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Wah Seong open to exit plantation business

BUSINESS NEWS

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After reducing stake in Congo plantation, it wants to quit ops

PETALING JAYA: After cutting its stake in its loss-making oil palm plantation development in Congo, Central Africa, to 49% last year, Wah Seong Corp Bhd is now looking to exit the business.

Group deputy managing director Giancarlo Maccagno (*pic*) told *StarBiz* that Wah Seong did not plan to invest in the plantation business any more and was looking to exit the venture.

"As of last year, we had also reduced our stake in the business to 49% and would be open to exit this business," he said in an email reply.

The oil and gas (O&G) services firm had entered the oil palm plantation business in Congo in 2012 when it bought a 51% stake in Atama Plantation SARL (APS) for US$25mil.

In its 2015 annual report, the group stated that its plantation activities were carried out by APS, a company registered in Congo.

The company was granted a plantation concession with a land area totalling 470,000ha by the Ministry of Agriculture and Animal Breeding of Congo to develop oil palm plantations.

According to previous reports, the group initially had planned to invest RM2.3bil over 10 years to develop an agro-industrial complex there.

The project included a 180,000ha palm plantation, 800km north of the country's capital, Brazzaville.

On Nov 30, 2015, the group decided to dilute its indirect 51% equity interest held to 48.96%, becoming a passive investor in APS.

For the financial year ended Dec 31, 2015, the group's plantation segment recorded a pre-tax loss of RM17.67mil.

PublicInvest Research, in a recent note, said the group's plantation development was not making any headway, although its losses had narrowed to RM38,000 as at June 30, 2016.

Following a meeting with the Wah Seong management, the research house said the group did not state its explicit plans with regard to the segment.

"While the carrying value of the 49% non-controlling interest stood at RM65.6mil as at Dec 31, 2015, we would not be surprised if more robust impairments are made in the upcoming quarters to remove a long-standing overhang on the company's share price performance, enabling the group to fully benefit from its O&G-related strengths and investment merits in the coming years.

"While a potential short-term pain, we view any potential decision of this nature positively for the longer term," it said.

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