

# KENCANA AGRI LIMITED

(Registration Number: 200717793E)



## UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018

**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

|                                                                    | Jan - Dec |           |        |
|--------------------------------------------------------------------|-----------|-----------|--------|
|                                                                    | 2018      | 2017      | Change |
|                                                                    | US\$'000  | US\$'000  | %      |
| <b>Revenue</b>                                                     | 124,981   | 149,060   | -16.2% |
| Cost of sales                                                      | (100,636) | (118,568) | -15.1% |
| <b>Gross profit</b>                                                | 24,345    | 30,492    | -20.2% |
| Fair value changes of biological assets and other receivables, net | (7,009)   | 4,684     | n/m    |
| Distribution costs                                                 | (2,148)   | (2,113)   | 1.6%   |
| Administrative expenses                                            | (9,745)   | (8,648)   | 12.7%  |
| Other gains/(losses), net                                          | 1,479     | (36)      | n/m    |
| <b>Operating profit</b>                                            | 6,922     | 24,379    | -71.6% |
| Loss on foreign exchange                                           | (14,409)  | (2,359)   | 510.8% |
| Fair value changes of derivative financial instruments             | 287       | 693       | -58.6% |
| Interest income                                                    | 3,680     | 3,414     | 7.8%   |
| Interest expense                                                   | (19,057)  | (20,771)  | -8.3%  |
| Share of results from equity-accounted joint ventures              | (4,497)   | (2,534)   | 77.5%  |
| Gain on disposal of joint venture, net                             | -         | 8,161     | n/m    |
| <b>(Loss)/profit before income tax</b>                             | (27,074)  | 10,983    | n/m    |
| Income tax benefit/(expense)                                       | 3,226     | (5,995)   | n/m    |
| <b>Net (loss)/profit for the period</b>                            | (23,848)  | 4,988     | n/m    |

*n/m : not meaningful*

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

|                                                            | Jan - Dec        |                  |             |
|------------------------------------------------------------|------------------|------------------|-------------|
|                                                            | 2018<br>US\$'000 | 2017<br>US\$'000 | Change<br>% |
| Depreciation and amortisation expenses                     | 16,231           | 15,829           | 3%          |
| Loss on foreign exchange                                   | 14,409           | 2,359            | 511%        |
| Fair value changes of derivative financial instruments     | (287)            | (693)            | -59%        |
| Interest expense                                           | 19,057           | 20,771           | -8%         |
| Interest income                                            | (3,680)          | (3,414)          | 8%          |
| Fair value changes of biological assets                    | 7,430            | (4,264)          | n/m         |
| Fair value changes of other receivables                    | (421)            | (420)            | 0%          |
| (Gain)/loss on disposal of property, plant and equipment   | (40)             | 108              | n/m         |
| Loss on disposal of assets held for sale                   | 190              | -                | n/m         |
| Gain on disposal of bearer plants                          | (18)             | -                | n/m         |
| Gain on disposal of subsidiary                             | (92)             | -                | n/m         |
| Gain on disposal of joint venture                          | -                | (9,087)          | n/m         |
| Impairment on other receivables (joint venture)            | -                | 926              | n/m         |
| Impairment on other receivables                            | -                | 104              | n/m         |
| Inventories written-off                                    | 34               | 349              | -90%        |
| Tax assessment results                                     | 104              | 52               | 100%        |
| <br><u>Additional information :</u>                        |                  |                  |             |
| EBITDA (excluding fair value changes of biological assets) | 11,964           | 39,905           | -70%        |

*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

|                                                                                                       | Jan - Dec       |              |        |
|-------------------------------------------------------------------------------------------------------|-----------------|--------------|--------|
|                                                                                                       | 2018            | 2017         | Change |
|                                                                                                       | US\$'000        | US\$'000     | %      |
| Net (loss)/profit for the period                                                                      | (23,848)        | 4,988        | n/m    |
| <b>Other comprehensive (loss)/income</b>                                                              |                 |              |        |
| <b>Items that may be reclassified subsequently to profit or loss:</b>                                 |                 |              |        |
| Exchange differences on translating IDR functional currency to US\$ presentation currency, net of tax | (2,494)         | (267)        | 834%   |
| <b>Items that may not be reclassified subsequently to profit or loss:</b>                             |                 |              |        |
| Actuarial (loss)/income on post-employment benefits                                                   | (84)            | 242          | n/m    |
| Total comprehensive (loss)/income for the period                                                      | <u>(26,426)</u> | <u>4,963</u> | n/m    |
| (Loss)/profit attributable to owners of the parent, net of tax                                        | (23,848)        | 4,988        | n/m    |
| (Loss)/profit attributable to non-controlling interests, net of tax                                   | -               | -            | n/m    |
| (Loss)/profit for the period, net of tax                                                              | <u>(23,848)</u> | <u>4,988</u> | n/m    |
| Total comprehensive (loss)/income attributable to owners of the parent                                | (26,426)        | 4,963        | n/m    |
| Total comprehensive (loss)/income attributable to non-controlling interests                           | -               | -            | n/m    |
| Total comprehensive (loss)/income for the period                                                      | <u>(26,426)</u> | <u>4,963</u> | n/m    |

