

HALCYON DAYS

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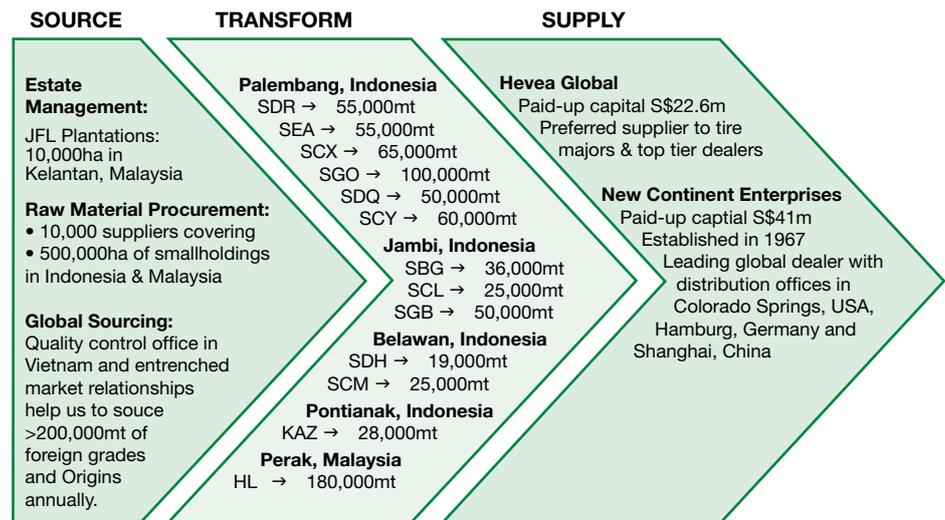
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CHAIRMAN'S MESSAGE

Dear all,

As 2014 draws to a close, we look back on an action-packed year. Perhaps aided by the bearish sentiment that the natural rubber market has been experiencing for almost two years now, we were presented with several outstanding opportunities which we successfully converted in what turned out to be a stellar run of acquisitions.

The net result to our stakeholders is a remarkable transformation. Halcyon Agri Corporation Ltd started the year as a promising rubber producer, and will end the year as an integrated supply chain manager boasting possibly the most attractive portfolio of assets in the world of natural rubber.



Halcyon Agri Corporation now has the capacity to produce almost 750,000mt of technically specified rubber of Indonesian and Malaysian origin, and has networked access to more than 200,000mt of diversified grades and origins from other producers across the globe.

We employ 4,000 dedicated individuals, many of which have been working in their respective jobs for most of their adult lives. Benefitting from a wealth of operational experience and know-how, we share such information across our 14 factories and further augment best practices to match our exacting standards of reporting.

Some of our subsidiaries were established almost 80 years ago. We enjoy the rich history, especially in the context of actively shaping the future of Halcyon Agri Corporation Ltd. With a global market share of possibly more than 8%, we are aware of the value of our product: without natural rubber, all mobility ceases. No cars, trucks, busses, bikes or planes can move without natural rubber.

And that places a great responsibility on us: To operate the business responsibly, with the greatest respect and care for our customers, our staff, our environment, our financiers and the communities within which we operate. Rubber keeps you moving. And Halcyon Agri supplies it.

Robert Meyer
Chairman & CEO

Getting to know Anson Company (Private) Limited

The 12th of August 2014 was a momentous day for Halcyon. It marked the acquisition of Anson Company (Private) Limited, a journey which began late last year. Not only was it a game changer for us, but we can now proudly say that we have a piece of Singapore's heritage in our hands. Those in the rubber industry may know that Anson was part of the empire that was first started by the late Tan Sri Dato' Dr Lee Kong Chian when he founded Lee Rubber Company in 1929.

Tan Sri Dato' Dr Lee Kong Chian and the Lee Rubber Company

Tan Sri Dato' Dr Lee Kong Chian is a pioneer Singapore philanthropist and successful Chinese entrepreneur who first made his mark in rubber, before venturing later into other businesses such as pineapple, coconut oil and sawmills. He also made investments in companies like the Overseas-Chinese Banking Corporation, Great Eastern Life, Sime Darby (Singapore), Cold Storage and Straits Trading Company.

