Second 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 Six Months Ended 30 June 2022

(The figures have not been audited)

	Quarter ended 30 June			6 Months ended 30 June		
(RM'000)	2022	2021	Changes (%)	2022	2021	Changes (%)
Revenue	701,258	481,869	45.5%	1,344,166	881,523	52.5%
Operating expenses	(442,988)	(305,259)	45.1%	(1,029,718)	(617,042)	66.9%
Other operating income	280	5,529	-94.9%	20,681	10,206	102.6%
Finance costs	(1,278)	(7)	18157.1%	(1,324)	(13)	10084.6%
Interest income	1,399	1,155	21.1%	2,459	2,351	4.6%
Share of results of joint venture	248	3,386	-92.7%	(594)	1,560	-138.1%
Profit before taxation	258,919	186,673	38.7%	335,670	278,585	20.5%
Income tax expense	(73,195)	(49,966)	46.5%	(88,336)	(66,168)	33.5%
Profit after taxation	185,724	136,707	35.9%	247,334	212,417	16.4%
Profit for the period	185,724	136,707	35.9%	247,334	212,417	16.4%
Net profit attributable to:						
Equity holders of the parent	184,632	135,785	36.0%	244,325	210,610	16.0%
Non-controlling interests	1,092	922	18.4%	3,009	1,807	66.5%
	185,724	136,707	35.9%	247,334	212,417	16.4%
Earnings per share						
(i) Basic - based on an average 414,784,984 (2021:414,784,984) ordinary shares (sen)	44.51	32.74	36.0%	58.90	50.78	16.0%
(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.

Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2022

(The figures have not been audited)

	Quarter ended 30 June			6 Months ended 30 June		
(RM'000)	2022	2021	Changes (%)	2022	2021	Changes (%)
Profit for the period	**185,724**	136,707	35.9%	**247,334**	212,417	16.4%
Other comprehensive income:						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation	**2,204**	(1,626)	235.5%	**3,493**	(2,422)	244.2%
Cash flow hedge						
- changes in fair value	**24,280**	(37,407)	164.9%	**(197,983)**	(81,993)	141.5%
- transfers to profit or loss	**58,369**	30,333	92.4%	**208,445**	85,210	144.6%
Total Comprehensive income	**270,577**	128,007	111.4%	**261,289**	213,212	22.5%
Total comprehensive income attributable to:						
Equity holders of the parent	**269,375**	127,168	111.8%	**258,109**	211,527	22.0%
Non-controlling interests	**1,202**	839	43.3%	**3,180**	1,685	88.7%
	270,577	128,007	111.4%	**261,289**	213,212	22.5%

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 Statement of Changes in Equity
for the Six Months Ended 30 June 2022
(The figures have not been audited)

	← Attributable to Equity Holders of the Parent →								
(RM'000)	Share Capital	Treasury shares	Retained profits	Cash flow hedge reserve	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
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	-	-	244,325	10,462	-	3,322	258,109	3,180	261,289
Dividends, representing total transaction with owners	-	-	(352,567)	-	-	-	(352,567)	-	(352,567)
Balance at 30 June 2022	**390,054**	**(18,668)**	**2,299,138**	**(99,363)**	**21,798**	**(12,613)**	**2,580,346**	**13,849**	**2,594,195**
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	-	-	210,610	3,217	-	(2,300)	211,527	1,685	213,212
Purchase of treasury shares	-	-	-	-	-	-	-	-	-
Dividends, representing total transaction owners	-	-	(269,610)	-	-	-	(269,610)	-	(269,610)
Dividends to non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	(1,042)	(1,042)
Balance at 30 June 2021	**390,054**	**(18,668)**	**2,229,440**	**(37,259)**	**21,798**	**(23,476)**	**2,561,889**	**11,574**	**2,574,505**

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 Statement of Financial Position as at 30 June 2022

(The figures have not been audited)