*n/m : not meaningful*

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## 1 (b) (i) 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 31/12/18<br>US\$'000 | As at 31/12/2017<br>US\$'000 | As at 31/12/18<br>US\$'000 | As at 31/12/2017<br>US\$'000 |
| <b>ASSETS</b>                                   |                            |                              |                            |                              |
| <b>Current assets:</b>                          |                            |                              |                            |                              |
| Cash and cash equivalents                       | 17,351                     | 17,391                       | 20                         | 33                           |
| Trade and other receivables                     | 31,047                     | 30,193                       | 32,934                     | 38,708                       |
| Inventories                                     | 12,976                     | 8,463                        | -                          | -                            |
| Biological assets                               | 5,681                      | 14,099                       | -                          | -                            |
| Other assets                                    | 2,160                      | 6,850                        | 1                          | 1                            |
| Assets held for sale                            | -                          | 1,314                        | -                          | -                            |
| <b>Total current assets</b>                     | <b>69,215</b>              | <b>78,310</b>                | <b>32,955</b>              | <b>38,742</b>                |
| <b>Non-current assets:</b>                      |                            |                              |                            |                              |
| Investments in subsidiaries                     | -                          | -                            | 36,351                     | 39,160                       |
| Investments in joint ventures                   | -                          | -                            | -                          | -                            |
| Other receivables                               | 13,199                     | 21,453                       | -                          | -                            |
| Property, plant and equipment                   | 82,832                     | 83,923                       | -                          | -                            |
| Investment property                             | 2,350                      | 2,376                        | -                          | -                            |
| Bearer plants                                   | 142,685                    | 157,866                      | -                          | -                            |
| Land use rights                                 | 34,749                     | 38,479                       | -                          | -                            |
| Deferred tax assets                             | 11,657                     | 8,172                        | -                          | -                            |
| Other assets                                    | 642                        | 686                          | -                          | -                            |
| <b>Total non-current assets</b>                 | <b>288,114</b>             | <b>312,955</b>               | <b>36,351</b>              | <b>39,160</b>                |
| <b>TOTAL ASSETS</b>                             | <b>357,329</b>             | <b>391,265</b>               | <b>69,306</b>              | <b>77,902</b>                |
| <b>LIABILITIES AND EQUITY</b>                   |                            |                              |                            |                              |
| <b>Current liabilities:</b>                     |                            |                              |                            |                              |
| Income tax payables                             | 659                        | 1,940                        | -                          | -                            |
| Trade and other payables                        | 58,131                     | 43,961                       | 1,769                      | 1,940                        |
| Finance leases                                  | 216                        | 245                          | -                          | -                            |
| Other financial liabilities                     | 73,331                     | 51,267                       | -                          | -                            |
| <b>Total current liabilities</b>                | <b>132,337</b>             | <b>97,413</b>                | <b>1,769</b>               | <b>1,940</b>                 |
| <b>Non-current liabilities:</b>                 |                            |                              |                            |                              |
| Deferred tax liabilities                        | 383                        | 1,564                        | -                          | -                            |
| Finance leases                                  | 127                        | 244                          | -                          | -                            |
| Other financial liabilities                     | 197,890                    | 239,152                      | -                          | -                            |
| Other liabilities                               | 4,448                      | 4,322                        | -                          | -                            |
| <b>Total non-current liabilities</b>            | <b>202,848</b>             | <b>245,282</b>               | <b>-</b>                   | <b>-</b>                     |
| <b>Capital and reserves:</b>                    |                            |                              |                            |                              |
| Share capital                                   | 93,860                     | 93,860                       | 93,860                     | 93,860                       |
| Other reserve                                   | 2,485                      | 2,485                        | -                          | -                            |
| (Accumulated losses)/retained earnings          | (32,042)                   | (8,110)                      | 2,116                      | 5,652                        |
| Translation reserve                             | (42,159)                   | (39,665)                     | (28,439)                   | (23,550)                     |
| Equity attributable to the owners of the parent | 22,144                     | 48,570                       | 67,537                     | 75,962                       |
| Non-controlling interests                       | -                          | -                            | -                          | -                            |
| <b>Total equity</b>                             | <b>22,144</b>              | <b>48,570</b>                | <b>67,537</b>              | <b>75,962</b>                |
| <b>TOTAL LIABILITIES AND EQUITY</b>             | <b>357,329</b>             | <b>391,265</b>               | <b>69,306</b>              | <b>77,902</b>                |