He was introduced to the rubber business by Mr Tan Kah Kee, another famous Singapore philanthropist, community leader and successful businessman, who asked him to manage his rubber company. Lee later married Tan's eldest daughter.

In 1927, Lee started his own business and formed Lee Smoke House in Muar, Johor. Two years later, Lee Rubber Company Private Limited was formed. His strong business acumen helped the company to survive the Great Depression of the 1930s. He was able to acquire large tracts of rubber land at rock bottom prices from struggling rival companies. Lee also began trading with various parts of the world and established separate companies in Indonesia and Thailand. Factories were strategically located in several places in Malaysia including branches in Palembang and Medan.

Lee Rubber incorporated Anson Company (Private) Limited as a Singapore holding company in 1957. Anson owns four Indonesian subsidiaries and their nine factories.

PT. Hok Tong Established in 1936



PT. Hok Tong, Palembang (SCX)

Location: Jalan Koprail Paiman, Plaju Ulu, Seberang Ulu II, Palembang 30266
Established: 1936
Products: SIR 10 and SIR 20
Annual production capacity: 65,000 tonnes
Employees: 410



PT. Hok Tong, Palembang (SGO)

Location: Jalan Mayjend Satibi Darwis RT. 27, RW. VI, Kelurahan Keramasan, Kecamatan Kertapati Palembang.
Established: 2009
Products: SIR 10 and SIR 20
Annual production capacity: 100,000 tonnes
Employees: 403



PT. Hok Tong, Pontianak (KAZ)

Location: Jalan Gusti Situt Machmud No. 16, Simpang Landak, Siantan Hulu, Pontianak 8241
Established: 1939
Products: SIR 20
Annual production capacity: 28,000 tonnes
Employees: 226



PT. Hok Tong, Jambi (SCL)

Location: Kampung Sejinjang RT. 07 Jambi 36149
Established: 1978
Products: SIR 10 and SIR 20
Annual production capacity: 25,000 tonnes
Employees: 230

PT. Remco Established in 1950



PT. Remco, Palembang (SDQ)

Location: Jalan Ki Kemas Rindo, Kelurahan Ogan Baru, Kecamatan Kertapati Palembang 30258
Established: 1950
Products: SIR 10 and SIR 20
Annual production capacity: 50,000 tonnes
Employees: 314

News in Brief



PT. Remco, Jambi (SBG)

Location: Kampung Tanjung Johor RT. 05 Seberang Kota Jambi 36256

Established: 1981

Products: SIR 20

Annual production capacity: 36,000 tonnes

Employees: 297

PT. Sunan Rubber Established in 1949, Palembang



PT. Sunan Rubber, Palembang (SCY)

Location: Jalan Abikusno Cokrosuyoso RT. 25, Kelurahan Kemang Agung, Kecamatan Kertapati, Palembang 30258

Established: 1949

Products: SIR 10 and SIR 20

Annual production capacity: 60,000 tonnes

Employees: 419

PT. Rubber Hock Lie Established in 1950, Medan



PT. Rubber Hock Lie, Rantau Prapat (SCM)

Location: Jalan HM Said No. 36 Aek Riung - Rantau Prapat, Labuhan Batu, Sumatera Utara

Established: 1950

Products: SIR 10 and SIR 20

Annual production capacity: 25,000 tonnes

Employees: 276



PT. Rubber Hock Lie, Medan (SDH)

Location: Jalan Stasiun KM. 7 Tanjung Gusta- Sunggal-Deli Serdang Sumatera Utara

Established: 1979

Products: SIR 10 and SIR 20

Annual production capacity: 19,000 tonnes

Employees: 257

Hevea KB, Perak, Malaysia

Since taking over Chip Lam Seng's natural rubber factories in Ipoh this January, we have worked hard to quickly bring the operations of Hevea KB Sdn Bhd up to Halcyon's exacting standards. We have put in place a supportive team of 200 employees. This is a big jump from the eight staff members that we started out with.

