

# KENCANA AGRI LIMITED

(Registration Number: 200717793E)



## UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

**1 (a) (i) Income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

### Income Statement

|                                                                                     | 2nd Quarter |                  | Change | 1st Half |                  | Change |
|-------------------------------------------------------------------------------------|-------------|------------------|--------|----------|------------------|--------|
|                                                                                     | 2016        | 2015<br>Restated |        | 2016     | 2015<br>Restated |        |
|                                                                                     | US\$'000    | US\$'000         | %      | US\$'000 | US\$'000         | %      |
| <b>Revenue</b>                                                                      | 32,959      | 35,474           | -7%    | 61,806   | 67,765           | -9%    |
| Cost of sales                                                                       | (32,448)    | (31,022)         | 5%     | (58,943) | (58,399)         | 1%     |
| <b>Gross profit</b>                                                                 | 511         | 4,452            | -89%   | 2,863    | 9,366            | -69%   |
| Gain/(loss) from fair value changes of biological assets and other receivables, net | 15          | (195)            | n/m    | 134      | (739)            | n/m    |
| Distribution costs                                                                  | (548)       | (430)            | 27%    | (1,223)  | (902)            | 36%    |
| Administrative expenses                                                             | (2,624)     | (2,843)          | -8%    | (4,886)  | (5,282)          | -7%    |
| Other (losses)/gains, net                                                           | (927)       | (9)              | n/m    | (1,090)  | 74               | n/m    |
| <b>Operating (loss)/profit</b>                                                      | (3,573)     | 975              | n/m    | (4,202)  | 2,517            | n/m    |
| Gain/(loss) on foreign exchange                                                     | 70          | (1,327)          | n/m    | 1,874    | (5,114)          | n/m    |
| Gain/(loss) on derivative financial instruments                                     | 348         | 84               | 314%   | 1,201    | (2,152)          | n/m    |
| Financial income                                                                    | 723         | 714              | 1%     | 1,505    | 1,458            | 3%     |
| Financial expense                                                                   | (4,936)     | (3,929)          | 26%    | (9,902)  | (8,049)          | 23%    |
| Share of results of joint ventures                                                  | (717)       | (175)            | 310%   | 2,009    | (1,556)          | n/m    |
| <b>Loss from continuing operation before income tax</b>                             | (8,085)     | (3,658)          | 121%   | (7,515)  | (12,896)         | -42%   |
| Income tax benefit                                                                  | 1,352       | 731              | 85%    | 1,550    | 2,108            | -26%   |
| <b>Net Loss for the period</b>                                                      | (6,733)     | (2,927)          | 130%   | (5,965)  | (10,788)         | -45%   |

n/m : not meaningful

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## 1 (a) (ii) Net profit/(loss) is arrived at after charging/(crediting) the following significant items:

|                                                          | 2nd Quarter |                      |        | 1st Half |                      |        |
|----------------------------------------------------------|-------------|----------------------|--------|----------|----------------------|--------|
|                                                          | 2016        | 2015                 | Change | 2016     | 2015                 | Change |
|                                                          | US\$'000    | Restated<br>US\$'000 | %      | US\$'000 | Restated<br>US\$'000 | %      |
| Depreciation and amortisation expenses                   | 3,981       | 2,977                | 34%    | 7,938    | 5,633                | 41%    |
| Foreign exchange (gain)/loss, net                        | (70)        | 1,327                | n/m    | (1,874)  | 5,114                | n/m    |
| (Gain)/loss on derivative financial instruments          | (348)       | (84)                 | 314%   | (1,201)  | 2,152                | n/m    |
| Interest expense                                         | 4,936       | 3,929                | 26%    | 9,902    | 8,049                | 23%    |
| Interest income                                          | (723)       | (714)                | 1%     | (1,505)  | (1,458)              | 3%     |
| Loss/(gain) from fair value changes of other receivables | 45          | 195                  | -77%   | (74)     | 739                  | n/m    |
| Loss on disposal of property, plant and equipment        | 15          | 25                   | -40%   | 15       | 34                   | -56%   |
| Impairment of property, plant and equipment              | 852         | -                    | n/m    | 852      | -                    | n/m    |
| <u>Additional information :</u>                          |             |                      |        |          |                      |        |
| EBITDA                                                   | 46          | 2,534                | -98%   | 8,760    | (672)                | n/m    |

