First Quarter Report
2022

UNITED PLANTATIONS BERHAD
(Company Registration No. 191701000045 (240 A))
Jendarata Estate • 36009 Teluk Intan • Perak Darul Ridzuan • Malaysia

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Three Months Ended 31 March 2022

(The figures have not been audited)

(RM'000)	Quarter ended 31 March 2022	2021	Changes (%)
Revenue	642,908	399,654	60.9%
Operating expenses	(586,730)	(311,783)	88.2%
Other operating income	20,401	4,677	336.2%
Finance costs	(46)	(6)	666.7%
Interest income	1,060	1,196	-11.4%
Share of results of joint venture	(842)	(1,826)	-53.9%
Profit before taxation	76,751	91,912	-16.5%
Income tax expense	(15,141)	(16,202)	-6.5%
Profit after taxation	61,610	75,710	-18.6%
Profit for the period	61,610	75,710	-18.6%
Net profit attributable to:			
Equity holders of the parent	59,693	74,825	-20.2%
Non-controlling interests	1,917	885	116.6%
	61,610	75,710	-18.6%
Earnings per share			
(i) Basic - based on an average 414,784,984 (2021:414,784,984) ordinary shares (sen)	14.39	18.04	-20.2%
(ii) Fully diluted (not applicable)	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Three Months Ended 31 March 2022

(The figures have not been audited)

	Quarter ended 31 March		
(RM'000)	2022	2021	Changes (%)
Profit for the period	61,610	75,710	-18.6%
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	1,289	(796)	261.9%
Cash flow hedge			
- changes in fair value	(222,263)	(44,586)	398.5%
- transfers to profit or loss	150,076	54,877	173.5%
Total Comprehensive (loss)/income	(9,288)	85,205	-110.9%
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent	(11,266)	84,359	-113.4%
Non-controlling interests	1,978	846	133.8%
	(9,288)	85,205	-110.9%

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

United Plantations Berhad

Condensed Consolidated Statement of Financial Position as at 31 March 2022

(The figures have not been audited)

(RM'000)	31 March 2022	31 December 2021
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,211,145	1,209,944
Right-of-use assets	395,414	395,415
Associated company	50	50
Joint Venture	39,359	40,201
Goodwill	356,856	356,856
Other receivables	5,196	5,196
Deferred tax assets	1,774	2,705
Total non-current assets	2,009,794	2,010,367
Current Assets		
Biological assets	65,714	48,044
Inventories	254,001	139,269
Trade & other receivables	628,327	437,386
Prepayments	3,787	7,420
Tax recoverable	25,446	21,989
Derivatives	36,519	10,837
Cash and bank balances	222,523	299,662
Short term funds	1,576	178,170
Total current assets	1,237,893	1,142,777
Total assets	3,247,687	3,153,144
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	390,054	390,054
Treasury shares	(18,668)	(18,668)
Other reserves	(174,921)	(103,962)
Retained profits	2,467,073	2,407,380
	2,663,538	2,674,804
Non-controlling interests	12,647	10,669
Total equity	2,676,185	2,685,473
Non-Current Liabilities		
Deferred tax liabilities	95,209	136,671
Retirement benefit obligations	14,145	13,908
Derivatives	82,763	22,898
Total non-current liabilities	192,117	173,477
Current Liabilities		
Trade & other payables	159,553	121,556
Tax payable	36,385	48,476
Retirement benefit obligations	2,341	2,341
Derivatives	181,106	121,820
Bank borrowings	-	1
Total current liabilities	379,385	294,194
Total liabilities	571,502	467,671
Total equity and liabilities	3,247,687	3,153,144
Net assets per share (RM)	6.42	6.44

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

Condensed Statement of Changes in Equity
for the Three Months Ended 31 March 2022
(The figures have not been audited)