We consider our successful recruitment to be one of our proudest achievements. Through working closely with the government, we were able to recruit from amongst Malaysia's Orang Asli and train them

to be production operators. We were also able to recruit 60 Nepalese production operators to join the team.

In addition to fully reconditioning our SMR (Standard Malaysian Rubber) line, we have built a new state-of-the-art SMR laboratory, which achieved certification by LGM (Malaysian Rubber Board) in May 2014. In just 4 months of operation, HKB also managed to achieve ISO9001 certification.

In August, we began working on our ISO 14001 and OSHAS 18001



management systems and expect to achieve certification by end of 2014. We are pushing ahead to further expand our production capacity with a new dry prebreaker line. This is expected to kick in from this November, and when completed, will allow us to produce 360 tons of CV and compound rubber per day.

PT Hevea MK, Palembang, Indonesia

Over the last two years, we have invested much in improving the capacity of our two plants in Indonesia, Hevea MK I and Hevea MK II. Let's take a look at these improvements.

HMK I

We added a new line to our previous two wet processing lines to improve our production capability. We also built a new Effluent Treatment Plant with a capacity of 5,600 cubic metres to manage the increase in waste water as a result of the additional wet processing line.

With a total capacity of 10,000 cubic metres, HMK I is now capable of treating all its waste water responsibly to become clean water, exceeding the quality standard set by the government. This is another example of Halcyon taking the lead in being socially and environmentally responsible.

To support the increase in production capability, we expanded our hanging shed, thus increasing capacity from 2,900 metric tonnes to 3,700 metric tonnes.



HMK II

A new crumb processing line was added to the previous line to support the increase in production volume for HMK II.

We also built a new Effluent Treatment Plant and a Hanging Room to increase capacity by another 1,500 metric tonnes.

Our Estates in Kelantan, Malaysia

We have started clearing and terracing work to develop the initial 500 hectares of rubber planting on the JFL Plantation which Halcyon acquired last year. When completed, the plantation will cover over 7,150 hectares in Kelantan, Malaysia. Through outsourcing the work for land clearing and road development, we were able to quickly establish rubber nurseries for the 2014 field planting with RRIM Category Class I clones.

The *Mucuna bracteata* nursery was set up in May to provide a leguminous cover crop for the initial field plantings. To date, we have sufficient plants to complete the 2014 planting.

These include:

- Rubber nursery – 228,000 budded stumps of clones
- PB 350
- PB 260
- RRIM 2025
- Cover crop nursery – 120,000 polybag plants

When fully developed, the 2014 rubber nursery will provide sufficient two-whorl polybag material for 350 hectares. We are getting an external nursery to supply us the two-whorl polybags for the additional 150 hectares of 2014 planting.