*n/m : not meaningful*

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## **1 (a) (iii) Statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

### **Statement of Comprehensive Income**

|                                                                                                                                             | 2nd Quarter    |                |        | 1st Half       |                      |        |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|--------|----------------|----------------------|--------|
|                                                                                                                                             | 2016           | 2015           | Change | 2016           | 2015                 | Change |
|                                                                                                                                             | US\$'000       | US\$'000       | %      | US\$'000       | Restated<br>US\$'000 | %      |
| Net loss for the period                                                                                                                     | (6,733)        | (2,927)        | 130%   | (5,965)        | (10,788)             | -45%   |
| <b>Other comprehensive income</b>                                                                                                           |                |                |        |                |                      |        |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                                                                       |                |                |        |                |                      |        |
| Exchange differences on translating IDR functional currency to US dollar presentation currency and foreign operation's financial statements | 221            | 4,669          | -95%   | 4,113          | (4,190)              | n/m    |
| Total comprehensive (loss)/income for the period                                                                                            | <u>(6,512)</u> | <u>1,742</u>   | n/m    | <u>(1,852)</u> | <u>(14,978)</u>      | -88%   |
| Loss attributable to owners of the parent, net of tax                                                                                       | (6,733)        | (2,927)        | 130%   | (5,965)        | (10,788)             | -45%   |
| Profit attributable to non-controlling interests, net of tax                                                                                | -              | -              | n/m    | -              | -                    | n/m    |
| Loss for the period, net of tax                                                                                                             | <u>(6,733)</u> | <u>(2,927)</u> | 130%   | <u>(5,965)</u> | <u>(10,788)</u>      | -45%   |
| Total comprehensive (loss)/income attributable to owners of the parent                                                                      | (6,512)        | 1,742          | n/m    | (1,852)        | (14,978)             | -88%   |
| Total comprehensive income attributable to non-controlling interests                                                                        | -              | -              | n/m    | -              | -                    | n/m    |
| Total comprehensive (loss)/income for the period                                                                                            | <u>(6,512)</u> | <u>1,742</u>   | n/m    | <u>(1,852)</u> | <u>(14,978)</u>      | -88%   |

*n/m : not meaningful*

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## 1 (b) (i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

