KENCANA AGRI LIMITED
(Registration No: 200717793E)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
For the Six Months Ended 30 June 2021

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INFORMATION REQUIRED FOR ANNOUNCEMENT OF SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “Board”) of Kencana Agri Limited (the “Company”, and together with its subsidiaries, the “Group”) is pleased to announce the unaudited condensed interim consolidated financial statements of the Group for the period ended 30 June 2021.

A. Condensed interim consolidated statement of comprehensive income

SGX Appendix 7.2 para 1(a)

		Group 6 months ended 30 June	
	Notes	2021	2020
		US$'000	US$'000
Continuing operations			
Revenue	5	63,835	61,684
Cost of sales	6	(41,219)	(42,004)
Gross profit		22,616	19,680
Interest income		480	379
Other gains	8	1,056	410
Changes in biological assets and plasma receivables	7	8,306	(238)
Distribution costs	9	(741)	(1,115)
Administrative expenses		(5,042)	(4,165)
Finance costs	10	(7,858)	(8,623)
Other losses	8	(5,450)	(5,192)
Share of results from equity-accounted joint ventures		(96)	(62)
Profit before tax from continuing operations		13,271	1,074
Income tax expense	11	(3,245)	(666)
Net profit for the period		10,026	408
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating Group entities' functional currency to US$ presentation currency, net of tax		(276)	(124)
Other comprehensive loss for the period, net of tax		(276)	(124)
Total comprehensive income		9,750	284

B. Condensed interim statements of financial position

SGX Appendix 7.2 para 1(b)

	Notes	Group 30 June 2021 US$'000	Group 31 December 2020 US$'000	Company 30 June 2021 US$'000	Company 31 December 2020 US$'000
ASSETS					
Non-current assets					
Property, plant and equipment	12	65,540	70,695	-	-
Right-of-use assets	13	435	489	-	-
Bearer plants	14	123,283	129,303	-	-
Investments in subsidiaries		-	-	36,314	37,320
Investments in joint ventures		-	-	-	-
Land use rights	15	31,648	33,179	-	-
Deferred tax assets		5,915	5,448	-	-
Other receivables	21	7,560	4,582	-	-
Total non-current assets		234,381	243,696	36,314	37,320
Current assets					
Assets held for sale	16	5,353	4,864	-	-
Biological assets	17	30,893	23,841	-	-
Inventories		9,166	10,735	-	-
Trade and other receivables		35,051	35,536	31,275	32,553
Other non-financial assets		3,945	1,904	1	1
Cash and cash equivalents	18	15,497	13,859	47	71
Total current assets		99,905	90,739	31,323	32,625
Total assets		334,286	334,435	67,637	69,945
EQUITY AND LIABILITIES					
Equity					
Share capital	19	93,860	93,860	93,860	93,860
(Accumulated losses) / Retained earnings		(30,933)	(40,959)	2,204	2,629
Other reserve		2,485	2,485	-	-
Translation reserve		(41,971)	(41,695)	(28,527)	(26,626)
Total equity attributable to owners of the parent		23,441	13,691	67,537	69,863
Non-current liabilities					
Deferred tax liabilities		1,868	2,345	-	-
Lease liabilities	25	9	24	-	-
Other financial liabilities	25	186,074	201,785	-	-
Other non-financial liabilities		6,362	6,137	-	-
Total non-current liabilities		194,313	210,291	-	-
Current liabilities					
Income tax payable		7,725	3,904	-	-
Trade and other payables		54,471	59,557	100	82
Lease liabilities	25	127	252	-	-
Other financial liabilities	25	54,209	46,740	-	-
Total current liabilities		116,532	110,453	100	82
Total liabilities		310,845	320,744	100	82
Total equity and liabilities		334,286	334,435	67,637	69,945

C. Condensed interim consolidated statement of cash flows

SGX Appendix 7.2 para 1(c)

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Cash flows from operating activities		
Profit before income tax from continuing operations	13,271	1,074
Profit before tax from discontinued operations	-	-
Profit before tax	13,271	1,074
Adjustments for:		
Interest income	(480)	(379)
Interest expense	7,858	8,623
Amortisation of land use rights	641	625
Depreciation expense	7,578	7,470
Fair value changes in biological assets	(7,758)	236
Changes in plasma receivables	(548)	2
Provision for employment pension benefits	391	440
(Gain)/Loss on disposal of property, plant and equipment	(7)	12
Loss on disposal of bearer plant	20	39
Impairment on loan receivable from joint venture	24	204
Share of results from equity-accounted joint ventures from continuing operations	96	62
Net effect of exchange rate changes in consolidating entities	4,757	5,094
Operating cash flows before changes in working capital	25,843	23,502
Inventories	1,280	1,779
Trade and other receivables	(2,377)	(1,640)
Other non-financial assets	(2,092)	(3,558)
Trade and other payables	(3,266)	(8,221)
Net cash flows from operations	19,388	11,862
Income taxes (paid)/refunded	(1,725)	66
Net cash flows from operating activities	17,663	11,928
Cash flows used in investing activities		
Proceeds on disposal of property, plant and equipment	26	2
Purchase of property, plant and equipment	(1,446)	(443)
Additions to bearer plants	(279)	(436)
Gain/(Loss) on disposal of bearer plants	16	(3)
Purchase of land use rights	-	(59)
Interest received	251	229
Net cash flows used in investing activities	(1,432)	(710)
Cash flows used in financing activities		
Cash restricted in use	-	-
Proceeds from borrowings	37,879	59,790
Repayment of borrowings	(43,632)	(65,098)
Repayments of lease liabilities	(130)	(366)
Interest paid	(8,349)	(8,954)
Net cash flows used in financing activities	(14,232)	(14,628)
Net increase/(decrease) in cash and cash equivalents	1,999	(3,410)
Net effect of exchange rate changes on cash and cash equivalents	(123)	(922)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	3,626	12,028
Cash and cash equivalents, consolidated statement of cash flows, ending balance	5,502	7,696
Cash and cash equivalents for the interim consolidated statement of cash flows has been calculated as follows:		
Cash and cash equivalents	15,497	18,324
Less:		
Deposits pledged for bank facilities	(9,995)	(9,621)
Bank overdrafts	-	(1,007)
	5,502	7,696

