

KENCANA AGRI LIMITED

(Registration Number: 200717793E)



UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

	1st Half		Change %
	2020 US\$'000	2019 US\$'000	
Continuing operations			
Revenue	61,684	45,676	35%
Cost of sales	(42,004)	(41,082)	2%
Gross profit	19,680	4,594	328%
Fair value changes of biological assets and other receivables, net	(238)	4,726	n/m
Distribution costs	(1,115)	(1,223)	-9%
Administrative expenses	(4,165)	(5,056)	-18%
Other (losses)/gains, net	(157)	743	n/m
Operating profit	14,005	3,784	270%
(Loss)/Gain on foreign exchange	(4,625)	4,573	n/m
Interest income	379	1,664	-77%
Interest expense	(8,623)	(10,135)	-15%
Share of results from equity-accounted joint ventures	(62)	(815)	-92%
Profit/(Loss) before income tax	1,074	(929)	n/m
Income tax expense	(666)	(365)	82%
Net profit/(loss) for the period from continuing operation	408	(1,294)	n/m
Discontinued operations			
Loss from discontinued operations	-	(463)	n/m
Net profit/(loss) for the period	408	(1,757)	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:

	1st Half		Change %
	2020 US\$'000	2019 US\$'000	
Depreciation and amortisation expenses	8,095	7,964	2%
Loss/(Gain) on foreign exchange	4,625	(4,573)	n/m
Interest expense	8,623	10,135	-15%
Interest income	(379)	(1,664)	-77%
Fair value changes of biological assets	236	(4,450)	n/m
Fair value changes of other receivables	2	(276)	n/m
Plasma management fee	(324)	(458)	-29%
Impairment of other receivables (joint venture)	210	-	n/m
Sale of waste	-	(548)	n/m
Withholding and other tax expenses	311	362	-14%
<u>Additional information :</u>			
EBITDA (excluding fair value changes of biological assets)	17,649	10,593	67%

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

	1st Half		Change %
	2020 US\$'000	2019 US\$'000	
Net profit/(loss) for the period	408	(1,757)	n/m
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating IDR functional currency to US\$ presentation currency, net of tax	(124)	318	n/m
Items that may not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on post-employment benefits	-	-	n/m
Total comprehensive profit/(loss) for the period	<u>284</u>	<u>(1,439)</u>	n/m
Profit/(Loss) attributable to owners of the parent, net of tax	408	(1,757)	n/m
Loss attributable to non-controlling interests, net of tax	-	-	n/m
Profit/(Loss) for the period, net of tax	<u>408</u>	<u>(1,757)</u>	n/m
Total comprehensive profit/(loss) attributable to owners of the parent	284	(1,439)	n/m
Total comprehensive profit/(loss) attributable to non-controlling interests	-	-	n/m
Total comprehensive profit/(loss) for the period	<u>284</u>	<u>(1,439)</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 30/06/20 US\$'000	As at 31/12/19 US\$'000	As at 30/06/20 US\$'000	As at 31/12/19 US\$'000
ASSETS				
Current assets:				
Cash and cash equivalents	18,324	22,349	125	33
Trade and other receivables	35,273	35,947	35,530	36,880
Inventories	10,016	12,135	-	-
Biological assets	14,642	15,315	-	-
Other assets	4,698	1,174	1	1
Assets held for sale	4,155	6,431	-	-
Total current assets	87,108	93,351	35,656	36,914
Non-current assets:				
Investments in subsidiaries	-	-	36,806	37,868
Investments in joint ventures	-	-	-	-
Other receivables	7,148	6,805	-	-
Property, plant and equipment	73,569	79,850	-	-
Bearer plants	130,122	136,473	-	-
Land use rights	33,327	34,887	-	-
Deferred tax assets	7,804	6,460	-	-
Right-of-use-assets	652	670	-	-
Total non-current assets	252,622	265,145	36,806	37,868
TOTAL ASSETS	339,730	358,496	72,462	74,782
LIABILITIES AND EQUITY				
Current liabilities:				
Tax payables	5,028	3,525	-	-
Trade and other payables	65,440	78,786	178	3,073
Finance leases	270	354	-	-
Other financial liabilities	49,973	65,096	-	-
Total current liabilities	120,711	147,761	178	3,073
Non-current liabilities:				
Deferred tax liabilities	2,671	1,903	-	-
Finance leases	161	272	-	-
Other financial liabilities	200,412	193,359	-	-
Other liabilities	5,635	5,345	-	-
Total non-current liabilities	208,879	200,879	-	-
Capital and reserves:				
Share capital	93,860	93,860	93,860	93,860
Other reserve	2,485	2,485	-	-
(Accumulated losses)/retained earnings	(44,344)	(44,752)	5,697	3,437
Translation reserve	(41,861)	(41,737)	(27,273)	(25,588)
Equity attributable to the owners of the parent	10,140	9,856	72,284	71,709
Non-controlling interests	-	-	-	-
Total equity	10,140	9,856	72,284	71,709
TOTAL LIABILITIES AND EQUITY	339,730	358,496	72,462	74,782

