



Halcyon Agri Corporation Limited

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

**Condensed Interim Financial Statements
For the First Half ended 30 June 2023
("H1 2023")**

Halcyon Agri Corporation Limited and its Subsidiaries

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Halcyon Agri Corporation Limited and its Subsidiaries

PART A: CONDENSED INTERIM FINANCIAL STATEMENTS

**A1: Condensed Interim Consolidated Income Statement
For the First Half ended 30 June 2023**

	Note in Part C	Group		Change %
		H1 2023 Unaudited US\$'000	H1 2022 Unaudited US\$'000	
Revenue		1,212,671	1,291,403	(6.1)
Cost of sales		(1,151,782)	(1,205,457)	(4.5)
Gross profit		60,889	85,946	(29.2)
Other income	4	17,128	10,665	60.6
Selling expenses		(31,509)	(27,428)	14.9
General and administrative expenses		(73,289)	(43,401)	68.9
General and administrative expenses – foreign exchange gain		2,290	860	>100
Operating (loss)/profit		(24,491)	26,642	n/m
Finance income		2,648	2,508	5.6
Finance costs	5	(31,380)	(16,746)	87.4
Share of loss of associates		(316)	(344)	(8.1)
(Loss)/profit before tax	6	(53,539)	12,060	n/m
Income tax expense	7	(9,117)	(7,759)	17.5
(Loss)/profit for the financial period		(62,656)	4,301	n/m
(Loss)/profit attributable to:				
Owners of the Company		(62,118)	1,042	n/m
Non-controlling interests		(538)	3,259	n/m
		(62,656)	4,301	n/m
Loss per share (“LPS”):				
Basic and diluted (US cents per share)	8	(4.13)	(0.17)	100>

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A2: Condensed Interim Consolidated Statement of Comprehensive Income
For the First Half ended 30 June 2023

	Group		Change
	H1 2023 Unaudited US\$'000	H1 2022 Unaudited US\$'000	
(Loss)/profit for the financial period	(62,656)	4,301	n/m
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	5,847	(40,142)	n/m
Other comprehensive income/(loss) for the financial period net of tax	5,847	(40,142)	n/m
Total comprehensive loss for the financial period net of tax	(56,809)	(35,841)	58.5
Attributable to:			
- Owners of the Company	(56,802)	(38,238)	48.5
- Non-controlling interests	(7)	2,397	n/m
Total comprehensive loss for the financial period net of tax	(56,809)	(35,841)	58.5

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Condensed Interim Statements of Financial Position As at 30 June 2023 and 31 December 2022

	Note in Part C	Group		Company	
		30 June 2023 Unaudited US\$'000	31 December 2022 Audited US\$'000	30 June 2023 Unaudited US\$'000	31 December 2022 Audited US\$'000
ASSETS					
Non-current assets					
Intangible assets	9	298,345	298,840	42	166
Property, plant and equipment	10	225,343	230,425	2,666	3,155
Plantation and biological assets	13	547,148	538,121	–	–
Investment properties	11	41,569	40,668	–	–
Deferred tax assets	12	22,359	20,511	–	–
Deferred charges		1,298	1,265	–	–
Other assets		156	161	–	–
Loans and other receivables	14	3,319	3,252	–	–
Investment in subsidiaries		–	–	1,073,371	1,068,347
Investment in associates		6,661	7,004	5,225	5,546
Total non-current assets		1,146,198	1,140,247	1,081,304	1,077,214
Current assets					
Cash and bank balances		111,312	118,682	12,527	3,417
Trade receivables		132,070	137,663	–	–
Loans and other receivables	14	157,350	154,946	505,749	499,405
Tax receivables		7,307	6,966	–	–
Derivative financial instruments		33,185	39,862	2,491	3,012
Debt instruments	15	2,227	2,392	–	–
Inventories	16	422,051	410,705	–	–
Consumable biological assets		24	78	–	–
		865,526	871,294	520,767	505,834
Assets classified as held for sale	17	5,822	5,632	–	–
Total current assets		871,348	876,926	520,767	505,834
Total assets		2,017,546	2,017,173	1,602,071	1,583,048
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments		7,135	1,315	2,628	2,702
Trade payables		42,687	36,455	–	–
Other payables		140,900	91,122	37,938	20,381
Loan payables	18	1,011,335	714,048	764,500	476,113
Provision for taxation		7,797	11,153	2,599	820
Lease liabilities		1,995	2,418	990	978
Total current liabilities		1,211,849	856,511	808,655	500,994
Net current (liabilities)/assets		(340,501)	20,415	(287,888)	4,840

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Condensed Interim Statements of Financial Position As at 30 June 2023 and 31 December 2022

