



Halcyon Agri Quality Conference

Our Quality Conference 2015 was a resounding success. We chose Palembang in South Sumatra for our inaugural conference as this was where Halcyon first stamped its footprint in natural rubber processing.

>> *Get the full story on Page 7*

INSIDE THIS ISSUE!

How our Rubber hits the Road 6

Contents

- 2 Chairman's message
- 3 Halcyon Agri leapfrogs from Catalyst to Mainboard listing on SGX
- 3 40 years of family friendship between Meyer and Oei families
- 4-5 Only the best: Halcyon Agri to launch **HEVEAPro** brand

Contents

- 6 How our Rubber hits the Road
- 7 Halcyon Agri Quality Conference
- 8 Halcyon pledges support for a more sustainable natural rubber value chain
- 8 Our First Harvest



Chairman's message

Dear all

In this issue of Halcyon Days, our 14th instalment, we feature several significant new developments within our group, and well as a snapshot of our daily activities for your information and reading pleasure.

Our operating strategies have been defined as **Originate - Produce - Distribute**. This represents an intuitive and rather big picture approach to supply chain management, and our focus in this issue is to feature elements of our **Distribute** strategy in greater detail.

Hevea Global Pte Ltd is the legal umbrella for our distribution business, which consists of 4 distinct groups:

1. **HEVEAPRO** - the marketing and global distribution of our own production. **HEVEAPRO** is our product brand, trademarked globally. (more on page 4 - 5);
2. **IDL** - Industrial Distribution & Latex - the global distribution of natural rubber, rubber chemicals and synthetic rubber to industrial consumers. (more on page 6);
3. **Opportunistic** - the global distribution of third party natural rubber, mainly covering origins and grades that we do not produce in-house;
4. **RLH** - Risk, Liquidity & Hedging - provision of market liquidity & hedges to the distribution teams and management of our residual risk in a cost efficient, centralized manner;

At the factory level, **Produce**, we have been busy with the accreditation process for the adoption of the **HEVEAPRO** brand. I am particularly pleased that this could be done within a year of acquiring the Anson Group of factories, and this is testament to both the hard work of our **HEVEAPRO** implementation team, and to the excellent operating standards that existed in the Anson factories prior to our acquisition. We also hosted our inaugural Quality Conference 2015 in May in Palembang, which will now become an annual event. Initially limited to in-house participation, we plan to invite selected consumers for next year's event.

Moving upstream, **Originate**, I am happy to report that all planting material for our Lebir Estate is on-site, and land preparation is largely completed. Once the current dry conditions improve somewhat, we will plant the remaining acreage and thus conclude the planting of our first estate. Later this year we anticipate our first oil palm harvest; more on that topic on page 8.

Looking ahead, my team and I are greatly encouraged by the positive responses we continue to receive from our customers for our efforts. Clearly, our strategy to invest in quality and sustainability is beginning to bear fruit, and our first half 2015 operating results reflected record volumes, revenues and profits.

For more financial information, please visit the IR section on our website www.halcyonagri.com.

Yours always,

Robert Meyer
Executive Chairman &
Chief Executive Officer



Halcyon Agri leapfrogs from Catalist to Mainboard listing on SGX

1 February 2013 was a momentous day for us at Halcyon Agri as we wrote a new chapter in the company's history with our listing on the Catalist Board of the Singapore Exchange. We were the first pure-play midstream Indonesian natural rubber company to be listed in Singapore and received strong investor response.

Today, we are proud to announce another milestone achievement as Halcyon successfully transfers listing from Catalist to the Mainboard, effective 29 June 2015.

With the integration of our businesses substantially completed - including the acquisition of global rubber distribution giants New Continent Enterprises and Centrotrade Group - we are well poised to take advantage of growth opportunities before us.

This achievement is a collective effort and we thank everyone who has been involved in making this possible. We also want to say a special Thank You to PrimePartners Corporate Finance for its support and guidance.



40 years of family friendship between Meyer and Oei families



Mr Oei Hong Bie, and Mr Günther Meyer (father of Robert Meyer) first became acquainted in the early seventies. Mr Günther Meyer joined New Continent Enterprises as Managing Director from 1981 to 1989, a company then owned by Mr Oei. In 2014, Halcyon Agri acquired New Continent Enterprises and the Oei and Meyer families enjoyed a family celebration to mark 40 years of friendship.

*From left to right:
Heike Meyer, Lucas Meyer, Linda Oei, Su-Lyn Meyer,
Oei Hong Bie, Robert Meyer, Lucy Meyer, Wilson Oei
and Günther Meyer*

Only the best: Halcyon Agri to launch **HEVEA**PRO brand

At Halcyon Agri, we are conscious that the natural rubber we produce is used by our customers to manufacture products where consistent quality, reliability and safety are critically important. We also know that when our customers bestow the tyres they produce with their brands, that those brands encapsulate their reputation and, in many cases, more than 100 years of heritage. As a supply chain partner to the world's leading tyre producers, we have an important role to play in upholding the quality, principles and values that their brands represent. That is why we have developed **HEVEA**PRO the brand name for natural rubber that is produced by Halcyon Agri. It is our promise to our customers and, in turn, to their customers that, when there is **HEVEA**PRO inside a tyre, they can be confident that the natural rubber has been produced with high quality and with high standards of ethics, responsibility and governance.