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

	<u>As at 30/06/2020</u> US\$'000	<u>As at 31/12/2019</u> US\$'000
Amount due within one year		
Secured	<u>50,243</u>	<u>65,450</u>
Amount due more than one year		
Secured	<u>200,573</u>	<u>193,631</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 (c) Statement of cash flows (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	1st Half	
	2020 US\$'000	2019 US\$'000
Cash flows from operating activities		
Profit/(Loss) before income tax from continuing operations	1,074	(929)
Loss before tax from discontinued operations	-	(463)
Profit/(Loss) before tax, total	<u>1,074</u>	<u>(1,392)</u>
Adjustments for:		
Interest income	(379)	(1,664)
Interest expense	8,623	10,135
Amortisation of land use rights	625	611
Depreciation expense	7,470	7,353
Fair value changes in biological assets	236	(4,450)
Fair value changes in other receivables	2	(276)
Loss on disposal of bearer plants	39	-
Increase in provision for employment pension benefits	440	262
Loss on disposal of property, plant and equipment	13	22
Impairment on other receivables (joint venture)	210	-
Share of results from equity-accounted joint ventures	62	1,278
Net effect of exchange rate changes in consolidating entities	5,094	(4,415)
Operating cash flows before changes in working capital	<u>23,509</u>	<u>7,464</u>
Inventories	1,779	1,684
Trade and other receivables	(1,640)	4,043
Other assets	(3,558)	1,046
Trade and other payables	(8,228)	722
Net cash flows from operations before tax	<u>11,862</u>	<u>14,959</u>
Income taxes refunded/(paid)	66	(410)
Net cash flows from operating activities	<u>11,928</u>	<u>14,549</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(443)	(2,833)
Disposal of property, plant and equipment	2	61
Additions to bearer plants	(436)	(932)
Disposal of bearer plants	(3)	11
Purchase of land use rights	(59)	(59)
Interest received	229	339
Net cash flows used in investing activities	<u>(710)</u>	<u>(3,413)</u>
Cash flows from financing activities		
Proceeds from borrowings	59,790	144,473
Repayment of borrowings	(65,098)	(147,256)
Finance lease repayments	(366)	253
Interest paid	(8,954)	(10,754)
Net cash flows used in financing activities	<u>(14,628)</u>	<u>(13,284)</u>
Net decrease in cash and cash equivalents	(3,410)	(2,148)
Net effect of exchange rate changes on cash and cash equivalents	(922)	417
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	<u>12,028</u>	<u>16,789</u>
Cash and cash equivalents, consolidated statement of cash flows, ending balance	<u>7,696</u>	<u>15,058</u>
Cash and cash equivalents included in consolidated statement of cash flows consist of		
Balance as in statement of financial position (including cash restricted in use)	18,324	16,096
Less : Bank overdraft	(1,007)	(1,038)
Less : Restricted cash	(9,621)	-
Cash and cash equivalents for consolidated statement of cash flows purposes	<u>7,696</u>	<u>15,058</u>

