



KENCANA AGRI LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 200717793E)

THE PROPOSED DISPOSAL OF 50% OF THE ISSUED AND PAID-UP ORDINARY SHARES IN THE SHARE CAPITAL OF KENCANA LDC PTE. LTD AND 0.05% OF THE ISSUED AND PAID-UP ORDINARY SHARES IN THE SHARE CAPITAL OF PT DERMAGA KENCANA INDONESIA

1 INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Kencana Agri Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has entered into a Sale and Purchase agreement with (i) PT Bumi Permai Sentosa (“**BPS**”) ¹, (ii) PT LDC Indonesia (“**LDC Indonesia**”), and (iii) Louis Dreyfus Company Asia Pte. Ltd (“**LDC Asia**”) (and all parties collectively, the “**Parties**”) on 31 March 2017 (the “**Sale and Purchase Agreement**”).
- 1.2 Pursuant to the Sale and Purchase Agreement, the Company has agreed to dispose of all of its legal and/or beneficial shareholding interests in Kencana LDC Pte. Ltd. (“**KLDC**”) and PT Dermaga Kencana Indonesia (“**DKI**”) ² (collectively, the “**Sale Companies**”) through a sale of such shareholding interests to LDC Asia and LDC Indonesia (LDC Asia and LDC Indonesia hereafter jointly referred to as the “**Buyers**”) on and subject to the terms and conditions of the Sale and Purchase Agreement (the “**Proposed Disposal**”). The material terms of the Sale and Purchase Agreement are elaborated upon in the subsequent parts of this announcement.

2 CHAPTER 10 OF THE LISTING MANUAL

As required by the rules set out in Chapter 10 of the Listing Manual (the “**Listing Manual**”) of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company has computed the relative figures pursuant to Rule 1006 and determined that save for the relative figure computed pursuant to Rule 1006(b) which is a negative figure and therefore not meaningful, the relative figures for the other applicable provisions of Rule 1006 are each more than 5% but less than 20%. In light of the relative figure computed for Rule 1006(b) being a negative figure, the Company has written to SGX-ST to seek guidance on whether shareholder’s approval will

¹ BPS is a wholly owned subsidiary of Kencana Logistics Pte. Ltd., which is in turn a wholly owned subsidiary of the Company.

² The shareholding interest of the Company in DKI is held through BPS.

be required for the Proposed Disposal. Pending SGX-ST's confirmation and for the purposes of this announcement, the Company is treating the Proposed Disposal as a "discloseable transaction" under Chapter 10 of the Listing Manual.

3 INFORMATION REGARDING THE BUYERS AND THE SALE COMPANIES

The Buyers

- 3.1 Louis Dreyfus Company is a leading merchant and processor of agricultural goods, with activities spanning the entire value chain, across 12 business platforms including Oilseeds, Grains, Rice, Freight, Finance, Coffee, Cotton, Sugar, Juice, Dairy, Fertilizers & Inputs and Metals. LDC Asia operates as a subsidiary of LDC B.V., and LDC Indonesia in turn operates as a subsidiary of LDC Asia.

The Sale Companies

- 3.2 KLDC is a joint venture company between LDC Asia and the Company, established in 2009, for the purposes of the building and operation of a deep water port in Balikpapan, East Kalimantan, Indonesia. KLDC, as an investment holding company, carries out its operations in Indonesia through DKI, a trading and refinery company. To date, LDC Asia, together with the Company, have built an integrated palm oil complex in Balikpapan, which comprises of a palm oil refinery, a bulking terminal and a deep water port (the "**KLDC Joint Venture**").

4 MATERIAL TERMS OF THE PROPOSED DISPOSAL

4.1 Sale Shares

Pursuant to the terms and subject to the terms and conditions of the Sale and Purchase Agreement, the Company and BPS shall sell:

- (i) 2,000,099 ordinary shares in KLDC held by the Company which constitutes 50% of the issued and paid-up share capital of KLDC (the "**KLDC Sale Shares**"), to be purchased by LDC Asia; and
- (ii) 1,967 ordinary shares in DKI held by BPS which constitutes 0.05% of the issued and paid-up share capital of DKI (the "**DKI Sale Shares**"), to be purchased by LDC Indonesia.

(collectively, the "**Sale Shares**")

4.2 Sale Consideration

The consideration for the Proposed Disposal is US\$14,751,974 (the "**Sale Consideration**") payable in cash. As part of the settlement terms, an amount equal to US\$7,375,000, will be placed on escrow pending completion of the sale and purchase. The Sale Consideration was arrived at on a willing-buyer-willing-seller basis, negotiated at arm's length, taking into account the replacement cost of the assets included as part of the Proposed Disposal and the Company's internal estimation of the market value of such assets.

