



Halcyon Agri Corporation Limited

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

Financial Statements
For the Second Half 2023 (“H2 2023”) and
Financial Year ended 31 December 2023
 (“FY2023”)

Halcyon Agri Corporation Limited and its Subsidiaries

Table of Contents

	Page
Part A: Financial Statements	
A1: Consolidated Income Statement	3
A2: Consolidated Statement of Comprehensive Income	4
A3: Statements of Financial Position	5
A4: Statements of Changes in Equity	7
A5: 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	19
Part C: Notes to the Consolidated Financial Statements	
	20
Part D: Other Information Required by Listing Rule Appendix 7.2	
	41

Halcyon Agri Corporation Limited and its Subsidiaries

PART A: FINANCIAL STATEMENTS

A1: Consolidated Income Statement

For the Second Half 2023 and Financial Year ended 31 December 2023

	Note in	Group			Group		
		H2 2023	H2 2022	Change	FY 2023	FY 2022	Change
		Unaudited US\$'000	Unaudited US\$'000	%	Unaudited US\$'000	Audited US\$'000	%
Revenue		1,688,156	1,401,427	20.5	2,900,827	2,692,830	7.7
Cost of sales		(1,602,877)	(1,316,561)	21.7	(2,754,659)	(2,522,018)	9.2
Gross profit		85,279	84,866	0.5	146,168	170,812	(14.4)
Other income	4	9,543	15,894	(40.0)	26,671	26,559	0.4
Selling expenses		(34,609)	(38,536)	(10.2)	(66,118)	(65,964)	0.2
General and administrative expenses		(54,997)	(50,222)	9.5	(128,286)	(93,623)	37.0
General and administrative expenses – foreign exchange gain		1,020	2,409	(57.7)	3,310	3,269	1.3
Operating profit/(loss)		6,236	14,411	(56.7)	(18,255)	41,053	n/m
Finance income		1,181	3,567	(66.9)	3,829	6,075	(37.0)
Finance costs	5	(32,480)	(22,338)	45.4	(63,860)	(39,084)	63.4
Share of loss of associates		(697)	(578)	20.6	(1,013)	(922)	9.9
(Loss)/Profit before tax	6	(25,760)	(4,938)	421.7	(79,299)	7,122	n/m
Income tax expense	7	(225)	(13,434)	(98.3)	(9,342)	(21,193)	(55.9)
Loss for the financial period/year		<u>(25,985)</u>	<u>(18,372)</u>	41.4	<u>(88,641)</u>	<u>(14,071)</u>	530.0
Loss attributable to:							
Owners of the Company		(24,899)	(19,010)	31.0	(87,017)	(17,968)	384.3
Non-controlling interests		(1,086)	638	n/m	(1,624)	3,897	n/m
		<u>(25,985)</u>	<u>(18,372)</u>	41.4	<u>(88,641)</u>	<u>(14,071)</u>	530.0
Loss per share (“LPS”):							
Basic and diluted (US cents per share)	8	<u>(1.80)</u>	<u>(1.43)</u>	25.9	<u>(5.93)</u>	<u>(1.60)</u>	270.6

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A2: Consolidated Statement of Comprehensive Income For the Second Half 2023 and Financial Year ended 31 December 2023

	Group			Group		
	H2 2023 Unaudited US\$'000	H2 2022 Unaudited US\$'000	Change %	FY 2023 Unaudited US\$'000	FY 2022 Audited US\$'000	Change %
Loss for the financial period/year	(25,985)	(18,372)	41.4	(88,641)	(14,071)	530.0
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss</i>						
Exchange differences on translation of foreign operations	197	(3,609)	n/m	6,044	(43,751)	n/m
<i>Items that will not be reclassified subsequently to profit or loss</i>						
Actuarial gain on retirement benefit obligation (net of tax)	81	3,005	(97.3)	81	3,005	(97.3)
Other comprehensive loss for the financial period/year net of tax	<u>278</u>	<u>(604)</u>	n/m	<u>6,125</u>	<u>(40,746)</u>	n/m
Total comprehensive loss for the financial period/year net of tax	<u>(25,707)</u>	<u>(18,976)</u>	35.5	<u>(82,516)</u>	<u>(54,817)</u>	50.5
Attributable to:						
- Owners of the Company	(24,560)	(18,821)	30.5	(81,362)	(57,059)	42.6
- Non-controlling interests	(1,147)	(155)	640.0	(1,154)	2,242	n/m
Total comprehensive loss for the financial period/year net of tax	<u>(25,707)</u>	<u>(18,976)</u>	35.5	<u>(82,516)</u>	<u>(54,817)</u>	50.5

n/m – not meaningful

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Statements of Financial Position As at 31 December 2023 and 31 December 2022

	Note in Part C	Group		Company	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
		Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
ASSETS					
Non-current assets					
Intangible assets	9	298,046	298,840	–	166
Property, plant and equipment	10	224,458	230,425	2,192	3,155
Plantation and biological assets	13	558,346	538,121	–	–
Investment properties	11	41,200	40,668	–	–
Deferred tax assets	12	21,110	20,511	–	–
Deferred charges		1,283	1,265	–	–
Other assets		160	161	–	–
Loans and other receivables	14	3,826	3,252	–	–
Investment in subsidiaries		–	–	1,079,885	1,068,347
Investment in associates		6,000	7,004	4,568	5,546
Total non-current assets		1,154,429	1,140,247	1,086,645	1,077,214
Current assets					
Cash and bank balances		48,286	118,682	829	3,417
Trade receivables		141,273	137,663	–	–
Loans and other receivables	14	152,170	154,946	520,318	499,405
Tax receivables		5,035	6,966	–	–
Derivative financial instruments		8,653	39,862	4,652	3,012
Debt instruments carried at fair value through profit and loss	15	–	2,392	–	–
Inventories	16	456,921	410,705	–	–
Consumable biological assets		24	78	–	–
		812,362	871,294	525,799	505,834
Assets classified as held for sale	17	–	5,632	–	–
Total current assets		812,362	876,926	525,799	505,834
Total assets		1,966,791	2,017,173	1,612,444	1,583,048
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments		13,021	1,315	4,063	2,702
Trade payables		67,495	36,455	–	–
Other payables		137,344	91,122	101,642	20,381
Loan payables	18	997,036	714,048	734,284	476,113
Provision for taxation		7,279	11,153	2,490	820
Lease liabilities		1,778	2,418	1,042	978
Total current liabilities		1,223,953	856,511	843,521	500,994
Net current (liabilities)/assets		(411,591)	20,415	(317,722)	4,840

Halcyon Agri Corporation Limited and its Subsidiaries

A3: Statements of Financial Position As at 31 December 2023 and 31 December 2022

	Note in Part C	Group		Company	
		31 December 2023	31 December 2022	31 December 2023	31 December 2022
		Unaudited US\$'000	Audited US\$'000	Unaudited US\$'000	Audited US\$'000
Non-current liabilities					
Loan payables	18	104,768	419,317	–	260,400
Retirement benefit obligations		15,233	16,542	–	–
Deferred tax liabilities	12	43,357	48,061	248	452
Lease liabilities		6,402	7,725	872	1,834
Other payables		7,387	8,985	24,143	21,220
Total non-current liabilities		177,147	500,630	25,263	283,906
Net assets		565,691	660,032	743,660	798,148
Capital and reserves					
Share capital	20	603,874	603,874	603,874	603,874
Perpetual securities	21	192,640	192,640	192,640	192,640
Capital reserve		3,530	2,898	–	–
Other reserves		(1,517)	(1,517)	(1,310)	(1,310)
(Accumulated losses)/ Retained Earnings		(230,971)	(135,712)	(51,544)	2,944
Foreign currency translation reserve		(26,684)	(32,349)	–	–
Equity attributable to owners of the Company		540,872	629,834	743,660	798,148
Non-controlling interests		24,819	30,198	–	–
Total equity		565,691	660,032	743,660	798,148
Total liabilities and equity		1,966,791	2,017,173	1,612,444	1,583,048

