

HALCYON AGRI CORPORATION LIMITED

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

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE

1. INTRODUCTION

- 1.1 The board of directors (the “**Board**” or the “**Directors**”) of Halcyon Agri Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company is proposing to undertake a renounceable non-underwritten rights issue (the “**Rights Issue**”) of up to 797,505,970 new ordinary shares in the capital of the Company (the “**Rights Shares**”) at an issue price of S\$0.22 for each Rights Share (the “**Issue Price**”), on the basis of one (1) Rights Share for every two (2) existing ordinary shares in the capital of the Company (the “**Shares**”) held by the Entitled Shareholders (as defined below) as at a time and date to be determined by the Board for the purpose of determining the entitlements of the Entitled Shareholders under the Rights Issue (the “**Record Date**”), fractional entitlements to be disregarded.
- 1.2 It is intended that the Company will rely on its share issue mandate (the “**General Mandate**”) to allot and issue the Rights Shares. Approval for the General Mandate will be sought from the Company’s shareholders (the “**Shareholders**”) pursuant to an ordinary resolution at the upcoming annual general meeting of the Company on 26 June 2020 (the “**2020 AGM**”), in accordance with Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). If approved by Shareholders, the General Mandate will authorise, among other things, the Directors to allot and issue Shares, whether by way of rights, bonus or otherwise, of up to 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the 2020 AGM.
- 1.3 Up to the date of this announcement (the “**Announcement**”), there were no treasury shares, subsidiary holdings, outstanding share options, share awards or other convertibles and the total number of issued Shares was 1,595,011,941 (the “**Existing Issued Shares**”). Assuming that no further Shares are issued prior to and following the 2020 AGM, the Company can issue up to 797,505,970 Rights Shares on a *pro rata* basis under the General Mandate.
- 1.4 The Company has appointed DBS Bank Ltd. as the manager of the Rights Issue (the “**Manager**”).

2. THE PROPOSED RIGHTS ISSUE

2.1 Principal terms of the Rights Issue

The principal terms of the Rights Issue are summarised below:

- Issue Price** : S\$0.22
- Discount** : The Issue Price of S\$0.22 for each Rights Share represents:
- (a) a discount of approximately 36.2% to the last transacted price of S\$0.345 per Share for trades done on the Main Board of the SGX-ST on 19 June 2020, being the last trading day on which trades were

done on the Shares prior to this Announcement (the “**Last Trading Day**”);

- (b) a discount of approximately 35.7% to the volume weighted average price of S\$0.342 per Share traded over the last five (5) consecutive market days including the Last Trading Day; and
- (c) a discount of approximately 27.4% to the theoretical ex-rights price (“**TERP**”)¹ of S\$0.303 per Share, calculated based on the last transacted price of the Shares on the Main Board of the SGX-ST on the Last Trading Day.

The Issue Price of the Rights Shares and discount have been determined after taking into account precedent transactions, the transaction size and discussions with the Manager.

Allotment Ratio : The Rights Shares are proposed to be offered to the Entitled Shareholders on the basis of one (1) Rights Share for every two (2) existing Shares held by the Entitled Shareholders on the Record Date, fractional entitlements to be disregarded.

Number of Rights Shares : There are no treasury shares, subsidiary holdings, outstanding share options, share awards or other convertibles as at the date of this Announcement.

Based on the Existing Issued Shares of 1,595,011,941 and assuming that all the Entitled Shareholders subscribe in full and pay for their pro-rata entitlements of Rights Shares, up to 797,505,970 Rights Shares will be issued.

Non-Underwritten Rights Issue : The Rights Issue will not be underwritten.

Status of the Rights Shares : The Rights Shares will rank *pari passu* with the Existing Issued Shares, save for any dividends, rights, allotments or other distributions, the record date for which falls on or before the date of allotment and issue of the Rights Shares.

Rationale for Rights Issue : The Company is undertaking the Rights Issue to strengthen the Group’s financial position and capital base. The Rights Issue will also provide Shareholders with an opportunity to maintain their equity participation in the Company.

Please refer to paragraph 3.1 of this announcement for further information.

