KENCANA AGRI LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200717793E)

SHARE SWAP AGREEMENT IN RELATION TO THE ACQUISITION OF PT DERMAGA KENCANA INDONESIA

Unless stated otherwise, the exchange rate of US$1 = S$1.44 and US$1 = Rp.9,920 shall be applied throughout this announcement.

1. INTRODUCTION

The board of directors (the "**Directors**") of Kencana Agri Limited (the "**Company**")refers to the announcement dated 19 May 2009 (the "**Previous Announcement**") relating to the letter of commitment dated 15 May 2009 (the "**Letter of Commitment**") entered into between the Company and Louis Dreyfus Commodities Asia Pte Ltd ("**LDC**"), pursuant to which the Company and LDC intend to own, build and operate a river port (the "**Port**") on a land parcel located at Balikpapan, West Kalimantan, Indonesia (the "**DKI Land**") which is held by PT Dermaga Kencana Indonesia ("**DKI**"), as well as to source and trade crude palm oil and other palm products through the Port (the "**Joint Venture**").

In connection with the Joint Venture, the Directors are pleased to announce that the Company has entered into a share swap agreement dated 03 August 2009 (the "**Share Swap Agreement**") with Henry Maknawi, Ratna Maknawi, Jeanny Maknawi, Eddy Maknawi, Johan Maknawi and Ajis Chandra (collectively, the "**Vendors**") and Kencana LDC Pte Limited (the "**Purchaser**") to acquire the issued share capital of DKI.

2. INFORMATION ON THE PARTIES

2.1 Purchaser

The Purchaser is a limited liability company incorporated under the laws of Singapore for the purposes of facilitating and effecting the Joint Venture. As at the date of this announcement, the Purchaser has an issued share capital of S$100 divided into 100 ordinary shares, of which 99 shares is owed by the Company and one (1) share is owned by LDC.

In accordance with the Letter of Commitment and in addition to the Share Swap Agreement, the Company, LDC and the Purchaser will be entering into a subscription agreement for the subscription of shares in the Purchaser by LDC for an aggregate consideration of US$2 million (the "**Subscription Agreement**"), such that upon completion of the Subscription Agreement, the Company and LDC shall each hold 50% of the issued share capital of the Purchaser, which in turn shall hold approximately the entire issued share capital of DKI. The parties intend to complete the Subscription Agreement shortly after the completion of the Share Swap Agreement.

2.2 Vendors

The Vendors, the number of Sale Shares (as defined herein) to be sold by them and the number of Consideration Shares (as defined herein) to be allotted and issued to them are set out below:

Name	No. of Sale Shares	Percentage of shareholdings in DKI	No. of Consideration Shares
Henry Maknawi	999,998[(1)]	50%	4,690,551
Ratna Maknawi	200,000	10%	938,111
Jeanny Maknawi	200,000	10%	938,111
Eddy Maknawi	200,000	10%	938,111
Johan Maknawi	200,000	10%	938,111
Ajis Chandra	200,000	10%	938,111
Total	**2,000,000**	**100%**	938,111

Note:

(1) Henry Maknawi will transfer two (2) shares of DKI separately to affiliated companies of or companies nominated by each of the Company and LDC.

Mr. Henry Maknawi is the Chairman, Chief Executive Officer and a Director of the Company. He is also a substantial shareholder of the Company as he is deemed to be interested in the shares of the Company held by Kencana Holdings Pte. Ltd. ("**Kencana Holdings**") by virtue of his 43.3% shareholding interest in Kencana Holdings, which is a substantial shareholder of the Company. Ms. Ratna Maknawi is the Deputy Chief Executive Officer and a Director of the Company, and she is also a sibling of Mr. Henry Maknawi. Mr. Ajis Chandra is the spouse of Ms. Ratna Maknawi.

2.3 DKI

DKI is a limited liability company incorporated in Indonesia and having its domicile at Kencana Tower, Business Park Kebun Jeruk, Jl. Raya Meruya Ilir No. 88. Jakarta Barat 11620. DKI holds the DKI Land, which pursuant to the Joint Venture and upon completion of, *inter alia*, the Share Swap Agreement, shall be used for the purposes of the construction and operation of the Port, as well as to source and trade crude palm oil and other palm products through the Port. DKI was established under the laws of the Republic of Indonesia in July 2004 and has largely been dormant save for the acquisition and ownership of the DKI Land.

The aggregate net book value and net tangible asset value of DKI, based on the latest financial statements of DKI for the period ended 30 June 2008 is US$1.97 million and US$1.89 million respectively.

Based on the the latest announced financial statements of the Group for FY2008, the net loss attributable to the Acquisition (as defined herein) is (US$ 42,310).

As at the date of this announcement, DKI has an issued share capital of Rp 20 billion divided into 2 million ordinary shares owned by the Vendors in the proportions set out above.

