

# HALCYON DAYS

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## CHAIRMAN'S MESSAGE

Dear all,

Welcome to the 11th edition of Halcyon Days.

Looking back on 2013, we have much to be grateful for. Please join me on a little review of this exciting year.

Halcyon Agri Corporation Ltd debuted on the Catalist List of the Singapore Exchange Ltd on February 1, 2013. It was an exciting day for all of us, and at the IPO share price of S\$0.36, we were valued at S\$104.4million.

Subsequently, we embarked on a significant asset enhancement programme in Palembang, applying the majority of our IPO funds to material process improvements and capacity expansion in HMKI and HMKII. Indeed, both factories continued to perform well throughout the year, in spite of civil construction works being carried out in their midst.

In the course of the year, we agreed to purchase the entire issued and paid-up capital of PT Golden Energi, Indonesia. This company owns a small SIR factory in Jambi, which we will expand and enhance in 2014. Jambi is an important source of raw material in Sumatra, and it is a key strategic location for us to develop more capacity.

Shortly after the IPO, we were approached by a friendly banker to see if we might be keen to consider the crumb rubber factories of Chip Lam Seng Bhd as a

potential acquisition opportunity. Seeing that we had already cast an eye "up North", this was a case of fortuitous timing. We quickly concluded that the physical assets met our requirements; however, the Chip Lam Seng Group was embroiled in a difficult situation with creditors and bankers.

I am happy to report to you now, that we were successful in navigating this tricky acquisition. As of 30 December, all material conditions precedent – including the validation of our purchase by the Ipoh High Court – have been fulfilled and thus, completion is imminent.

This Chip Lam Seng acquisition also turned out to be the trigger for Credence Partners to join our group of key shareholders. Led by the formidable trio of Tan Chow Boon, Seow Kiat Wang and Koh Boon Hwee, Credence brings much business and corporate experience to bear. We managed to quickly establish a great relationship, and Credence decided to take a second swig and anchored our third and final placement for the year

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# EXPANDING



in December. With total holdings of ca. 14%, Credence has become our third largest shareholder.

Malaysia was an important jurisdiction for us this year as our largest acquisition turned out to be JFL Agro Pte Ltd, a plantation company principally owned by HRH Sultan Muhammad V, of Kelantan. This acquisition will enable us to develop one of the largest private rubber estates in Malaysia, with ca. 7,200ha of net cultivable land.

In addition to this, JFL owns 500ha of oil palm plantation and ca. 2,100ha of secondary rain forest that we will designate as a Wildlife Sanctuary for keystone species. Following this acquisition, which I expect to close in Q1 2014, we have incorporated Halcyon Rubber Estates Sdn Bhd as our in-house estate manager.

In a very strong showing of support for our business, HRH Sultan Muhammad V has opted to receive shares in Halcyon Agri Corporation as partial consideration for the JFL purchase. These shares will be issued in the course of 2014 and we are honoured by this Royal endorsement.

In summary, 2013 was an important year for us, where we were able to capitalise on the benefits of being a listed company. At our closing share price of S\$0.76, our market capitalisation has grown almost threefold to S\$281.2million. With the acquisitions announced in 2013, we have a total production capacity of ca. 350,000mt, roughly 5 times our 2012 production. We own 10,000ha of prime agricultural land in Malaysia, and are poised to deliver quality TSR from two important origins. We attracted some key new management talent, and delivered respectable margins against a lacklustre rubber market.

All this would not have been possible without the support of countless people. On behalf of my fellow directors and senior management, I thank you for your support. To our employees, thank you for your hard work and endurance, to our bankers, thank you for your support and advice, and to our shareholders thank you for investing in us.

We are a young company that operates in an old industry, and I firmly believe that the best is yet to come. Please stay tuned as we explore the Halcyon Days of the Natural Rubber Industry.

Here's to a wonderful 2014 for all, and I would like to take this opportunity to wish you and your families a healthy and prosperous Year ahead!