|                                                 | Group           |                      |                      | Company         |                  |
|-------------------------------------------------|-----------------|----------------------|----------------------|-----------------|------------------|
|                                                 | As at 30/6/2016 | As at 31/12/2015     | As at 01/01/2015     | As at 30/6/2016 | As at 31/12/2015 |
|                                                 | US\$'000        | Restated<br>US\$'000 | Restated<br>US\$'000 | US\$'000        | US\$'000         |
| <b>ASSETS</b>                                   |                 |                      |                      |                 |                  |
| <b>Current assets:</b>                          |                 |                      |                      |                 |                  |
| Cash and cash equivalents                       | 17,019          | 8,687                | 14,124               | 318             | 724              |
| Trade and other receivables                     | 25,836          | 22,841               | 16,335               | 22,492          | 21,666           |
| Inventories                                     | 10,590          | 11,161               | 11,729               | -               | -                |
| Biological assets                               | 1,168           | 1,057                | 1,172                | -               | -                |
| Other assets                                    | 7,843           | 8,814                | 11,382               | 1               | 2                |
| <b>Total current assets</b>                     | <b>62,456</b>   | <b>52,560</b>        | <b>54,742</b>        | <b>22,811</b>   | <b>22,392</b>    |
| <b>Non-current assets:</b>                      |                 |                      |                      |                 |                  |
| Investments in subsidiaries                     | -               | -                    | -                    | 40,222          | 38,429           |
| Investments in joint ventures                   | 7,060           | 6,169                | 5,523                | 5,829           | 5,755            |
| Other receivables                               | 23,526          | 19,520               | 16,276               | -               | -                |
| Property, plant and equipment                   | 94,835          | 90,985               | 96,767               | -               | -                |
| Investment property                             | 2,417           | 2,430                | 2,460                | -               | -                |
| Bearer plants                                   | 164,712         | 155,856              | 159,083              | -               | -                |
| Land use rights                                 | 38,101          | 35,301               | 38,386               | -               | -                |
| Deferred tax assets                             | 11,783          | 9,757                | 7,116                | -               | -                |
| Other assets                                    | 751             | 761                  | 844                  | -               | -                |
| <b>Total non-current assets</b>                 | <b>343,185</b>  | <b>320,779</b>       | <b>326,455</b>       | <b>46,051</b>   | <b>44,184</b>    |
| <b>TOTAL ASSETS</b>                             | <b>405,641</b>  | <b>373,339</b>       | <b>381,197</b>       | <b>68,862</b>   | <b>66,576</b>    |
| <b>LIABILITIES AND EQUITY</b>                   |                 |                      |                      |                 |                  |
| <b>Current liabilities:</b>                     |                 |                      |                      |                 |                  |
| Income tax payables                             | 882             | 1,867                | 2,334                | -               | -                |
| Trade and other payables                        | 64,637          | 52,984               | 53,977               | 2,066           | 2,074            |
| Finance leases                                  | 440             | 422                  | 1,235                | -               | -                |
| Other financial liabilities                     | 48,939          | 49,720               | 40,435               | -               | -                |
| <b>Total current liabilities</b>                | <b>114,898</b>  | <b>104,993</b>       | <b>97,981</b>        | <b>2,066</b>    | <b>2,074</b>     |
| <b>Non-current liabilities:</b>                 |                 |                      |                      |                 |                  |
| Trade and other payables                        | 16,656          | 11,189               | 9,484                | -               | -                |
| Finance leases                                  | 212             | 188                  | 598                  | -               | -                |
| Other financial liabilities                     | 224,460         | 206,265              | 198,868              | -               | -                |
| Other liabilities                               | 4,395           | 3,832                | 4,216                | -               | -                |
| <b>Total non-current liabilities</b>            | <b>245,723</b>  | <b>221,474</b>       | <b>213,166</b>       | <b>-</b>        | <b>-</b>         |
| <b>Capital and reserves:</b>                    |                 |                      |                      |                 |                  |
| Share capital                                   | 93,860          | 93,860               | 93,860               | 93,860          | 93,860           |
| Other reserves                                  | 2,485           | 2,485                | 2,485                | -               | -                |
| Retained earnings                               | (13,790)        | (7,825)              | 13,077               | (5,459)         | (4,751)          |
| Translation reserves                            | (37,535)        | (41,648)             | (39,377)             | (21,605)        | (24,607)         |
| Equity attributable to the owners of the parent | 45,020          | 46,872               | 70,045               | 66,796          | 64,502           |
| Non-controlling interests                       | -               | -                    | 5                    | -               | -                |
| <b>Total equity</b>                             | <b>45,020</b>   | <b>46,872</b>        | <b>70,050</b>        | <b>66,796</b>   | <b>64,502</b>    |
| <b>TOTAL LIABILITIES AND EQUITY</b>             | <b>405,641</b>  | <b>373,339</b>       | <b>381,197</b>       | <b>68,862</b>   | <b>66,576</b>    |

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## 1 (b) (ii) Aggregate amount of group's borrowings and debt securities.

|                               | As at 30/06/2016<br>US\$'000 | As at 31/12/2015<br>US\$'000 |
|-------------------------------|------------------------------|------------------------------|
| Amount due within one year    |                              |                              |
| Secured                       | 49,379                       | 50,142                       |
| Total                         | <b>49,379</b>                | <b>50,142</b>                |
| Amount due more than one year |                              |                              |
| Secured                       | 224,672                      | 206,453                      |
| Total                         | <b>224,672</b>               | <b>206,453</b>               |

The secured borrowings are secured by certain inventories, trade receivables, land rights, investment property, biological assets, and property, plant and equipment of the Group.