Use of Proceeds : The net proceeds from the Rights Issue, after deduction of the expenses incurred in connection with the Rights Issue, are intended to be used for operating cash flows and other fixed commitments of the Group.

Please refer to paragraph 3.2 of this Announcement for further information.

¹ TERP of each Share is calculated based on the following formula, assuming the Rights Issue is fully subscribed:

$$\text{TERP} = \frac{\text{Market capitalisation of the Company based on the last traded price} + \text{gross proceeds from the Rights Issue}}{\text{Number of Shares after completion of the Rights Issue}}$$

2.2 Conditions for the Rights Issue

The Rights Issue is subject to all other necessary consents, approvals and waivers required from any person, financial institution or regulatory body or authority of Singapore or elsewhere under any and all agreements applicable to the Company and/or applicable laws for the Rights Issue and to give effect to the Rights Issue being obtained and not having been revoked or amended before the closing date, including the following:

- (a) the in-principle approval of the SGX-ST for the listing of and quotation for the Rights Shares on the SGX-ST; and
- (b) the lodgment by the Company, of the Offer Information Statement in respect of the Rights Issue (the “**Offer Information Statement**”), together with all other accompanying documents (if applicable), with the Monetary Authority of Singapore (the “**Authority**”).

The Company will be applying to the SGX-ST to seek its in-principle approval for the listing of and quotation for the Rights Shares on the SGX-ST.

2.3 Support by Major Shareholder

As at the date of this Announcement, the Company has not received any undertaking from any of its substantial shareholders to take up their respective Rights Shares.

Subject to the requisite approvals, conditions, clearances, filings and rulings (as the case may be) pursuant to applicable laws and regulations of the People’s Republic of China being obtained, the Company’s major shareholder, Sinochem International (Overseas) Pte. Ltd. (“**Sinochem**”) will subscribe for its *pro rata* entitlement to the Rights Shares. Sinochem is a wholly-owned subsidiary of Sinochem International Corporation, a Chinese state-owned enterprise, and, as at the date of this Announcement, has an interest in an aggregate of 877,056,655 Shares, representing approximately 54.99% of the total number of issued Shares.

The Company will update shareholders via SGXNET as and when it has received any undertaking from any substantial shareholder and in any case, prior to the lodgement and despatch of the Offer Information Statement.

2.4 Eligibility of Shareholders to Participate in the Rights Issue

The Company proposes to provisionally allot the Rights Shares to all Shareholders who are eligible to participate in the Rights Issue (the “**Entitled Shareholders**”), comprising Entitled Depositors and Entitled Scripholders (both as defined below), on the basis of their shareholdings as at the Record Date.

- 2.4.1 **Entitled Depositors.** Entitled Depositors are Shareholders with Shares standing to the credit of their securities accounts (the “**Securities Account**”) with Central Depository (Pte) Limited (“**CDP**”) and whose registered addresses with CDP are in Singapore as at the Record Date or who have, at least three (3) market days prior to the Record Date, provided CDP with addresses in Singapore for the service of notices and documents. Entitled Depositors will be provisionally allotted the Rights Shares on the basis of the number of Shares standing to the credit of their Securities Accounts as at 5.00 p.m. (Singapore time) on the Record Date.

- 2.4.2 **Entitled Scripholders.** Entitled Scripholders are Shareholders whose (i) share certificates are not deposited with CDP, (ii) Shares are registered in their own names, and (iii) registered addresses with the Company’s share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. (the “**Share Registrar**”) are in Singapore as at the Record Date, or who have provided the Share Registrar with addresses in Singapore for the service of notices and documents not later than 5.00 p.m. (Singapore time) on the date

falling three (3) market days prior to the Record Date, and who have tendered to the Share Registrar valid transfers of their Shares and the certificates relating thereto for registration up to the Record Date. Entitled Scripholders will have to submit duly completed and stamped transfers in respect of Shares not registered in the name of CDP, together with all relevant documents of title, so as to be received up to 5.00 p.m. (Singapore time) on the Record Date by the Share Registrar, in order to be registered to determine provisional allotments of Rights Shares.