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## **1 (c) Aggregate amount of group's borrowings and debt securities.**

|                               | As at 31/12/2018<br>US\$'000 | As at 31/12/2017<br>US\$'000 |
|-------------------------------|------------------------------|------------------------------|
| Amount due within one year    |                              |                              |
| Secured                       | <u>73,547</u>                | <u>51,512</u>                |
| Amount due more than one year |                              |                              |
| Secured                       | <u>198,017</u>               | <u>239,396</u>               |

The secured borrowings are secured by way of negative pledges on certain deposits, inventories, trade receivables, land use rights, investment property, bearer plants, property, plant and equipment and biological assets of the Group.

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## 1 (d) Statement of cash flows (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

|                                                                                                      | Jan - Dec        |                  |
|------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                      | 2018<br>US\$'000 | 2017<br>US\$'000 |
| <b>Cash flows from operating activities</b>                                                          |                  |                  |
| <b>(Loss)/profit before tax</b>                                                                      | (27,074)         | 10,983           |
| Adjustments for:                                                                                     |                  |                  |
| Interest income                                                                                      | (3,680)          | (3,414)          |
| Interest expense                                                                                     | 19,057           | 20,771           |
| Amortisation of land use rights                                                                      | 1,212            | 1,274            |
| Depreciation expense                                                                                 | 15,019           | 14,555           |
| Fair value changes in biological assets                                                              | 7,430            | (4,264)          |
| Fair value changes in other receivables                                                              | (421)            | (420)            |
| Increase in provision for employment pension benefits                                                | 351              | 283              |
| (Gain)/Loss on disposal of property, plant and equipment                                             | (40)             | 108              |
| Loss on disposal of assets held for sale                                                             | 190              | -                |
| Gain on disposal of bearer plants                                                                    | (18)             | -                |
| Gain on disposal of subsidiary                                                                       | (92)             | -                |
| Gain on disposal of joint venture                                                                    | -                | (9,087)          |
| Impairment on other receivables (joint venture)                                                      | -                | 926              |
| Share of results from equity-accounted joint ventures                                                | 4,497            | 2,534            |
| Net effect of exchange rate changes in consolidating entities                                        | 8,353            | 1,464            |
| <b>Operating cash flows before changes in working capital</b>                                        | 24,784           | 35,713           |
| Inventories                                                                                          | (5,128)          | 1,485            |
| Trade and other receivables                                                                          | (1,590)          | (5,981)          |
| Other assets                                                                                         | 3,746            | (2,652)          |
| Trade and other payables                                                                             | 17,906           | (8,924)          |
| Other financial liabilities                                                                          | (287)            | (507)            |
| Net cash flows from operations before tax                                                            | 39,431           | 19,134           |
| Income taxes paid                                                                                    | (2,947)          | (6,065)          |
| <b>Net cash flows from operating activities</b>                                                      | 36,484           | 13,069           |
| <b>Cash flows from investing activities</b>                                                          |                  |                  |
| Purchase of property, plant and equipment                                                            | (9,909)          | (4,351)          |
| Disposal of property, plant and equipment                                                            | 706              | 576              |
| Disposal of assets held for sale                                                                     | 1,061            | -                |
| Additions to bearer plants                                                                           | (2,958)          | (2,577)          |
| Disposal of bearer plants                                                                            | 842              | -                |
| Purchase of land use rights                                                                          | (433)            | (1,793)          |
| Disposal of subsidiary                                                                               | 97               | -                |
| Interest received                                                                                    | 568              | 711              |
| Proceeds from disposal of joint venture                                                              | -                | 14,752           |
| Proceeds from repayment of loan (joint venture)                                                      | -                | 3,550            |
| <b>Net cash flows (used in)/from investing activities</b>                                            | (10,026)         | 10,868           |
| <b>Cash flows from financing activities</b>                                                          |                  |                  |
| Proceeds from borrowings                                                                             | 229,775          | 180,880          |
| Repayment of borrowings                                                                              | (234,075)        | (176,003)        |
| Finance lease repayments                                                                             | (242)            | (420)            |
| Interest paid                                                                                        | (20,699)         | (23,749)         |
| <b>Net cash flows used in financing activities</b>                                                   | (25,241)         | (19,292)         |
| Net increase in cash and cash equivalents                                                            | 1,217            | 4,645            |
| Net effect of exchange rate changes on cash and cash equivalents                                     | (1,120)          | (110)            |
| Cash and cash equivalents, consolidated statement of cash flows, beginning balance                   | 16,692           | 12,157           |
| Cash and cash equivalents, consolidated statement of cash flows, ending balance                      | 16,789           | 16,692           |
| Cash and cash equivalents included in consolidated statement of cash flows consist of the following: |                  |                  |
| Balance as in statement of financial position (including cash restricted in use)                     | 17,351           | 17,391           |
| Less : Bank overdraft                                                                                | (562)            | (699)            |
| Cash and cash equivalents for consolidated statement of cash flows purposes                          | 16,789           | 16,692           |

