ANNUAL REPORT 2019

UNITED PLANTATIONS BERHAD

(Company Registration No. 191701000045 (240-A))

Group Philosophy

We strive towards being recognized as second to none within the plantation industry, producing high quality products, always focusing on the sustainability of our practices and our employees' welfare whilst attaining acceptable returns for our shareholders.

Front Cover:

A sun lit view of Unitata refinery, United Plantations first refinery commissioned in 1974.

With United Plantations choosing to use Cocoon Silk and Cocoon Offset rather than a non-recycled paper, the environmental impact, for the total number of Annual reports produced,was reduced by :

- 1,135 kg of landfill
- 145 kg CO_2 and green house gases
- 1,487 kmTravel in Average European Car
- 11,983 kg of wood
- 2,511 Kwh of energy
- 46,281 liters of water

Water and energy savings are based on a comparison between a recycled paper manufactured at Arjowiggin Graphic mills versus an equivalent virgin fibre paper according to the latest European BREF data available (virgin fibre papers manufactured in a non-integrated paper mill).CO_2 emission savings is the difference between the emissions produced at an Arjowiggins Graphic mill for a specific recycled paper compared to the manufacture of an equivalent virgin fibre paper. Carbon footprint data evaluated by Labelia Conseil in accordance with the Bilan Carbone® methodology. Results are obtained according to technical information and subject to modification.

Sources :

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UNITED PLANTATIONS BERHAD

(Company Registration No. 191701000045 (240-A))

Contents

Brief history and principal business activities

Founded on Danish and Malaysian Expertise and Resources, United Plantations Berhad (UP) from a modest beginning in 1906, has over the years grown in size and stature.

Today UP is one of the larger medium sized plantation groups in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad with a market capitalization of approximately RM 5.47 billion at the end of its financial year 31 December 2019.

UP's core business activities are focused on responsible cultivation of oil palm and coconuts. Its total cultivated landbank covers approximately 51,000ha spread over Malaysia (80%) and Indonesia (20%) and is supported by 6,844 employees across the Group.

UP possesses considerable know-how in plant breeding, agronomy and tissue culture through its R & D facilities established in the early 1950's, ensuring the development of new and improved planting materials as well as improved crop husbandry practices.

The Group is also engaged in several downstream activities such as edible oil refining as well as producing and packaging of specialty fats based on certified sustainable palm oil and a strong emphasis on high quality and food safety standards.

Through its focus on Corporate Social Responsibility and Creating Shared Values combined with sound managerial and technical expertise, UP is today recognised as one of the highest yielding, cost competitive and innovative plantations companies in the world.

C
CSV
R

Corporate Social Responsibility and Creating Shared Values

The UP Legacy And Values

Aage Westenholz,
Chairman and Founder of UP Ltd
(1906-1935)

Commander William Lennart Grut,
Chairman of UP Ltd (1935-1949)

Tan Sri Dato' Seri B. Bek-Nielsen,
Chairman (1978-1982) and
Sr. Executive Director of UPB
(1971-2003)

Tan Sri Haji Basir bin Ismail
Chairman of UPB (1982-2002)

History and Responsible Agriculture

UP's commitment to sustainable agriculture originated with its founder, a Danish Engineer and Entrepreneur, Aage Westenholz who established UP in 1906.

Westenholz not only promoted a strong culture of innovation and imaginative approach to business strategy but also of ethical conduct within plantations agriculture.

He was known for his philosophical ideals of co-operative working and profit sharing and promoted the following concept: "capital and labour ought to co-operate as two hands on the same body guided by one brain."

Westenholz was also known for setting the highest standards for the workforce, within the conditions of the day, and had as early as 1928 established a well-functioning hospital with good facilities and medical personnel to cater for the needs of the employees and their families as well as the communities surrounding the estates.

Another key figure during the foundation of UP was Westenholz's brother-in-law, a navy officer, Commander William Lennart Grut.

The two stalwarts, Westenholz and Grut not only linked together in kinship, also shared common values of Vision, Compassion and Discipline and introduced the first jungle sanctuary (The Grut Sanctuary) as well as the concept of mulching to maintain soil fertility in the 1930's.

The focus on innovation and care for employees combined with ethical values laid down by our pioneers signifies the beginning of UP's early focus on Corporate Social Responsibility (CSR) which has become a part of the Company's DNA and emphasises the responsibility to manage our resources resourcefully and engage in activities that optimize returns for our shareholders and at the same time Creating Shared Value(CSV) for employees and the society we operate in.

The central premises behind CSV are that the competitiveness of our Company and the health of the communities around us are mutually dependent, thus enabling UP to create economic value by also creating societal value.

Building Bridges Between Two Nations

The late Tan Sri B. Bek-Nielsen who started his career with UP in 1951, continued the legacy of the early founders through hard work, discipline and being firm but fair throughout his career spanning more than 50 years. He was instrumental in expanding the Group through technical as well as agronomic innovation focusing on producing palm oil of superior quality.

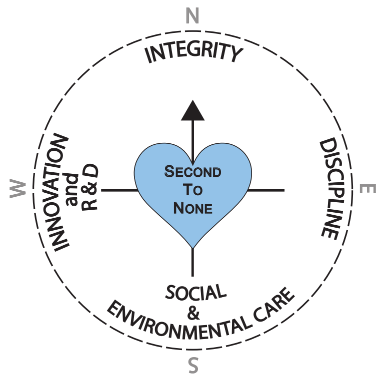
In 1982, the late Tan Sri Haji Basir took over the chairmanship of UP and together with the late Tan Sri B. Bek-Nielsen ensured that solid bridge between two Nations, Denmark and Malaysia, galvanised further. Through this close collaboration the two stalwarts ensured that UP progressed into an internationally recognised Group.

Over the last 114 years since our foundation, UP has been focusing on maintaining social and environmental awareness and striving to the best of its abilities to create a balance between economy and ecology.

This focus resulted in UP being awarded the world's first Roundtable on Sustainable Palm Oil certificate in 2008.

UP firmly believes "That no one person at the top is stronger than the pyramid of people who supports him or her". Emphasis on the attitude of continuous improvement combined with the values of Integrity, Discipline, being Innovative and focusing on Social and Environment care are key aspects of UP's unique culture which is best described through our motto "Second to None".

Our Core Values



Our company's unique culture is best described through our motto "Second to None"

Corporate Information

Country of Incorporation	Malaysia
Board of Directors	Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman, Independent, Non-Executive) Ybhg. Dato' Carl Bek-Nielsen (Chief Executive Director) Mr. Ho Dua Tiam (Non-Independent, Non-Executive) Mr. Ahmad Riza Basir (Independent, Non-Executive) Y.Hormat Dato' Jeremy Derek Campbell Diamond (Independent, Non-Executive) Mr. Martin Bek-Nielsen (Executive) Mr. Loh Hang Pai (Executive) Mr. R. Nadarajan (Independent, Non-Executive) Madam Rohaya binti Mohammad Yusof (Non-Independent, Non-Executive) Mr. Jorgen Balle (Non-Independent, Non-Executive) Ybhg.Dato' Mohammad Nasir bin Ab. Latif (Independent, Non-Executive)
Company Secretary	Mr. Ng Eng Ho
Registered Office and Principal Share Register	United Plantations Berhad Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia Phone : +605-6411411 Fax : +605-6411876 E-mail : up@unitedplantations.com Website : www.unitedplantations.com
Auditors	Ernst & Young
Principal Bankers	Malaysia HSBC Bank Malaysia Berhad Maybank Berhad Standard Chartered Bank Malaysia Berhad Public Bank Berhad OCBC Bank (Malaysia) Berhad United Overseas Bank (Malaysia) Berhad Indonesia PT Bank Mandiri (Persero) Tbk Bank DBS PT Bank CIMB Niaga Tbk
Stock Exchange Listing	Malaysia Bursa Malaysia Securities Berhad (Bursa Malaysia) Website : www.bursamalaysia.com

Executive Committee/Senior Management and Senior Executives

Executive Committee (EXCOM)

Dato' Carl Bek-Nielsen
Vice Chairman, Chief Executive Director (CED)
Director In-Charge, Unitata Berhad

Martin Bek-Nielsen
Executive Director (Finance & Marketing)
Commercial Director, Unitata Berhad

Loh Hang Pai
Executive Director (Estates)

Senior Executives

Finance & Corporate

Ng Eng Ho
Company Secretary /
Sr Group Manager (Finance)

Cheriachangel Mathews
Group Manager Human Resources &
Environment, Safety & Health

S. Chandra Mohan
Financial Controller

Dewi Anita Suyatman
Sr Manager, Legal & Corp Affairs
PT SSS

Erwin Khor Siew Yan
Manager, Internal Audit

Choo Kah Leong
Sr Financial Controller, PT SSS

Norhazizi bin Nayan
Sr Manager, Human Resources &
Environment, Safety & Health

Shirley Selvasingam
Manager, IT Systems

Jeevan Dharmapalan
Manager Human Resources &
Environment, Safety & Health

Lee Kian Wei
Manager Human Resources &
Environment, Safety & Health

Plantations

Edward Rajkumar Daniels
Estates Director,
Upriver

Geoffrey Cooper
Estates Director,
Downriver

Muhammad Ratha
President Director,
PT SSS

C. Mohan Das
Group Manager,
Jendarata Estate

Nek Wahid bin Nek Harun
Group Manager,
Ulu Basir Estate

Azhar bin Yazid
Deputy Group Manager,
Tanarata Estate

S. Chanthravarnam
Sr Manager,
UIE Estate

Jason Joseph
Manager,
Lima Blas Estate

Ridzuan Bin Md. Isa
Manager,
Ulu Bernam Estate

Patrick Kanan
Manager,
Changkat Mentri Estate

R. Siva Subramaniam
Manager,
Sungei Erong Estate/
Sungei Chawang Estate

S. Kumaresan
Manager,
Sungei Bernam Estate

L. Makesyarang
Manager,
Kuala Bernam Estate

Khor Boon Wah
Manager,
Seri Pelangi Estate

Adrian Mohd Fazrin
Manager,
Sungei Chawang Estate

Research

Ho Shui Hing
Director of Research

Dr. J. Vijiandran
Sr Research Manager

Kandha Sritharan
Research Manager

Lim Chin Ching
Research Manager(Biotechnology)

Wong Foo Hin
Research Manager
(Tissue Culture)

Appala Naidu Marie
Research Manager, PT SSS

Engineering

P. Seker
Director of Engineering,
Upstream

Ir P. Rajasegaran
Director of Engineering,
Downstream

K.T. Somasegaran
Deputy Group Engineer,
UIE

Ir V. Renganathan
General Manager Engineering,
PT SSS

G. Padmanathan
Resident Engineer,
Ulu Bernam Optimill

N. Saravanaganes
Resident Engineer,
UIE

Goh Kheng Wee
Resident Engineer,
Jendarata Estate

R. Nathan
Resident Engineer,
Ulu Bernam Optimill

Palm Oil Refining and Others

Jughdev Singh Dhillon
Group Production Manager,
Unitata Berhad

Dr. Andrew Nair
Group Research & Quality Controller,
Unitata Berhad

Dev Ganesh
Manager, OPP
Unitata Berhad

Allan Loh Teik Boon
Manager, Commerce
Unitata Berhad

Senthamarai Selvi
Manager (Shipping & Logistics)
Unitata Berhad

Suganthi Krishnan
Manager, Quality Assurance
Unitata Berhad

M. Arishanggaran
Resident Engineer,
Untata Berhad.

Soo Yook Kee
Sr Manager / Engineer In-Charge,
Butterworth Bulking Installation Sdn. Bhd.
Bernam Agencies Sdn. Bhd.

Muhammad Silmi
Manager, Biodiversity,
PT SSS

Jayarama Reddy
Manager,
Bernam Bakery

Kapil Punj
Refinery Manager,
UniFuji Sdn. Bhd.

Soo Chin Hong
Deputy Financial Controller,
UniFuji Sdn. Bhd.