(RM'000)	30 June 2022	31 December 2021
ASSETS		
Non-Current Assets		
Property, plant and equipment	1,222,589	1,209,944
Right-of-use assets	396,415	395,415
Associated company	50	50
Joint Venture	39,607	40,201
Goodwill	356,856	356,856
Other receivables	5,196	5,196
Deferred tax assets	3,154	2,705
Total non-current assets	2,023,867	2,010,367
Current Assets		
Biological assets	63,399	48,044
Inventories	252,612	139,269
Trade & other receivables	522,952	437,386
Prepayments	6,264	7,420
Tax recoverable	27,312	21,989
Derivatives	8,358	10,837
Cash and bank balances	500,193	299,662
Short term funds	1,584	178,170
Total current assets	1,382,674	1,142,777
Total assets	3,406,541	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	(90,178)	(103,962)
Retained profits	2,299,138	2,407,380
	2,580,346	2,674,804
Non-controlling interests	13,849	10,669
Total equity	2,594,195	2,685,473
Non-Current Liabilities		
Deferred tax liabilities	133,650	136,671
Retirement benefit obligations	14,505	13,908
Derivatives	23,755	22,898
Total non-current liabilities	171,910	173,477
Current Liabilities		
Trade & other payables	98,952	121,556
Tax payable	73,562	48,476
Retirement benefit obligations	2,341	2,341
Derivatives	130,581	121,820
Bank borrowings	335,000	1
Total current liabilities	640,436	294,194
Total liabilities	812,346	467,671
Total equity and liabilities	3,406,541	3,153,144
Net assets per share (RM)	6.22	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.

United Plantations Berhad

Condensed Consolidated Cash Flow Statements
for the Six Months Ended 30 June 2022
(The figures have not been audited)

(RM'000)	6 Months ended 30 June 2022	2021
Operating Activities		
-Receipts from operations	1,252,757	798,972
-Operating payments	(1,098,294)	(495,770)
-(Placement)/recovery of deposits in derivative operations	(14,208)	(13,385)
Cash flow from operations	140,255	289,817
Other operating receipts	20,125	9,102
Taxes paid	(79,173)	(47,482)
Cash flow from operating activities	81,207	251,437
Investing Activities		
- Proceeds from sale of property, plant and equipment	359	1,104
- Interest received	2,757	2,150
- Purchase of property, plant and equipment	(61,180)	(46,776)
- Payment for right-of-use assets	(194)	(141)
- Net change in short term funds	176,586	104,741
Cash flow from investing activities	118,328	61,078
Financing Activities		
- Dividends paid	(352,567)	(269,610)
- Dividends paid to non-controlling shareholders of a subsidiary	-	(1,042)
- Finance costs paid	(1,324)	(13)
- Associated company	(3)	(3)
- Joint venture	19,891	9,611
- Net drawdown from short term borrowings	335,000	-
Cash flow from financing activities	997	(261,057)
Net Change in Cash & Cash Equivalents	200,532	51,458
Cash & Cash Equivalents at beginning of year	299,661	128,437
Cash & Cash Equivalents at end of period	500,193	179,895

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 RM1,584,000 (2021: RM231,542,000) 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 30 June 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.

Notes To The Interim Financial Report

A4) EXCEPTIONAL AND EXTRAORDINARY ITEMS

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

A5) CHANGES IN ESTIMATES

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

A6) EQUITY AND DEBT SECURITIES

As at 30 June 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 period. There was also no issuance of new shares or debt instruments in the current period.

A7) DIVIDENDS PAID

The following dividends were paid on 7 May 2022 in respect of the financial year ended 31 December 2021: -

Ordinary	RM'000
Final Dividend of 65 sen paid	269,610
Special Dividend of 20 sen paid	82,957
Total	352,567

A8) SEGMENTAL INFORMATION

Segmental information for the current period:

(RM'000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External sales	383,319	960,847	-	-	1,344,166
Inter-segment sales	258,581	-	-	(258,581)	-
	641,900	960,847	-	(258,581)	1,344,166
Segment Results:					
Profit/(loss) before tax	369,377	(32,928)	(779)	-	335,670

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 period 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 20 July 2022.

B1) DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 6 MONTHS ENDED 30 JUNE 2022

The Group's revenue for the current period at RM1,344.2 million was higher by 52.5% as compared to RM881.5 million recorded in the corresponding period, due to the increases in revenues for the plantation and refinery segments by 36.8% and 60.5% respectively in the current period.

The Group's profit before tax at RM335.7 million for the current period was higher by 20.5% as compared to RM278.6 million in the corresponding period. The analysis of the performance in accordance to the segments are as follows:

<u>Plantations</u>

This major segment of the Group's revenue increased by 36.8% to RM641.9 million in the current period from RM469.4 million in the corresponding period. This was mainly due to 33.4% and 57.1% increases in Group CPO and PK prices respectively in the current period. CPO production in the current period was marginally lower by 0.1%, whereas PK production was higher by 4.6%. The cost of production of CPO and PK were 36.1% and 17.1% higher when compared with the corresponding period. The higher CPO production cost was due to higher fertilizer prices. With CPO price surging to more than RM7,500 per mt before correcting to RM4,910 per mt as at 30 June 2022, windfall tax jumped by 116.6% to RM47.5 million in the current period from the corresponding period.