- 2.4.3 **Foreign Shareholders.** For practical reasons and in order to avoid any violation of the securities legislation applicable in jurisdictions other than Singapore, the rights to the Rights Shares will **NOT** be offered to Shareholders with registered addresses outside Singapore as at the Record Date and who have not, at least three (3) market days prior to the Record Date, provided CDP or the Share Registrar, as the case may be, with addresses in Singapore for the service of notices and documents, subject to certain limited exceptions and/or unless otherwise reasonably determined by the Directors that the Rights Shares may be offered based on applicable securities legislation. Entitlements to Rights Shares which would otherwise accrue to Foreign Shareholders will, if practicable, be sold “nil-paid” on the SGX-ST after dealings in the provisional allotments of Rights Shares commence, and the net proceeds arising therefrom will be dealt with in accordance with the terms set out in the Offer Information Statement in connection with the Rights Issue, to be lodged with the Authority and to be disseminated by the Company to the Entitled Shareholders in due course.

2.5 **Trading of Provisional Allotments of Rights Shares**

Entitlements to subscribe for the Rights Shares will be renounceable and are expected to be tradable on the Main Board of the SGX-ST over a period to be determined by the Directors in compliance with the rules of the Listing Manual. Entitled Shareholders will be at liberty to accept, decline, renounce or trade, in whole or in part, their provisional allotments of the Rights Shares and will be eligible to apply for Rights Shares in excess of their respective provisional allotments under the Rights Issue.

2.6 **Excess Rights Shares**

Entitlements which are not allotted or taken up for any reason (including any fractional entitlements to the Rights Shares) will be aggregated and used to satisfy applications, if any, for excess Rights Shares or otherwise disposed of or dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company.

2.7 **Offer Information Statement**

The terms and conditions of the Rights Issue are subject to such changes as the Board may, after consultation with the Manager and in its absolute discretion, deem fit. The final terms and conditions of the Rights Issue will be contained in the Offer Information Statement to be lodged with the SGX-ST, acting as an agent on behalf of the Authority, and disseminated by the Company to Entitled Shareholders in due course.

3. **RATIONALE FOR THE RIGHTS ISSUE AND USE OF PROCEEDS**

3.1 **Purposes for the Rights Issue**

The Company had, during the quarter ending 30 June 2020 (“**Q2 2020**”), successfully completed the renegotiation of the terms of the loan granted to Fimave S.A.² (the “**Fimave Loan**”), to extend the repayment date for another five (5) years, with the loan interest revised from 6.5% to 10.0% per annum. The carrying value of US\$52.3 million for the loan receivable under the Fimave Loan was classified as current asset as at 31 December 2019.

² Please refer to the Company’s announcement dated 2 October 2017 for information of the Fimave Loan.

This completion of restructuring of the Fimave Loan will result in such receivables being reclassified from current assets to non-current assets in the Q2 2020 balance sheet, and this may have an impact on the Group's net current asset position as at 30 June 2020.

In view of the above, and in line with the Group's stated intention to deleverage its balance sheet, the Company proposes to undertake the Rights Issue to strengthen the Group's capital structure. The Rights Issue will enhance the Group's financial position by adding liquidity, augmenting our capital base, thus reducing the Group's overall gearing.

This will enhance the Group's ability to formulate, strategise and execute its business plans as the market enters the cyclical recovery cycle, which is expected to drive both volumes and market prices. It will also provide the Group with greater financial capacity and flexibility to capitalise on any investment opportunities in a timely manner as and when such opportunities arise.

The Rights Issue will also provide Shareholders with an opportunity to maintain their equity participation in the Company.

3.2 Use of Proceeds

Subject to there being no change made to the terms and basis of the Rights Issue by the Board prior to the Record Date, assuming that the Rights Issue is fully subscribed, the estimated net proceeds of the Rights Issue, after deducting estimated expenses is expected to be approximately S\$174.7 million (equivalent to approximately US\$125.4 million based on the exchange rate of US\$1.00 to S\$1.3936 as at 19 June 2020³).

The Company intends to use the net proceeds (the "**Net Proceeds**") as follows:

Purpose	% of Net Proceeds	Use of proceeds
Operating cash flows	75%	To strengthen the Group's balance sheet in anticipation of higher volumes and prices, and to fund the Group's operating expenses
Other fixed commitments	25%	To be used to fund capital expenditures, servicing of term debts and other fixed contractual payments

Pending the deployment of the Net Proceeds, such Net Proceeds may, subject to relevant laws and regulations, be deposited with banks and/or financial institutions or used for investment in short-term money markets or debt instruments or used for other purposes on a short-term basis as the Board may, in its absolute discretion, deem appropriate in the interests of the Company.

