



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 2022
("H1 2022")**

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 2022**

		Group		
	Note in Part C	H1 2022 Unaudited US\$'000	H1 2021 Unaudited US\$'000	Change %
Revenue		1,291,403	1,152,082	12.1
Cost of sales		(1,205,457)	(1,078,992)	11.7
Gross profit		85,946	73,090	17.6
Other income	4	10,665	8,231	29.6
Selling expenses		(27,428)	(27,507)	(0.3)
General and administrative expenses		(43,401)	(44,200)	(1.8)
General and administrative expenses – foreign exchange gain/(loss)		860	(830)	n/m
Operating profit		26,642	8,784	>100
Finance income		2,508	3,386	(25.9)
Finance costs	5	(16,746)	(12,113)	38.2
Share of (loss)/profit of associates		(344)	185	n/m
Profit before tax	6	12,060	242	>100
Income tax expense	7	(7,759)	(37)	>100
Profit for the financial period		4,301	205	>100
Profit attributable to:				
Owners of the Company		1,042	759	37.3
Non-controlling interests		3,259	(554)	n/m
		4,301	205	>100
Adjusted Earnings before interest, tax, depreciation and amortisation (“Adjusted EBITDA”)*		31,340	17,867	75.4
Loss per share (“LPS”):				
Basic and diluted (US cents per share)	8	(0.17)	(0.19)	(10.5)

n/m – not meaningful

* Adjusted EBITDA of the Group has been computed by using EBITDA less share of results of associates, non-operational expenses and gains or losses on disposal of non-current assets.

Halcyon Agri Corporation Limited and its Subsidiaries

A2: Condensed Interim Consolidated Statement of Comprehensive Income
For the First Half ended 30 June 2022

	Group		
	H1 2022	H1 2021	Change
	Unaudited US\$'000	Unaudited US\$'000	%
Profit for the financial period	4,301	205	>100
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations	(40,142)	(17,181)	>100
Other comprehensive loss for the financial period net of tax	<u>(40,142)</u>	<u>(17,181)</u>	>100
Total comprehensive loss for the financial period net of tax	<u>(35,841)</u>	<u>(16,976)</u>	>100
Attributable to:			
- Owners of the Company	(38,238)	(15,704)	>100
- Non-controlling interests	2,397	(1,272)	n/m
Total comprehensive loss for the financial period net of tax	<u>(35,841)</u>	<u>(16,976)</u>	>100

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Condensed Interim Statements of Financial Position As at 30 June 2022 and 31 December 2021

	Note in Part C	Group		Company	
		30 June 2022 Unaudited US\$'000	31 December 2021 Audited US\$'000	30 June 2022 Unaudited US\$'000	31 December 2021 Audited US\$'000
ASSETS					
Non-current assets					
Intangible assets	9	299,309	299,113	291	416
Property, plant and equipment	10	244,960	268,160	1,759	1,166
Plantation and biological assets	13	511,265	530,671	–	–
Investment properties	11	40,078	42,169	–	–
Deferred tax assets	12	23,925	24,226	–	–
Deferred charges		210	496	–	–
Other assets		155	1,232	–	–
Debt instruments carried at fair value through profit and loss		2,332	2,417	–	–
Loans and other receivables	14	47,724	51,147	–	–
Investment in subsidiaries		–	–	1,091,726	1,133,074
Investment in associates		8,839	9,187	7,355	7,718
Total non-current assets		1,178,797	1,228,818	1,101,131	1,142,374
Current assets					
Cash and bank balances		49,919	33,396	353	391
Trade receivables		169,523	165,059	–	–
Loans and other receivables	14	108,333	104,699	421,868	408,504
Tax receivables		6,356	4,144	–	–
Derivative financial instruments		34,167	23,317	17,709	3,976
Inventories	15	519,701	496,976	–	–
Consumable biological assets		79	83	–	–
		888,078	827,674	439,930	412,871
Assets classified as held for sale		7,127	6,417	–	–
Total current assets		895,205	834,091	439,930	412,871
Total assets		2,074,002	2,062,909	1,541,061	1,555,245
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments		–	2,647	16,949	4,300
Trade payables		40,103	57,449	–	–
Other payables		120,456	96,510	8,760	76,589
Loan payables	16	722,823	634,191	399,400	329,800
Provision for taxation		7,571	4,485	501	442
Lease liabilities		2,906	3,286	487	698
Total current liabilities		893,859	798,568	426,097	411,829
Net current assets		1,346	35,523	13,833	1,042

