



KENCANA AGRI LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200717793E)
(the “Company”)

PROPOSED DISPOSAL OF 78.5% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PT CAHAYA PERMATA GEMILANG WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION UNDER CHAPTER 9 AND A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED RESPECTIVELY

- ENTRY INTO CONDITIONAL SHARES SALE AND PURCHASE AGREEMENT

*Unless otherwise defined, all capitalized terms used herein shall have the meanings ascribed to them in the Company’s announcement dated 31 October 2019 (the “**Previous Announcement**”) in relation to the preliminary agreement dated 31 October 2019 entered into between the Company, PT Sawindo Kencana and PT Kencana Energi Lestari Tbk. for the sale and purchase of 78.5% of the issued and paid-up share capital of PT Cahaya Permata Gemilang.*

1. CONDITIONAL SHARES SALE AND PURCHASE AGREEMENT

1.1. The board of directors (each, a “**Director**” and collectively, the “**Board**”) of Kencana Agri Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Previous Announcement and wishes to announce that on 1 November 2019, the Buyer has paid the Refundable Down Payment and that although the Internal Restructuring (as defined below) has not been fully completed, in order to expedite the transaction process, the Company, the Seller, the Buyer and the Target have on 12 December 2019 entered into a conditional shares sale and purchase agreement in connection with the Proposed Disposal (the “**CSPA**”).

1.2. Pursuant to the CSPA, the details of the Proposed Disposal have been supplemented as follows:

(a) Address of the Buyer and the Target

The CSPA clarifies that the addresses of the Buyer and the Target are as follows:

Buyer	Kencana Tower Level 11, Jl. Raya Meruya Ilir No. 88, RT/RW 001/005, Komp. Perkantoran Business Park Kebon Jeruk, Meruya Utara, Kembangan, West Jakarta
Target	Kencana Tower Level 9, Jl. Raya Meruya Ilir No. 88, RT/RW 001/005, Komp. Perkantoran Business Park Kebon Jeruk, Meruya Utara, Kembangan, West Jakarta

(b) Target’s Business

The CSPA clarifies that the Target is a holding company engaged in the independent

power producer business with biomass as its fuel.

(c) Consideration

The CSPA clarifies that the amount of cash available in EKP and LK as of 31 July 2019, which will be used to determine the adjustment to the Consideration, will be determined by an independent appraiser.

(d) Conditions Precedent

The Preliminary Agreement contemplated that due diligence would only be conducted on the Target. The CSPA clarifies that due diligence will be conducted on the Target, LK and EKP. In addition, approval will need to be sought and obtained from the Bank OCBC NISP for the lease of the SWK Land to EKP and LK.

(e) Pre-Completion Obligations

The Company and the Seller have undertaken to the Buyer and shall procure that the Target shall not, *inter alia*:

- (i) create, allot, issue, acquire, repay or redeem any share or loan capital or agree, arrange or undertake to do any of those things or acquire or agree to acquire an interest in a corporate body or merge or consolidate with a corporate body or any other person, enter into any demerger transaction or participate in any other type of corporate reconstruction, except as provided in the CSPA;
- (ii) dispose of, or agree to dispose of, any of its movable and immovable assets, other than in the ordinary course of business;
- (iii) declare, pay or make a dividend or distribution; and
- (iv) not amend its articles of association or take any action with respect to any such amendment or any recapitalisation, reorganisation, liquidation or dissolution, save in respect of the Internal Restructuring (as defined below) and the capitalisation of the Shareholder Loans (as defined below).

(f) First Right to Purchase

As disclosed in Paragraph 2.3.5 of the Previous Announcement, the Seller will grant EKP and LK the first right to purchase empty fruit bunches at a fixed price. The fixed price is Rp50/kg (fifty Rupiah per kilogram). In addition, the Seller will also grant EKP and LK the first right to purchase mesocarp fiber at a fixed price of Rp50/kg (fifty Rupiah per kilogram). Such fixed prices may be further negotiated in the future between the parties in good faith.