4.3 Conditions Precedent

Completion of the Sale and Purchase Agreement ("**Completion**") is conditional upon the satisfaction of the following conditions precedent:

Conditions Precedent relating to the KLDC Sale Shares

The conditions precedent to the completion of the sale and purchase of the KLDC Sale Shares ("**KLDC Completion**") include the following:

- (i) if required by and in accordance with the Listing Manual, the shareholders of the Company ("**Shareholders**") having been notified and having approved (as applicable) the sale and purchase of the KLDC Sale Shares on and subject to the terms and conditions set out in the Sale and Purchase Agreement;
- (ii) PT Bank DBS Indonesia ("**DBS Indonesia**") having approved in writing the: (i) acquisition by LDC Asia of the KLDC Shares; (ii) acquisition by LDC Indonesia of the DKI Shares; and (iii) indirect change of control of KLDC and DKI with effect from Completion, in each case in accordance with the terms of the facility agreement between DBS Indonesia and DKI, pursuant to which DBS Indonesia had granted banking facilities to DKI;
- (iii) the industrial permanent business license held by DKI having been amended to (i) remove references to DKI producing crude palm oil, and (ii) to update the KBLI (being the Indonesian Standard Classification of Business Field) numbers in line with the latest KBLI code date 2015;
- (iv) the Company and BPS having procured that
 - a. each of its directors on the board of directors of KLDC and/or DKI;
 - b. each the of its commissioners on the board of commissioners of DKI; and
 - c. the management personnel of KLDC and/or DKI directly or indirectly nominated by the Company and/or BPS;sign resignation letters resigning from their positions with effect from Completion and confirming that he or she has no claim outstanding against KLDC or DKI (as applicable), LDC Asia and LDC Indonesia (and any of their related undertakings and representatives) for compensation for loss of office or employment or otherwise howsoever arising, including redundancy and unfair dismissal;
- (v) no material adverse event, as more particularly defined in the Sale and Purchase Agreement, having occurred on or within five business days before the date of Completion or if a material adverse event occurs more than five business days prior to the date of Completion, such material adverse event having been remedied on or before the date of Completion;
- (vi) each of the representations and warranties provided by the Company and LDC Asia remaining true and accurate as at the date of Completion.

Conditions Precedent relating to the DKI Sale Shares

The conditions precedent to the completion of the sale and purchase of the DKI Sale Shares include:

- (i) the completion of the sale and purchase of the KLDC Sale Shares having occurred;
- (ii) all shareholders of DKI having given irrevocable written approval to the transfer of the DKI Sale Shares by BPS to LDC Indonesia (or its nominee); and
- (iii) the written approval of BKPM (being the Capital Investment Coordinating Board of Indonesia) to the sale and purchase (and transfer) of the DKI Sale Shares having been obtained on terms reasonably acceptable to LDC Asia.

Other pertinent terms include:

- (i) that the long stop date for Completion to occur shall be no later than the date falling six (6) months after the date of the Sale and Purchase Agreement (unless further extended by mutual agreement); and
- (ii) that the Proposed Disposal shall be unwound and the Parties shall be required to take steps as are required to unwind the transactions completed in accordance with the Sale and Purchase Agreement such that each Party would be in the position it would have been but for the signing of the Sale and Purchase Agreement and the ancillary documents referred to in the Sale and Purchase Agreement should the Commission for the Supervision of Business Competition declare that Completion would result in a monopolistic practice or in unfair business competition, or otherwise declares that LDC Asia is to dispose of the KLDC Shares.

4.4 KAL Loan

As part of the terms of the joint venture in relation to KLDC and by way of a loan agreement between the Company and KLDC on 27 February 2012 (as amended by an amendment agreement dated 24 December 2012), the Company had earlier extended a shareholder's loan to KLDC (the "**KAL Loan**"), the outstanding balance owing to the Company being US\$3,550,000. Under the terms of the Sale and Purchase Agreement, the KAL Loan will, on Completion, be novated to LDC Asia for a consideration of US\$3,550,000. The novation of the KAL Loan will include an assignment of interest accrued and outstanding as at the date of the novation. As part of the settlement terms, an amount equal to US\$1,775,000, will be placed on escrow pending completion of the novation of the KAL Loan.