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Condensed Interim Statements of Financial Position As at 30 June 2022 and 31 December 2021

	Note in Part C	Group		Company	
		30 June 2022 Unaudited US\$'000	31 December 2021 Audited US\$'000	30 June 2022 Unaudited US\$'000	31 December 2021 Audited US\$'000
Non-current liabilities					
Loan payables	16	406,550	452,727	268,800	282,000
Retirement benefit obligations		22,714	22,338	–	–
Deferred tax liabilities	12	46,724	47,156	386	354
Lease liabilities		7,897	7,641	771	44
Other payables		11,749	10,329	28,707	33,010
Total non-current liabilities		495,634	540,191	298,664	315,408
Net assets		684,509	724,150	816,300	828,008
Capital and reserves					
Share capital	18	603,874	603,874	603,874	603,874
Perpetual securities	19	192,640	192,640	192,640	192,640
Capital reserve		2,740	2,740	–	–
Other reserves		(1,517)	(1,517)	(1,310)	(1,310)
(Accumulated losses)/Retained earnings		(115,737)	(112,979)	21,096	32,804
Foreign currency translation reserve		(29,589)	9,691	–	–
Equity attributable to owners of the Company		652,411	694,449	816,300	828,008
Non-controlling interests		32,098	29,701	–	–
Total equity		684,509	724,150	816,300	828,008
Total liabilities and equity		2,074,002	2,062,909	1,541,061	1,555,245

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 (Unaudited)									
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 2021

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000	US\$'000	
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 income	–	–	–	–	–	(16,463)	(16,463)	(718)	(17,181)
Total comprehensive income/(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 2022 and 30 June 2021**

	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 2022	603,874	192,640	(1,310)	32,804	828,008
Loss 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
At 1 January 2021	603,874	192,640	(1,310)	(18,373)	776,831
Profit for the period representing total comprehensive income 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

Halcyon Agri Corporation Limited and its Subsidiaries

**A5: Condensed Interim Consolidated Cash Flow Statement
For the First Half ended 30 June 2022**

		Group	
	Note in Part C	H1 2022 Unaudited	H1 2021 Unaudited
	24	US\$'000	(Restated) US\$'000
Operating activities			
Profit before tax		12,060	242
Adjustments for:			
Depreciation expense	6	13,309	14,766
Amortisation of intangible assets	6	476	409
Amortisation of right-of-use assets	6	1,212	1,510
Retirement benefit expense		2,077	2,476
Interest income		(2,508)	(3,386)
Interest expense		16,533	11,859
Interest on operating lease liabilities		213	254
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised		(6,501)	559
Unrealised foreign exchange loss		1,771	77
Gain on disposal of property, plant and equipment, plantation and investment properties	6	(10,528)	(8)
Write off of property, plant and equipment	6	41	2
(Reversal of impairment)/impairment losses on financial assets	6	(15)	202
Gain on disposal of a subsidiary	4	–	(7,596)
Share of loss/(profit) of associates		344	(185)
Operating cash flows before changes in working capital		28,484	21,181
Trade and other receivables		(7,644)	(35,836)
Inventories		(44,367)	(11,368)
Trade and other payables		2,799	17,026
Cash used in operations		(20,728)	(8,997)
Interest received		–	558
Tax paid		(2,802)	(807)
Net cash used in operating activities		(23,530)	(9,246)
Investing activities			
Capital expenditure on property, plant and equipment, and intangible assets		(3,414)	(3,953)
Capital expenditure on plantation and biological assets		(4,939)	(9,112)
Deposits and proceeds received from disposal of property, plant and equipment, plantation and investment properties		17,609	540
Interest received from loan to a third party		–	594
Net cash generated from/(used in) investing activities		9,256	(11,931)

Halcyon Agri Corporation Limited and its Subsidiaries

**A5: Condensed Interim Consolidated Cash Flow Statement
For the First Half ended 30 June 2022**

	Group	
	H1 2022	H1 2021
	Unaudited	Unaudited
	US\$'000	US\$'000
Financing activities		
Net repayment of term loans	(4,346)	(17,946)
Net proceeds of other working capital loans	59,486	51,407
Repayment of obligation under lease arrangements	(1,286)	(1,273)
Interest paid	(17,437)	(17,464)
Dividend distributed to perpetual securities holders	(3,800)	(3,800)
Decrease in pledged deposits	–	1,587
Guarantee fee paid in relation to issuance of perpetual securities	–	(1,200)
Net cash generated from financing activities	32,617	11,311
Net increase/(decrease) in cash and cash equivalents	18,343	(9,866)
Cash and cash equivalents at the beginning of period	33,396	43,892
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1,820)	486
Cash and cash equivalents at the end of period	49,919	34,512
Cash and bank balances comprise the following:		
Cash and cash equivalents	49,919	34,512
Fixed deposits – pledged	–	542
	49,919	35,054

