



KENCANA AGRI LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200717793E)
(the "Company")

PROPOSED DISPOSAL OF 100% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF PT KARUNIA ALAM MAKMUR WHICH CONSTITUTES A MAJOR TRANSACTION UNDER CHAPTER 10 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

- ENTRY INTO CONDITIONAL SHARE SALE AND PURCHASE AGREEMENT

1. INTRODUCTION

The board of directors (each, a "Director" and collectively, the "Board") of Kencana Agri Limited (the "Company", and together with its subsidiaries, the "Group") wishes to announce that on 23 November 2021, two of its indirect wholly-owned subsidiaries, PT Alamraya Kencana Mas ("PT AKM") and PT Langgeng Nusa Makmur ("PT LNM"), entered into a conditional share sale and purchase agreement (the "CSPA") with PT Central Cipta Murdaya (the "Purchaser") and PT Karunia Alam Makmur (the "Target Company"). Pursuant to the CSPA, PT AKM and PT LNM (collectively, the "Sellers") have agreed to sell, and the Purchaser has agreed to acquire, 100% of the authorized, issued and paid-up share capital of the Target Company (the "Sale Shares"), subject to and on the terms and conditions set out in the CSPA (the "Proposed Disposal").

Based on the relative figures of the Proposed Disposal computed on the bases as set out in Rule 1006 of the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), the Proposed Disposal is a major transaction pursuant to Chapter 10 of the Listing Manual.

2. THE PROPOSED DISPOSAL

2.1. Information on the Purchaser

The Purchaser is a limited liability company incorporated under the laws of the Republic of Indonesia, and has its domicile in Jakarta Pusat with its registered address at Jl. Cikini Raya No. 78, Jakarta 10330, Indonesia. The Purchaser has business interests in a wide array of industries, including the palm oil industry. The Purchaser is an independent third party.

2.2. Information on the Target Company

The Target Company is a limited liability company incorporated under the laws of the Republic of Indonesia, and has its domicile in Jakarta Barat with its registered address at Kencana Tower, Fl.9, Business Park Kebon Jeruk, Jl. Raya Meruya Ilir No. 88, Jakarta Barat.

The Target Company is engaged in plantation business activities, and its main asset is a palm oil plantation located in the Regency of North Morowali, Central Sulawesi. The palm oil plantation has a planted area of approximately 888 hectares. The Target Company also owns property, plant and equipment, as well as infrastructural facilities (such as roads and bridges)

located within the palm oil plantation, which are used in the conduct of its plantation business activities. The Target Company does not have any subsidiaries. The Target Company is 99.97% owned by PT AKM and 0.03% owned by PT LNM, both of which are indirect wholly-owned subsidiaries of the Company.

2.2.1. Plasma Loan

Under the applicable Indonesian laws, the Target Company is required to facilitate the local community's development by providing the local community (represented by an organisation, the "**Cooperative**") with a plantation area of at least 20% of the total area of the Target Company's palm oil plantation (the "**Plasma**").

To finance the development of the Plasma, PT Bank Rakyat Indonesia (Persero) Tbk. ("**BRI**") provided a loan to the Cooperative in the aggregate principal amount of Rp18,000,000,000 (approximately US\$1,241,722) (the "**Plasma Loan**"). Out of the aggregate amount of the Plasma Loan, Rp6,824,786,590 (approximately US\$470,805) has been utilized to develop, plant and maintain the planted plasma (the "**Cooperative Plasma Loan**"), while the remainder is being managed by the Target Company and intended to be utilized based on developmental milestones achieved in developing the Plasma.

As part of the commercial negotiations between the Sellers and the Purchaser, the Target Company will repay the Plasma Loan (including related interest and other costs) to BRI (on behalf of the Cooperative).

The Cooperative Plasma Loan (including related interest and other costs) will constitute a loan from the Target Company to the Cooperative, which will be repaid by the Cooperative to the Target Company post-completion of the Proposed Disposal ("**Completion**"), pursuant to the terms and conditions of the acknowledgment of indebtedness agreement between the Cooperative and the Target Company to be executed as a condition precedent to Completion.

