

HALCYON AGRI CORPORATION LIMITED

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

RESPONSES TO QUESTIONS RAISED FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2022

The Board of Directors (the “**Board**”) of Halcyon Agri Corporation Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank all shareholders who have submitted their questions ahead of the Company’s Annual General Meeting (“**AGM**”) to be held by electronic means on Wednesday, 27 April 2022 at 10.30 a.m. (Singapore time).

The Company has also received queries raised by the Securities Investors Association (Singapore) in relation to the Company’s annual report for the financial year ended 31 December 2021 (the “**Annual Report**”).

Summary of questions/queries received and responses to such questions are set out below. For the avoidance of doubt, the Company does not respond to the matters which are commercially sensitive, constitute prospect statements if responded, or which have already been stated elsewhere in its previous announcements or in the Annual Report.

Question	Response
<p>1. <i>What acreage of mature trees is coming on stream for the Group in each of the next 3-5 years? Has the Group adjusted the pace of its planting due to the pandemic and/or the price movements?</i></p> <p><i>In Cameroon, you have 31,400 ha planted, what will the percentage of trees being matured in 2022? What will be the yield for 2022 and for the next two to three years?</i></p> <p><i>Is the 1,100 ha rubber plantation in Ivory Coast already matured for tapping? What is the yield per year? Will the Group increase the planting area in Ivory Coast?</i></p> <p><i>In Malaysia, 7,000 ha planted rubber trees will be matured in 2023. What will be the projected harvested quantity per year and how it contributes to the revenue and gross profit of the Company?</i></p>	<p>Plantation business is a long-term investment as each planted rubber tree takes an average of five (5) to seven (7) years before yielding the first drop of latex, and will go on to be productive for the next 30 years. With over 31,000 ha planted in Cameroon and 7,000 ha planted in Malaysia, CMC Plantations’ (“CMCP”) average tree profile remains largely immature, currently standing at 13.2 years (6.7 years, if excluding 7,200 ha low yield old trees). With the passage of time, plantation yields would increase and this will improve the absorption of the mainly fixed plantation overheads.</p> <p>Moving forward and barring any unforeseen circumstances, the immature areas would come on stream and the yields of the younger trees would increase. This would double CMCP’s output in the next five (5) years, and its output would reach 55,000 mT by 2030. With this larger volume, unit profit will increase in tandem with the reducing unit costs. There is also a further upside potential when rubber prices recover cyclically.</p> <p>The Group adopts a low-intensity, high efficient replanting programme of 700 to 800 hectares per year and that the mature rubber trees are expected to increase from 4.6 million trees in 2020 to 13 million trees in 2030. The pandemic and/or the rubber price movements do not have a significant impact on its replanting programme. There are no plans to increase planting areas in Ivory Coast plantations.</p>

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	<p>Please refer to the corporate website https://www.corrie-maccoll.com/what-we-do/rubber-plantations/ for further information relating to the plantation business.</p> <p>The maturity profile of the Group's plantations as at 31 December 2021 is presented below:</p>																				
	<table border="1"> <caption>Plantation Maturity Profile (as at 31 December 2021)</caption> <thead> <tr> <th>Region</th> <th>Immature (ha)</th> <th>Mature (ha)</th> <th>Total (ha)</th> </tr> </thead> <tbody> <tr> <td>Cameroon</td> <td>17,255</td> <td>14,165</td> <td>31,420</td> </tr> <tr> <td>Malaysia - Rubber</td> <td>4,896</td> <td>0</td> <td>4,896</td> </tr> <tr> <td>Malaysia - Oil Palm</td> <td>2,094</td> <td>566</td> <td>2,660</td> </tr> <tr> <td>Ivory Coast</td> <td>1,149</td> <td>247</td> <td>1,396</td> </tr> </tbody> </table>	Region	Immature (ha)	Mature (ha)	Total (ha)	Cameroon	17,255	14,165	31,420	Malaysia - Rubber	4,896	0	4,896	Malaysia - Oil Palm	2,094	566	2,660	Ivory Coast	1,149	247	1,396
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<p>2. <i>What is management's view of the industry, in particular, China's restocking policy/practices for the next 18-24 months? What is the strategy to optimise the Group's selling price, particularly considering China's destocking/restocking of its natural rubber stockpile?</i></p>	<p>The management has shared its view of the industry in the Company FY2021 results announcement¹ as well as in the Annual Report under section "Chief Executive Officer's Review" and "Rubber Market Notes". Please refer to these sections for further information.</p> <p>The Group will continue to leverage its extensive network of factories, warehouses, terminals and sales offices around the world to distribute a wide range of natural rubber products to its customers, and strengthen its position as a preferred natural rubber supplier.</p>																				
<p>3. <i>On the operational end, what impact did longer transit time and escalating freight rates have on the Group?</i></p>	<p>While the logistics disruptions (including the surge in freight rates and longer transit time) have caused higher inventory holding costs, the Group has capitalised on its global presence and vertical capabilities to transfer raw materials from one country to another to improve the production levels (e.g. the Group's factories in Southeast Asia can import raw materials from neighbouring countries or West/Central Africa, as and when opportunities arise). This has allowed the Group to manage its group-wide raw</p>																				