**Robert Meyer**  
Chairman & CEO

## Halcyon Agri boosts standing with CSL acquisition

We are happy to share that Halcyon Agri has marked a major milestone in its expansion strategy with the acquisition of CLS Sdn Bhd, the assets of Chip Lam Seng group, which is a major natural rubber producer in Malaysia and Indonesia.

At a cost of MYR63 million, the proposed acquisition will boost Halcyon Agri's annual production capacity by 180,000 tonnes, immediately establishing Halcyon Agri as a major producer of natural rubber in Malaysia.

Chip Lam Seng operates two natural rubber factories in Ipoh, Malaysia, which have a combined production capacity of 180,000 tonnes. Built in 2004 and 2008, the factories are capable of producing several grades of rubber, including SMR20, SMR10, SMR20CV, SMR10CV, compound and latex grades.



(Right) Revitalising operations with the acquisition of CLS Sdn Bhd

# MID STREAM >>

## Halcyon expands rubber footprint in Indonesia

Halcyon Agri continues its expansion in Southeast Asia with the proposed acquisition of PT Golden Energi. This follows the acquisitions in Malaysia of Chip Lam Seng’s rubber assets and JFL Agro.

Acquired at US\$7 million, PT Golden Energi is located in Sumatra’s Jambi province, one of the top five natural rubber exporting regions in Indonesia. This is close to our existing operations which are in the neighbouring province of South Sumatra.

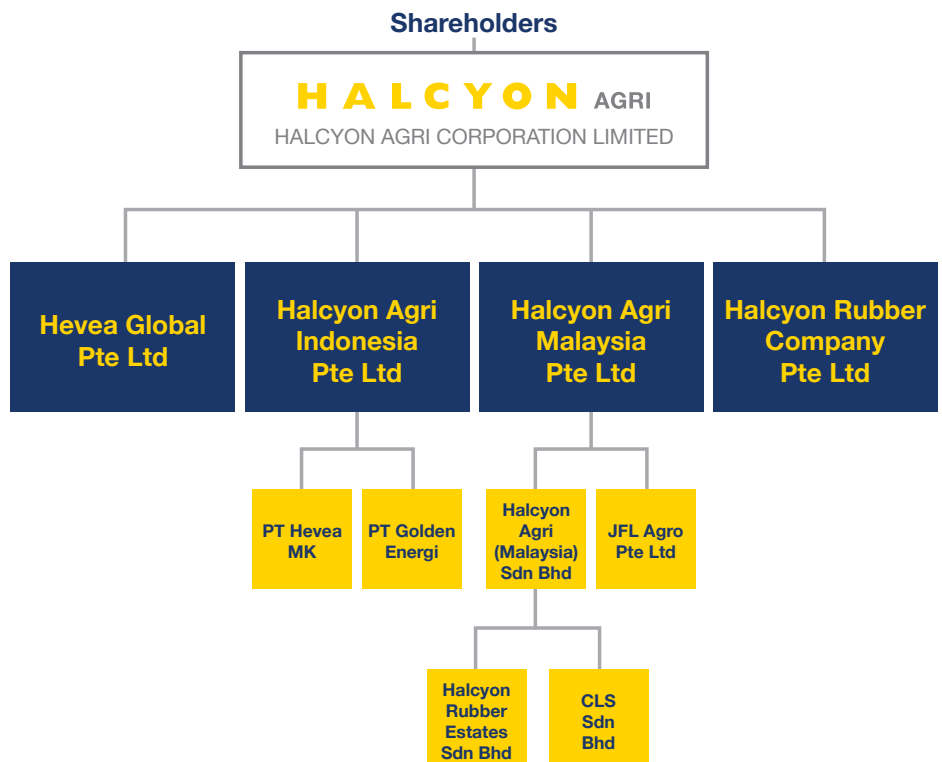
PT Golden Energi produces SIR20 grade rubber and has a registered annual export capacity of 50,000

tonnes, with significant scope for further upgrades and expansion.

With the proposed acquisition of PT Golden Energi, we continue to execute our strategy of selectively adding natural rubber assets to expand our production capacity and leverage our core business infrastructure, therefore, creating a significant opportunity to realise value for shareholders by applying our operating expertise, business model and risk management approach.



