

BOUSTEAD PLANTATIONS BERHAD (1245-M)

Notes to the interim financial report for the quarter ended 31 December 2015

Part A - Explanatory Notes Pursuant to FRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2014. All figures are stated in RM'000, unless otherwise stated.

2. Accounting Policies

(i) Adoption of FRSs, Amendments to FRSs and IC Interpretations

On 1 January 2015, the Group adopted the following amended FRS:

- Amendments to FRS 119 Defined Benefits Plans: Employee Contributions
- Annual Improvements to FRSs 2010-2012 Cycle
- Annual Improvements to FRSs 2011-2013 Cycle

Adoption of the above amendments did not have any material effect on the financial statements of the Group.

(ii) Standards Issued but not yet Effective

The Group has not early adopted the following amended FRS that are not yet effective:

	Effective Date
• Annual Improvements to FRSs 2012-2014 Cycle	1 January 2016
• Amendments to FRS 101 Presentation of Financial Statements – Disclosure Initiative	1 January 2016
• Amendments to FRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
• FRS 14 Regulatory Deferral Accounts	1 January 2016
• Amendments to FRS 116 and FRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
• Amendments to FRS 10, FRS 12 and FRS 128 Investment Entities: Applying the Consolidation Exception	1 January 2016
• Amendments to FRS 10 and FRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
• Amendments to FRS 127 Equity Method in Separate Financial Statements	1 January 2016
• Amendments to FRS 116 and FRS 141 Agriculture : Bearer Plants	1 January 2016
• FRS 9 Financial Instruments	1 January 2018
• Amendments to FRS 7 Financial Instruments Disclosures - Mandatory Effective Date of FRS 9 and Transition Disclosures	1 January 2018

(iii) MFRS Framework

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is effective for annual periods beginning on or after 1 January 2012 for all entities except for entities that are within the scope of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called Transitioning Entities). Adoption of the MFRS Framework by Transitioning Entities will only be mandatory for annual periods beginning on or after 1 January 2018.

2. Accounting Policies (cont.)

(iii) MFRS Framework (cont.)

The Group falls under the scope definition of Transitioning Entities and has opted to adopt MFRS for annual periods beginning on 1 January 2018. When the Group presents its first MFRS financial statements in 1 January 2018, the Group will be required to restate the comparative financial statements to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made retrospectively against opening retained profits.

At the date of this interim financial statements, the Group has not completed its quantification of the financial effects on the financial statements of the differences arising from the change from FRS to MFRS. Accordingly, the consolidated financial performance and financial position as disclosed in these financial statements for the financial years ended 31 December 2014 and 31 December 2015 could be different if prepared under MFRS

3. Auditor's Report on Preceding Annual Financial Statements

The audit report of the preceding audited financial statements was not qualified.

4. Comments about Seasonal or Cyclical Factors

The Group's operating result is influenced by both CPO prices and FFB crop production. The cropping pattern for oil palm is influenced by weather conditions. FFB production normally starts with a trough and thereafter increases gradually to reach a peak during the second half year.

5. Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income and cash flows for the quarter under review.

6. Change in Estimates

There were no material changes in estimates of amounts reported in previous financial year.

7. Dividends

- (i) On 30 March 2015, the Company paid 3rd interim dividend of 2.0 sen per share in respect of the financial year ended 31 December 2014 amounting to RM32.0 million.
- (ii) On 30 June 2015, the Company paid 1st interim dividend of 2.0 sen per share in respect of the current financial year ending 31 December 2015 amounting to RM32.0 million.
- (iii) On 29 September 2015, the Company paid 2nd interim dividend of 5.0 sen per share in respect of the current financial year ending 31 December 2015 amounting to RM80.0 million.
- (iv) On 23 December 2015, the Company paid 3rd interim dividend of 3.0 sen per share in respect of the current financial year ending 31 December 2015 amounting to RM48.0 million

For the current quarter, the Directors have declared a fourth interim dividend of 3.0 sen per share in respect of the year ended 31 December 2015. The dividend will be paid on 25 March 2016 to shareholders registered in the Register of Members at the close of business on 9 March 2016.