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**1 (c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|                                                                                        | 1st Half  |                      |
|----------------------------------------------------------------------------------------|-----------|----------------------|
|                                                                                        | 2016      | 2015                 |
|                                                                                        | US\$'000  | Restated<br>US\$'000 |
| <b>Cash flows from operating activities</b>                                            |           |                      |
| <b>Loss before tax</b>                                                                 | (7,515)   | (12,896)             |
| Adjustments for:                                                                       |           |                      |
| Interest income                                                                        | (1,505)   | (1,458)              |
| Interest expense                                                                       | 9,902     | 8,049                |
| Amortisation of land use rights                                                        | 591       | 581                  |
| Depreciation expense                                                                   | 7,347     | 5,052                |
| Increase in provision for employment pension benefits                                  | 563       | 567                  |
| Loss on disposal of property, plant and equipment                                      | 15        | 34                   |
| Impairment loss on property, plant and equipment                                       | 852       | -                    |
| Gain on fair value changes in consumable biological assets                             | (60)      | -                    |
| (Gain)/loss on fair value changes in other receivables                                 | (74)      | 739                  |
| Share of result of equity-accounted joint ventures                                     | (2,009)   | 1,556                |
| Net effect of exchange rate changes in consolidating entities                          | (565)     | (816)                |
| <b>Operating cash flows before changes in working capital</b>                          | 7,542     | 1,408                |
| Inventories                                                                            | 1,092     | (1,121)              |
| Trade and other receivables                                                            | (2,853)   | (7,295)              |
| Other assets                                                                           | 1,428     | 1,537                |
| Trade and other payables                                                               | 13,947    | 22,581               |
| Other financial liabilities                                                            | 1,201     | 2,152                |
| Net cash flows from operations before tax                                              | 22,357    | 19,262               |
| Income taxes paid                                                                      | (1,093)   | (255)                |
| <b>Net cash flows from operating activities</b>                                        | 21,264    | 19,007               |
| <b>Cash flows used in investing activities</b>                                         |           |                      |
| Disposal of property, plant and equipment                                              | 20        | 629                  |
| Purchase of property, plant and equipment                                              | (10,545)  | (6,633)              |
| Additions to biological assets                                                         | (2,031)   | (5,334)              |
| Purchase of land use rights                                                            | (590)     | (1,029)              |
| Interest received                                                                      | 398       | 1,458                |
| <b>Net cash flows used in investing activities</b>                                     | (12,748)  | (10,909)             |
| <b>Cash flows from financing activities</b>                                            |           |                      |
| Proceeds from borrowings                                                               | 116,122   | 62,349               |
| Repayment of borrowings                                                                | (104,852) | (65,495)             |
| Finance lease movement                                                                 | (405)     | (567)                |
| Interest paid                                                                          | (11,902)  | (10,356)             |
| <b>Net cash flows used in financing activities</b>                                     | (1,037)   | (14,069)             |
| Net increase/(decrease) in cash and cash equivalents                                   | 7,479     | (5,971)              |
| Cash and cash equivalents, consolidated statement of cash flows, beginning balance     | 8,196     | 14,124               |
| Cash and cash equivalents, consolidated statement of cash flows, ending balance        | 15,675    | 8,153                |
| Cash and cash equivalents included in consolidated cash flow consist of the following: |           |                      |
| Balance as in statement of financial position                                          | 17,019    | 10,601               |
| Less : Bank overdraft                                                                  | (1,344)   | (2,448)              |
| Cash and cash equivalents at the end of the period                                     | 15,675    | 8,153                |