(Top)  
PT Golden Energi



\* Group structure after completion of all proposed acquisitions

# MOVING UPSTREAM



## Halcyon Agri continues Malaysian expansion with JFL Agro acquisition

Halcyon Agri is well on its way to establishing itself as a major player in Malaysia’s natural rubber industry with the proposed acquisition of JFL Agro Pte Ltd. Acquired at the purchase price of MYR130.9 million, Halcyon will have in hand 24,327 acres of 99-year leasehold Sultanate land in Kelantan to be developed into a natural rubber plantation.

The upstream investment complements our acquisition in June 2013 of Chip Lam Seng’s (CLS) two natural rubber factories in Ipoh.

Once the rubber plantation fully matures, it will provide up to 10 per cent of the raw material feedstock for the CLS factories.

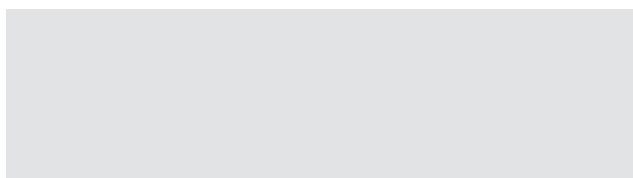
The move upstream in Malaysia is highly strategic for Halcyon Agri. In addition to capturing the upstream margin, having custody of our raw material will enable us to produce specialty grades of rubber further enhancing profitability.

Halcyon Agri plans to develop the natural rubber plantation in line with our sustainability goals, a reflection of how seriously we take our corporate social responsibility obligations. Halcyon Agri already holds the distinction of being the first natural rubber processor to publish a GRI compliant sustainability report, a credible benchmark of our sustainability metric from which to develop upon.

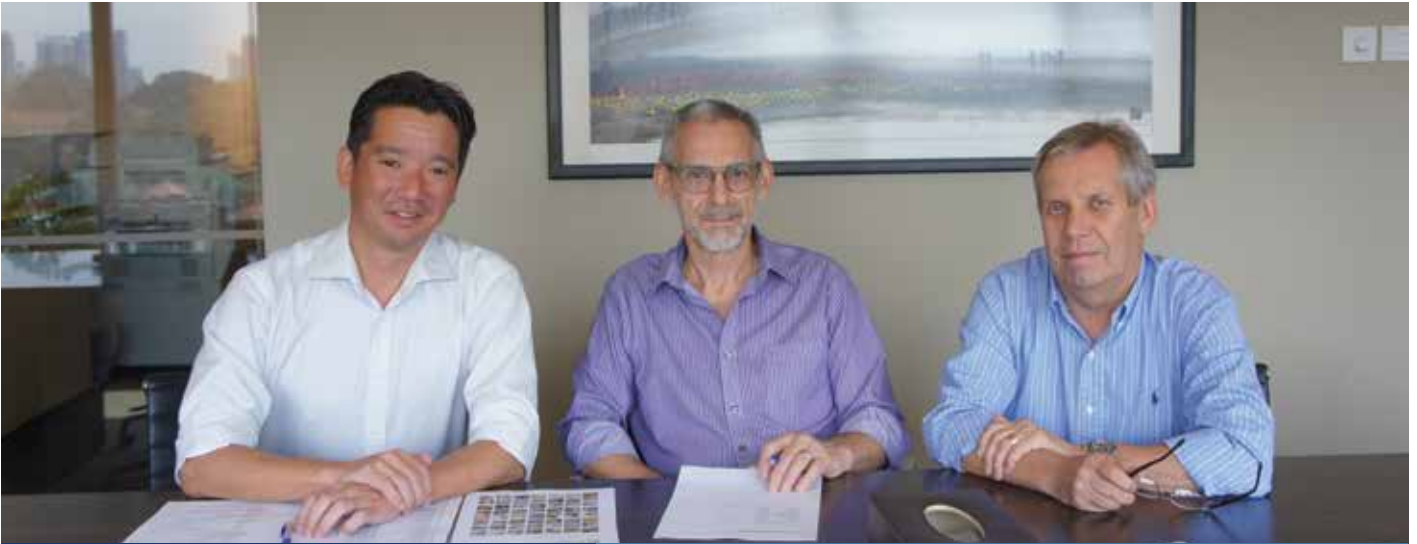
Moving forward, we will be working closely with bodies like the Malaysian Nature Society to establish 8,000 acres of land in Kelantan as a nature reserve to sustain and nurture keystone species, both flora and fauna.