4.5 Other Material Documents and Information

Pursuant to the terms of the Sales and Purchase Agreement, the Company has also executed and/or procured the execution of several ancillary agreements in relation to the Proposed Disposal. These ancillary agreements include:

- (i) a deed of termination and release entered into between the Company, LDC Asia, KLDC and DKI for the purposes of the termination of the shareholder's agreement dated 13 November 2009 (the "**Shareholders' Agreement**") between the Company,

LDC Asia, KLDC and DKI in respect of the KLDC Joint Venture³ (the “**Termination Agreement**”), such termination to take effect on and from the KLDC Completion;

- (ii) a deed of termination and release entered between the Company, LDC Asia DKI and Sawindo Agri Pte. Ltd. (“**Sawindo**”) for the purposes of the termination of the offtake agreement dated 31 December 2013 between the Company, LDC Asia, DKI and Sawindo (the “**Offtake Termination Agreement**”), such termination to take effect on the KLDC Completion;
- (iii) a novation agreement entered into between the Company, LDC Asia and KLDC in relation to the novation of all of the Company’s rights, titles, interests and obligations under or in connection with the KAL Loan to LDC Asia (the “**Novation Agreement**”), to take effect on the KLDC Completion;
- (iv) a deed entered into between the Company, LDC Asia, PT Global Positioning Solutions (“**PT GPS**”) and certain shareholders of PT GPS⁴, pursuant to which LDC Asia has, subject to compliance with applicable laws and regulations as well as the terms and conditions of the deed, undertaken: (i) to provide certain throughput and storage for palm products at DKI’s current site of operations for the benefit of the Company and, independently, (ii) to provide PT GPS throughput and storage for palm products at DKI’s current site of operations as well as allow PT GPS to build and connect a new pipeline to the jetty currently owned and operated by DKI, among others (the “**Deed of Undertakings**”), to take effect on the KLDC Completion,

(all ancillary agreements collectively, the “**Ancillary Documents**”).

Under a separate agreement entered into between LDC Asia, KLDC, PT GPS and certain shareholders of PT GPS (the “**Land Access Agreement**”), PT GPS has further agreed, in response to the request from LDC Asia and KLDC, to grant to DKI certain rights of access to the adjacent land owned by PT GPS on and subject to the terms and conditions the Land Access Agreement. As part of the agreement reached by the parties, LDC Asia has, by way of an undertaking given in the Deed of Undertakings, granted PT GPS a right of first offer to purchase the entire interest which LDC Asia holds in KLDC should LDC Asia, at any time during the next ten years commencing from the KLDC Completion, decide to transfer or dispose of such interest.

5 RATIONALE AND BENEFIT OF PROPOSED DISPOSAL

- 5.1 The Company is of the view that the operations of the Company should be streamlined so that the Company may focus its efforts on the core businesses of the Group (being the cultivation of oil palms as well as the processing of raw materials into crude palm oil)⁵. Given

³ Except for certain restrictive covenants pertaining to non-competition and non-solicitation as well as confidentiality undertakings which will continue to apply for two years and one year, respectively, from the date of the KLDC Completion.

⁴ PT Global Positioning Solutions is an Indonesian entity owned and/or controlled by our Chairman and Chief Executive Officer (as well as controlling shareholder of our Company), Henry Maknawi, and our Deputy Chief Executive Officer, Ratna Maknawi, together with certain of their family members.

⁵ The core activities of the Group are the cultivation of oil palm plantations and the processing of fresh fruit bunches into Crude Palm Oil (“**CPO**”), both of which are upstream activities in the palm oil industry supply chain. KLDC and

that the Sale Companies operate in a segment of the industry that is distinct from the core businesses of the Group, the Company is of the view that it will be in the interests of the Company and the Shareholders as a whole to divest a non-core asset by carrying out the Proposed Disposal.

- 5.2 The Proposed Disposal, if successful, will strengthen the balance sheet of the Company and improve its overall financial liquidity with the funds received as proceeds following the completion of the Proposed Disposal. The Proposed Disposal will also allow the Group to restructure its existing core businesses to achieve a stronger financial performance and free up cash resources that were or would otherwise be allocated to the Sale Companies. Such cash resources may then be funneled to the core businesses of the Company to further grow and develop them.
- 5.3 The Company is of the further view that, despite the fact that the Sale Companies and their related operations are profitable, the scale of the profit is small and its contribution to the overall financial health of the Group in the short to medium term is not expected to be much more significant without additional investment from the Group. On the other hand, the improvement in the Group's financial liquidity arising from the proceeds of the Proposed Disposal would be of greater benefit and significance in the short to medium term.
- 5.4 Aside from meeting its short to medium working capital requirements, the Company intends to use the proceeds from the Proposed Disposal to fund future projects within its core businesses.