	Note in Part C	Group		Company	
		30 June 2023 Unaudited US\$'000	31 December 2022 Audited US\$'000	30 June 2023 Unaudited US\$'000	31 December 2022 Audited US\$'000
Non-current liabilities					
Loan payables	18	125,740	419,317	–	260,400
Retirement benefit obligations		16,967	16,542	–	–
Deferred tax liabilities	12	48,863	48,061	452	452
Lease liabilities		7,103	7,725	1,329	1,834
Other payables		7,558	8,985	20,131	21,220
Total non-current liabilities		206,231	500,630	21,912	283,906
Net assets		599,466	660,032	771,504	798,148
Capital and reserves					
Share capital	20	603,874	603,874	603,874	603,874
Perpetual securities	21	192,640	192,640	192,640	192,640
Capital reserve		2,898	2,898	–	–
Other reserves		(1,517)	(1,517)	(1,310)	(1,310)
(Accumulated losses)/retained earnings		(201,630)	(135,712)	(23,700)	2,944
Foreign currency translation reserve		(27,033)	(32,349)	–	–
Equity attributable to owners of the Company		569,232	629,834	771,504	798,148
Non-controlling interests		30,234	30,198	–	–
Total equity		599,466	660,032	771,504	798,148
Total liabilities and equity		2,017,546	2,017,173	1,602,071	1,583,048

Halcyon Agri Corporation Limited and its Subsidiaries

A4: Condensed Interim Statements of Changes in Equity
For the First Half ended 30 June 2023

	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	
Group (Unaudited)									
At 1 January 2023	603,874	192,640	2,898	(1,517)	(135,712)	(32,349)	629,834	30,198	660,032
Loss for the period	–	–	–	–	(62,118)	–	(62,118)	(538)	(62,656)
Other comprehensive income	–	–	–	–	–	5,316	5,316	531	5,847
Total comprehensive income/(loss) for the period	–	–	–	–	(62,118)	5,316	(56,802)	(7)	(56,809)
<u>Contributions by and distributions to owners</u>									
Distribution to perpetual securities holders	–	–	–	–	(3,800)	–	(3,800)	–	(3,800)
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	43	43
Total contributions by and distributions to owner	–	–	–	–	(3,800)	–	(3,800)	43	(3,757)
At 30 June 2023	603,874	192,640	2,898	(1,517)	(201,630)	(27,033)	569,232	30,234	599,466

Halcyon Agri Corporation Limited and its Subsidiaries

A4: Condensed Interim Statements of Changes in Equity
For the First Half ended 30 June 2022

	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	
Group (Audited)									
At 1 January 2022	603,874	192,640	2,740	(1,517)	(112,979)	9,691	694,449	29,701	724,150
Profit for the period	–	–	–	–	1,042	–	1,042	3,259	4,301
Other comprehensive income	–	–	–	–	–	(39,280)	(39,280)	(862)	(40,142)
Total comprehensive income/(loss) for the period	–	–	–	–	1,042	(39,280)	(38,238)	2,397	(35,841)
<u>Contributions by and distributions to owners</u>									
Distribution to perpetual securities holders	–	–	–	–	(3,800)	–	(3,800)	–	(3,800)
Total contributions by and distributions to owner	–	–	–	–	(3,800)	–	(3,800)	–	(3,800)
At 30 June 2022	603,874	192,640	2,740	(1,517)	(115,737)	(29,589)	652,411	32,098	684,509

Halcyon Agri Corporation Limited and its Subsidiaries

**A4: Condensed Interim Statements of Changes in Equity
For the First Half ended 30 June 2023 and 30 June 2022**

	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 2023	603,874	192,640	(1,310)	2,944	798,148
Loss for the period, representing total comprehensive loss for the period	–	–	–	(22,844)	(22,844)
<u>Contributions by and distributions to owners</u>					
Distribution to perpetual securities holders	–	–	–	(3,800)	(3,800)
Total transactions with owners in their capacity as owners	–	–	–	(3,800)	(3,800)
At 30 June 2023	603,874	192,640	(1,310)	(23,700)	771,504
At 1 January 2022	603,874	192,640	(1,310)	32,804	828,008
Profit for the period, representing total comprehensive loss for the period	–	–	–	(7,908)	(7,908)
<u>Contributions by and distributions to owners</u>					
Distribution to perpetual securities holders	–	–	–	(3,800)	(3,800)
Total transactions with owners in their capacity as owners	–	–	–	(3,800)	(3,800)
At 30 June 2022	603,874	192,640	(1,310)	21,096	816,300

Halcyon Agri Corporation Limited and its Subsidiaries

A5: Condensed Interim Consolidated Cash Flow Statement For the First Half ended 30 June 2023