D. Condensed Interim Statements of Changes in Equity

SGX Appendix 7.2 para 1(d)(i)

Group	Total equity attributable to owners of the parent US$'000	Share capital US$'000	Accumulated losses US$'000	Other reserve US$'000	Reserve on post-employment benefits US$'000	Translation reserve US$'000
Current period:						
Opening balance at 1 January 2021	13,691	93,860	(40,959)	2,485	-	(41,695)
Changes in equity:						
Total comprehensive income/(loss) for the period	9,750	-	10,026	-	-	(276)
Closing balance at 30 June 2021	23,441	93,860	(30,933)	2,485	-	(41,971)
Previous period:						
Opening balance at 1 January 2020	9,856	93,860	(44,752)	2,485	-	(41,737)
Changes in equity:						
Total comprehensive income/(loss) for the period	284	-	408	-	-	(124)
Closing balance at 30 June 2020	10,140	93,860	(44,344)	2,485	-	(41,861)

Company	Total equity US$'000	Share capital US$'000	Retained earnings US$'000	Translation reserve US$'000
Current period:				
Opening balance at 1 January 2021	69,863	93,860	2,629	(26,626)
Changes in equity:				
Total comprehensive loss for the period	(2,326)	-	(425)	(1,901)
Closing balance at 30 June 2021	67,537	93,860	2,204	(28,527)
Previous period:				
Opening balance at 1 January 2020	71,709	93,860	3,437	(25,588)
Changes in equity:				
Total comprehensive income/(loss) for the period	575	-	2,260	(1,685)
Closing balance at 30 June 2020	72,284	93,860	5,697	(27,273)

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

The Company is incorporated as a limited liability Company and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). These condensed interim consolidated financial statements as at and for the 6 months ended 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are:
(a) Oil palm plantations and palm oil mill; and
(b) Logistics and bulking.

The Group's current liabilities are more than the current assets. The financial position of the entity, its cash flows, liquidity position and borrowing facilities are described in the notes to the interim financial statements. In addition, the notes to the interim financial statements include the objectives, policies and processes for managing capital, the financial risk management objectives, details of its financial instruments, availability of borrowing facilities and its exposures to credit risk and liquidity risk. The interim financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due in the next twelve months. The Group also had net operating cash inflows in June 2021 and December 2020.

If the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position. In addition, the Group may have to provide for further liabilities which may arise.

As a consequence and in view of the available financial resources and arrangements, the directors believe that the Group is well placed to manage its business risks. After consideration of the above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the interim financial statements

2 Basis of preparation

SGX Appendix 7.2 para 4

The condensed interim consolidated financial statements for the 6 months ended 30 June 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council in Singapore. The condensed interim consolidated financial statements is included all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand changes in the Group's financial positions and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim consolidated financial statements are presented in United States Dollars.

2.1 New and amended standards

SGX Appendix 7.2 para 5

There has been no change in the accounting policies and methods of computation adopted by the Group for the current reporting period compared with the audited financial statements for the year ended 31 December 2020, except for the adoption of new or revised SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for the financial year beginning on or after 1 January 2021. The adoption of these SFRS(I) and INT SFRS(I) has no significant impact on the Group.

2.2 Use of judgement and estimates

In preparing the condensed interim consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the interim financial statements is included in the following notes:
(a) Valuation of biological assets;
(b) Income tax;
(c) Property, plant and equipment;
(d) Land use right;
(e) Pension and employee benefits;
(f) Measurement of impairment of subsidiary or joint venture;
(g) Advances/guarantees under Plasma Programme;
(h) Impairment of assets held for sale;
(i) Environmental regulation.

(a) Valuation of biological assets

The biological assets (un-harvested FFB) are stated at fair value less costs to sell at the point of harvest. This measurement is significant and the process is highly judgemental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins.

(b) Income tax

The Group has exposure to income taxes in mainly two jurisdictions, Indonesia and Singapore. The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset’s carrying value or settle the liability. As a result, due to their inherent nature, assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

(c) Property, plant and equipment

An assessment is made for the reporting period whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units, if applicable, is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amounts of property, plant and equipment at the end of the reporting period affected by the assumption are disclosed in the note on property, plant and equipment.

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected.

(d) Land use right

The Group holds location permits or *Ijin Lokasi* in respect of plantation land in Indonesia allocated by the Indonesian authorities. Upon the completion of the acquisition of such land, the Group will be entitled to begin the process of application for Business Usage Rights (“Hak Guna Usaha” or “HGU”) certificates over such land. The *Ijin Lokasi* may not be extended by the Indonesian authorities and will automatically expire if the Group fails to acquire the land covered in the *Ijin Lokasi* within the stipulated validity period of the said *Ijin Lokasi*. In such an event, the Group may lose their rights granted by the Indonesian authorities under the *Ijin Lokasi* in respect of the remaining area covered by the original *Ijin Lokasi*. At the date of this report, the Group is in the final process of obtaining HGU certificates for conversion in respect of 4,371 (2020: 4,371) hectares of Kadastral land. Kadastral land is land that is measured to determine the actual land area for the HGU title based on the application submitted by the Group. The Group is also in the process of acquiring and clearing land held under their land bank prior to the issuance of Kadastral for such land. Prior to the issuance of the HGU certificates, such land is considered as uncertified land. Pending the issue of HGU certificates, the Group is permitted to physically occupy and build on the uncertified land and to plant and harvest crops. However, as the administration of land laws and regulations may be subject to a certain degree of discretion by the Indonesian authorities, there is no assurance with certainty that the relevant authorities would not take a different approach or view as regard the uncertified land, its use, registration and future disposal for value. Should the relevant authorities take a different approach or view as regards the same and the Group is unable to convert the uncertified land to HGU certified land, the Group’s interest in the uncertified land as well as the use of such land may be adversely affected.

