on disposal of US\$938,000 has been recognised in profit or loss.²

² <https://links.sgx.com/1.0.0/corporate-announcements/DHHW4S4WCE5RWDHJ/5c4c956da4b4b1775d7a3994e820c93982359ed5e2a04c00f7b5891d44b3859e>

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

15. Loans and other receivables

Included in loans and other receivables is a loan to a third party. This loan is secured by the following:

- (i) borrower's equity interest in a third-party company
- (ii) borrower's receivables and bank balances
- (iii) certain borrower's investment properties

In 2020, the loan to a third party was structured with progressive payments for a period up to 31 December 2024 which bears an interest at 10%-11% per annum and to be repaid semi-annually.

The interest repayment of US\$4,470,762 due on 31 December 2021 is now overdue. Subject to certain conditions being met, the borrower has until 31 March 2022 to repay 50% of the overdue amount, with and the remaining 50% to be repaid by 30 June 2022.

The Group has assessed the collateral value to be sufficient to cover the carrying amount of the loan receivables based on the valuation performed by an independent professional valuer. However, considering the recent changes in factors and development of the borrower, the Group has determined that a provision of expected credit losses ("ECL") amounting to US\$1,439,843 is required as at 31 December 2021 (2020: Nil).

Included in the loans and other receivables is an advance of US\$4,400,000 to a third party which bears an interest of 4.2% per annum, due within a year and secured by the borrower's property, plant and equipment.

16. Inventories

	Group	
	31 December 2021	31 December 2020
	US\$'000	US\$'000
Inventories carried at cost	24,433	27,223
Inventories carried at fair value	472,543	362,029
	<u>496,976</u>	<u>389,252</u>

The inventories as at the end of each reporting year on 31 December 2021 and 31 December 2020 included fair value gain of US\$15,474,000 and fair value gain of US\$15,040,000 respectively.

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For the Second Half 2021 and Financial Year ended 31 December 2021

17. Loan payables

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
- Working capital loans	601,820	463,524	316,000	215,500
- Term loans	32,371	373,191	13,800	358,607
	634,191	836,715	329,800	574,107
Non-current:				
- Term loans	452,727	174,870	282,000	-
	452,727	174,870	282,000	-
Total loan payables	1,086,918	1,011,585	611,800	574,107

During the year, certain subsidiaries of the Company has entered into a facility agreement with the Company's parent for a short-term working capital loan for general working capital purposes. As at 31 December 2021, the outstanding balance of the loan is US\$31,756,000 and bears an interest rate of 1.8% per annum.

	Group			
	31 December 2021		31 December 2020	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less, on demand	186,345	447,846	123,876	712,839
Amount repayable after one year	87,127	365,600	65,912	108,958

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, trade receivables and certain cash and bank balances.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

18. Net asset value

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net asset value per ordinary share based on issued share capital (US cents)	45.61	46.96	51.91	48.70
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	61.65	62.06	70.17	64.39
Number of ordinary shares outstanding (in thousands)	1,595,012	1,595,012	1,595,012	1,595,012

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

19. Share capital

(i) Issued and paid up capital

	No. of shares '000	US\$'000
At 31 December 2021 and 31 December 2020	<u>1,595,012</u>	<u>603,874</u>

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 December 2021 and 31 December 2020.

(ii) The Company did not hold any treasury shares as at 31 December 2021 and 31 December 2020. As such, the number of issued shares excluding treasury shares as at 31 December 2021 and 31 December 2020 were 1,595,011,941 shares.

(iii) There were no subsidiary holdings during and as at the end of the current financial year reported on.

20. Perpetual securities

The perpetual securities bear distributions at a rate of 3.80% per annum which are payable semi-annually. Subject to the relevant terms and conditions of the perpetual securities, the Company may elect to defer any scheduled distribution perpetually on the perpetual securities and is not subject to any limits as to the number of times a distribution can be deferred.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

21. Related party transactions

Some of the Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements.