2.2.2. Capital Injection and Debt Settlement

As at the date of the CSPA, the Target Company has an authorized, issued and paid-up share capital comprising 53,000 shares (with a total nominal value of Rp53,000,000,000).

Under the CSPA, the Sellers are required to procure that the authorized, issued and paid-up share capital of the Target Company increases to 192,950 shares (with a total nominal value of Rp192,950,000,000) (the "**Capital Injection**").

Pursuant to the Capital Injection, the capital injected by the Sellers into the Target Company in the amount of Rp139,950,000,000 (approximately US\$9,654,387) will be used by the Target Company towards settling the indebtedness of the Target Company amounting to an aggregate of Rp148,344,245,058 (approximately US\$10,233,460) (the "**Debt Settlement**"). The remainder of the Debt Settlement amount (i.e., Rp8,394,245,058 (approximately US\$579,073)) will be repaid by the Target Company using its internal sources of funding.

Both the Capital Injection and the Debt Settlement shall take place before Completion.

The cash required for the Capital Injection by the Sellers (i.e., Rp139,950,000,000 (approximately US\$9,654,387) less the PT AKM Shareholder Loan Amount (as defined below)) will be funded through the internal resources of the Group.

The indebtedness of the Target Company (the “**Entire Indebtedness**”) comprises:

- (a) bank loans (including related interest and other costs) owed by the Target Company to BRI in the amount of Rp44,988,413,369 (approximately US\$3,103,505);
- (b) the Plasma Loan (including related interest and other costs), being the amount owing by the Cooperative to BRI in the amount of Rp23,510,537,529 (approximately US\$1,621,864);
- (c) shareholder loans owed by the Target Company to PT AKM in the amount of Rp79,576,881,500 (approximately US\$5,489,575) (the “**PT AKM Shareholder Loan Amount**”); and
- (d) loans and liabilities owed by the Target Company to third parties (including suppliers and contractors) in the amount of Rp268,412,660 (approximately US\$18,516) (the “**Outstanding Loans and Liabilities**”).

The amount of the Outstanding Loans and Liabilities was calculated based on the accounts of the Target Company as at 30 September 2021 and may be adjusted to take into account further indebtedness incurred by the Target Company from such third parties prior to Completion. Accordingly, the amount of the Entire Indebtedness may increase and the amount of the Capital Injection may also be adjusted accordingly. However, based on an internal financial forecast for the Target Company as prepared by the management of the Company, the adjustment amount is not expected to be material.

2.3. Principal Terms of the Proposed Disposal

2.3.1. Consideration

The aggregate consideration (the “**Consideration**”) for the Proposed Disposal is Rp78,500,000,000 (approximately US\$5,415,287). The Consideration is payable in cash to the Sellers in accordance with their respective shareholding proportions in the Target Company, with PT AKM and PT LNM holding 99.97% and 0.03% respectively.

The Consideration was determined pursuant to commercial negotiations between the Board and the Purchaser in good faith and on an arm’s length basis, taking into account the following factors:

- (a) the prevailing market price of palm oil plantations per hectare planted;
- (b) the net asset value of the Sale Shares, which is US\$5,485,421 as at 30 June 2021 based on the latest announced unaudited financial statements of the Group for the financial half year ended 30 June 2021 (“**HY2021**”) and US\$10,088,906 based on the latest announced unaudited financial

statements of the Group for HY2021 but assuming that the Capital Injection had been completed prior to 30 June 2021 (the “**Pro Forma HY2021**”);

- (c) the losses recorded by the Target Company of US\$0.4 million for the financial year ended 31 December (“**FY**”) 2020, US\$1.19 million for FY2019 and US\$0.7 million for FY2018;
- (d) the synergy gained by, and the potential growth factor for, the Purchaser in acquiring the Target Company given that the Purchaser owns another palm oil plantation in close proximity;
- (e) the repayment by the Target Company of the Plasma Loan (including related interest and other costs) in the amount of Rp23,510,537,529 (approximately US\$1,621,864) to BRI on behalf of the Cooperative; and
- (f) the Debt Settlement, pursuant to which the Target Company will be acquired on a debt-free basis