Halcyon Rubber Estates Sdn Bhd will undertake the development and management of the plantation, implementing best practice planting and tapping techniques.

Our aim is to develop it into a model plantation, showcasing best practices which the industry can benefit from.



# OUR ELITE TECHNICAL TEAM



Meet our A Team (L-R) Howard Shaw, James Bugansky, Nigel Lewis

The right people being the key to everything we do well, we have put together a team of three industry heavyweights with the experience and commitment to set us up as a leader in the production of natural rubber.

Meet our Technical Director James Bugansky, Downstream Technical Applications, Nigel Lewis and Head of Corporate Social Responsibility Howard Shaw. They have a combined experience of more than 100 years.

We have set for ourselves a set of six strategic priorities in terms of social and environmental factors impacting our industry and business. These are staff welfare, staff health and safety, adherence to customer requirements and quality standards, production efficiency, environmental compliance and good housekeeping.

Key to this is the ability to adopt and implement standards across all the different markets that we operate in, as well as ensuring continuity of performance across the Halcyon group. Our Elite Technical Team will work with the management and all stakeholders, including our own staff and even customers, to meet these challenges.

“I believe that having an Elite Technical Team like ours will make a difference to our organisation, especially in production. We want to consistently make products which are of a good quality, done efficiently, and respectful of our stakeholders. This is what will set us apart from our competitors and put a smile on our customers’ faces,” says Robert Meyer.

James’ key role is to plan, organise, direct and coordinate Halcyon Agri’s manufacturing activities while fostering a climate and culture where quality, environment, health and safety are addressed effectively and efficiently.

Nigel takes care of customer relations and production, ensuring that our products are of a quality that will satisfy customers while being respectful of our environment.

Howard looks at minimising the impact of our activities on the environment, resource efficiency, social aspects and corporate responsibility.

# A GREAT RUBBER STORY WAITING TO BE TOLD

It started out with a batch of 22 seedlings from the Royal Kew Gardens, 11 of which were planted in our Singapore Botanic Gardens, with the rest in Malacca and Perak.

Add to this, the dogged determination and never-say-die attitude of the Gardens' Director Henry Ridley (1888 to 1912), also known as 'Mad Ridley' and 'Rubber Ridley'. He was the first to suggest large-scale rubber planting and also the one who perfected the method of tapping rubber trees.

Lest we forget, Halcyon is bringing back a very important pillar of history to its glory days with the sponsorship of a concrete monument in the shape of a rubber tree trunk with latex flowing into a cup. The commemorative stump was first unveiled in 1981.

The sponsorship involves the repair and restoration of the metre high stump which lies in a quiet spot beside a lake at the Botanic Gardens, the same spot where the first rubber seeds were first planted and which have since spawned a multi-billion-dollar industry in the region.

The 154-year-old Singapore Botanic Gardens is Singapore's potential first UNESCO World Heritage Site. Results of its bid will be known in 2015.

There are plants in the Gardens' collection that are among a handful of their kind left on the planet. It is looking at introducing a slew of measures to protect its plants and building to meet an expected surge in visitors.



# OUR SUSTAINABILITY JOURNEY: DOING WELL AND DOING GOOD

It is wonderful to have a vision but even better to put into practice what we believe in.

**Halcyon Agri is walking the talk and living up to our vision of being a leading natural rubber producer in product quality, sustainability and profitability.**

In August 2013, we presented our 2012 Sustainability Report, the first by a midstream rubber processor, and also the first to shareholders since our listing in February this year.