Group as at 31 January 2020

Plantations

United Plantations Berhad (Malaysia)
Issued Capital (no. shares) 208m

PT Surya Sawit Sejati (Indonesia)
95%

Palm Oil Refining

Unitata Berhad (Malaysia)
100%

UniFuji Sdn. Bhd. (Malaysia)
50%

Others

Bernam Agencies Sdn. Bhd. (Malaysia)
100%

Butterworth Bulking Installation Sdn. Bhd. (Malaysia)
100%

Bernam Advisory Services Sdn. Bhd. (Malaysia)
100%

Berta Services Sdn. Bhd. (Malaysia)
100%

General Shareholding Structure
Group as at 31 January 2020

Other Major Shareholders holding 5% and above	18.90%
The UIEL Group and The Bek-Nielsen Family	49.96%
Others	31.14%

United Plantations Berhad
Issued Capital (no. shares) 208m

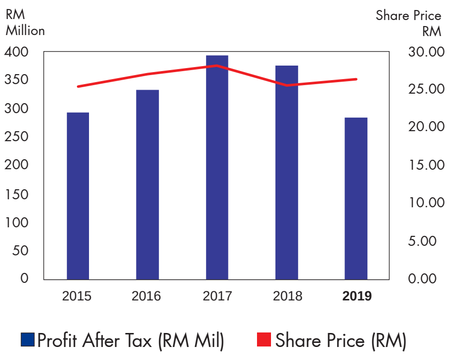
Financial Highlights (5 Years)

	2019	2018	Change (%)	2017	2016	2015
Revenue (RM' Million)	1,173	1,306	*(10.18)*	1,474	1,228	1,004
Profit Before Tax (RM' Million)	358	491	*(27.09)*	504	418	376
Profit After Tax (RM' Million)	284	374	*(24.06)*	395	331	292
Earnings Per Share (Sen)	136	179	*(24.02)*	189	159	141
Net Dividend Per Share (Sen)*	135	140	*(3.57)*	150	115	100
Dividend Payout Ratio	0.99	0.78	*26.92*	0.79	0.72	0.71
Dividend yield as at 31 December (%)	5.14	5.49	*(6.38)*	5.34	4.27	3.94
Total Equity (RM' Million)	2,554	2,589	*(1.35)*	2,531	2,368	2,239
Return on Equity (%)	11.12	14.45	*(23.04)*	15.61	13.98	13.04
Total Borrowings (RM' Million)	0.1	0.1	-	0.1	0.1	0
Non-Controlling Interests (RM' Million)	9.2	7.8	*17.95*	6.9	5.3	3.2
Cash Position (RM' Million)	459	916	*(49.89)*	852	691	753
Total Assets (RM' Million)	2,858	2,918	*(2.06)*	2,850	2,644	2477
Total Liabilities (RM' Million)	304	329	*(7.60)*	319	276	238
Year-End Closing Share Price (RM)	26.28	25.50	*3.06*	28.08	26.92	25.36

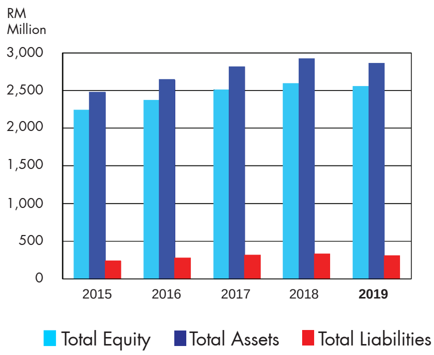
* Including proposed Final Dividend

Financial Graphs (5 Years)

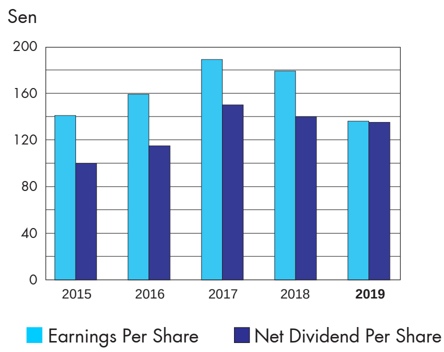
Profit After Tax and Year-End Share Price



Total Equity, Total Assets and Total Liabilities



Earnings Per Share and Net Dividend Per Share



Production & Yield

CPO PRODUCTION	PK PRODUCTION	COCONUT PRODUCTION	CPO YIELD
225,466	**46,036**	**78.1**	**5.70**
METRIC TONNES	METRIC TONNES	MILLION NUTS	METRIC TONNES/HECTARE
▲ 2.6%	▲ 0.4%	▲ 9.4%	▼ 0.2%

Group Planted Areas (Ha)

TOTAL OIL PALM		TOTAL COCONUT	
MATURE	IMMATURE	MATURE	IMMATURE
42,008	**4,723**	**3,372**	**1,181**

Profile Of Directors

Tan Sri Datuk Dr. Johari bin Mat

Chairman, Independent Non-Executive Director
Chairman of the Remuneration & Nomination Committees

Appointed Director of United Plantations Berhad on 9 October 2001 and elected as Chairman of the Board on 21 June 2003.

Tan Sri Datuk Dr. Johari bin Mat, born in 1944, a Malaysian, obtained his B.A. (Hons.) from the University of Malaya and PhD from the University of Southern California, USA and completed the Advanced Management Program from Harvard University, USA in 1997. He was also a chartered member of the Malaysian Institute of Planners.

He has 33 years of work experience in the Malaysian Administrative and Diplomatic Services which included positions as Director of INTAN and the Klang Valley Planning Secretariat in the Prime Minister's Department and as Secretary General in the Ministries of Social Development, Domestic Trade and Education.

He held various positions in several national and international organizations, such as UNESCO, UNCRD, SEAMEO, and COL (Commonwealth of Learning) based in Vancouver, Canada. Currently he is on the Board of a number of private companies.

Dato' Carl Bek-Nielsen

Vice Chairman
Chief Executive Director (CED)
Non-Independent Director-in Charge of Unitata Berhad

Appointed director of the Company on 1 January 2000 and elected Vice Chairman on 8 March 2002 and appointed Chief Executive Director (CED) of United Plantations Berhad on 1 January 2013.

Dato' Carl Bek-Nielsen, born in Petaling Jaya in 1973, is a Danish citizen with a Permanent Resident status in Malaysia. He started his career with the Company in 1993 as a Cadet Planter leaving a year later to pursue his tertiary education in Denmark graduating with a B.Sc. degree in Agricultural Science from the Royal Veterinary and Agriculture University of Denmark. In 1998 he returned to Malaysia to take up the position of Corporate Affairs Officer with the Company. He was promoted to the position of Executive Director (Corporate Affairs) on 1 March 2000. On 9 November 2004 he was appointed Director In-Charge of Unitata Berhad.

He is the Chairman of United International Enterprises Limited (UIEL), a public listed company on the NASDAQ OMX Copenhagen A/S. He is also a Board Member of the Schorling holding company, based in Stockholm.

Since 2005, he has been a Council Member of the Malaysian Palm Oil Association (MPOA) and the Malaysian Palm Oil Council (MPOC). He served as a member of the Programme Advisory Committee to the Malaysian Palm Oil Board (MPOB) from 2008 to 2019.

On 17 November 2014, he was appointed on to the RSPO Board of Governors as Co-Chairman representing the MPOA and was re-elected in November 2019 to continue serving as the Co-Chair of the RSPO.

He is the brother of Mr. Martin Bek-Nielsen, and a Board representative of the Company's two major shareholders, UIEL and Maximum Vista Sdn. Bhd.. He is deemed interested in various related party transactions between UP Group and certain companies carried out in the ordinary course of business as disclosed in Note 27 to the Financial Statements.

Ho Dua Tiam

Non-Independent Non-Executive Director

Appointed director of the Company on 1 January 1995, Mr. Ho Dua Tiam, born in 1943, a Malaysian, is the Visiting Director/ Advisor of United Plantations Berhad.

After completing his study at the Serdang Agricultural College, he started his career with United Plantations Berhad in 1964 as a Cadet Planter. He served the Company in various positions before his appointment as Deputy Senior Executive Director on 28 January 2002 and thereafter as Senior Executive Director on 21 June 2003. He retired from his position as Senior Executive Director (CEO) on 31 December 2012 and continued to serve the Company as Inspector General, Estates and Special Advisor of UP Berhad from 1 January 2013 to 31 December 2018.

Mr. Ho was appointed, on an advisory capacity as Visiting Director/ Advisor from 1 January 2019.

He is also a director of United International Enterprises (M) Sdn. Bhd. and Maximum Vista Sdn. Bhd.. He is not on the Board of any other public listed company.

He is a Council member and Deputy President of the Malaysian Agricultural Producers Association (MAPA) and Chairman of its Finance Executive Committee.

Profile Of Directors

Ahmad Riza Basir
Independent
Non-Executive Director
Member of the Audit Committee

Appointed director of the Company on 17 June 2000, Mr. Ahmad Riza Basir, born in 1960, a Malaysian, is a lawyer by training.
He graduated with a Bachelor of Arts in Law (Hons.) from the University of Hertfordshire, United Kingdom and Barrister-At-Law (Lincoln's Inn), London in 1984 and was called to the Malaysian Bar in 1986.
He is a director of Perlis Plantations Berhad, a public listed company on Bursa Malaysia Securities Berhad.
He is also a member of the Board of Directors of several other private limited companies in Malaysia.

Dato' Jeremy Derek Campbell Diamond
Independent
Non-Executive Director
Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees

Appointed director of the Company on 31 July 2001, Dato' Jeremy Derek Campbell Diamond, born in 1940, a British citizen with Permanent Resident status in Malaysia, graduated from Durham University with a B.Sc.(Hons.) in Agricultural Economics and Management in 1963.
Commenced his career in Malaysia in 1963 as a Planter with Socfin Company Bhd, and served in that company in various capacities until his appointment as General Manager/Chief Executive Officer (CEO) in 1977. He held that position for 24 years until his retirement in 2001. Currently, he is on the Board of a number of private limited companies which include Jedecadi Sdn. Bhd and AFN Sports Sdn. Bhd..
He served as a Council member of the Malaysian Agricultural Producers Association (MAPA), United Planting Association of Malaysia (UPAM), Malaysian Oil Palm Growers Council (MOPGC), Malaysian Rubber Producers Council (MRPC), as an Alternate Member of the Board of the Palm Oil Research Institute of Malaysia (PORIM). He was a member of the General Committee of the Malaysian International Chamber of Commerce and Industry (MICCI) for 15 years.

Martin Bek-Nielsen
Executive Director
Non-Independent
Commercial Director, Unitata Berhad

Appointed to the Board on 29 August 2000, Mr. Martin Bek-Nielsen, born in 1975, is a Danish citizen with a Permanent Resident Status in Malaysia. He served in The Jutland Dragoon Regiment during 1994 after which he started his career with the Company as a Cadet Planter in 1995. In 1996 he left Malaysia to pursue his tertiary education in Denmark and graduated with a B.Sc. degree in Agricultural Economics from the Royal Danish Agricultural University of Copenhagen in 1999 and returned to United Plantations to take up the position of Corporate Affairs Officer. In 2001, he was appointed to the position of Executive Director and on 20 February 2003 was promoted to his current position of Executive Director (Finance and Marketing).
On 9 November 2004 he was appointed Commercial Director of Unitata Berhad.
He is the Deputy Chairman of United International Enterprises Limited (UIEL), a public listed company on the NASDAQ OMX Copenhagen A/S.
He is the brother of Dato' Carl Bek-Nielsen, and is a Board representative of the Company's two major shareholders, UIEL and Maximum Vista Sdn. Bhd. He is deemed interested in various related party transactions between UP Group and certain companies carried out in the ordinary course of business as disclosed in Note 27 to the Financial Statements.

Loh Hang Pai
Executive Director
Non-Independent

Appointed to the Board as Executive Director (Estates) on 1 January 2013, Mr. Loh Hang Pai, born in 1948, a Malaysian, graduated from the Serdang Agricultural College. He served Kumpulan Guthrie as Junior Assistant in 1969 and subsequently joined United Plantations Berhad on 1 January 1973 as an Assistant Manager. He served the Company in various positions and was promoted to the position of Estates Director on 1 January 2004.

Profile Of Directors

He is not on the Board of any other public listed companies. He was actively involved in various activities of the planting associations, having held the position of Chairman, Perak Planters Association, President of United Planting Association of Malaysia and Chairman of Malaysian Cocoa Growers Council.
Currently, he is the Convener of MAPA's Oil Palm and Coconut Committee and Chairman of MAPA's Negotiating Committee and had been actively involved in the negotiations on several MAPA/NUPW wage agreements.