¹ <https://links.sgx.com/1.0.0/corporate-announcements/J5Z760YKD0D5XL33/e63b96122389666a0001d0899733efb92f10fbb66d958e369b293eac1c907f31>

Question	Response
	<p>material intake costs, increase the factories utilisation and optimise its production costs globally, as well as to serve the customers' sourcing and logistic needs on a timely basis, which are especially critical amid the global shipping logjam. These competitive advantages have placed the Company in pole position to benefit from the strong demand recovery in both tyre and non-tyre sectors.</p> <p>The Group has also been able to capitalise on its global network and strong presence in Europe and the US, to offer just in time deliveries within Europe and the US, cushioning the impact of global shortage in shipping containers experienced by its customers. This has also allowed the Group to take advantage of the acute domestic rubber shortage in the Europe/US region. In addition, the Group has also strengthened its regional foothold which would serve its customers better.</p>
<p>4. <i>Was HRC's production affected due to a lack of manpower and/or COVID-related constraints? How does the Group monitors and actively manages the processing margins?</i></p> <p><i>What is the annual production capacity of the two factories in Ivory Coast? What is the capacity utilisation of these two factories in FY2022?</i></p>	<p>In 2020, the outbreak of COVID-19 induced a widespread lockdown globally, and the Group's factory capacities were affected by lockdown restrictions in various countries. However, the situation has changed since second half of 2020 with demand recovering strongly following the progressive lifting of lockdown restrictions.</p> <p>The processing margins of Halcyon Rubber Company ("HRC Group") would very much be dependent on raw material availability regardless of price levels, as well as the realised selling prices. The Group has strategically deployed its global resources to ensure that the factories generate higher contribution margins, and improve the fixed costs absorption rate. At the same time, it has also dived deep into its processing activities to identify opportunities for improvement, and refine them accordingly.</p> <p>The effective production capacity for the Group's factories in Ivory Coast is 72,000 mT per annum.</p>
<p>5. <i>Under page 23 of the Annual Report, "Ivory Coast is an up & coming region with the potential to be one of the top natural Rubber origins in near future". Please elaborate further on the contribution to Halcyon sales volume, revenue and margin in FY2022, and also for the next three years.</i></p>	<p>Based on the December 2021 edition of the World Rubber Industry Outlook issued by International Rubber Study Group, Ivory Coast is the world's fourth largest natural rubber producing country, with an annual production of 1.04 million mT. The figure is expected to increase to 1.12 million in five (5) years' time.</p> <p>Leveraging on its presence in Ivory Coast, the Group's operations have benefited from such emerging supply, which may contribute positively to the Group's sales volume, revenue and margins in the coming years.</p>
<p>6. <i>Will the recent outbreak of COVID-19 in China affects the Company's business in China for FY2022?</i></p>	<p>Recent outbreak of COVID-19 and regional lockdowns in China are not likely to have any significant impact on the Group's operations. However, impact on the</p>

