



Appendix 4D Listing Rule 4.2A.3

Half-Year Report

For the
six months ended
31 December 2022

In this report

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Appendix 4D – Half-Year Report

Health and Plant Protein Group Limited – ABN 68 010 978 800
Half-year ended 31 December 2022

Unless otherwise stated, the information provided for the previous corresponding period is for the half-year ended 31 December 2021.

Results for Announcement to the Market

| Comparison to previous corresponding period | 31 December 2022 \$'000 | 31 December 2021 \$'000 | \$(increase)/decrease change % |
|--|----------------------------|----------------------------|-----------------------------------|
| Revenue from continuing operations | - | - | - |
| Profit/(Loss) from continuing operations after tax attributable to members | (2,610) | (3,906) | 1,296 or 33% |
| Profit/(Loss) for the period attributable to members | (4,792) | (1,340) | (3,452) or (258%) |

Refer to the attached Consolidated Half-Year Financial Report for further detail of the aforementioned results.



Dividends (Distributions)

No dividend has been paid or declared for the half-years ended 31 December 2022 and 31 December 2021.
No dividend or distribution reinvestment plans were in operation during the half-year.

A brief explanation of the figures reported is below. Further detail is included in the Review of Operations.

The Group recorded a net (loss) after tax of (\$4,792,000) for the half-year ended 31 December 2022. This compares to the prior half-year net (loss) after tax of (\$1,340,000) inclusive of income tax. The tax expense represents the movement in current and deferred tax in the period.

The net (loss) after tax from continuing operations was (\$2,610,000) compared to (\$3,906,000) for the previous comparative period.

| | 2022 \$'000 | 2021 \$'000 |
|--|----------------|----------------|
| Group (loss) from continuing operations before income tax | (2,610) | (3,024) |
| Tax expense | - | (882) |
| (Loss) from continuing operations for the half-year attributable to members | (2,610) | (3,906) |
| (Loss)/profit from discontinued operations | (2,182) | 2,566 |
| Net Profit / (loss) including discontinued operations after income tax for the half year | (4,792) | (1,340) |

The Group loss before tax of (\$2,610,000) was contributed to by:

| | 2022 \$'000 | 2021 \$'000 |
|---|----------------|----------------|
| Business Segments | | |
| Business segment result - Other | 138 | 3,806 |
| Total | 138 | 3,806 |
| Fair value gain/(loss) on derivative | 328 | (824) |
| Share of net loss of associates | - | (3,740) |
| Corporate overhead expenses | (639) | (1,669) |
| Net Finance costs | (2,437) | (597) |
| Group profit /(loss) from continuing operations before income tax | (2,610) | (3,024) |



Appendix 4D – Half-Year Report (continued)

The main factors affecting trading performance in this half-year included:

Continuing Operations – Corporate

- The corporate segment profit for the HY of \$138,000 compared to the prior half year profit of \$3,806,000, shows an underlying decreased profitability of 96.4%. Contributing to this profitability is a \$412,000 YTD to December 2022 foreign exchange gain.

The execution of the convertible notes fifth deed of variation in September 2022 resulted in a contract modification. The gain of \$655,000 was recorded on 30 September 2022 and recognised in other income.

The proposed early repayment of the convertible note has resulted in derivative liability being fair valued to nil as at 31 December, 2022. The contract modification when assessed under AASB9 Financial Instruments, resulted in substantially different future cashflows (>10%) and as a result the liability has been extinguished and recognised at the revised present value of the future cashflows. This modification resulted in a loss on 31 December 2022 of \$2,548,000 recognised in finance costs.

Corporate overheads decreased by \$1,030,000 to \$639,000 for the half-year. Included in this amount are one off costs of \$125,000 for legal and professional fees and \$30,000 for IT costs.

An Impairment has been recognised in relation to head office assets and the exit of the head office lease of \$258,000.

Discontinued Operations – Macadamia Division

- Our previously reported Kapua Orchard Review led to a decision to enter into a Share Sale and Purchase agreement to sell the macadamia business.

Transaction advisors were engaged in October 2021 to conduct a selected targeted asset sale process and although there were a number of parties interested, an agreement was not executed. Upon the appointment of Albert Tse, Executive Chair, in July 2022, an alternative process was undertaken, which resulted in interest and the subsequent signing of a Share Sale and Purchase Agreement on 27 January 2023 and an offer of US\$23.0 million.

