

CHAIRMAN'S WELCOME MESSAGE



LIU HONGSHENG

Chairman

Dear Shareholders

Welcome to the 2018 Corporate Report of Halcyon Agri Corporation Limited. The report covers an overview of the Group's operations, financials and sustainability practices. The management team has gone to great lengths to produce a document that is both informative and educational. We realise that many aspects of Halcyon Agri's global business are complex and therefore not easy to understand, and I am personally amazed by just how many products contain natural rubber and how many such applications we supply. It fascinates me to think that we supply the raw material for 60 million catheters and over 200 million vehicle tyres!

2018 was a challenging year and one where Halcyon Agri is probably better measured by its intrinsic progress than by its financial performance. Rubber prices remained below break-even levels for most of the year, and in most origins, farmers struggled to supply the material we required. A notable exception was Thailand, where processors – our subsidiary Teck Bee Hang included – enjoyed positive margins for most of the year.

Looking ahead, I am confident that Halcyon Agri's initiative to de-commoditise natural rubber and redesign its price determination mechanism will bear fruit. This non-substitutable product is both a vital ingredient to the mobility sector, and very challenging to produce. Most industrial raw materials are subject to significant degrees of substitution risk, or are abundantly available, and therefore suitable for price discovery via a futures exchange. In the case of natural rubber, a tropical crop with tight geographical boundaries, six years to first cash flow, and labour intensive harvesting, pricing should be determined on a cost-plus basis, and not via futures markets.

In closing, I would like to thank Halcyon's management and staff, my fellow board members, as well as all stakeholders of Halcyon Agri. I greatly appreciate your loyalty, dedication and strong contribution.

Liu Hongsheng