The Company will make periodic announcements on the utilisation of the Net Proceeds as and when funds are materially disbursed, and whether such a use is in accordance with the proposed use and in accordance with the percentage allocated above. The Company will also provide a status report on the use of the Net Proceeds in the Company's half-yearly and full year financial results announcement(s) and in the Company's annual report(s), until such time the Net Proceeds have been fully utilised. Where the Net Proceeds are used for working capital, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied on the status report. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

³ Based on the exchange rate published by the Monetary Authority of Singapore.

4. STATEMENT BY THE BOARD

The Board is of the opinion that after taking into consideration the Group's present bank facilities, the working capital available to the Group is sufficient to meet its present requirements. Notwithstanding the sufficiency of working capital, the Directors are of the opinion that the Rights Issue will strengthen the Group's capital structure and enhance the Group's financial position by adding liquidity, augmenting our capital base, thus reducing the Group's overall gearing. The Rights Issue will also provide Shareholders with an opportunity to maintain their equity participation in the Company.

For reasons outlined in Paragraph 3.1 above, the Board believes that the Rights Issue is in the interest of the Group and the Shareholders.

5. PREVIOUS EQUITY FUND RAISING

The Company has not undertaken any equity fund raising exercise in the last 12 months.

6. NOTIFICATION UNDER SECTION 309B OF THE SECURITIES AND FUTURES ACT, CHAPTER 289 OF SINGAPORE

The provisional allotments of Rights Shares and the Rights Shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

7. INTERESTS OF DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND CONTROLLING SHAREHOLDERS

None of the Directors, substantial shareholders and controlling shareholders has any interests, direct or indirect, in the Rights Issue, other than through each of their respective shareholding interests, direct and/or indirect, in the Company.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the proposed Rights Issue, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading. Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

9. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in the Company's securities, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

By Order of the Board

Pascal Demierre
Executive Director
22 June 2020

Singapore

IMPORTANT NOTICE

This announcement is for information only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any provisional allotments of Rights Shares or to take up any provisional allotments of Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any provisional allotments of Rights Shares except on the basis of the information contained in the Offer Information Statement. The information contained in this announcement is not for release, publication or distribution in or into the United States of America ("**United States**") or elsewhere and should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, or sale of provisional allotments of Rights Shares and the acquisition or purchase of the Rights Shares is subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this announcement, the Offer Information Statement, the provisional allotment letters and/or the application and acceptance forms for Rights Shares and excess Rights Shares into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this announcement and such other documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.

All statements contained in this announcement, press releases and oral statements that may be made by the Company or its Directors, officers or employees acting on its behalf, that are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by words that have a bias towards the future or, are forward-looking such as, without limitation, "anticipate", "aim", "believe", "could", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "possible", "predict", "probable", "project", "seek", "should", "will" and "would" or other similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group's future financial position, operating results, business strategies, plans and future prospects are forward-looking statements. These forward-looking statements, including but not limited to, statements as to the Group's revenue and profitability, prospects, future plans and other matters discussed in this announcement regarding matters that are not historical facts, are merely predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group's actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. Given the risks (both known and unknown), uncertainties and other factors that may cause the Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this announcement, undue reliance must not be placed on these statements. The Group's actual future results, performance or achievements may differ materially from those anticipated in these forward-looking statements. None of the Company and any other person represents or warrants that the Group's actual future results, performance or achievements will be as discussed in those statements. Further, the Company disclaims any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future.

This announcement is not an offer for sale of securities into the United States or elsewhere. The provisional allotments of Rights Shares, the provisional allotment letters and/or the application forms for Rights Shares and excess Rights Shares have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"), and may not be offered or

sold in the United States unless registered under the Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration under the Securities Act. There will be no public offering of securities in the United States. The Company does not intend to register any portion of any offering in the United States or to conduct a public offering of securities in the United States.