The Group entities entered into the following transactions with related parties:

	Group	
	12 months ended 31 December 2021	12 months ended 31 December 2020
	US\$'000	US\$'000
Banking facilities covered by letter of comfort from penultimate holding company	592,600	520,000
Fee charged by penultimate holding company for issuance of letter of comfort	1,376	518
Loan facility entered with holding company	31,756	-
Interest charged by holding company	97	-
	<hr/>	<hr/>

22. Segment information

The Group is a global leader in natural rubber industry, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber. The Group sources a broad range of grades from all major origins globally, operates 38 natural rubber processing facilities in Indonesia, Malaysia, Thailand, China, Cameroon and Ivory Coast, and distributes to an international customer base through its network of warehouses and sales offices in South East Asia, China, the United States of America and Europe.

The key segments of the Group comprise the following:

- (a) Corrie MacColl Group – This Group comprises of CMC Plantation (“CMCP Group”) and CMC Distribution (“CMCI Group”). CMCP Group includes plantation and processing business in Cameroon and Malaysia and CMCI Group is our distribution business for industrial and non-tyre applications.
- (b) HRC Group – This business segment includes our processing factories in Indonesia, China, Malaysia, Thailand and Ivory Coast, and distribution business in Singapore and China, whose customers are predominantly top-tier global tyre makers.
- (c) 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.

Halcyon Agri Corporation Limited and its Subsidiaries

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For the Second Half ended 31 December 2021

22. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	H2 2021 US\$'000	H2 2020 US\$'000	H2 2021 US\$'000	H2 2020 US\$'000	H2 2021 US\$'000	H2 2020 US\$'000	H2 2021 US\$'000	H2 2020 US\$'000	H2 2021 US\$'000	H2 2020 US\$'000	H2 2021 US\$'000	H2 2020 US\$'000
Revenue to third party	1,758	707	384,307	285,093	921,674	652,694	–	118	–	–	1,307,739	938,612
Inter-segment revenue	23,272	17,555	–	723	47,959	27,862	5,226	6,548	(76,457)	(52,688)	–	–
Total revenue	25,030	18,262	384,307	285,816	969,633	680,556	5,226	6,666	(76,457)	(52,688)	1,307,739	938,612
Gross profit/(loss)	4,972	(2,197)	35,218	15,914	49,788	54,429	5,226	6,589	(5,421)	(6,906)	89,783	67,829
Operating profit/(loss)	4,064	(16,211)	16,646	1,921	11,125	14,136	60,714	(1,569)	(65,219)	(116)	27,330	(1,839)
Operating profit/(loss) excluding management fee	4,064	(16,211)	16,699	1,921	16,297	20,432	55,489	(7,865)	(65,219)	(116)	27,330	(1,839)
Finance income											2,991	3,240
Finance costs											(13,780)	(12,263)
Share of result of associates											(389)	84
Profit/(Loss) before tax											16,152	(10,778)
Income tax credit/(expense)											696	(8,227)
Profit/(loss) for the financial period											16,848	(19,005)
Total sales volume (tonnes)	13,649	12,332	194,273	188,680	549,341	488,434	–	–	(42,656)	(33,331)	714,607	656,115
Gross profit per tonne (US\$)	364	(178)	181	84	91	111	–	–	–	–	126	103
Other information:												
Management fee expense/(income)	–	–	53	–	5,172	6,296	(5,225)	(6,296)	–	–	–	–
Depreciation expense (include right-of-use assets)	3,749	3,466	1,571	1,398	10,303	11,065	576	625	199	–	16,398	16,554
Capital expenditure	11,633	20,919	74	75	3,332	3,889	90	319	–	–	15,129	25,202