Field planting started in August and



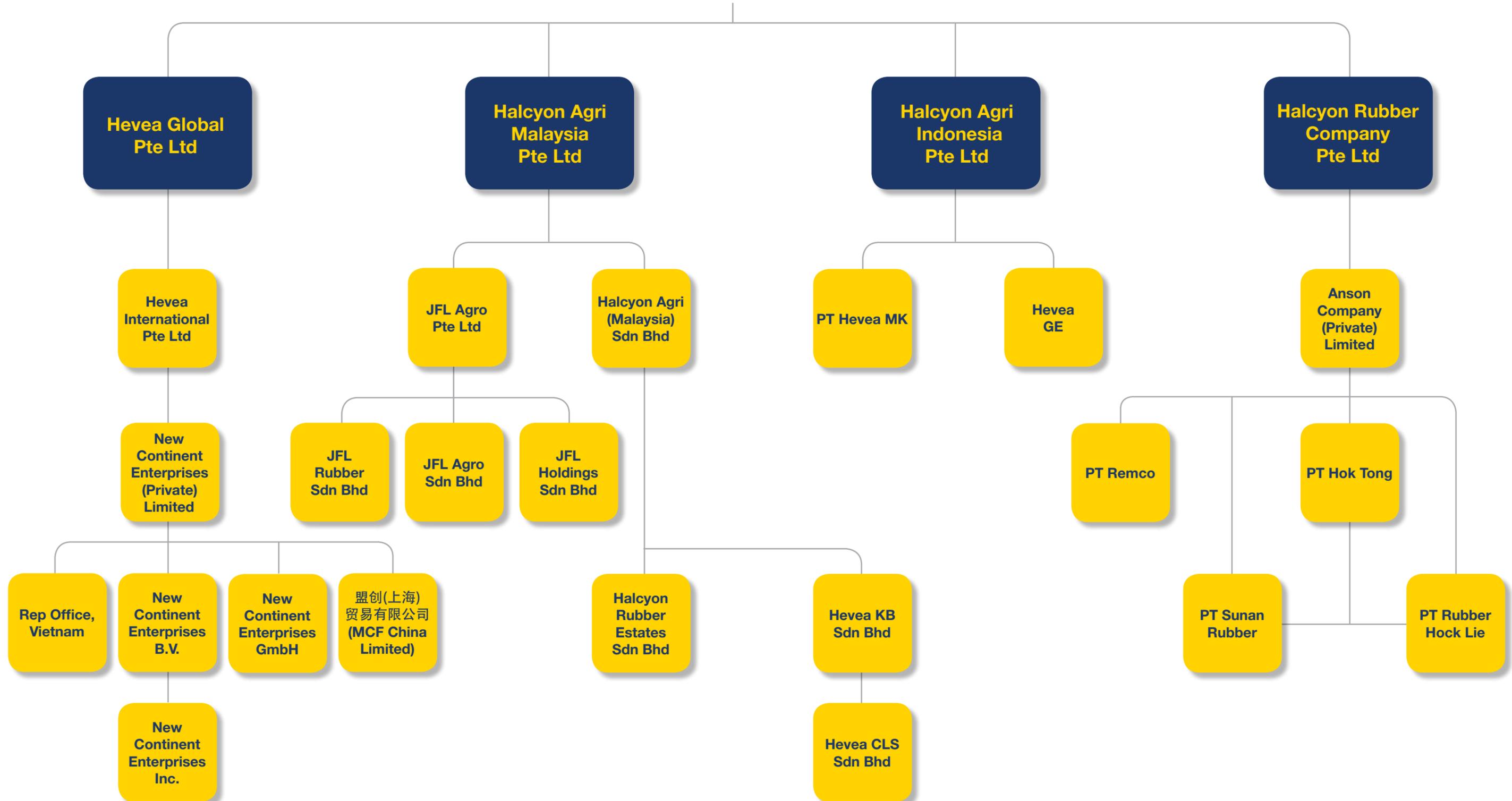
so far, we have completed the first 85 hectares of clones PB 350 and PB 260. The remaining 415 hectares are scheduled to be completed by late November.

The JFL project also includes 400 hectares of oil palm planting which will generate a return on our investment beginning 2016. In fact, some initial oil palm plantings are already flowering and fruiting, signs of a potential initial economic yield for approximately 50 hectares as early as 2015.

Halcyon Agri Group Corporate Structure

HALCYON

HALCYON AGRICULTURE CORPORATION LIMITED



Our exhilarating journey to acquire a piece of Singapore's history

In November 2013, we commenced work on what promised to be a transformational acquisition. It would involve liaising with multiple parties, including the vendors, legal and financial advisors, financing parties and also getting regulatory sign-off from the Exchange.

The scale of the project was immense as it involved acquiring Anson Company (Private) Limited (Anson), a Singapore holding company incorporated in 1957, four Indonesian subsidiaries with nine factories, with the various workstreams promising to include new sources of funds such as equity financing, syndicated loans and MTNs

In January 2014, the official bid process started, and we submitted our first bid on Valentine's Day 2014, hoping that it would be a match made in heaven.