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**1 (d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| <b>GROUP</b>                                 | <b>Share Capital<br/>US\$'000</b> | <b>Retained Earnings<br/>US\$'000</b> | <b>Translation Reserves<br/>US\$'000</b> | <b>Other Reserves<br/>US\$'000</b> | <b>Reserve on Post-<br/>Employment<br/>Benefit<br/>US\$'000</b> | <b>Total<br/>US\$'000</b> | <b>Non-Controlling<br/>Interests<br/>US\$'000</b> | <b>Total Equity<br/>US\$'000</b> |
|----------------------------------------------|-----------------------------------|---------------------------------------|------------------------------------------|------------------------------------|-----------------------------------------------------------------|---------------------------|---------------------------------------------------|----------------------------------|
| Balance as at 1/1/2016                       | 93,860                            | 123,245                               | (74,085)                                 | 2,485                              | -                                                               | 145,505                   | -                                                 | 145,505                          |
| Cumulative effects of adopting FRS16 & FRS41 | -                                 | (131,070)                             | 32,437                                   | -                                  | -                                                               | (98,633)                  | -                                                 | (98,633)                         |
| Balance as at 1/1/2016 (Restated)            | 93,860                            | (7,825)                               | (41,648)                                 | 2,485                              | -                                                               | 46,872                    | -                                                 | 46,872                           |
| Total comprehensive income/(loss)            | -                                 | (5,965)                               | 4,113                                    | -                                  | -                                                               | (1,852)                   | -                                                 | (1,852)                          |
| Balance as at 30/06/2016                     | <b>93,860</b>                     | <b>(13,790)</b>                       | <b>(37,535)</b>                          | <b>2,485</b>                       | -                                                               | <b>45,020</b>             | -                                                 | <b>45,020</b>                    |
| Balance as at 1/1/2015                       | 93,860                            | 139,733                               | (63,348)                                 | 2,485                              | -                                                               | 172,730                   | 5                                                 | 172,735                          |
| Cumulative effects of adopting FRS16 & FRS41 | -                                 | (126,656)                             | 23,971                                   | -                                  | -                                                               | (102,685)                 | -                                                 | (102,685)                        |
| Balance as at 1/1/2015 (Restated)            | 93,860                            | 13,077                                | (39,377)                                 | 2,485                              | -                                                               | 70,045                    | 5                                                 | 70,050                           |
| Total comprehensive income/(loss)            | -                                 | (10,788)                              | (4,190)                                  | -                                  | -                                                               | (14,978)                  | -                                                 | (14,978)                         |
| Balance as at 30/06/2015                     | <b>93,860</b>                     | <b>2,289</b>                          | <b>(43,567)</b>                          | <b>2,485</b>                       | -                                                               | <b>55,067</b>             | <b>5</b>                                          | <b>55,072</b>                    |

  

| <b>COMPANY</b>                    | <b>Share Capital<br/>US\$'000</b> | <b>Retained Earnings<br/>US\$'000</b> | <b>Translation Reserves<br/>US\$'000</b> | <b>Total Equity<br/>US\$'000</b> |
|-----------------------------------|-----------------------------------|---------------------------------------|------------------------------------------|----------------------------------|
| Balance as at 1/1/2016            | 93,860                            | (4,751)                               | (24,607)                                 | 64,502                           |
| Total comprehensive income/(loss) | -                                 | (708)                                 | 3,002                                    | 2,294                            |
| Balance as at 30/06/2016          | <b>93,860</b>                     | <b>(5,459)</b>                        | <b>(21,605)</b>                          | <b>66,796</b>                    |
| Balance as at 1/1/2015            | 93,860                            | (4,487)                               | (17,563)                                 | 71,810                           |
| Total comprehensive income/(loss) | -                                 | 244                                   | (3,749)                                  | (3,505)                          |
| Balance as at 30/06/2015          | <b>93,860</b>                     | <b>(4,243)</b>                        | <b>(21,312)</b>                          | <b>68,305</b>                    |

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**1 (d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Not Applicable.