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**1 (e) 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.**

| GROUP                               |                           |                                   |                                 |                           | Reserve on Post-Employment |                   |                                          |                          |
|-------------------------------------|---------------------------|-----------------------------------|---------------------------------|---------------------------|----------------------------|-------------------|------------------------------------------|--------------------------|
|                                     | Share Capital<br>US\$'000 | Accumulated<br>Losses<br>US\$'000 | Translation Reserve<br>US\$'000 | Other Reserve<br>US\$'000 | Benefit<br>US\$'000        | Total<br>US\$'000 | Non-Controlling<br>Interests<br>US\$'000 | Total Equity<br>US\$'000 |
| Balance as at 1/1/2018              | 93,860                    | (8,110)                           | (39,665)                        | 2,485                     | -                          | 48,570            | -                                        | 48,570                   |
| Total comprehensive loss            | -                         | (23,848)                          | (2,494)                         | -                         | (84)                       | (26,426)          | -                                        | (26,426)                 |
| Transferred to accumulated losses   | -                         | (84)                              | -                               | -                         | 84                         | -                 | -                                        | -                        |
| Balance as at 31/12/2018            | 93,860                    | (32,042)                          | (42,159)                        | 2,485                     | -                          | 22,144            | -                                        | 22,144                   |
|                                     |                           |                                   |                                 |                           |                            |                   |                                          |                          |
| Balance as at 1/1/2017              | 93,860                    | (13,340)                          | (39,398)                        | 2,485                     | -                          | 43,607            | -                                        | 43,607                   |
| Total comprehensive income / (loss) | -                         | 4,988                             | (267)                           | -                         | 242                        | 4,963             | -                                        | 4,963                    |
| Transferred to accumulated losses   | -                         | 242                               | -                               | -                         | (242)                      | -                 | -                                        | -                        |
| Balance as at 31/12/2017            | 93,860                    | (8,110)                           | (39,665)                        | 2,485                     | -                          | 48,570            | -                                        | 48,570                   |
|                                     |                           |                                   |                                 |                           |                            |                   |                                          |                          |
| COMPANY                             | Share Capital<br>US\$'000 | Retained Earnings<br>US\$'000     | Translation Reserve<br>US\$'000 | Total Equity<br>US\$'000  |                            |                   |                                          |                          |
| Balance as at 1/1/2018              | 93,860                    | 5,652                             | (23,550)                        | 75,962                    |                            |                   |                                          |                          |
| Total comprehensive loss            | -                         | (3,536)                           | (4,889)                         | (8,425)                   |                            |                   |                                          |                          |
| Balance as at 31/12/2018            | 93,860                    | 2,116                             | (28,439)                        | 67,537                    |                            |                   |                                          |                          |
|                                     |                           |                                   |                                 |                           |                            |                   |                                          |                          |
| Balance as at 1/1/2017              | 93,860                    | (5,384)                           | (22,881)                        | 65,595                    |                            |                   |                                          |                          |
| Total comprehensive income / (loss) | -                         | 11,036                            | (669)                           | 10,367                    |                            |                   |                                          |                          |
| Balance as at 31/12/2017            | 93,860                    | 5,652                             | (23,550)                        | 75,962                    |                            |                   |                                          |                          |

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**1 (f) 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 31 December 2018

287,011,177

As at 31 December 2017

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.