R. Nadarajan
Independent
Non-Executive Director
Member of the Audit, Remuneration and Nomination Committees

Appointed director of the Company on 1 June 2013, Mr. R. Nadarajan, born in 1948, a Malaysian, joined the company in 1977 as a Management Accountant, after having qualified and worked in the UK in various capacities in management accounting and finance. He was promoted to the position of Financial Controller in 1980 and to the position of Company Secretary/ Group Manager Finance in 2000. He fully retired in 2012 as Group Financial Adviser, a position he held since 2008 on retirement as Company Secretary/ Senior Group Manager, Finance.
He is an associate member of the Chartered Institute of Management Accountants, United Kingdom (UK) and a member of the Malaysian Institute of Accountants.
He is also a director of a private limited company.

Rohaya binti Mohammad Yusof
Non-Independent
Non-Executive Director

Appointed director of the Company on 30 November 2017, Madam Rohaya binti Mohammad Yusof, born in 1965, a Malaysian, graduated in 1988 with a Bachelor degree in Commerce (Accountancy), Australian National University, Canberra, Australia and is an Associate Member of the CPA, Australia.
Started her career with Arthur Andersen & Co as a Senior Financial Consultant –Audit Division (1988-1990).
In 1990, she joined Maybank Investment Bank (previously named Aseambankers) and was promoted to the position of Executive Vice President, Corporate Investment Banking in 2005 and acquired 18 years of banking experience. In 2008, she joined the Employees Provident Fund (EPF) Investment Division as Head of Corporate Finance and in 2010, was appointed as Head of Capital Market Department overseeing loans and bonds. Her portfolio also includes monitoring external fund managers for domestic and global fixed income.
Since April 2017, she serves as Head of Private Market, Investment Division, Employees Provident Fund, whose primary function is to invest in private equity, infrastructure, global and regional real estates. On 1 January 2020, she was appointed as Chief Investment Officer of EPF.
She is also a member of the Board of Directors of Malaysian Resources Corporation Berhad, Yinson Holdings Berhad and Projek Lebuhraya Usahasama Berhad.

Jorgen Balle
Non-Independent
Non-Executive Director

Appointed director of the Company on 21 May 2018, Mr. Jorgen Balle, born in 1964, a Danish citizen, graduated in 2001 with a Masters in Business Administration from SIMI/CBS Copenhagen.
Started his career with Aarhus Karlshamn AB as a Director (2000-2003) and was subsequently appointed to Managing Director of Aarhus Karlshamn A/S (2003 to 2010). He also held the position of VP Global CCF/LFC in the Business Unit of Aarhus Karlshamn AB for a duration of 5 years from 2005 to 2010.
From 2010 to 2019, he served as Executive Director of Frode Laursen Group of logistic companies.
He is also a member of the Board of Directors of other private limited companies in Denmark.

Dato' Mohamad Nasir bin Ab. Latif
Independent, Non-Executive Director

Appointed director of the Company on 1 February 2020, Dato' Mohamad Nasir bin Ab. Latif, born in 1958, a Malaysian, graduated in 1989 with a Bachelor's degree in Social Science (Economics) from Universiti Sains Malaysia and obtained a Certified Diploma in Accounting and Finance from the Association of Chartered Certified Accountants in 1996. He holds a Master of Science in Investment Analysis from University of Sterling, United Kingdom in 1999.

Dato' Mohamad Nasir's career at the Employees Provident Fund Board (EPF) spanned 37 years, starting out as a State Enforcement Officer and rising through the ranks to become General Manager of the International Equity Department before becoming EPF's Investment Chief in 2013. He retired as Deputy Chief Executive Officer (Investment) from EPF on 31 December 2019.

He is the Chairman of PLUS MALAYSIA BERHAD and also serves as a member of the Board of Directors of Malaysian Resources Corporation Berhad (MRCB) and Yinson Holdings Berhad.

Note:

1. Family Relationship with Director and/or Major Shareholder
   Save for Dato' Carl Bek- Nielsen and Mr. Martin Bek- Nielsen, none of the other Directors have any family relationship with any Director and/or major shareholder of the Company.

2. Conflict of Interest
   None of the Directors have any conflict of interest with the Company.

3. Conviction for Offences
   None of the Directors of the Company have any conviction for offences within the past 10 years.

4. Attendance of Board Meetings
   Details of the Directors' attendance at Board Meetings are set out in the Corporate Governance Overview Statement on pages 94 to 99.

5. Gender
   UP's Board consist of one female director and ten male directors.

6. Profile of Senior Management
   The Senior Management only comprise of the Executive Directors.

Chairman's Statement

On behalf of the Board of Directors of United Plantations Berhad, it gives me much pleasure to present to you the Annual Report of our Company and Group for the financial year ended 31 December 2019. Similar to last year, the early release on the 24 February 2020 is an improvement in keeping up with the global trend of finalising the annual accounts earlier which ultimately is to the benefit of all stakeholders.

Financial Performance

For the Financial year 2019 our group posted an after-tax profit of RM284 million.

Whilst this is a reduction of 24% compared with the RM374 million achieved in 2018 it is nevertheless a pleasing result when taking into consideration the low CPO & PK prices which dominated the first 9-10 months of 2019 with many plantation companies facing great difficulties and several running into losses. In addition, the one-off acquisition cost of RM24.8 million related to the Pinehill Estate acquisition impacted the results negatively.

Overall palm oil production for our Group surpassed 2018 levels which was a pleasing development and an important buffer to the results in relation to the decline in palm oil prices. With the improved performance of UP's latest planting materials from the substantial replanting undertaken on our Malaysian estates over the last 10 years, we are positive on the future outlook for the overall group production.

Weather conditions were generally favourable during 2019 with an even distribution pattern of precipitation seen on most of UP's estates. Nevertheless, heavy rains were experienced during the final quarter of 2019 with four of our Upriver Estates experiencing serious flooding resulting in impeded field operations and crop losses.

Palm Oil Prices

Following a good recovery in CPO production during the first 8-9 months of 2019 Malaysia and Indonesia experienced a sudden and pronounced decline in CPO production in October, November and December 2019. This combined with the adverse effects of the African Swine Fever disseminating overall sow and pork numbers by 35-40% in China resulted in a pronounced reduction in the quantity of soybeans imported and with that a reduced crush depleting the overall availability of soybean oil. This increased the demand for Palm Oil to compensate for the shortfall.

This in tandem with the Indonesian Government's commitment to push more palm oil to be blended with mineral diesel through the B20 % B 30% programmes (20% and 30% admixture)suddenly changed a situation of abundance to a sudden shortage of palm oil creating a price rally of CPO during the last 3 months of the year as is illustrated on page 14.

Flooding in a recently replanted field at Ulu Bernam Estate.

While labour shortages continue to hamper operations, the drive towards mechanization that has taken place over the last many years and continues to do so, minimised the negative impact of this ongoing problem.

The Group continues to maintain a healthy policy in respect of its cash and cash equivalents, which as of 31 December 2019 stood at RM459 million. Whilst this was a significant decrease from RM916 million in 2018, we must appreciate that the main reason for the decline in our Company's cash position was due to the acquisition of the Pinehill Estates (RM426 million including costs related to the acquisition) as well as other capital expenditure (RM99 million) in 2019.

Our prudent approach towards capital management in general has ensured that we can balance our dividend payments to shareholders, and take on necessary capital investments required within our group as well as to pursue new investments possibilities when the right opportunities arise, without having to be dependent on the banks.

Pinehill Estate

In this connection and after a number of years searching for the right land bank expansion opportunity, it was most pleasing that we officially took possession of the 3,642 Ha Pinehill Estate on 17 August 2019. The estate is located in the Lower Perak Region approximately 25 km from our headquarters on Jendarata estate and replanting and other rehabilitation efforts are well under way. No doubt this acquisition in years to come will be an equally treasured estate like the others within the UP group.

Our Chief Executive Director, Ybhg. Dato' Carl Bek-Nielsen will in detail explain UP's financial performance in the Management Discussion and Analysis section on pages 14 to 27.

Deputy Group Manager Mr. Azahar, together with the UP's Board of Directors, except for Mdm. Rohaya, inspecting replanted fields at the newly acquired Pinehill Estate (Tanarata).

Dividends

Based on the above gratifying results, your Board is recommending a final dividend of 105sen per share consisting of:

1. A Final Single Tier Dividend of 20sen per share

2. A Special Single Tier Dividend of 85sen per share

When taking into consideration the interim dividend of 30sen per share paid during December 2019, the total dividend paid in respect of FY2019 is 135sen per share compared with 140sen in FY2018.

Inauguration Ceremony

On 17 January 2019, the combined project of the Optimill and UniFuji refinery was officially inaugurated by our Royal Highnesses Duli Yang Maha Mulia Paduka Seri Sultan Perak Darul Ridzuan Sultan Nazrin Muizzuddin Shah and Duli Yang Maha Mulia Raja Permaisuri Perak Darul Tuanku Zara Salim. It was indeed a great honour. My sincere appreciation goes out to Dato' Carl Bek-Nielsen, the Chief Executive Director and Mr Martin Bek-Nielsen, the Executive Director (Finance & Marketing) and their team of people involved in making this important milestone for UP a successful one.

Sustainability

The Board upholds our commitment to undertake responsible agricultural practices which focuses on sustainability and good corporate governance and we remain committed to the Round Table of Sustainable Palm Oil (RSPO) and our Policy on No Deforestation, No New Planting on Peat as well as No Exploitation. I am proud of the progress being made and grateful for the support from our stakeholders on this important sustainability journey.

In this connection it was most pleasing that UP received a Special Recognition Award for "Business Responsibility and Ethics" in 2019 Presented by Global Initiatives in partnership with Sustainable Business Awards Malaysia. More information on the awards as well as our many sustainability initiatives are covered under the "Sustainability Report" section in this Annual Report starting from pages 30 to 93.

Looking ahead, I note with improved optimism that the supply and demand equation for commodities have changed to the better after a few years with depressed prices. This change is most welcome, however, with the Covid-19 virus and consequences on demand from specifically China likely to be impacted, we cannot take for granted that prices will continue to be bullish in 2020.

Nevertheless, we must continue to place strong emphasis on the importance of our core values and the necessity to adapt to the ever changing and challenging business environment in the form of lower commodity prices that will reappear at some point combined with the constraints associated with labour shortages.

Before closing, I would like to thank all our customers, business partners, government agencies and shareholders for their continued support and trust in our group.

I would also like to place on record my appreciation for the commitment, understanding and wise counsel which I have received from all Directors.

In closing and on behalf of the Board of Directors, I would also like to place on record my sincere appreciation to all United Plantations' employees for their loyal and dedicated service which is so essential for the future growth and well-being of our Group of Companies.

Tan Sri Datuk Dr. Johari bin Mat
Chairman

Management Discussion and Analysis

Summary of Global Operating Environment

Global economic growth has over the last 2 years been moving along at a slower pace but nevertheless still generating positive GDP growth.

Whilst some choose to describe this as a slowdown, we must nevertheless appreciate that the outlook for 2020 looks brighter than just 12 months ago. During most of 2019 the trade war between America and China rumbled on, however, progress was made in December 2019 when both sides pulled back from the brink of an outright trade war by reaching a "phase one" agreement preventing further penalties from being imposed. This now provides real hope that the financial consequences of a full scaled trade war, estimated by the IMF to cost the global economy about USD700 billion, can be averted. This combined with the Federal Reserve cutting interest rates for the first time since the financial crisis in 2008 has shown that Government's will go to great extents to instil the necessary measures to stimulate the world economy by acting and doing what is necessary instead of ignoring signs of danger when they appear.

This was also seen by the European Central Bank who during 2019 launched a new round of stimulus.

According to the IMF, this combined with several other initiatives is now predicted to result in the global economy rebounding modestly in 2020 following a year that produced the weakest growth since the financial crisis.

Indeed, the IMF in its quarterly update to its World Economic Outlook released in January 2020 stated that global domestic production will expand by 3.3% in 2020, up from 2.9% in 2019. This is an improvement, although we must be cautious about the consequences of the Corona virus that could end up impacting the Global Economy.