Halcyon Agri Corporation Limited and its Subsidiaries

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

22. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000	FY 2021 US\$'000	FY 2020 US\$'000
Revenue to third party	2,309	1,013	711,175	532,282	1,746,292	1,175,290	45	201	–	–	2,459,821	1,708,786
Inter-segment revenue	37,368	25,422	–	1,487	90,603	58,424	10,020	14,014	(137,991)	(99,347)	A	–
Total revenue	39,677	26,435	711,175	533,769	1,836,895	1,233,714	10,065	14,215	(137,991)	(99,347)	2,459,821	1,708,786
Gross profit/(loss)	3,811	(5,540)	65,235	27,198	94,077	80,259	10,052	14,062	(10,302)	(14,409)	B	162,873
Operating profit/(loss)	(6,551)	(28,649)	26,710	(2,407)	14,518	2,311	66,656	(2,410)	(65,219)	(116)		36,114
Operating profit/(loss) excluding management fee	(6,551)	(28,649)	26,830	(2,407)	24,346	15,929	56,708	(16,028)	(65,219)	(116)		36,114
Finance income												6,377
Finance costs												(25,893)
Share of result of associates												(204)
Profit/(Loss) before tax												16,394
Income tax credit/(expense)												659
Profit/(loss) for the financial year												17,053
Total sales volume (tonnes)	21,907	18,058	370,275	349,820	1,057,469	881,467	–	–	(77,410)	(62,830)		1,372,241
Gross profit per tonne (US\$)	174	(307)	176	78	89	91	–	–	–	–		119
Other information:												
Management fee expense/(income)	–	–	120	–	9,828	13,618	(9,948)	(13,618)	–	–		–
Depreciation expense (include right-of-use assets)	7,499	6,665	2,941	2,694	20,862	21,240	1,173	1,264	199	–		32,674
Capital expenditure	21,779	35,933	91	322	6,100	7,827	224	346	–	–		28,194

Halcyon Agri Corporation Limited and its Subsidiaries

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Segment assets	892,754	873,113	661,190	647,276	1,107,316	1,025,317	1,568,414	1,637,769	(2,166,373)	(2,219,484)	C 2,063,301	1,963,991
Segment liabilities	628,498	574,583	631,072	635,850	639,925	844,474	731,008	852,352	(1,294,680)	(1,692,373)	D 1,335,823	1,214,886

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

- A. Inter-segment revenues are eliminated on consolidation.
- B. Management fee is eliminated on consolidation.
- C. Elimination on investment in subsidiaries and intercompany balances.
- D. Elimination on intercompany balance

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. Segment information (cont'd)

Geographical information

	FY 2021	FY 2020
Sales of natural rubber	US\$'000	US\$'000
Singapore	81,245	80,963
Asia (excluding Singapore and China)	687,666	478,505
China	832,072	494,731
USA/Canada	258,644	310,757
Europe	539,329	289,539
Others	60,865	54,291
Total	2,459,821	1,708,786

The table above shows the Group's revenue by geographical locations (based on the origin of the customers' ultimate parent company).

The Group's segment assets (non-current assets including intangible assets, property, plant and equipment, investment properties, plantation related properties, biological assets, other assets, deferred charges, loan receivable and investment in associates) by geographical location are presented below:

	31 Dec 2021	31 Dec 2020
Non-current assets	US\$'000	US\$'000
Singapore	72,348	76,761
Asia	538,329	558,238
Africa	552,595	559,722
Europe	26,618	28,001
Others	15,094	16,957
Total	1,204,984	1,239,679

23. Fair value of assets and liabilities

(a) ***Fair value hierarchies***

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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23. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2021			Total US\$'000
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	23,317	–	–	23,317
Financial assets as at 31 December 2021	23,317	–	–	23,317
Non-financial assets:				
Inventories	–	472,543	–	472,543
Biological assets	–	–	360,777	360,777
Investment properties	–	–	42,169	42,169
Non-financial assets as at 31 December 2021	–	472,543	402,946	875,489
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	2,647	–	–	2,647
Financial liabilities as at 31 December 2021	2,647	–	–	2,647

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For the Second Half 2021 and Financial Year ended 31 December 2021

23. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value (cont'd)*

	Group 2020			Total US\$'000
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	15,854	–	–	15,854
Financial assets as at 31 December 2020	15,854	–	–	15,854
Non-financial assets:				
Inventories	–	362,029	–	362,029
Biological assets	–	–	355,378	355,378
Investment properties	–	–	43,584	43,584
Non-financial assets as at 31 December 2020	–	362,029	398,962	760,991
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	7,498	–	–	7,498
Financial liabilities as at 31 December 2020	7,498	–	–	7,498