On the 22 February 2023, HPP Group entered into a new Share Sale and Purchase Agreement, accepting a higher offer of US\$26.0 million for the Macadamia Business.

| NET TANGIBLE ASSET BACKING | 31/12/2022 | 30/06/2022 |
|---|-------------|-------------|
| Net tangible asset backing per ordinary share excluding intangible assets and net right-of-use assets | \$0.17 | \$0.19 |
| Number of shares on issue | 122,820,738 | 122,830,738 |

Accounting Standards

This report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Accounting Standards Board.

The half-year financial report should be read in conjunction with the annual Financial Report of Health and Plant Protein Group Limited as at 30 June 2022. It is also recommended that the half-year financial report be considered together with any public announcements made by Health and Plant Protein Group Limited and its controlled entities during the half-year ended 31 December 2022 and up until the date of this report, in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Independent Review of the Financial Report

This report is based on accounts which have been subject to a review. An independent review report is provided as part of this report. The Auditor's Independence Declaration is also included in the Directors' Report. The half-year accounts are not subject to any audit dispute or qualification. The entity has a formally constituted audit committee.

Lisa Davis
Company Secretary
Brisbane, 28 February 2023

The corporate segment result for the half year was

\$138k



Directors' Report

Half-Year Report

For the six months ended
31 December 2022



Directors' Report

The Directors of Health and Plant Protein Group Limited present their report on the consolidated entity consisting of Health and Plant Protein Group Limited ('the Company') and the entities it controlled ('the Group') for the half-year ended 31 December 2022.

Directors

The names of the company's directors in office during the half-year under review and at the date of this report are as follows:

| | |
|---------------------|---|
| Albert Tse | (appointed 19 July 2022 as Executive Chair) |
| Qi (Christina) Chen | |
| Peter O'Keeffe | (resigned effective 26 February 2023) |
| Hugh Robertson | (appointed 19 July 2022) |
| Dennis Lin | (resigned effective 19 July 2022) |
| Andrew Bond | (resigned effective 11 November 2022) |

Review of Operations and Financial Results

For the half-year ended 31 December 2022 the Group recorded a net profit/(loss) after tax of (\$4,792,000) (2021: \$1,340,000).

The net profit/(loss) before tax from continuing operations was (\$2,610,000) compared to (\$3,024,000) for the previous comparative period.

Summarised operating results from continued and discontinued operations attributable to equity holders of Health and Plant Protein Group Limited are as follows:

| | 2022 | | 2021 | |
|---|--------------------|--------------------|--------------------|--------------------|
| | Revenues \$'000 | Results* \$'000 | Revenues \$'000 | Results* \$'000 |
| Business segments | | | | |
| Other | 416 | 416 | 1,160 | 1,160 |
| Total | 416 | 416 | 1,160 | 1,160 |
| Depreciation and amortisation | - | (20) | - | (11) |
| Impairment Expense | | (258) | - | - |
| Fair value gain/(loss) on other financial liabilities | - | 328 | - | (824) |
| Share of net loss of associates | | - | | (3,740) |
| Corporate overhead expenses | - | (639) | - | (1,669) |
| Net Finance costs | - | (2,437) | - | (2,060) |
| Income tax (expense) benefit | - | - | - | (882) |
| Group income and (loss) from continuing operations before income tax | 416 | (2,610) | 1,160 | (3,906) |

*Business segment results represent profit before corporate overheads, interest and tax



Directors' Report (continued)

The main factors affecting trading performance in this half-year included:

Continuing Operations – Corporate

- The corporate segment profit for the HY of \$138,000 compared to the prior half year profit of \$3,806,000, shows an underlying decreased profitability of 96.4%. Contributing to this profitability is a \$412,000 YTD to December 2022 foreign exchange gain.
- The execution of the convertible notes fifth deed of variation resulted in a contract modification. The gain of \$655,000 was recorded on 30 September 2022 and recognised in other income.
- The proposed early repayment of the convertible note has resulted in derivative liability being fair valued to nil as at 31 December, 2022. The contract modification when assessed under AASB9 Financial Instruments, resulted in substantially different future cashflows (>10%) and as a result the liability has been extinguished and recognised at the revised present value of the future cashflows. This modification resulted in a loss on 31 December 2022 of \$2,548,000 recognised in finance costs.
- Corporate overheads decreased by \$1,030,000 to \$639,000 for the half-year. Included in this amount are one off costs of \$125,000 for legal and professional fees and \$30,000 for IT costs.
- An Impairment has been recognised in relation to head office assets and the exit of the head office lease of \$258,000.