(e) Pension and employee benefits

The determination of the group’s obligations and cost for pension and employee benefits liability is dependent on its selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions include among others, discount rates, future annual salary increases, annual employee turnover rates, disability rates, retirement age and mortality rates.

There was no significant change in estimates from 31 December 2020. Actual results that differ from the assumptions are recognised immediately in profit or loss as and when they occur. While the group believes that its assumptions are reasonable and appropriate, significant differences in the group’s actual experience or significant changes in the assumptions may materially affect its estimated liabilities for pension and employee benefits and net employee benefits expense. The carrying amount of the estimated liabilities for employee benefits as at 30 June 2021 was US$6,362,000 (31 December 2020: US$6,137,000).

(f) Measurement of impairment of subsidiary or joint venture:

Where an investee is in net equity deficit and or has suffered losses, a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amounts.

(g) Advances/guarantees under Plasma Programme

The Group has provided guarantees in respect of loans granted by banks to villagers under the Plasma Programme. The villagers will repay the bank loans from the sale proceeds of FFB. In the event the villagers default on their obligations to repay the bank loans, the banks may call upon the guarantees, which have been provided by the Group to the banks to secure the loans of the villagers. The entity recognises expected losses, if any, which require significant judgement

(h) Impairment of assets held for sale

In 2019, the Group decided to dispose off its investment property and certain joint ventures and have classified them as held for sale as they were available for immediate sale and could be sold to potential buyers in their current condition and the actions to complete the sale were initiated and expected to be completed within the next one year.

Management has assessed that the assets continue to meet the criteria to be classified as held for sale in the current year despite the delay in finalising the sale brought about by the current Covid-19 climate and ongoing negotiations and discussions with potential buyers.

In addition, management has performed an assessment based on the latest market prices/negotiation prices at the end of the reporting period and have concluded that these assets are carried at the lower of their carrying amount and fair value less costs of disposal.

(i) Environmental regulation

The main environmental concerns relate to the discharge of effluent arising from the milling of FFB and clearance of land and forest for developing the Group's plantations. The main social concern relates to possible conflicts that may arise with local communities in the areas around the plantations. Any environmental claims or failure to comply with any present or future regulations could result in the imposition of fines, the suspension or a cessation of the Group's operations. The Group's plantations are subject to both scheduled and unscheduled inspections by various Indonesian government agencies, each of whom may have differing perspectives or standards from the others. These agencies have the power to examine and control the Group's compliances with their environmental regulations, including the imposition of fines and revocation of licenses and land rights. However, governmental agencies may adopt additional regulations that would require the Group to spend additional funds on environmental matters.

Environmental regulations and social practices in Indonesia tend to be less exact than in developed countries. It is possible that these regulations could become more exact in the future and compliance with them may involve incurring significant costs. This may consequently have an adverse effect on the Group's operations. Any failure to comply with the laws and regulations could subject the Group to further liabilities. It is impracticable to disclose the extent of the possible effects of the above matters on the consolidated financial statements of the Group.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment information

The Group is primarily in the Oil Palm plantation business. The core business consists of cultivation of oil palm trees, processing of fresh fruit bunches into crude palm oil and palm kernel and the sale of crude palm oil and palm kernel.

	Revenue 6 months ended		Non-current assets	
	30 June 2021 US$'000	30 June 2020 US$'000	30 June 2021 US$'000	30 June 2020 US$'000
Indonesia	63,835	61,684	218,263	249,947
Singapore	–	–	2,643	2,675
Total	63,835	61,684	220,906	252,622

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services.

The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Top 1 customer in plantation segment	20,114	18,644
Top 2 customers in plantation segment	36,777	33,766
Top 3 customers in plantation segment	44,378	41,218

5. Revenues

Revenue classified by type of good or service:

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Sale of goods	63,541	61,425
Rental income	294	259
	63,835	61,684

The revenue from sale of goods such as Crude Palm Oil ("CPO"), palm kernel and FFB, and rendering of services is earned from customers who are mainly wholesalers and producers of oil palm products. All contracts are short-term and recognised at a point-in-time.

6. Cost of Sales

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Cost of goods produced and purchases	41,052	41,848
Cost incurred for rental income and rendering of services	167	156
	41,219	42,004

7. Changes in biological assets and plasma receivables

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Gain/(Loss) on fair value changes in biological asset	7,758	(236)
Gain/(Loss) on changes in plasma receivables	548	(2)
	8,306	(238)

8. Other gains and (other losses)

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Gain/(Loss) on disposal of property, plant and equipment	7	(12)
Foreign exchange translation loss	(4,235)	(4,625)
Withholding and other tax expenses	(1,171)	(312)
Impairment on other receivables - joint venture	(24)	(204)
Management fee from plasma	381	324
Sale of materials	70	13
Loss on disposal of bearer plants	(20)	(39)
Miscellaneous	598	73
	(4,394)	(4,782)
Presented in profit or loss as:		
Other gains	1,056	410
Other losses	(5,450)	(5,192)
Net	(4,394)	(4,782)

9. Distribution costs

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Freight and storage costs	741	1,115

10. Finance costs

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Gross finance costs	8,349	8,954
Less: capitalised in bearer plants	(491)	(331)
Net finance costs	7,858	8,623

11. Income tax

	Group 6 months ended 30 June	
	2021 US$'000	2020 US$'000
Current tax expense:		
Current tax expense	3,245	666

The Group's operations are predominantly located in Indonesia. In 2020, the Indonesian government enacted a change in the national income tax rates to 22% for the reporting year ended 31 December 2020 and the year ending 31 December 2021 and, 20% for financial year 2022 onwards. Accordingly, the current tax expense for the six months ended 30 June 2021 has been calculated using a rate of 22% for the Indonesian subsidiaries. Deferred tax assets and liabilities that are expected to crystalize in the years ending 31 December 2022 and onwards have been calculated using a rate of 20%.