**1 (d) (v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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.



**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 2017, except for the adoption of the new or revised Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for the financial year beginning on or after 1 January 2018. 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.**

SFRS(I) 9 Financial Instruments

SFRS(I) 9 contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. SFRS(I) 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, SFRS(I) 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. For the impairment of financial assets, SFRS(I) 9 introduces an "expected credit loss" ("ECL") model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. The recognition and derecognition provisions are carried over almost unchanged from SFRS(I) 1-39.

The Group has assessed there is no material impact upon the application of SFRS(I) 9 on the financial position and financial performance of the Group, apart from providing more extensive disclosures on the Group's financial instruments.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.).

The Group has assessed that there is no material impact on the financial statements in the year of initial application, except for the reclassification of financing charges on long term advance payment from a customer and the reclassification of variable considerations in relation to quality claims by customers.

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The comparatives have been restated with the following impact as a result of the adoption of the SFRS(I) 15:

|                   | As restated<br>Jan - Dec 2017<br>US\$'000 | As previously<br>reported<br>Jan - Dec 2017<br>US\$'000 | Change<br>US\$'000 |
|-------------------|-------------------------------------------|---------------------------------------------------------|--------------------|
| Revenue           | 149,060                                   | 148,096                                                 | 964                |
| Distribution cost | (2,113)                                   | (2,368)                                                 | 255                |
| Interest expense  | (20,771)                                  | (19,552)                                                | (1,219)            |

## Application of SFRS(I) 1 First-time adoption of SFRS(I)

Companies listed on the Singapore Exchange ("SGX") are required to comply with new Singapore Financial Reporting Standards (International) (SFRS(I)s) (issued by the Singapore Accounting Standards Council) that would be equivalent to the International Financial Reporting Standards ("IFRS") (issued by the International Accounting Standards Board (IASB)) for reporting years beginning on or after 1 January 2018. The new framework is referred to as SFRS(I)s. The Group has performed an assessment of the impact of adopting SFRS(I) based on the current available information. There is no material impact on the financial statements upon transition to the new financial reporting framework.

## ***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.***

|                                                | Jan - Dec   |             |
|------------------------------------------------|-------------|-------------|
|                                                | 2018        | 2017        |
|                                                | US Cents    | US Cents    |
| (Loss)/earnings per share for the period       |             |             |
| (a) based on weighted average number of shares | (8.31)      | 1.74        |
| (b) based on a fully diluted basis             | (8.31)      | 1.74        |
| Weighted number of shares                      | 287,011,177 | 287,011,177 |

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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 31/12/2018<br>US Cents | As at 31/12/2017<br>US Cents | As at 31/12/2018<br>US Cents | As at 31/12/2017<br>US Cents |
| Net asset value per ordinary share | 7.72                         | 16.92                        | 23.53                        | 26.47                        |
| Number of shares outstanding       | 287,011,177                  | 287,011,177                  | 287,011,177                  | 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

### Revenue and profit

The Group's revenue decreased by 16% from US\$149.1 million in 2017 to US\$125.0 million in 2018. The decrease was mainly due to lower Average Selling Price ("ASP") of Crude Palm Oil ("CPO") offset by higher sales volume. ASP of CPO decreased 20% from US\$623 in 2017 to US\$498 in 2018 whereas sales volume of CPO increased by approximately 5% from 198,565 MT in 2017 to 208,386 MT in 2018. The Group recorded an Operating Profit ("OP") of US\$6.9 million in 2018 and a Net Loss for the Year of US\$23.8 million in 2018. The Net Loss for the Year in 2018 was mainly due to lower ASP, fair value loss of biological assets, increase in foreign exchange loss as a result of the IDR weakening against the USD and share of loss from equity accounted joint venture.

### Cost of operation

Cost of sales decreased by 15% from US\$118.6 million in 2017 to US\$100.6 million in 2018. The decrease was in line with the decrease in revenue. Gross margin was lower mainly due to lower ASP. CPO production increased from 147,716 MT in 2017 to 197,149 MT in 2018.

Sales and distribution costs remained fairly stable in 2018 as compared to 2017.

The Group recorded an increase in administrative expenses from US\$8.6 million in 2017 to US\$9.7 million in 2018 mainly due to an increase in depreciation expenses and fees incurred in relation to a study for sustainability compliance practices.