The profit before tax of this segment increased by 35.5% in the current period as compared to the corresponding period. The average selling prices of CPO and PK for the current period and the corresponding period are as shown below.

Countries	Products	June 2022 Current Period (RM/MT)	June 2021 Corresponding Period (RM/MT)
Malaysia	CPO	3,894	3,020
Indonesia	CPO	4,228	2,751
Average	CPO	3,958	2,967
Malaysia	PK	3,137	2,014
Indonesia	PK	3,214	1,979
Average	PK	3,152	2,007

The group recorded a marginally higher net interest income of RM2.5 million as compared to RM2.4 million in the corresponding period, mainly due to higher interest rates for deposits in the current period.

The effective tax rate of the Group was higher than the corresponding period due to the provision of the Prosperity Tax (Cukai Makmur) at 33% for statutory income above RM100 million for the Malaysian plantation segment.

Refinery

The revenue for the refinery segment increased by 60.5% to RM960.8 million in the current period from RM598.5 million in the corresponding period mainly due to higher selling prices. Although there has been a significant recovery in the second quarter of the year, the profit before tax declined by 573.0% to a loss of RM32.9 million from a profit of RM7.0 million in the corresponding period. This was mainly due to the timing difference of raw material hedges (sales on BMD futures and purchase of physical CPO for production) versus delivery of finished goods. These hedging losses realised through buy backs of earlier sold BMD CPO futures has been and 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 experienced during the first six months of the year has impacted the results 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 results of the joint venture decreased by 138.1% to a loss of RM0.6 million in the current period from a profit of RM1.6 million in the corresponding period mainly due to the higher realized foreign exchange losses and negative impact from the large inverse in prices between the spot and future month contracts.

Others

The other segments of the Group recorded a loss before taxation of RM0.8 million in the current period mainly as a result of the realized losses in BMD positions in the current period. 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 30/6/2022	Preceding Quarter 31/3/2022	Changes %
Revenue	701,258	642,908	9.1%
Interest income	1,399	1,060	32.0%
Profit Before Tax	258,919	76,751	237.3%
Profit After Tax	185,724	61,610	201.5%

The Group's revenue for the current quarter at RM701.3 million was higher by 9.1% as compared to RM642.9 million recorded in the preceding quarter mainly as a result of the revenue from plantation and refinery segments being higher by 25.6% and 6.4% respectively.

The profit before tax for the current quarter at RM258.9 million was higher by 237.4% as compared to RM76.8 million recorded in the preceding quarter mainly due higher contribution from the plantation and refinery segments. The quarterly segmental analysis are as follows:

Plantations

The plantation segment registered an increase in revenue of 25.6% in the current quarter from the preceding quarter due to higher production and higher prices. Group CPO and PK average prices increased by 4.2% and 5.4% respectively, and CPO and PK production increased by 15.3% and 14.6% respectively compared with the preceding quarter. As the result of these, the profit before tax of this segment increased by 18.5% in the current quarter from the preceding quarter. With higher MPOB CPO prices and higher production, the windfall tax incurred at RM27.1 million was 32.8% higher than the previous quarter.

Interest income for the Group was higher by 32.0% in the current quarter as compared to the preceding quarter due to higher interest rates for deposits in the current quarter.
The effective tax rate of the Group was higher than the perceding quarter due to the provision of the Prosperity Tax (Cukai Makmur) at 33% for statutory income which exceeded RM100 million for the Malaysian plantation segment in the current quarter.

Refinery

The refinery segment recorded a 6.4% increase in revenue in the current quarter due to higher selling prices. This increase in revenue was partially offset by the decrease in sales volume by 1.4% in the current quarter.

This segment rebounded with a profit before tax of RM58.0 million in the current quarter from a loss before tax of RM91.0 million in the preceding quarter. The 163.8% positive reversal in the current quarter was mainly due to the higher contribution achieved from sales of finished products. This positive reversal was anticipated and has offset some of the negative hedging losses which was incurred in the prior quarter. The positive trend is expected to continue in the coming quarters. 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 profit of joint venture amounting to RM0.2 million in the current quarter against a RM0.8 million loss in the preceding quarter mainly due to the higher product contribution in the current quarter.

B3) PROSPECTS AND OUTLOOK

With recession fears gripping financial markets, commodity prices have recently tumbled from historic highs reversing the bullish developments which prevailed in the global markets over the last year. The sharp fall in commodity prices marks a turnaround from the rallies in commodities which was due to the rapid post pandemic surge in demand combined with supply constraints exacerbated by Russia´s invasion of Ukraine.

