Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Halcyon Agri Corporation Limited

Stock code: 5VJ

Meeting details:
Date: 27 April 2022
Time: 10.30 a.m.

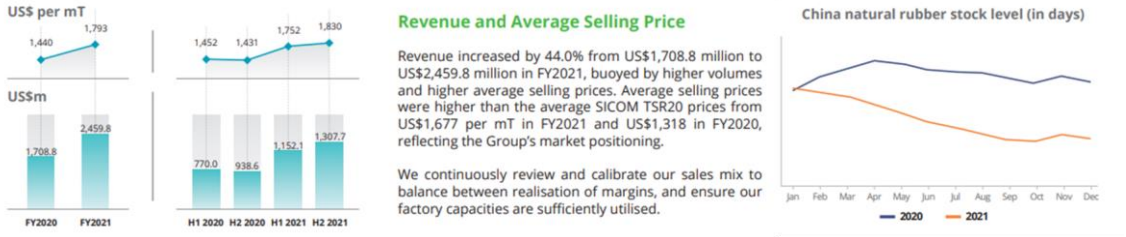
Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with greater clarity on the following operational and financial matters? Specifically:

(i) **Production:** The group's global production volume increased to 869,699 mT in FY2021, an increase of 10% from 787,762 mT in FY2020. CMC Plantations has one of the largest commercially owned and operated rubber plantations with 31,400 ha planted in Cameroon and 7,000 ha planted in Malaysia while HRC, being in the mid-stream business, has a relatively small 1,100 ha plantation in Ivory Coast. **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?**

(ii) **Average selling price:** As shown in the financial highlights (page 17), the average price in second half of 2021 of US$1,830 per mT was higher than the average selling price of US$1,752 achieved in the first half. **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?**



(Source: company annual report)

(iii) **Logistics:** With most sales carried out on a "Freight-on-Board (FOB)" basis, the surge in freight rates did not directly affect the group's profitability. **On the operational end, what impact did longer transit time and escalating freight rates have on the group?**

(iv) **HRC: What was the utilisation rate of the group's factories?** HRC has a production capacity of 1.339 million mT. **Was production affected due to a lack of manpower and/or COVID-related constraints? How does the group monitor and actively manage the processing margins?**

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Q2. The group secured Singapore Exchange as an investor in its digitalisation initiative, HeveaConnect, with a US$1.5 million boost. HeaveConnect gained industry traction and onboarded producers and major global tyre customers. This digital transformation aims to drive data transparency which will strengthen the integrity of product sustainability and enhances trust in the industry.

(i) HeaveConnect 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?**

(ii) In addition, HeveaConnect partnered with the Netherlands Development Organization to develop HeveaGrow digital agronomy training modules for rubber smallholders in Indonesia. **How impactful was the initiative (HeveaGrow) for the smallholders in terms of productivity?**

(iii) **How does the group incentivise other producers and industry players to use HeaveConnect? What is the value-add by the group on the platform?**

(iv) **In addition, what are the roles of the other partners, namely DBS, Itochu and SGX, in HeveaConnect?**

(v) **What is the level of assurance in HeaveConnect? 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?**

Q3. The group reported a core PATMI of US$0.2 million in FY2021. Core PATMI refers to profit attributable to owners of the company, net of tax, excluding changes in fair value of biological assets.

The company's dividend policy is based on a payout ratio of up to 20% of its Core PATMI, barring unforeseen circumstances. The board will also consider various factors such as the level of earnings, the company's development prospects, its financial position and funding needs, the overall macroeconomic situation and market conditions, etc.

For FY2021, the group has not declared a dividend as the amount of core PATMI is not substantial. The board has decided to retain and reinvest the earnings in the group. In FY2020, core PATMI was US$(43.7) million.

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The company has not declared a dividend since FY2017. The debt to equity ratio decreased from 0.73 times to 0.67 times as at 31 December 2021.

		2021	2020
Sales volume	mT	1,372,241	1,186,515
Revenue	US$m	2,459.8	1,708.8
EBITDA	US$m	69.3	1.8
Core EBITDA[1]	US$m	52.4	6.0
Operating profits[2]	US$m	24.6	35.5
Core PATMI[3]	US$m	0.2	(43.7)
Efficiency of funds usage			
Total assets	US$m	2,062.9	1,964.0
Total equity	US$m	724.2	749.1
Return on assets[4]	%	2.5%	0.3%
Return on equity[5]	%	7.2%	0.8%
Return on capital employed[6]	%	4.3%	0.5%
Leverage			
Term debts	US$m	485.1	548.1
Term debt to equity gearing[7]	time	0.67	0.73

Notes:
1 Core EBITDA referred herein excludes fair value changes in biological assets and investment properties, disposal gains and one-off non-operational expenses, which are non-operational in nature
2 Operating profits after excluding fair value gains and non-recurring expenses as well as extraordinary and exceptional items
3 Core PATMI refers to profit attributable to owners of the Company, net of tax, excluding changes in fair value of biological assets
4 Return on assets: Core EBITDA divided by total assets
5 Return on equity: Core EBITDA divided by total equity
6 Return on capital employed: Core EBITDA divided by (term debts plus total equity)
7 Term debt to equity gearing: Term debts divided by total equity

(Source: company annual report)

With revenues of US$2,459.8 million, the group's core PATMI was US$0.2 million.

(i) **Can the board help shareholders understand the rationale of establishing the group's dividend policy based on core PATMI? Would the use of Core EBITDA have been an appropriate option for the group?**

(ii) **What guidance/targets has the board given to management on the return on assets, return on equity and return on capital employed?**

(iii) **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?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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