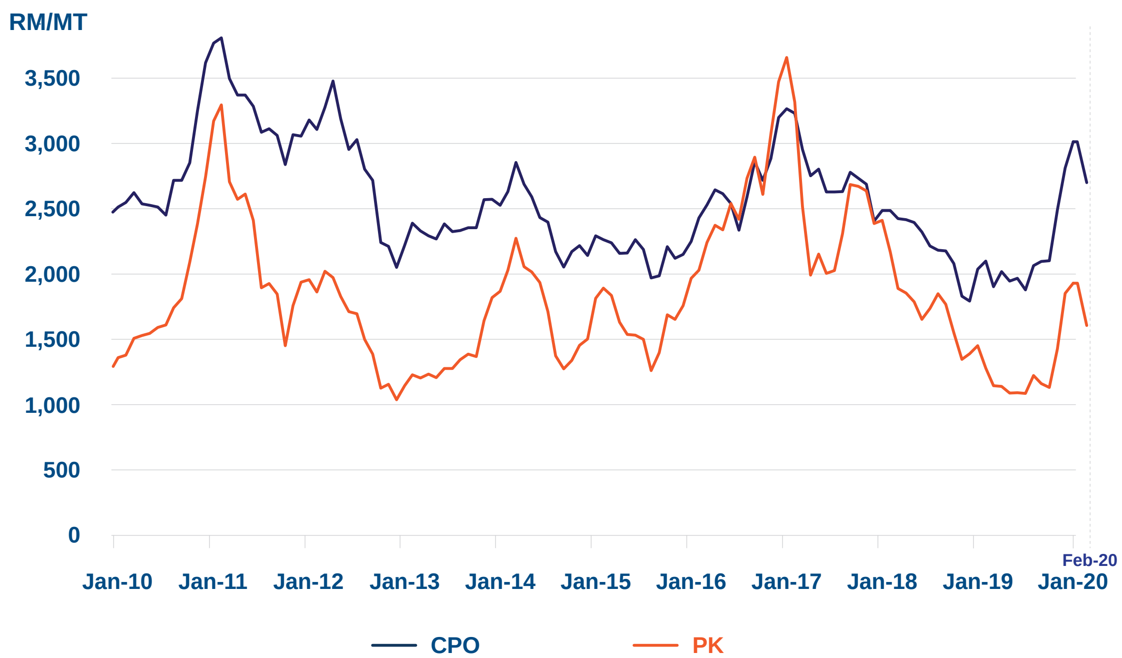
Commodity Prices

During 2019 commodity prices continued to be under pressure resulting in prices revisiting lows not seen in the last 10 years. Nevertheless, the old saying "low prices is the best cure for low prices" proved itself in the final quarter of 2019 when extreme volatility entered the market and sparked a significant rally bringing CPO price above RM3000/MT which was more than a 50% rise from the RM2,000/MT average experienced in the first half of the year. This was due to the following three main reasons:

1) Firstly, production of palm oil declined markedly during the last quarter of 2019 both in Indonesia and Malaysia whilst global demand began to pick up. This resulted in a significant and very pronounced drawdown of vegetable oil stocks.

2) Secondly, the severe consequences of the African Swine Fever ravaging pig herds mainly in China which accounts for half of the world's pig production today. This resulted in a major reduction in soybean crushings as soymeal demand in China plummeted and with that soybean oil supplies. This compelled larger import of other vegetable oils lead by palm oil where imports from January to November 2019 rose to 6.92 million MT up from 4.83 million MT when compared to the same period in 2018. We foresee, that palm oil imports into China, subject to consequences of the Covid-19 Virus on demand

Monthly CPO and PK Price



Source: CGS-CIMB RESEARCH, MPOB

not being too significant, will remain strong in 2020 to not only offset the lower domestic supplies of soybean oil but also the lower production of lard as a function of the African Swine Fever outbreak.

3) Thirdly, the highest impact on the price movement must nevertheless be attributed to the Indonesian Government's drive to increase their domestic palm oil consumption through not only food and oleochemical uses but ever more so through the Government supported B20 Biodiesel programme compelling all diesel to contain an admixture of up to 20% of palm oil in 2019.

   This took another bold step forward in January 2020 when the Indonesian Government introduced the mandatory B30 programme that is estimated to increase palm oil consumption (food, oleochemicals and biodiesel) from 7 million MT in 2015 to 14.5 million MT in 2019 and up to 16 million MT in 2020. This, if enforced and implemented, will be a bullish game changer for palm oil prices.

Production and Prices of Crude Palm Oil (CPO)

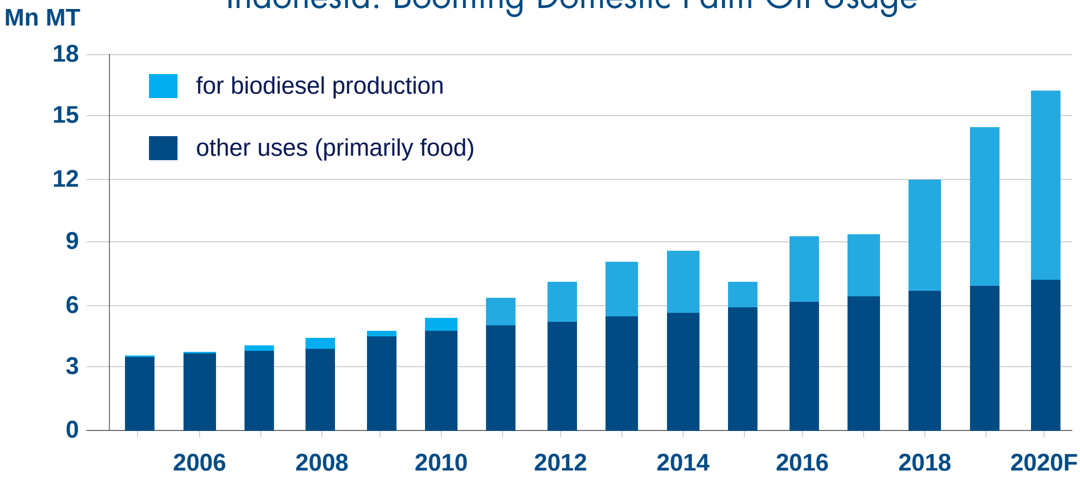
2019 saw palm oil production in Malaysia increased by 1.75% to 19.85 million MT in 2019 compared to 2018. Nevertheless, in spite of this small increase, Malaysian stocks of palm oil declined considerably from 3.21 million MT in 2018 to 2.0 million MT at the end of 2019, due to the much stronger global demand. This was bullish.

UP's estates, especially in Malaysia, benefitted from the better weather conditions, notably the more even rainfall distribution in 2019 resulting in total production rising by 6.14%, i.e. from 168,680 MT in 2018 to 179,045 MT in 2019.

However, production on UP's Indonesian estates declined from 51,048 MT in 2018 to 46,421 MT in 2019 representing a 9.1% decline which was less satisfactory and mainly a function of chronic labour shortages on our Central Kalimantan Estates.

In spite of this, the overall Group CPO production rose to 225,466 MT in 2019 equal to a 2.6% increase year on year.

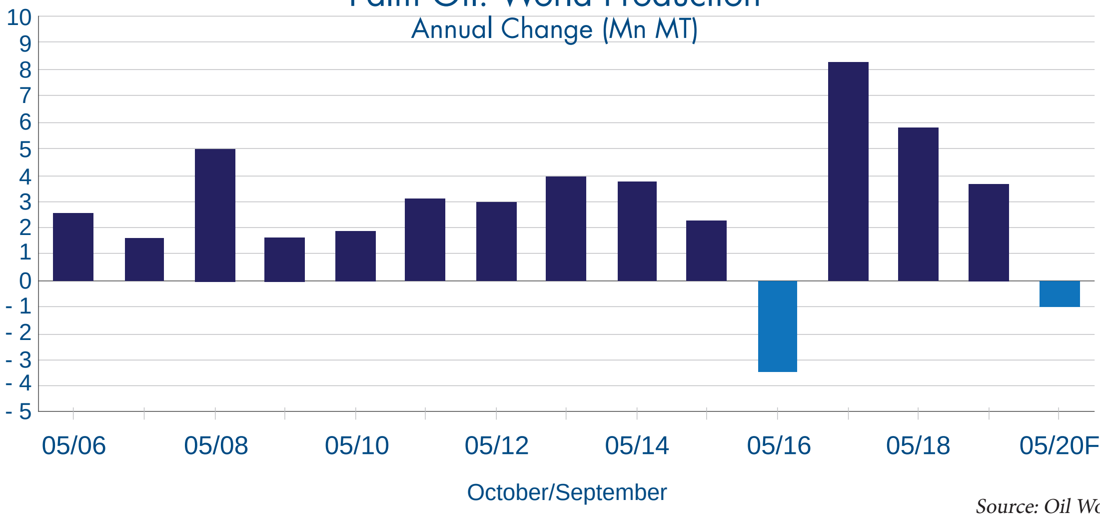
Indonesia: Booming Domestic Palm Oil Usage



Source: Oil World

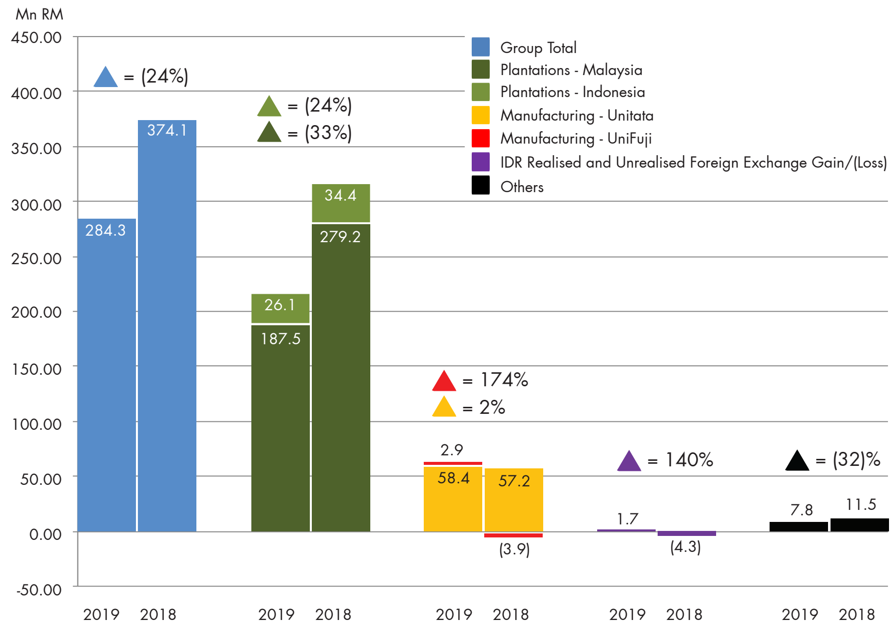
Palm Oil: World Production

Annual Change (Mn MT)



Source: Oil World

Group Total and Segmental Contribution 2019 & 2018



2019 Financial Result

In spite of 2019 seeing significant pressure on palm oil prices, the Company managed based on its forward sales policy, to secure an average CPO price of RM2,356/MT. This combined with a marginally higher Group CPO production of 225,466 MT, resulted in UP achieving a profit after tax of RM284 million,

Financial Review of Operations

- The Group's revenue during 2019 decreased by 10% to RM1,173 million compared to 2018 mainly due to lower sales prices for CPO and PK in our Malaysian operations and in our Indonesian operations. In addition, the Refinery unit also witnessed a lower revenue as a function of lower sales prices of Palm and PK products.

- The Group's profit before tax decreased by 27% from RM491 million in 2018 to RM358 million in 2019.

- The Group profit after tax of RM284 million for 2019 was a decrease of 24% from the result of RM374 million in 2018. In addition to the low CPO/PK prices, it should be noted that due to the fair value adjustment of our forward sales, as per the accounting treatment, RM17 million after tax which impacted the result positively in 2018 has been reversed in the 2019 result.

  Furthermore, the 2019 results was negatively impacted by one-off acquisition costs of RM24.8 million relating to the Pinehill Estate acquisition.

  Notwithstanding this, the Board of Directors therefore joins me in acknowledging that the post-tax results achieved in 2019 were satisfactory, the 7th best in the Company's history, during a year where several plantation companies struggled to produce a profit.

Dividends

The Board of Directors have recommended a Final Single Tier Dividend of 20sen per share and a Special Single Tier Dividend of 85sen per share for the year ended 31 December 2019. Summary of Dividends for the year ended 31 December 2019 are shown below.

The total dividend pay-out will therefore amount to RM280 million for year ended 2019 which is a 3.8% decrease from 2018.

Dividends for the year ended 31 December 2019/2018

	2019	2018
Interim single tier dividend declared and paid	20sen	20sen
Special single tier dividend declared and paid	10sen	10sen
Proposed final single tier dividend	20sen	20sen
Proposed special single tier dividend	85sen	90sen
Total Dividends	135sen	140sen

Strong Cash Position and Investment in Pinehill Estate

It is important to re-emphasize that the Board of Directors is committed towards maintaining its policy of having a strong balance sheet and especially a healthy cash position, which as of 31 December 2019 stood at RM459 million.