	Note in Part C	Group	
		H1 2023 Unaudited	H1 2022 Unaudited
	24	US\$'000	US\$'000
Operating activities			
(Loss)/profit before tax		(53,539)	12,060
Adjustments for:			
Depreciation expense	6	13,151	13,309
Amortisation of intangible assets	6	497	476
Amortisation of right-of-use assets	6	1,617	1,212
Retirement benefit expense		1,775	2,077
Interest income		(2,648)	(2,508)
Interest expense		31,149	16,533
Interest on operating lease liabilities		231	213
Fair value loss/(gain) on open forward commodities contracts and inventories, unrealised		1,411	(6,501)
Unrealised foreign exchange (gain)/loss		(3,815)	1,771
Gain on disposal of property, plant and equipment, plantation and investment properties	4	(16,326)	(10,528)
Write off of property, plant and equipment	6	66	41
Allowance for other receivables	6	2,759	–
Impairment losses/(reversal of impairment losses) on financial assets	6	20,800	(15)
Share of loss of associates		316	344
Operating cash flows before changes in working capital		(2,556)	28,484
Trade and other receivables		(30,773)	(7,644)
Inventories		1,317	(44,367)
Trade and other payables		60,675	2,799
Cash generated from/(used in) operations		28,663	(20,728)
Interest received		904	–
Tax paid		(13,053)	(2,802)
Net cash generated from/(used in) operating activities		16,514	(23,530)
Investing activities			
Capital expenditure on property, plant and equipment, and intangible assets		(5,301)	(3,414)
Capital expenditure on plantation and biological assets		(3,123)	(4,939)
Deposits and proceeds received from disposal of property, plant and equipment, plantation and investment properties		25,304	17,609
Net cash generated from investing activities		16,880	9,256

Halcyon Agri Corporation Limited and its Subsidiaries

A5: Condensed Interim Consolidated Cash Flow Statement For the First Half ended 30 June 2023

	Group	
	H1 2023	H1 2022
	Unaudited	Unaudited
	US\$'000	US\$'000
Financing activities		
Net repayment of term loans	(60,192)	(4,346)
Net proceeds from other working capital loans	60,270	59,486
Repayment of obligation under lease arrangements	(1,757)	(1,286)
Interest paid	(35,377)	(17,437)
Dividend distributed to perpetual securities holders	(3,800)	(3,800)
Net cash (used in)/generated from financing activities	<u>(40,856)</u>	<u>32,617</u>
Net (decrease)/increase in cash and cash equivalents	(7,462)	18,343
Cash and cash equivalents at the beginning of period	118,682	33,396
Effect of exchange rate changes on the balance of cash held in foreign currencies	92	(1,820)
Cash and cash equivalents at the end of period	<u>111,312</u>	<u>49,919</u>

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 H1 2023 VS H1 2022

Performance by segment

		CMCP Group		CMCI Group		HRC Group		Group	
		H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Sales volume	tonnes	9,584	10,313	140,289	150,406	670,684	515,236	789,966	640,357
Total revenue	US\$ Million	14.8	19.9	284.9	388.6	956.3	946.3	1,212.7	1,291.4
Gross (loss)/profit	US\$ Million	(8.3)	1.4	31.6	39.2	37.7	45.4	60.9	85.9
Operating (loss)/profit*	US\$ Million	(26.1)	(9.7)	13.4	20.1	16.7	23.0	(24.5)	26.6

* Segmental operating profits figures mentioned herein excluded management fees.

Group

As a result of Group's commercial strategy in expansion of rubber trading in China, sales volume grew by 23.4% from 640,357 tonnes to 789,966 tonnes. Notwithstanding the increased market share, margins are lower due to lower rubber market prices and higher raw material costs during H1 2023. Gross profit decreased from US\$85.9 million in H1 2022 to US\$60.9 million in H1 2023. Operating profit decreased as a result of margin compression as above-mentioned, combined with non-recurring expenses and impairment losses on a loan to a third party in H1 2023 (Note 6).

CMC Plantations (CMCP)

During H1 2023, sales volume decreased by 7.1% from 10,313 tonnes in H1 2022 to 9,584 tonnes in H1 2023. Customers are more cautious in procurement in view of prevailing macroeconomic volatilities. Margin compressed due to declining market price during H1 2023 that caused the revenue from current period not being able to cover fixed costs. Excluding non-recurring expenses (Note 6), operating loss would be US\$18.0 million in H1 2023 v.s. US\$9.7 million in H1 2022.

CMC International (CMCI)

The slowing down of US & EU customers' demands are immediately seen in CMCI's sales volume, which decreased from 150,406 tonnes to 140,289 tonnes. In H1 2023, Europe and US competitors have gradually recovered, and margin was aggravated by the declining market prices and fierce competition has resulted in a decrease in gross profit from US\$39.2 million to US\$31.6 million. Operating profits decreased in tandem from US\$20.1 million in H1 2022 to US\$13.4 million in H1 2023.

Halcyon Rubber Company (HRC)

HRC's sales volume increased by 30.2% and revenue increased from US\$946.3 million in H1 2022 to US\$956.3 million in H1 2023, as HRC progressively realised the synergy from the integration with China Hainan Rubber Industry Group Co., Ltd. ("HRG") especially in China region. However, margin compression due to declining market prices and high raw material costs in most of the locations that HRC operates in, has resulted a lower gross profit and operating profit during the period.