12. Property, plant and equipment

Group	Freehold land	Leasehold buildings	Assets under construction	Plant, fixtures and equipment	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost:					
At 1 January 2020	35	35,664	3,520	106,172	145,391
Foreign exchange difference	–	(485)	(295)	(1,846)	(2,626)
Additions	–	13	803	500	1,316
Disposals	–	–	(25)	(177)	(202)
Reclassifications	–	836	(3,064)	2,228	–
At 31 December 2020	35	36,028	939	106,877	143,879
Foreign exchange difference	–	(975)	(33)	(2,876)	(3,884)
Additions	–	10	1,078	358	1,446
Disposals	–	–	–	(213)	(213)
Reclassifications	–	54	(226)	172	–
At 30 June 2021	35	35,117	1,758	104,318	141,228
Accumulated Depreciation and Impairment Losses:					
At 1 January 2020	–	12,423	–	53,118	65,541
Foreign exchange difference	–	(102)	–	(520)	(622)
Depreciation for the year	–	2,099	–	6,310	8,409
Disposals	–	–	–	(144)	(144)
Impairment for the year	–	14	–	(14)	–
At 31 December 2020	–	14,434	–	58,750	73,184
Foreign exchange difference	–	(399)	–	(1,158)	(1,557)
Depreciation for the period	–	1,097	–	3,158	4,255
Disposals	–	–	–	(194)	(194)
At 30 June 2021	–	15,132	–	60,556	75,688
Carrying Value:					
At 1 January 2020	35	23,241	3,520	53,054	79,850
At 31 December 2020	35	21,594	939	48,127	70,695
At 30 June 2021	35	19,985	1,758	43,762	65,540

In the previous reporting year, there was an impairment of equipment that was no longer in use in a subsidiary.

13. Right-of-use assets

The details of right-of-use assets in the statement of financial position are as follows:

	Lease of office and warehouse premises	
	30 June 2021	31 December 2020
	US$'000	US$'000
Group		
Cost:		
At beginning of the year	702	714
Foreign exchange difference	(19)	(12)
At end of the period/year	683	702
Accumulated depreciation:		
At beginning of the year	213	44
Depreciation for the period/year	41	170
Foreign exchange difference	(6)	(1)
At end of the period/year	248	213
Carrying value:		
At beginning of the year	489	670
At end of the period/year	435	489

The right-of-use assets are for the lease of office and warehouse premises from a related party. The lease agreement covers a period of 25 years from 1 July 2008 to 30 June 2033. The Group has prepaid the lease payments to the related party. Accordingly, no lease liability has been recognised.

14. Bearer plants

	Group	
	30 June 2021	31 December 2020
	US$'000	US$'000
Cost:		
At beginning of the year	175,237	175,938
Additions	279	628
Capitalisation of interest cost	491	937
Capitalisation of depreciation expense	123	318
Disposal	(36)	(105)
Foreign exchange difference	(4,743)	(2,479)
At end of the period/year	171,351	175,237
Accumulated Depreciation:		
At beginning of the year	45,934	39,465
Depreciation for the period/year	3,405	6,788
Foreign exchange difference	(1,271)	(319)
At end of the period/year	48,068	45,934
Carrying Value:		
At beginning of the year	129,303	136,473
At end of the period/year	123,283	129,303

15. Land use rights

	Group	
	30 June 2021	31 December 2020
	US$'000	US$'000
Cost:		
At beginning of the year	42,584	43,105
Foreign exchange difference	(1,149)	(619)
Additions	-	98
At end of the period/year	41,435	42,584
Accumulated amortisation:		
At beginning of the year	9,405	8,218
Foreign exchange difference	(259)	(72)
Amortisation for the period/year included under cost of sales	641	1,259
At end of the period/year	9,787	9,405
Carrying value:		
At beginning of the year	33,179	34,887
At end of the period/year	31,648	33,179

16. Assets held for sale

Details of the assets classified as held for sale are as follows:

	Group	
	30 June 2021	31 December 2020
	US$'000	US$'000
Investment property	2,323	2,323
Loan receivable from joint venture	3,030	2,541
Total assets classified as held for sale	5,353	4,864

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities, and accordingly, no impairment loss has been recognised on the classification of these assets as held for sale.

Investment property
The Group's investment property which relates to a leasehold property is presented as held for sale following the decision of management in 2019 to sell the investment property. Also see Note 29.

Joint ventures
On 12 December 2019, the Company, together with its subsidiary, PT Sawindo Kencana ("SWK"), entered into a Conditional Sales and Purchase Agreement with a related party, for the sale and purchase of 78.5% of the issued shares and paid-up share capital of PT Cahaya Permata Gemilang ("CPG"). The related assets of CPG and its subsidiaries have been presented in the statement of financial position as "assets held for sale". Also see Note 29.

17. Biological assets

	Group	
	30 June 2021	31 December 2020
	US$'000	US$'000
Movement in fair value		
At beginning of the period/year	23,841	15,315
Foreign exchange difference	(706)	89
Fair value less estimated point-of-sale costs	7,758	8,437
At end of the period/year (Level 3)	30,893	23,841

There was no change in the fair value hierarchy during the period. The Group's oil palm plantations are located in Indonesia.