Such prudent and conservative fiscal policy has served our Group well and will provide our Company with the freedom to seek and make sound investments should opportunities arise without being dependent on financial institutions.

In this connection and as mentioned in our 2018 message, UP managed to enter into a sales and purchase agreement to 3,642 Ha (8,999 acres) of established (brownfield) estate for a total consideration of RM414 million.

The Estate located 25 km´s from UP´s headquarters were officially taken over on 17 August 2019 and has increased our landbank in Malaysia by almost 10% from 40,766 Ha to 44,408 Ha. Within the next 3 years, UP will replant a majority of the acquired land and by introducing UP's high yielding planting materials combined with our total commitment towards enforcing sustainable practices, we will be able to increase the yields significantly on this 8,999-acre property within the next 4-6 years.

The acquisition will provide synergies by enhancing our economies of scale and facilitate a continuation of UP's core strength of cutting bureaucracy and providing a "hands on" management approach throughout our Group.

We remain confident and committed to long term investments in Malaysia and especially in our home state of Perak where we have operated since 1906 and look forward to continue creating value for all stakeholders.

Plantation Operations

CPO production in 2019 reached 179,045 MT (Malaysia) and 46,421 MT (Indonesia) totalling 225,466 MT of CPO for the Group compared to 219,729 MT CPO in 2018.

The 2.6% increase in the Group's overall CPO production, equal to 5,737 MT of CPO was as mentioned before mainly due to the recovery in production arising on our Malaysian Estates from the excellent weather conditions combined with the improved performance of UP's latest planting materials from the substantial replanting undertaken over the last 10 years.

CPO Production in MT	2019	2018	Change
UP Malaysia	179,045	168,680	6.1%
UP Indonesia	46,421	51,049	(9.1%)
Total UP Group	225,466	219,729	2.6%

Average yields for the UP Group decreased marginally compared to 2018 as can be seen in the below tables reaching 5.70 MT CPO/Ha. Average yields on our Malaysian estates nevertheless rose by 2.6% reaching 5.88 MT CPO/Ha equal to a 69% higher yield compared to the national average yield recorded in Malaysia.

Yields & Extraction Rates	2019	2018	Change
UP Group FFB average yield in MT/ Hectare including Indonesia	25.88	26.20	(1.22%)
UP Group average Oil Extraction Rates (OER) in %	22.02	21.80	1.01%
UP Group average Kernel Extraction Rates (KER) in %	4.50	4.55	(1.10%)
UP Malaysian Average Yield in MT CPO/Hectare	5.88	5.73	2.62%
UP Indonesian Average Yield in MT CPO/Hectare	5.11	5.66	(9.72%)
UP Group Average Yields in MT CPO/Hectare	5.70	5.71	(0.18%)
Malaysian National yield in MT CPO/ Hectare	3.47	3.42	1.46%

** Includes our Indonesian plantations.*

As of 31 December 2019, our Group's areas planted up with oil palms can be summarized as follows:

Total Oil Palm Area In Hectares	2019	2018	Change
UP Malaysia			
Mature Area	32,932	29,563	11.4%
Total Group Area having come into Maturity	2,395	2,502	(0.4%)
(oil palms between 2 1/2 - 5 years in age)	16.85%	14.45%	16.6%
Immature Area	4,723	4,674	15.0%
Replanted Area	2.444	1,949	25.4%
Total Area under Oil Palm	37,655	34,237	10.0%
UP Indonesia			
Mature Area	9,076	9,098	(0.2%)
Immature Area	-	-	-
Total Area under Oil Palm	9,076*	9,098*	(0.2%)
Grand Total for the Group	46,731	43,335	7.8%

** net of areas converted to Plasma.*

One can also note that the total immature area in relation to the total group area under oil palms in 2019 now stands at 10.1% compared to 10.8% in 2018. The total immature area on our Malaysian Estates is now 12.5% compared to 13.7% in 2018.

PK Production in MT	2019	2018	Change
UP Malaysia	36,854	36,789	0.2%
UP Indonesia	9,182	9,071	1.2%
Total UP Group	46,036	45,860	0.4%

Cost of Production of Crude Palm Oil

- The direct cost of production (before depreciation and amortization) during 2019 increased marginally by 2.12% to RM915/MT CPO from RM896/MT CPO in 2018 for our Malaysian operations. The total cost of production including depreciation and amortization for 2019 was RM1,207/MT CPO vs. RM1,188/MT in 2018.

- Labour costs in Malaysia continue to come under pressure with the Government raising the minimum monthly wage in specific regions by 9% to now RM1,200. We continue to monitor these developments closely as labour costs continue to take up the largest component in our total cost of production. The trend has been even more steep in Central Kalimantan where labour costs have risen by 349% since 2006 reaching levels which are similar to the labour costs paid in Malaysia today. In spite of these significant increases in labour costs, several sectors in Malaysia continue to find themselves exposed to a situation of acute labour shortages. This is particularly the case not only for the manufacturing sector, the construction sector but also the agricultural and plantation sectors.

- The Board of Directors join me in stating that this is a concerning and unsustainable trend as it will only erode the Malaysian and Indonesian Palm Oil Industry's ability to compete against the other 16 competing oils and fats unless this is matched by commensurate increases in yields and productivity, which unfortunately has not been the case for the majority of palm oil producers in Malaysia who have seen their cost of production escalated.

Labour Shortages

Labour shortages continued to affect the operations within the Malaysian Plantation Sector in 2019 albeit to a lesser extent than in 2018.

Combined with professional and timely recruitment planning of important guest workers by our HR department, newly introduced measures of mechanization managed to minimize crop losses on our Malaysian Estates during the year and this vital focus will continue in 2020 where new initiatives will continue to be explored in order to introduce more innovative ways to boost productivities through mechanization.

Nevertheless, it is hoped that the Malaysian Government will continue to give due consideration to the Plantations Sector's pleas to recruit guest workers as our produce is highly perishable and will suffer great losses if labour shortages re-emerge as has periodically been the case since year 2000.

We believe that with sufficient guest workers yields on Malaysian Estates in general could easily increase by 0.5-1MT FFB Ha on average.

Selling Prices of CPO and PK

- The average selling price of CPO achieved during the year decreased from RM2,606/MT in 2018 to RM2,356/MT in 2019 as a function of the sharp decline in CPO price experienced during much of the year. Nevertheless, based on our forward sales policy and a falling market, we achieved considerably higher price than the Malaysian average price, however, sales price may not be in our favour in a rising market and the ultimate reason for initiating forward sales is to secure certain margins and not in anticipation of being able to consistently predict market prices which is impossible.

	Crude Palm Oil			**Palm Kernel**		
	2019	2018	Change	2019	2018	Change
MPOB Avrg price (RM)	2,079	2,233	(6.9%)	1,214	1,828	(33.6%)
UP's Avrg price (RM)	2,356	2,606	(9.6%)	1,312	1,992	(34.1%)

- The average selling price for PK recorded a decrease of 34.1% to RM1,312/MT in 2019 compared to RM1,992/MT in 2018 for our Malaysian PK.

Manufacturing Division

Unitata

In our downstream refinery division, our wholly owned subsidiary Unitata performed very satisfactorily especially in view of the much tougher market conditions and increasing competition by especially the Indonesian Refinery Sector in recording a contribution to the Group amounting to RM58.4 million in 2019 vis-à-vis RM57.2 million in 2018.

The results were mainly attributable to the sales of high quality, certified sustainable and traceable products, a weak Malaysian Ringgit vs US Dollar, favourable hedging results as well as cost cutting measures that continue to be an ongoing priority to the Management.

Interest in certified sustainable palm oil is increasing, and Unitata is committed to providing high quality tailor-made solutions to clients who demand palm fractions which go well beyond the sustainability criteria of the RSPO and standard quality parameters.

In order to prepare our Group for future opportunities, our Group continues to invest in technology and capable people that can bring Unitata forward with success. During the year a new fractionation plant was commissioned and by the first quarter of 2020, Unitata will be commissioning a brand new multistock deodoriser.

UniFuji

For our refinery UniFuji, which is a 50:50 JV between UP and Fuji Oil, positive progress continues to be made after its commissioning in 2018. The state-of-the-art factory is a result of two companies coming together with a shared goal of producing value added palm components based solely on UP's certified sustainability and traceable palm oil and Fuji's expertise on technical capabilities.

With the completed project depicted in the picture on the right, UP and Fuji Oil have taken a giant leap forward in terms of encompassing and amalgamating the most modern equipment and technologies available in the industry and marrying this into a layout which today is a perfect example of what the circular economy can look like.

The projects are testimony to the fact that no one in the top is stronger than the pyramid of people who support them. Both UP's and Fuji's appreciation goes out to the team involved for their admirable dedication and commitment which exemplifies the spirit of being "second to none".

For 2019, UniFuji recorded a positive contribution of RM2.9 million to our Group after consolidation accounting adjustments. With sales increasing and additional customers seeking products there is a positive expectation for improved results going forward.

The Unitata Refinery with the newly erected Multistock Deodoriser in the foreground.

The UniFuji Refinery.

Coconut Production

Our coconut production of 78,104,344 nuts in 2019, recorded an increase of 9.4% compared 71,423,003 nuts in 2018.

Average yields therefore improved from 23,154 nuts /hectare in 2018 to 23,557 nuts/ha in 2019 representing an increase of 1.7% bolstered by favourable weather and young fields coming into production.

Problems in penetrating the Malaysian coconut market were encountered during several months of 2019 when the local market faced a tremendous influx of Indonesian coconuts from May to October which affected the demand for our Group's coconuts.

This resulted in several million nuts being lost due to the delayed offtake caused by high harvesting rounds resulting in germination taking place. We foresee this to be a perennial challenge going forward.

The entire Malaysian coconut industry including the smallholders have voiced their deep concern to the Malaysian Government, as this will jeopardize the coconut industry in Malaysia where the cost of production is higher than in Indonesia.

Importation of large quantities of raw nuts also pose a bio-security risk for the introduction of foreign coconut pests, an issue the government should take cognizance of.

A young Matag seed garden newly brought into production.

Mr. L. Makesyarang, Manager of Kuala Bernam Estate, in a well- established field with older coconut palms.

Indonesia

Our Plantation Division in Indonesia generated a Group contribution of RM26.1 million in 2019 against RM34.4 million in 2018, representing a decrease of 24%.

As mentioned earlier, the reduction in profits were primarily a function of the substantially lower market prices of palm oil and palm kernel obtained in Indonesia but also the lower production that was mainly attributable to higher field losses arising from the knock-on effect of chronic labour shortages experienced during the year.

Whilst operating conditions continue to be challenging it is with much satisfaction that after 13 years of operations since entering Indonesia the efforts and commitment provided towards the difficult expansion process into Central Kalimantan is finally paying off not only financially but just as importantly from a socio-economic point of view.

UP Indonesia's production accounted for 20.6% of our Group's CPO production in 2019 compared to 23.2% in 2018.

All plantings have reached maturity and the company now provides employment for 1,355 employees, many of whom were previously unemployed.

The Indonesian Rupiah's appreciation against the Malaysian Ringgit resulted in an exchange gain of RM1.7 million (out of which RM0.4 million realized) for our Group against an exchange loss of RM4.3 million experienced in 2018.

All infrastructural additions have now been completed in Indonesia bringing the total number of high-quality modern living quarters for our executives, staff and workers to over 500 units today.

Further expansion will therefore only be considered if the investment climate improves and most importantly if brown field plantation developed before 2005 come up for sale that in no way contravene or ignore the company's commitment to not just adhering to the RSPO's Principles & Criteria but going beyond them.

In the meantime, management continues to do a commendable job in consolidating the existing properties where agricultural standards have now reached standards similar to those on its Malaysian properties.

To date, 9,076 Ha of oil palms and 1,314 Ha of Plasma have been planted and more than 7,000 Ha of permanent conservation areas established.

These conservation areas making up about 41% of the concession area in our Indonesian operations consist primarily of riparian reserves, peat swamps as well as heavily degraded secondary forests as a result of the intense logging activities carried out in the past prior to UP acquiring the properties.

These sanctuaries are a testimony to our Group's commitment towards maintaining an important balance between economy and ecology and where conservation means development as much as it does protection of the environment.