Discontinued Operations – Macadamia Division

- Our previously reported Kapua Orchard Review led to a decision to enter into a Share Sale and Purchase agreement to sell the macadamia business on 27 January 2023.
- Transaction advisors were engaged in October 2021 to conduct a selected targeted asset sale process and although there were a number of parties interested, an agreement was not executed. Upon the appointment of Albert Tse, Executive Chair, in July 2022, an alternative process was undertaken, which resulted in interest and the subsequent signing of a Share Sale and Purchase Agreement on the 27 January, 2023 and an offer of US\$23.0 million.

On the 22 February 2023, HPP Group entered into a new Share Sale and Purchase Agreement, accepting a higher offer of US\$26.0 million for the Macadamia Business.
- The Macadamia segment loss for the half year of AUD\$2,182,000 compared to the prior half year profit of AUD\$2,566,000 shows an underlying decrease in profit of 185%.

Corporate segment profit ↓96.3%

| | |
|------|-------------|
| HY22 | \$138,000 |
| HY21 | \$3,806,000 |

Macadamia segment loss ↓185%

| | |
|---------------|------|
| - \$2,182,000 | HY22 |
| \$2,566,000 | HY21 |

Directors' Report (continued)

The table below shows the asset and capital structure as at 31 December 2022. Net debt has decreased primarily due to the modification of the convertible note agreement:

| | CONSOLIDATED | |
|------------------------------|----------------------|----------------------|
| | 31/12/2022 \$'000 | 30/06/2022 \$'000 |
| NET GEARING | | |
| Debts | | |
| Interest-bearing liabilities | 10,240 | 19,936 |
| Cash and cash equivalents | (229) | (3,470) |
| Net debt | 10,011 | 16,466 |
| Total equity | 20,393 | 25,043 |
| Total capital employed | 30,404 | 41,509 |
| | 32.93% | 39.67% |
| DEBT/EQUITY | | |
| Total equity | 20,393 | 25,043 |
| Intangibles | - | (753) |
| | 20,393 | 24,290 |
| Interest-bearing liabilities | 10,240 | 19,936 |
| | 50.21% | 82.07% |

Auditor's Review Report – Material uncertainty related to going concern

Included in the auditor's review report is material uncertainty related to going concern paragraph drawing the attention of the users of the financial statements to Note 1 in the interim financial report.

The Group recorded a consolidated net loss for the half-year of \$4,792,000.

As at 31 December 2022, the Group held finance facilities with American AgCredit, FLCA, of US\$10,000,000 (AUD\$14,708,045), the undrawn facility available was US\$1,039,078 (AUD\$1,528,281). The finance facility has a 25-year term and is secured by a first ranking mortgage over the Hawaiian assets. As disclosed in note 8B, the Group had 25,000,000 Convertible Notes held by Asia Mark Development Limited (AMD) of \$10,000,000 as at 31 December 2022.

The ability of the Group to continue as a going concern is contingent upon the successful completion of the Share Sale and Purchase Agreement for the sale of the macadamia business disclosed in note 11. The transaction is conditional on shareholder approval under ASX Listing Rule 11.2 which will be sought at an extraordinary meeting to be held in April 2023.

The funds received from the sale of HPP America Inc. will be used for the repayment of the American AgCredit, FLCA facility and the convertible note debt obligation.

The Directors are confident the Group will be able to complete Share Sale and Purchase Agreement and repay its debt obligations. Accordingly, the financial report has been prepared using the going concern basis of accounting.

No adjustments have been made to the amounts and classifications of recorded assets and liabilities should the entity be unable to continue as a going concern.

Subsequent Events After Balance Date

Our previously reported Kapua Orchard Review led to a decision to enter into a Share Sale and Purchase agreement to sell the macadamia business.

Transaction advisors were engaged in October 2021 to conduct a selected targeted asset sale process and although there were a number of parties interested, an agreement was not executed. Upon the appointment of Albert Tse, Executive Chair, in July 2022, an alternative process was undertaken, which resulted in interest and the subsequent signing of a Share Sale and Purchase Agreement on the 27 January 2023 and an offer of US\$23.0 million.

On the 22 February 2023, HPP Group entered into a new Share Sale and Purchase Agreement, accepting a higher offer of US\$26.0 million for the Macadamia Business.

The transaction is likely to complete during April 2023.

The Directors are not aware of any other matters or circumstances that have arisen since the end of the half-year which have significantly affected or may significantly affect the operations and results of the Group, other than what has been disclosed.


Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Rounding

The amounts contained in this report and in the interim financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which the ASIC Instrument applies.

Signed in accordance with a resolution of the directors.