So what is **HEVEA**PRO all about? The framework for **HEVEA**PRO involves three important dimensions; first, the setting of high standards on a range of critical criteria; second, the development and implementation of procedures at the factory level to meet and exceed these standards, and third; the development and implementation of a process to independently review performance.

To set the standards for **HEVEA**PRO, we have developed a comprehensive charter, detailing both the key criteria and the minimum benchmarks which must be achieved. The **HEVEA**PRO charter has four key areas of focus:



HEVEAPRO Champions have been appointed in each of our 14 factories, and teams have been hard at work preparing for the implementation. The framework and procedures for review are also already in place, under the watchful eye of Jim Bugansky, our Global Head of Plantations and Processing Technology and his Head of Quality Assurance, Lee Chee Meng. We expect to commence shipping natural rubber bearing the **HEVEA**PRO brand to our customers from September this year.

HEVEA PRO



How our Rubber hits the Road

Our Distribution activities literally span the globe. Hevea Global Pte Ltd and its subsidiaries operate out of offices in Singapore, Kuala Lumpur, Ho Chi Minh City, Shanghai, Frankfurt, Hamburg, Virginia Beach and Colorado Springs. The offices are supported by a strategic network of logistic assets, such as warehouses and storage tanks in Asia, South Africa, Europe and the United States of America.

With an aggregate reach of well over a million metric tonnes annually, we are one of the leading players in bringing natural rubber from origin to destination. In this issue of Halcyon Days we take pleasure in introducing our Industrial Distribution & Latex ("IDL Group"), which is headquartered in Frankfurt, Germany.

Over the past 20 years, there has been a fundamental shift in the way natural rubber is distributed. International product requirements and specifications have brought about a shift from rubber being a commodity to becoming a sophisticated industrial raw material requiring special handling from the tree to the finished goods manufacturing plant.

Let's take a closer look at the constituent members of our IDL Group:

Both New Continent Enterprises ("NCE") and Centrotrade Group have decades of history in the rubber industry. Founded in 1967, NCE is based in Singapore, the historic heart of the rubber business. It has played a major role in shaping Singapore's rubber market landscape, notably the development of the physical and futures market.

The previous parent company of Centrotrade, Raiffeisen Centrobank AG, was founded in 1973 and had the distinction, unique in Austria, of being licensed both as a merchant bank and as a trading house. It entered into commodity trading in 1982 with the establishment of Centrotrade Vienna, which focused on the Eastern European market, followed in 1986 with the setting up of Centrotrade Singapore.

Offices were also established in Germany and USA in the 1990s, with the German office overseeing the group's rubber operations. In 2011, Centrotrade acquired the Malaysian unit of ED & F Man, a specialist merchant of agricultural commodities, as part of its strategic expansion.

The management team of our IDL Group comprises Mr. Horst Sakreida and Mr. Guenter Mueller as Joint Global Heads, and they are supported by a team of experienced individuals with decades of service in and to the rubber industry, most of whom are members of various national and international trade associations serving their particular areas.

Acquiring NCE and Centrotrade, and merging NCE's European and American units with Centrotrade to form our IDL Group has created a unique platform to service the extensive global base of industrial rubber consumers. Armed with ready inventory, second-to-none technical advisory capabilities, the backing of 14 factories and direct access to all leading origins and grades of natural rubber & latex, our IDL Group is a winning team.



Halcyon Agri Quality Conference

Our Quality Conference 2015 was a resounding success. We chose Palembang in South Sumatra for our inaugural conference as this was where Halcyon first stamped its footprint in natural rubber processing.

Held from 25- 27 May, it brought together more than 50 of our factory production and quality people, along with senior management, to exchange ideas and insights into the management of processing and quality execution. Several members of senior management made keynote presentations that largely focused on quality. These helped to provide different perspectives to the topic and offered participants a chance to further understand the company's overall business operations and environment.

For many, the first day was a mix of high excitement and emotion as it was their first opportunity to meet colleagues from the different factories as well as mingle with senior management. Halcyon Agri's CEO for Indonesia, Bapak Tan Chor Leng, began the conference with a welcome speech, followed by an opening ceremony where he presented participants with their name tags.

James Bugansky, our Global Head of Plantation and Processing Technology, then led the discussion on Quality Performance and Quality Plan Forward. Other speakers included Christian Tollkühn, Global Head of Sales and Marketing who provided insights into the company's marketing and distribution strategies, and Leonard Beschizza, Global Head of Risk Management, who enlightened participants on our business risks and ways to manage them.