In early April, we moved to the second round and to kick off the due diligence process, we visited the Lee Rubber offices in OCBC Centre. There, we met the Vendor team for the first time and started the intense due diligence process. Throughout, the sense of coming into direct contact with an important part of Singapore's history leapt at us. The big challenge for us and our advisors was to go through almost 60 years of documents. One particularly interesting thing we found out was that some of the deeds of establishment for the Indonesian companies were written in Dutch!

Simultaneously, we started the MTN documentation process to establish Halcyon Agri's maiden note programme. We had an extremely aggressive timetable, with four weeks from start to signing, but with the help of the wonderful teams from TSMP Law Corporation, DBS and Allen & Gledhill, we pulled it off! One part (of many) done and dusted!

Next came the finalisation of the due diligence, the submission of our final bid, and the commencement of negotiations for both the equity joint investment and the syndicated loans, of course all at the same time! But we got there. At the end of May, we submitted our final bid, and began the countdown. Then, finally, after almost three weeks of waiting, the news we were hoping for: our bid was accepted on 19 June 2014! However, celebrations could not last as we had the rest of the work to do.

11 July 2014, a red letter day. We signed the sale and purchase agreement with a price of S\$450,000,000 with the Vendors' Mr Lee Seng Wee, sealing a deal

that was thousands of man-hours in the making.

The weeks that followed saw the most hectic phase of the transaction yet, with emails pouring into our inboxes in a steady stream as we completed several milestones, including launching our first series of S\$125 million MTN bonds that saw orders in excess of S\$2 billion being placed before books were closed. We also held a successful EGM which resulted in 100% of shareholders present voting to approve the transactions relating to the acquisition, signed the required documentation to effect the equity injection for part of the purchase price and finally signed the syndicated loan agreement.

And a month later, on 11 August 2014, with S\$450,000,000 in our bank account, we gave final instructions for the payments to be paid to the Vendors.

The next day, we attended the closing at Lee Rubber's offices, and finally held in our hands the share certificates for Anson Company (Private) Limited. It was slightly surreal to think of what they represented: nine crumb rubber factories with a total licensed capacity of 408,000 tonnes, over 3,000 employees that stemmed from an empire first started by Mr Lee Kong Chian in 1929.

It has been an exhilarating journey from which we have learnt a lot, and would not have been possible without the full cooperation of our various advisors, TSMP Law Corporation, PrimePartners Corporate Finance, Credit Suisse and DBS Bank. We deeply appreciate the hard work, weekends and late nights you have put in and hope that this will not be the end of our partnership.



Contributed by:
He Tingru
Head, Legal Department

Liew Guat Yi
Compliance & Governance Manager, Legal Department



Implementing Total Quality Management

Businesses today operate in a highly challenging environment marked by rapid changes and extreme competition. Like everyone else, to survive and thrive, we at Halcyon have to be more responsive, offer better products and keep on improving. Managing quality becomes crucial.

This is why we are committed to Total Quality Management, a comprehensive and structured approach that seeks to improve quality of products and services through ongoing refinements in response to continuous feedback. TQM is based on quality management from the customer's point of view and is aimed at increasing customer satisfaction to boost loyalty.

The process encourages innovation and makes the organisation more adaptable to changes, bringing employees together to provide the company with a competitive edge. To make this a success, we need the total support of everyone at Halcyon. This means motivating ourselves and colleagues to embrace a culture where we continuously look to improve the way we operate.

Among the objectives of TQM are:

- To meet the customer's requirements
- Develop the relationship of openness and trust among employees at all levels
- Continuously improve the quality of our products and services to our customers, both internally and externally
- Do the right thing from the first time, every time. This helps to cut down time and cost to rework the defective product

Where we are now?

We have made good progress and have already started introducing the TQM process in Palembang at both HMK I and HMK II. We have created groups in relevant areas such as production, purchasing, labs, wet process, crumb process, export and shipping, maintenance and environment. They will form teams to look at improving specific tasks.