Halcyon Agri Corporation Limited and its Subsidiaries

**A4: Statements of Changes in Equity
For the Financial Year ended 31 December 2023**

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Share capital US\$'000	Perpetual securities US\$'000	Capital reserve US\$'000	Other reserves US\$'000	Accumulated losses US\$'000	Foreign currency translation reserve US\$'000	Total equity attributable to owners of the Company US\$'000	US\$'000	
Group (Unaudited)									
At 1 January 2023	603,874	192,640	2,898	(1,517)	(135,712)	(32,349)	629,834	30,198	660,032
Loss for the year	–	–	–	–	(87,017)	–	(87,017)	(1,624)	(88,641)
Other comprehensive income	–	–	–	–	(10)	5,665	5,655	470	6,125
Total comprehensive (loss)/income for the year	–	–	–	–	(87,027)	5,665	(81,362)	(1,154)	(82,516)
Contributions by and distributions to owners									
Distribution to perpetual securities holders	–	–	–	–	(7,600)	–	(7,600)	–	(7,600)
Statutory reserve fund	–	–	632	–	(632)	–	–	–	–
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	(4,225)	(4,225)
Total contributions by and distributions to owner	–	–	632	–	(8,232)	–	(7,600)	(4,225)	(11,825)
At 31 December 2023	603,874	192,640	3,530	(1,517)	(230,971)	(26,684)	540,872	24,819	565,691

Halcyon Agri Corporation Limited and its Subsidiaries

**A4: Statements of Changes in Equity
For the Financial Year ended 31 December 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	US\$'000
Group (Audited)									
At 1 January 2022	603,874	192,640	2,740	(1,517)	(112,979)	9,691	694,449	29,701	724,150
(Loss)/Profit for the year	–	–	–	–	(17,968)	–	(17,968)	3,897	(14,071)
Other comprehensive income	–	–	–	–	2,949	(42,040)	(39,091)	(1,655)	(40,746)
Total comprehensive (loss)/income for the year	–	–	–	–	(15,019)	(42,040)	(57,059)	2,242	(54,817)
<u>Contributions by and distributions to owners</u>									
Distribution to perpetual securities holder	–	–	–	–	(7,600)	–	(7,600)	–	(7,600)
Statutory reserve fund	–	–	158	–	(158)	–	–	–	–
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	(1,544)	(1,544)
Total contributions by and distributions to owner	–	–	158	–	(7,758)	–	(7,600)	(1,544)	(9,144)
<u>Changes in ownership interests in subsidiaries</u>									
Transaction with non-controlling interest of a subsidiary	–	–	–	–	44	–	44	(201)	(157)
Total changes in ownership interests in subsidiaries	–	–	–	–	44	–	44	(201)	(157)
At 31 December 2022	603,874	192,640	2,898	(1,517)	(135,712)	(32,349)	629,834	30,198	660,032

Halcyon Agri Corporation Limited and its Subsidiaries

A4: Statements of Changes in Equity
For the Financial Year ended 31 December 2023 and 31 December 2022

	Share capital US\$'000	Perpetual securities US\$'000	Other reserves US\$'000	(Accumulated losses)/ Retained Earnings US\$'000	Total equity US\$'000
Company (Unaudited)					
At 1 January 2023	603,874	192,640	(1,310)	2,944	798,148
Loss for the year representing total comprehensive income for the year	–	–	–	(46,888)	(46,888)
<u>Contributions by and distributions to owners</u>					
Distribution to perpetual securities holders	–	–	–	(7,600)	(7,600)
Total transactions with owners in their capacity as owners	–	–	–	(7,600)	(7,600)
At 31 December 2023	603,874	192,640	(1,310)	(51,544)	743,660
Company (Audited)					
At 1 January 2022	603,874	192,640	(1,310)	32,804	828,008
Loss for the year representing total comprehensive income for the year	–	–	–	(22,260)	(22,260)
<u>Contributions by and distributions to owners</u>					
Distribution to perpetual securities holders	–	–	–	(7,600)	(7,600)
Total transactions with owners in their capacity as owners	–	–	–	(7,600)	(7,600)
At 31 December 2022	603,874	192,640	(1,310)	2,944	798,148

Halcyon Agri Corporation Limited and its Subsidiaries

A5: Consolidated Cash Flow Statement For the Second Half 2023 and Financial Year ended 31 December 2023

	Note in Part C	Group		Group	
		H2 2023	H2 2022	FY 2023	FY 2022
		Unaudited US\$'000	Unaudited US\$'000	Unaudited US\$'000	Audited US\$'000
Operating activities					
(Loss)/Profit before tax		(25,760)	(4,938)	(79,299)	7,122
Adjustments for:					
Depreciation expense	6	12,563	13,097	25,714	26,406
Amortisation of intangible assets	6	400	496	897	972
Amortisation of right-of-use assets	6	702	2,022	2,319	3,234
Retirement benefit expense		3,472	(525)	5,247	1,552
Interest income		(1,181)	(3,567)	(3,829)	(6,075)
Interest expense	5	32,259	22,095	63,408	38,628
Interest on operating lease liabilities	5	221	243	452	456
Fair value (gain)/loss on open forward commodities contracts and inventories, unrealised		(1,883)	9,286	(472)	2,785
Fair value loss/(gain) on investment properties		1,629	(1,518)	1,629	(1,518)
Fair value loss/(gain) on biological assets		1,596	(7,665)	1,596	(7,665)
Fair value loss on assets classified as held for sale		–	210	–	210
Unrealised foreign exchange loss/(gain)		3,662	3,399	(153)	5,170
Gain on disposal and dilution of interest in an associate	4	–	(357)	–	(357)
Gain on disposal of other assets	4	–	(53)	–	(53)
Gain on disposal of property, plant and equipment, plantation and investment properties	4	(7,442)	(4,783)	(23,768)	(15,311)
Write off of property, plant and equipment	6	251	3	317	44
Impairment loss on property, plant and equipment	6	2,296	–	2,296	–
Impairment loss/ (Reversal of impairment loss) on financial assets	6	2,774	(34)	23,574	(49)
Allowance for other receivables	6	(2,759)	–	–	–
Loss on disposal of asset held for sale	6	381	–	381	–
Share of loss of associates		697	578	1,013	922
Operating cash flows before changes in working capital		23,878	27,989	21,322	56,473
Trade and other receivables		5,056	23,698	(25,717)	16,054
Inventories		4	88,297	1,321	43,930
Trade and other payables		(14,950)	(43,562)	45,725	(40,763)
Cash generated from operations		13,988	96,422	42,651	75,694
Interest received		1,100	946	2,004	946
Tax paid		(4,295)	(4,206)	(17,348)	(7,008)
Net cash generated from operating activities		10,793	93,162	27,307	69,632

Halcyon Agri Corporation Limited and its Subsidiaries

A5: Consolidated Cash Flow Statement For the Second Half 2023 and Financial Year ended 31 December 2023