3. PRINCIPAL TERMS OF THE SHARE SWAP

3.1 Share Swap

On the terms and subject to conditions of the Share Swap Agreement, the Vendors shall transfer the entire issued share capital of DKI, unencumbered, save for two (2) shares of DKI which shall be transferred separately to affiliated companies of or companies nominated by each of the Company and LDC (the "**Sale Shares**") to the Purchaser for an aggregate consideration of US$2 million, based on the Independent Valuation (as defined herein) (the "**Acquisition**"). The Purchaser shall satisfy the aggregate consideration for the Acquisition by the allotment and issue of shares of the Purchaser (the "**Purchaser Shares**") at an issue price of US$1 per share to the Vendors, pro-rata to each Vendor's proportion of shareholdings in DKI.

Pursuant to the Share Swap Agreement, the Vendors have renounced their rights to the allotment in favour of the Company and irrevocably directed the Purchaser to issue the Purchaser Shares to the Company for an aggregate consideration of US$2 million (the "**Renunciation**"). The Company shall satisfy the aggregate consideration for the Renunciation by the allotment and issue of the shares of the Company (the "**Consideration Shares**") at an issue price of S$0.307 per share to the Vendors, pro-rata to each Vendor's right to receive his or her allotment of the Purchaser Shares pursuant to the Acquisition (the "**Share Issue**").

The consideration in respect of the Acquisition and Renunciation (collectively, the "**Share Swap**") was agreed upon between the Company, the Purchaser and the Vendors after arm's length negotiations and on a willing-buyer and willing-seller basis, and is in accordance with the independent confirmatory valuation of DKI and consequently the shares of DKI (on a cash and debt free, no undisclosed liability and full unencumbered title and ownership basis) undertaken by PT Kreasi Laksana on 31 July 2009 (the "**Independent Valuation**").

The issue price of S$0.307 per Consideration Share is equivalent to the average of the closing price of shares of the Company traded on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in the five (5) market days prior to execution of the Share Swap Agreement. The Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the then existing shares of the Company for any dividends, rights, allotments or other distributions, the record date of which falls on or after the issue of the Consideration Shares.

3.2 Conditions

The completion of the Share Swap Agreement is conditional upon, *inter alia*, the following:

(a) the Purchaser being satisfied (which it shall determine in its sole and absolute discretion) with the results of the due diligence review on DKI as conducted by Ali Budiardjo, Nugroho, Reksodiputro, Indonesian legal advisers to the Company, in all material respects and the fulfilment of any conditions that may be deemed appropriate arising out of the results of the due diligence review;

(b) the warranties given by the Vendors remaining true and accurate in all material respects as at the date of completion of the Share Swap Agreement (the "**Completion**");

(c) the approval-in-principle for the listing and quotation of the Consideration Shares on the mainboard of SGX-ST being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to the Vendors and to the extent that any conditions to such approval are required to be fulfilled on or before the date of completion, they are so fulfilled in all material respects;

(d) the allotment and issuance of the Consideration Shares to the Vendors and acquisition of DKI by the Purchaser being approved by the shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting to be convened; and

(e) Kencana, LDC and the Purchaser entering into the Subscription Agreement prior to or concurrently with Completion.

3.3 Undertakings

The Vendors have jointly and severally undertaken, and the Purchaser has agreed to render all reasonable assistance to the Vendors, to apply and obtain certain licences, reports and/or approvals in respect of the DKI Land and for the purposes of operating the Port within eight (8) months of the execution of the Share Swap Agreement (the "**Period**").

If these licences, reports and/or approvals are not obtained on or before the Period, or such date as the Purchaser may agree, the Company or the Purchaser may, either in its own name or on behalf of the Vendors, apply and obtain such licences, reports and/or approvals, and the Vendors shall reimburse the Company or the Purchaser (as the case may be) for all costs, expenses and charges incurred in connection therewith.

The Purchaser has undertaken to the Vendors that, upon Completion, it shall release or procure DKI to release to the Vendors, or a party nominated by them, the rights of DKI over a land parcel of approximately 83 hectares adjoining the DKI Land (the "**Remaining Land**") which is under Ijin Lokasi (a location permit that allows the acquisition of rights over land up to the area covered by such permit) and is not required for the purposes of the Joint Venture.

4. RATIONALE FOR THE SHARE SWAP

The Share Swap is necessary for and comprises part of the Joint Venture as contemplated under the Letter of Commitment. As per the Previous Announcement, the Company believes that the Joint Venture is in the interest of the Company for the following reasons:

(a) The Louis Dreyfus Commodities Group ("**LDCG**") is one of the top soft commodities players in the world with over 150 years of experience, and is also one of the largest commodities port operators in the world.

(b) With LDCG as the Company's business partner, the Joint Venture will add value to the Company's business and reputation, and is in line with the Company's long-term strategies for developing and expanding its plantation business. The Company is of the view that the Joint Venture will augment its business and ultimately deliver greater value to the Shareholders of the Company.

(c) The completion of the Port will further strengthen the Company's infrastructure and this will play a crucial role in the Company's future business expansion in East Kalimantan and Sulawesi. The Company will also be able to achieve better operational efficiencies and flexibility when handling its product shipments. These operational synergies may allow the Company to potentially achieve better margins as a result.