**1 (d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares (the Company has not held any treasury shares):

As at 30 June 2016

As at 31 December 2015

287,011,177

287,011,177

**1 (d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial statements have not been audited or reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

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## **4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The same accounting policies and methods of computation have been applied in these unaudited financial statements as those applied in the most recently audited financial statements as at 31 December 2015, except for the adoption of the new revised FRS which became effective for the financial year beginning on or after 1 January 2016. Further details are provided in note 5 below.

## **5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of the change.**

### Amendments to FRS 16 and FRS 41 Agriculture – Bearer Plants

The Group adopted the amendments to FRS 16 and FRS 41 with effect from January 2016. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, bearer plants will be measured under FRS 16 at accumulated cost until maturity. From maturity, any subsequent costs are expensed unless they enhance the future economic benefits of the assets. The agricultural produce growing on bearer plants remain within the scope of FRS 41 will be measured at fair value less costs to sell. We have applied these amendments retrospectively.

Based on its initial adoption on 1 January 2016, the Group's had to restate the statement of financial position as at 1 January 2015 as required by FRS 8 to be applied retrospectively. As at 1 January 2015 the total assets and deferred tax liabilities decreased approximately US\$131.5 million and US\$32.9 million respectively corresponding to a decrease of US\$98.6 million in total equity.

## **6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

|                                                | 2nd Quarter |                      | Jan - Jun   |                      |
|------------------------------------------------|-------------|----------------------|-------------|----------------------|
|                                                | 2016        | 2015                 | 2016        | 2015                 |
|                                                | US Cents    | Restated<br>US Cents | US Cents    | Restated<br>US Cents |
| Loss per share for the period                  |             |                      |             |                      |
| (a) based on weighted average number of shares | (2.35)      | (1.02)               | (2.08)      | (3.76)               |
| (b) based on a fully diluted basis             | (2.35)      | (1.02)               | (2.08)      | (3.76)               |
| Weighted number of shares                      | 287,011,177 | 287,011,177          | 287,011,177 | 287,011,177          |

The Company consolidated 4 ordinary shares into 1 ordinary share in the capital of the Company on 29 December 2015 and the weighted average number of ordinary shares in issue used for the calculation of earnings per share for the quarter ended 30 June 2015 has been adjusted for the effect of the share consolidation.

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**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.**

|                                    | Group                        |                              | Company                      |                              |
|------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
|                                    | As at 30/06/2016<br>US Cents | As at 31/12/2015<br>US Cents | As at 30/06/2016<br>US Cents | As at 31/12/2015<br>US Cents |
| Net asset value per ordinary share | 15.69                        | 16.33                        | 23.27                        | 22.47                        |
| Number of shares outstanding       | 287,011,177                  | 287,011,177                  | 287,011,177                  | 287,011,177                  |

Net assets value per ordinary share for 30 June 2016 and 31 December 2015 are calculated based on value of net assets as at 30 June 2016 and 31 December 2015 respectively, divided by the total number of issued shares of 287,011,177.

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

## Review of financial performance

### 2Q 2016 vs 2Q 2015

#### **Revenue and profit**

The Group's revenue decreased by 7% from US\$35.5 million in 2Q 2015 to US\$33.0 million in 2Q 2016. The decrease was mainly due to lower CPO sales volume due to low production caused by very dry weather and offset by higher Average Selling Price ("ASP") of CPO during the quarter. Sales volume of CPO decreased approximately 14% from 56,016 MT in 2Q 2015 to 48,106 MT in 2Q 2016, whereas ASP of CPO increased approximately 9% from US\$563 to US\$611.