	Group		Group	
	H2 2023	H2 2022	FY 2023	FY 2022
	Unaudited	Unaudited	Unaudited	Audited
	US\$'000	US\$'000	US\$'000	US\$'000
Investing activities				
Proceeds from disposal of interest in an associate	–	1,615	–	1,615
Proceeds from disposal of other assets	–	1,200	–	1,200
Acquisition of remaining interests in a subsidiary	–	(157)	–	(157)
Capital expenditure on property, plant and equipment, and intangible assets	(9,328)	(6,668)	(14,629)	(10,082)
Capital expenditure on plantation and biological assets	(5,249)	(11,297)	(8,372)	(16,236)
Proceeds from disposal of property, plant and equipment and investment properties	13,965	11,404	39,269	29,013
Net cash (used in)/generated from investing activities	(612)	(3,903)	16,268	5,353
Financing activities				
Net (repayments)/proceeds of/(from) borrowings	(37,733)	12,683	(37,655)	67,823
Repayment of obligation under lease arrangements	(856)	(2,333)	(2,613)	(3,619)
Interest paid	(25,387)	(26,818)	(60,764)	(44,255)
Dividend paid to non-controlling interests	(5,575)	(191)	(5,575)	(191)
Dividend paid to perpetual securities holders	(3,800)	(3,800)	(7,600)	(7,600)
Net cash (used in)/generated from financing activities	(73,351)	(20,459)	(114,207)	12,158
Net (decrease)/ increase in cash and cash equivalents	(63,170)	68,800	(70,632)	87,143
Cash and cash equivalents at the beginning of period/year	111,312	49,919	118,682	33,396
Effect of exchange rate changes on the balance of cash held in foreign currencies	144	(37)	236	(1,857)
Cash and cash equivalents at the end of period/year	48,286	118,682	48,286	118,682
Cash and bank balances comprise the following:				
Cash and cash equivalents	48,286	118,682	48,286	118,682

PART B: REVIEW OF THE PERFORMANCE OF THE GROUP AND MARKET OUTLOOK

B1: Review of Performance of the Group

REVIEW OF THE INCOME STATEMENT OF THE GROUP FOR H2 2023 VS H2 2022

Performance by segment

		CMCP Group		CMCI Group		HRC Group		Group	
		H2 2023	H2 2022	H2 2023	H2 2022	H2 2023	H2 2022	H2 2023	H2 2022
Sales volume	tonnes	13,073	17,660	145,528	181,384	1,001,007	639,588	1,130,098	795,655
	US\$								
Total revenue	Million	18.6	30.7	274.7	411.2	1,435.5	1,028.7	1,688.1	1,401.4
	US\$								
Gross profit	Million	(0.4)	4.4	37.9	46.0	48.1	34.8	85.3	84.9
	US\$								
Operating (loss)/profit*	Million	(8.4)	(8.4)	18.3	25.8	7.3	4.8	6.2	14.4

* Segmental operating profits figures mentioned herein excluded management fees.

Group

The Group's overall sales volume increased to 1,130,098 tonnes in H2 2023, which was 334,443 tonnes or 42.0% higher than H2 2022. This substantial growth is mainly due to the successful execution of the company's commercial strategy, particularly the expansion of rubber trading and the synergistic integration with China Hainan Rubber Industry Group Co., Ltd. ("HRG"). As a result of the volume growth, the Group's revenue increased from US\$1,401.4 million in H2 2022 to US\$1,688.1 million in H2 2023, and gross profit slightly increased from US\$84.9 million in H2 2022 to US\$85.3 million in H2 2023. Operating profit decreased from US\$14.4 million in H2 2022 to US\$6.2 million in H2 2023 as a result of margin compression coupled with non-recurring income and expenses (Note 6).

CMC Plantations (CMCP)

In H2 2023, sales volume and revenue in CMCP decreased by 26.0% and 39.4% respectively, attributed by weakened demand, combined with lacklustre market prices, which directly impacting the contribution margin of the Group's rubber plantations. Excluding non-recurring expenses and fair value downward adjustment on biological assets, operating losses in H2 2023 would be US\$5.5 million v.s. H2 2022: US\$3.9 million (further details can be found in Note 4 and Note 6).

CMC International (CMCI)

On the back of lower demand from US & EU customers, due to significant industry and global geopolitical uncertainties, sales volume in CMCI decreased from 181,384 tonnes in H2 2022 to 145,528 tonnes in H2 2023. Gross profit decreased US\$8.1 million or 17.6% from H2 2022, due to aggravated margin from declining market price and fierce competition compared to the previous year. Operating profits decreased to US\$18.3 million in H2 2023 from US\$25.8 million in H2 2022.

Halcyon Rubber Company (HRC)

HRC's sales volume increased by 56.5% and revenue increased from US\$1,028.7 million in H2 2022 to US\$1,435.5 million in H2 2023, mainly due to the synergies resulted from the integration with HRG in China. Facing raw material shortages and limited profit margins, management was continuously implementing cost-cutting measures to reduce expenses. As a result, gross profit and operating profit trended higher in H2 2023.

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

Operating and financial statistics

		H2 2023	H2 2022	Change	FY2023	FY2022	Change
Total sales volume	tonnes	1,130,098	795,655	42.0%	1,920,064	1,436,012	33.7%
Revenue	US\$ Million	1,688.1	1,401.4	20.5%	2,900.8	2,692.8	7.7%
Revenue per tonne	US\$	1,494	1,761	(15.2%)	1,511	1,875	(19.4%)
Gross profit	US\$ Million	85.3	84.9	0.5%	146.2	170.8	(14.4%)
Net loss	US\$ Million	(25.9)	(18.4)	40.8%	(88.6)	(14.1)	528.4%

Revenue

H2 2023 vs H2 2022

Revenue increased by US\$286.7 million or 20.5%, from US\$1,401.4 million in H2 2022 to US\$1,688.1 million in H2 2023 mainly due to an increase in sales volume by 334,443 tonnes or 42.0% from 795,655 tonnes in H2 2022 to 1,130,098 tonnes in H2 2023.

FY 2023 vs FY 2022

Revenue increased by US\$208.0 million or 7.7%, from US\$2,692.8 million in FY 2022 to US\$2,900.8 million in FY 2023, mainly due to the increase in sales volume by 484,052 tonnes or 33.7% from 1,436,012 tonnes in FY 2022 to 1,920,064 tonnes in FY 2023.

Cost of sales

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

H2 2023 vs H2 2022

Cost of sales increased by US\$286.3 million or 21.7%, from US\$1,316.5 million in H2 2022 to US\$1,602.8 million in H2 2023. This is mainly driven by the increase in sales volume.

FY 2023 vs FY 2022

Cost of sales increased by US\$232.6 million or 9.2%, from US\$2,522.0 million in FY 2022 to US\$2,754.6 million in FY 2023 in line with the increase in revenue. Cost of sales per tonne decreased from US\$1,756 per tonne in FY 2022 to US\$1,435 per tonne in FY 2023, as the market prices trended lower.

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

Gross profit

	H2 2023	H2 2022	Change	FY2023	FY2022	Change
Gross profit (US\$ Million)	85.3	84.9	0.5%	146.2	170.8	(14.4%)
Sales volume (tonnes)	1,130,098	795,655	42.0%	1,920,064	1,436,012	33.7%
Gross profit per tonne (US\$)	75	107	(29.9%)	76	119	(36.1%)

H2 2023 vs H2 2022

Gross profit increased by US\$0.4 million or 0.5% from US\$84.9 million in H2 2022 to US\$85.3 million in H2 2023 mainly due to increase in sales volume of 334,443 tonnes or 42.0% from 795,655 tonnes in H2 2022 to 1,130,098 tonnes in H2 2023, offset by the unit margins decreased by 29.9% from US\$107 in H2 2022 to US\$75 in H2 2023, as decline in market price coupled with margin compression effect across most of the origins of where the raw materials were sourced.