The steep declines have come mainly as a function of the major central banks commencing a much tighter and frugal monetary policy by increasing interest rates in an attempt to curb inflation. This is a game changer.

Crude palm oil (CPO) prices have also been impacted negatively from the general commodity selloff. After reaching a high of above RM7,000/mt on the third month position in April, CPO prices have dropped to just below RM4,000/mt in July 2022.

Apart from global recession fears, Indonesia´s decision to halt all exports of CPO only to reverse this decision when it became untenable has created an enormous backlog of crude palm oil and refined palm fractions across the entire Indonesian archipelago, which today is the worlds largest producer and exporter of vegetable oils. This rapid build up of palm oil stocks across Indonsia has applied a strong downward pressure on palm prices.

A fundamental aspect impacting the supply and demand complex of 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. With the war, continuing volatility will remain. Nevertheless, economists have started to cut global growth forecasts and if the war continues, far reaching consequences to the global economy will inevitably be felt. No doubt this fear has started to present itself in the market today.

A 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 further crop losses in 2022 as the acute labour shortages have gone beyond the “breaking point” for many 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 there has been some positive progress with some workers finally entering Malaysia. 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 3rd 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.

Globally, weather in the crop producing regions is at the current moment favorable and if this continues, combined with a global recession looking more and more likely, we may have entered a trend reversal of the historic bull market in CPO markets.

The Board still views the Covid-19 pandemic but more so the acute labour shortages as being the primary risks during the remaining part of 2022. In addition, a serious risk has surfaced following the invasion of Ukraine by Russian forces which continues to disrupt 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 current palm oil prices and the company's ability to minimize 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 period under review.

B5) OPERATING PROFIT

Included in the operating profit are the following:

(RM'000)	*Current Quarter*	*Current year-to-date*
Depreciation and amortisation	(26,352)	(52,561)
Realised foreign exchange gains/(losses)	1,530	510
Realised gains/(losses) on commodities futures contracts	(20,584)	(202,674)
Fair value gains/(losses):		
- Forward foreign exchange contracts	(11,629)	(11,783)
- Commodities futures contracts	(11,184)	(7,836)
Gain/(loss) on disposal of property, plant and equipment	(337)	(242)

The year-to-date realised loss of RM202.7 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 period ended 30 June 2022 comprises:

(RM '000)	*Current Quarter*	*Current year-to-date*
Current taxation	66,066	98,936
Deferred taxation	7,129	(10,600)
	73,195	88,336
Profit before taxation	258,919	335,670
Tax at the statutory income tax rate of 24%	62,141	80,561
Tax effect of higher tax rate due to Prosperity Tax	14,416	14,416
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	536
Double deductions for research and development	(60)	(120)
Reinvestment allowance	(600)	(1,200)
Others	(2,970)	(5,857)
Tax expense	73,195	88,336

B7) CORPORATE PROPOSALS

There were no corporate proposals which were announced but not completed as at 20 July 2022.

B8) GROUP BORROWINGS

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 June 2022 was RM335,000,000.

This outstanding borrowing which was drawn down and rolled over based on a 1-month tenor had been fully settled upon maturity on 13 July 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 30 June 2022 are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Assets RM'000	Liabilities RM'000
Current			
Non-hedging derivatives:			
Forward currency contracts	426,970	-	(18,238)
Commodity futures contracts	67,989	8,358	-
Hedging derivatives:			
Commodity futures contracts	502,984	-	(112,343)
		8,358	(130,581)
Non-current			
Non-hedging derivatives:			
Commodity futures contracts	(30,344)	-	(5,357)
Hedging derivatives:			
Commodity futures contracts	453,734	-	(18,398)
		-	(23,755)
Total derivatives		8,358	(154,336)

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 30 June 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	426,970	(18,238)
- 1 year to less than 3 years	-	-
- More than 3 years	-	-
	426,970	(18,238)

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 30 June 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	570,973	(103,985)
- 1 year to less than 3 years	423,390	(23,755)
- More than 3 years	-	-
	994,363	(127,740)

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.

B10) MATERIAL LITIGATION

There was no material litigation as at 20 July 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 RM244,325,000 (2021: RM210,610,000) and the weighted average number of ordinary shares of 414,784,984 (2021: 414,784,984) in issue during the period.

By Order of the Board

Ng Eng Ho
Company Secretary

Jendarata Estate
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Perak Darul Ridzuan
Malaysia

20 July 2022

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