



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 2021
("H1 2021")**

Halcyon Agri Corporation Limited and its Subsidiaries

Table of Contents

	Page
Part A: Condensed Interim Financial Statements	
A1: Condensed Interim Consolidated Income Statement	3
A2: Condensed Interim Consolidated Statement of Comprehensive Income	4
A3: Condensed Interim Statements of Financial Position	5
A4: Condensed Interim Statements of Changes in Equity	7
A5: Condensed Interim Consolidated Cash Flow Statement	10
Part B: Review of the Performance of the Group and Market Outlook	
B1: Review of Performance of the Group	12
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	17
Part C: Notes to the Condensed Interim Consolidated Financial Statements	
	18
Part D: Other Information Required by Listing Rule Appendix 7.2	
	36

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 2021**

		Group		
	Note in Part C	H1 2021 Unaudited US\$'000	H1 2020 Unaudited US\$'000	Change %
Revenue		1,152,082	770,174	49.6
Cost of sales		(1,078,992)	(736,433)	46.5
Gross profit		73,090	33,741	116.6
Other income	4	8,231	1,196	588.2
Selling expenses		(27,507)	(20,273)	35.7
General and administrative expenses		(44,200)	(46,909)	(5.8)
General and administrative expenses – foreign exchange (loss)/gain		(830)	2,813	n/m
Operating profit/(loss)		8,784	(29,432)	n/m
Finance income		3,386	2,589	30.8
Finance costs	5	(12,113)	(18,965)	(36.1)
Share of profit of associates		185	169	9.5
Profit/(Loss) before tax	6	242	(45,639)	n/m
Income tax (expense)/credit	7	(37)	4,031	n/m
Profit/(Loss) for the financial period		205	(41,608)	n/m
Profit/(Loss) attributable to:				
Owners of the Company		759	(40,383)	n/m
Non-controlling interests		(554)	(1,225)	(54.8)
		205	(41,608)	n/m
Earnings before interest, tax, depreciation and amortisation (“EBITDA”)		17,867	(13,787)	n/m
Loss per share (“LPS”):				
Basic and diluted (US cents per share)	8	(0.19)	(2.53)	(92.5)

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 2021**

	Group		Change
	H1 2021 Unaudited US\$'000	H1 2020 Unaudited US\$'000	
Profit/(Loss) for the financial period	205	(41,608)	n/m
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	(17,181)	(13,421)	28.0
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain on retirement benefit obligation (net of tax)	–	141	n/m
Net fair value loss on equity instruments at fair value through other comprehensive income	–	(2)	n/m
Other comprehensive loss for the financial period net of tax	<u>(17,181)</u>	<u>(13,282)</u>	29.4
Total comprehensive loss for the financial period net of tax	<u>(16,976)</u>	<u>(54,890)</u>	(69.1)
Attributable to:			
- Owners of the Company	(15,704)	(53,293)	(70.5)
- Non-controlling interests	(1,272)	(1,597)	(20.4)
Total comprehensive loss for the financial period net of tax	<u>(16,976)</u>	<u>(54,890)</u>	(69.1)

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Condensed Interim Statements of Financial Position As at 30 June 2021 and 31 December 2020

	Note in Part C	Group		Company	
		30 June 2021	31 December 2020	30 June 2021	31 December 2020
		Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
ASSETS					
Non-current assets					
Intangible assets	9	299,522	300,439	540	665
Property, plant and equipment	10	286,782	304,263	1,661	2,103
Plantation and biological assets	14	526,109	524,765	–	–
Investment properties	11	41,413	43,584	–	–
Deferred tax assets	13	19,947	17,267	–	–
Deferred charges		531	527	–	–
Other assets		1,332	1,866	–	–
Debt instruments carried at fair value through profit and loss		2,713	2,713	–	–
Loans and other receivables	15	60,938	60,224	–	–
Investment in subsidiaries	12	–	–	1,000,697	962,208
Investment in an associate		9,634	1,298	8,103	–
Total non-current assets		1,248,921	1,256,946	1,011,001	964,976
Current assets					
Cash and bank balances		35,054	45,722	458	239
Trade receivables		183,011	157,385	–	–
Loans and other receivables	15	90,126	86,586	642,663	651,501
Tax receivables		5,439	5,810	–	–
Derivative financial instruments		24,049	15,854	1,747	10,578
Inventories	16	393,106	389,252	–	–
Consumable biological assets		6	6	–	–
		730,791	700,615	644,868	662,318
Assets classified as held for sale		6,331	6,430	–	–
Total current assets		737,122	707,045	644,868	662,318
Total assets		1,986,043	1,963,991	1,655,869	1,627,294
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments		1,677	7,498	1,728	10,335
Trade payables		30,925	33,178	–	–
Other payables		87,347	60,871	212,326	183,415
Loan payables	17	567,178	836,715	290,106	574,107
Provision for taxation		5,955	6,692	174	72
Lease liabilities		3,105	2,621	1,034	1,058
Total current liabilities		696,187	947,575	505,368	768,987
Net current assets/(liabilities)		40,935	(240,530)	139,500	(106,669)