Albert Tse
Executive Chair
Brisbane, 28 February 2023



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working world

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Auditor's Independence Declaration to the Directors of Health and Plant Protein Group Limited

As lead auditor for the review of the half-year financial report of Health and Plant Protein Group Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- No contraventions of any applicable code of professional conduct in relation to the review; and
- No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Health and Plant Protein Group Limited and the entities it controlled during the financial period.

Ernst & Young

Susie Kuo
Partner
28 February 2023

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Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2022

| | | CONSOLIDATED | |
|---|-------|--------------------|--------------------|
| | Notes | 31/12/22 \$'000 | 30/06/22 \$'000 |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 229 | 3,470 |
| Trade and other receivables | | 206 | 2,183 |
| Inventories including biological assets | | - | 16,617 |
| Prepayments | | 91 | 1,255 |
| Assets held for sale | 11 | 57,334 | - |
| TOTAL CURRENT ASSETS | | 57,860 | 23,525 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 6 | 46 | 31,860 |
| Intangible assets | 7 | - | 753 |
| TOTAL NON-CURRENT ASSETS | | 46 | 32,613 |
| TOTAL ASSETS | | 57,906 | 56,138 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 242 | 4,106 |
| Interest-bearing liabilities | 8 | 10,240 | 1,363 |
| Lease liabilities | 10 | 15 | 261 |
| Employee entitlements | | 299 | 957 |
| Other provisions | | - | 3 |
| Liabilities held for sale | 11 | 26,717 | - |
| TOTAL CURRENT LIABILITIES | | 37,513 | 6,690 |
| NON-CURRENT LIABILITIES | | | |
| Interest-bearing liabilities | 8 | - | 18,573 |
| Other financial liabilities | | - | 327 |
| Lease liabilities | 10 | - | 979 |
| Deferred tax liabilities | | - | 4,486 |
| Employee entitlements | | - | 40 |
| TOTAL NON-CURRENT LIABILITIES | | - | 24,405 |
| TOTAL LIABILITIES | | 37,513 | 31,095 |
| NET ASSETS | | 20,393 | 25,043 |
| EQUITY | | | |
| Contributed equity | | 60,613 | 60,613 |
| Reserves | | 16,036 | 15,894 |
| Accumulated losses | | (56,256) | (51,464) |
| TOTAL EQUITY | | 20,393 | 25,043 |

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| CONSOLIDATED | | | |
|--|-------|--------------------|--------------------|
| | Notes | 31/12/22 \$'000 | 31/12/21 \$'000 |
| INCOME | | | |
| Sale of goods from continuing operations | | - | - |
| Change in fair value of biological assets | | - | - |
| Cost of sales | | - | - |
| Gross profit | | - | - |
| Rental income | | 4 | 12 |
| Other income | 3 (a) | 740 | 1,148 |
| Finance income | 3 (b) | 691 | 2,657 |
| | | 1,435 | 3,817 |
| Administration expenses | | (507) | (1,456) |
| Selling and distribution expenses | | - | - |
| Marketing expenses | | (150) | (156) |
| Impairment of property, plant and equipment | 6 | (258) | - |
| Share of net profits/(loss) of associates | | - | (3,740) |
| Other expenses | 3 (c) | (2) | (892) |
| PROFIT / (LOSS) BEFORE TAX AND FINANCE COSTS | | 518 | (2,427) |
| Finance costs | 3 (d) | (3,128) | (597) |
| PROFIT / (LOSS) BEFORE INCOME TAX | | (2,610) | (3,024) |
| Income tax (expense) | 4 | - | (882) |
| NET PROFIT / (LOSS) FROM CONTINUING OPERATIONS | | (2,610) | (3,906) |
| Profit/(Loss) from discontinued operations | 11 | (2,182) | 2,566 |
| NET PROFIT / (LOSS) FOR THE HALF-YEAR | | (4,792) | (1,340) |
| Total net profit / (loss) is attributable to: | | | |
| Equity holders of Health and Plant Protein Group Limited | | (4,792) | (1,340) |
| | | (4,792) | (1,340) |
| Total comprehensive profit / (loss) is attributed to: | | | |
| Equity holders of Health and Plant Protein Group Limited | | (4,792) | (1,340) |
| | | (4,792) | (1,340) |
| Basic and diluted profit / (loss) per share (cents) | | (3.90) | (1.09) |
| Basic and diluted profit / (loss) per share from continuing operations (cents) | | (2.13) | (3.18) |
| Basic and diluted profit / (loss) per share from discontinued operations (cents) | | (1.78) | 2.09 |