(RM'000)	Share Capital	Treasury shares	Retained profits	Cash flow hedge reserve	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
	← Attributable to Equity Holders of the Parent →								
Balance at 1 January 2022	390,054	(18,668)	2,407,380	(109,825)	21,798	(15,935)	2,674,804	10,669	2,685,473
Total comprehensive income for the period	-	-	59,693	(72,187)	-	1,228	(11,266)	1,978	(9,288)
Balance at 31 March 2022	**390,054**	**(18,668)**	**2,467,073**	**(182,012)**	**21,798**	**(14,707)**	**2,663,538**	**12,647**	**2,676,185**
Balance at 1 January 2021	390,054	(18,668)	2,288,440	(40,476)	21,798	(21,176)	2,619,972	10,931	2,630,903
Total comprehensive income for the period	-	-	74,825	10,291	-	(757)	84,359	846	85,205
Balance at 31 March 2021	**390,054**	**(18,668)**	**2,363,265**	**(30,185)**	**21,798**	**(21,933)**	**2,704,331**	**11,777**	**2,716,108**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2021.

United Plantations Berhad

Condensed Consolidated Cash Flow Statements
for the Three Months Ended 31 March 2022

(The figures have not been audited)

(RM'000)	3 Months ended 31 March 2022	2021
Operating Activities		
-Receipts from operations	600,083	403,645
-Operating payments	(656,291)	(271,731)
-(Placement)/recovery of deposits in derivative operations	(167,474)	5,468
Cash flow from operations	(223,682)	137,382
Other operating receipts	20,306	4,434
Taxes paid	(48,418)	(25,353)
Cash flow from operating activities	(251,794)	116,463
Investing Activities		
- Proceeds from sale of property, plant and equipment	95	243
- Interest received	1,350	1,168
- Purchase of property, plant and equipment	(25,399)	(24,401)
- Payment for right-of-use assets	(185)	(347)
- Net change in short term funds	176,594	(48,213)
Cash flow from investing activities	152,455	(71,550)
Financing Activities		
- Finance costs paid	(46)	(6)
- Joint venture	22,247	8,542
Cash flow from financing activities	22,201	8,536
Net Change in Cash & Cash Equivalents	(77,138)	53,449
Cash & Cash Equivalents at beginning of year	299,661	128,437
Cash & Cash Equivalents at end of period	222,523	181,886

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2021.

Short Term Funds of RM1,576,000 (2021: RM384,496,000) are excluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents.

Notes To The Interim Financial Report

A1) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial statements of the Group for the financial period ended 31 March 2022 are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard ("MFRS") 134 : Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2021. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

At the date of authorization of these interim financial statements, the following MFRSs were issued but not yet effective and have not been applied by the Group:

MFRS	Effective for annual periods beginning on or after
• Amendments to MFRS 101: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 Jan 2023
• MFRS 17 Insurance Contracts	1 Jan 2023
• Amendments to MFRS 17: Insurance Contracts	1 Jan 2023
• Initial Application of MFRS 17 and MFRS 9 - Comparative Information (Amendment to MFRS 17 Insurance Contracts)	1 Jan 2023
• Amendments to MFRS 101: Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)	1 Jan 2023
• Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 Jan 2023
• Amendments to MFRS 112: Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)	1 Jan 2023
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

A2) AUDIT REPORT

The auditor's report on the financial statements for the financial year ended 31 December 2021 was not qualified.

A3) SEASONAL AND CYCLICAL NATURE OF GROUP'S PRODUCTS AND OPERATIONS

The prices for the Group's products are not within the total control of the Group but are determined by the global supply and demand situation for edible oils and it is somewhat related to the price of mineral oil.

Crop production is seasonal. Based on statistics, the Group's production of crude palm oil ("CPO") and palm kernel ("PK") gradually increases from March, peaking around July to September, and then declines from October to February. This pattern can be affected by severe global weather conditions such as El-Nino and La Nina.

The prices obtainable for the Group's products as well as the volume of production, which is cyclical in nature, will determine the profits for the Group.

A4) EXCEPTIONAL AND EXTRAORDINARY ITEMS

There were no exceptional or extraordinary items for the current quarter.

A5) CHANGES IN ESTIMATES

There were no material changes to estimates made in prior quarter.

A6) EQUITY AND DEBT SECURITIES

As at 31 March 2022, the number of treasury shares held was 1,483,548 shares as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current quarter. There was also no issuance of new shares or debt instruments in the current quarter.