The Group's Operating Profit ("OP") decreased from US\$1.0 million in 2Q 2015 to an operating loss of US\$3.6 million in 2Q 2016 and Net Loss After Tax ("NLAT") increased from US\$2.9 million to US\$6.7 million. The decrease in OP was mainly due to lower sales volume of CPO as compared to 2Q 2015. The increase in NLAT was similarly due to lower sales volume of CPO as mentioned above, higher interest expense and impairment loss recorded in the quarter in relation to vessels amounting to approximately US\$0.9 million.

#### **Cost of operation**

Cost of sales increased by 5% from US\$31.0 million in 2Q 2015 to US\$32.4 million in 2Q 2016. The increase was mainly due to higher depreciation charge from bearer plants as well as plant and equipment as matured area has increased and also the depreciation for a newly constructed mill. Gross margin declined as a result of lower sales volume and higher depreciation charge as mentioned above.

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The Group recorded an increase in distribution costs mainly due to higher CIF sales for the quarter. Administrative expenses decreased 8% from US\$2.8 million in 2Q 2015 to US\$2.6 million in 2Q 2016 mainly due to lower staff costs and bank charges. Other losses comprise mainly of the impairment loss mentioned above.

The increase in interest expense was mainly due to the increase in borrowings and interests expensed instead of capitalised as more trees matured.

## 1H 2016 vs 1H 2015

### **Revenue and profit**

The Group's revenue decreased by 9% from US\$67.8 million in 1H 2015 to US\$61.8 million in 1H 2016. The decrease was mainly due to lower sales volume of CPO and also slightly lower ASP of CPO during the period. ASP of CPO decreased approximately 3% from US\$572 to US\$557 while sales volume of CPO decreased approximately 4% from 102,698 MT in 1H 2015 to 98,370 MT in 1H 2016.

The Group's OP for decreased from US\$2.5 million in 1H 2015 to a loss of US\$4.2 million in 1H 2016 and NLAT decrease from US\$10.8 million to US\$6.0 million. The decrease in OP was mainly due to lower sales volume of CPO, higher depreciation charge and impairment loss for vessels. The decrease in NLAT was mainly due to favorable foreign exchange movement in IDR as compared to 1H 2015 which led to a gain on foreign exchange and financial derivatives offset by higher interest expense for the period.

### **Cost of operation**

Cost of sales increased by 1% from US\$58.4 million in 1H 2015 to US\$58.9 million in 1H 2016. The increase was mainly due to higher depreciation charge from bearer plants as well as plant and equipment as matured area has increased and also the depreciation for a newly constructed mill.

The Group recorded an increase in distribution costs mainly due to higher CIF sales for the period.

Administrative expenses decreased 7% from US\$5.3 million in 1H 2015 to US\$4.9 million in 1H 2016 mainly due to lower staff costs and bank charges for the period.

Other losses comprise mainly of impairment loss on vessels of US\$0.9 million.

The increase in interest expense was mainly due to the increase in borrowings and interests expensed instead of capitalised as more trees matured.

## Review of financial position

The Group

Shareholders' equity decreased from US\$46.9 million as at 31 December 2015 to US\$45.0 million as at 30 June 2016 due to loss for the financial period of US\$6.0 million offset by translation gain of US\$4.1 million.

As at 30 June 2016, the Group's total current assets increased by US\$9.9 million from US\$52.6 million to US\$62.5 million. Save for the movement in cash and cash equivalents as explained in cash flow section below, the remaining movement in current assets arose mainly from the increase in trade receivables amounting to US\$3.0 million as a result of sales made in late 1H 2016.