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

Operating and financial statistics

		H1 2023	H1 2022	Change
Total sales volume	tonnes	789,966	640,357	23.4%
Revenue	US\$ Million	1,212.7	1,291.4	(6.1%)
Revenue per tonne	US\$	1,535	2,017	(23.9%)
Gross profit	US\$ Million	60.9	85.9	(29.1%)
(Loss)/profit before tax	US\$ Million	(53.5)	12.1	n/m

Revenue

Revenue decreased by US\$78.7 million (6.1%), from US\$1,291.4 million in H1 2022 to US\$1,212.7 million in H1 2023. The decrease is mainly driven by the decrease in revenue per tonne of US\$482 (23.9%) from US\$2,017 in H1 2022 to US\$1,535 in H1 2023, in line with natural rubber market price; which was partially offset by an increase in sales volumes of 149,609 tonnes or 23.4% from 640,357 tonnes in H1 2022 to 789,966 tonnes in H1 2023.

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.

Cost of sales decreased by US\$53.7 million (4.5%), from US\$1,205.5 million in H1 2022 to US\$1,151.8 million in H1 2023. Cost of sales per tonne decreased by US\$425 (22.6%) from US\$1,883 in H1 2022 to US\$1,458 in H1 2023, as the market prices trended lower.

Gross profit

	H1 2023	H1 2022	Change
Gross profit (US\$ Million)	60.9	85.9	(29.1%)
Sales volume (tonnes)	789,966	640,357	23.4%
Gross profit per tonne (US\$)	77	134	(42.5%)

Gross profit decreased by US\$25.0 million (29.1%) from US\$85.9 million in H1 2022 to US\$60.9 million in H1 2023 mainly due to the decrease in gross profit per tonne by US\$57 (42.5%) from US\$134 to US\$77, offset by the increase in sales volume of 149,609 tonnes or 23.4% from 640,357 tonnes in H1 2022 to 789,966 tonnes in H1 2023. Unit margins decreased due to margin compressed across most of the origins of where the raw materials were sourced.

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

(Loss)/profit before tax

Loss before tax in H1 2023 was US\$53.5 million compared with US\$12.1 million profit before tax recorded in H2 2022, mainly due to the following reasons:

- (i) decrease in gross profit by US\$25.0 million due to the reasons aforementioned;
- (ii) increase of net financing costs by US\$14.6 million mainly due to rising interest rate;
- (iii) impairment losses on financial assets of US\$20.8 million;
- (iv) non-recurring expenses recorded in H1 2023 of US\$8.1 million;
- (v) increase in selling expenses of US\$4.1 million due to higher sales volume; and
- (vi) offset by higher other income by US\$6.5 million.

(Loss)/profit after tax

Loss after tax in H1 2023 was US\$62.7 million, compared to profit after tax of US\$4.3 million in H1 2022 mainly due to the reasons explained above.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 30 JUNE 2023 VS 31 DECEMBER 2022

Non-current assets

Non-current assets increased by US\$6.0 million (0.5%) from 31 December 2022 (US\$1,140.2 million) to 30 June 2023 (US\$1,146.2 million), mainly due to the following factors:

- (i) Capital expenditure made during H1 2023 of US\$8.4 million,
- (ii) Interest capitalisation in plantation and biological asset of US\$6.3 million;
- (iii) foreign translation gain of US\$5.4 million due to weakening of US Dollars against local currencies; and
- (iv) offset by depreciation and amortisation expense during H1 2023 of US\$15.3 million.

Current assets

Current assets decreased by US\$5.6 million (0.6%) from 31 December 2022 (US\$876.9 million) to 30 June 2023 (US\$871.3 million) mainly due to:

- (i) decrease in trade receivables of US\$5.6 million;
- (ii) decrease in cash and bank balances of US\$7.4 million; and
- (iii) decrease in derivative financial instruments of US\$6.7 million, mainly due to lower valuation gain on open contracts as at 30 June 2023;

which was partially offset by:

- (iv) increase in inventories of US\$11.3 million, driven by higher stock holdings. The group's inventory turnover days as at 30 June 2023 were 67 days (2022: 66 days) which is aligned with the group's working capital management strategy;
- (v) increase in loans and other receivables of US\$2.4 million.

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

B1: Review of Performance of the Group (cont'd)

Current liabilities

Current liabilities increased by US\$355.3 million (41.5%) during the period from 31 December 2022 (US\$856.5 million) to 30 June 2023 (US\$1,211.8 million), mainly due to:

- (i) increase in current portion of long-term loans which is mainly due to reclassification of non-current portion of term loans of US\$276.2 million to current;
- (ii) net proceeds in short-term loans of US\$15.4 million;
- (iii) increase in other payables of US\$49.8 million, mainly due to increase in the advances related to contracted sales from third parties;
- (iv) increase in trade payables of US\$6.2 million;

Non-current liabilities

Non-current liabilities decreased by US\$294.4 million (58.8%) from 31 December 2022 (US\$500.6 million) to 30 June 2023 (US\$206.2 million), mainly due to the decrease in:

- (i) loan payables of US\$293.6 million, mainly due to reclassification of current portion of long-term loan as aforementioned; and
- (ii) other payables of US\$1.4 million.

Equity

The Group's equity decreased by US\$60.5 million, from US\$660.0 million as at 31 December 2022 to US\$599.5 million as at 30 June 2023, as a result of net loss of US\$56.8 million and US\$3.8 million perpetual securities interest distribution for the period.