Other gains comprise mainly of plasma management fee income and the forfeiture of deposit related to the sale of asset offset by losses from the sale of vessels.

Interest income increased by 8% from US\$3.4 million in 2017 to US\$3.7 million in 2018. The increase was mainly due to increase in interest bearing loans to equity accounted joint venture.



## **Review of financial position**

Shareholders' equity decreased from US\$48.6 million as at 31 December 2017 to US\$22.1 million as at 31 December 2018 mainly due to the loss for the year of US\$23.8 million and a translation loss of US\$2.5 million.

The Group's total current assets decreased by US\$9.1 million from US\$78.3 million as at 31 December 2017 to US\$69.2 million as at 31 December 2018. Save for the movement in cash and cash equivalents as explained in the cash flow section below, the remaining movement in current assets arose mainly from:

- a) increase in inventories amounting to US\$4.5 million due to the purchase of more consumables during the year and higher finished goods awaiting for shipment as at 31 December 2018;
- b) decrease in biological assets amounting to US\$8.4 million due to lower production forecasted and lower FFB prices;
- c) decrease in other assets amounting to US\$4.7 million as a result of the reclassification of some advance payments to property, plant and equipment; and
- d) decrease in assets held for sale amounting to US\$1.3 million due to completion of sale of vessels.

Total non-current assets decreased by US\$24.9 million from US\$313.0 million as at 31 December 2017 to US\$288.1 million as at 31 December 2018. This was mainly due to the following:

- a) decrease in other receivables of US\$8.3 million due to receipts from plasma farmers, share of loss from Joint Venture;
- b) decrease in property, plant and equipment of US\$1.1 million due to depreciation and foreign exchange movements offset by the additions made during the year;
- c) decrease in bearer plants of US\$15.2 million mainly due to depreciation, disposal from the sale of subsidiary and foreign exchange movements offset by the additions made during the year; and
- d) increase in deferred tax assets of US\$3.5 million mainly due to additional deferred tax assets recognised in relation to losses for the year.

The Group's total current liabilities increased by US\$34.9 million from US\$97.4 million as at 31 December 2017 to US\$132.3 million as at 31 December 2018. This was mainly due to an increase in short-term borrowings, trade advances and the current portion of long-term borrowings.

Total non-current liabilities decreased by US\$42.5 million from US\$245.3 million as at 31 December 2017 to US\$202.8 million as 31 December 2018. This was mainly due to a decrease in non-current portion of long-term borrowings due to its reclassification to current portion as mentioned above.

The Group reported negative working capital of US\$63.1 million as of end of 31 December 2018. This was mainly due to a portion of borrowings used to invest in plantation assets.

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## **Review of group cash flows**

The closing cash and cash equivalents (net of bank overdrafts) of the Group increased by US\$0.1 million from US\$16.7 million as at 31 December 2017 to US\$16.8 million as at 31 December 2018. The increase was due to net cash inflow from operating activities offset by net cash outflow from investing and financing activities.

The Group's operating cash flows was higher by US\$23.4 million in 2018 as compared to 2017 mainly due to higher advances received from the customers offset by the build-up of inventory.

The Group reported a net cash outflow used in investing activities of US\$10.0 million in 2018 mainly due to the construction of the 6<sup>th</sup> palm oil mill. Net cash flows used in financing activities was US\$25.2 million mainly due to repayments of borrowings and interest offset by proceeds from new borrowings.

## ***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.***

Kencana attained a record high FFB production for FY2018. We expect production to continue to increase in 2019 with the better maturity profile barring any unforeseen weather conditions. CPO prices recovered slightly in early 2019 and we are hopeful that the Indonesian government's biodiesel programme will provide support to prices. In this challenging environment, we will focus our efforts on our core business and improving productivity and cost efficiency.

## ***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/recommendeded, a statement to that effect and the reason for the decision***

In view of our loss for the year and our capital expenditure forecasted for 2019, no dividend has been declared or recommended for the financial year ended 31 December 2018.

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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) |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   | <b>2018</b>                                                                                                                                                                                                    | <b>2018</b>                                                                                                                                                    |
|                                                   | <b><u>US\$'000</u></b>                                                                                                                                                                                         | <b><u>US\$'000</u></b>                                                                                                                                         |
| Wilmar Group (Sales)                              | -                                                                                                                                                                                                              | 10,569                                                                                                                                                         |
| Wilmar Group (Purchases)                          | -                                                                                                                                                                                                              | 4,740                                                                                                                                                          |
| PT Berkas Wahana Sukses (Services Received)       | 1,838                                                                                                                                                                                                          | -                                                                                                                                                              |
| PT Alamindo Sejahtera Persada (Services Received) | -                                                                                                                                                                                                              | -                                                                                                                                                              |

## **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 31 December 2018 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.