(g) Exclusivity

As at the date of the CSPA, the Buyer has an exclusive right to purchase the Sale Shares and the Seller and/or the Company are prohibited from offering, negotiating or selling the Sale Shares to any third party without the Buyer's prior written consent.

(h) Completion

At Completion, the Seller's obligations include:

- (i) holding a general meeting of shareholders of the Target and delivering the resolutions approving, *inter alia*, the Proposed Disposal and the appointment of new directors and commissioners nominated by the Buyer; and
- (ii) executing the relevant deed of share transfer.

(i) Warranties and Indemnities

Subject to applicable laws and regulations, any tax-related representations and warranties made by the Company, the Seller and the Target shall remain valid up to three (3) years after Completion (up to a maximum liability of Rp3,925,000,000 (three billion nine hundred twenty-five million Rupiah)) and any non-tax-related representations and warranties made by the Company, the Seller and the Target shall remain valid up to one (1) year after Completion. The Company and the Seller shall jointly indemnify and hold harmless the Buyer from and for any and all losses suffered or borne by the Buyer arising from, *inter alia*, breach of representations and warranties.

(j) Terms of Payment

Where the CSPA is terminated by the Company, the Seller and/or the Target due to the liquidation or bankruptcy of the Buyer, or where the Buyer violates the provisions of the CSPA, the Seller is not obligated to return the Refundable Down Payment to the Buyer.

2. INTERNAL RESTRUCTURING

2.1. **Existing Shareholding Structure.** As disclosed in the Previous Announcement, as at the date hereof, the Seller holds 5% of the issued and paid-up share capital of the Target. The remaining 95% interest is held by Kencana Bio Energy Pte Ltd ("**KBE**"), an entity in which the Company has a 70% interest and the remaining 30% interest is held by Enco. BE and LK are subsidiaries of the Target, and ECU and EKP are in turn subsidiaries of BE and LK respectively. The current shareholding structure of the Target as at the date hereof is set out in **Appendix 1**.

2.2. **Internal Restructuring.** Prior to the Proposed Disposal, Enco and the Company have agreed to rationalize their respective holdings in the Target by undertaking an internal restructuring and reorganisation exercise pursuant to which:

- (a) the Company shall cease to hold its existing effective interest in the Target through its 70% stake in KBE (the "**70% KBE Stake**"), and will instead hold all its existing effective interest in the Target through the Seller; and

- (b) Enco will continue to hold all its existing effective interest in the Target through KBE,

(hereinafter referred to as the "**Internal Restructuring**").

2.3. **Capitalization of Shareholder Loans.** Prior to the Internal Restructuring, the following capitalization of existing shareholder loans will take place. As at the date hereof, the Seller has granted to BE and LK, being subsidiaries of the Target, shareholder loans amounting to an aggregate of approximately US\$27.0 million (including interest accrued thereon) (the "**Seller's**

Shareholder Loans") while Enco has granted to BE and LK shareholder loans amounting to an aggregate of approximately US\$6.8 million (including interest accrued thereon) (the "**Enco's Shareholder Loans**") (collectively, the "**Shareholder Loans**"). Following further discussions between the Company and Enco, it has been decided that the Shareholder Loans will be fully discharged and settled as follows:

- (a) the Seller's Shareholder Loans will be repaid to the Seller in full using additional capital to be injected by the Seller into the Target, the proceeds of which shall in turn be provided to BE and LK (by way of equity or debt) for the purposes of repaying the Seller's Shareholder Loans. This effectively is a capitalization of the Seller's Shareholder Loans. Pursuant to the injection of additional capital, the Seller will be entitled to be allotted and issued 1,969,278 shares in the Target; and
- (b) the Enco's Shareholder Loans will be repaid to Enco in full using additional capital to be injected by Enco through KBE into the Target, the proceeds of which shall in turn be provided to BE and LK (by way of equity) for the purposes of repaying the Enco's Shareholder Loans. This effectively is a capitalization of the Enco's Shareholder Loans. Pursuant to the injection of additional capital, Enco will be entitled to be allotted and issued 275,532 shares in the Target (the "**Enco Target Shares**").