2.3.2. Conditions Precedent

- (a) Each Seller having obtained approvals from: (i) its shareholder and/or board of commissioners; and/or (ii) its creditors, approving the transfer of the Sale Shares to the Purchaser.
- (b) The Company, as the indirect shareholder of the Target Company, having: (i) obtained approval from the shareholders of the Company (“**Shareholders**”) (if required); and (ii) obtained approval and/or recommendations from the relevant authority for the transfer of the Sale Shares to the Purchaser (if any), including but not limited to the approval from the SGX-ST.
- (c) The Target Company having published in a newspaper having national circulation similar to Kompas or Bisnis Indonesia and announced to its employees the Proposed Disposal as contemplated under the CSPA as required under prevailing laws and regulations.
- (d) The Target Company having settled any objection from its creditors and other interested parties within 14 days after the announcement in a newspaper as referred to in sub-paragraph (c) above (if any).
- (e) The Sellers having prepared a draft of the general meeting of shareholders’ resolution of the Target Company approving, *inter alia*, the transfer of the Sale Shares to the Purchaser.
- (f) The Target Company having settled the Entire Indebtedness before the date of Completion (the “**Completion Date**”).
- (g) The Target Company having completed the release process of the HGU

Certificates¹ in respect of the palm oil plantation and all the HGU Certificates in respect of the palm oil plantation being free from any encumbrances.

- (h) The acknowledgment of indebtedness agreement between the Cooperative and the Target Company, which states that the Cooperative owes the Cooperative Plasma Loan (including related interest and other costs, if any) to the Target Company, having been executed.
- (i) The Target Company having provided a list of its permanent and freelance employees to the Purchaser.

2.3.3. Completion

If any of the conditions precedent are not satisfied by any of the Sellers or waived by the Purchaser in writing on the Long Stop Date², the Purchaser is entitled to terminate the CSPA without imposed compensation.

If Completion is not conducted by the Purchaser within seven business days upon all conditions precedent being satisfied or waived, the Sellers are entitled to terminate the CSPA and the Purchaser shall be obliged to pay to the Sellers a penalty amounting to 10% of the Consideration.

If the Sellers fail to deliver the completion deliverables specified in the CSPA on the Completion Date and the Sellers unilaterally terminate the CSPA, the Sellers shall be obliged to pay to the Purchaser a penalty amounting to 10% of the Consideration.

2.3.4. Exclusivity

From the date of the CSPA until the Completion Date (or the earlier termination of the CSPA), the Sellers agree not to solicit, negotiate, and/or accept any offers by other parties in relation to the sale and purchase of the Sale Shares (either all or part of the Sale Shares) or all or any part of the business of Target Company or any of their assets.

2.3.5. Indemnity

The Sellers shall jointly indemnify and hold harmless the Purchaser from and for losses suffered or borne by the Purchaser arising from claims and liabilities of the Target Company that is not recorded in the accounts of the Target Company and related to the operation and management of the Target Company, provided that such claims and liabilities arose prior to the Completion Date, or where there is a breach of any of the Sellers' warranties or other obligations under the CSPA. The obligation of the Sellers to indemnify the Purchaser in relation to tax matters shall terminate within five years as of the Completion Date. The obligation of the Sellers to indemnify the Purchaser in relation to non-tax matters shall terminate within two years as of the Completion Date. The maximum amount of indemnifiable losses

¹ "HGU Certificates" means the Right to Cultivate (*Hak Guna Usaha*) certificates owned by and registered under the name of the Target Company in respect of the palm oil plantation.

² "Long Stop Date" means 30 June 2022 or such other agreed date.

which may be recovered by the Purchaser from the Sellers is 2% of the Consideration.