*Comparative figures have been restated to present the impacts of the current year discontinued operations as outlined in note 11.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| CONSOLIDATED | | | |
|---|-------|--------------------|--------------------|
| | Notes | 31/12/22 \$'000 | 31/12/21 \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of GST) | | 18,034 | 21,794 |
| Payments to suppliers and employees (inclusive of GST) | | (20,049) | (19,724) |
| Other receipts | | 4 | 22 |
| Interest and other finance costs paid | | (2) | (147) |
| Income tax (paid)/received | | (22) | (30) |
| NET CASH FLOWS USED IN OPERATING ACTIVITIES | | (2,035) | 1,915 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (108) | (588) |
| Consideration paid to associate | | - | (144) |
| NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES | | (108) | (732) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 1,824 | - |
| Repayments of borrowings | | (1,754) | (836) |
| Principal elements of lease payments | | (126) | (251) |
| NET CASH FLOWS USED IN FINANCING ACTIVITIES | | (56) | (1,087) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (2,199) | 96 |
| Cash and cash equivalents at beginning of the half-year | | 3,470 | 2,725 |
| Foreign exchange difference on cash holdings | | (58) | 1 |
| CASH AND CASH EQUIVALENTS AT END OF THE HALF-YEAR | | 1,213 | 2,822 |

*Cash flows from discontinued operations have been included above, refer to note 11 for breakdown.

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | CONSOLIDATED | | | | |
|--|---------------------------------|--------------------------------|--|---------------------------------|---------------------------|
| | RESERVES | | | | Total Equity \$'000 |
| | Contributed Equity \$'000 | Asset Revaluation \$'000 | Foreign Currency Translation \$'000 | Accumulated Losses \$'000 | |
| As at 1 July 2021 | 60,613 | 12,128 | 313 | (52,129) | 20,925 |
| <i>Total comprehensive income for the half-year</i> | | | | | |
| Net profit/(loss) for half-year | - | - | - | (1,340) | (1,340) |
| Other comprehensive income/(loss) | - | - | 243 | - | 243 |
| Total comprehensive income/(loss) for the half-year | - | - | 243 | (1,340) | (1,097) |
| As at 31 December 2021 | 60,613 | 12,128 | 556 | (53,469) | 19,828 |
| As at 1 July 2022 | 60,613 | 14,966 | 928 | (51,464) | 25,043 |
| <i>Total comprehensive income for the half-year</i> | | | | | |
| Net profit/(loss) for half-year | - | - | - | (4,792) | (4,792) |
| Other comprehensive income/(loss) | - | - | 142 | - | 142 |
| Total comprehensive income/(loss) for the half-year | - | - | 142 | (4,792) | (4,650) |
| As at 31 December 2022 | 60,613 | 14,966 | 1,070 | (56,256) | 20,393 |

*Certain comparative figures have been restated to present the impacts of the discontinued operations.

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



Notes to the Consolidated Interim Financial Report

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION OF HALF-YEAR REPORT

This consolidated interim condensed financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Health and Plant Protein Group Limited and its controlled entities ('the Group') during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The company is an entity to which the ASIC Instrument applies.

This consolidated interim financial report was authorised for issue by the board of directors on 28 February 2023.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period unless otherwise stated below.

Certain comparative amounts have been restated to conform with current year's presentation.

Going Concern

The Group recorded a consolidated net loss for the half-year of \$4,792,000.

As at 31 December 2022, the Group held finance facilities with American AgCredit, FLCA, of US\$10,000,000 (AUD\$14,708,045), the undrawn facility available was US\$1,039,078 (AUD\$1,528,281). The finance facility has a 25-year term and is secured by a first ranking mortgage over the Hawaiian assets. As disclosed in note 8B, the Group had 25,000,000 Convertible Notes held by Asia Mark Development Limited (AMD) of \$10,000,000 as at 31 December 2022.

The ability of the Group to continue as a going concern is contingent upon the successful completion of the Share Sale and Purchase Agreement for the sale of the macadamia business disclosed in note 11. The transaction is conditional on shareholder approval under ASX Listing Rule 11.2 which will be sought at an extraordinary meeting to be held in April 2023.

The funds received from the sale of HPP America Inc. will be used for the repayment of the American AgCredit, FLCA facility and the convertible note debt obligation.

The directors are confident the Group will be able to complete Share Sale and Purchase Agreement and repay its debt obligations. Accordingly, the financial report has been prepared using the going concern basis of accounting.

No adjustments have been made to the amounts and classifications of recorded assets and liabilities should the entity be unable to continue as a going concern.

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

2. SEGMENT INFORMATION

Description of segments

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets, and thus form the basis of the reports reviewed by the Board and the executive management committee. The Chief Executive Officer reviews each segments performance and is the Chief Operational Decision Maker (CODM).