6 RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

- 6.1 The relative figures of the Proposed Disposal computed on the bases as set out in Rule 1006 of the Listing Manual and based on the latest unaudited full year financial results of the Group for the financial year ended 31 December 2016⁶ are set out as follows:

Rule 1006	Bases	Relative Figure pursuant to the Proposed Disposal
(a)	The NAV of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets ⁽ⁱ⁾ .	11.46 %
(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits ⁽ⁱⁱ⁾ .	<i>Not Meaningful</i> (55.61)% ⁷
(c)	Aggregate value of the consideration received, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares ⁽ⁱⁱⁱ⁾ .	17.52%

DKI, however, are mainly involved in the downstream activities that relate to the refining of CPO into refined, bleached and deodorized palm oil. Also, the Group's significant investment is mainly in estate plantation (including plantation land ownership), CPO mills and ancillary assets connected with the upstream activities.

⁶ The unaudited full year financial results for the financial year ended 31 December 2016 was announced via SGXNET on 27 February 2017.

⁷ As the relative figure determined on the basis of Rule 1006(b) is calculated comparing a positive profit number attributable to the to-be-disposed assets) with a negative profit number attributable to the Group as a whole, the Company regards the resultant negative percentage as not meaningful.

(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ^(iv)
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil & gas company, but not to an acquisition of such assets.	Not applicable ^(v)

Notes:-

- (i) The approximate net asset value of the Sale Shares as at 31 December 2016 is US\$4,995,692 compared with the Group's approximate net asset value of US\$ 43,607,000 as at 31 December 2016
- (ii) The profit before tax attributable to the Sale Shares was US\$3,285,599 and the Group's loss before tax was US\$ 5,908,000 for financial year ended 31 December 2016
- (iii) Based on the proposed consideration value of US\$14,751,974 and the Company's market capitalisation of US\$ 84,185,565 on 29 March 2017, being the last market day on which the Company's shares were traded preceding the date of the Sale and Purchase Agreement
- (iv) Not applicable as the Proposed Disposal pertains to a disposal of assets
- (v) Not applicable as the Proposed Disposal is not a disposal of mineral, oil or gas assets

6.2 It is noted that each of the relative figures computed on the bases set out in Rule 1006(a) and Rule 1006(c) of the Listing Manual exceeds 5% but does not exceed 20%, and the relative figure computed on the basis set out in Rule 1006(b) of the Listing Manual is a negative percentage. The Company has submitted a request to the SGX-ST for guidance on whether the approval from the Shareholders pursuant to Rule 1014 of the Listing Manual would be necessary in light of the negative percentage of 55.61%. In the meantime, the Company has regarded the Proposed Disposal as a "discloseable transaction" as defined in Chapter 10 of the Listing Manual. To the extent that the approval from the Shareholders is determined to be necessary, the Company will issue a circular in due course and convene an extraordinary general meeting for the purposes of obtaining such approval.

7 FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

7.1 The *pro forma* financial effects of the Proposed Disposal are only presented for illustration purposes, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Proposed Disposal⁸.

(a) Earnings per Share ("EPS")

Assuming that the Proposed Disposal had been completed on 1 January 2016, the effect of the Proposed Disposal on the Group's EPS for the financial year ended 31 December 2016 will be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
(Loss)/Profit After Taxation and	(8,910)	690

⁸ The *pro forma* financial effects are illustrated using the financial results available from the recently announced unaudited full year financial results for the financial year ended 31 December 2016.

Non-Controlling Interests (US\$'000)		
Weighted Average Number of Shares ('000)	287,011	287,011
EPS (cents)	(3.10)	0.24

(b) Net Tangible Assets ("NTA")⁽ⁱ⁾

Assuming that the Disposal had been completed on 31 December 2016, the effect of the Proposed Disposal on the Group's NTA per Share as at 31 December 2016 will be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA ⁽ⁱ⁾ attributable to the Shareholders (US\$'000)	43,607	53,207
Number of Shares ('000)	287,011	287,011
NTA per Share (cents)	15.19	18.54

Notes:-

(i) NTA means total assets less sum of total liabilities, non-controlling interest and intangible assets (net of non-controlling interest).

8 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this announcement (in particular, in paragraph 4.5 above) and other than through each of their respective shareholding interests, direct and/or indirect, in the Company, none of the Directors and substantial Shareholders has any interests, direct or indirect, in the Proposed Disposal.

9 DOCUMENTS AVAILABLE FOR INSPECTION

The Sale and Purchase Agreement is available for inspection at the Company's registered office, 36 Armenian Street, #03-02, Singapore 179934 during normal business hours on any day (other than a Saturday, a Sunday or a public holiday) for 3 months from the date of this announcement.

10 RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board
Kencana Agri Limited

Kent Surya
Finance Director

31 March 2017