Biological assets comprise of un-harvested fresh fruit bunches ("FFB") growing on oil palm trees (bearer plants). The Group measures its biological assets at fair value less cost to sell at the point of harvest, which require use of accounting estimates and assumptions. Significant components of fair value measurement on a recurrent basis were determined using assumptions and estimates such as the yield of oil palm trees, annual discount rate, and projected selling prices of FFB. Any changes in fair values of these biological assets would affect the Group's profit and carrying value of the biological assets. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected.

The significant assumptions made in determining the fair values of the oil palm plantations are as follows:
(i) Projected volumes of FFB harvested subsequent to period-end are based on management inspection on actual condition of un-harvested FFB growing on the trees in June 2021;
(ii) The discount rate used in June 2021 is 11.07% per annum (2020: 11.05% per annum) (such discount rates represent the asset specific rate for the Group's plantation operations which is applied in the discounted future cash flows calculations); and
(iii) The projected selling prices of FFB are based on FFB published prices for the respective provinces for June 2021, which is used as an estimate for the forecasted market price.

The fair value of biological assets would be affected by changes in the above assumptions used, particularly the FFB prices used and projected volumes of FFB.

Sensitivity on unobservable inputs:

Favourable or adverse changes in discount rate, projected selling price and projected volume of FFB will increase or decrease the fair value.

Risk management strategy related to agricultural activities:

The Group is exposed to the following risks relating to its oil palm plantations.

Regulatory and environmental risks:
The Group is subject to laws and regulations in Indonesia. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

Supply and demand risks:
The Group is exposed to risks arising from fluctuations in the price and sales volume of CPO and Crude Palm Kernel Oil ("CPKO"). When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

Climate and other risks:
The Group's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular plantation health inspections and industry pest and disease surveys. The Group is also insured against natural disasters such as floods and hurricanes.

18. Cash and cash equivalents

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	US$'000	US$'000	US$'000	US$'000
Not restricted in use	5,502	4,103	47	71
Deposits pledged for bank facilities	9,995	9,756	–	–
Cash at end of the year	15,497	13,859	47	71

The interest earning balances are not significant.

19. Share Capital

	Number of shares issued '000	Share capital US$'000
Ordinary shares of no par value:		
Balance at 1 January 2020, 31 December 2020 and 30 June 2021	287,011	93,860

The ordinary shares of no par value which are fully paid carry no right to fixed income.

20. Litigation

In 2020, a subsidiary of the Group and its subcontractor received a court summon from an external party for the alleged misuse of a patent. The Court has pronounced the verdict at the trial on 24 May 2021 and rejected the claim from the plaintiff.

In relation to the Court decision, the plaintiff has filed an appeal to High Court of Jakarta. Up to the date of the completion of the interim financial statements, the appeal is still in progress.

Management is of the opinion that the lawsuit is without merit and no provision is required for the plaintiff's claim approximating US$14 million.

21. Contingent Liabilities

Arrangements under the Plasma Programme

The Indonesian authorities require oil palm plantations to develop the surrounding local plantation areas held by small landholders when applying for land rights for oil palm plantations. This form of assistance to local small landholders is generally known as the Plasma Programme. Under the Plasma Programme, a plantation developer transfers a designated land area to the small landholders, who then operate the plasma plantation under the supervision of the plantation developer.

Certain subsidiaries of the Group have implemented the Plasma Programme using plantation business cooperatives scheme (Kredit Koperasi Primer Anggota or "KKPA"), cooperation in local community oil palm plantation scheme (Kebun Kelapa Sawit Rakyat or "KKSR"), and independent plasma scheme (Plasma Mandiri).

Under the KKPA scheme, the villagers typically occupy the land and the Group helps to develop the land and manage the oil palms to maturity. The development costs are funded by bank loans, which are guaranteed by the Group using the aforementioned land certificates and/or other appropriate forms of security as collateral. Upon maturity of the oil palms, the land will be maintained and managed by the villagers or in the future by the Group. The harvested fresh fruit bunches ("FFB") will then be sold to the Group. The villagers will repay the loan facilities from a portion of the FFB sale price. The Group obtains a power of attorney to manage the accounts of the villagers into which all monies from the sale of FFB will be deposited. This power of attorney allows the Group to withdraw funds from such accounts to pay for all the villagers operating costs and expenses. Under the KKSR scheme, the villagers also typically occupy the land. The Group will provide seedlings and the regional authorities will provide fertiliser to the villagers.

Post-harvest, the FFB will be sold to the Group and part of the sale proceeds will be paid to the Group and the regional authorities as payment for the seedlings and fertiliser respectively. Plasma Mandiri is a scheme whereby the Group will provide the seedlings to the villagers, and the villagers will plant and maintain the plantations. Post-harvest, the FFB will be sold to the Group and part of the sale proceeds will be paid to the Group as payment for the seedlings provided. There is no governmental involvement under this scheme.

Costs incurred during development up to conversion of the oil palm plantations and temporary funding to the villagers for working capital purposes are included in other receivables in the statement of financial position. The funds received from the designated banks on behalf of villagers for the development and operations of the plantations are offset against advances under plasma program in the statement of financial position.

The development of plantations is financed by credit investment facilities granted by designated banks to the villagers through local cooperatives as the representatives of the villagers. The loan facilities are secured by the land certificates held by the villagers and corporate guarantees from the Group. The credit facility amounts and the outstanding balances of the bank loans granted by the banks to the villagers as at the end of the reporting period/year are as follows:

	Group	
	30 June 2021 US$'000	31 December 2020 US$'000
Facility amounts	25,154	29,217
Outstanding balances	14,865	18,327

Upon maturity of the oil palm, the land will be maintained and managed by the villagers or in the future by the Group. The harvested FFB will then be sold to the Group. The villagers will repay the loan facilities from a portion of the FFB sale price. In addition to the scheme, the Group provided temporary funding to the local cooperatives for working capital purposes. The cost of development of plantations and temporary funding provided by the Group to local cooperatives as at the end of the reporting period/year is US$24,229,000 (2020: US$25,080,000):

	Group	
	30 June 2021 US$'000	31 December 2020 US$'000
Presented as other receivables:		
Advances under Plasma Programme, current	16,669	20,498
Advances under Plasma Programme, non-current	7,560	4,582
Total	24,229	25,080

The advances under plasma programme that are not secured by bank facilities and to be repaid by villagers using FFB was measured by management at the end of the reporting period/year based on the present value of the expected net cash flows with the following significant assumptions.