FY 2023 vs FY 2022

Gross profit decreased by US\$24.6 million or 14.4% from US\$170.8 million in FY 2022 to US\$146.2 million in FY 2023. The decreased is mainly driven by the decreased in gross profit per tonne by US\$43 or 36.1%, offset by the increase in sales volume of 484,052 tonnes or 33.7%. Unit gross profit decreased due to declining market price and margin compression aforementioned.

(Loss)/Profit before tax

H2 2023 vs H2 2022

Loss before tax in H2 2023 was US\$25.8 million compared with US\$4.9 million loss before tax recorded in the previous corresponding period, mainly due to the following reasons:

- (i) decrease in other income by US\$6.4 million mainly due to H2 2022 fair value uplift on biological assets was not recurred in H2 2023;
- (ii) higher net finance cost by US\$12.5 million which in line with current interest rate;
- (iii) increase in general and administrative expenses US\$4.8 million mainly due to impairment losses on financial assets;
- (iv) lower foreign exchange gain by US\$1.4 million.

This was offset by:

- (i) decrease in selling expenses by US\$3.9 million, as a result of better global supply chain situation.

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

FY 2023 vs FY 2022

The Group reported a loss before tax of US\$79.3 million, as compared to a profit before tax of US\$7.1 million in FY 2022. The decrease of US\$86.4 million is mainly due to the following reasons:

- (i) decrease in gross profit by US\$24.6 million, which is explained by the reasons aforementioned;
- (ii) increase in net finance costs by US\$27.0 million, in line with the current interest rate;
- (iii) increase in general and administrative expenses by US\$34.7 million, due to non-recurring expenses and impairment losses on financial assets (Note 6).

Loss after tax

H2 2023 vs H2 2022

Loss after tax in H2 2023 was US\$26.0 million, compared to a loss after tax of US\$18.4 million in H2 2022 which driven by the increase in loss before tax of US\$20.8 million as mentioned above, off-set by a decrease in tax expense of US\$13.2 million, as a result of lower taxes in the businesses which were profitable.

FY 2023 vs FY 2022

Loss after tax in FY 2023 was US\$88.6 million, compared to a loss after tax of US\$14.1 million in FY 2022 mainly driven by the increase in loss before tax by US\$86.4 million, off-set by decrease in tax expense of US\$11.9 million, due to the reasons aforementioned.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
Review of the Financial Position of the Group As At 31 December 2023 VS 31 December 2022

Non-current assets

Non-current assets increased by US\$14.2 million or 1.2% from US\$1,140.2 million in 31 December 2022 to US\$1,154.4 million in 31 December 2023, mainly due to the following factors:

- (i) capital expenditure incurred during FY2023 of US\$35.6 million; and
- (ii) foreign currency translation gain of US\$11.7 million due to weakening of US Dollars against local currencies in relation to property, plant and equipment ("PPE"), and plantation and biological assets.

This was partially offset by:

- (i) depreciation and amortisation expense of US\$28.9 million.

Current assets

Current assets decreased by US\$64.5 million or 7.4% from US\$876.9 million in 31 December 2022 to US\$812.4 million in 31 December 2023 mainly due to decrease in:

- (i) cash and bank balances of US\$70.4 million, mainly driven by cash outflow from financing activities;
- (ii) derivative financial instruments of US\$31.2 million, mainly due to lower valuation gain on open contracts;
- (iii) debt instruments of US\$2.4 million, as a result of impairment (Note 15);
- (iv) assets classified as held for sale of US\$5.6 million, mainly due to disposal and reclassification of assets;

The decrease was partially offset by an increase in inventories of US\$46.2 million, driven by higher average unit costs as at 31 December 2023. The inventory turnover days as at 31 December 2023 were 54 days, improved from 66 days as at 31 December 2022 as part of working capital management strategy of the Group.

Current liabilities

Current liabilities increased by US\$367.4 million or 42.9% during the year from US\$856.5 million in 31 December 2022 to US\$1,223.9 million in 31 December 2023, mainly due to increase in:

- (i) loan payables of US\$283.0 million, mainly due to increase in working capital loans by US\$323.9 million;
- (ii) derivative financial instruments of US\$11.7 million, as a result of higher valuation losses on open contracts;
- (iii) other payables of US\$46.2 million, mainly due to increase in advances related to contracted sales from third parties and accrual of interest expenses;
- (iv) trade payables of US\$31.0 million;

The increase was partially offset by:

- (i) decrease in provision for taxation of US\$3.9 million.

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
Review of the Financial Position of the Group As At 31 December 2023 VS 31 December 2022
(cont'd)

Non-current liabilities

Non-current liabilities decreased by US\$323.5 million or 64.6% from US\$500.6 million in 31 December 2022 to US\$177.1 million in 31 December 2023, mainly due to decrease in:

- (i) loan payables of US\$314.5 million mainly due to early repayment of long-term loans of US\$283.8 million, triggered by the Change in Control Clause in the bank facilities;
- (ii) deferred tax liabilities of US\$4.7 million due to derecognition of deferred tax liabilities on temporary differences during 2023;
- (iii) retirement benefit obligations of US\$1.3 million;
- (iv) other payables of US\$1.6 million;
- (v) lease liabilities of US\$1.3 million.

Equity

The Group's equity decreased by US\$94.3 million, from US\$660.0 million as at 31 December 2022 to US\$565.7 million as at 31 December 2023, due to losses after tax for the year and distribution to perpetual securities holders.

Group funding structure

The table below summarises the funding structure of the Group:

	Balance at 31 December 2023	Balance at 31 December 2022
	US\$ Million	US\$ Million
Net working capital assets ⁽¹⁾	495.2	557.1
Cash and cash equivalents	48.3	118.7
Loan receivables	47.1	64.3
Total net working capital employed	590.6	740.1
Working capital loans	615.0	679.1
% Efficiency of Working Capital Funding	104.1%	91.8%
Shareholders' loans	376.0	–
Operational long-term assets ⁽²⁾	1,043.8	1,022.7
Non-core assets ⁽³⁾	41.2	40.7
Other borrowings	118.9	464.4
% Fixed Asset Gearing	11.0%	43.7%
Total equity	565.7	660.0

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

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

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

PART B: REVIEW OF PERFORMANCE OF THE GROUP AND MARKET OUTLOOK (CONT'D)
Review of the Financial Position of the Group As At 31 December 2023 VS 31 December 2022
(cont'd)

The Group's current ratio and quick ratio were 0.7 and 0.3 respectively as at 31 December 2023, 0.3 and 0.2 lower than 31 December 2022 (further details can be found in Note 28).

Group Cash Flow

H2 2023

The Group's cash and cash equivalents decreased by US\$63.1 million during H2 2023.

The Group has recorded a cash inflow from operating activities before working capital changes of US\$20.7 million representing its cash generating capability. Working capital changes realised outflows of US\$9.9 million, driven by faster working capital turnover. Therefore, the Group has generated a net cash from operating activities of US\$10.8 million during H2 2023.