Question	Response
	domestic demand cannot be ascertained as the COVID-19 outbreak remains a fluid situation.
7. <i>HeveaConnect was first launched in April 2019. Can management quantify the successes of HeveaConnect in the past year? Apart from Continental which joined the digital trading platform in December 2021, did management see more extensive adoption of HeveaConnect by others in the industry?</i>	The investment from Asian Gateway Investments Pte. Ltd. (an investment holding company and a 100% subsidiary of Singapore Exchange Limited) (“ SGX ”) in March 2021 has effectively boosted HeveaConnect’s industry traction, facilitated onboarding of producers and customers alike, and accelerated its efforts to digitalise the industry and promote sustainable business practices along the supply chain. In addition to Continental, HeveaConnect has successfully obtained agreement from three tyre majors and a rubber producer to join the platform. Please refer to HeveaConnect’s corporate website for further details on its business https://heveaconnect.com/ .
8. <i>How impactful was the initiative (HeveaGrow) for the smallholders in terms of productivity?</i>	HeveaConnect and the SNV Netherlands Development Organization have launched the pilot phase of the training modules and the engagement with the smallholders is still ongoing. The objective of HeveaGrow is to make agronomy training accessible to more rubber smallholders and help them improve the quantity and quality of their rubber yield. The impact of this initiative would not be significant until mass training is conducted for smallholders which supply 85% of raw materials to the natural rubber industry.
9. <i>How does the Group incentivise other producers and industry players to use HeveaConnect? What is the value-add by the Group on the platform? In addition, what are the roles of the other partners, namely DBS, ITOCHU and SGX, in HeveaConnect?</i>	Halcyon Agri founded HeveaConnect in 2018 with the ambition to digitalise the traditional natural rubber supply chain and fulfil the growing demand for sustainably sourced and responsibly produced natural rubber from consumers. Cognisant that the industry participation is crucial for such a platform, it has relinquished its controlling stake in HeveaConnect by transferring a portion of its shares into HeveaConnect Equity Trust. Together with other HeveaConnect’s shareholders, namely, DBS Bank Ltd., ITOCHU Corporation and SGX, Halcyon Agri would continue to encourage, and support the adoption of the digital platform to promote greater price transparency in the natural rubber industry.
10. <i>What is the level of assurance in HeveaConnect? Is the data externally certified/assured? For the benefit of shareholders, can management help shareholders understand if the HeveaPro Quality Standard is the de facto industrial standards for natural rubber? How widely used/accepted is HeveaPro?</i>	Please refer to HeveaConnect’s corporate website for further details on its business https://heveaconnect.com/ . HeveaPro Quality Standard is not the <i>de facto</i> industrial standard for natural rubber, but it has been adopted by the Group’s factories. Please refer to further details of HeveaPro at https://www.halcyonagri.com/en/what-we-do/our-products/hevea-pro/ .

Question	Response
<p>11. <i>Can the Board help shareholders understand the rationale of establishing the Company's dividend policy based on core PATMI? Would the use of Core EBITDA have been an appropriate option for the group? Please advise whether you will make [dividend] announcement in the first half of 2022.</i></p>	<p>The Board believes that Core PATMI is an appropriate metric to evaluate quantum of dividend payment as it takes into account the cost of capital (financing costs and depreciation), and ensures the level of distribution is prudent.</p> <p>In considering the distribution of dividend, the Board will also take into account various factors including the level of earnings, the Company's development prospects, its financial position and funding needs, the overall macroeconomic situation and market conditions as well as other legal or contractual restrictions that may be applicable and strive to ensure that its capital allocation is being decided in a way that delivers long-term, sustainable returns. Any declaration of dividend will be announced to the public through SGXNet, in a timely manner.</p>
<p>12. <i>What guidance/targets has the board given to management on the return on assets, return on equity and return on capital employed?</i></p>	<p>The Board has set appropriate financial targets as the key performance indicators for the Company and its management. However, such information is commercially sensitive.</p>
<p>13. <i>Has the board set an internal target/limit for the group's debt to equity gearing, especially at this stage of the market cycle where rates are expected to be increasing?</i></p>	<p>Yes, and the Board will review the Group's debt-to-equity ratio target on a regular basis.</p>
<p>14. <i>The Group has 8 freehold vacant lands and two vacant factories (freehold) in Thailand, please elaborate what is the plan to unlock the value of these vacant lands?</i></p>	<p>The opportunistic disposal of non-core assets is a crucial element of the deleveraging plan and unlocks the value of these assets. The Group will continue to deleverage its balance sheet to achieve an optimal capital structure.</p>

For additional information on the Group's operations and performance, please visit the Company's corporate website at <https://www.halcyonagri.com/>.

By Order of the Board

Liew Guat Yi
Company Secretary
22 April 2022