3. VALUE OF THE SALE SHARES

3.1. The book value and the net tangible assets (“NTA”) value of the Sale Shares are disclosed in the table below:

| | As at 31 December 2020 | | As at 30 June 2021 | |
|--|---|--|---|---|
| | FY2020 ⁽¹⁾ | Pro Forma FY2020 ⁽²⁾ | HY2021 ⁽³⁾ | Pro Forma HY2021 ⁽⁴⁾ |
| Book Value / NTA of the Sale Shares | Rp82,453,245,144 (approximately US\$5,693,498) | Rp143,995,363,644 (approximately US\$9,943,058) | Rp79,516,666,662 (approximately US\$5,485,421) | Rp146,248,785,162 (approximately US\$10,088,906) |

Notes:

- (1) Based on the Group’s latest audited financial statements for the financial year ended 31 December 2020.
- (2) Based on the Group’s latest audited financial statements for the financial year ended 31 December 2020 but assuming that the Capital Injection had been completed prior to 31 December 2020 (“**Pro Forma FY2020**”).
- (3) Based on the Group’s latest announced unaudited financial statements for HY2021.
- (4) Based on the Pro Forma HY2021.

3.2. The open market value of the Sale Shares is not available as the Sale Shares are not publicly traded.

3.3. Based on the Group’s latest audited financial statements for FY2020, the deficit of the Consideration over the book value of the Sale Shares as at 31 December 2020 is approximately Rp3,953,245,144 (approximately US\$278,212). Based on the Group’s latest announced unaudited financial statements for HY2021, the deficit of the Consideration over the book value of the Sale Shares as at 30 June 2021 is approximately Rp1,016,666,662 (approximately US\$70,134)

3.4. Based on the Pro Forma FY2020, the deficit of the Consideration over the book value of the Sale Shares as at 31 December 2020 is approximately Rp65,495,363,644 (approximately US\$4,527,771). Based on the Pro Forma HY2021, the deficit of the Consideration over the book value of the Sale Shares as at 30 June 2021 is approximately Rp67,748,785,162 (approximately US\$4,673,619).

4. VALUATION OF THE SALE SHARES

KJPP Sapto, Kasmodiard dan Rekan has been appointed by the Target Company to perform a valuation on the Sale Shares. Further details will be provided to Shareholders in due course.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1. Bases and Assumptions

The following are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Company and/or the Group after Completion. The financial effects of the Proposed Disposal on the Company as set out below are based on the

Group's latest audited financial statements for FY2020 and the following assumptions:

- 5.1.1. the financial effects on the Group's NTA per ordinary share in the capital of the Company ("**Share**") have been computed assuming that Completion took place on 31 December 2020;
- 5.1.2. the financial effects on the Group's earnings per Share have been computed assuming that Completion took place on 1 January 2020; and
- 5.1.3. the Capital Injection has been completed.

5.2. Share Capital

As no new Shares will be issued by the Company in connection with the Proposed Disposal, the Proposed Disposal will have no impact on the Company's issued share capital.

5.3. NTA per Share

| | Before the Proposed Disposal | After Completion |
|---|------------------------------|------------------|
| NTA ⁽¹⁾ attributable to the Shareholders | 13,691,000 | 9,163,229 |
| Number of Shares | 287,011,177 | 287,011,177 |
| NTA per Share (US cents) | 4.77 | 3.19 |

Note:-

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

5.4. Loss per Share

| | Before the Proposed Disposal | After Completion |
|---|------------------------------|------------------|
| Profit after taxation and non-controlling interests | 4,021,000 | (506,771) |
| Weighted average number of Shares | 287,011,177 | 287,011,177 |
| Loss per Share (US cents) | 1.40 | (0.18) |

5.5. Gearing

| | Before the Proposed Disposal | After Completion |
|------------------|------------------------------|------------------|
| Total borrowings | 248,801,000 | 244,291,728 |
| Total cash | 13,859,000 | 14,665,015 |
| Net borrowings | 234,942,000 | 229,626,713 |

| | | |
|---------------|-------|-------|
| Gearing times | 17.16 | 25.06 |
|---------------|-------|-------|