Net cash used in investing activities of US\$0.6 million was mainly due to capital expenditure on property, plantation and equipment and plantation related assets of US\$14.5 million, offset by disposal proceeds as part of the Group's deleveraging efforts that raised US\$13.9 million, comprises:

- (i) non-core assets of US\$9.3 million;
- (ii) other assets of US\$4.6 million.

Net cash used in financing activities was US\$73.4 million, mainly due to interest paid of US\$25.4 million, net repayment of working capital loans and term loans of US\$38.5 million, distributions paid to perpetual securities holders of US\$3.8 million, dividends paid to non-controlling interests of US\$5.6 million.

FY 2023

The Group's cash and cash equivalents decreased by US\$70.4 million during FY 2023.

The Group has recorded a cash inflow from operating activities before working capital changes of US\$6.0 million, reflecting its cash generating capability. Working capital changes realised inflow of US\$21.3 million mainly due to faster working capital turnover. Therefore, the Group has generated a net cash from operating activities of US\$27.3 million.

Net cash generated from investing activities of US\$16.2 million was mainly due to disposal proceeds as part of the Group's deleveraging efforts that raised US\$39.3 million, comprises:

- (iii) non-core assets of US\$34.7 million;
- (iv) other assets of US\$4.6 million.

Offset by capital expenditure on property, plantation and equipment and plantation related assets of US\$23.0 million.

Net cash used in financing activities was US\$114.2 million, mainly due to interest paid of US\$60.8 million, net repayment of working capital loans and term loans of US\$40.2 million, distributions paid to perpetual securities holders of US\$7.6 million, dividends paid to non-controlling interests of US\$5.6 million.

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

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

International Monetary Fund (“IMF”) and the Organisation for Economic Cooperation and Development (“OECD”), in their estimate, both forecasted resilient global economic growth in 2024 amid tighter financial conditions and lower business and consumer confidence.

	2022	2023	2024	2025
IMF	3.5%	3.1%	3.1%	3.2%
OECD	3.1%	3.1%	2.9%	3.0%

Zooming into the natural rubber industry, the flood in Southern Thailand due to volatile weather conditions has caused the prices to elevate in Q4 2023 to US\$1500 per MT levels, and they have remained at this level ever since. Demand remained generally stable, but the Group observed a heightened interest from customers in traceable natural rubber products due to factors to be mentioned below.

Looking ahead into the next 12 months, several key factors will likely influence the direction of the global economy, which ultimately will impact the global consumption of natural rubber:

- The continuation of a high interest rate environment, and the timing and magnitude of interest rate reduction, if there is any;
- Rising geopolitical tensions in Eastern Europe and the Middle East;
- China’s economic conditions after the meltdown in its real estate industry.

The introduction of the EU Deforestation Regulation (EUDR) in 2023, with an effective date of 30 December 2024, aimed to curb the environmental impact of the EU market and is a major breakthrough in the natural rubber industry. The legislation will require extensive due diligence on product source, including geolocating all plots of land where the rubber was grown. The Group has established its traceability infrastructure to address these requirements and is committed to working closely with its customers to comply with the regulations.

Considering the above, the Group is of the view that while the global economic situation will remain uncertain in the next 12 months, there are positive developments within the natural rubber industry which will augment the downstream demand. Overall, the Group remains cautiously optimistic about the supply and demand dynamics, as well as the prospects of the natural rubber industry.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2023

1. Corporate information

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

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

As at 31 December 2023, the Company is 68.1% owned by China Rubber Investment Group Company Ltd., a company incorporated and domiciled in Hong Kong. The penultimate holding company is China Hainan Rubber Industry Group Co., Ltd. ("HRG"), which is a state-owned enterprise of the People's Republic of China, domiciled in the People's Republic of China and listed on the Shanghai Stock Exchange. HRG is directly owned by Hainan Province Agribusiness Investment Holding Group Co., ("ultimate holding company"), a state-owned enterprise of the People's Republic of China.

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

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

2. Basis of preparation

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

The financial statements for the Second Half 2023 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last financial statements for the period ended 30 June 2023.

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

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

The consolidated financial statement of the Group was prepared based on going concern assumption, further details are disclosed in Note 28 – Going Concern.

2.1 Adoption of new and amended standards and interpretations

The Group has adopted all applicable SFRS(I) that are mandatory for financial years beginning on or after 1 January 2023. The adoption of these standards did not have any material effect on the financial performance or financial position of the Group.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2023

3. Use of estimates and judgements

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

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

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

- Note 9 – Impairment of goodwill and process know-how
- Note 13 – Classification of rubber trees as bearer plants and non-bearer plants
- Note 13 – Measurement of biological assets
- Note 14 – Recoverability of a loan to a third party
The group has assessed that the recoverable amount is likely to be below its carrying amount and thus additional impairment provision has been recognised (further details can be found in Note 14).
- Note 28 – Going Concern.

4. Other income

	Group		Group	
	H2 2023	H2 2022	FY 2023	FY 2022
	US\$'000	US\$'000	US\$'000	US\$'000
Gain on disposal and dilution of an interest in an associate	–	357	–	357
Gain on disposal of other assets	–	53	–	53
Gain on disposal of property, plant and equipment, plantation and investment properties	7,442	4,783	23,768	15,311
Fair value gain on investment properties	826	1,518	826	1,518
Fair value gain on biological assets	–	7,665	–	7,665
Government grants	225	717	558	717
Others	1,050	801	1,519	938
	<u>9,543</u>	<u>15,894</u>	<u>26,671</u>	<u>26,559</u>

5. Finance costs

	Group		Group	
	H2 2023	H2 2022	FY 2023	FY 2022
	US\$'000	US\$'000	US\$'000	US\$'000
Interest expense on:				
- Term loans	9,387	13,184	25,000	21,287
- Working capital loans	22,872	8,911	38,408	17,341
- Lease liabilities	221	243	452	456
Total finance costs	<u>32,480</u>	<u>22,338</u>	<u>63,860</u>	<u>39,084</u>

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2023

6. (Loss)/Profit before tax

	Group		Group	
	H2 2023	H2 2022	FY 2023	FY 2022
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit before tax has been arrived at after charging:				
Non-recurring expenses:				
Tax settlement arising from prior years	–	7,724	5,344	7,724
Business rationalisation expenses	2,885	4,426	2,885	4,426
Allowance for other receivables	(2,759)	–	–	–
One-off professional expenses	–	1,221	–	1,221
	126	13,371	8,229	13,371
Depreciation of property, plant and equipment, plantation and biological assets included in:				
- Cost of sales	9,409	10,675	20,315	21,631
- Selling expenses	51	18	59	37
- Administrative expenses	3,103	2,404	5,340	4,738
	12,563	13,097	25,714	26,406
Foreign exchange gain included in:				
- Cost of sales	(309)	(236)	(60)	(457)
- Administrative expenses	(1,020)	(2,409)	(3,310)	(3,269)
	(1,329)	(2,645)	(3,370)	(3,726)
Amortisation:				
- Intangible assets	400	496	897	972
- Right-of-use assets	702	2,022	2,319	3,234
	1,102	2,518	3,216	4,206
Employee benefits expenses (including directors' remuneration)				
- Cost of sales	31,063	29,961	59,405	58,679
- Selling expenses	3,375	2,907	5,832	5,354
- Administrative expenses	17,701	15,685	37,858	36,962
	52,139	48,553	103,095	100,995

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31 December 2023

6. (Loss)/Profit before tax (cont'd)