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Condensed Interim Statements of Financial Position As at 30 June 2021 and 31 December 2020

	Note in Part C	Group		Company	
		30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000	30 June 2021 Unaudited US\$'000	31 December 2020 Audited US\$'000
Non-current liabilities					
Loan payables	17	472,369	174,870	295,200	–
Retirement benefit obligations		25,002	24,535	–	–
Deferred tax liabilities	13	45,858	45,331	326	260
Lease liabilities		8,618	9,389	239	758
Other payables		10,394	13,186	79,258	80,458
Total non-current liabilities		562,241	267,311	375,023	81,476
Net assets		727,615	749,105	775,478	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		2,420	2,420	–	–
Other reserves		528	717	(1,310)	(1,310)
Accumulated losses		(117,794)	(114,753)	(19,726)	(18,373)
Foreign currency translation reserve		26,346	42,809	–	–
Equity attributable to owners of the Company		708,014	727,707	775,478	776,831
Non-controlling interests		19,601	21,398	–	–
Total equity		727,615	749,105	775,478	776,831
Total liabilities and equity		1,986,043	1,963,991	1,655,869	1,627,294

Halcyon Agri Corporation Limited and its Subsidiaries

A4: Condensed Interim Statements of Changes in Equity
For the First Half ended 30 June 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)/profits 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 2021	603,874	192,640	2,420	717	(114,753)	42,809	727,707	21,398	749,105
Profit for the period	–	–	–	–	759	–	759	(554)	205
Other comprehensive loss	–	–	–	–	–	(16,463)	(16,463)	(718)	(17,181)
Total comprehensive loss for the period	–	–	–	–	759	(16,463)	(15,704)	(1,272)	(16,976)
<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)
<u>Changes in ownership interests in subsidiaries</u>									
Disposal of a subsidiary	–	–	–	(189)	–	–	(189)	(525)	(714)
Total changes in ownership interests in subsidiaries	–	–	–	(189)	–	–	(189)	(525)	(714)
At 30 June 2021	603,874	192,640	2,420	528	(117,794)	26,346	708,014	19,601	727,615

Halcyon Agri Corporation Limited and its Subsidiaries

A4: Condensed Interim Statements of Changes in Equity
For the First Half ended 30 June 2020

	Attributable to owners of the Company					Non-controlling interests	Total equity	
	Share capital 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 2020	603,874	1,814	(2,952)	(56,162)	14,903	561,477	27,511	588,988
Loss for the period	–	–	–	(40,383)	–	(40,383)	(1,225)	(41,608)
Other comprehensive income/(loss)	–	–	–	140	(13,050)	(12,910)	(372)	(13,282)
Total comprehensive loss for the period	–	–	–	(40,243)	(13,050)	(53,293)	(1,597)	(54,890)
<u>Changes in ownership interests in subsidiaries</u>								
Acquisition of non-controlling interests without a change in control	–	–	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 30 June 2020	603,874	1,814	717	(101,088)	1,853	507,170	25,738	532,908

Halcyon Agri Corporation Limited and its Subsidiaries

**A4: Condensed Interim Statements of Changes in Equity
For the First Half ended 30 June 2021 and 30 June 2020**

	Share capital US\$'000	Perpetual securities US\$'000	Other reserves US\$'000	Accumulated losses 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 period representing total comprehensive loss for the period	–	–	–	2,447	2,447
<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 2021	603,874	192,640	(1,310)	(19,726)	775,478
At 1 January 2020	603,874	–	(1,310)	(904)	601,660
Loss for the period representing total comprehensive loss for the period	–	–	–	(12,152)	(12,152)
At 30 June 2020	603,874	–	(1,310)	(13,056)	589,508