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 2022 VS H1 2021

Performance by segment

		CMCP Group		CMCI Group		HRC Group		Group	
		H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021	H1 2022	H1 2021
Sales volume	tonnes	10,313	8,258	181,144	176,002	515,236	508,128	671,096	657,634
	US\$								
Total revenue	Million	19.9	14.6	388.6	326.9	946.3	867.3	1,291.4	1,152.1
Gross profit/(loss)	US\$ Million	1.4	(1.2)	39.2	30.0	45.4	44.3	85.9	73.1
Operating profit/(loss)*	US\$ Million	(9.7)	(10.6)	20.1	10.1	22.9	8.0	26.6	8.8

* Segmental operating profits figures mentioned herein excluded management fees.

Group

The Group has registered a marginal increase in sales volume of 2.0% from 657,634 tonnes to 671,096 tonnes in spite of the market uncertainties during the period, supported by sturdy underlying downstream demand. Coupled with an increase in average selling prices, revenue has increased 12.1% from H1 2021 to H1 2022. The Group's entrenched operating scale is reflected in the overall improved unit margins, which drove the 17.5% increase in gross profits from US\$73.1 million to US\$85.9 million. Operating profits tripled from US\$8.8 million to US\$26.6 million on the back of the increase in gross profits as well as the gains recognised on disposal of property, plant and equipment, plantation and investment properties ("non-core properties").

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 2022, sales volume increased by 24.9%, following an improved yield from a maturing plantation profile (H1 2022: 4,530 mT vs H1 2021: 4,057 mT). Conscious cost management drove the narrowing of operating loss from US\$10.6 million, to US\$9.7 million in H1 2022.

CMC International (CMCI)

CMCI's sales volumes increased marginally from 176,002 tonnes to 181,144 tonnes, while gross profits increased by 30.7% from US\$30.0 million to US\$39.2 million. Operating profits grew in tandem from US\$10.1 million in H1 2021 to US\$20.1 million in H1 2022.

Halcyon Rubber Company (HRC)

Revenue increased by 9.1% from US\$867.3 million in H1 2021 to US\$946.3 million in H1 2022, mainly driven by higher average selling prices. Operating profits increased to US\$22.9 million in H1 2022 from US\$8.0 million in H1 2021, driven by the improved gross margins and also, the gains recognised on disposal of non-core properties as aforementioned.

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 2022	H1 2021	Change
Total sales volume	tonnes	671,096	657,634	2.0%
Revenue	US\$ Million	1,291.4	1,152.1	12.1%
Revenue per tonne	US\$	1,924	1,752	9.8%
Gross profit	US\$ Million	85.9	73.1	17.5%
Adjusted EBITDA	US\$ Million	31.3	17.9	74.9%
Profit before tax	US\$ Million	12.1	0.2	>100%

Revenue

Revenue increased by US\$139.3 million (12.1%), from US\$1,152.1 million in H1 2021 to US\$1,291.4 million in H1 2022. The increase is mainly driven by:

- (i) An increase in sales volumes of 13,462 tonnes (2.0%) from 657,634 tonnes in H1 2021 to 671,096 tonnes in H1 2022, in line with the steady downstream demand.
- (ii) An increase in revenue per tonne from US\$1,752 in H1 2021 to US\$1,924 in H1 2022, 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\$126.5 million or 11.7%, from US\$1,079.0 million in H1 2021 to US\$1,205.5 million in H1 2022 in line with the increase in volume. Cost of sales per tonne increased from US\$1,641 in H1 2021 to US\$1,796 in H1 2022, in line with rubber price trends in the respective periods.

Gross profit

	H1 2022	H1 2021	Change
Gross profit (US\$ Million)	85.9	73.1	17.5%
Sales volume (tonnes)	671,096	657,634	2.0%
Gross profit per tonne (US\$)	128	111	15.3%

Gross profit increased by US\$12.8 million (17.5%) from US\$73.1 million in H1 2021 to US\$85.9 million in H1 2022 mainly due to the increase in sales volume and gross profit per tonne. The expansion of unit margins is reflective of the Group's effectiveness in capturing market opportunities.