The reportable segments for the half-year ended 31 December 2022 were as follows:

Corporate - Australian head office, foreign exchange, investment in associates and leases recognised during the period ended 31 December 2022.

The Group generally accounts for inter-segmental sales and transfers as if the sales or transfers were to third parties at current market prices. This results in transfer pricing between business segments, being set on an arm's length basis. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the Group's policies described in Note 1. There were no changes in segment accounting policies that had a material effect on the segment information. As at 31 December 2022 the Macadamia segment have been accounted for as discontinued operations following a decision to divest this segment.

Reportable segments

Segment information provided to the Board and executive management committee for the half-years ended 31 December 2022 and 31 December 2021 are as follows:

| | Other | |
|---|----------|----------|
| | 31/12/22 | 31/12/21 |
| | \$'000 | \$'000 |
| | | |
| Income | | |
| Sales of goods to external customers | - | - |
| Other revenue / income | 416 | 1,160 |
| Total segment revenue | 416 | 1,160 |
| | | |
| Results | | |
| Operating profit | 416 | 1,160 |
| Impairment expense | (258) | - |
| Segment EBITDA | 158 | 1,160 |
| Depreciation and amortisation | (20) | (11) |
| Segment result | 138 | 1,149 |
| Fair value gain/(loss) on derivative | 328 | (824) |
| Share of net loss of associates | - | (3,740) |
| Corporate overheads | (639) | (1,669) |
| EBIT | (173) | (5,084) |
| Finance income | 691 | 2,657 |
| Finance costs | (3,128) | (597) |
| Profit/(loss) before income tax | (2,610) | (3,024) |
| Income tax (expense)/benefit | - | (882) |
| Net profit/ (loss) after income tax from continuing operations | (2,610) | (3,906) |

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

SEGMENT INFORMATION (continued)

| | Australia | |
|--|--------------------|--------------------|
| | 31/12/22 \$'000 | 31/12/21 \$'000 |
| Sales of goods to external customers | - | - |
| Other revenue / income | 416 | 1,160 |
| Total geographical revenue | 416 | 1,160 |
| Total income from continuing operations | | |
| | 31/12/22 \$'000 | 31/12/21 \$'000 |
| Total geographical assets | 572 | 1,820 |
| Total geographical liabilities | 10,796 | 13,033 |

3. INCOME AND EXPENSES

| | | CONSOLIDATED | |
|---|-------------|--------------------|----------------------|
| | | 31/12/22 \$'000 | 31/12/21 \$'000 * |
| Total group | Note | | |
| (a) Other income | | | |
| Foreign exchange gains | | 412 | 1,118 |
| Fair value gain on other financial liabilities | 9 | 328 | - |
| Sundry income | | - | 30 |
| Total other income | | 740 | 1,148 |
| (b) Finance income | | | |
| Gain on extinguishment adjustment of host liability | 8(b) | - | 2,657 |
| Gain on modification adjustment of host liability | 8(b) | 655 | - |
| Gain on modification of leases | | 36 | - |
| Total finance income | | 691 | 2,657 |
| (c) Other expenses | | | |
| Foreign exchange losses | | 2 | 66 |
| Fair value loss on other financial liabilities | 9 | - | 824 |
| Loss on disposal of property, plant and equipment | | - | 2 |
| Total other expenses | | 2 | 892 |
| (d) Finance costs | | | |
| Convertible notes | 8(b) | 552 | 564 |
| Working capital financial facilities | | 6 | 8 |
| Loss on modification adjustment of host liability | 8(b) | 2,548 | - |
| Interest on lease liabilities | | 22 | 25 |
| Total finance costs | | 3,128 | 597 |

Notes to the Consolidated Interim Financial Report (continued)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

*Certain comparative figures have been restated to present the impacts of the current year discontinued operations as outlined in note 11.

4. INCOME TAX

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. A tax benefit of US\$233,000 (AUD\$344,000) was recognised in the half-year relating to the USA. The Group has tax losses carried forward of AUD\$42,600,258 for the corporate segment and US\$11,148,436 (AUD \$16,397,170) for the macadamia segment. No tax losses have been recognised during the year.

5. DIVIDENDS PAID OR PROPOSED

No dividends have been paid or declared during the half-year ended 31 December 2022 (31 December 2021: Nil).

6. PROPERTY, PLANT AND EQUIPMENT

The Group purchased \$108,000 (30 June 2022: \$822,000) of property, plant and equipment during the period. During the period the useful lives of the corporate assets were assessed, an impairment of \$258,000 was recognised at 31 December 2022 in profit and loss. There has been no other significant changes in the value of property, plant and equipment at 31 December 2022.