Halcyon Agri Corporation Limited and its Subsidiaries

**A5: Condensed Interim Consolidated Cash Flow Statement
For the First Half ended 30 June 2021**

	Note in Part C	Group	
		H1 2021 Unaudited US\$'000	H1 2020 Unaudited US\$'000
Operating activities			
Profit/(Loss) before tax		242	(45,639)
Adjustments for:			
Depreciation expense	6	14,766	13,885
Amortisation of intangible assets	6	409	447
Amortisation of right-of-use assets	6	1,510	1,424
Retirement benefit expense		2,476	2,546
Interest income		(3,386)	(2,589)
Interest expense		11,859	18,937
Interest on operating lease liabilities		254	28
Fair value loss on open forward commodities contracts and inventories, unrealised	6	559	18,478
Unrealised foreign exchange loss/(gain)		77	(710)
Gain on disposal of property, plant and equipment and investment properties	6	(8)	(32)
Write off/(Write back) of property, plant and equipment	6	2	(79)
Allowance/(Reversal of allowance) for expected credit losses on trade and other receivables	6	202	(25)
Gain on disposal of a subsidiary	4	(7,596)	–
Share of profit of associates		(185)	(169)
Operating cash flows before changes in working capital		21,181	6,502
Trade and other receivables		(35,836)	46,288
Inventories		(11,368)	60,673
Trade and other payables		17,026	(15,554)
Cash (used in)/generated from operations		(8,997)	97,909
Interest received		558	293
Interest paid		(7,679)	(9,302)
Tax (paid)/refund		(807)	1,854
Net cash (used in)/generated from operating activities		(16,925)	90,754
Investing activities			
Exercise of put option by a non-controlling interests		–	(4,859)
Capital expenditure on property, plant and equipment, and intangible assets		(3,953)	(7,835)
Capital expenditure on plantation and biological assets		(14,017)	(11,391)
Proceeds from disposal of property, plant and equipment and investment properties		540	190
Interest received from loan to a third party		594	–
Net cash used in investing activities		(16,836)	(23,895)

Halcyon Agri Corporation Limited and its Subsidiaries

**A5: Condensed Interim Consolidated Cash Flow Statement
For the First Half ended 30 June 2021**

	Group	
	H1 2021	H1 2020
	Unaudited	Unaudited
	US\$'000	US\$'000
Financing activities		
Net (repayment)/proceeds of term loans	(17,946)	3,564
Net proceeds/(repayment) of other working capital loans	51,407	(8,678)
Repayment of obligation under lease arrangements	(1,273)	(1,718)
Interest paid on term loans	(4,880)	(5,288)
Dividend distributed to perpetual securities holders	(3,800)	–
Decrease in pledged deposits	1,587	556
Guarantee fee paid in relation to issuance of perpetual securities	(1,200)	–
Net cash generated from/(used in) financing activities	23,895	(11,564)
Net (decrease)/increase in cash and cash equivalents	(9,866)	55,295
Cash and cash equivalents at the beginning of period	43,892	55,627
Effect of exchange rate changes on the balance of cash held in foreign currencies	486	(589)
Cash and cash equivalents at the end of period	34,512	110,333
Cash and bank balances comprise the following:		
Cash and cash equivalents	34,512	110,333
Fixed deposits – pledged	542	1,685
	35,054	112,018

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 2021 VS H1 2020

Performance by segment

		CMCP Group		CMCI Group		HRC Group		Group	
		H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020	H1 2021	H1 2020
Sales volume	tonnes	8,258	5,727	176,002	161,140	508,128	393,032	657,634	530,401
	US\$								
Total revenue	Million	14.6	8.2	326.9	248.0	867.3	553.2	1,152.1	770.2
Gross profit/(loss)	US\$								
	Million	(1.2)	(3.3)	30.0	11.3	44.3	25.8	73.1	33.7
Operating profit/(loss)*	US\$								
	Million	(10.6)	(12.4)	10.1	(4.3)	8.0	(4.5)	8.8	(29.4)

* Segmental operating profits figures mentioned herein excluded management fees and fair value gains.

Group

The Group has registered a 24.0% increase in sales volume from 530,401 tonnes to 657,634 tonnes on the back of the buoyant market demand after resumption of downstream activities post COVID-19 lockdowns. Driven by higher volume and increase in average selling prices, revenue increased by 49.6% from H1 2020 to H1 2021. Underlining the strong downstream demand, the Group realised better unit margins, driving the two-fold increase in gross profits from US\$33.7 million to US\$73.1 million. The expansion in margins resulted in the Group's turnaround from US\$29.4 million operating loss in H1 2020 to US\$8.8 million operating profit in H1 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. In H1 2021, contributed a 44.2% increase in sales volume is recorded following an improved yield from a maturing plantation profile (H1 2021: 8,258 mT vs H1 2020: 5,727 mT). Conscious cost management resulted in narrowing of operating loss from US\$12.4 million and US\$19.7 million in H1 and H2 2020 respectively, to US\$10.6 million in H1 2021.