	Group		Group	
	H2 2023 US\$'000	H2 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000
Professional fees	3,334	3,111	6,418	5,599
Lease expenses on short-term leases and low-value assets	435	339	641	958
Write off of property, plant and equipment	251	3	317	44
Loss on disposal of asset held for sale	381	–	381	–
Impairment loss on biological assets	1,596	–	1,596	–
Fair value loss on investment properties	2,455	–	2,455	–
Impairment loss on property, plant and equipment	2,296	–	2,296	–
Impairment loss/ (Reversal of impairment losses) on financial assets	2,774	(34)	23,574	(49)
Inventories recognised as an expense in cost of sales	1,602,877	1,316,561	2,754,659	2,522,018

7. Income tax expense

	Group		Group	
	H2 2023 US\$'000	H2 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000
Consolidated income statement				
Current tax				
Current tax expense	(6,771)	(9,799)	(15,401)	(17,360)
Over/(under) provision in prior years	1,282	(178)	12	(107)
Deferred tax				
Tax credit/(expense) relating to the origination and reversal of temporary differences	5,264	(3,457)	6,047	(3,726)
Income tax expense recognised in consolidated income statement	(225)	(13,434)	(9,342)	(21,193)

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2023

8. Loss per share (“LPS”)

	Group Basic and diluted		Group Basic and diluted	
	H2 2023 US\$'000	H2 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000
Loss for the period/year attributable to owners of the Company	(24,899)	(19,010)	(87,017)	(17,968)
Dividend on perpetual securities	(3,800)	(3,800)	(7,600)	(7,600)
Adjusted loss attributable to owners of the Company	<u>(28,699)</u>	<u>(22,810)</u>	<u>(94,617)</u>	<u>(25,568)</u>
Weighted average number of ordinary shares used to compute earnings per share	1,595,012	1,595,012	1,595,012	1,595,012
Basic and diluted Loss per share (“LPS”)				
Loss per share (US Cents)	(1.80)	(1.43)	(5.93)	(1.60)
Loss per share (SGD Cents) ⁽¹⁾	<u>(2.43)</u>	<u>(1.99)</u>	<u>(7.82)</u>	<u>(2.15)</u>

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

9. Intangible assets

Goodwill

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

	Group	
	31 December 2023 US\$'000	31 December 2022 US\$'000
CGU within HRC Group	256,601	256,601
CGU within Corrie MacColl Group	29,778	29,778
	<u>286,379</u>	<u>286,379</u>
Software	<u>739</u>	<u>1,253</u>

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 2023. No impairment loss was recognised as at 31 December 2023 as the recoverable amounts of the respective CGU to which goodwill and process know-how have been allocated to were in excess of their respective carrying values. The recoverable amount of the CGU has been determined based on value in use calculations using 5 to 10 years cash flow projections from financial budgets approved by management and assumed a terminal growth rate thereafter.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2023

9. Intangible assets (cont'd)

Key assumptions used in the value in use calculations

Cash generating units/intangible assets	Discount rate (post-tax)	Growth rate
HRC Group:		
- Goodwill	10.5%	4%
- Process know-how	10.5%	4%
Corrie MacColl Group:		
- Goodwill	10%	2%

10. Property, plant and equipment

As at 31 December 2023, the Group acquired assets amounting to US\$18,635,000 (31 December 2022: US\$9,721,000) and disposed of assets amounting to US\$322,000 (31 December 2022: US\$860,000).

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 2023 by independent valuers with recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. Details of valuation techniques and inputs used are disclosed in Note 24.

12. Deferred taxes

The net decrease in deferred tax of US\$5,303,000 is mainly due to derecognition of deferred tax liabilities on temporary differences during 2023.

13. Plantation and biological assets

As at 31 December 2023, the increase of US\$20,225,000 of the Group's plantation and biological assets is mainly due to additional cost capitalised of US\$30,312,000, and exchange gain of US\$9,188,000, offset by depreciation charges of US\$5,142,000, disposal of US\$11,250,000 and fair value losses of US\$1,596,000.

Interest expense amounting to US\$13,363,000 was capitalised in 2023 (2022: US\$10,675,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 7.07% - 7.15% (2022: 3.45% - 7.15%) per annum, representing the effective interest rate of the relevant borrowings.

The fair value of the plantation in Cameroon and Malaysia were determined by independent valuer. A review of the recoverable amount for the plantation in Cameroon was determined based on the value in use calculation and the discount rate of 13.3% (2022: 13.3%) per annum.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31 December 2023

13. Plantation and biological assets (cont'd)

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

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

Measurement of biological assets

The fair value of biological assets is estimated using the discounted cash flow model ("DCF") by independent professional valuers as at 31 December 2023. This requires estimation of the expected future cash flows from the biological assets and discounted to using a discount rate.

Disposal of plantation land

During the financial year, Tropical Rubber Cote D'ivoire S.A. ("TRCI SA"), a subsidiary of the Group has disposed part of freehold land for a consideration of US\$36,209,000. Gain on disposal of US\$23,609,000 has been recognised in profit or loss.

14. Loans and other receivables

Included in loans and other receivables is a loan to a third party amounting to US\$43,758,000, net of expected credit losses (31 December 2022: US\$60,949,000). 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 investment properties held by the borrower

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

The borrower is currently in the process of disposing its equity interest, that was pledged for the loan as they are unable to service the repayment. Based on the progress of the disposal, the Group has assessed that the recoverable amount is likely to be below its carrying amount and thus has determined a provision of US\$22,579,000 as at 31 December 2023 (as at 31 December 2022: US\$1,440,000) for expected credit losses ("ECL") is required.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31 December 2023

15. Debt instruments

The issuer of debt instruments was unable to repay the amount when the redemptions became mandatory in November 2023. Therefore, the Group has impaired the debt instruments in full. Below are the carrying amounts of the instrument and the provisions during the year:

	Group	
	2023	2022
	US\$'000	US\$'000
3,000 Non-voting Class A Preferred Stock	2,713	2,713
Less: Loss allowance	(2,713)	(321)
	<hr/>	<hr/>
Debt instrument at amortised cost	–	2,392
	<hr/>	<hr/>

Expected credit losses (“ECL”)

The movement in allowance for expected credit losses of debt instrument are as follows:

	Group	
	2023	2022
	US\$'000	US\$'000
At 1 January	321	296
Charge for the year	2,392	25
	<hr/>	<hr/>
At 31 December	2,713	321
	<hr/>	<hr/>

16. Inventories

	Group	
	31 December	31 December
	2023	2022
	US\$'000	US\$'000
Inventories carried at cost	23,731	26,510
Inventories carried at fair value	433,190	384,195
	<hr/>	<hr/>
	456,921	410,705
	<hr/>	<hr/>

The inventories as at 31 December 2023 included fair value gain of US\$32,049,000 (2022: fair value loss of US\$11,097,000).

17. Assets classified as held for sale

- (i) During H2 2023, the Group has completed the disposal of certain properties in Indonesia amounting to US\$4,403,000 (2022: US\$4,259,000).
- (ii) During H2 2023, the Group has transferred certain properties classified as asset held for sale in China amounting to US\$1,527,000 (2022: US\$1,373,000) to investment properties, as the properties are redesignated for lease purposes.