2.4. **Effecting the Internal Restructuring.** For the purposes of the Internal Restructuring, the Company will forgo the 70% KBE Stake such that KBE will become 100% owned by Enco. In exchange for such increase in Enco's stake in KBE, Enco will direct some of the Enco Target Shares to be allotted and issued to the Seller instead.

2.5. On completion of the Internal Restructuring and taking into account the capitalization of the Shareholder Loans, the resultant effective interest in the Target held by the Company (through the Seller) will increase from 71.5% to 78.5%, with the balance 21.5% held by Enco through KBE (which is 100% held by Enco). The final shareholding structure of the Target on completion of the Internal Restructuring and the capitalization of the Shareholder Loans is set out in **Appendix 2**.

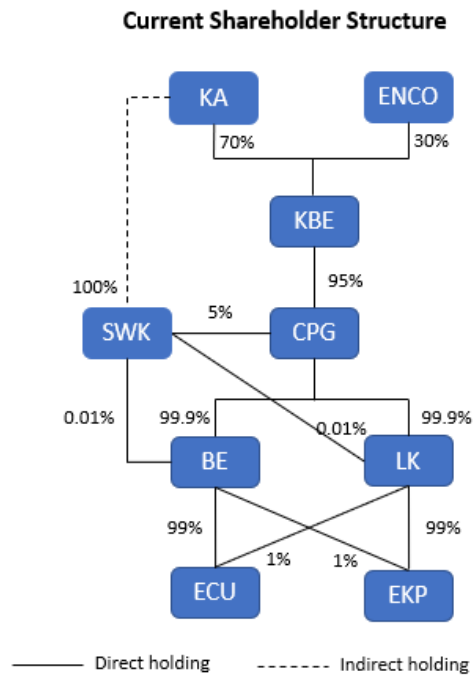
On behalf of the Board

Ratna Maknawi
Executive Chairman

Singapore, 12 December 2019

APPENDIX 1

SHAREHOLDING STRUCTURE BEFORE THE INTERNAL RESTRUCTURING

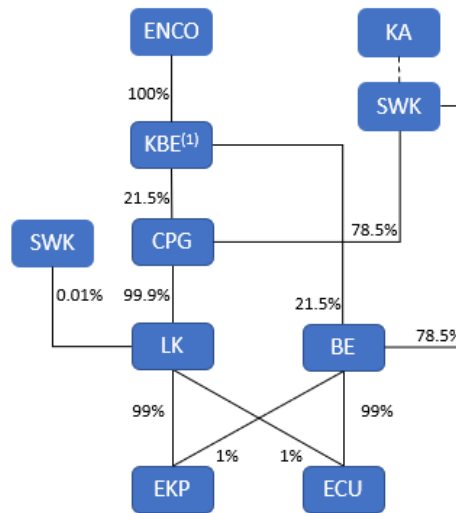


KA	:	Kencana Agri Limited or the Company
ENCO	:	Enco Holdings Sendirian Berhad
KBE	:	Kencana Bio Energy Pte. Ltd
SWK	:	PT Sawindo Kencana
CPG	:	PT Cahaya Permata Gemilang
BE	:	PT Belitung Energy
LK	:	PT Listrindo Kencana
ECU	:	PT Energy Cipta Utama
EKP	:	PT Energy Karya Persada

APPENDIX 2

SHAREHOLDING STRUCTURE AFTER THE INTERNAL RESTRUCTURING

Post Restructuring Structure



Note:
(1) KBE name to be changed

KA	:	Kencana Agri Limited or the Company
ENCO	:	Enco Holdings Sendirian Berhad
KBE	:	Kencana Bio Energy Pte. Ltd
SWK	:	PT Sawindo Kencana
CPG	:	PT Cahaya Permata Gemilang
BE	:	PT Belitung Energy
LK	:	PT Listrindo Kencana
ECU	:	PT Energy Cipta Utama
EKP	:	PT Energy Karya Persada