CMC International (CMCI)

CMCI's sales volumes increased marginally from from 161,140 tonnes to 176,002 tonnes, as the strengthening of demand is met with logistics shortage situation. Nonetheless, CMCI's effective supply chain management captured the robust demand for rubber products for domestic supplies and realised better margin, as it reported a near three-fold improvement in gross profit from US\$11.3 million in H1 2020 to US\$30.0 million in H1 2021, and registered an operating profit of US\$10.1 million, a significant improvement from US\$4.3 million operating loss in H1 2020.

Halcyon Rubber Company (HRC)

Revenue increased by 56.8% from US\$553.2 million in H1 2020 to US\$867.3 million in H1 2021, driven by a 29.3% increase in volume and a 21.3% higher ASP. Gross profits almost doubled from H1 2020's US\$25.8 million to US\$44.3 million in H1 2021 as HRC captured margins amid demand upswing in the tyre sector. As a result, the segment has reversed its operating loss of US\$4.5 million in H1 2020, to report an operating profit of US\$8.0 million in H1 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

		H1 2021	H1 2020	Change
Total sales volume	tonnes	657,634	530,401	24.0%
Revenue	US\$ Million	1,152.1	770.2	49.6%
Revenue per tonne	US\$	1,752	1,452	20.7%
Gross profit	US\$ Million	73.1	33.7	116.9%
EBITDA	US\$ Million	17.9	(13.8)	n/m
Net profit/(loss)	US\$ Million	0.2	(41.6)	n/m

Revenue

Revenue increased by US\$381.9 million (49.6%), from US\$770.2 million in H1 2020 to US\$1,152.1 million in H1 2021. The increase is mainly driven by:

- (i) An increase in sales volumes of 127,233 tonnes (24.0%) from 530,401 tonnes in H1 2020 to 657,634 tonnes in H1 2021, in line with the improved downstream demand following the resumption of industrial activities post COVID-19 widespread lockdown.
- (ii) An increase in revenue per tonne from US\$1,452 in H1 2020 to US\$1,752 in H1 2021, in line with the improvement in market prices.

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 increased by US\$342.6 million or 46.5%, from US\$736.4 million in H1 2020 to US\$1,079.0 million in H1 2021 in line with the increase in volume. Cost of sales per tonne increased from US\$1,388 in H1 2020 to US\$1,641 in H1 2021, in line with rubber price trends in the respective periods.

Gross profit

	H1 2021	H1 2020	Change
Gross profit (US\$ Million)	73.1	33.7	116.9%
Sales volume (tonnes)	657,634	530,401	24.0%
Gross profit per tonne (US\$)	111	64	73.4%

Gross profit increased by US\$39.4 million (116.9%) from US\$33.7 million in H1 2020 to US\$73.1 million in H1 2021 mainly due to the increase in sales volume and gross profit per tonne as the business was not impacted by the COVID-19 lockdown which happened in H1 2020.

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

Profit before tax

Profit before tax in H1 2021 was US\$0.2 million compared with US\$45.6 million loss before tax recorded in the previous corresponding period, mainly due to the following reasons:

- (i) increase in gross profit by US\$39.3 million due to the reasons aforementioned;
- (ii) increase in other income of US\$7.0 million, mainly due to the gain of US\$7.6 million on disposal of a subsidiary;
- (iii) decrease of net finance cost by US\$7.6 million mainly due to a lower global benchmark interest rate and lower loan balance during H1 2021 as compared to H1 2020, and;

This was offset by:

- (iv) increase in selling expenses of US\$7.2 million in line with higher sales volume.

Profit after tax

Profit after tax in H1 2021 was US\$0.2 million, compared to loss after tax of US\$41.6 million in H1 2020 mainly due to the reasons explained above.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 30 JUNE 2021 VS 31 DECEMBER 2020

Non-current assets

Non-current assets decreased by US\$8.0 million (0.6%) from 31 December 2020 (US\$1,256.9 million) to 30 June 2021 (US\$1,248.9 million), mainly due to the following factors:

- (i) depreciation and amortisation expense of US\$16.7 million; and
- (ii) foreign translation loss of US\$17.2 million due to strengthening of US Dollars against local currencies.