Halcyon Agri Corporation Limited and its Subsidiaries

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Financial Year ended 31 December 2023

18. Loan payables

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	US\$'000	US\$'000	US\$'000	US\$'000
Current:				
- Working capital loans	985,241	661,298	734,284	454,513
- Term loans	11,795	52,750	–	21,600
	997,036	714,048	734,284	476,113
Non-current:				
- Working capital loans	5,777	17,826	–	–
- Term loans	98,991	401,491	–	260,400
	104,768	419,317	–	260,400
Total loan payables	1,101,804	1,133,365	734,284	736,513

	31 December 2023		31 December 2022	
	Secured	Unsecured	Secured	Unsecured
	US\$'000	US\$'000	US\$'000	US\$'000
Amount repayable in one year or less, on demand	126,402	870,634	125,124	588,924
Amount repayable after one year	89,935	14,833	71,034	348,283

Details of collateral

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

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31 December 2023

19. Net asset value

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Net asset value per ordinary share based on issued share capital (US cents)	35.47	41.38	46.62	50.04
Net asset value per ordinary share based on issued share capital (SGD cents) ⁽¹⁾	46.77	55.64	61.47	67.28
Number of ordinary shares outstanding (in thousands)	1,595,012	1,595,012	1,595,012	1,595,012

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

20. Share capital

(i) Issued and paid-up capital

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

There were no outstanding options, convertibles, treasury shares or subsidiary holdings as at 31 December 2023 and 31 December 2022.

(ii) The Company did not hold any treasury shares as at 31 December 2023 and 31 December 2022. As such, the number of issued shares excluding treasury shares as at 31 December 2023 and 31 December 2022 were 1,595,011,941 shares.

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

21. Perpetual securities

The perpetual securities bear distributions rate of 3.8% per annum which are payable semi-annually. Subject to the relevant terms and conditions of the perpetual securities, the Company may elect to defer any scheduled distribution perpetually on the perpetual securities and is not subject to any limits as to the number of times a distribution can be deferred.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Financial Year ended 31 December 2023

22. Related party transactions

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

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

	Group	
	12 months	12 months
	ended 31	ended 31
	December 2023	December 2022
	US\$'000	US\$'000
Banking facilities covered by letter of comfort from shareholders	400,295	500,697
Fee charged by shareholder for issuance of letter of comfort	688	667
Loan facility entered with shareholders	376,000	–
Interest charged by shareholders	15,657	190
Sales and purchase of rubber to/from related parties	40,022	–

23. Segment information

The Group is a global leader in natural rubber industry, supporting the world's growing mobility needs through the origination, production and distribution of natural rubber. The Group sources its rubber raw materials from all major origins globally, operates 37 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 platform in Cameroon and Malaysia and CMCI Group is our distribution platform 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

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half ended 31 December 2023

23. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	H2 2023 US\$'000	H2 2022 US\$'000	H2 2023 US\$'000	H2 2022 US\$'000	H2 2023 US\$'000	H2 2022 US\$'000	H2 2023 US\$'000	H2 2022 US\$'000	H2 2023 US\$'000	H2 2022 US\$'000	H2 2023 US\$'000	H2 2022 US\$'000
Revenue to third party	1,137	1,142	274,466	411,236	1,412,553	989,049	–	–	–	–	1,688,156	1,401,427
Inter-segment revenue	17,525	29,575	195	–	23,009	39,658	6,998	6,975	(47,727)	(76,208) A	–	–
Total revenue	18,662	30,717	274,661	411,236	1,435,562	1,028,707	6,998	6,975	(47,727)	(76,208)	1,688,156	1,401,427
Gross profit	(374)	4,374	37,845	45,979	48,075	34,827	6,998	6,975	(7,265)	(7,289) B	85,279	84,866
Operating (loss)/profit	(8,361)	(8,376)	17,710	25,837	836	(2,138)	(2,403)	(814)	(1,546)	(98)	6,236	14,411
Operating (loss)/profit excluding management fee	(8,361)	(8,376)	18,288	25,871	7,256	4,803	(9,401)	(7,789)	(1,546)	(98)	6,236	14,411
Finance income											1,181	3,567
Finance costs											(32,480)	(22,338)
Share of result of associates											(697)	(578)
(Loss)/Profit before tax											(25,760)	(4,938)
Income tax (expense)/credit											(225)	(13,434)
(Loss)/Profit for the financial period											(25,985)	(18,372)
Total sales volume (tonnes)	13,073	17,660	145,528	181,384	1,001,007	639,588	–	–	(29,510)	(42,977)	1,130,098	795,655
Gross profit per tonne (US\$)	(29)	248	260	253	48	54	–	–	–	–	75	107
Other information:												
Management fee expense/(income)	–	–	578	34	6,420	6,941	(6,998)	(6,975)	–	–	–	–
Depreciation expense (include right-of-use assets)	3,598	4,084	199	1,551	8,663	9,192	503	557	302	(265)	13,265	15,119
Capital expenditure	6,970	14,969	37	167	7,548	2,773	22	56	–	–	14,577	17,965

Halcyon Agri Corporation Limited and its Subsidiaries

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half ended 31 December 2023

23. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated	
	FY 2023 US\$'000	FY 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000	FY 2023 US\$'000	FY 2022 US\$'000
Revenue to third party	1,682	2,345	559,322	799,815	2,339,823	1,890,670	–	–	–	–	2,900,827	2,692,830
Inter-segment revenue	31,758	48,267	282	–	52,002	84,359	12,817	12,438	(96,859)	(145,064) A	–	–
Total revenue	33,440	50,612	559,604	799,815	2,391,825	1,975,029	12,817	12,438	(96,859)	(145,064)	2,900,827	2,692,830
Gross profit	(8,684)	5,779	69,464	85,219	85,775	80,202	12,817	12,438	(13,204)	(12,826) B	146,168	170,812
Operating (loss)/profit	(34,454)	(18,125)	31,039	45,858	11,804	15,410	(24,946)	(1,899)	(1,698)	(191)	(18,255)	41,053
Operating (loss)/profit excluding management fee	(34,454)	(18,125)	31,659	45,937	24,001	27,769	(37,763)	(14,337)	(1,698)	(191)	(18,255)	41,053
Finance income											3,829	6,075
Finance costs											(63,860)	(39,084)
Share of result of associates											(1,013)	(922)
Profit before tax											(79,299)	7,122
Income tax (expense)/credit											(9,342)	(21,193)
(Loss)/Profit for the financial year											(88,641)	(14,071)
Total sales volume (tonnes)	22,657	27,973	285,817	331,790	1,671,691	1,154,824	–	–	(60,101)	(78,575)	1,920,064	1,436,012
Gross profit per tonne (US\$)	(383)	207	243	257	51	69	–	–	–	–	76	119
Other information:												
Management fee expense/(income)	–	–	620	79	12,197	12,359	(12,817)	(12,438)	–	–	–	–
Depreciation expense (include right-of-use assets)	7,722	7,341	1,379	2,477	17,502	18,859	1,128	1,135	302	(172)	28,033	29,640
Capital expenditure	11,993	20,103	52	699	10,874	5,350	82	166	–	–	23,001	26,318

Halcyon Agri Corporation Limited and its Subsidiaries

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half ended 31 December 2023

23. Segment information (cont'd)

	CMCP Group		CMCI Group		HRC Group		Corporate		Elimination		Consolidated		
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Segment assets	851,816	817,658	583,806	643,732	1,143,391	1,076,654	1,615,076	1,603,694	(2,227,298)	(2,124,565)	C	1,966,791	2,017,173
Segment liabilities	367,529	297,997	312,915	385,945	708,401	633,354	880,334	793,047	(868,079)	(753,202)	D	1,401,100	1,357,141

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

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

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Second Half ended 31 December 2023