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1 (d) (i) 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	Share Capital	Accumulated	Translation	Other	Reserve on Post-	Total	Non-Controlling	Total Equity
	US\$'000	Losses	Reserve	Reserve	Employment			
	US\$'000	US\$'000	US\$'000	US\$'000	Benefit	US\$'000	Interests	US\$'000
					US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1/1/2020	93,860	(44,752)	(41,737)	2,485	-	9,856	-	9,856
Total comprehensive income/(loss)	-	408	(124)	-	-	284	-	284
Balance as at 30/06/2020	93,860	(44,344)	(41,861)	2,485	-	10,140	-	10,140
Balance as at 1/1/2019	93,860	(32,042)	(42,159)	2,485	-	22,144	-	22,144
Total comprehensive (loss)/income	-	(1,757)	318	-	-	(1,439)	-	(1,439)
Balance as at 30/06/2019	93,860	(33,799)	(41,841)	2,485	-	20,705	-	20,705
COMPANY	Share Capital	Retained	Translation	Total Equity				
	US\$'000	Earnings	Reserve	US\$'000				
	US\$'000	US\$'000	US\$'000	US\$'000				
Balance as at 1/1/2020	93,860	3,437	(25,588)	71,709				
Total comprehensive income	-	2,260	(1,685)	575				
Balance as at 30/06/2020	93,860	5,697	(27,273)	72,284				
Balance as at 1/1/2019	93,860	2,116	(28,439)	67,537				
Total comprehensive loss	-	(308)	1,123	815				
Balance as at 30/06/2019	93,860	1,808	(27,316)	68,352				

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1 (d) (ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

There have been no changes in the Company's issued share capital since 31 December 2019. The Company has no outstanding share options, outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2020 and 31 December 2019.

The Company has not granted options or shares during the financial period ended 30 June 2020.

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):

<u>As at 30 June 2020</u>	<u>As at 31 December 2019</u>
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.

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.

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3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer or opinion:- (a) Updates on the efforts taken to resolve each outstanding audit issue. (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issues that is a material uncertainty relating to going concern.

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 2019, 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 2020.

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.

Not applicable.

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.

	1st Half	
	2020 US Cents	2019 US Cents
Earnings/(Loss) per share for the period		
(a) based on weighted average number of shares		
from continuing operations	0.14	(0.45)
from discontinued operations	0.00	(0.16)
Total earnings/(loss) per share attributable to ordinary equity holders of the Company	0.14	(0.61)
(b) based on a fully diluted basis		
from continuing operations	0.14	(0.45)
from discontinued operations	0.00	(0.16)
Total diluted earnings/(loss) per share attributable to ordinary equity holders of the Company	0.14	(0.61)
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 30/06/2020 US Cents	As at 31/12/2019 US Cents	As at 30/06/2020 US Cents	As at 31/12/2019 US Cents
Net asset value per ordinary share	3.53	3.43	25.19	24.98
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 increased by 35% from US\$45.7 million in 1H2019 to US\$61.7 million in 1H2020. The increase was mainly due to higher Average Selling Price ("ASP") of Crude Palm Oil ("CPO") and higher sales volume. ASP of CPO increased 24% from US\$437 in 1H2019 to US\$542 in 1H2020 and sales volume of CPO increased by approximately 11% from 90,226 MT in 1H2019 to 99,917 MT in 1H2020. The Group recorded an Operating Profit ("OP") of US\$14.0 million and a Net Profit for the Period of US\$0.4 million in 1H2020. The turnaround to Net Profit for the Period in 1H2020 was mainly attributable to higher ASP, offset by foreign exchange loss as a result of the IDR depreciating against the USD.

Cost of operation

Cost of sales remained fairly stable between 1H2019 and 1H2020 despite an increase in sales volume. This is the result of cost control and efficiency measures undertaken. Gross profit was higher mainly due to higher ASP. CPO production increased slightly from 81,683 MT in 1H2019 to 82,669 MT in 1H2020.

Sales and distribution costs decreased by 9% from US\$1.2 million in 1H2019 to US\$1.1 million in 1H2020 mainly due to a decrease in freight expenses.

Administrative expenses decreased by 18% from US\$5.1 million in 1H2019 to US\$4.2 million in 1H2020 mainly due to lower bank charges, consultancy fees and travelling expenses due to the Covid situation.

Other losses comprise mainly of withholding and other tax expenses, impairment of receivables from equity accounted joint venture offset by plasma management fee income.

Interest income decreased by 77% from US\$1.7 million in 1H2019 to US\$0.4 million in 1H2020 mainly due to the capitalisation of interest-bearing loans to in the joint ventures.

Decrease in interest expenses was due to decrease in general interest rates.

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Review of financial position

Shareholders' equity increased from US\$9.9 million as at 31 December 2019 to US\$10.1 million as at 30 June 2020 mainly due to profit for the period of US\$0.4 million.