The decrease in non-current assets was partially offset by US\$18.0 million investment in property, plant and equipment ("PPE"), and plantation related properties as part of planned capital expenditure programme.

Current assets

Current assets increased by US\$30.1 million (4.3%) from 31 December 2020 (US\$707.0 million) to 30 June 2021 (US\$737.1 million) mainly due to increase in:

- (i) trade receivables of US\$25.6 million, in tandem with higher revenue;
- (ii) derivative financial instruments of US\$8.2 million, mainly due to higher valuation gain on open sales contracts as at 30 June 2021;
- (iii) inventories of US\$3.9 million, driven by higher average unit costs, in line with higher rubber prices. The group's inventory turnover days is 65 days (2020: 88 days) which is within the group's operation and risk management strategy;
- (iv) loans and other receivables of US\$3.5 million due to recognition of finance income receivable on third party loan,

which was partially offset by decrease in cash and bank balances of US\$10.7 million, mainly due to deployment into working capital investment.

Assets held-for-sale of US\$6.3 million relates to investment properties located in Indonesia and China. The sale process is still on-going.

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 decreased by US\$251.4 million (26.5%) during the period from 31 December 2020 (US\$947.6 million) to 30 June 2021 (US\$696.2 million), mainly due to the reduction in:

- (i) loan payables of US\$269.5 million, predominantly due to successful refinance of US\$300 million term loan. As such, the new loan has been classified as non-current liabilities;
- (ii) derivative financial instruments of US\$5.8 million; and
- (iii) trade payables of US\$2.3 million.

which was partially offset by:

- (i) increase in other payables of US\$26.5 million, mainly due to increase in the advances from third parties of US\$18.7 million.
- (ii) term loan which comes due in next 12 months classified from non-current to current liabilities.

Non-current liabilities

Non-current liabilities increased by US\$294.9 million (110.3%) from 31 December 2020 (US\$267.3 million) to 30 June 2021 (US\$562.2 million), mainly due to increase in loan payables of US\$297.5 million due to the drawdown of US\$300 million syndicated term loan as aforementioned, and partially offset by a decrease in other payables of US\$2.8 million.

Equity

The Group's equity decreased by US\$21.5 million, from US\$749.1 million as at 31 December 2020 to US\$727.6 million as at 30 June 2021, caused by the translation loss from foreign operations, net profit for the period and distribution to perpetual securities holders.

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 2021	Balance at 31 December 2020
	US\$ Million	US\$ Million
Net working capital assets ⁽¹⁾	568.2	545.2
Cash and cash equivalents	35.1	45.7
Loan receivables	62.1	61.7
Total net working capital employed	665.4	652.6
Working capital loans	512.2	463.5
% Efficiency of Working Capital Funding	77.0%	71.0%
Operational long term assets ⁽²⁾	1,060.4	1,064.5
Non-core assets ⁽³⁾	41.4	43.6
Other borrowings	527.3	548.1
% Fixed Asset Gearing	47.9%	49.5%
Total equity	727.6	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.

Group Cash Flow

The Group's cash and cash equivalents decreased by US\$9.9 million during H1 2021. It recorded net cash used in operating activities of US\$17.0 million during H1 2021 mainly due to increased investments into working capital.

Net cash used in investing activities of US\$16.8 million mainly comprises capital expenditure on PPE and plantation related assets of US\$18.0 million, offset by the proceeds from the disposal of investment property of US\$0.5 million and interest received from a third party loan of US\$0.6 million.

Net cash generated from financing activities to fund working capital investment was US\$23.9 million, mainly due to net drawdowns of working capital loans of US\$51.4 million, offset by net repayment of US\$18.0 million on term loans, US\$4.9 million interest paid, US\$3.8 million of dividend distributed to perpetual securities holders and US\$1.2 million for guarantee fee in relation to issuance of perpetual securities.

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

Natural rubber prices (indicated by SICOM TSR20 1st position) surged almost 30% since the start of 2021 to a four-year high of US\$2,000 per MT in end-February 2021. Following a consolidation, price settled at US\$1,696 in end July 2021.

Global growth outlook remains upbeat. OECD raised its 2021 global growth forecast from 4.2% to 5.8% in May 2021 while IMF lifted its global growth outlook for 2022 for the second time, by 50 basis points to 4.9% in its July 2021 assessment (previous growth estimates were 4.2% in January 2021 and 4.4% in March 2021).