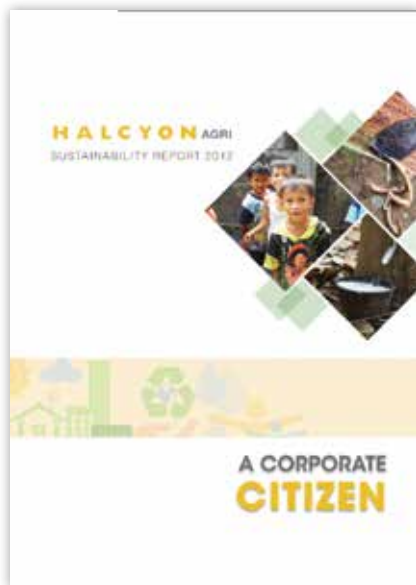
The Report spells out how far we have progressed since we started our sustainability journey in 2011, from taking action to conserve the environment, to engaging our stakeholders from upstream suppliers to end customers, and implementing best practices which comply with certified standards.

Our reporting is aligned with the principles and framework of the Global Reporting Initiative's 3.1 Reporting Guidelines, as well as

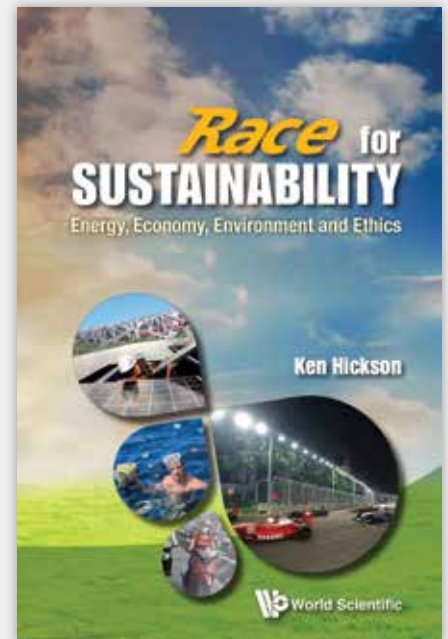
the SGX Guide to Sustainability Reporting for Listed Companies. The 2012 Report covers our entire operations in Singapore and Indonesia.

Based on feedback from our stakeholders, we have gone ahead to implement several key changes. These include the use of new housekeeping benchmarks, the setting up of housekeeping teams in our processing facilities, equipping our employees on the production floor with personal protective equipment, and providing rest areas

and refreshments for our rubber suppliers. We are also working hard to achieve compliance with the OHSAS18001 certification for occupational, health and safety.



**Moving forward Halcyon Agri plans to focus on water conservation efforts through reusing water and exploring the possible shift to cleaner energy sources.**



## Recognising our sustainability efforts

Halcyon Agri's sustainability efforts have not gone unnoticed. Sustainability consultant, lecturer and writer Ken Hickson spotlighted our company's efforts in his book, "Race for Sustainability", and devoted the entire Chapter 18 to this.

The book sets out everything that Ken sees as critical to sustainability, giving readers access to a wealth of current and useful case studies. These include introductions to organisations and people who are making a difference, while drawing links between sustainable businesses and profits, and why developing and implementing the best practices in corporate social responsibility and sustainability make perfectly good business sense.

# LET'S HEAR IT FOR THE BOYS!

For the second year, we had the pleasure of hosting our Hevea MK FC Palembang youth team when they were here for the Singapore Cricket Club's under-14 Youth Football Tournament.

They played their hearts out against five other youth teams from Asia on the hallowed grounds of the Padang which has witnessed several prestigious events, including F1 concerts.

Our sponsorship of HMK's participation in the tournament is part of our CSR initiative. More than half of the team members are children of our employees from our rubber processing units in

Palembang. For many of the boys, it was also their first trip overseas.

"We are so happy to have the chance to come to Singapore and do HMK and our sponsor Halcyon proud," says an excited team member. "We tried our best, but unfortunately we did not win. This is an experience which I shall remember for the rest of my life."

Coach Len, Herdi and Eryadi accompanied our junior players to the tournament to provide much needed support on and off the field.

Well done team Hevea MK FC Palembang!