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23. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value (cont'd)*

	Company 2021			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	Total US\$'000
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	3,976	–	–	3,976
Financial assets as at 31 December 2021	3,976	–	–	3,976
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	4,300	–	–	4,300
Financial liabilities as at 31 December 2021	4,300	–	–	4,300
Company 2020				
Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	Total US\$'000
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	10,578	–	–	10,578
Financial assets as at 31 December 2020	10,578	–	–	10,578
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	10,335	–	–	10,335
Financial liabilities as at 31 December 2020	10,335	–	–	10,335

23. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

The fair value of inventories (except consumables) are calculated using quoted prices in relevant commodity exchanges at the end of the reporting period, making adjustments according to the stage of production of the inventories, port of loading, and grades of products. Where such prices are not available, the Group uses valuation models to determine the fair values based on relevant factors, including trade price quotations, time value and volatility factors underlying the commodities and commodity exchange price quotations and dealer quotations for similar commodities traded in different markets and geographical areas, existing at the end of the reporting period.

(d) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Biological assets

The fair value of the Group's major biological assets has been determined based on valuations by independent professional valuers using the discounted cash flow valuation approach for 31 December 2021. The most significant inputs into the discounted cash flow valuation approach are the average annual yield and discount rate.

Investment properties

The fair value of the Group's investment properties has been derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property location, accessibility, topography, facilities and utilities, size and date of transaction.

(ii) Closing balance in Level 3 assets measured at fair value

The fair value of the Group's biological assets and investment properties based on significant unobservable inputs (Level 3) as at 31 December 2021 are US\$360,777,000 (31 December 2020: US\$355,378,000) and US\$42,169,000 (31 December 2020: US\$43,584,000) respectively.

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial year ended 31 December 2021 and 31 December 2020.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half 2021 and Financial Year ended 31 December 2021

23. Fair value of assets and liabilities (cont'd)

(d) **Level 3 fair value measurements (cont'd)**

(iii) *Valuation policies and procedures*

It is the Group's policy to engage external valuation experts to perform the valuation of biological assets and investment properties. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 fair value measurement guidance.

Management reviews the appropriateness of the valuation methodologies and assumptions adopted, and the reliability of the inputs used in the valuations.

24. Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements relating to purchase of the property, plant and equipment of US\$610,629 (2020: Nil).

25. Dividends on ordinary shares

The Group has not paid dividend on ordinary shares as at 31 December 2021 and 31 December 2020.

26. Event occurring after the reporting period

In December 2021, Tropical Rubber Côte d'Ivoire S.A. ("TRCI"), a subsidiary of the Group has entered into various sale and purchase agreements (collectively, the "SPA") for the disposal of an aggregate of 54.5 hectares of plantation land.

As disclosed in note 14, TRCI has disposed 3 hectares of the aforementioned plantation land. The disposal of the remaining 51.5 hectares will be completed in FY2022 upon fulfilment of all the terms and conditions of the SPA and expects to realise a gain of approximately US\$10.6 million.

PART D: OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The consolidated statement of financial position of Halcyon Agri Corporation Limited and its subsidiaries as at 31 December 2021 and the related consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Second Half and Financial Year ended and certain explanatory notes have not been audited or reviewed.

2. 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.

3. Dividend

(a) Current Financial Period Reported On

No dividend 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.

(e) If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision

No dividend is recommended for period ended 31 December 2021 as the Company deems it appropriate to conserve funds for the Group's business activities and working capital requirement.

4. Interested person transactions

The Company does not have an IPT Mandate.

5. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the SGX-ST.

6. Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual of the SGX-ST, the Company confirms that there is no person occupying a managerial position in the Company or any of its principal subsidiaries who is a relative of a Director, Chief Executive Officer or substantial shareholder of the Company.

By Order of the Board

Li Xuetao
Executive Director and CEO

Singapore,
28 February 2022