KENCANA AGRI LIMITED

(Registration Number: 200717793E)

UNAUDITED FINANCIAL STATEMENT ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 - Mar		
	2018	2017	Change
	US$'000	US$'000	%
Revenue	27,990	39,828	-30%
Cost of sales	(27,878)	(29,045)	-4%
Gross profit	112	10,783	-99%
Fair value changes of biological assets and other receivables, net	157	942	-83%
Distribution costs	(423)	(748)	-43%
Administrative expenses	(2,637)	(2,307)	14%
Other losses, net	(352)	(224)	57%
Operating (loss)/profit	(3,143)	8,446	n/m
(Loss)/gain on foreign exchange	(3,623)	1,221	n/m
Fair value changes of derivative financial instruments	139	332	-58%
Interest income	895	768	17%
Interest expense	(5,407)	(5,155)	5%
Share of results from equity-accounted joint ventures	(756)	270	n/m
(Loss)/profit before income tax	(11,895)	5,882	n/m
Income tax benefit/(expense)	2,049	(1,621)	n/m
Net (loss)/profit for the period	(9,846)	4,261	n/m

n/m : not meaningful

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

	Jan - Mar		
	2018	2017	Change
	US$'000	US$'000	%
Depreciation and amortisation expenses	4,626	4,025	15%
Loss/(gain) on foreign exchange	3,623	(1,221)	n/m
Fair value changes of derivative financial instruments	(139)	(332)	-58%
Interest expense	5,407	5,155	5%
Interest income	(895)	(768)	17%
Fair value changes of biological assets	(235)	(1,065)	-78%
Fair value changes of other receivables	78	123	-37%
Loss on disposal of property, plant and equipment	286	5	n/m
Loss on disposal of assets held for sale	139	-	n/m
Gain on disposal of bearer plants	(18)	-	n/m
Additional information :			
EBITDA (excluding fair value changes of biological assets)	(2,992)	13,229	n/m

n/m : not meaningful

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 - Mar 2018 US$'000	Jan - Mar 2017 US$'000	Change %
Net (loss)/profit for the period	(9,846)	4,261	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	(628)	339	n/m
Items that may not be reclassified subsequently to profit or loss:			
Actuarial income on post-employment benefits	-	-	n/m
Total comprehensive (loss)/income for the period	(10,474)	4,600	n/m
(Loss)/profit attributable to owners of the parent, net of tax	(9,846)	4,261	n/m
(Loss)/profit attributable to non-controlling interests, net of tax	-	-	n/m
(Loss)/profit for the period, net of tax	(9,846)	4,261	n/m
Total comprehensive (loss)/income attributable to owners of the parent	(10,474)	4,600	n/m
Total comprehensive (loss)/income attributable to non-controlling interests	-	-	n/m
Total comprehensive (loss)/income for the period	(10,474)	4,600	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 31/03/2018 US$'000	As at 31/12/2017 US$'000	As at 31/03/2018 US$'000	As at 31/12/2017 US$'000
ASSETS				
Current assets:				
Cash and cash equivalents	13,934	17,391	260	33
Trade and other receivables	27,105	30,193	37,464	38,708
Inventories	11,102	8,463	-	-
Biological assets	14,119	14,099	-	-
Other assets	5,534	6,850	1	1
Assets held for sale	848	1,314	-	-
Total current assets	**72,642**	**78,310**	**37,725**	**38,742**
Non-current assets:				
Investments in subsidiaries	-	-	38,538	39,160
Investments in joint ventures	-	-	-	-
Other receivables	22,544	21,453	-	-
Property, plant and equipment	85,037	83,923	-	-
Investment property	2,370	2,376	-	-
Bearer plants	153,607	157,866	-	-
Land use rights	37,730	38,479	-	-
Deferred tax assets	10,189	8,172	-	-
Other assets	676	686	-	-
Total non-current assets	**312,153**	**312,955**	**38,538**	**39,160**
TOTAL ASSETS	**384,795**	**391,265**	**76,263**	**77,902**
LIABILITIES AND EQUITY				
Current liabilities:				
Income tax payables	1,476	1,940	-	-
Trade and other payables	46,765	43,961	1,849	1,940
Finance leases	202	245	-	-
Other financial liabilities	63,919	51,267	-	-
Total current liabilities	**112,362**	**97,413**	**1,849**	**1,940**
Non-current liabilities:				
Deferred tax liabilities	1,641	1,564	-	-
Finance leases	203	244	-	-
Other financial liabilities	228,051	239,152	-	-
Other liabilities	4,442	4,322	-	-
Total non-current liabilities	**234,337**	**245,282**	**-**	**-**
Capital and reserves:				
Share capital	93,860	93,860	93,860	93,860
Other reserve	2,485	2,485	-	-
(Accumulated losses)/retained earnings	(17,956)	(8,110)	5,244	5,652
Translation reserve	(40,293)	(39,665)	(24,690)	(23,550)
Equity attributable to the owners of the parent	38,096	48,570	74,414	75,962
Non-controlling interests	-	-	-	-
Total equity	**38,096**	**48,570**	**74,414**	**75,962**
TOTAL LIABILITIES AND EQUITY	**384,795**	**391,265**	**76,263**	**77,902**