23. Segment information (cont'd)***Geographical information***

	FY 2023	FY 2022
Sales of natural rubber	US\$'000	US\$'000
Singapore	181,213	40,252
Asia (excluding Singapore and China)	382,751	667,335
China	1,717,583	996,555
USA/Canada	268,878	312,040
Europe	266,277	583,605
Others	84,125	93,043
Total	2,900,827	2,692,830

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

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

	31 December 2023	31 December 2022
Non-current assets	US\$'000	US\$'000
Singapore	21,719	24,137
Asia	491,466	508,464
Africa	584,037	549,858
Europe	24,789	25,720
Others	11,308	11,557
Total	1,133,319	1,119,736

24. Fair value of assets and liabilities**(a) Fair value hierarchies**

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

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

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Second Half ended 31 December 2023

24. 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 2023			Total US\$'000
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	–	8,653	–	8,653
Financial assets as at 31 December 2023	–	8,653	–	8,653
Non-financial assets:				
Inventories	–	433,190	–	433,190
Biological assets	–	–	396,385	396,385
Investment properties	–	–	41,200	41,200
Non-financial assets as at 31 December 2023		433,190	437,585	870,775
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	–	13,021	–	13,021
Financial liabilities as at 31 December 2023	–	13,021	–	13,021

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Second Half ended 31 December 2023

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

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

	Group 2022			Total US\$'000
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	
Assets measured at fair value				
Financial assets:				
Derivative financial instruments	–	39,862	–	39,862
Financial assets as at 31 December 2022	–	39,862	–	39,862
Non-financial assets:				
Inventories	–	384,195	–	384,195
Biological assets	–	–	371,368	371,368
Investment properties	–	–	40,668	40,668
Non-financial assets as at 31 December 2022	–	384,195	412,036	796,231
Liabilities measured at fair value				
Financial liabilities:				
Derivative financial instruments	–	1,315	–	1,315
Financial liabilities as at 31 December 2022	–	1,315	–	1,315

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Second Half ended 31 December 2023

24. Fair value of assets and liabilities (cont'd)**(b) Assets and liabilities measured at fair value (cont'd)**

	Company 2023			Total US\$'000
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	–	4,652	–	4,652
Financial assets as at 31 December 2023	–	4,652	–	4,652
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	–	4,063	–	4,063
Financial liabilities as at 31 December 2023	–	4,063	–	4,063
Company 2022				
Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical instruments (Level 1) US\$'000	Significant observable inputs other than quoted prices (Level 2) US\$'000	Significant un- observable inputs (Level 3) US\$'000	Total US\$'000
Assets measured at fair value				
<i>Financial assets:</i>				
Derivative financial instruments	–	3,012	–	3,012
Financial assets as at 31 December 2022	–	3,012	–	3,012
Liabilities measured at fair value				
<i>Financial liabilities:</i>				
Derivative financial instruments	–	2,702	–	2,702
Financial liabilities as at 31 December 2022	–	2,702	–	2,702

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Second Half ended 31 December 2023

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

(c) Level 2 fair value measurements

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

The fair value of forward currency contract is calculated using quoted prices (adjusted) offered by the financial institutions at the end of reporting period.

(d) Level 3 fair value measurements

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

Biological assets

The fair value of the Group's major biological assets has been determined based on valuations by independent professional valuers using the discounted cash flow valuation model for 31 December 2023. The most significant inputs into the discounted cash flow valuation model are the average annual yield and discount rate.

Investment properties

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

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

The fair value of the Group's biological assets and investment properties based on significant unobservable inputs (Level 3) as at 31 December 2023 are US\$396,385,000 (31 December 2022: US\$371,368,000) and US\$41,200,000 (31 December 2022: US\$40,668,000) respectively.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Second Half ended 31 December 2023

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

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

(iii) *Valuation policies and procedures*

It is the Group's policy to engage external valuation experts to perform the valuation of biological assets and investment properties. 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.

25. Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements relating to purchase of the property, plant and equipment of US\$2,400,213 (2022: US\$1,916,776).

26. Dividends on ordinary shares

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

27. Event occurring after the reporting period

Striking-off a subsidiary

In January 2024, the Group struck off its wholly-owned dormant subsidiary, Baisha Sinochem Rubber Co., Ltd. The deregistration did not result in any profit or loss impact.

28. Going Concern

As at 31 December 2023, the balance sheet of the Group recorded a net current liability of US\$411,591,000 (2022: net current asset position of US\$20,415,000).

China Rubber Investment Group Co., Ltd, a wholly-owned subsidiary of China Hainan Rubber Industry Group Co., Ltd. ("HRG") and Sinochem International Corporation ("SIC"), being the two major shareholders with a combined shareholding of 97.3%, continue to provide their full support and commitment to the Group to ensure that the Group is able to refinance and meet all of its short-term obligations when they fall due.

Below are the key management actions taken together with the support from both major shareholders to address the going concern assumption of HAC Group:

(a) **Restructure the current shareholders' short term loans from current to non-current**

Shareholders are restructuring the current shareholders' loans amounting to US\$376,000,000 from current to non-current.

PART C: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Second Half ended 31 December 2023

28. Going Concern (cont'd)

(b) ***New long-term loan***

The Group is securing a 3-year shareholder's loan of US\$50,000,000.

(c) ***Fulfill significant payment obligations in the next 12 months***

The Group's key plans to address its payment obligations in the next 12 months are as follows:

- (i) Continue to work closely with financiers and both major shareholders to restore the financing tenor and to further improve the Group's liquidity headroom and;
- (ii) HRG and SIC, have also provided their full support and commitment to the Group to complete its refinancing exercise by supporting our negotiation with the financiers, as have applied other appropriate measures, such as extension of shareholders' loan tenure and expansion of shareholder loan limits to ensure that the Group has sufficient financial resources to meet its operational needs.

Based on the above factors, the Board is of the view that the Group is able to fulfil its short-term liabilities as and when they fall due and going concern assumptions in the preparation of the financial statement are appropriate.

PART D: OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

1. Review

The consolidated statement of financial position of Halcyon Agri Corporation Limited and its subsidiaries as at 31 December 2023 and the related consolidated income statement and statement of comprehensive income, statements of changes in equity and consolidated cash flows statement for the Second Half and Financial Year ended and certain explanatory notes have not been audited or reviewed.

2. Where a forecast, or a prospect statement, has been previously disclosed to Shareholders, any variance between it and the actual results.

The Company did not issue any forecast or prospect statement.

3. Dividend

(a) *Current Financial Period Reported On*

Any dividend declared for the current financial period reported on?

No dividend has been declared or recommended for the current financial period.

(b) *Corresponding Period of the Immediately Preceding Financial Year*

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

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

No dividend is recommended for period ended 31 December 2023 as the Company deems it appropriate to conserve funds for the Group's business activities and working capital requirement.

4. Interested person transactions

The Group has obtained a general mandate from shareholders of the Group for Interested Person Transactions.

The aggregate value of interested person transactions entered into during FY2023 are as follows:

	12 months ended 31 December 2023
	US\$'000
Sales & purchases rubber to/from related parties	40,022
Interest charged by shareholders	15,657
Fee charged by shareholder for issuance of letter of comfort	688
	<hr/>

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.

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

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

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

We, Eddie Chan Yean Hoe and Li Xuetao, hereby confirm on behalf of the Board that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited financial results for the Financial Year ended 31 December 2023 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Eddie Chan Yean Hoe
Independent Director and
Audit Committee Chairman

Li Xuetao
Executive Director and CEO

By Order of the Board

Wong Teck Kow
Company Secretary

Singapore,
29 February 2024