(i) Yield per hectare of oil palm trees is determined by reference to guidelines issued by the Indonesian Oil Palm Research Institute (Pusat Penelitian Kelapa Sawit), which varies with the average age of oil palm trees;
(ii) The discount rate for 2021 is 3.50% (2020: 3.75%) per annum;
(iii) The projected selling prices of FFB are derived from adjusting CPO prices to the FFB extraction rate (% of CPO extractable from FFB) and processing costs. The CPO prices are based on the World Bank forecasts.

The carrying value of advances under plasma programme would be affected by changes in the assumptions used.

Relationship of unobservable inputs to carrying value:
Favourable or adverse change in discount rate will increase or decrease carrying value.

22. Capital Commitment

Estimated amounts committed at the end of the reporting period/year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	30 June 2021 US$'000	31 December 2020 US$'000
Commitments for construction of leasehold buildings	137	265
Commitments for construction of plant, fixtures and equipment	6,490	282

23. Financial instruments: categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting period/year:

	Group		Company	
	30 June 2021 US$'000	31 December 2020 US$'000	30 June 2021 US$'000	31 December 2020 US$'000
Financial assets:				
Financial assets measured at amortised cost	35,469	36,061	31,322	32,624
Financial assets at FVTPL	7,560	4,582	–	–
	43,029	40,643	31,322	32,624
Financial liabilities:				
Financial liabilities measured at amortised cost	276,955	286,988	100	82

24. Related party

The related party balances and financial guarantee, if any, are unsecured without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these interim financial statements are not disclosed as related party transactions and balances below.

The following are the significant related party transactions during the period:

	6 months ended 30 June	
	2021 US$'000	2020 US$'000
Group		
Related parties:		
Sales of commodities [a]	3,234	-
Receiving of service expense [b]	(752)	(525)
Interest expense to a shareholder [a]	(15)	(92)
Interest expense to a director [b]	(26)	(27)

(a) The related party, Wilmar International Limited, has 20% interest in and significant influence over the reporting entity.
(b) The related party, Henry Maknawi, is a director and an ultimate controlling party.

25. Aggregate amount of Group's borrowings and debt securities

SGX Appendix 7.2 para 1 (b)(i)

(a) Amount repayable in one year or less, or on demand (secured)

(b) Amount repayable after one year (secured)

Loans and borrowings

The Group's loans and borrowings of US$240.4 million (2020: S$248.8 million) 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.

	Group	
	30 June 2021 US$'000	31 December 2020 US$'000
Amount due within one year		
Secured	54,336	46,992
Amount due more than one year		
Secured	186,083	201,809

The loan agreements include covenants that require the maintenance of certain financial ratios. Any non-compliance with these covenants will result in these loans becoming repayable immediately upon service of a notice by default by the lenders. As at reporting period/year end, there were certain breaches in loan agreement covenants for loans amounting to US$105,763,914 (31 December 2020: US$55,337,000) and the lenders have not made a demand for repayment and agreed to waive the breaches prior to the reporting period/year end.

26. Share capital

(a) 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 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.

SGX Appendix 7.2 para 1 (d)(ii)

There have been no changes in the Company's issued share capital since 31 December 2020. The Company has no outstanding share options, outstanding convertibles, treasury shares and subsidiary holdings as at 30 June 2021 and 31 December 2020.

The Company has not granted options or shares during the financial period ended 30 June 2021.

(b) Number of shares held as treasury shares against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer.

Not applicable.

(c) To show the total number of issued shares excluding treasury shares as at the end of the current financial year.

SGX Appendix 7.2 para 1 (d)(iii)

	30 June 2021 Number of shares	31 December 2020 Number of shares
Issued and fully paid:		
At beginning and end of the period	287,011,177	287,011,177

(d) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

SGX Appendix 7.2 para 1 (d)(iv)

Not applicable.

(e) A statement showing all sales, transfers, cancellation and / or use of subsidiary holdings as at the end of the current financial period reported on.

SGX Appendix 7.2 para 1 (d)(v)

Not applicable.

27. 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

SGX Appendix 7.2 para 6

	Group 6 months ended 30 June	
	2021 US Cents	2020 US Cents
Earnings per share for the period		
(a) Based on weighted average number of shares		
from continuing operations	3.49	0.14
from discontinued operation	-	-
Total earnings per share attributable to ordinary equity holders of the Company	3.49	0.14
(b) Based on weighted average number of shares		
from continuing operations	3.49	0.14
from discontinued operation	-	-
Total diluted earnings per share attributable to ordinary equity holders of the Company	3.49	0.14
Weighted number of shares	287,011,177	287,011,177

28. Net assets value (for the issuer and Group) per ordinary share based on issued share capital at the end of the :
a. current financial period reported on; and
b. immediately preceding financial year
SGX Appendix 7.2 para 7

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	US Cents	US Cents	US Cents	US Cents
Net asset value per ordinary share	8.17	4.77	23.53	24.34
Number of shares outstanding	287,011,177	287,011,177	287,011,177	287,011,177

29. Subsequent events

Investment property

Subsequent to 30 June 2021, the Group completed the sale of its investment property which was presented as assets held for sale following the decision of management in 2019.

Assets held for sale – investment in joint venture which was presented as assets held for sale

As announced on 31 October 2019, 12 December 2019, 23 January 2020, 24 March 2020, 5 May 2020, 5 March 2021, the Company and its wholly owned subsidiary, PT Sawindo Kencana, entered into a Conditional Share Sale and Purchase Agreement with 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.