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

	As at 31/03/2018 US$'000	As at 31/12/2017 US$'000
Amount due within one year		
Secured	64,121	51,512
Amount due more than one year		
Secured	228,254	239,396

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

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

	Jan - Mar 2018 US$'000	Jan - Mar 2017 US$'000
Cash flows from operating activities		
(Loss)/profit before tax	(11,895)	5,882
Adjustments for:		
Interest income	(895)	(768)
Interest expense	5,407	5,155
Amortisation of land use rights	457	320
Depreciation expense	4,169	3,705
Fair value changes in biological assets	(235)	(1,065)
Fair value changes in other receivables	78	123
Gain on disposal of bearer plants	(18)	-
Increase in provision for employment pension benefits	185	198
Loss on disposal of property, plant and equipment	286	5
Loss on disposal of assets held for sale	139	-
Share of results from equity-accounted joint ventures	756	(270)
Net effect of exchange rate changes in consolidating entities	775	143
Operating cash flows before changes in working capital	(791)	13,428
Inventories	(2,767)	(2,053)
Trade and other receivables	1,184	(1,604)
Other assets	953	269
Trade and other payables	3,469	(1,373)
Other financial liabilities	-	(332)
Net cash flows from operations before tax	2,048	8,335
Income taxes paid	(426)	(1,723)
Net cash flows from operating activities	1,622	6,612
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,641)	(582)
Disposal of assets held for sale	286	-
Additions to bearer plants	(510)	(810)
Disposal of bearer plants	880	-
Purchase of land use rights	(288)	(333)
Interest received	141	105
Net cash flows used in investing activities	(4,132)	(1,620)
Cash flows from financing activities		
Proceeds from borrowings	70,820	34,208
Repayment of borrowings	(65,900)	(40,227)
Finance lease repayments	(76)	(153)
Interest paid	(5,756)	(5,787)
Net cash flows used in financing activities	(912)	(11,959)
Net decrease in cash and cash equivalents	(3,422)	(6,967)
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	13,270	5,190
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)	13,934	6,694
Less : Bank overdraft	(664)	(1,504)
Cash and cash equivalents for consolidated statement of cash flows purposes	13,270	5,190

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 Losses**	**Translation Reserve**	**Other Reserve**	**Reserve on Post-Employment Benefit**	**Total**	**Non-Controlling Interests**	**Total Equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Balance as at 1/1/2018	93,860	(8,110)	(39,665)	2,485	-	48,570	-	48,570
Total comprehensive loss	-	(9,846)	(628)	-	-	(10,474)	-	(10,474)
Balance as at 31/03/2018	**93,860**	**(17,956)**	**(40,293)**	**2,485**	**-**	**38,096**	**-**	**38,096**
Balance as at 1/1/2017	93,860	(13,340)	(39,398)	2,485	-	43,607	-	43,607
Total comprehensive income	-	4,261	339	-	-	4,600	-	4,600
Balance as at 31/03/2017	**93,860**	**(9,079)**	**(39,059)**	**2,485**	**-**	**48,207**	**-**	**48,207**

COMPANY	**Share Capital**	**Retained Earnings/ (Accumulated Losses)**	**Translation Reserve**	**Total Equity**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Balance as at 1/1/2018	93,860	5,652	(23,550)	75,962
Total comprehensive loss	-	(408)	(1,140)	(1,548)
Balance as at 31/03/2018	**93,860**	**5,244**	**(24,690)**	**74,414**
Balance as at 1/1/2017	93,860	(5,384)	(22,881)	65,595
Total comprehensive (loss)/income	-	(297)	571	274
Balance as at 31/03/2017	**93,860**	**(5,681)**	**(22,310)**	**65,869**

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

Not applicable.

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

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

As at 31 March 2018	As at 31 December 2017
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.

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 Financial Reporting Standard ("FRS") 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.

<u>SFRS(I) 9 Financial Instruments</u>
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.

<u>SFRS(I) 15 Revenue from Contracts with Customers</u>

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.

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

	As restated 1Q2017 US$'000	As previously reported 1Q2017 US$'000	Change US$'000
Revenue	39,828	39,459	369
Interest expense	(5,155)	(4,786)	(369)

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 - Mar 2018 US Cents	Jan - Mar 2017 US Cents
(Loss)/earnings per share for the period		
(a) based on weighted average number of shares	(3.43)	1.48
(b) based on a fully diluted basis	(3.43)	1.48
Weighted number of shares	287,011,177	287,011,177

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 31/03/2018 US Cents	As at 31/12/2017 US Cents	As at 31/03/2018 US Cents	As at 31/12/2017 US Cents
Net asset value per ordinary share	13.27	16.92	25.93	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 30% from US$39.8 million in 1Q2017 to US$28.0 million in 1Q2018. The decrease was mainly due to lower Average Selling Price ("ASP") of CPO and the decrease in sales volume during the quarter due to low cyclical FFB production. ASP of CPO decreased 12% from US$682 to US$599 and sales volume of CPO decreased approximately 16% from 46,683 MT in 1Q2017 to 39,273 MT in 1Q2018. The Group recorded an Operating Loss ("OL") of US$3.1 million in 1Q2018 and a Net Loss After Tax ("NLAT") of US$9.8 million in 1Q2018. The NLAT in 1Q2018 was due to low ASP and sales volume of CPO, higher interest expense, lower share of results from JV and increase in foreign exchange loss as a result of the weakening IDR. The increase in interest expense was mainly due to higher borrowings and more interests expensed instead of capitalised as more trees matured.