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**16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

## Twelve Months Ended 31 December 2018

|                                    | Plantation<br>US\$'000 | Logistic &<br>Bulking<br>US\$'000 | Elimination<br>US\$'000 | Group<br>US\$'000 |
|------------------------------------|------------------------|-----------------------------------|-------------------------|-------------------|
| <b>Revenue by Segment:</b>         |                        |                                   |                         |                   |
| Revenue from external customers    | 124,368                | 613                               | -                       | 124,981           |
| Inter-segment sales                | -                      | 34                                | (34)                    | -                 |
| Total revenue                      | <u>124,368</u>         | <u>647</u>                        | <u>(34)</u>             | <u>124,981</u>    |
| <b>Results:</b>                    |                        |                                   |                         |                   |
| Segment results                    | (25,666)               | (350)                             | -                       | (26,016)          |
| Other unallocated items            |                        |                                   |                         | 3,439             |
| Share of results of joint ventures |                        |                                   |                         | <u>(4,497)</u>    |
| Loss before income tax             |                        |                                   |                         | <u>(27,074)</u>   |
| Income tax benefit                 |                        |                                   |                         | <u>3,226</u>      |
| Net loss for the year              |                        |                                   |                         | <u>(23,848)</u>   |

## Twelve Months Ended 31 December 2017

|                                        | Plantation<br>US\$'000 | Logistic &<br>Bulking<br>US\$'000 | Elimination<br>US\$'000 | Group<br>US\$'000 |
|----------------------------------------|------------------------|-----------------------------------|-------------------------|-------------------|
| <b>Revenue by Segment:</b>             |                        |                                   |                         |                   |
| Revenue from external customers        | 148,469                | 592                               | -                       | 149,060           |
| Inter-segment sales                    | -                      | 334                               | (334)                   | -                 |
| Total revenue                          | <u>148,469</u>         | <u>926</u>                        | <u>(334)</u>            | <u>149,060</u>    |
| <b>Results:</b>                        |                        |                                   |                         |                   |
| Segment results                        | 6,085                  | (575)                             | -                       | 5,510             |
| Other unallocated items                |                        |                                   |                         | (154)             |
| Gain on disposal of joint venture, net |                        |                                   |                         | 8,161             |
| Share of results of joint ventures     |                        |                                   |                         | <u>(2,534)</u>    |
| Profit before income tax               |                        |                                   |                         | <u>10,983</u>     |
| Income tax expense                     |                        |                                   |                         | <u>(5,995)</u>    |
| Net profit for the year                |                        |                                   |                         | <u>4,988</u>      |

The Group's primary business activities are that of agri-business and it operates predominantly in Indonesia.

**17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Refer to note 8 and note 16.

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## 18. A breakdown of sales

|     |                                                                                           | The Group        |                  |                                     |
|-----|-------------------------------------------------------------------------------------------|------------------|------------------|-------------------------------------|
|     |                                                                                           | 2018<br>US\$'000 | 2017<br>US\$'000 | Increase/<br>(Decrease)<br>US\$'000 |
| (a) | Sales reported for the first half year                                                    | 57,331           | 67,325           | (9,994)                             |
| (b) | Operating profit before deducting<br>minority interests reported for the first half year  | 2,525            | 14,659           | (12,134)                            |
| (c) | Sales reported for the second half year                                                   | 67,650           | 81,735           | (14,085)                            |
| (d) | Operating profit before deducting<br>minority interests reported for the second half year | 4,397            | 9,720            | (5,323)                             |

## 19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

No dividend has been declared or recommended for the financial years ended 31 December 2018 and 2017.