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Total non-current assets as at 30 June 2016 increased by US\$22.4 million from US\$320.8 million to US\$343.2 million. This was mainly due to the following:

- a) increase of US\$4.0 million of other receivables, attributable mainly to foreign exchange translation and advances made under the plasma programme.
- b) increase of US\$3.9 million in property, plant and equipment. This was largely due to foreign exchange translation and offset by depreciation charges.
- c) increase of US\$8.9 million in bearer plant. This was similarly due to foreign exchange translation and additions during the period offset by depreciation charges.

Total current liabilities as at 30 June 2016 increased by US\$9.9 million from US\$105.0 million to US\$114.9 million. This was mainly due to the increase in trade and other payables of US\$11.7 million coming from trade advances.

Total non-current liabilities as at 30 June 2016 increased by US\$24.2 million from US\$221.5 million to US\$245.7 million. This was mainly due to the increase in trade and other payables of US\$5.5 million coming from trade advances and increase in long-term borrowings of US\$18.2 million due to foreign exchange translation and new loans obtained during the period.

The Group reported a negative working capital of US\$52.0 million as of end June 2016. This is mainly due to a large portion of borrowings used to invest in long term plantation assets..

## **Review of Group Cash flows**

The closing cash and cash equivalents of the Group increased by US\$7.5 million from US\$8.2 million as at 31 December 2015 to US\$15.7 million as at 30 June 2016. The increase was due to net cash inflows from operating, offset by cash outflow from investing and financing activities.

The Group's operating cash flows were higher in 1H2016 compared to 1H 2015. This was mainly due to more trade advances received in 1H 2016.

The Group reported net cash out flows from investing activities of US\$12.7 million mainly due to additions to property, plant and equipment and biological assets. Net cash flows from financing activities were negative US\$1.0 million mainly due to repayment of borrowings and interests, offset by proceeds from borrowings.

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**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The dry weather from the El Niño affected global palm oil production in 1H2016 and its effect is likely to continue into 2H2016. The tighter supply however, resulted in only a modest increase in CPO prices in 1H2016 as there were other factors of influence namely: falling demand from China and India, record production of soybean and falling soy oil prices, low crude oil prices, below expectation implementation of biodiesel mandates in Indonesia and Malaysia and poor economic sentiment worldwide. We expect prices to continue to remain volatile in 2H2016 and our focus will remain on productivity and cost control so as to be competitive in this challenging environment.

## **11. Dividend**

(a) *Current Financial Period Reported On*  
Nil

(b) *Corresponding Period of the Immediately Preceding Financial Year*  
Nil

(c) *Date payable*  
Not applicable.

(d) *Books closure date*  
Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect.**

No dividend has been declared or recommended for the first half ended 30 June 2016.

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**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

| Name of interested person                                                                                      | Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                | 1H 2016                                                                                                                                                                                                        | 1H 2016                                                                                                                                                        |
|                                                                                                                | <u>US\$'000</u>                                                                                                                                                                                                | <u>US\$'000</u>                                                                                                                                                |
| Wilmar Group (Sales)                                                                                           | –                                                                                                                                                                                                              | –                                                                                                                                                              |
| Wilmar Group (Purchases)                                                                                       | –                                                                                                                                                                                                              | 1,597                                                                                                                                                          |
| PT Berkat Wahana Sukses (Services Received)                                                                    | –                                                                                                                                                                                                              | –                                                                                                                                                              |
| PT Berkat Wahana Sukses (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)       | 510                                                                                                                                                                                                            | –                                                                                                                                                              |
| PT Alamindo Sejahtera Persada (Services Received)                                                              | –                                                                                                                                                                                                              | –                                                                                                                                                              |
| PT Alamindo Sejahtera Persada (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012) | –                                                                                                                                                                                                              | –                                                                                                                                                              |

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## ***14. Negative confirmation by the Board pursuant to Rule 705(5).***

The Directors do hereby confirm that to the best of their knowledge, nothing has come to their attention which would render the unaudited financial statements for the period ended 30 June 2016 to be false or misleading in any material aspect.

## ***15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).***

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Kent Surya  
Finance Director  
11 August 2016