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

Group funding structure

The table below summarises the funding structure of the Group:

	Balance at 30 June 2023	Balance at 31 December 2022
	US\$ Million	US\$ Million
Net working capital assets ⁽¹⁾	518.2	557.1
Cash and cash equivalents	111.3	118.7
Loan receivables	46.7	64.3
Total net working capital employed	676.2	740.1
Working capital loans	591.9	679.1
% Efficiency of Working Capital Funding	87.5%	91.8%
Shareholders' loans	150.0	–
% Efficiency of Working Capital Funding including shareholders' loans	109.7%	91.8%
Operational long term assets ⁽²⁾	1,027.9	1,022.7
Non-core assets ⁽³⁾	41.6	40.7
Other borrowings	404.3	464.4
% Fixed Asset Gearing	37.8%	43.7%
Total equity	599.5	660.0

⁽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.

Group Cash Flow

The Group's cash and cash equivalents decreased by US\$7.5 million during H1 2023.

The Group has recorded a cash outflow from operating activities before working capital changes of US\$2.6 million and paid US\$13.1 million for tax. US\$31.2 million has been generated from decrease in working capital assets (mainly due to advance from customers) during the period. Thus, the Group has recorded a net cash generated from operating activities of US\$16.5 million during H1 2023.

Net cash generated from investing activities of US\$16.9 million was mainly due to deposits and proceeds received from disposal of non-core properties of US\$25.3 million. This is partially offset by the capital expenditure on property, plant and equipment, plantation and biological assets of US\$8.4 million.

Net cash used in financing activities was US\$40.9 million, mainly due to repayment of term loans of US\$60.2 million, interest paid of US\$35.4 million and distribution to perpetual securities holders of US\$3.8 million, offset by net proceeds from working capital loans of US\$60.3 million to support working capital turnover.

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 International Monetary Fund (“IMF”) moderated its 2023 global growth forecast at 3.0 percent, and the Organisation for Economic Cooperation and Development (“OECD”) lowered its projection to 2.7 percent.

Notwithstanding the downward movement of natural rubber prices (SICOM TSR20 1st position) over the past 6 months, the Group continued to increase the market share and strengthen the presence in the industry during H1 2023.

Looking ahead into the next 12 months, the global economic developments underline a range of upside and downside factors: persistent inflation, effects of tighter monetary policy, well-calibrated government measures as well as improving business and consumer sentiments due to the reopening of China, all of which would influence the global consumption of natural rubber.

The Group remains cautiously optimistic on the natural rubber industry prospects, as the supply and demand dynamics remain favourable in mid-to-long term.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2023

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 Mainboard 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 30 June 2023, the Company is 68.1% owned by China Rubber Investment Group Company Ltd., a company incorporated and domiciled in Hong Kong. The penultimate holding company is China Hainan Rubber Industry Group Co., Ltd. ("HRG"), which is a state-owned enterprise of the People's Republic of China, domiciled in the People's Republic of China and listed on the Shanghai Stock Exchange. HRG is directly owned by Hainan Province Agribusiness Investment Holding Group Co., ("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 condensed interim financial statements for the First Half ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim 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 annual financial statements for the year ended 31 December 2022.

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 condensed interim 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 2023. 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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3. Use of estimates and judgements

In preparing the condensed interim 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 as at and for the year ended 31 December 2022.

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 13 – Classification of rubber trees as bearer plants and non-bearer plants
- Note 13 – Measurement of biological assets
- Note 14 – Recoverability of a loan to a third party
 Based on the progress of latest recovery process in relation the loan to a third party, the Group has assessed that the recoverable amount is likely to be below its carrying amount and thus additional impairment provision has been recognised (further details can be found in Note 14).

4. Other income

	Group	
	H1 2023	H1 2022
	US\$'000	US\$'000
Gain on disposal of property, plant and equipment, plantation properties	16,326	10,528
Government grant	333	–
Others	469	137
	17,128	10,665

5. Finance costs

	Group	
	H1 2023	H1 2022
	US\$'000	US\$'000
Interest expense on:		
- Term loans	15,613	8,103
- Working capital loans	15,536	8,430
- Lease liabilities	231	213
Total finance costs	31,380	16,746

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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6. (Loss)/profit before tax

	Group	
	H1 2023	H1 2022
	US\$'000	US\$'000
(Loss)/profit before tax has been arrived at after charging/(crediting):		
Non-recurring expenses:		
- Tax settlement arising from prior year	5,344	–
- Allowance for other receivables	2,759	–
	8,103	–
Depreciation of property, plant and equipment and plantation related properties included in:		
- Cost of sales	10,906	10,956
- Selling expenses	8	19
- Administrative expenses	2,237	2,334
	13,151	13,309
Foreign exchange loss/(gain) included in:		
- Cost of sales	249	(221)
- Administrative expenses	(2,290)	(860)
	(2,041)	(1,081)
Amortisation:		
- Intangible assets	497	476
- Right-of-use assets	1,617	1,212
	2,114	1,688
Employee benefit expenses (including directors' remuneration)		
- Cost of sales	28,342	28,718
- Selling expenses	2,457	2,447
- Administrative expenses	20,157	21,277
	50,956	52,442
Professional fees	3,084	2,488
Lease expenses on short-term leases and low-value assets	206	619
Write off of property, plant and equipment	66	41
Impairment losses/(reversal of impairment losses) on financial assets	20,800	(15)
Inventories recognised as an expense in cost of sales	1,151,782	1,205,457