The Group's total current assets decreased by US\$6.2 million from US\$93.4 million as at 31 December 2019 to US\$87.1 million as at 30 June 2020. 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) decrease in inventory amounting to US\$2.1 million mainly due to lower CPO stock on hand as at 30 June 2020;
- b) decrease in carrying value of asset held for sale as a result of the waiver of loan payables following the restructuring exercise as announced on 23 January 2020; and
- c) increase in other assets amounting to US\$3.5 million mainly due to advances given to suppliers for the purchase of FFB and CPO.

Total non-current assets decreased by US\$12.5 million from US\$265.1 million as at 31 December 2019 to US\$252.6 million as at 30 June 2020. This was mainly due to the decrease in bearer plants and property, plant and equipment of US\$6.4 million and US\$6.3 million respectively as a result of depreciation.

The Group's total current liabilities decreased by US\$27.1 million from US\$147.8 million as at 31 December 2019 to US\$120.7 million as at 30 June 2020. This was mainly due to the following:

- a) decrease in trade and other payables amounting to US\$13.3 million mainly due to decrease in advances from customers; and
- b) decrease in other financial liabilities of US\$15.1 million due to decrease in current portion of long-term borrowings as a result of refinancing activities.

Total non-current liabilities increased by US\$8.0 million from US\$200.9 million as at 31 December 2019 to US\$208.9 million due to refinancing activities.

The Group reported negative working capital of US\$33.6 million as at 30 June 2020. This was mainly due to a portion of borrowings used to invest in plantation assets.

Review of group cash flows

The closing cash and cash equivalents (net of bank overdrafts and cash pledged) of the Group decreased by US\$4.3 million from US\$12.0 million as at 31 December 2019 to US\$7.7 million as at 30 June 2020. The decrease was due to net cash outflow from investing and financing activities offset by net cash inflow from operating activities.

The Group's operating cash flows was lower by US\$2.6 million in 1H2020 as compared to 1H2019 mainly due to higher operating profit offset by a decrease in advances from customers.

The Group reported a net cash outflow used in investing activities of US\$0.7 million in 1H2020 mainly due to additions to property, plant and equipment and bearer plants. Net cash flows used in financing activities was US\$14.6 million mainly due to repayments of borrowings and interest offset by proceeds from new 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 first half of 2020 was an eventful one. CPO prices started the year trending upwards but the bullish sentiment was disrupted by the double whammy impact of the Covid-19 pandemic and the plunge in crude oil prices. While oil prices have since recovered from its lows, the virus has lingered on. Cities and countries went into lockdown in their attempt to curb the spread of the pandemic.

The second half of 2020 will be a tough one for businesses. In addition to geopolitical tension between US and China, the threat of a second and subsequent waves of the virus will cause market volatility. We remain cautiously optimistic that demand will return to pre-covid level when a vaccine is developed and the situation normalizes. Meanwhile, in this challenging environment we will keep our focus on improving operational efficiency and putting safety as a priority for all employees and stakeholders.

11. Dividend

(a) Current Financial Period Reported On

Nil

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable

(d) Date payable

Not applicable.

(e) 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 the current market condition, no dividend has been declared or recommended for the financial period ended 30 June 2020.

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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	Nature of relationship	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)
		2020	2020
		<u>US\$'000</u>	<u>US\$'000</u>
Wilmar Group ⁽¹⁾ (Sales)	Controlling shareholder	-	-
Wilmar Group ⁽¹⁾ (Purchases)	Controlling shareholder	-	-
Wilmar Group ⁽²⁾ (Interest)	Controlling shareholder	92	-
PT Berkah Wahana Sukses ⁽³⁾ (Services Received, shareholders' mandate obtained at EGM held on 29 April 2019)	Associate of Maknawi family	525	-

⁽¹⁾ In respect of transactions conducted pursuant to General Mandate for transactions with Willmar Group.

⁽²⁾ In respect of interest paid on trade payables due to Willmar Group.

⁽³⁾ In respect of transactions conducted pursuant to Specific Mandate for transactions PT Berkah Wahana Sukses.

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 2020 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. Additional Information Required Pursuant to Rule 706A

Save as the announcement made on 23 January 2020 in relation to the completion of the internal restructuring of Kencana Bio-Energy Pte Ltd and its subsidiaries, the Company did not acquire or dispose any shares which would result in any company becoming or ceasing to be a subsidiary or associated company of the Company, or increase or reduce the Company's shareholding percentage in any subsidiary or associated company.

BY ORDER OF THE BOARD

Henry Maknawi

Executive Chairman

12 August 2020