Amid an improving economic outlook, reports of encouraging vaccination roll-out progresses and ongoing discussions to gradually ease travel restrictions, could be tailwind factors for natural rubber ("NR") demand in the near-term. In contrast, downside risks stemming from global supply chain constraints and disruption as well as possible new curbs against the spread of COVID-19 strains could cap the anticipated NR demand growth. On supply side, the resurgence of COVID-19 cases has limited population movement and disrupted operations in key origins, potentially extending the on-going tightness in raw material supply. However, the resumption of post-wintering tapping activities in key NR producing countries post-wintering could provide some level of supply boost.

Despite near-term uncertainties caused by a culmination of aforementioned factors, the Group is of view that the long-term NR supply/demand dynamics remain favourable as multiple factors, such as positive economic outlook, infrastructure spending and reopening of international borders are expected to underpin the long-term demand for this key natural resource.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 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 30 June 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 condensed interim financial statements for the First Half ended 30 June 2021 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 2020.

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 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

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 2020.

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

4. Other income

	Group	
	H1 2021	H1 2020
	US\$'000	US\$'000
Gain on disposal of a subsidiary	7,596	–
Government grants	252	651
Others	383	545
	8,231	1,196
	8,231	1,196

5. Finance costs

	Group	
	H1 2021	H1 2020
	US\$'000	US\$'000
Interest expense on:		
- Term loans	4,580	7,002
- Working capital loans	7,280	11,672
- Lease liabilities	253	291
Total finance costs	12,113	18,965
	12,113	18,965

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021
6. Profit/(Loss) before tax

	Group	
	H1 2021	H1 2020
	US\$'000	US\$'000
Profit/(Loss) before tax has been arrived at after charging/(crediting):		
Business rationalisation expenses	–	4,496
One-off legal expense	211	–
	<hr/>	<hr/>
Depreciation of property, plant and equipment and plantation related properties included in:		
- Cost of sales	11,361	10,610
- Selling expenses	16	22
- Administrative expenses	3,389	3,253
	<hr/>	<hr/>
	14,766	13,885
	<hr/>	<hr/>
Foreign exchange (gain)/loss included in:		
- Cost of sales	(545)	6,994
- Administrative expenses	830	(2,813)
	<hr/>	<hr/>
	285	4,181
	<hr/>	<hr/>
Amortisation:		
- Intangible assets	409	447
- Right-of-use assets	1,510	1,424
	<hr/>	<hr/>
	1,919	1,871
	<hr/>	<hr/>
Employee benefit expenses (including directors' remuneration)		
- Cost of sales	31,432	26,683
- Selling expenses	2,160	2,767
- Administrative expenses	18,852	19,434
	<hr/>	<hr/>
	52,444	48,884
	<hr/>	<hr/>
Professional fees	2,222	2,330
Gain on disposal of property, plant and equipment and investment properties	(8)	(32)
Lease expenses on short-term leases and low-value assets	577	518
Write off/(Write back) of property, plant and equipment	2	(79)
Impairment losses/(Reversal of impairment) on financial assets	202	(25)
Inventories recognised as an expense in cost of sales	1,078,992	736,433
	<hr/>	<hr/>

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021
7. Income tax (expense)/credit

	Group	
	H1 2021	H1 2020
	US\$'000	US\$'000
Consolidated income statement		
Current tax		
Current tax expense	(2,211)	(597)
(Under)/Over provision in prior years	(4)	574
Deferred tax		
Tax credit relating to the origination and reversal of temporary differences	2,178	4,054
Income tax (expense)/credit recognised in loss	<u>(37)</u>	<u>4,031</u>

8. Loss per share ("LPS")

	Group	
	Basic and diluted	
	H1 2021	H1 2020
	US\$'000	US\$'000
Profit/(Loss) for the period attributable to owners of the Company	759	(40,383)
Dividend on perpetual securities	(3,800)*	-
Adjusted loss attributable to owners of the Company	<u>(3,041)</u>	<u>(40,383)</u>
	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	(0.19)	(2.53)
Loss per share (US Cents)	(0.19)	(2.53)
Loss per share (SGD Cents) ⁽¹⁾	<u>(0.30)</u>	<u>(3.56)</u>

* 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 2021

9. Intangible assets

Goodwill

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

	Group	
	30 June 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	1,517	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 2020. 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.