A7) DIVIDENDS PAID

There was no dividend paid in the current quarter.

A8) SEGMENTAL INFORMATION

Segmental information for the current quarter:

(RM'000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External sales	177,370	465,538	-	-	642,908
Inter-segment sales	107,181	-	-	(107,181)	-
	284,551	465,538	-	(107,181)	642,908
Segment Results:					
Profit/(loss) before tax	169,041	(90,960)	(1,330)	-	76,751

A9) VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2021.

A10) EVENTS AFTER THE BALANCE SHEET DATE

There were no material events after the balance sheet date.

A11) CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group for the quarter including business combination, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations.

A12) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 26 April 2022.

B1) DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 3 MONTHS ENDED 31 MARCH 2022

The Group's revenue for the current quarter at RM642.9 million was higher by 60.9% as compared to RM399.7 million recorded in the corresponding quarter, due to the increases in revenues for the plantation and refinery segments by 38.0% and 67.0% respectively in the current quarter.

The Group's profit before tax at RM76.8 million for the current quarter was lower by 16.5% as compared to RM91.9 million in the corresponding quarter. The analysis of the performance in accordance to the segments are as follows:

Plantations

This major segment of the Group's revenue increased by 38.0% to RM284.6 million in the current quarter from RM206.1 million in the corresponding quarter. This was mainly due to 31.3% and 67.8% increase in Group CPO and PK prices respectively in the current quarter. However, the production of CPO in the current quarter was 0.6% lower, whereas the production of PK was 1.6% higher. The cost of production of CPO and PK were 44.5% and 7.3% higher when compared with the corresponding quarter, mainly due to an increase in manuring costs. In addition, windfall tax paid increased by 120.8% to RM20.4 million during the current quarter from RM9.2 million in the corresponding quarter.

With higher revenue, the profit before tax of this segment increased by 43.5% in the current quarter as compared to the corresponding quarter. The average selling prices of CPO and PK for the current quarter and the corresponding quarter are as shown below.

Countries	Products	March 2022 Current Quarter (RM/MT)	March 2021 Corresponding Quarter (RM/MT)
Malaysia	CPO	3,659	2,964
Indonesia	CPO	4,324	2,615
Average	CPO	3,798	2,892
Malaysia	PK	2,794	1,740
Indonesia	PK	3,734	1,958
Average	PK	2,992	1,783

The group recorded a lower net interest income of RM1.1 million as compared to RM1.2 million in the corresponding quarter, mainly due to lower bank deposits in the current quarter.

Refinery

The revenue for the refinery segment increased by 67.0% to RM465.5 million in the current quarter from RM278.8 million in the corresponding quarter mainly due to higher selling prices and sales volume by 65.0% and 1.2% respectively. However, with palm oil prices on the increasing trend surging from about RM5300/mt in December 2021 to more than RM7,500/mt in the quarter, the timing difference of raw material hedges (sales on BMD futures and purchase of physical CPO for production) versus delivery of finished goods as experienced and reported in 2021 had aggravated and resulted in this segment recording a RM91.0 million loss before tax in the current quarter as compared to a loss before tax at RM23.9 million in the corresponding quarter. These hedging losses realised through buy backs of earlier sold BMD CPO futures will be reversed through higher contribution in the coming quarters in a similar manner as last year as the delivery of finished goods are sold at current market prices but produced with significantly lower raw material prices (CPO) purchased earlier in connection with UP's forward sales. Nevertheless, due to the large inverse in prices between the spot and future month contracts, contribution has been reduced somewhat. The current refinery results are not reflective of the underlying business and it is expected that the results of this segment for the full year will be better than 2021.

The loss before tax of the refinery segment as reported above includes the share of loss of the joint-venture, Unifuji Sdn Bhd which has been equity accounted. The share of loss of the joint venture decreased by 53.9% to a loss of RM0.8 million in the current period from a loss of RM1.8 million in the corresponding period mainly due to the lower unrealized foreign exchange losses in the current period.

Others

The other segments of the Group recorded a loss before taxation of RM1.3 million in the current quarter mainly as a result of the unrealized losses in BMD positions in the current quarter. These BMD positions are for hedging of the sales price of our CPO production in Indonesia.