New Head of Quality Assurance Lee Chee Meng covered the topic of Total Quality Management (TQM) and shared inspiring stories from successful TQM organisations. He outlined Halcyon's TQM plans which covered areas such as Quality System, Supplier-Customer Partnership, Total Organisational Involvement, Measurement and Information and Education and Training. He also shared TQM end goals:

- Delighted customers
- Empowered employees
- Higher revenues
- Lower costs

The entire second day was set aside for each factory to talk about its strengths and weaknesses, best practices and challenges. Each of the 13 factories was given 30 minutes to present, resulting in interesting and constructive discussions and a robust exchange of ideas. All participants had the opportunity to see how each could further strengthen their own operation by learning from each other's experience.



A highlight of the conference was the visit to our youngest factory, Hok Tong II, a 100,000-tonne per annum facility built on 82ha of land next to the Musi River. A 30-minute bus ride from the hotel to the factory gave participants from other parts of Indonesia the chance to appreciate just how beautiful the former capital of the Srivijaya Kingdom is, now the country's top natural rubber exporting province.

Participants were impressed by the factory's lean and well-managed operations and eager to put into practice learning lessons from Hok Tong II to improve their own factories.

Chee Meng led the QA review and wrap-up discussion. The role and responsibility of the QA function was discussed and the effectiveness of TQM was debated. Participants were advised to take extra care in channelling resources for TQM improvement activities, and to give priority to urgent and high-impact issues. PDCA improvement methodology was also briefly discussed, with participants expected to receive further training on TQM topics from the QA department in the coming months.

Even before the conference ended, our thoughts had already turned to next year's conference. Everyone pledged to try out the new improved ideas brainstormed during the conference and to share results when we next meet. They also willingly accepted the challenges to come out with new and brighter ideas to further improve results through TQM for next year's conference.

We owe much of the success for Halcyon Agri's Quality Conference 2015 to members of the organising committee. They are Bapak Tan Chor Leng as patron; Bapak Alex Kurniawan, Country Manager, Corporate Governance, as advisor and event moderator; Bapak Ishak Leono, Hok Tong II Factory Supervisor as chairperson; and 12 staff members from Hok Tong II and Hevea MK II.

Halcyon pledges support for a more sustainable natural rubber value chain



Halcyon Agri has become one of the first to register its support for the Sustainable Natural Rubber Initiative (SNR-i). By signing up, it means that we have agreed to whole-heartedly work towards industry guidelines and framework set out by the SNR-i.

For Halcyon Agri, sustainability is a core element of our business and not just a buzz word. We define sustainability by our deep rooted belief that only sustainable businesses deliver positive, long term returns on capital, even as we comply with many external sustainability standards.

SNR-i is a voluntary and collaborative industry initiative under the framework of the International Rubber Study Group (IRSG) which is an inter-governmental organisation of rubber producing and consuming stakeholders. The initiative aims to promote the sustainability of the natural rubber value chain and the use of sustainable natural rubber, with the objective of securing a global sustainable rubber economy that delivers benefits across the chain.

Any organisation along the natural rubber value chain can get involved in this initiative through registration and subsequent signing of a self-declaration document to conform with SNR-i's criteria, indicators and KPIs. The Sustainable Natural Rubber Working Group which comprises representatives from the different value chains - Plantations, Plantations/Processor, Plantations/Processor/Trader, Trader and Downstream User - has proposed a set of five simple criteria covering social, environment and economic aspects of sustainability that could demonstrate best practices in the natural rubber value chain.

- The criteria:
- Support improvement of productivity
 - Enhance natural rubber quality
 - Support forest sustainability
 - Water management
 - Respect human and labour rights

The IRSG and SNR-Working Group will meet at least once a year to review the Sustainable Natural Rubber Criteria, Indicators and related procedures.

Our First Harvest

Almost 30 months after our initial field planting in April 2013 our high yielding oil palm clones, *Averous Pesifera*, have borne fruit that are now ripe for harvest. At Lebir Estate, a total of 500 ha were planted by July, 2014. Approximately 100 hectares of the earlier planted palms have shown good yield potential with good bunch formation on the palms and harvesting will commence this quarter and into the early part of next year. Initial yield will be low at about 0.3 to 0.4 ton per hectare with initial small fruit bunches. However, yearly yields will gradually increase to its full potential of 22 to 28 tons per hectare after 10 years.

A highly motivated team of managers, assistants, supervisors and workers is required to implement and execute a successful oil palm planting program. All essential criteria for successful



development from land selection, planting materials and technical and environmental management for the OP sector of our Lebir Estate has been managed by a veteran team of highly experienced managers, ensuring good productivity of the oil palm fresh fruit bunches (FFB).