7. INTANGIBLE ASSETS

There have been no significant changes in the value of intangible assets at 31 December 2022.

8. INTEREST-BEARING LIABILITIES

A. Bank and working capital facilities

The Group has a secured revolving line of credit with American AGCredit, FLCA, of US\$10,000,000 (AU\$14,708,045). As at 31 December 2022, the Group had drawn down US\$8,960,922 (AU\$13,179,764), leaving US\$1,039,078 (AU\$1,528,281) available for use. This facility has an interest rate of 7.10%, subject to LIBOR.

MacFarms LLC has two financing facilities with John Deere Financial, both secured equipment finance, the first one at 0% (2021: nil) interest over 60 months, maturity date 30 October 2024 and the second one at 0% (2021: nil) interest over 48 months, maturity date 05 May 2025.

The Group has financing facilities for premium funding, through AFco (MacFarms LLC), and iQumulate (Corporate). The interest rate for the FY2022/FY2023 insurance period is 4.632% (AFco) and 2.8718% (iQumulate).

The funds received from the sale of Kapua Orchard and macadamia nut business will be applied to repay the American AgCredit facility and the existing convertible note debt obligation.

B. Convertible Notes

As at 31 December 2022, the Group held finance facilities with American AgCredit, FLCA, of US\$10,000,000 (AUD\$14,708,045) and also had Convertible Notes held by Asia Mark Development Limited (AMD) of AUD\$10,000,000 with the following revised agreement:

- 1.25 million convertible notes (representing a principal amount of \$500,000) to be redeemed on 30 September 2023;
- 1.25 million convertible notes (representing a principal amount of \$500,000) to be redeemed on 31 March 2024;
- 1.875 million convertible notes (representing a principal amount of \$750,000) to be redeemed on 30 September 2024;
- 1.875 million convertible notes (representing a principal amount of \$750,000) to be redeemed on 31 March 2025;
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 30 September 2025;
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 31 March 2026;
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 30 September 2026;
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 31 March 2027;
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 30 September 2027;
- 2.5 million convertible notes (representing a principal amount of \$1,000,000) to be redeemed on 31 March 2028; and
- 3.75 million convertible notes (representing a principal amount of \$1,500,000) to be redeemed on 30 September 2028.

Prior to the new agreed payment schedule, Health and Plant Protein Group Limited had agreed to redeem 1.25 million convertible notes on 30 September 2022 and 31 March 2023, with the final 3.75 million convertible notes being redeemed on 30 September 2027. All other payment dates have not changed.

The contract modification at 30 September 2022 when assessed under AASB9 Financial Instruments resulted in a non-substantial difference in future cashflows. The modification resulted in a gain of \$655,000 recognised as finance income for the period ended 31 December 2022. The contract modification at 31 December 2022, due to the proposed early repayment, when assessed under AASB9 Financial Instruments resulted in substantially different future cashflows, and as a result the liability has been extinguished and recognised at the revised present value of the future cashflows. This modification resulted in a loss of \$2,548,089 recognised as finance income for the period ended 31 December 2022.

Notes to the Consolidated Interim Financial Report (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

9. OTHER FINANCIAL LIABILITIES

The derivative liability recognised in other financial liabilities represent the value attributable to the potential adjustments to conversion of the convertible notes issued (refer to note 8(B) for convertible notes). The derivative liability component of the convertible note is measured at fair value on each reporting date. The valuation as at 31 December 2022 was \$Nil (30 June 2022: \$327,000) resulting in a fair value loss of \$328,000 (30 June 2022: gain of (\$714,000) recognised in the consolidated statement of profit or loss.

10. LEASE LIABILITIES

The carrying amount of the lease liabilities at 31 December 2022 of continued operations is outlined below:

| | CONSOLIDATED | |
|--------------------------------|--------------------|--------------------|
| | 31/12/22 \$'000 | 30/06/22 \$'000 |
| Current lease liabilities | 15 | 261 |
| Non-current lease liabilities | - | 979 |
| Total lease liabilities | 15 | 1,240 |

11. DISCONTINUED OPERATIONS

As previously reported the Kapua Orchard Review led to the decision to undertake a process to sell the Macadamia business. On 20 December 2022 a non-binding indicative offer was received from MNP Holdings LLC. The Share Sale and Purchase agreement to acquire HPP Group (Overseas) Holdings Pty Ltd was then signed on 27 January 2023 for consideration of US\$23.0 million.