The parties have on 10 August 2021 mutually agreed to terminate the Amended and Restated CSPA (the “Original CSPA”). Concurrent with such termination, a new conditional shares sale and purchase agreement has been entered into.

On 10 August 2021, PT Biomassa Energi Jaya (“BEJ” or the “Buyer”), PT Sawindo Kencana (“SWK” or the “Seller”), the Company and PT Cahaya Permata Gemilang (“CPG” or the “Target”) entered into a conditional shares sale and purchase agreement (i.e., the New CSPA) pursuant to which the Buyer (and/or its wholly-owned subsidiary) intends to acquire 78.5% of the issued and paid-up share capital of the Target (the “Sale Shares”) for an for an aggregate consideration of US$2,375,326.

As at 30 June 2021, the amount of loss on the New Proposed Disposal is US$0.3 million. The loss on the New Proposed Disposal represents the difference between the “Adjusted Consideration” and “To Be Repaid SWK Loan” as defined below and the carrying value of the investment in the Target in the books of the Group. The carrying value is determined after the capitalisation of outstanding trade receivables due from and the shareholders’ loan extended to the Target Group.

“Carrying Value” in the Target Group recorded in the interim financial statement is US$3,030,000 as mentioned in Note 16 above.

“Adjusted Consideration” means US$2,280,787, being the Consideration less the value of the SWK Land (i.e., approximately US$72,722) and the lease fees payable for a term of six years under the SWK Lease Agreements (i.e., approximately US$21,817).

“To be Repaid SWK Loan” means US$443,977, being the excess loan from SWK in the Target Group which will be repaid by Enco Power Pte Ltd upon the completion of this transaction.

Strike-off an indirect wholly owned subsidiary

As announced on 13 April 2021, Global Eastern Capital Pte. Ltd. (“Global Eastern Capital’), an indirect wholly owned subsidiary of the Company, has submitted an application to the Accounting and Corporate Regulatory Authority to strike its name off the Register of Companies pursuant to Section 344A of the Companies Act, Chapter 50 of Singapore.

Global Eastern Capital is a dormant company. The striking-off is not expected to have any material impact on the net tangible assets and earnings per share of the Company for the current financial period.

As published in the Government Gazette, Global Eastern Capital was struck off with effect from 10 August 2021.

F. Other information required by Listing Rule Appendix 7.2

1. Review

SGX Appendix 7.2 para 2 and 3

The condensed consolidated statement of financial position of Kencana Agri Limited and its subsidiaries as at 30 June 2021 and the related condensed consolidated profit and loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period then ended and certain explanatory notes have not been audited or reviewed by the auditors.

2. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:—

a. Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

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 issue that is a material uncertainty relating to going concern.

SGX Appendix 7.2 para 3

Not applicable.

3. 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, (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

SGX Appendix 7.2 para 8

<u>Review of financial performance</u>

<u>Revenue and profit</u>

The Group’s revenue increased marginally than 1H 2020 due to a firm Crude Palm Oil (“CPO”) and Palm Kernel (“PK”) selling price. The average selling price (“ASP”) of CPO in 1H 2021 was US$631/mt which was 16% higher than of last year at US$542/mt. The ASP of PK also surged to US$357/mt in 1H 2021 from US$277/mt in 1H 2020.

However, sales volume in 1H 2021 was lower than 1H 2020 mainly driven by lower CPO production in palm oil mills as a result of Covid-19 pandemic which disrupted labor supply and lower trading activities.

For the 6 months ended 30 June 2021, the Group recorded an operating profit (“OP”) of US$25.0 million and a net profit of US$10.0 million. Our performance improved compared to that of 1H 2020 mainly contributed by the higher gross profit as a result of efficiency measures taken in the plantations and palm oil mills, significant increase in biological assets due to better commodity price and lower distribution cost offset with slightly higher administrative expenses.

<u>Cost of operation</u>

Cost of sales remained fairly stable between 1H 2020 and 1H 2021 despite decrease in sales volume. This is the result of higher purchase price of FFB from both plasma plantation and third party crop. Gross profit was higher mainly due to higher ASP. CPO production decreased slightly from 82,669 MT in 1H 2020 to 78,536 MT in 1H 2021.

Sales and distribution costs decreased from US$1.1 million in 1H 2020 to US$0.7 million in 1H 2021 mainly due to decrease in freight expenses as a result of lower CIF sales.

Administrative expenses increased from US$4.2 million in 1H 2020 to US$5.0 million in 1H 2021. This was mainly due to the provision of incentive for staffs during pandemic conditions, engagement of external consultants for turnaround projects and also engagement of legal professionals.

Other losses comprise mainly of foreign exchange loss and withholding tax expenses based on the tax assessment letters offset by plasma management fee income.

Loss on foreign exchange was mainly due to the depreciation of IDR against USD as part of the borrowings are denominated in USD.

Interest expenses decreased from US$8.6 million in 1H 2020 to US$7.9 million in 1H 2021 mainly due to the reduction of interest rates by banks and lower outstanding principal due to the scheduled repayment.

<u>Review of financial position</u>

Shareholders’ equity increased from US$13.7 million as at 31 December 2020 to US$23.4 million as at 30 June 2021 mainly due to profit for the period of US$10.0 million.

The Group’s total current assets increased by US$9.2 million from US$90.7 million as at 31 December 2020 to US$99.9 million as at 30 June 2021. 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 trade and other receivables amounting to US$0.5 million due to repayment of plasma receivables;
b) decrease in inventory amounting to US$1.5 million mainly due to lower CPO and PK stock on hand as at 30 June 2021;
c) increase in carrying value of asset held for sale was due to additional cash injection to biomass Group prior to the sale completion; and
d) increase in biological assets amounting to US$7.1 million due to higher estimated FFB production with better selling price and foreign exchange difference of US$0.7 million.