Modern housing facilities in a neat environment at Lada Estate.

False gharial (Tomistoma Schlegelii) is a freshwater crocodilian with a very thin and elongated snout, was identified by the Biodiversity Department in our conservation area on PT SSS.

Sustainability Report (SR)

Since our foundation in 1906, UP has been focusing on economic development combined with social and environmental care. Identifying and managing UP's social risks and opportunities are fundamental to our continued success and to the core principles of our business activities, namely doing business sustainably combined with committing ourselves to a long-term perspective.

Today, more than ever, sustainability and financial performance are an integrated and inter-woven part of the UP's Group well-being.

Our sustainability commitment focuses on continuous care, attention and responsibility towards our employees, the environment, the community and the marketplace in which it operates.

We foresee this trend intensifying in years to come. A detailed Sustainability Report is accounted for in a separate section of this Annual Report (please refer to pages 30 to 93).

Management's commitment towards providing as well as improving social amenities within our Group shall continue to remain the hallmark of the EXCOM and management in 2020.

Capital Expenditure

The Group´s 2019 capital expenditure was RM500.30 million in property, plant and equipment (including bearer plants) as compared to RM120.7 million in 2018.

The 314% increase was mainly due to the purchase of Pinehill Estates during the year.

The Group incurred RM34.4 million in replanting in the current year which is a 13% decrease from RM39.6 million in 2018.

2,580 Ha of oil palm and coconuts were replanted in Malaysia in 2019 against 2,345 Ha in 2018. All capital expenditures are funded by internally generated funds.

Replanting Policy

Concerted efforts are continuously being made by Management to enhance the Company's Breeding-Agronomy and Tissue Culture activities as these remain of cardinal importance in terms of our Group's ability to improve further our agronomic productivities.

Yield Targets

The below table provides an overview of various yields per Ha targets in terms of FFB and CPO as well as OER in Malaysia and Indonesia.

UP Group	FFB yields/Ha	OER	CPO yields/Ha
Malaysia	28.0MT	23.0%	6.5MT
Indonesia	25.5MT	25.5%	6.5MT

The difference in terms of FFB/Ha /year and the OER between the countries, is due to the difference in planting materials, soils, climatic factor and labour availability.

Replanted Areas

A total of 2,444 Ha of oil palms were planted on our Malaysian properties during 2019 compared to 1,949 Ha in 2018. Whilst our Group's average age profile has improved, we must nevertheless appreciate that the major bulk of our Group's replanting programme for our Malaysian Estates will only be completed by 2021 when we would have completed the additional replantings that are notably necessary but overdue on Tanarata Estate.

Indeed, during the course of the last 10 years (2010-2019) our Malaysian estates have replanted a total of 23,328 Ha of oil palms equal to 62% of the total area under oil palm today. This is absolutely necessary if we are to further improve on the age profile of our established plantations and with that our average yields which is of special importance in maintaining a favourable cost base.

In this connection, I am pleased to advise that our Group's long-term replanting policy remains a high priority, both in times of low as well as high commodity prices and that all planting material used for this extensive replanting programme has been produced at UPRD using exclusively proven germplasm with over more than 60 years of sterling plant breeding techniques where the ultimate goal is to secure high yields.

Failure to implement this critical aspect of plantation management will inevitably lead to stagnating yields and declining production resulting in the inability to remain competitive.

Zero Burn Policy

All replanting carried out during 2019 continued to be done in accordance with the environmentally friendly "zero burn policy", thereby complying fully with the regulations laid down by the Department of Environment.

Indeed, this practice has remained an integral part of our company's commitment towards Good Agricultural Practices since 1989 and has helped not only in ameliorating and conserving the organic carbon status in our topsoil but also in improving the overall fertility status of our soils.

Seedlings from the Research Department's breeding programme being raised for our internal replanting.

The Optimill, being the biggest engineering project undertaken in UP's 113 year history was completed on 29 November 2017.

Dato' Carl Bek-Nielsen (Chief Executive Director) and Mr. Martin Bek-Nielsen (Executive Director, Finance and Marketing) at the Optimill complex during the official inauguration on 17 January 2019.

Prospects and Outlook

Based on the current operating environment, UP is respectful of the challenges which 2020 may bring. Increased focus on cost efficiencies and improved productivity as well as higher yields will therefore continue as a vital part of sustaining our positive development.

Special attention will also be given towards addressing any imminent labour shortages and to further improve on all weaknesses identified in respect of our sustainability journey. UP is far from perfect and much more attention must in this respect be given to operationalise and mainstream the principles of our sustainability commitment so these are "built in" and not just "bolted on" – so to say. We shall dedicate our energies to this by taking ownership of these challenges.

In accordance with our replanting policy, UP will proceed to replant large areas of its older and less productive oil palm stands in Malaysia during 2020 especially after the successful acquisition of Tanarata Estate which will be totally replanted in order to take full advantage of our latest planting materials from UPRD which have a much higher yield potential than the present substandard planting materials.

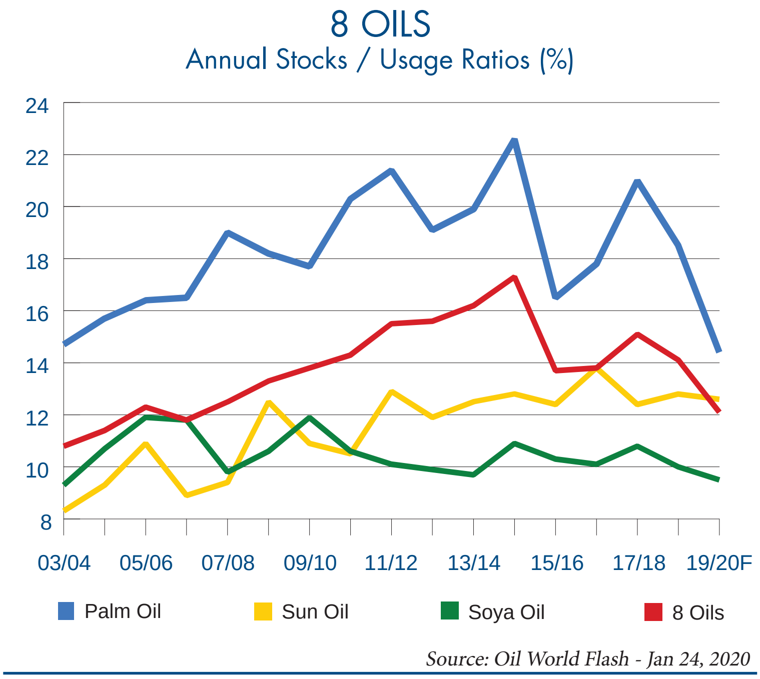
In a period of less than 12 months global stocks of the 8 major oils have come down to levels only seen back in 2005/2006 when the world population was around 6.5 billion people vis-à-vis 7.95 billion today. This sharp reduction in world vegetable oil stocks, notably lead by palm oil which has seen its stock/usage ratios drop to levels that have not been lower since 2003 has created a more bullish outlook for the oils and fats scenario for October 2019 to September 2020 as production is now falling behind demand.

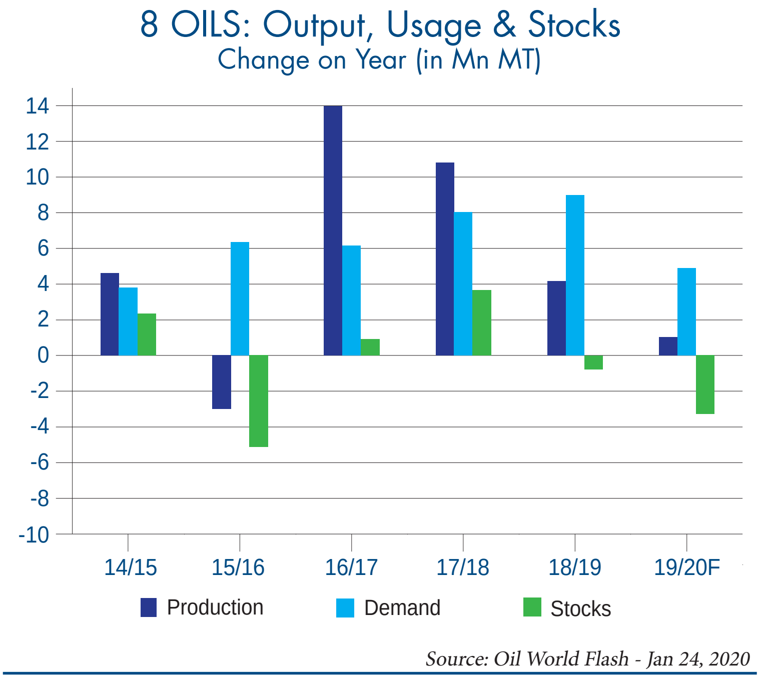
Nevertheless, there are 4 factors which must be monitored clearly as the development of these will have an impact on the supply and demand fundamentals.

1) The Indonesian government's mandated B30 admixture programme if implemented and enforced effectively will have a bullish impact on prices as a large quantity of palm oil notably up to 10 million MT could be used for Indonesia's biodiesel programme in 2020 up from ±6.5 million MT in 2019 and 5.2 million MT in 2018. This can truly become a game changer for this season.

2) The low palm oil prices experienced for 9 months of 2019 pushed many palm oil producers into a territory of loss making as production cost exceeded the market prices. This was especially the case for growers who had large loans with the banks which would have been the straw threatening to break the camel's back. Many plantation companies notably smallholders simply chose to either fully or partially cutback on their fertiliser applications setting in motion a yield retarding impact which will be seen in 2020.

   This effect perhaps combined with the oil palm entering into a biological resting resulted in Malaysian palm oil output plummeting by 950,000 MT during October to December 2019 or 17% lower when comparing the output during the same period in 2018. It is anticipated that palm oil production in Malaysia will only start to recover from May/June 2020. The point at when the recovery takes places will be watched closely.





3) An aspect which we feel must not be side-lined revolves around a possible El Nino. Weather patterns have been very extreme in 2019. Fires ravaging over 11 million Ha of lands in Australia from September to December 2019 or approximately 5 times more than what Indonesia experienced in 2015 are concerning. Fires also decimated large parts of Western California and impacted countries like Sweden and even Siberia. At the same time, temperatures in Chicago in early February 2019 were lower than on planet Mars.

2019 did provide an array of extreme weather patterns including a very wet October to December in many parts of South East Asia. Such extreme dryness or extreme wetness in one part of the world has in the past been seen to be a potential sign that we could be moving towards an El Nino. In Malaysia and Indonesia, we must monitor the weather patterns closely especially from May to September which is when extreme dryness normally takes place. It is at this moment far too premature to make such predictions but we must remain vigilant and put in place all mitigative measures now, should the weather suddenly turn dry.

4) The consequences of the Covid-19 virus may also result in a change in the otherwise bullish scenario when looking at the current supply and demand side of vegetable oils. It is still early days, however, it is a risk factor we need to reckon with and keep a close eye on as demand may be significantly impacted, especially from China.

With the prices contracted under our forward sales policy and with our Indonesian production improving coupled with large areas steadily coming into maturity from our replanted areas in Malaysia, the Board of Directors expects that the results for 2020 will be better compared to 2019.

Acknowledgment

In closing, I would like to applaud Management for the various concerted efforts made during the last many years especially in view of the difficult situation associated with the effects of the labour shortages experienced on our estates.

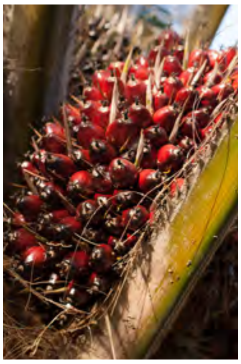
This dedication and loyalty displayed by our officers, staff and employees alike continue to win my respect and admiration. I wish to thank you all for this level of devotion which is equalled only by few organizations in today's world.

I would also like to thank all our customers, business partners, government agencies and shareholders for the continued support and trust in our Group where it shall always be our common goal of striving to be recognised as"second to none".

Dato' Carl Bek-Nielsen
Chief Executive Director (CED)

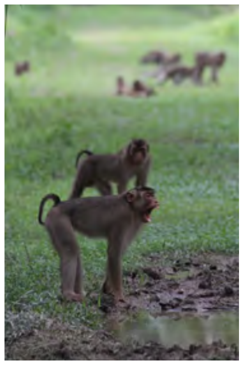
Long-tailed shrike (Lanius schach) is one of the 183 species of birds found at our conservation area at PT SSS.