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**20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13). If there are no such persons, the issuer must make an appropriate negative statement.**

| Name           | Age | Family Relationship with any Director, Chief Executive Officer and/or Substantial Shareholder      | Current position and duties, and the year position was first held                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Details of changes in duties held, if any, during the year |
|----------------|-----|----------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| Albert Maknawi | 38  | Son of Henry Maknawi (Executive Chairman)<br><br>Nephew of Ratna Maknawi (Executive Vice-Chairman) | <p><b><u>Chief Executive Officer</u></b><br/> <b><u>2018</u></b><br/> Responsible for the overall business strategies and policies of the Group</p> <p><b><u>Chief Operating Officer</u></b><br/> <b><u>2011</u></b><br/> Oversees the Group's overall operational activities.</p> <p><b><u>Director of subsidiaries:</u></b><br/> <b><u>2018</u></b><br/> PT. Wira Palm Mandiri<br/> PT. Sawit Permai Lestari</p> <p><b><u>2015</u></b><br/> Global Eastern Capital Pte. Ltd.</p> <p><b><u>2010</u></b><br/> PT. Bumi Permai Sentosa</p> <p><b><u>2007</u></b><br/> Sawindo Agri Pte. Ltd.</p> <p><b><u>Director of Joint Venture Company:</u></b><br/> <b><u>2014</u></b><br/> Kencana Bio-Energy Pte. Ltd.</p> <p><b><u>Director of subsidiary of Joint Venture Company</u></b><br/> <b><u>2010</u></b><br/> PT. Cahaya Permata Gemilang</p> <p><b><u>Commissioner of subsidiary:</u></b><br/> <b><u>2018</u></b><br/> PT. Kencana Agro Jaya</p> | Resignation as Commissioner of:<br>PT. Sawit Alam Permai   |

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| Name          | Age | Family Relationship with any Director, Chief Executive Officer and/or Substantial Shareholder              | Current position and duties, and the year position was first held                                                                                                                                                                                                                            | Details of changes in duties held, if any, during the year |
|---------------|-----|------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
|               |     |                                                                                                            | <b><u>Commissioner of subsidiaries of Joint Venture Company:</u></b><br><u>2018</u><br>PT. Belitung Energy<br>PT. Listrindo Kencana<br><br><u>2014</u><br>PT. Energy Cipta Usaha<br>PT. Energy Karya Persada                                                                                 |                                                            |
| Ajis Chandra  | 55  | Brother-in-law of Henry Maknawi (Executive Chairman)<br>Husband of Ratna Maknawi (Executive Vice-Chairman) | <b><u>Head of Bulking &amp; Logistics</u></b><br><u>2002</u><br>In charge of managing the bulking & logistics segment of the Group's operations.<br><br><b><u>Director of subsidiaries :</u></b><br><u>2010</u><br>PT. Bumi Permai Sentosa<br><br><u>2007</u><br>Kencana Logistics Pte. Ltd. | No change                                                  |
| Augyawati Joe | 39  | Niece of :<br>- Henry Maknawi (Executive Chairman)<br>- Ratna Maknawi (Executive Vice-Chairman)            | <b><u>Director of the subsidiaries :</u></b><br><u>2015</u><br>Global Eastern Capital Pte. Ltd.<br><br><u>2008</u><br>Kencana Bio-Energy Pte. Ltd.<br>Sawindo Agri Pte. Ltd.<br>Kencana Logistic Pte. Ltd.<br>Kencana Plantations Pte. Ltd.                                                  | No change                                                  |
| Eddy Maknawi  | 56  | Brother of Henry Maknawi (Executive Chairman)<br><br>Brother of Ratna Maknawi (Executive Vice-Chairman)    | <b><u>Head of Procurement</u></b><br><u>2008</u><br>In charge of the Group's procurement.<br><br><b><u>Director of subsidiaries :</u></b><br><u>2015</u><br>PT Mentari Bangun Persada<br><br><u>2010</u><br>PT. Sawit Permai Lestari<br>PT. Wira Palm Mandiri                                | No change                                                  |

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| Name | Age | Family Relationship with any Director, Chief Executive Officer and/or Substantial Shareholder | Current position and duties, and the year position was first held                                                                                                                                                                                                                                                                                                                                       | Details of changes in duties held, if any, during the year |
|------|-----|-----------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
|      |     |                                                                                               | <p><b><u>Commissioner of subsidiaries:</u></b></p> <p><b><u>2015</u></b><br/>PT Loka Indah Lestari<br/>PT Karunia Sawit Permai</p> <p><b><u>2010</u></b><br/>PT. Wira Mas Permai<br/>PT. Palm Makmur Sentosa<br/>PT. Langgeng Nusa Makmur<br/>PT. Listrindo Kencana<br/>PT. Belitung Energy<br/>PT. Agro Mas Lestari</p> <p><b><u>2007</u></b><br/>PT. Sawindo Cemerlang<br/>PT. Wira Sawit Mandiri</p> |                                                            |

BY ORDER OF THE BOARD

Henry Maknawi  
Executive Chairman  
28 February 2019