Total non-current assets decreased by US$9.3 million from US$243.7 million as at 31 December 2020 to US$234.4 million as at 30 June 2021. This was mainly due to the decrease in bearer plants and property, plant and equipment of US$6.0 million and US$5.2 million respectively as a result of depreciation.

The Group's total current liabilities increased by US$6.0 million from US$110.5 million as at 31 December 2020 to US$116.5 million as at 30 June 2021. This was mainly due to the following:

a) increase in tax payables amounting to US$3.8 million mainly due to CIT for profit generated during 1H 2021
b) decrease in trade and other payables amounting to US$5.1 million; and
c) increase in other financial liabilities of US$7.5 million due to increase in current portion of long - term borrowings.

Total non-current liabilities decreased by US$16.0 million from US$210.3 million as at 31 December 2020 to US$194.3 million as at 30 June 2021 was mainly due to decrease of long term portion of borrowings.

The Group reported negative working capital of US$16.6 million as at 30 June 2021. This was mainly due to a portion of borrowings used for operations.

Review of Group cash flows

The closing cash and cash equivalents (net of bank overdrafts and cash pledged) of the Group decreased by US$2.2 million from US$7.7 million as at 30 June 2020 to US$5.5 million as at 30 June 2021. The decrease was due to lower beginning balance of cash and cash equivalents in FY 2021.

The Group's operating cash flows was higher by US$5.7 million in 30 June 2021 as compared to 30 June 2020 mainly due to higher profit before tax generated during 6-month period. The Group reported a net cash outflow used in investing activities of US$1.4 million in 2021 mainly due to payment for property, plant and equipment and bearer plants. Net cash flows used in financing activities was US$14.2 million mainly due to repayments of borrowings and interest offset by funding from new borrowings.

4. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

SGX Appendix 7.2 para 9
Not applicable.

5. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

SGX Appendix 7.2 para 10

CPO price was bullish in first half of 2021 in the light of the uncertainty in supply caused by the Covid-19 pandemic coupled with the unfavourable pattern of weather, stronger edible oil and crude oil prices. Covid-19 outbreak is expected to continue disrupting the operating activity, however, we believe that the strong demand of CPO may cushion the impact. We will focus on the safety of our employees and continue to focus our efforts on improving our productivity and costs efficiency in our core business.

6. Dividend

SGX Appendix 7.2 para 11

a. Current Financial Period Reported On
Any dividend declared for the current financial period reported on?
No

b. Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the Corresponding Period of the Immediately Preceding Financial Year?
No

c. Date Payable
Not applicable

d. Books closure date
Not applicable

If no dividend has been declared (recommended), a statement to that effect.

SGX Appendix 7.2 para 12
In view of the current market condition, no dividend has been declared or recommended for the financial period ended 30 June 2021.

7. Interested person transactions
If the Group has obtained a general mandate from shareholders for Interested Person Transactions ("IPT"), 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.
SGX Appendix 7.2 para 13

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$100,000)
		1H 2021	1H 2021
		US$'000	US$'000
Wilmar Group [1] (Sales)	Controlling shareholder	-	3,234
PT Berkat Wahana Sukses [2] (Services received, shareholders' mandate obtained at EGM held on 29 April 2019)	Associate of Maknawi family	-	752

(1) In respect of transactions conducted pursuant to General Mandate for transactions with Willmar Group.
(2) In respect of transactions conducted pursuant to Specific Mandate for transactions PT Berkat Wahana Sukses.

8. Please disclose the status on the use of proceeds raised from IPO and any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use. Where the proceeds have been used for working capital purpose, a breakdown with specific details on how the proceeds have been applied must be disclosed.
SGX Appendix 7.2 para 14

Not applicable.

9. Board of Directors' assurance.
SGX Appendix 7.2 para 14 and para 15

As at the date of this announcement, the Board of Directors confirms that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial results to be false or misleading, in any material aspect pursuant to Rule 705(5) of the SGX-ST Listing Manual.

10. Confirmation that the issuer has procured undertakings from all its directors and executive officers.
SGX Appendix 7.7

The Company confirms it has procured the undertakings from all its Directors and executive officers as required under Rule 720(1) of the SGX-ST Listing Manual.

11. Disclosure pursuant to Rule 706A of the Listing Rule.

Increase in share capital of PT Citra Megah Kencana and PT Loka Indah Lestari

During 1H 2021, the Company's wholly owned subsidiary, PT Mentari Bangun Persada ("MBP"), had subscribed for additional 50,000 shares in PT Citra Megah Kencana ("CMK") for cash consideration of IDR 50,000,000,000. CMK in turn has subscribed for an additional 50,000 shares in its subsidiary, PT Loka Indah Lestari ("LIL"), for a cash consideration of IDR 50,000,000,000. Following the subscription, there is no change in the percentage of shareholding of the Company in CMK and LIL.

The rationale for the increase in share capital is to strengthen the capital structure of CMK and LIL. The aforesaid subscription was funded through internal resources of the Group and the subscription is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial period ended 30 June 2021.

Proposed disposal of 78.5% of the issued and paid-up share capital of PT Cahaya Permata Gemilang

Save as the announcement made on 31 October 2019, 12 December 2019, 23 January 2020, 24 March 2020, 5 May 2020, 5 March 2021 and 10 August 2021, in relation to the disposal of PT Cahaya Permata Gemilang and its subsidiaries (asset held for sale) to an interested party, 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.

As at the date of this announcement, the transaction pertaining to the disposal of PT Cahaya Permata Gemilang has yet to be completed (see Note 16 to the interim financial statements).

BY ORDER OF THE BOARD KENCANA AGRI LIMITED

Ratna Maknawi
Vice Chairman and Executive Director
13 August 2021