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For the First Half ended 30 June 2023

7. Income tax expense

	Group	
	H1 2023	H1 2022
	US\$'000	US\$'000
Consolidated income statement		
Current tax		
Current tax expense	(8,630)	(7,561)
(Under)/over provision in prior years	(1,270)	71
Deferred tax		
Tax credit/(expense) relating to the origination and reversal of temporary differences	783	(269)
Income tax expense recognised in consolidated income statement	(9,117)	(7,759)

8. Loss per share ("LPS")

	Group	
	Basic and diluted	
	H1 2023	H1 2022
	US\$'000	US\$'000
(Loss)/profit for the period attributable to owners of the Company	(62,118)	1,042
Dividend on perpetual securities*	(3,800)	(3,800)
Adjusted loss attributable to owners of the Company	(65,918)	(2,758)
	Number of ordinary shares	
	'000	
	Basic and diluted	
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012
Basic and diluted loss per share ("LPS") in US cents	(4.13)	(0.17)
Loss per share (US Cents)	(4.13)	(0.17)
Loss per share (SGD Cents) ⁽¹⁾	(5.53)	(0.24)

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

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

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2023

9. Intangible assets

Goodwill

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

	Group	
	30 June 2023	31 December 2022
	US\$'000	US\$'000
A CGU within HRC Group	256,601	256,601
A CGU within Corrie MacColl Group	29,778	29,778
	286,379	286,379
Process know-how	10,000	10,000

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 2022. The recoverable amount of the CGUs has been determined based on value in use calculations using ten years cash flow projections from financial budgets approved by management and assumed a terminal growth rate thereafter.

As at 30 June 2023, the Group reviewed the key assumptions used in the value in use calculation as at 31 December 2022 impairment test and noted that the assumptions remained reasonable. No impairment loss was recognised as at 30 June 2023 and 31 December 2022 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.

10. Property, plant and equipment

During H1 2023, the Group’s property, plant and equipment decreased by US\$5,082,000, mainly due to depreciation charges of US\$10,832,000 (30 June 2022: US\$11,875,000), offset by acquired assets amounting to US\$5,301,000 (30 June 2022: US\$3,630,000) and disposal of assets amounting to US\$199,000 (30 June 2022: US\$686,000).

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 2022. 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 24.

During H1 2023, the Group did not engage independent valuers to determine the fair value of the properties. However, the Management had taken into considerations those underlying factors that would have impacts to the fair value of the investment properties since the last valuations completed in December 2022. There are no major aspects that could affect the fair value of the investment properties as at 30 June 2023.

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12. Deferred taxes

The increase in deferred taxes of US\$1,046,000 is mainly due to recognition of tax losses from subsidiaries during the current financial period.

13. Plantation and biological assets

The increase of the Group's plantation and biological assets by US\$9,027,000 during the First Half ended 30 June 2023 is mainly due to additional cost capitalised of US\$9,395,000 and exchange difference of US\$2,992,000, offset by depreciation charges of US\$2,319,000.

Interest expense amounting to US\$6,272,000 was capitalised in H1 2023 (US\$4,306,000 in H1 2022). The rate used to determine the amount of borrowing costs eligible for capitalisation was 6.78% - 7.15% (31 December 2022: 2.16% - 7.15%) per annum, which is the effective interest rate of borrowings.

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 period as at 30 June 2023.

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 2022. 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.

During H1 2023, the Group did not engage independent valuers to determine the fair value of biological assets. However, management has considered the assumptions and estimates on parameters used in the last valuation completed in December 2022. There are no major aspects that could materially affect the fair value of the biological assets as at 30 June 2023.

Disposal of plantation land

During H1 2023, Tropical Rubber Cote D'Ivoire S.A. ("TRCI SA"), a subsidiary of the Group has disposed part of freehold land for a consideration of US\$26,175,000. Gain on disposal of US\$16,104,000 has been recognised in profit or loss.

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14. Loans and other receivables

Included in loans and other receivables is a loan to a third party amounting to US\$43,101,000 (31 December 2022: US\$60,965,000). 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, bears an interest at 10%-11% per annum and to be repaid semi-annually.

The principal and interest repayment of US\$17,185,000 was due on 30 June 2023 (31 December 2022: US\$15,251,000). As at the date of this report, this overdue amount remains unpaid. The borrower is currently in the process of disposing its equity interest, that was pledged for the loan.

Based on the progress of latest disposal process in relation the loan to a third party, the Group has assessed that the recoverable amount is likely to be below its carrying amount and thus has determined a provision of US\$22,240,000 as at 30 June 2023 (as at 31 December 2022: US\$1,440,000) for expected credit losses ("ECL") is required.