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 2022 was US\$12.1 million compared with US\$0.2 million profit before tax recorded in the previous corresponding period, mainly due to the following reasons:

- (i) increase in gross profit by US\$12.8 million due to the reasons aforementioned;
- (ii) increase in other income of US\$2.5 million: gain of US\$10.3 million on disposal of non-core properties in H1 2022, as compared to gain on disposal of a subsidiary of US\$7.6 million in H1 2021, and
- (iii) foreign exchange movement of positive US\$1.7 million.

This was offset by:

- (iv) increase of net financing cost by US\$5.5 million mainly due to higher interest rate and increased working capital funding requirement, driven by the increase in sales volume and rubber price.

Profit after tax

Profit after tax in H1 2022 was US\$4.3 million, compared to profit after tax of US\$0.2 million in H1 2021 mainly due to the reasons explained above.

REVIEW OF THE FINANCIAL POSITION OF THE GROUP AS AT 30 JUNE 2022 VS 31 DECEMBER 2021

Non-current assets

Non-current assets decreased by US\$50.0 million (4.1%) from 31 December 2021 (US\$1,228.8 million) to 30 June 2022 (US\$1,178.8 million), mainly due to the following factors:

- (i) depreciation and amortisation expense of US\$15.0 million;
- (ii) foreign translation loss of US\$38.4 million due to strengthening of US Dollars against local currencies, and
- (iii) offset by additions made during H1 2022 of US\$8.3 million, for planned capital expenditure programme in certain factories and plantation assets.

Current assets

Current assets increased by US\$61.1 million (7.3%) from 31 December 2021 (US\$834.1 million) to 30 June 2022 (US\$895.2 million) mainly due to increase in:

- (i) trade receivables of US\$4.5 million, in tandem with higher revenue;
- (ii) cash and bank balances of US\$16.5 million;
- (iii) derivative financial instruments of US\$10.9 million, mainly due to higher valuation gain on open sales contracts as at 30 June 2022;
- (iv) inventories of US\$22.7 million, driven by increase in stock holding which contributed US\$30.2 million, offset by decrease in market price. The group's inventory turnover days is 74 days (2021: 71 days) which is aligned with the group's operation and risk management strategy;
- (v) loans and other receivables of US\$3.6 million mainly due to recognition of finance income receivable on third party loan;
- (vi) increase in tax receivables of US\$2.2 million;

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

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

- (vii) reclassification of investment from non-current asset to assets held for sale of US\$1.0 million. Other assets held-for-sale of US\$6.2 million relates to investment properties located in Indonesia and China. The sale process is still on-going.

Current liabilities

Current liabilities increased by US\$95.3 million (11.9%) during the period from 31 December 2021 (US\$798.6 million) to 30 June 2022 (US\$893.9 million), mainly due to the increase in:

- (i) current portion of long-term loans which is re-classified from non-current to current liabilities of US\$36.1 million;
- (ii) net increase in working capital loans of US\$52.0 million;
- (iii) increase in other payables of US\$23.9 million, mainly due to increase in the advances related to contracted sales from third parties of US\$23.0 million.

which was partially offset by decrease in:

- (iv) derivative financial instruments of US\$2.6 million; and
- (v) trade payables of US\$17.3 million.

Non-current liabilities

Non-current liabilities decreased by US\$44.6 million (8.3%) from 31 December 2021 (US\$540.2 million) to 30 June 2022 (US\$495.6 million), mainly due to the decrease in:

- (i) loan payables of US\$46.2 million, mainly due to reclassification of current portion of long-term loan as aforementioned;

which was partially offset by increase in:

- (ii) other payables of US\$1.4 million.

Equity

The Group's equity decreased by US\$39.7 million, from US\$724.2 million as at 31 December 2021 to US\$684.5 million as at 30 June 2022, as a result of translation loss from foreign operations and distribution made to perpetual securities holder, offset by net profit 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 2022	Balance at 31 December 2021
	US\$ Million	US\$ Million
Net working capital assets ⁽¹⁾	664.7	627.2
Cash and cash equivalents	49.9	33.4
Loan receivables	60.2	63.5
Total net working capital employed	774.8	724.1
Working capital loans	657.4	601.8
% Efficiency of Working Capital Funding	84.8%	83.1%
Operational long term assets ⁽²⁾	1,009.8	1,055.7
Non-core assets ⁽³⁾	40.1	42.2
Other borrowings	482.8	495.9
% Fixed Asset Gearing	46.0%	45.2%
Total equity	684.5	724.2

⁽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 increased by US\$18.3 million during H1 2022.