(d) The cost savings derived from shared costs of construction will be beneficial to both the Company and LDCG.

As at the date of this announcement, apart from the Letter of Commitment and the Share Swap Agreement, the Company and LDC have not entered into other agreements formalising the Joint Venture. The Company will update Shareholders as and when such agreements, including the Subscription Agreement are entered into.

5. LISTING MANUAL REQUIREMENTS

5.1 Rule 812(1)

The Vendors are Directors and substantial shareholders of the Company and the immediate family members of such Directors and substantial shareholders.

Rule 812(1) of the listing manual of the SGX-ST (the "**Listing Manual**") provides that an issue of securities must not be placed to, *inter alia*, the directors and substantial shareholders of the issuer, the immediate family members of the directors and substantial shareholders of the issuer, or such corporations in whose shares the directors and substantial shareholders of the issuer have an aggregate interest of at least 10%, unless specific approval has been obtained from shareholders for the issue of securities. Accordingly, pursuant to Rule 812(1), the Share Issue is subject to the approval of the Shareholders.

A circular containing further details of the Share Swap and enclosing a notice of extraordinary general meeting to be convened to seek the approval of Shareholders will be despatched by the Company to the Shareholders in due course.

5.2 Chapter 9

The value of the Share Swap, being US$2 million, amounts to approximately 1.9% of the latest audited net tangible assets ("**NTA**") of the Company and its subsidiaries (the "**Group**"), and the aggregate value of all transactions entered into with the Vendors during the same financial year amounts to less than 5% of the latest audited NTA of the Group. Accordingly, the Share Swap does not fall within the stipulated thresholds under Chapter 9 of the Listing Manual which will warrant the approval of Shareholders pursuant thereto.

5.3 Chapter 10

The relative figures in respect of the Share Swap, as computed on the relative bases set out in Rule 1006 of the Listing Manual, are as follows:

	Bases set out in Rule 1006	
(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value (not applicable to an acquisition of assets)	Not applicable
(b)	Net loss[(1)] attributable to the assets acquired, compared with the Group's net profits	0.3%
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation[(2)] based on the total number of issued shares excluding treasury shares	0.9%
(d)	The number of equity securities issued by the Company as consideration, compared with the number of equity securities previously in issue	0.9%

Notes:

(1) Under Rule 1002(3), "net profit" means profit or loss before income tax, minority interests and extraordinary items. The net profits attributable to the Sale Shares acquired is US$42,310.

(2) Under Rule 1002(3), "market capitalisation" of an issuer is determined by multiplying the number of Shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the sale and purchase agreement. The market capitalisation of the Company for the purposes of the Share Swap Agreement is approximately US$218.3 million.

As all the figures calculated above pursuant to Rule 1006 do not exceed 20%, the Share Swap does not require Shareholders' approval pursuant to Rule 1014 of the Listing Manual.

6. FINANCIAL EFFECTS OF THE SHARE SWAP

The financial effects of the Share Swap based on the audited financial statements of the Company for the financial year ended 31 December 2008 ("**FY2008**") are set out below. The analysis is prepared solely for illustrative purposes and does not purport to be indicative or a projection of the financial results or position of the Company or the Group after Completion.

6.1 Share Capital

The effects of the Share Swap on the existing issued share capital of the Company as at the date of this announcement are as follows:

	No. of shares	US$'000
Existing issued share capital of the Company before Share Swap	998,044,720	55,774
New shares to be issued pursuant to the Share Swap	9,381,107	2,000
Enlarged issued share capital of the Company after Share Swap	1,007,425,827	57,774

6.2 Earnings per Share

The effects of the Share Swap on the earnings per share ("**EPS**") of the Company for FY2008 are as follows:

	FY2008
Earnings or loss attributable to Shareholders (US$'000)	10,324
EPS before the Share Swap (US cents) [(1)]	1.2
Adjusted EPS after Share Swap (US cents) [(2)]	1.1

Notes:

(1) Based on the existing issued share capital of the Company as at the date of this announcement.

(2) Based on the enlarged issued share capital of the Company after the Share Swap.

6.3 Net Tangible Assets

The effects of the Share Swap on the NTA of the Group, assuming that the Share Swap was completed on 31 December 2008 are as follows:

	As at 31 December 2008
NTA (US$'000)	107,146
Estimated increase in NTA as a result of Share Swap (US$'000)	2,000
Estimated NTA after Share Swap (US$'000)	109,146
NTA per share before Share Swap (US cents)	10.7
Estimated NTA per share after Share Swap (US cents)	10.8

7. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed above, none of the Directors or controlling shareholders of the Company or their respective associates has any direct or indirect interest in the Share Issue (other than through their respective shareholdings in the Company).

8. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Share Swap Agreement as well as the Independent Valuation are available for inspection during normal business hours at the registered office of the Company at 3 Shenton Way, #10-06 Shenton House, Singapore 068805 for a period of three (3) months from the date of this announcement.

By Order of the Board
Kencana Agri Limited

Ratna Maknawi
Deputy Chief Executive Officer
3 August 2009