Included in the loans and other receivables is an advance of US\$4,066,000 (31 December 2022: US\$4,019,000) to a third party which bears an interest of 4.2% per annum (31 December 2022: 4.2% per annum), due within a year and secured by the borrower's property, plant and equipment.

15. Debt instruments

As part of the investment arrangement, the Group is entitled to an annual dividend of 5.5%. The third party may redeem Class A preferred stock at any time before November 2023, and the redemption becomes mandatory by November 2023.

16. Inventories

	Group	
	30 June 2023	31 December 2022
	US\$'000	US\$'000
Inventories carried at cost	26,911	26,510
Inventories carried at fair value	395,140	384,195
	422,051	410,705

Inventories as at the end of the reporting period on 30 June 2023 included fair value gain of US\$388,000 (31 December 2022: fair value loss of US\$11,097,000).

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17. Assets classified as held for sale

Non-current assets classified as held-for-sale

a) The completion of disposal of certain properties in Indonesia amounting to US\$4,492,000 (2022: US\$4,259,000) was delayed, and is expected to be concluded in H2 2023.

b) The Group continued to list certain properties in China amounting to US\$1,330,000 (2022: US\$1,373,000) on a trading exchange in China, for which, sales are expected to be completed in 2023.

18. Loan payables

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
- Working capital loans	732,832	661,298	495,100	454,513
- Term loans	278,503	52,750	269,400	21,600
	1,011,335	714,048	764,500	476,113
Non-current:				
- Working capital loans	9,054	17,826	–	–
- Term loans	116,686	401,491	–	260,400
	125,740	419,317	–	260,400
Total loan payables	1,137,075	1,133,365	764,500	736,513

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18. Loan payables (cont'd)

	Group			
	30 June 2023		31 December 2022	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, on demand	134,662	876,673	125,124	588,924
Amount repayable after one year	68,636	57,104	71,034	348,283

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.

19. Net asset value

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Net asset value per ordinary share based on issued share capital (US cents)	37.58	41.38	48.37	50.04
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	50.67	55.64	65.22	67.28
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 period.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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20. Share capital

- (i) Issued and paid up capital

	No. of shares '000	US\$'000
At 31 December 2022 and 30 June 2023	<u>1,595,012</u>	<u>603,874</u>

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2023 and 30 June 2022.

- (ii) The Company did not hold any treasury shares as at 30 June 2023 and 31 December 2022. As such, the number of issued shares excluding treasury shares as at 30 June 2023 and 31 December 2022 were 1,595,011,941 shares.
- (iii) There were no subsidiary holdings during and as at the end of the current financial period reported on.

21. 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.

22. 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	
	6 months ended 30 June 2023	12 months ended 31 December 2022
	US\$'000	US\$'000
Banking facilities covered by letter of comfort from shareholders	540,800	500,697
Fee charged by shareholder for issuance of letter of comfort	341	667
Loan facilities entered with shareholders	150,000	–
Interest charged by shareholders	<u>4,035</u>	<u>190</u>

23. 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 Plantations (“CMCP Group”) and CMC International (“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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23. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	H1 2023 US\$'000	H1 2022 US\$'000	H1 2023 US\$'000	H1 2022 US\$'000	H1 2023 US\$'000	H1 2022 US\$'000	H1 2023 US\$'000	H1 2022 US\$'000	H1 2023 US\$'000	H1 2022 US\$'000	H1 2023 US\$'000	H1 2022 US\$'000
Revenue to third party	545	1,203	284,856	388,579	927,270	901,621	–	–	–	–	1,212,671	1,291,403
Inter-segment revenue	14,233	18,692	87	–	28,993	44,701	5,819	5,463	(49,132)	(68,856) A	–	–
Total revenue	14,778	19,895	284,943	388,579	956,263	946,322	5,819	5,463	(49,132)	(68,856)	1,212,671	1,291,403
Gross (loss)/profit	(8,310)	1,405	31,619	39,240	37,700	45,375	5,819	5,463	(5,939)	(5,537) B	60,889	85,946
Operating (loss)/profit	(26,093)	(9,749)	13,329	20,021	10,968	17,548	(22,543)	(1,085)	(152)	(93)	(24,491)	26,642
Operating (loss)/profit excluding management fee	(26,093)	(9,749)	13,371	20,066	16,745	22,966	(28,362)	(6,548)	(152)	(93)	(24,491)	26,642
Finance income											2,648	2,508
Finance costs											(31,380)	(16,746)
Share of result of associates											(316)	(344)
(Loss)/profit before tax											(53,539)	12,060
Income tax expense											(9,117)	(7,759)
(Loss)/profit for the financial period											(62,656)	4,301
Total sales volume (tonnes)	9,584	10,313	140,289	150,406	670,684	515,236	–	–	(30,591)	(35,597)	789,966	640,357
Gross (loss)/profit per tonne (US\$)	(867)	136	225	256	56	88	–	–	–	–	77	134
Other information:												
Management fee expense/(income)	–	–	42	45	5,777	5,418	(5,819)	(5,463)	–	–	–	–
Depreciation expense (include right-of-use assets)	4,124	3,257	1,180	926	8,839	9,667	625	578	–	93	14,768	14,521
Capital expenditure	5,023	5,134	15	532	3,326	2,577	60	110	–	–	8,424	8,353