Cost of operation

Sales and distribution costs decreased by 43% mainly due to lower sales volume.

The Group recorded an increase in administrative expenses from US$2.3 million in 1Q2017 to US$2.6 million in 1Q2018 mainly due to fees incurred in relation to a study on environmental issues for compliance to sustainable practices.

Other losses increased by 57% from US$0.2 million in 1Q2017 to US$0.4 million in 1Q2018 mainly due to the loss on disposal of a vessel.

Review of financial position

Shareholders' equity decreased from US$48.6 million as at 31 December 2017 to US$38.1 million as at 31 March 2018 mainly due to loss for the period of US$9.8 million and translation loss of US$0.6 million for the period.

The Group's total current assets decreased by US$5.7 million from US$78.3 million as at 31 December 2017 to US$72.6 million as at 31 March 2018. Save for the movement in cash and cash equivalents as explained in cash flow section below, the remaining movement in current assets arose mainly from:

a) decrease in trade and other receivables amounting to US$3.1 million mainly due to payments received from plasma receivables;
b) increase in inventories amounting to US$2.6 million due the purchase of more consumables during the period; and
c) decrease in other assets amounting to US$1.3 million as a result of the reclassification of some advance payments to property, plant and equipment.

Total non-current assets decreased by US$0.8 million from US$313.0 million as at 31 December 2017 to US$312.2 million as at 31 March 2018. This was mainly due to the following:

a) increase in other receivables of US$1.1 million as a result of advances made to a joint venture;
b) increase in properties, plant and equipment of US$1.1 million due to additions made during the period offset by the depreciation charge;
c) decrease in bearer plants of US$4.3 million mainly due to depreciation charges and a disposal made during the period; and
d) increase in deferred tax assets of US$2.0 million mainly due to additional deferred tax asset recognised in relation to losses suffered this period.

The Group's total current liabilities increased by US$14.9 million from US$97.4 million as at 31 December 2017 to US$112.4 million as at 31 March 2018. This was mainly due to an increase in short term borrowings, trade and other payables and increase in current portion of long term borrowings due to reclassification from non-current portion.

Total non-current liabilities decreased by US$10.9 million from US$245.3 million as at 31 December 2017 to US$234.3 million as 31 March 2018. This was mainly due to decrease in non-current portion of long-term borrowings due to reclassification to current portion.

The Group reported negative working capital of US$39.7 million as of end of March 2018. This was mainly due to a portion of borrowings used to invest in plantation assets.

<u>Review of group cash flows</u>

The closing cash and cash equivalents (net of bank overdrafts) of the Group decreased by US$3.4 million from US$16.7 million as at 31 December 2017 to US$13.3 million as at 31 March 2018. The decrease was due to net cash inflow from operating activities offset by cash outflow from investing activities and financing activities.

The Group's operating cash flows was lower by US$5.0 million in 1Q2018 as compared to 1Q2017 mainly due to the loss incurred for the period.

The Group reported a net cash outflow from investing activities of US$4.1 million in 1Q2018 was mainly due to the purchase of plant and equipment. Net cash flows used in financing activities was US$0.9 million mainly due to the repayment of borrowings and interests, 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.

While the FFB production experienced a cyclical low trend in 1Q2018, we are already seeing a recovery in production for 2Q2018 and this recovery is expected to continue into the remaining part of the year. CPO prices however are expected to remain volatile affected by EU sanctions, Indian tariffs and the involvement of soy in the trade war between the US and China. We are optimistic that the biodiesel programme in Indonesia will provide support for CPO prices. In this challenging environment, we will continue to focus our efforts on 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/recommended, a statement to that effect.

No dividend has been declared or recommended for the financial quarter ended 31 March 2018.

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$100,000)
	2018	**2018**
	US$'000	**US$'000**
Wilmar Group (Sales)	–	–
Wilmar Group (Purchases)	–	1,017
PT Berkat Wahana Sukses (Services Received)	98	–
PT Berkat Wahana Sukses (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	–	–
PT Alamindo Sejahtera Persada (Services Received)	–	–
PT Alamindo Sejahtera Persada (Services Received, shareholders' mandate obtained at EGM held on 26 April 2012)	–	–

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 March 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.

BY ORDER OF THE BOARD
Henry Maknawi
Executive Chairman
14 May 2018