As at 30 June 2021, the Group reviewed the key assumptions used in the value in use calculation as at 31 December 2020 impairment test and noted that the assumptions remained reasonable. No impairment loss was recognised as at 30 June 2021 and 31 December 2020 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 the First Half ended 30 June 2021, the Group acquired assets amounting to US\$3,943,000 (30 June 2020: US\$7,816,000) and disposed of assets amounting to US\$134,200 (30 June 2020: US\$158,000).

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 2020. 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.

During the First Half ended 30 June 2021, 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 2020. There are no major aspects that could affect the fair value of the investment properties as at 30 June 2021.

Halcyon Agri Corporation Limited and its Subsidiaries

Notes to the condensed interim consolidated financial statements For the First Half ended 30 June 2021

12. Investment in subsidiaries

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 at 30 June 2021, the Group is in the midst of carrying out purchase price allocation review for the interest in associate.

13. Deferred taxes

The increase for deferred tax of US\$2,153,000 is mainly due to recognition of tax losses from subsidiaries as at 30 June 2021.

14. Plantation and biological assets

During the First Half ended 30 June 2021, the increase of US\$1,344,000 of the Group’s plantation and biological assets is mainly due to additional cost capitalised of US\$14,017,000, offset by depreciation charges of US\$2,233,000 and exchange difference of US\$10,546,000.

Interest expense amounting to US\$4,904,000 was capitalised for First Half period ended 30 June 2021. The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.77% - 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 2021.

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 2020. 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 the First Half ended 30 June 2021, 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 2020. There are no major aspects that could materially affect the fair value of the biological assets as at 30 June 2021.

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

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

14. Plantation and biological assets (cont'd)

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 hectare) to Sudcam, a non-wholly owned subsidiary of the Group. After assessment in February 2021, Sudcam decided to return the concession land to the government. There is no material impact to the Group as the land was undeveloped.

15. Loans and other receivables

The loan to a third party was 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. Interest repayment due on 30 June 2021 of US\$3,754,410 after receipt of partial payments from the borrower has been deferred to 31 December 2021.

The Group reviewed the repayment of loan receivables and their recoverability amounts and determined that \$241,000 was required to be provided as provision of expected credit losses ("ECL") as at 30 June 2021 (2020: Nil).

16. Inventories

	Group	
	30 June 2021	31 December 2020
	US\$'000	US\$'000
Inventories carried at cost	27,306	27,223
Inventories carried at fair value	365,800	362,029
	393,106	389,252

The inventories as at the end of each reporting period on 30 June 2021 and 31 December 2020 included fair value loss of US\$1,114,000 and fair value gain of US\$15,040,000 respectively.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

17. Loan payables

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
- Working capital loans	512,222	463,524	249,000	215,500
- Term loans	54,956	373,191	41,106	358,607
	<u>567,178</u>	<u>836,715</u>	<u>290,106</u>	<u>574,107</u>
Non-current:				
- Term loans	472,369	174,870	295,200	–
	<u>472,369</u>	<u>174,870</u>	<u>295,200</u>	<u>–</u>
Total loan payables	<u>1,039,547</u>	<u>1,011,585</u>	<u>585,306</u>	<u>574,107</u>

In June 2021, the Company has refinanced an existing term loan of US\$300,000,000 that is due in December 2021 with a syndicated loan that carries a tenure of three years.

	Group			
	30 June 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	<u>123,582</u>	<u>443,596</u>	<u>123,876</u>	<u>712,839</u>
Amount repayable after one year	<u>76,484</u>	<u>395,885</u>	<u>65,912</u>	<u>108,958</u>

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

18. Net asset value

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per ordinary share based on issued share capital (US cents)	45.62	46.94	48.62	48.70
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	61.24	62.06	65.27	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 period.

19. Share capital

(i) Issued and paid up capital

	No. of shares '000	US\$'000
At 31 December 2020 and 30 June 2021	1,595,012	603,874

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2021 and 30 June 2020.