The Group has recorded a cash inflow from operating activities before working capital changes of US\$28.5 million. US\$49.2 million has been used to increase working capital assets (mainly inventory and trade receivables) during the period. Thus, the Group has recorded a net cash used in operating activities of US\$23.5 million during H1 2022.

Net cash generated from investing activities of US\$9.3 million was mainly due to deposits and proceeds received from disposal of non-core properties of US\$17.6 million. This is partially offset by the capital expenditure on PPE and plantation related assets of US\$8.3 million.

Net cash generated from financing activities was US\$32.6 million, mainly due to net proceeds from working capital loans of US\$55.1 million to support working capital turnover, offset by interest paid of US\$17.4 million and distribution to perpetual securities holders of US\$3.8 million.

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

B2: The significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next operating period and the next 12 months

Amid the uncertain backdrop of global economic developments, rising inflation and growing concerns over recession, the International Monetary Fund (“IMF”) lowered its 2022 global growth forecast from 3.6% in April 2022 to 3.2% in its July 2022 assessment¹, and the Organisation for Economic Co-operation and Development (“OECD”) lowered its projection sharply to 3% in June 2022².

Natural rubber prices (indicated by SICOM TSR20 1st position) has declined through major parts of H1 2022, from a peak of US\$1,850 on 23 February 2022, to close off the financial period at US\$1,646. Despite the downward trajectory over the past six months, natural rubber prices were less affected by the collapse in other commodities prices. Underlying rubber demand has remained sturdy as observed in the order flows from our customers.

Looking ahead into the next 12 months, the inflationary pressure is expected to remain in the near term, as the major geopolitical events play out. Market activity may slow down in the near future as a result of the possible recession while the raw material supply situation remains challenging at a few key origins, due to an extended period of under-investment. Nevertheless, the Group’s order book remains strong.

Halcyon Agri’s core strategy in addressing the current market environment, is to continue to focus on capturing processing margins regardless of price level movements. We also aim to maintain our competitiveness by optimising cost efficiencies, enhance deleveraging efforts of non-core assets, increase working capital turnover and also by improving our operating cash flows.

Amid the rising interest rate environment, the Group also aims to bring down its overall financing costs by leaning on our ESG expertise to obtain sustainability-linked financing opportunities. One such example is Halcyon Agri’s recent completion of a sustainability-linked loan amounting to US\$300.0 million. This bodes well with the Group’s core values which is to be a model corporate citizen.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2022/07/26/world-economic-outlook-update-july-2022>

² <https://www.oecd.org/economic-outlook/>

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2022

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 2022, 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 owned by Sinochem Holdings Corporation Ltd. ("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 2022 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 2021.

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

The 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 2022. 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 2022

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 2021.

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

4. Other income

	Group	
	H1 2022	H1 2021
	US\$'000	US\$'000
Gain on disposal of non-core properties	10,299	–
Gain on disposal of a subsidiary	–	7,596
Others	366	635
	10,665	8,231
	10,665	8,231

5. Finance costs

	Group	
	H1 2022	H1 2021
	US\$'000	US\$'000
Interest expense on:		
- Term loans	8,103	4,580
- Working capital loans	8,430	7,280
- Lease liabilities	213	253
Total finance costs	16,746	12,113
	16,746	12,113

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2022

6. Profit before tax

	Group	
	H1 2022	H1 2021
	US\$'000	US\$'000
Profit before tax has been arrived at after charging/(crediting):		
Non-recurring expenses:		
- One-off professional expenses	–	211
Depreciation of property, plant and equipment and plantation related properties included in:		
- Cost of sales	10,956	11,361
- Selling expenses	19	16
- Administrative expenses	2,334	3,389
	<u>13,309</u>	<u>14,766</u>
Foreign exchange (gain)/loss included in:		
- Cost of sales	(221)	(545)
- Administrative expenses	(860)	830
	<u>(1,081)</u>	<u>285</u>
Amortisation:		
- Intangible assets	476	409
- Right-of-use assets	1,212	1,510
	<u>1,688</u>	<u>1,919</u>
Employee benefit expenses (including directors' remuneration)		
- Cost of sales	28,718	31,432
- Selling expenses	2,447	2,160
- Administrative expenses	21,277	18,852
	<u>52,442</u>	<u>52,444</u>
Professional fees	2,488	2,222
Gain on disposal of property, plant and equipment, plantation and investment properties	(10,528)	(8)
Lease expenses on short-term leases and low-value assets	619	577
Write off of property, plant and equipment	41	2
(Reversal of impairment)/impairment losses on financial assets	(15)	202
Inventories recognised as an expense in cost of sales	<u>1,205,457</u>	<u>1,078,992</u>