B2) COMPARISON OF RESULTS WITH PRECEDING QUARTER

(RM'000)	Current Quarter 31/3/2022	Preceding Quarter 31/12/2021	Changes %
Revenue	642,908	626,459	2.6%
Interest income	1,060	2,113	-49.8%
Profit Before Tax	76,751	205,174	-62.6%
Profit After Tax	61,610	154,860	-60.2%

The Group's revenue for the current quarter at RM642.9 million was higher by 2.6% as compared to RM626.5 million recorded in the preceding quarter mainly as a result of the revenue from refinery segment being higher by 0.9%. This increase is partially offset by the lower revenue from the plantation sector by 7.1% in the current quarter.

The profit before tax for the current quarter at RM76.8 million was lower by 62.6% as compared to RM205.2 million recorded in the preceding quarter mainly due to a 400.0% decrease in contribution from the refinery segment. The quarterly segmental analysis are as follows:

Plantations

The plantation segment registered a decrease in revenue of 7.1% in the current quarter from the preceding quarter due to lower Group CPO average price by 5.8%, and higher manuring costs. This was partially offset by the higher Group PK average price by 23.2%, and higher CPO and PK production by 4.3% and 11.2% respectively compared with the preceding quarter. As the result of this, the profit before tax of this segment decreased by 2.9% in the current quarter as compared to the preceding quarter. With higher MPOB CPO price in the current quarter, the windfall tax incurred at RM20.4 million was 19.7% higher than the previous quarter.

Interest income for the Group was lower by 49.8% in the current quarter as compared to the preceding quarter due to lower bank deposits in the current quarter.

Refinery

The refinery segment recorded an increase in revenue of 0.9% in the current quarter mainly due to higher selling prices by 22.0% in the current quarter as compared to the preceding quarter.

This increase in revenue was partially offset by the decrease in sales volume by 17.3% in the current quarter.

However, this segment recorded a loss before tax of RM91.0 million in the current quarter as compared to a profit before tax of RM30.3 million in the preceding quarter. The profit before tax for the current quarter decreased by 400.0% as compared to the preceding quarter mainly due to hedging losses realised through buy backs of earlier sold BMD CPO futures will be reversed through higher contribution in the coming quarters in a similar manner as last year as the delivery of finished goods are sold at current market prices but produced with significantly lower raw material prices (CPO) purchased earlier in connection with UP's forward sales. Nevertheless, due to the large inverse in prices between the spot and future month contracts, contribution has been reduced somewhat. The current refinery results are not reflective of the underlying business and it is expected that the results of this segment for the full year will be better than 2021.

The loss before tax of the refinery segment as reported above includes the share of loss of RM0.8 million in the current quarter against a RM0.6 million gain in the preceding quarter mainly due to the recognition of unrealized foreign exchange losses in the current quarter.

B3) PROSPECTS AND OUTLOOK

A fundamental aspect impacting the supply and demand complex of the various key commodities is the war between Russia, a key supplier of crude oil, natural gas, fertilizers and wheat, and Ukraine, also a key exporter of wheat and oilseeds. The surge in commodity prices, primarily driven by the alarming increase in energy prices, is stoking inflation further and disrupting supply chains already impacted by the Covid-19 pandemic. The loose monetary policy experienced over the last many years is being reversed with interest rates being increased in an attempt to reduce the inflationary pressure. Economists are starting to cut global growth forecasts and if the war continues, far reaching consequences to the global economy will inevitably be felt.

Edible oil supplies, including palm oil remain tight and most edible oil markets are in an inverse market structure with high prices in the spot month and large discounts on the forward months. Palm oil prices have been rising during the first quarter of 2022 and reached a high of RM8000/MT on the spot month position. On the third month position, CPO prices have risen from RM4,700/MT in January to around RM6,250/MT currently. In the near term, it is expected that prices will continue to trend higher due to the above-mentioned war and concerns that global vegetable oil supply will remain tight combined with demand from India and China picking up as lower national inventories need to be replenished.

