



Plantations

BOUSTEAD PLANTATIONS BERHAD^{1245-M}
(A member of Boustead Group)

NEWS RELEASE

Boustead Plantations Impacted by Impairment

KEY HIGHLIGHTS

- Revenue came in at RM577 million in FY2019.
- Operating profit of RM15 million recorded in 4th quarter.
- Profit affected largely by impairment on recently acquired plantation assets in Sabah.
- Excluding the impairment, the Group would have posted a profit before tax of RM41 million.

KUALA LUMPUR, February 25, 2020 – Boustead Plantations Berhad (BPB) registered a revenue of RM577 million for the financial year ended 31 December 2019. However, profitability was impacted largely due to impairment on recently acquired plantation assets in Sabah, amounting to RM176 million. Coupled with declining palm product prices throughout the first three quarters of 2019 as well as higher finance costs, increased depreciation charges and amortisation expenses, this offset a gain on disposal of land in Seberang Perai Utara of RM120 million. As a result, the Group recorded a loss before tax of RM135 million for the year. Excluding the impairment, the Group would have reported a profit before tax of RM41 million.

For its fourth quarter ended 31 December 2019, the Group recorded a higher revenue of RM179 million. Nonetheless, profitability was impacted by the impairment on plantation assets. Higher finance costs also moderated improved palm product prices and better sales volume, leading the Group to record a loss before tax of RM178 million for the quarter under review. Excluding the impairment, the Group would have posted a lower loss before tax of RM2 million for the quarter.

The Group's quarterly results for the financial year are as follows:

	Q1	Q2	Q3	Q4	Total
(All figures are stated in RM million)					
Revenue	134.9	124.0	139.2	179.1	577.2
Operating cost	(135.8)	(146.0)	(150.9)	(164.1)	(596.8)
Profit/ (Loss) from operations	(0.9)	(22.0)	(11.7)	15.0	(19.6)
Interest income	0.1	0.9	0.1	0.1	1.2
Finance cost	(13.9)	(16.8)	(17.5)	(16.7)	(64.9)
Share of results of Associate	0.7	2.6	1.3	2.0	6.6
Profit/ (Loss) from business as usual	(14.0)	(35.3)	(27.8)	0.3	(76.7)
Gain on disposal of plantation asset	-	119.4	-	-	119.4
Impairment loss	-	-	-	(176.0)	(176.0)
Provisions	-	-	-	(2.1)	(2.1)
(Loss)/ Profit before taxation	(14.0)	84.1	(27.8)	(177.7)	(135.4)

Gain on disposal

- Disposal of 138.89 hectares of freehold land situated in Mukim 12, Daerah Seberang Perai Utara, Pulau Pinang.

Impairment loss

- During the financial year, the Group identified indications of impairment in respect of certain property, plant and equipment and right of use assets for underperforming cash generating units ("CGU").
- The Group undertook an assessment of the recoverable amount of these assets, which is defined as the higher of fair value less costs of disposal ("FVLCD") or value in use ("VIU").
- FVLCD is based on updated valuations performed by independent professional valuers adjusted for the estimated cost of disposal and VIU is based on discounted cash flows from single life cycle of the oil palms where the improved land value is added at the end of the economic life cycle of the trees.
- Based on the Group's assessment, the recoverable amounts for Tawai CGU, Sabah and Lapan Kabu Estate, Kelantan were lower than the carrying amounts as at 31 December 2019.
- Tawai CGU comprises six estates and a mill which were purchased in 2018 and 2019 but had been underperforming since acquisition and Lapan Kabu Estate suffered severe flooding in 2014 which affected yields.
- Therefore an impairment totalling RM176.0 million was recognised to bring their carrying values to the recoverable amounts.

Provisions

- As part of the year-end review, the Group has provided for excess nursery stocks in Sarawak.

The operational statistics achieved by the Group are as follows:

	2019	2018	Difference	%
Crude Palm Oil Price (RM per MT)	2,134	2,261	-127	-6
Palm Kernel Price (RM per MT)	1,244	1,780	-536	-30
Fresh Fruit Bunches production (MT)	979,972	966,134	13,838	1
Oil Extraction Rate (%)	21.6	21.2	0.4	2
Kernel Extraction Rate (%)	4.4	4.4	-	-

Prospects for the coming year will be much driven by crude palm oil (CPO) prices and the Group's transformation programme. The Group is encouraged by the expected recovery in CPO prices in the first half of 2020, arising from projected lower crop production and higher global demand. Beyond that period, CPO prices are expected to moderate but remain more favourable compared with 2019.

Coupled with higher palm oil prices, the Group is optimistic that our transformation programme will enable us to achieve a better performance, by maintaining our focus on yield improvement, prudent cost management and operational efficiency.

Forward looking statements

This release may contain certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group and certain plans and objectives of Boustead Plantations Berhad with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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