8. Segmental Information

Segment information for the cumulative period in respect of the Group's operations by geographical location is set out as follows:

RM'000	Peninsular Malaysia	Sabah	Sarawak	Total
2015				
Revenue	261,931	255,946	97,318	615,195
Reportable segment operating profit	35,306	28,910	(3,999)	60,217
Gain on disposal of plantation land				57,130
Interest income				14,487
Finance cost				(38,532)
Share of results of Associates				1,798
Profit before taxation				95,100
Taxation				(22,841)
Profit for the period				72,259

RM'000	Peninsular Malaysia	Sabah	Sarawak	Total
2014				
Revenue	280,142	317,083	120,096	717,321
Reportable segment operating profit	67,033	58,806	2,784	128,623
Interest income				11,301
Finance cost				(53,875)
Share of results of Associates				3,734
Profit before taxation				89,783
Taxation				(37,365)
Profit for the period				52,418

9. Debt and Equity Securities

There were no issuances and repayment of debt and equity securities, share buybacks, share cancellations, shares held as treasury shares and resale of treasury shares in the current financial period.

10. Carrying Amount of Revalued Assets

There has been no revaluation of property, plant and equipment during the current financial period.

11. Subsequent Events

There were no subsequent events as at 19 February 2016 that will materially affect the financial statements of the financial period under review.

12. Changes in Group Composition

There were no changes in the Group composition during the period under review.

13. Changes in Contingent Liabilities and Contingent Assets

- i) The Group has won the court action as disclosed in Note 34 of the audited financial statements for year ended 31 December 2014.

13. Changes in Contingent Liabilities and Contingent Assets (cont.)

- ii) The natives in the area of Sungai Lelak Estate, an estate held by Boustead Pelita Tinjar Sdn Bhd, a Subsidiary, are making native customary rights (NCR) land claims over the estate. In a court judgement by the High Court of Miri dated 7 May 2009, the natives are to be compensated at a rate of RM1,500 per hectare for NCR lands. Following the joint survey carried out, the Group has accrued the compensation to the natives for 1,361 hectares amounting to RM2 million under prepaid lease payment. The natives are however, not agreeable with the above surveyed NCR area and have requested for another joint survey to be carried out.

As any additional obligation cannot be measured with sufficient reliability, the Group is of view that no further provisions are required.

14. Capital Commitments

The Group has the following commitments as at 31 December 2015:

	Cumulative period	
	2015	2014
	RM'000	RM'000
Capital expenditure		
- Authorised and contracted for	29,977	-
- Authorised and not contracted for	56,944	75,095
	<u>86,921</u>	<u>75,095</u>

15. Financial Risk Management

All aspects of the Group financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended 31 December 2014.

Part B - Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia

16. Performance Review

For the fourth quarter of 2015, the Group achieved an unaudited pre-tax profit of RM6.4 million. The profit was a reduction of 16% from the corresponding quarter last year due to share of losses from Associate.

For the year ended 31 December 2015, the Group posted an unaudited pre-tax profit of RM95.1 million which was better than last year's profit of RM89.8 million. The current year's profit was largely contributed by the gains on disposal of lands of RM57.1 million. Profit from operation was much influenced by the soft prices of palm products.

FFB production for the year under review of 1,037,163 MT was relatively consistent with production in 2014 of 1,036,582 MT. Oil extraction rate (OER) and kernel extraction rate (KER) of 21.9% and 4.6% respectively, were comparable to the achievements for the year 2014.

CPO registered an average selling price of RM2,148 per MT for the current financial year, which was lower than the achievement of RM2,401 per MT for last year by 11%. PK achieved an average price of RM1,533 per MT, 9% below last year's price of RM1,679 per MT.

Peninsular Malaysia region

Peninsular Malaysia region achieved a segment profit of RM35.3 million as compared with RM67.0 million for 2014. The downturn in prices for palm oil was the main reason for the reduction in profit by RM31.7 million or 47%. The region's FFB crop of 457,446 MT was better than 2014 by 7%.

16. Performance Review (cont.)

Sabah region

Sabah region registered a lower segment profit of RM28.9 million, down by 51% from the profit achieved for last year. In addition to the impact of selling prices, the region's crop production of 412,125 MT was lower than last year's production by 6%. This was mainly attributable to the reduction in area under harvesting, the effects of dry weather condition and the recurring shortage of skilled harvesters for the tall palms.

Sarawak region

Sarawak region recorded a segment loss of RM4.0 million as compared with segment profit of RM2.8 million for last year. The region produced 167,591 MT of FFB which was down by 2% from last year due to the smaller area under harvesting given the continuous blockade in certain estates.