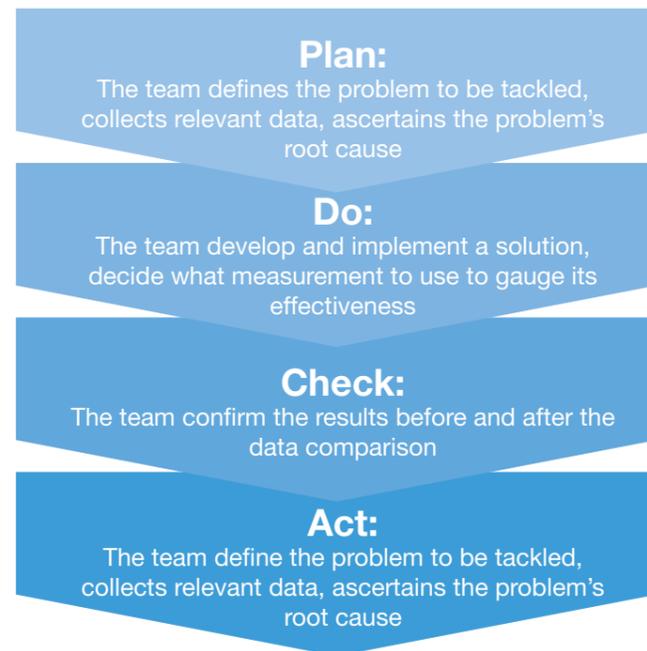
As projects are identified and approved for improvements, the teams from affected areas are brought together under a nominated team leader. Regular meetings will then be held to discuss and assess the most appropriate approach to resolve an issue.

Projects identified and approved so far include:

- **How to reduce white spot and virgin rubber**
TQM team – Production/Maintenance/Quality
- **How to control contamination, metal & others**
TQM team – RM purchasing/Production/Quality
- **How to handle packaging and export problems**
TQM team – Crumb production/Export/Quality

More about TQM

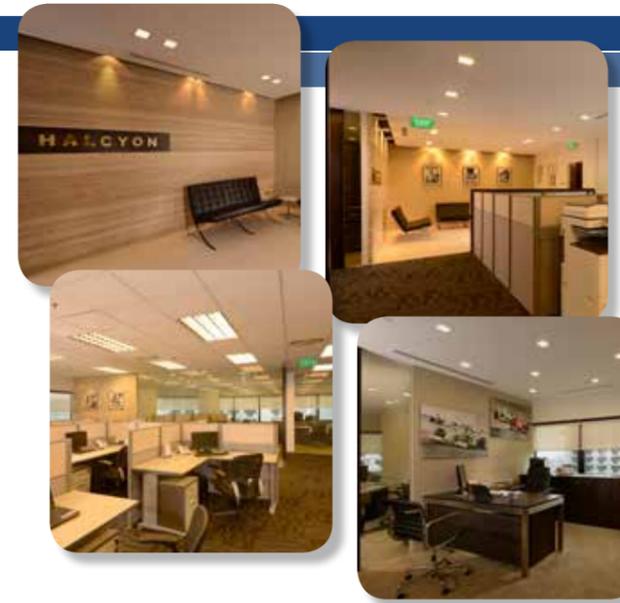
The process is divided into four sequential phases:



The benefits of TQM include:

- Improves competitive position
- Increases adaptability to global markets
- Elevates productivity
- Eliminates defects
- Significantly reduces waste
- Reduces quality costs
- Improves management communication
- Raises profits
- Boosts customer loyalty

Our new 15th floor office



We have expanded our Singapore operations.

To accommodate our new colleagues including those from our recent acquisitions, Halcyon has opened another office three floors above our current premises at Raffles City Tower.

We have also re-located our Finance, Logistics and Trading departments to the new 15th floor office.

To our new colleagues, a big welcome to the Halcyon family!

Celebrating with friends and family

We celebrated Labour Day with the only way we know: with lots of laughter, good fun and camaraderie.

Celebrations started as early as the evening of April 26 with some friendly competition over a game of dominoes or gapek at HMK I. The next day the action shifted into high gear with several rounds of tug-of-war or tarik tambang, followed by Futsal.