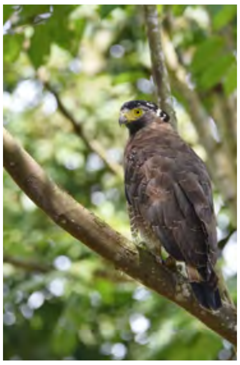


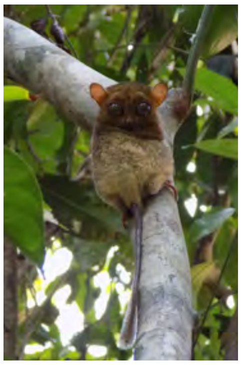

Sustainability Report 2019

Contents






About This Report

United Plantations has always taken pride in its sustainable approach to all aspects of its operations and we are therefore pleased to present our 2019 Sustainability Report to interested stakeholders.

This Report covers the environmental, economic and social performance across all our operational and management activities within the UP Group including Subsidiaries in the form of our Refinery Unitata and bulking installation – BBI, as well as our plantations and mills in Malaysia and Indonesia. From next year, our Joint Venture refinery UniFuji which is now fully operational as well as our newly acquired plantation, Tanarata Estate will also be included.

This report, which represents our first step towards an integrated report focuses primarily on updates and activities carried out within the financial year ended 31 December 2019, with comparable prior year statistics, where available and relevant.

The Sustainability Report for 2019 will remain as part of our Annual Report. From 2020, we are planning to have our sustainability report as a separate report and will thereafter produce the report every second year.

The structure and content for this report draws upon guidance from Bursa Malaysia's Sustainability Reporting Framework and the GRI Sustainability Reporting Guidelines. Our internal Sustainability Committee is responsible for officially coordinating with the various departments and subsidiaries in assessing and covering all key material sustainability matters within our Group.

In preparation of this report, we have again engaged and considered the responses from both internal and external stakeholders and performed a thorough internal review and assessment of key sustainability aspects and impacts which represents the most critical areas of our Group's business and operations and in this connection we would like to thank all stakeholders for their valuable participation. This exercise resulted in arriving at 22 material sustainability matters at various significance levels. These are reflected in the materiality matrix included in this report.

As part of our sustainability processes and activities we will continue to strengthen our performance and disclosures to various stakeholders by monitoring our specific targets and key performance indicators, fostering close relationship with our stakeholders as well as harmonising material sustainability risks across the Group. We hope to provide our stakeholders with an overview of our approach and continuous progress in meeting our sustainability commitments.

This report has been prepared in accordance with the GRI Standards: Core option. For more information on the GRI Index, please refer to our website, *www.unitedplantations.com/sustainability/*.

External Assurance

GRI recommends the use of external assurance, but it is not a requirement to be in accordance with the Standards. We believe external assurance adds to the credibility and transparency of sustainability reporting. In this connection, we are pleased to inform our stakeholders that KPMG has provided limited assurance over 10 selected Key Performance Indicators (KPI's) reported in our 2019 Sustainability Report thereby bringing additional value and credibility to our disclosure. Their assurance report is available on pages 92-93

Flowers are a thing of beauty, they are grown with pride in our compounds and gardens to brighten up the environment.

Message From The CED

Dato' Carl Bek-Nielsen addressing participants during the Price Outlook Conference (POC 2019).

I am pleased to present UP's 2019 Sustainability Report to you in which we describe our Group's sustainability policies and actions in order to share our commitment on sustainability and to show how we are pursuing this in practice.

Ultimately, it is our actions and behaviour that defines what type of company we are and for UP. The Executive Committee (EXCOM) of UP continues to view sustainability as one of the key pillars in our Group's strategy which is of paramount importance to our long-term success.

For generations, UP has interweaved Economic viability, Environment Responsibility and Social Awareness into the way we conduct our business. This commitment was evidenced by the fact that the world's first RSPO certificate was awarded to UP in 2008. Our commitment is further reinforced by obtaining the Malaysian Sustainable Palm Oil (MSPO) certification in 2018 and Indonesian Sustainable Palm Oil (ISPO) certification in 2019.

We remain 100% committed to the MSPO, ISPO and RSPO principles and criteria (P&C). We welcome the implementation of the new RSPO P&C in 2019 which has seen some major enhancements adopted into the standard, including but not limited to no deforestation, no planting on peat regardless of its depth, reinforced protection of human and labour rights (stronger alignment with the Core International Human Rights Treaties and relevant ILO Conventions across all RSPO membership categories) as well as enhanced focus on fire prevention.

These initiatives combined raises the bar for sustainable production even further by firmly upholding our policies on no deforestation and no new peat development which were already introduced in 2010, as well as strengthening human rights and the well-being of the local community. We see this as necessary commitment in order to assure the industry's future relevance and acceptance by consumers around the world.

We nevertheless openly acknowledge that much more can and must be done and we intend to work harder at integrating as well as mainstreaming our sustainability efforts into our operations.

In this respect, I am pleased to report that the sustained efforts undertaken by our Company especially since 2005 were recognised again by the Sustainable Business Awards in partnership with Global Initiatives who on the 27 November 2019 gave United Plantations Bhd a special recognition award for Business Responsibility and Ethics.

The recognition is pleasing but it also raises the bar and compels management to keep stimulating new progressive ideas, failing which, the positive momentum, created by so many individuals in our Group will slow down.

During 2019, the materiality assessment has again been carried out in close collaboration with our stakeholders in which views and expectations on various topics have been discussed and documented thereby enabling us to identify and map the most relevant issues pertaining to our economic, environmental and social risks and opportunities. This exercise has been very rewarding and is fundamental to achieving our business strategy and with that our well-being.

However, we must not forget, that our commitment to sustainability is an ongoing journey with no finishing line. We will therefore continue to align our business values, purposes and strategy with sustainability principles divided into four main areas, namely Employees, Environment, Community and Market place.

Employees

Our employees have been and will always be our core assets remaining a key pillar for the success and continued growth of our Group. In this connection, their welfare and rights as well as a safe and healthy work place are of key importance in every aspect of our operations.

We remain focused on safety leadership and strategies targeting risk reduction as we value the lives and wellbeing of our employees, contractors, visitors and local communities throughout our operations. We are doing our best to improve awareness on safe practices and to enhance preventive skills among all our employees in order to minimise the risk of work place accidents. It is therefore most disturbing and regretful that our Group experienced three fatal accidents in 2019.

These fatalities involved two tractor related accidents and one oil mill operator. Such accidents are most unfortunate and deeply regrettable and our hearts go out to their bereaved families. The Group is determined to continue to mitigate all safety risks through robust safety programmes and preventive intervention and I wish to reiterate that our Group must be more vigilant and will further improve and continue its regular in-house training programmes combined with impromptu safety audits in our mills, estates and refineries. This includes top management commitment on the vital "Reach and Teach" but also "Reach and Remind"

White throated Kingfishers (Halcyon Symrnensis) can be found on both our Malaysian and Indonesian Plantations.

training sessions amongst all employees. A culture of prevention is not achievable if we accept that accidents are a normal occurrence in our daily lives. In line with our approach of preventive measures as a way of providing safe work places, we continuously conduct HIRARC on all our operations. We do not accept any accidents, and all efforts must be directed toward avoiding them. The Company has therefore strengthened its commitment by recruiting an additional Safety Officer and has a target to provide additional human resources to this most important cause in 2020.

During 2019, progress was made to maintain the highest possible welfare standards for our workforce whilst simultaneously focusing on improving on our environmental footprint. New investments in infrastructural amenities as well as improving on services to our employees will therefore continue in 2019. With the acquisition of the 3,642 hectares Pinehill Estate (now known as Tanarata Estate), a total upgrade in the infrastructure and social amenities has begun in order to emulate the high standards present at our other estates. We are confident that there will be a very positive turnaround of the property which includes its upgrade into a MSPO and RSPO certified entity of our Group within the next three years.

Environment

As the world faces the threat of global warming, we are all becoming increasingly aware that our presence on this earth leaves a mark on the environment. UP is committed to being a leader in environmental performance by not just focusing on good agricultural practices but also by committing itself to safe guarding the natural resources. Finding the right balance between Economy and Ecology is a cornerstone in our Group and much emphasis is therefore placed on reducing variables that impact our environment negatively.

Much scrutiny and criticism has been aimed at the palm oil industry, with accusations of habitat destruction and endangerment of protected species, indiscriminate burning and causing regional trans-boundary haze, as well as contributing towards social conflicts and climate change. Whilst palm oil production has contributed to certain aspects of the above and whilst there are rogue players who blatantly violate most environmental laws, it is important that the accusations are backed by holistic facts and presented objectively instead of being singled out as the lightning rod for the public's growing anger on issues concerning deforestation and climate change.

The palm oil industry is complex and far too often it is subject to being painted with one brush without recognizing the tremendous efforts undertaken by many different stakeholders, including producers, to promote the responsible production and consumption of sustainable palm oil. Unjust subjective accusations keep tarnishing the image of the industry without offering solutions or taking ownership of problems. This behaviour will get us nowhere apart from negatively impacting the livelihoods of millions of people whose sole objective is to uplift themselves out of poverty. We need to be more nuance with our criticism but also highlighting good practices so others may emulate these.

Our Group therefore believes that producing palm oil sustainably is the only way forward wherefore it is important that all stakeholders support the RSPO, or other credible initiatives, in order to make sustainable palm oil the preferred choice and norm. This above all else should be our common goal.

Reducing our Carbon Footprint

Our Group's commitment towards mitigating its "carbon footprint" and thereby its Greenhouse Gas (GHG) emissions remains a high priority to which new initiatives and investments continue to be made.

Following an updated and very comprehensive Life Cycle Analysis (LCA) report undertaken from January to February 2020, it was pleasing to note that UP from 2004-2019 has managed to reduce its GHG emissions per kg refined oil by 43% (including indirect land use change and nature conservation) compared to the GHG emisssions in 2004.

Our goal of reaching 60% reduction (including indirect land use change and nature conservation) of the GHG emissions by 2023 has been set by Management which we will relentlessly pursue through new innovations inspired by our strong collaboration in Scandinavia. (please refer to page 62)

The UniFuji JV which the Company had been working on since April 2015 was officially inaugurated by His Majesty Sultan Nazrin Muizzuddin Shah Ibni Almahrum Sultan Azlan Muhibbuddin Shah Al-Maghfur-Lah, Deputy Yang Di- Pertuan Agong and Her Royal Highness Raja Permaisuri Perak Darul Ridzuan Tuanku Zara Salim on 17 January 2019 in the presence of the Mentri Besar Perak Darul Ridzuan, YAB Dato Seri Ahmad Faizal bin Dato Azumu, YB Teresa Kok, the Honourable Minister of Primary Industries, Malaysia as well as Excellencies from EU, Denmark, Netherlands, Sweden, Japan and the United Nations.

It was a memorable day and I am extremely grateful to all those who made the effort to witness this milestone. UniFuji is a strategic project involving a design and layout that encompassed the latest technologies available to create a perfect example of the circular economy within an oil palm plantation with a 'state of the art' Optimill, biogas plant and a uniquely innovative in-house refinery running without the use of fossil fuels .

Conservation of jungle reserves and promoting biodiversity are of key importance to the UP group. In this respect it continues to be our view that conservation means development as much as it does conservation and that all growers should strive towards reaching this balance.

Collaboration with Copenhagen Zoo

Herein, I am delighted that our collaboration with Copenhagen Zoo which was initiated in 2007 and officially established in 2010, continues to develop positively with many success stories arising from the hard work, research and studies undertaken to date.

The commitment and skills introduced by Copenhagen Zoo have been extremely fulfilling and has helped our Group operationalise not only the vital virtue sustainability but also helped to manage and nurture our more than 7,500 Ha jungle reserves in our Group.

Today, our Biodiversity team more than ever is responsible for mainstreaming environmental concerns into standard operating procedures. Nevertheless, more can be done and there are still areas in need of greater attention which will be the areas of focus in 2020.

Biomass Reciprocating Boilers at the Optimill.

Community

We recognise that we are part of a global community, and that we therefore have an obligation to bring about positive changes to the lives for the families of our employees and our local communities. In that connection, we shall keep striving to play a positive role in and around the locations where we operate by first and foremost taking ownership of problems that arise.