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2022
7. Income tax expense

	Group	
	H1 2022	H1 2021
	US\$'000	US\$'000
Consolidated income statement		
Current tax		
Current tax expense	(7,561)	(2,211)
Over/(Under) provision in prior years	71	(4)
Deferred tax		
Tax (expense)/credit relating to the origination and reversal of temporary differences	(269)	2,178
Income tax expense recognised in consolidated income statement	(7,759)	(37)

8. Loss per share ("LPS")

	Group	
	Basic and diluted	
	H1 2022	H1 2021
	US\$'000	US\$'000
Profit for the period attributable to owners of the Company	1,042	759
Dividend on perpetual securities*	(3,800)	(3,800)
Adjusted loss attributable to owners of the Company	(2,758)	(3,041)
	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	(0.17)	(0.19)
Loss per share (US Cents)	(0.17)	(0.19)
Loss per share (SGD Cents) ⁽¹⁾	(0.24)	(0.30)

* 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 2022

9. Intangible assets

Goodwill

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

	Group	
	30 June 2022	31 December 2021
	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
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 2021. 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 2022, the Group reviewed the key assumptions used in the value in use calculation as at 31 December 2021 impairment test and noted that the assumptions remained reasonable. No impairment loss was recognised as at 30 June 2022 and 31 December 2021 as the recoverable amounts of the respective CGU to which goodwill and process know-how have been allocated to were in excess of their respective carrying values.

10. Property, plant and equipment

During H1 2022, the Group acquired assets amounting to US\$3,630,000 (30 June 2021: US\$3,943,000) and disposed of assets amounting to US\$686,000 (30 June 2021: US\$134,200).

11. Investment properties

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2021. The valuations were performed by independent valuers with recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 22.

During H1 2022, 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 2021. There are no major aspects that could affect the fair value of the investment properties as at 30 June 2022.

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For the First Half ended 30 June 2022

12. Deferred taxes

The decrease for net deferred tax liabilities of US\$131,000 is mainly due to utilisation of tax losses from subsidiaries and reversal of temporary differences as at 30 June 2022.

13. Plantation and biological assets

The decrease of US\$19,406,000 of the Group's plantation and biological assets during the First Half ended 30 June 2022 is mainly due to depreciation charges of US\$2,122,000 and exchange difference of US\$25,944,000, offset by additional cost capitalised of US\$9,245,000.

Interest expense amounting to US\$4,306,000 was capitalised for First Half period ended 30 June 2022. The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.16% - 7.15% (31 December 2021: 1.84% - 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 2022.

Measurement of biological assets

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

During H1 2022, 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 2021. There are no major aspects that could materially affect the fair value of the biological assets as at 30 June 2022.

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For the First Half ended 30 June 2022

14. Loans and other receivables

Included in loans and other receivables is a loan to a third party amounting to US\$56,460,000 (31 December 2021: US\$59,543,000). 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 the borrower was structured with progressive payments for a period up to 31 December 2024 which bears an interest at 10%-11% per annum and to be repaid semi-annually.

The interest repayment of US\$4,826,000 was due on 30 June 2022. As at the date of this report, this overdue interest remains unpaid. The borrower is currently in negotiation with the lenders on the next repayment date on overdue interest.

The Group has assessed the collateral value to be sufficient to cover the carrying amount of the loan receivables based on the valuation performed by an independent professional valuer as at 31 December 2021.

The Group has assessed the expected credit losses ("ECL") for the loan to the borrower based on the following approaches:

- (i) Discounted cash flow

The ECL is estimated based on the present value of cash shortfalls between the contractual cash flows that are due to the Group and the cash flows that the Group expects to receive, by taking into account the timing of repayments and assuming that the Group continues to charge interest on the outstanding loan.

- (ii) Lifetime ECL

The ECL is estimated based on the formula: Probability of default x Loss given default x Exposure of default.

Based on the assessment above, the Group has recognised a provision of ECL amounting to US\$1,440,000 as at 30 June 2022 (31 December 2021: US\$1,440,000). The ECL is sensitive to the timing of repayments.