Another factor supporting palm oil prices is the continued labour shortages experienced in Malaysia. If the Government does not provide an urgent yet safe avenue to recruit guest workers, it will become impossible to avoid serious crop losses in 2022 as the acute labour shortages have now reached a breaking point in several plantation companies.

The Malaysian Plantation Industry is working closely together with the Malaysian Government to try and facilitate possibilities to re-introduce the recruitment of guest workers into Malaysia again and with the opening of Malaysian Borders on the 1st April 2022, there is hope that guest workers will be arriving soon. Whilst this is a positive development, the main challenge for the plantation sector is to onboard these workers as expeditiously as possible including the steps required to provide them with work permits, vaccinations and other important pre-conditions before work can proceed. It is therefore not a measure that will create relief in the 2nd quarter of 2022 and at best case, the industry will only likely feel the positive impact of this by the end of the first quarter of 2023.

The other price-making factors to consider in 2022 are weather related issues globally, not least developments in North America during the soybean planting season, farmers' new planting decisions for soyabean crops, global demand appetite with rising prices as well as changes in government policies on import duties and export taxes.

An area that may result in bearish developments of prices is the food vs fuel debate which is expected to intensify. The fact that the higher food prices are contributing to higher inflation, hence, lowering economic growth is the biggest threat to the biofuel industry. In this connection OilWorld, the Independent Global Market Analyses & Forecasters, have lowered the earlier expected Global Biodiesel production by approximately 1 million MT for 2022. The US government recently announced that it would reconsider its biofuel policy in view of the sharp increases in food prices and Indonesia highlighting that the B30 blending will be reviewed and reduced to 25% (B25) and later to maybe B20.

The current high edible oil, energy and logistic prices are adding pressure on consumers worldwide and these higher markets are influencing other markets as well. One example being fertiliser prices which have gone up very considerably due to higher demand following very serious supply constraints caused by the Russia-Ukraine war. This is expected to adversely impact the overall cost of production during 2022 and beyond.

The Covid-19 pandemic continues its presence around the world including Malaysia and Indonesia. Although less severe compared to earlier, due attention is still being directed towards doing what is practically possible to mitigate this risk of Covid-19 entering UP's premises which could result in a temporary shutdown of our factories or plantation operations. The Board is therefore pleased to notify all shareholders that 99% of our employees have now been fully vaccinated throughout our Group, a goal which management has been pursuing relentlessly.

The Board still views the Covid-19 pandemic as well as the acute labour shortages as being primary risks to manage during 2022. In addition, a new and just as serious risk has surfaced following the invasion of Ukraine by Russian forces which is now severely disrupting supply chains.

However, with UP´s positive liquidity and conservative capital resources, the Board believes that the Company based on the present fundamentals will be able to perform satisfactorily without the need for any asset impairments arising from the current global market developments.

UP will, in accordance with its replanting policy, continue to replant areas of its older and less productive oil palm stands in Malaysia during 2022. Cost efficiencies and improved productivities including optimizing all possible steps of mechanization will continue as a vital part of sustaining our positive development going forward.

With the significant uncertainties related to the consequences of the Russia-Ukraine War and the unresolved situation with the chronic labour shortages faced in Malaysia, it is difficult to predict the results for 2022. However, based on the increased palm oil prices and the company's ability to minimize any significant crop losses so far in spite of the acute labour shortages, the Board of Directors expect that the results for the year will be satisfactory and better than in 2021.

B4) PROFIT FORECASTS

The Group has not issued any profit forecasts for the quarter under review.

Notes To The Interim Financial Report

B5) OPERATING PROFIT

Included in the operating profit are the following:

(RM'000)	*Current Quarter*	*Current year-to-date*
Depreciation and amortisation	(26,206)	(26,206)
Realised foreign exchange gains/(losses)	(1,019)	(1,019)
Realised gains/(losses) on commodities futures contracts	(182,089)	(182,089)
Fair value gains/(losses):		
- Forward foreign exchange contracts	(154)	(154)
- Commodities futures contracts	3,348	3,348
Gain/(loss) on disposal of property, plant and equipment	95	95

The year-to-date realised loss of RM182.1 million from commodities futures contracts was a result of hedging losses due to timing differences of raw material hedges versus delivery of finished goods as explained under Notes B1 and B2. The high hedging loss was because of the significant increase in CPO prices since entering into the earlier BMD commodity futures sales. Upon buying back of the earlier entered BMD commodity futures sales there are immediate losses, however, these hedging losses had been and will continue to be reversed in the coming quarters through significantly higher contributions upon delivery of finished goods based on earlier purchased CPO at lower prices as part of the raw material hedge.