Subsequent to this, a higher offer was received by Hawaiian Host Group and a new Share Sale and Purchase agreement was signed on 22 February,2023 for consideration of US\$26.0 million. The sale is expected to be completed during April 2023.

At 31 December 2022 the Macadamia business is classified as a disposal group held for sale and as a discontinued operation. The Macadamia business represented all of the Macadamia segment. With the Macadamia operations being classified as discontinued operations.

Financial performance and cashflow information

The financial performance and cash flow information presented are for the entire 6 months ended 31 December 2022.

| | 31/12/22 \$'000 | 31/12/21 \$'000 |
|--|--------------------|--------------------|
| Revenue | 17,645 | 22,347 |
| Other income | 3,336 | 2,169 |
| Operating expenses | (23,108) | (21,784) |
| Profit/(loss) before interest and income tax | (2,127) | 2,732 |
| Finance cost | (399) | (148) |
| Profit/(loss) before income tax | (2,526) | 2,584 |
| Income tax (expense)/benefit | 344 | (18) |
| Profit/(loss) after income tax from discontinued operations | (2,182) | 2,566 |

| | 31/12/22 \$'000 |
|---|--------------------|
| Net cash inflow/(outflow) from operating activities | (2,938) |
| Net cash inflow/(outflow) from investing activities | (90) |
| Net cash inflow/(outflow) from financing activities | 865 |
| Net increase/(decrease) in cash generated by discontinued operations | (2,163) |
| Balance at 30 June 2022 | 3,147 |
| Balance at 31 December 2022 | 984 |

Notes to the Consolidated Interim Financial Report (continued)
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

11. DISCONTINUED OPERATIONS (continued)

The carrying amount of assets and liabilities as at 31 December 2022 were:

| | 31/12/22 \$'000 |
|-------------------------------|--------------------|
| Cash and cash equivalents | 984 |
| Trade and other receivables | 2,131 |
| Inventories | 18,904 |
| Property, plant and equipment | 30,899 |
| Biological assets | 21 |
| Intangible assets | 519 |
| Other current assets | 976 |
| Current tax assets | 2 |
| Deferred tax assets | 2,898 |
| Total assets | 57,334 |
| Trade and other payables | 5,013 |
| Interest-bearing liabilities | 13,565 |
| Lease liabilities | 382 |
| Short term provisions | 663 |
| Deferred tax liabilities | 7,094 |
| Total liabilities | 26,717 |
| Net assets | 30,617 |

12. EVENTS AFTER THE REPORTING DATE

On 30 January 2023, Health and Plant Protein Group announced to the market it had entered into a Share Sale and Purchase Agreement to sell the Macadamia Business after a strategic review of its USA based assets. It was noted that Australian based staff, including the Executive Chairman had been offered a retention bonus, contingent upon key milestones being met. The transaction is likely to complete in April 2023.

On the 23 February 2023, a further announcement was released to the market, advising that HPP Group has accepted a higher offer of US\$26.0 million for the Macadamia Business.

The Directors are not aware of any other matters or circumstances that have arisen since the end of the half-year which have significantly affected or may significantly affect the operations and results of the Group, other than what has been disclosed.

13. RELATED PARTY DISCLOSURES

Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Asia Mark Development Limited (AMD)

Asia Mark Development Limited, a major shareholder, holds 25,000,000 convertible notes as at 31 December 2022. The convertible notes pay an annual coupon of 4.5%. Accrued coupon payable at reporting date totals \$394,521 (2021: \$987,534).

MacFarms of Hawaii 401(k) Profit Sharing Plan

The Group periodically elects to make discretionary contribution to the accounts of eligible employees under the MacFarms of Hawaii (401k) Profit Sharing Plan, a self-administered deferred profit-sharing plan for eligible employees of MacFarms, LLC. Contributions to the profit-sharing plan are made in the second half of the financial year. The Group made payments to Hicks Pension Services on behalf of the MacFarms of Hawaii 401(k) Profit Sharing Plan of US\$9,500 (AUD\$13,976) in relation to administration fees (31 December 2021: AUD\$12,537).



Directors' Declaration

The directors of the company declare that:

- (a) the consolidated interim financial report of Health and Plant Protein Group Limited are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulation 2001; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Albert Tse
Executive Chair
Brisbane, 28 February 2023



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Independent Auditor's Review Report to the Members of Health and Plant Protein Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Health and Plant Protein Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of profit or loss and other comprehensive income, condensed statement of cash flows and condensed statement of changes in equity and for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Susie Kuo
Partner
Brisbane
28 February 2023

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