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23. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated		
	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	30 June 2023	31 December 2022	
	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	839,284	817,658	572,741	643,732	1,143,950	1,076,654	1,606,074	1,603,694	(2,144,503)	(2,124,565)	C	2,025,850	2,017,173
Segment liabilities	355,362	297,997	315,727	385,945	703,623	633,354	841,833	793,047	(798,465)	(753,202)	D	1,426,384	1,357,141

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 balances.

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24. 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.

(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 2023			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				
<i>Financial assets:</i>				
Derivative financial instruments	–	33,185	–	33,185
Financial assets as at 30 June 2023	–	33,185	–	33,185
Non-financial assets:				
Inventories	–	395,140	–	395,140
Biological assets	–	–	384,162	384,162
Investment properties	–	–	41,569	41,569
Non-financial assets as at 30 June 2023	–	395,140	425,731	820,871
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	–	7,135	–	7,135
Financial liabilities as at 30 June 2023	–	7,135	–	7,135

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

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

	Group 2022			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	–	39,862	–	39,862
Financial assets as at 31 December 2022	–	39,862	–	39,862
Non-financial assets:				
Inventories	–	384,195	–	384,195
Biological assets	–	–	371,368	371,368
Investment properties	–	–	40,668	40,668
Non-financial assets as at 31 December 2022	–	384,195	412,036	796,231
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	–	1,315	–	1,315
Financial liabilities as at 31 December 2022	–	1,315	–	1,315

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

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

	Company 2023			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				
<i>Financial assets:</i>				
Derivative financial instruments	–	2,491	–	2,491
Financial assets as at 30 June 2023	–	2,491	–	2,491
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	–	2,628	–	2,628
Financial liabilities as at 30 June 2023	–	2,628	–	2,628
Company 2022				
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	–	3,012	–	3,012
Financial assets as at 31 December 2022	–	3,012	–	3,012
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	–	2,702	–	2,702
Financial liabilities as at 31 December 2022	–	2,702	–	2,702

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

(c) Level 2 fair value measurements

The fair value of inventories (except consumables) is 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.

The fair value of forward currency contract is calculated using quoted prices (adjusted) offered by the financial institutions at the end of 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 2022. The key assumptions used by the independent professional valuers as disclosed in annual report 2022 remain reasonable for 30 June 2023.

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. The fair value used in annual report 2022 remains reasonable for 30 June 2023 based on property market outlook.

(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 30 June 2023 are US\$384,162,000 (31 December 2022: US\$371,369,000) and US\$41,569,000 (31 December 2022: US\$40,668,000) respectively.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2023

24. 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 at financial year end. 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 at the end of last reporting period. Management assessed the reasonableness of the assumptions adopted in the valuation at the end of last reporting period and concluded that they are still appropriate for the current interim financial reporting period.

25. Dividends on ordinary shares

The Group has not paid dividend on ordinary shares as at 30 June 2023 and 31 December 2022.

26. 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\$2,292,596 (31 December 2022: US\$1,916,776).

27. Going Concern

As of 30 June 2023, the balance sheet of the Group recorded a net current liability of US\$340,501,000 (2022: net current asset position of US\$20,415,000), which was primarily due to non-current portion term loan of US\$261,000,000 being reclassified to current, following the triggering of the Change of Control ("COC") clause of the said term loan, for which a temporary waiver of six months was given to facilitate refinancing exercise, to complete repayment on 3 August 2023.

All the loans with the temporary waiver of Change of Control clause have now been refinanced via a combination of syndicated loans and bridging loans from the Company's major corporate shareholders, i.e., China Hainan Rubber Industry Group Co., Ltd. ("HRG") and Sinochem International Corporation ("SIC") on or before its respective due dates.

In addressing the net current liabilities, the management will work closely with both HRG and SIC to ensure the Group will continue to operate in the business for the foreseeable future. Based on the current support provided by both the shareholders, the Board believe that the going concern assumption remains appropriate in the preparation of the financial statements.

PART D: OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The condensed interim consolidated statement of financial position of Halcyon Agri Corporation Limited and its subsidiaries as at 30 June 2023 and the related condensed interim consolidated income statement and statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the First Half 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*

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.

(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 30 June 2023. The Company will review this at the end of the year.

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. Negative confirmation by the Board pursuant to Rule 705(5)

We, Eddie Chan Yean Hoe and Li Xuetao, hereby confirm on behalf of the Board that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the First Half ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Eddie Chan Yean Hoe
Independent Director and
Audit Committee Chairman

Li Xuetao
Executive Director and CEO

By Order of the Board
Wong Teck Kow
Company Secretary

Singapore,
14 August 2023