Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Kencana Agri Limited

Stock code: BNE

Meeting details:
Date: 26 June 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As disclosed in the Corporate profile (page 1 of the annual report), the group has oil palm plantations of 67,722ha in 2019 including 51,586ha of nucleus land. The plantations are located mainly in Sumatra, Kalimantan and Sulawesi regions of Indonesia.

In addition, the group's integrated value chain comprises palm oil mills, kernel crushing plants, bulking facilities and renewable biomass power plants to support and complement its plantation operations. The group's six palm oil mills have a total processing capacity of 305 tonnes per hour and the two kernel crushing plants have a total capacity of 435 tonnes per day.

While the group has added a 6th mill in 2019, the group streamlined its operations and completed the disposal of all the vessels in the logistics arm in FY2018. Some of these vessels were acquired during 2012-2015. The group is in the process of selling the biomass power plants as well.

In addition, with the disposal of the non-strategic plantation in Belitung, the group's oil palm plantation has decreased over the years. A comparison of the disclosure in the 2015 and 2019 annual reports is shown below:



PLANTATION

Our oil palm plantations are strategically located in Sumatra, Kalimantan and Sulawesi.

PLANTATION

Total Land Bank	:	193,574 ha
• Nucleus	:	173,946 ha
• Plasma	:	19,628 ha
Total Planted Area	:	67,927 ha
• Nucleus	:	54,194 ha
• Plasma	:	13,733 ha

(Source: company annual report)

PLANTATION

Our oil palm plantations are strategically located in Sumatra, Kalimantan and Sulawesi.

PLANTATION

Total Planted Area	: 67,722 ha
• Nucleus	: 51,586 ha
• Plasma	: 16,136 ha

2019 annual report

2015 annual report

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(i) **Can the board clarify the group's strategic growth plans?** The group has sold all the vessels in the logistics arm while the group's planted area has not increased since 2015.

(ii) **In particular, is management focused on the growth of its oil palm nucleus plantation? What are the planting and replanting schedules?**

(iii) As recent as in the 2018 annual report, the group mentioned that the current land-bank was 186,713ha and that it was only 36% planted. The group stated that it has plans to expand its planted area in a sustainable manner over the next few years to ensure steady FFB production growth. However, in the 2019 annual report, there is no mention of the land-bank. **Would management state the land bank and elaborate further on the strategy to maximise the value of its land bank?**

Q2. In Note 27 (page 92 – Share capital: Capital management), the group has net debt of US$236.7 million and total equity of US$9.9 million. The debt-to-adjusted capital ratio is 2,402%.

In addition, the group's current liabilities are more than the current assets as at 31 December 2019. The current loans and borrowings add up to more than US$65 million at the end of the financial year.

(i) **Can the board help shareholders understand if it has sufficient working capital to repay the loans and borrowings as they fall due?**

(ii) **Given the capital intensive nature of the business, would the board be evaluating the group's financial position and to consider options to strengthen the balance sheet?**

Q3. In the group's Sustainability report, it was disclosed that the group had achieved Sustainable Palm Oil certification from International Sustainability & Carbon Certification for 23.5% of its eligible nucleus palm oil plantation area which represents 12,126 hectares of plantations. This equals to 26,303 tonnes of Certified Sustainable Palm Oil (CSPO), or 14.3% of the total CPO produced by the group in 2019.

This was lower in FY2019 due to a drop in FFB production in PT Alamraya Kencana Mas and the decision to delay its ISCC re-certification process in 2019.

(i) **Would management elaborate further and provide a comprehensive overview of the group's certification roadmap?**

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(ii) **When would the group achieve full certification?**

(iii) **For the plantations that are yet to be certified, how close are they in meeting the criteria in the certification programme?**

In the SR, the board re-iterated its commitment to conduct its business in a sustainable and environmentally friendly manner, which includes a zero burning policy and no deforestation of high carbon stock forest areas. It also commits to the preservation of High Conservation Value Areas.

(iv) **How does the board monitor the group's (including its partners) adherence to the environmental policies?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)