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15. Inventories

	Group	
	30 June 2022	31 December 2021
	US\$'000	US\$'000
Inventories carried at cost	24,973	24,433
Inventories carried at fair value	494,728	472,543
	519,701	496,976

The inventories as at the end of each reporting period on 30 June 2022 and 31 December 2021 included fair value loss of US\$6,710,000 and fair value gain of US\$15,474,000 respectively.

16. Loan payables

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
- Working capital loans	649,923	601,820	373,000	316,000
- Term loans	72,900	32,371	26,400	13,800
	722,823	634,191	399,400	329,800
Non-current:				
- Working capital loans	7,467	-	-	-
- Term loans	399,083	452,727	268,800	282,000
	406,550	452,727	268,800	282,000
Total loan payables	1,129,373	1,086,918	668,200	611,800

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For the First Half ended 30 June 2022
16. Loan payables (cont'd)

	Group			
	30 June 2022		31 December 2021	
	Secured US\$'000	Unsecured US\$'000	Secured US\$'000	Unsecured US\$'000
Amount repayable in one year or less, on demand	146,357	576,466	186,345	447,846
Amount repayable after one year	86,185	320,365	87,128	365,599

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.

17. Net asset value

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
Net asset value per ordinary share based on issued share capital (US cents)	42.92	45.40	51.18	51.91
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	59.60	63.05	71.07	68.63
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
For the First Half ended 30 June 2022

18. Share capital

- (i) Issued and paid up capital

	No. of shares '000	US\$'000
At 31 December 2021 and 30 June 2022	1,595,012	603,874

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 30 June 2022 and 30 June 2021.

- (ii) The Company did not hold any treasury shares as at 30 June 2022 and 31 December 2021. As such, the number of issued shares excluding treasury shares as at 30 June 2022 and 31 December 2021 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.

19. 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.

20. 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 2022	12 months ended 31 December 2021
	US\$'000	US\$'000
Banking facilities covered by letter of comfort from penultimate holding company	655,907	592,600
Fee charged by penultimate holding company for issuance of letter of comfort	369	1,376
Loan facility entered with holding company	–	31,756
Interest charged by holding company	192	97

21. Segment information

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

The key segments of the Group comprise the following:

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

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

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

Halcyon Agri Corporation Limited and its Subsidiaries

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21. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	H1 2022 US\$'000	H1 2021 US\$'000										
Revenue to third party	1,203	551	388,579	326,868	901,621	824,618	–	45	–	–	1,291,403	1,152,082
Inter-segment revenue	18,692	14,096	–	–	44,701	42,644	5,463	4,794	(68,856)	(61,534) A	–	–
Total revenue	19,895	14,647	388,579	326,868	946,322	867,262	5,463	4,839	(68,856)	(61,534)	1,291,403	1,152,082
Gross profit/(loss)	1,405	(1,161)	39,240	30,017	45,375	44,289	5,463	4,826	(5,537)	(4,881) B	85,946	73,090
Operating profit/(loss)	(9,749)	(10,615)	20,021	10,064	17,548	3,393	(1,085)	5,942	(93)	–	26,642	8,784
Operating profit/(loss) excluding management fee	(9,749)	(10,615)	20,066	10,131	22,966	8,049	(6,548)	1,219	(93)	–	26,642	8,784
Finance income											2,508	3,386
Finance costs											(16,746)	(12,113)
Share of result of associates											(344)	185
Profit before tax											12,060	242
Income tax expense											(7,759)	(37)
Profit for the financial period											4,301	205
Total sales volume (tonnes)	10,313	8,258	181,144	176,002	515,236	508,128	–	–	(35,597)	(34,754)	671,096	657,634
Gross profit per tonne (US\$)	136	(141)	217	171	88	87	–	–	–	–	128	111
Other information:												
Management fee expense/(income)	–	–	45	67	5,418	4,656	(5,463)	(4,723)	–	–	–	–
Depreciation expense (include right-of-use assets)	3,257	3,750	926	1,370	9,667	10,559	578	597	93	–	14,521	16,276
Capital expenditure (include interest capitalization)	9,440	15,051	532	17	2,577	2,768	110	134	–	–	12,659	17,970

Halcyon Agri Corporation Limited and its Subsidiaries

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For the First Half ended 30 June 2022

21. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated		
	30 June 2022	31 December 2021											
	US\$'000	US\$'000											
Segment assets	834,444	892,362	669,330	661,190	1,105,676	1,107,316	1,556,745	1,568,414	(2,092,193)	(2,166,373)	C	2,074,002	2,062,909
Segment liabilities	602,754	631,434	427,770	631,072	641,006	639,925	730,544	731,008	(1,012,581)	(1,294,680)	D	1,389,493	1,338,759

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.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2022

22. 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 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				
<i>Financial assets:</i>				
Derivative financial instruments	34,167	–	–	34,167
Financial assets as at 30 June 2022	34,167	–	–	34,167
Non-financial assets:				
Inventories	–	494,728	–	494,728
Biological assets	–	–	344,789	344,789
Investment properties	–	–	40,078	40,078
Non-financial assets as at 30 June 2022	–	494,728	384,867	879,595
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	–	–	–	–
Financial liabilities as at 30 June 2022	–	–	–	–

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

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

	Group 2021			Total US\$'000
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	23,317	–	–	23,317
Financial assets as at 31 December 2021	23,317	–	–	23,317
Non-financial assets:				
Inventories	–	472,543	–	472,543
Biological assets	–	–	360,863	360,863
Investment properties	–	–	42,169	42,169
Non-financial assets as at 31 December 2021	–	472,543	403,032	875,575
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	2,647	–	–	2,647
Financial liabilities as at 31 December 2021	2,647	–	–	2,647

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

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

	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	17,709	–	–	17,709
Financial assets as at 30 June 2022	17,709	–	–	17,709
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	16,949	–	–	16,949
Financial liabilities as at 30 June 2022	16,949	–	–	16,949
Company 2021				
Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	Total US\$'000
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	3,976	–	–	3,976
Financial assets as at 31 December 2021	3,976	–	–	3,976
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	4,300	–	–	4,300
Financial liabilities as at 31 December 2021	4,300	–	–	4,300

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

(c) Level 2 fair value measurements

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

(d) Level 3 fair value measurements

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

Biological assets

The fair value of the Group's major biological assets has been determined based on valuations by independent professional valuers using the discounted cash flow valuation approach for 31 December 2021. The key assumptions used by the independent professional valuers as disclosed in annual report 2021 remains reasonable for 30 June 2022.

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 2021 remains reasonable for 30 June 2022 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 2022 are US\$344,789,000 (31 December 2021: US\$360,863,000) and US\$40,078,000 (31 December 2021: US\$42,169,000) respectively.

There has been no transfer from Level 1 and Level 2 to Level 3 for the financial period ended 30 June 2022 and financial year ended 31 December 2021.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the First Half ended 30 June 2022

22. 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.

23. Dividends on ordinary shares

The Group has not paid dividend on ordinary shares as at 30 June 2022 and 31 December 2021.

PART C: NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
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24. Comparative figures

In FY2021, the management had reassessed the classification for the interest paid with reference to the guidance under SFRS 7 Statement of Cash Flows. As the Group has various borrowings to support both its long term assets and working capital, segregating the interest expense between operating and financing activities may not be reflective of the actual allocation. Hence, the interest expense had been aggregated under net cash generated from financing activities together with all the funding activities under the Group. The comparative figures have been adjusted accordingly to conform to FY2021's presentation. Please refer to the following table for comparison between H1 2021 announcement and the restated figures in H1 2022 announcement:

Condensed interim consolidation cash flow statement:

	Group		
	Restatement of comparative figures		
	Previously Reported H1 2021 US\$'000	Reclassification US\$'000	As restated H1 2021 US\$'000
Interest paid	(7,679)	7,679	–
Net cash used in operating activities	(16,925)	7,679	(9,246)
Capital expenditure on plantation and biological assets	(14,017)	4,905	(9,112)
Net cash used in investing activities	(16,836)	4,905	(11,931)
Interest paid	(4,880)	(12,584)	(17,464)
Net cash generated from financing activities	23,895	(12,584)	11,311

25. Event occurring after the reporting period

Shareholdings changes in HeveaConnect Pte Ltd (“HeveaConnect”)

In July 2022, the Group disposed 32,218 ordinary shares in its associate, HeveaConnect to a third party for a sales consideration of US\$1.6 million. Concurrently, HeveaConnect raised US\$5.4 million from other investors and certain of its employees. As a result of these transactions, the Group's stake in HeveaConnect has reduced from 49.9% to 32.54%.

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 2022 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 2022. 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, 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 2022 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Liu Hongsheng
Non-Executive Chairman

Li Xuetao
Executive Director and CEO

By Order of the Board
Wong Teck Kow
Company Secretary

Singapore,
12 August 2022