17. Material Changes in Quarterly Results Compared to the Results of the Immediate Preceding Quarter

For fourth quarter 2015, the unaudited profit before tax of RM6.4 million was down by 77% from the immediate preceding quarter of RM27.6 million. The disproportionate profit between the quarters was mainly due to the gain on disposal of lands of RM18.1 million that was recognised in the third quarter.

The Group's revenue of RM163.4 million was lower than the immediate preceding quarter of RM166.5 million by 2%. FFB production of 265,080 MT was lower than third quarter by 9%. CPO sales volume dropped by 5% to 63,997 MT from 67,500 MT recorded in the third quarter. For the quarter, CPO realised an average price of RM2,115 per MT, an increase of RM25 from the immediate preceding quarter. PK achieved an average price of RM1,605 per MT which was higher by RM251 from the price achieved for third quarter 2015.

18. Prospects for the Coming Year

The Group's profitability for the coming year is much dependent on the performance of CPO prices and productivity of the estates.

The effects of dry weather conditions and the enforcement of the Group's rights over certain estates in Sarawak are challenges that would affect FFB production for the coming year. Amid the outlook of challenging global environment coupled with the weakening of China's economy, CPO prices are projected to improve due to expectations of constrained production and declining stocks arising from El Nino phenomenon. However, competition from soy oil will prevent palm oil from rallying too high.

19. Notes on Variance in Actual Profit and Shortfall in Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit after tax and non-controlling interests and shortfall in profit guarantee are not applicable.

20. Taxation

	<u>Current Period</u>	<u>Cumulative Period</u>
	<u>2015</u>	<u>2015</u>
	<u>RM'000</u>	<u>RM'000</u>
Malaysian taxation based on profit for the period:		
- Current	5,710	19,927
Underprovision of prior years	3,468	2,914
	<u>9,178</u>	<u>22,841</u>

21. Status of Corporate Proposals

i) Utilisation of Proceeds from Initial Public Offering (IPO)

On 26 June 2014, the Company raised RM928 million from its IPO exercise and listed its entire issued and paid up capital on the Main Market of Bursa Securities. The status of utilisation of proceeds raised from the IPO is as follows:

Purpose	Proposed	Actual	Intended Timeframe for Utilisation from listing date
	Utilisation	Utilisation	
	RM'000	RM'000	
Acquisitions of plantation lands	420,000	30,500	Within 36 months
Replanting and capital expenditure	96,000	96,000	Within 12 months
Repayment to Immediate Holding Company	390,000	390,000	Within 6 months
IPO and Listing expenses	22,000	21,046	Within 6 months
Total gross proceeds	928,000	537,546	

On 15 December 2015, Boustead Rimba Nilai Sdn Bhd, a Subsidiary entered into agreements to acquire the beneficial ownership of 106 pieces of leasehold land measuring approximately 532.77 hectares in the District of Beluran, Sabah for cash consideration of RM33.3 million. The Group has paid deposit of RM3.3 million and the acquisition is expected to be completed in the first quarter of 2016.

There were no other corporate proposals announced or pending completion as at 19 February 2016.

22. Changes in Material Litigations

Further to the litigation referred to in Note 34 of the audited financial statements for financial year ended 31 December 2014, the Federal Court had on 10 September 2015 heard the Plaintiffs' Notice of Motion to appeal against the Court of Appeal's decision on 6 August 2014. The Federal Court had delivered a unanimous decision to dismiss the Plaintiffs' Motion.

23. Earnings Per Share - Basic

	Current period		Cumulative period	
	2015	2014	2015	2014
Net profit/(loss) for the period (RM'000)	(975)	(965)	78,610	57,158
Weighted average number of ordinary shares in issue ('000)	1,600,000	1,600,000	1,600,000	1,320,329
Basic earnings/(loss) per ordinary share (Sen)	(0.06)	(0.06)	4.91	4.33

24. Group Borrowings

Total group borrowings as at 31 December 2015 are as follows:

	31.12.2015 RM'000	31.12.2014 RM'000	1.1.2014 RM'000
Non-Current:			
<u>Unsecured</u>			
Term loan	125,000	150,000	150,000
<u>Secured</u>			
Term loan	-	-	90,000
	125,000	150,000	240,000
Current:			
<u>Unsecured</u>			
Bank overdrafts	15,014	1,465	2,699
Revolving credits	695,000	645,000	143,000
Term loans			
- Denominated in RM	25,000	-	450,000
- Denominated in USD	54,508	44,450	41,656
<u>Secured</u>			
Revolving credits	-	-	100,000
	789,522	690,915	737,355
Total borrowings	914,522	840,915	977,355

25. Retained Earnings

	31.12.2015 RM'000	31.12.2014 RM'000	1.1.2014 RM'000
Total retained earnings of the Company and Subsidiaries			
- Realised	339,713	437,215	921,216
- Unrealised	(952)	10,059	11,128
	338,761	447,274	932,344
Total share of retained earnings of Associates			
- Realised	23,162	30,270	28,681
- Unrealised	497	341	196
	362,420	477,885	961,221
Consolidation adjustments	396,995	394,920	126,496
Total retained earnings of the Group as per consolidated accounts	759,415	872,805	1,087,717

26. Proposed Land Disposals

(a) CIMB Islamic Trustee Berhad (“CIMB Trustee”), acting solely in the capacity of trustee for the Company (“BPB” or “the Company”) and its wholly owned subsidiary, Boustead Sungai Manar Sdn Bhd have collectively entered into sales and purchase agreements (“SPA”) with various parties for disposals of 247.32 hectares (Ha) of freehold lands in Mukim Kulai, District of Kulaijaya, State of Johor for a total cash consideration of RM143.22 million as follows:

- (i) 56.3 Ha to Seng Hong Quarry Sdn Bhd (SHQ) for RM29.1 million on 19 May 2015;
- (ii) 31.87 Ha to Bentara Gemilang Industries Sdn Bhd (BGI) for RM19.9 million on 19 May 2015;
- (iii) 57.03 Ha to Sanggul Suria Sdn Bhd (SSSB) for RM12.27 million on 15 June 2015; and
- (iv) 102.12 Ha to Hanson Quarry Products (Segamat) Sdn Bhd (HQP) for RM81.94 million on 15 June 2015.

The Group has received deposits amounting RM23.75 million in respect of the above proposals. The disposals to SHQ and BGI were completed on 17 June 2015 and a gain on disposal of RM39.5 million was recognised in second quarter 2015.

- (b) On 8 September 2015, CIMB Trustee for the Company and Boustead Sungai Manar Sdn. Bhd. entered into sales and purchase agreements with YTL Cement Berhad (YTL) for the proposed disposals of 104.4 Ha of freehold lands for cash consideration of RM60.67 million. The Company and its Subsidiary received deposits amounting RM5.16 million. The disposal of 33.26 Ha to YTL was completed on 23 September 2015 and a gain on disposal of RM17.6 million was recognised in the third quarter.
- (c) The remaining proposed disposals are expected to be completed during the first quarter of 2016. The status of completion of the proposed disposals are summarised below.

Owner	Buyer	Disposal area Ha	Sale Consideration (RM' million)		Status
			Total	Amount Received	
BPB	SHQ	56.30	29.10	29.10	Completed
BPB	BGI	31.87	19.90	19.90	Completed
BPB	SSSB	57.03	12.27	2.46	Pending
BSM	HQP	102.12	81.94	16.39	Pending
BSM	YTL	33.26	19.69	19.69	Completed
BSM	YTL	18.45	10.92	1.09	Pending
BPB	YTL	52.69	30.06	2.10	Pending
Total		351.72	203.88	90.73	

27. Additional Disclosures

The Group's profit before taxation is stated after crediting/(deducting) the following:

	Current Quarter		Cumulative Quarter	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Depreciation and amortisation	(11,609)	(10,531)	(42,500)	(41,206)
Foreign exchange (loss)/gain	1,943	(2,758)	(10,147)	(2,866)

28. Plantation Statistics

	Cumulative Period	
	2015	2014
(a) Planted areas (hectares)		
Oil palm - past prime	13,138	13,464
- prime mature	33,533	38,436
- young mature	12,387	12,636
- immature	6,622	6,042
	65,680	70,578
	Cumulative Period	
	2015	2014
(b) Crop Production (MT)		
FFB	1,037,163	1,036,582
(c) Average Selling Prices (RM per MT)		
FFB	458	511
CPO	2,148	2,401
PK	1,533	1,679