(ii) The Company did not hold any treasury shares as at 30 June 2021 and 31 December 2020. As such, the number of issued shares excluding treasury shares as at 30 June 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 period 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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 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	
	6 months	12 months
	ended 30 June	ended 31
	2021	December 2020
	US\$'000	US\$'000
Banking facilities covered by letter of comfort from penultimate holding company	530,000	520,000
Fee charged by penultimate holding company for issuance of letter of comfort	350	518
	<u>350</u>	<u>518</u>

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

Notes to the condensed interim consolidated financial statements For the First Half ended 30 June 2021

22. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	H1 2021 US\$'000	H1 2020 US\$'000 Restated	H1 2021 US\$'000	H1 2020 US\$'000 Restated	H1 2021 US\$'000	H1 2020 US\$'000	H1 2021 US\$'000	H1 2020 US\$'000	H1 2021 US\$'000	H1 2020 US\$'000	H1 2021 US\$'000	H1 2020 US\$'000
Revenue to third party	551	306	326,868	247,189	824,618	522,596	45	83	-	-	1,152,082	770,174
Inter-segment revenue	14,096	7,867	-	764	42,644	30,562	4,794	7,466	(61,534)	(46,659) A	-	-
Total revenue	14,647	8,173	326,868	247,953	867,262	553,158	4,839	7,549	(61,534)	(46,659)	1,152,082	770,174
Gross profit/(loss)	(1,161)	(3,343)	30,017	11,284	44,289	25,830	4,826	7,473	(4,881)	(7,503) B	73,090	33,741
Operating profit/(loss)	(10,615)	(12,438)	10,064	(4,328)	3,393	(11,825)	5,942	(841)	-	-	8,784	(29,432)
Operating profit/(loss) excluding management fee	(10,615)	(12,438)	10,131	(4,328)	8,049	(4,503)	1,219	(8,163)	-	-	8,784	(29,432)
Finance income											3,386	2,589
Finance costs											(12,113)	(18,965)
Share of result of associates											185	169
Profit/(Loss) before tax											242	(45,639)
Income tax (expense)/credit											(37)	4,031
Loss for the financial period											205	(41,608)
Total sales volume (tonnes)	8,258	5,727	176,002	161,140	508,128	393,032	-	-	(34,754)	(29,498)	657,634	530,401
Gross profit per tonne (US\$)	(141)	(584)	171	70	87	66	-	-	-	-	111	64
Other information:												
Management fee expense/(income)	-	-	67	-	4,656	7,322	(4,723)	(7,322)	-	-	-	-
Depreciation expense (include right-of-use assets)	3,750	3,199	1,370	1,296	10,559	10,175	597	639	-	-	16,276	15,309
Capital expenditure	15,051	15,014	17	247	2,768	3,938	134	27	-	-	17,970	19,226

22. Segment information (cont'd)

Halcyon Agri Corporation Limited and its Subsidiaries

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated		
	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 2021	31 December 2020	30 June 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	1,108,448	1,115,327	668,736	647,276	1,029,066	1,025,317	1,666,786	1,637,769	(2,486,993)	(2,461,698)	C	1,986,043	1,963,991
Segment liabilities	589,415	574,583	650,885	635,850	853,182	844,474	882,296	852,353	(1,717,350)	(1,692,374)	D	1,258,428	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 balances.

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

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	24,049	–	–	24,049
Financial assets as at 30 June 2021	24,049	–	–	24,049
Non-financial assets:				
Inventories	–	365,800	–	365,800
Biological assets	–	–	357,943	357,943
Investment properties	–	–	41,413	41,413
Non-financial assets as at 30 June 2021	–	365,800	399,356	765,156
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	1,677	–	–	1,677
Financial liabilities as at 30 June 2021	1,677	–	–	1,677

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

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

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

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

	Company 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				
<i>Financial assets:</i>				
Derivative financial instruments	1,747	–	–	1,747
Financial assets as at 30 June 2021	1,747	–	–	1,747
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	1,728	–	–	1,728
Financial liabilities as at 30 June 2021	1,728	–	–	1,728
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

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2021

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 2020. The key assumptions used by the independent professional valuers as disclosed in annual report 2020 remains reasonable for 30 June 2021.

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 2020 remains reasonable for 30 June 2021 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 2021 are US\$357,943,000 (31 December 2020: US\$355,378,000) and US\$41,413,000 (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 period ended 30 June 2021 and financial year ended 31 December 2020.

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

24. Dividends on ordinary shares

The Group has not paid dividend on ordinary shares as at 30 June 2021 and 31 December 2020.

25. Event occurring after the reporting period

There are no known subsequent events which have led to adjustments to this set of condensed interim 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 2021 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

The Company recorded an insignificant profit for the period and no dividend has been declared or recommended for the current financial period.

4. Interested person transactions

The Company does not have a general mandate from shareholders for Interested Person Transactions.

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

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

We, Liu Hongsheng 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 2021 to be false or misleading in any material aspect.

By Order of the Board
Li Xuetao
Executive Director and CEO

Singapore,
12 August 2021