6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures of the Proposed Disposal computed on the bases as set out in Rule 1006 of the Listing Manual of the SGX-ST and based on: (a) the Group's latest announced unaudited financial statements for HY2021; and (b) the Pro Forma HY2021, are set out as follows:

| | Bases Under Rule 1006 | Relative Figure (%) | |
|-----|--|----------------------|----------------------|
| | | HY2021 | Pro Forma HY2021 |
| (a) | The net asset value ("NAV") of the assets to be disposed of, compared with the Group's NAV. This basis is not applicable to an acquisition of assets. | 23.40 ⁽¹⁾ | 43.04 ⁽²⁾ |
| (b) | The net profits / (loss) ⁽³⁾ attributable to the assets acquired or disposed of, compared with the Group's net profits. | -2.39 ⁽⁴⁾ | -2.39 ⁽⁴⁾ |
| (c) | The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares. | 13.97 ⁽⁵⁾ | 13.97 ⁽⁵⁾ |
| (d) | The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue. | N.A. | N.A. |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil & gas company, but not to an acquisition of such assets. | N.A. | N.A. |

Notes:-

- (1) Based on the NAV of the Sale Shares of US\$5,485,421 as at 30 June 2021 and the NAV of the Group of US\$23,441,000 as at 30 June 2021.
- (2) Based on the NAV of the Sale Shares of US\$10,088,906 as at 30 June 2021 and the NAV of the Group of US\$23,441,000 as at 30 June 2021.
- (3) Means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (4) Based on the net loss attributable to the Sale Shares of US\$316,614 for HY2021 and the net profit attributable to the Group of US\$13,271,000 for HY2021.
- (5) Based on the Consideration of US\$5,415,287 and the market capitalisation of the Company being US\$38,765,256, which is calculated based on the weighted average price of US\$0.14 per Share on 22 November 2021 (being the market day preceding the date of the CSPA) and 287,011,177 Shares in issue as at 22 November 2021 (being the market day preceding the date of the CSPA).

Pursuant to Rule 1007(1) of the Listing Manual and Paragraph 4.3 of Practice Note 10.1 of the Listing Manual, if any of the relative figures computed pursuant to Rule 1006 involves a negative figure, Chapter 10 may still be applicable to the transaction in accordance with the applicable circumstances in Practice Note 10.1 of the Listing Manual.

As the Proposed Disposal does not fall within the circumstances prescribed in Paragraphs 4.3 or 4.4 of Practice Note 10.1 of the Listing Manual, Rule 1014 of the Listing Manual applies to the Proposed Disposal and the Proposed Disposal is a Major Transaction pursuant to Rule 1014 of the Listing Manual.

7. PROFIT GUARANTEE OR PROFIT FORECAST

No profit guarantee or profit forecast (or any covenant which quantifies the anticipated level of future profits) was granted by the Sellers to the Purchaser under the CSPA.

8. USE OF PROCEEDS

The net proceeds from the Consideration will be used by the Company for working capital purposes, including but not limited to payment of operating expenses such as salary, fertiliser, fuel and other general overheads.

9. RATIONALE FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The palm oil plantation owned by the Target Company has been underperforming and loss-making for several years. Due to capital constraints, it would not be feasible for the Target Company to expand the scale of production as this would involve increasing the size of the planted area and investing working capital in a mill. Accordingly, the palm oil plantation is not able to benefit from economies of scale and it is expected that the palm oil plantation will continue to suffer losses in the foreseeable future. Therefore, this divestment through the Proposed Disposal is aligned with the intention of the management of the Company to keep the Group's profitable core business in focus, and avoid a deterioration in the value of the Group's assets.

10. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Save for their respective interests in the Shares, none of the Directors or substantial Shareholders of the Company, or their respective associates, have any interest, direct or indirect, in the Proposed Disposal.

11. SERVICE CONTRACTS

No service contracts will be entered into in connection with the Proposed Disposal.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours, on any weekday (public holidays excepted), at the registered office of the Company at 36 Armenian Street, #03-02, Singapore 179934 for a period of three months from the date of this announcement:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2020; and
- (c) the CSPA.

On behalf of the Board

Henry Maknawi
Executive Chairman

Singapore, 23 November 2021