Our HMK II ladies and their colleagues' wives had an early morning start to May 1st with an hour of gymnastics. Then it was the men's turn to face-off in the tug-of-war and Futsal. Winners from both HMK I and HMK II fought fiercely for the honour of being crowned tug-of-war and Futsal grand champions.

We want to thank some very special guests who made time to join us for the grand finals at HMK II, namely, the head of the Gandus local police, the village head, the head of Gandus sub-district and the head of Palembang Employment Agencies.

Results

	Tug-of-war	Futsal
HMK I		
1st	Team Security	Team Daily Worker
2nd	Team Crumb Rubber	Team Workshop
3rd	Team Waste/Housekeeping	Team Crumb Rubber
HMK II		
1st	Team Crumb Rubber	Team Wet Process
2nd	Team Raw Material Sorting	Team Daily Worker
3rd	Team Security	Team Security
Grand Finals		
1st	HMK I (Team Security)	HMK I (Team Daily Worker)
2nd	HMK II (Team Crumb Rubber)	HMK II (Team Wet Process)



Unstoppable!

Once again, we have the honour of being presented with in the prestigious 2014 Singapore 1000 corporate ranking, just like we did last year. In 2012, we were included in the Singapore SME 1000 ranking by DP Information Group, a veteran ranking body and publisher.

The Singapore 1000 award is conferred annually to deserving recipients who have demonstrated exemplary financial performance in their field and among their peers. Award recipients also need to demonstrate qualities which define them as outstanding corporate citizens. Other factors include the profile of the shareholdership, the nature of the company's core business in relation to its financial performance, and adherence to corporate governance.

Each year, 16 Singapore 1000, 20 Singapore SME 1000 and 10 Singapore International awards are presented. The screening process is undertaken

by the Awards Steering Committee which comprises representatives from DP, EY, ACRA, IDA Singapore, IE Singapore, SPRING Singapore and the Singapore Business Federation.

Halcyon Agri was also a runner-up at the 14th SIAS Investors' Choice Awards for Most Transparent Company in Category O for new issues. The Awards honours and recognises public listed companies which have demonstrated exemplary corporate governance and transparency practices throughout the year.

As an investor body, SIAS actively promotes the interest of investors by highlighting and recognising the efforts of companies that uphold good corporate governance practices. It also recognises brokers and financial journalists who have done well by serving the needs of investors.

Our Executive Director, Pascal Demierre, received the award on

behalf of Halcyon Agri from Mrs Josephine Teo, Senior Minister of State, Ministry of Finance and Ministry of Transport, who was the guest-of-honour at the awards dinner.



SINGAPORE 1000
SINGAPORE SME 1000
INTERNATIONAL 100



Our Safety Champion

Meet Loganathan Ramah, our Safety Champion. Loga is well qualified to be appointed our Safety Champion as he brings with him 17 years of experience in the field of Occupational Safety, Health and Environment. He is currently an Environmental, Health and Safety (EHS) Manager at our Hevea KB facility in Ipoh, Perak.

As you know, at Halcyon we recognise effective EHS management as critical to the success of our business. We are committed to operating our business in an environmentally friendly manner and to provide a safe and healthy workplace for all employees, contractors and visitors. Action steps that we have to show that we mean business when it comes

to EHS includes:

- Incorporating EHS requirements into our business management decisions;
- Seeking to continually improve our EHS performance through setting objectives and regular monitoring;
- Holding managers and supervisors accountable for the EHS; performance of their facilities and departments;
- Providing appropriate resources and training.

As Safety Champion, Loga looks to motivate fellow colleagues to be responsible and accountable to achieving the objectives of our EHS policy and be safety champions themselves, encouraging them to



participate in and contribute to the company's EHS efforts.

Aside from his responsibilities as an EHS Manager and Safety Champion, Loga is a visiting lecturer for the Open University and several other private institutions. He also gives safety motivational talks on a voluntary basis, audits and assists SMI in organising OSH campaigns, and advises on developing accident-free strategies for a safer and healthier workplace for all.