B6) TAXATION

The charge for taxation for the quarter ended 31 March 2022 comprises:

(RM '000)	*Current Quarter*	*Current year-to-date*
Current taxation	32,870	32,870
Deferred taxation	(17,729)	(17,729)
	15,141	15,141
Profit before taxation	76,751	76,751
Tax at the statutory income tax rate of 24%	18,420	18,420
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	268
Double deductions for research and development	(3,180)	(3,180)
Others	(367)	(367)
Tax expense	15,141	15,141

B7) CORPORATE PROPOSALS

There were no corporate proposals which were announced but not completed as at 26 April 2022.

B8) GROUP BORROWINGS

There were no borrowings which were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 31 March 2022.

B9) FINANCIAL INSTRUMENTS

a) Derivatives

Derivatives not designated as hedging instruments

The Group uses forward currency contracts and commodity futures contracts to manage its exposure to currency and price risks, as well as to take advantage of favourable market conditions. The forward currency contract is not designated as cash flow or fair value hedges and is entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Derivatives designated as hedging instruments – Cash flow hedge

Commencing from 1 October 2018, the Group has designated certain commodity futures contracts as hedging derivatives to reduce the volatility attributable to price fluctuations of crude palm oil ("CPO"). Hedging of the price volatility of forecast CPO is in accordance with the risk management strategy outlined by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity price and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity price and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The fair values of these derivatives as at 31 March 2022 are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Assets RM'000	Liabilities RM'000
Current			
Non-hedging derivatives:			
Forward currency contracts	484,559	-	(2,047)
Commodity futures contracts	(721,113)	36,519	-
Hedging derivatives:			
Commodity futures contracts	538,261	-	(179,059)
		36,519	(181,106)
Non-current			
Non-hedging derivatives:			
Commodity futures contracts	(353,434)	-	(22,983)
Hedging derivatives:			
Commodity futures contracts	311,221	-	(59,780)
		-	(82,763)
Total derivatives		36,519	(263,869)

Notes To The Interim Financial Report

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 31 December 2021.

The description, notional amount and maturity profile of each derivative are shown below:

i) Forward currency contracts

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date.

The forward currency contracts are stated at fair value. Fair value of the forward currency contracts is determined by reference to the difference between the contracted rate and the market rate as at the reporting date.

As at 31 March 2022, the notional amount, fair value and maturity tenor of the forward currency contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	484,559	(2,047)
- 1 year to less than 3 years	-	-
- More than 3 years	-	-
	484,559	(2,047)

ii) Commodity futures contracts

Commodity futures contracts are used to manage and hedge the Group's exposure to adverse price movements in vegetable oil commodities

The commodity futures contracts are stated at fair value. Fair value of the commodity futures contracts is determined by reference to the difference between the contracted rate and the forward rate as at the reporting date.

As at 31 March 2022, the notional amount, fair value and maturity tenor of the commodity futures contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	(182,852)	(142,540)
- 1 year to less than 3 years	(42,213)	(82,763)
- More than 3 years	-	-
	(225,065)	(225,303)

b) Fair Value Changes of Financial Liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

Notes To The Interim Financial Report

B10) MATERIAL LITIGATION

There was no material litigation as at 26 April 2022.

B11) PROPOSED DIVIDENDS

No interim dividend has been declared or proposed for the year ending 31 December 2022.

B12) EARNINGS PER SHARE (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM59,693,000 (2021: RM74,825,000) and the weighted average number of ordinary shares of 414,784,984 (2021: 414,784,984) in issue during the quarter.

By Order of the Board

Ng Eng Ho
Company Secretary

Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

26 April 2022

Contact information

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