Amongst others, we intend to do so by engaging and working closely with local communities in our efforts to uplift their living standards and to offer business and employment opportunities to interested parties wherever possible, thereby contributing to the wealth, resources and expertise to local economies.

During 2019, we have engaged with more than 150 smallholders during our smallholder field days where the overall goal was to pass on vital knowledge and advice towards smallholders increasing their yields through good agricultural practices and thereby increase their earning potential and at the same time take necessary steps to include sustainability measures in their operations.

In Indonesia, we are fully committed towards the Plasma scheme and continue positive progress in establishing additional areas for the benefit of neighboring communities.

Through respect and engagement with local communities and community leaders in Indonesia we have seen positive developments in alleviating conflicts relating to land rights, which are handled in an amicable and transparent manner through proper grievance procedures and in line with the spirit of the RSPO which is described further in the report. Furthermore, continuous improvements were made during 2019 to maintain the highest possible welfare standards for our workforce and to ensure high standards of educational facilities provided for their children.

This naturally includes the continuous review and upgrading of our housing facilities provided to our employees, be this guest workers or local employees. A total revamp of the houses in the newly acquired Pinehill Estate (now known as Tanarata Estate) is taking place with most of the earlier employee houses being demolished and new modern ones being established.

This process will continue at Tanarata Estate during 2020 as well as in other areas of our Group. We believe that in order for any business to develop fruitfully one must commit oneself to a long term perspective and shun short-termism.

Only by committing oneself to this and taking ownership can one conceptualize the true spirit of creating shared value (CSV) which is a fundamental step towards forming a sustainable and successful business.

Marketplace

UP recognises the importance placed by our customers and consumers on food safety, product quality and traceability of the supply chain. Full traceability demonstrates that we are in control of our operations and that our supply of palm oil is safe.

This has opened up market opportunities amongst reputable brand manufacturers and retailers globally who view favourably the assurances of sustainable and traceable palm oil which we have been able to offer customers.

We have established a total overview of our supply chain and for our up-stream operations, we can identify the palm oil mills from which the Crude Palm Oil and Palm Kernels are produced as well as the plantations from which fresh fruit bunches (FFB) are derived from. This supply chain has been mapped out to ensure traceability and food safety and to focus on a structured approach should any grievances be raised by our stakeholders.

For our down-stream operations, we have also mapped our supply chain and whilst all our palm oil can be traced back to the plantations or the various palm oil mills, the main portion of the palm kernel oil which we use can only be traced back to the Palm Kernel crushing plants and palm oil mills.

To trace all the palm kernel oil back to the plantations is still a challenge and is a process that will be pursued further in the coming years. Whilst we acknowledge that we have come a long way in our sustainability journey, we are also aware that there are many challenges ahead which we will have to meet.

The points I have touched on above serve only as highlight to this report, and will be further elaborated upon in the following pages (pages 30-93). Furthermore we would recommend that you seek additional information under the sustainability section on our website, *www.unitedplantations.com/sustainability/.*

Finally, I thank you for your interest in our sustainability efforts and hope you will find our journey interesting. I would also like to thank our Board of Directors for their continuous support, guidance and interest in this report as well as all our stakeholders including NGO's for their active and valuable participation and inputs that have been of much value to our Group.

With the continuous commitment by our group including an active participation by all our stakeholders, I am confident that we will be able to face most challenges ahead of us as we keep moving forward with our sustainability commitments.

Dato' Carl Bek-Nielsen
Chief Executive Director (CED)

Products from the Unitata refinery are destined for local and oversea buyers.

Awards and Recognitions

2017	✓	Awarded 3rd placing out of 184 companies (Plantations)-Sectoral award based on two financial performance indicators by the Edge Billion Ringgit Club: - Highest Return on Equity over three years - Highest Return to Shareholders over three years
	✓	RSPO NEXT Certification - (World's second RSPO NEXT Certification and the first for Asia Pacific and Africa)
	✓	Awarded the ACCA MaSRA Commendation Award for Biodiversity.
2018	✓	Awarded Winner for the Best Sustainability Reporting by Europa Awards for Sustainability organized by EUMCCI 2018
	✓	MSPO Certification (for all UP's Malaysian operations)
	✓	Awarded Winner for Climate Change and a Special Recognition Award on Land Use and Biodiversity by the Sustainable Business Awards Malaysia 2018 (SBAM) presented by Global Initiatives.
2019	✓	Awarded a Special Recognition Award on Business Responsibility & Ethics by the Sustainable Business Awards Malaysia 2019 (SBAM) presented by Global Initiatives.
	✓	ISPO Certification for our Indonesian operations.

United Plantations awarded the Special Recognition Award on Business Responsibility and Ethics by the Sustainable Business Awards.

Mr. Martin Bek-Nielsen receiving the ISPO certification on behalf of PT SSS.

Bidding fond farewell to Mr. and Mrs. Ho Dua Tiam, Inspector General Estates/Special Adviser, after 54 years of loyal and dedicated service.

Recipients of United Plantations' 25 Year Service Award.

Our Value Creation Model

We strive to remain a leader within responsible agriculture based on our core values of integrity, discipline, innovation and R&D combined with a dedicated focus on sustainability. Our value creation model enables us to focus on the resources we have available and how we can create value for our stakeholders over time through our integrated business activities.

Business Resources (Input)

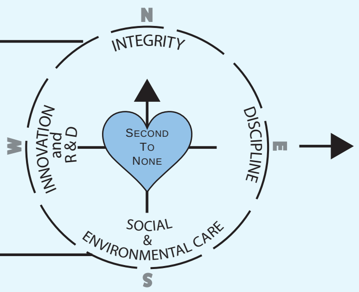
FINANCIAL RESOURCES	HUMAN RESOURCES	INTELLECTUAL RESOURCES	SOCIAL & RELATIONSHIP RESOURCES	MANUFACTURED RESOURCES	NATURAL RESOURCES
Strong and stable financial position enabling investments Access to financial institutions	Dedicated and competent employees Succession planning and training Sustainabiltiy focus	Vast experience and knowledge Innovation and R&D capabilities Good agricultural practices and policies	Key stakeholders including suppliers and international customers Good collaboration with local government institutions and surrounding communities	Well-functioning palm oil mills and refineries integrated with estates Quality control and R&D investment in place	Fertile and strategically located land bank Biomass availability Water availability through adjacent rivers
MARKET CAP **RM5.47 billion** CASH AND SHORT TERM FUNDS **RM459 million** DEBT/EQUITY RATIO **0.12**	EMPLOYEES **6,844**	SINCE **1906** R&D ESTABLISHED **1951**	PLASMA **1,314 Ha** COPENHAGEN ZOO COLLARBORATION **Since 2010** SOCIAL COMMITMENTS **RM17.2 million**	REFINERIES **2** PALM OIL MILLS **5** BIOGAS PLANTS **5**	LAND BANK **63,074 Ha** PLANTED AREA **51,284 Ha** CONSERVATION **8,029 Ha**

Our Integrated Business

Leadership Governance & Planning

Plantations — Milling — Refining

Upstream — Upstream — Downstream



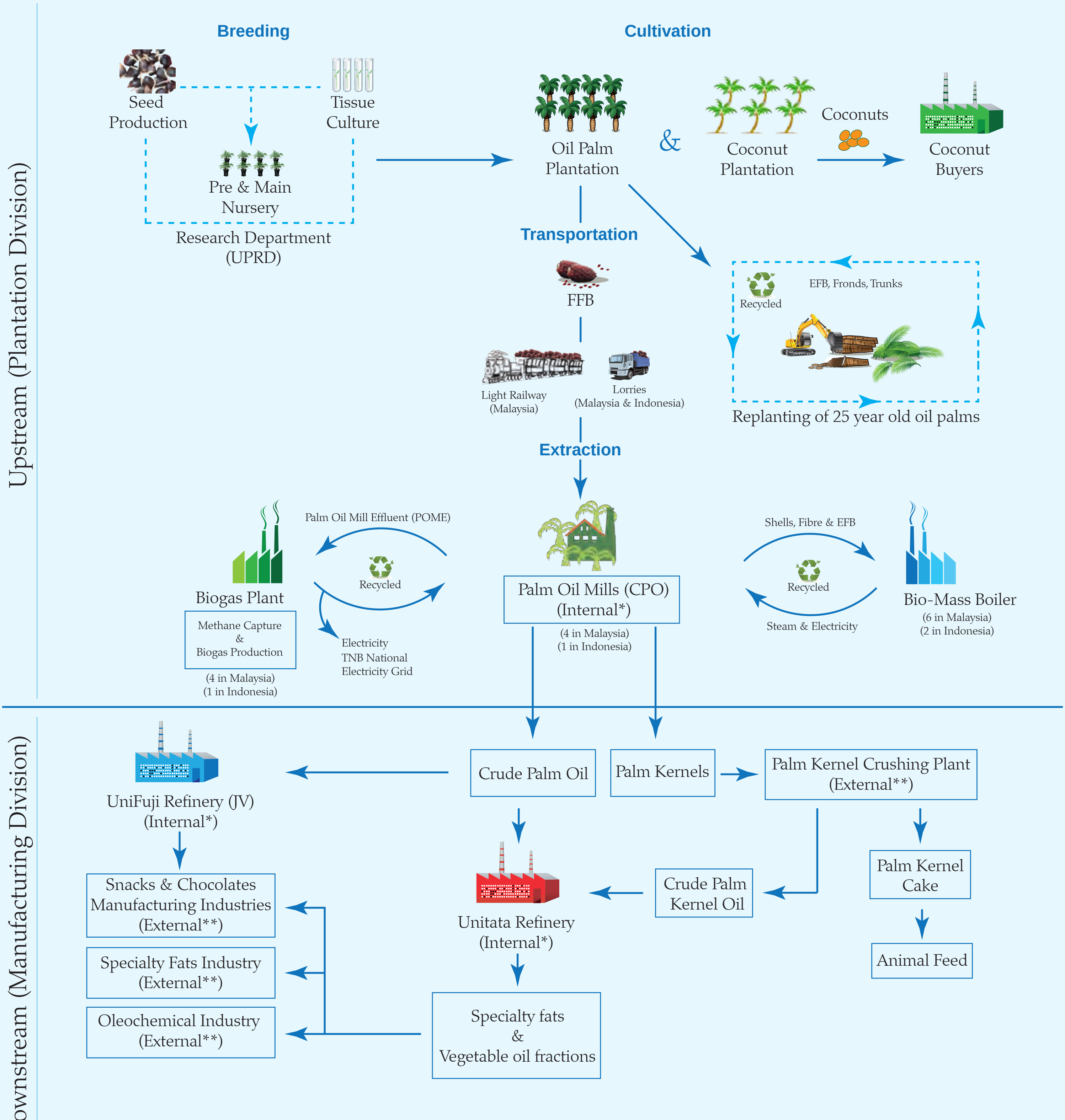
Business Resources (Output)

SHAREHOLDER VALUE	EMPLOYEE SATISFACTION AND CREATING SHARED VALUE	CERTIFIED SUSTAINABLE PALM OIL	BALANCE BETWEEN ECONOMY AND ECOLOGY	QUALITY PRODUCTS	GREEN HOUSE GAS EMISSIONS AND WASTE
Value created through good performance Capital appreciation and sustainable dividends over time.	Safe and respectful work environment Good housing, medical & education facilities Advancing the economic and social condition in the surrounding communities	Sustainability practices operationalised Increasing sales of certified sustainable products of high quality	Focus on R&D and efficiency to optimise yields Preserving the environment through conservation efforts	Delivering premium quality products and services that are safe and based on a high level of responsibility	Key focus and investments in the circular economy where waste is converted to renewable energy.
PROFIT AFTER TAX **284 million** EARNING PER SHARE **136 sen** DIVIDEND YIELD **5.14%**	SAFETY PERFORMANCE UP MALAYSIA : 98.6% UP INDONESIA : 99.8% PLASMA FARMERS **815**	RSPO CERTIFIED PALM OIL **182,600 MT** RSPO CERTIFIED PALM KERNEL **37,600 MT** NEW RSPO CERTIFIED AREA **6,717.12 Ha**	TOTAL FFB YIELD/Ha **25.88 MT** TOTAL OER **22.02%** TOTAL CPO YIELD/Ha **5.70 MT** TOTAL ANIMAL SPECIES **399**	CERTIFICATION **ISO 9001, HACCP, HALAL, KOSHER, BRC, GMP, MESTI, FDA, GMP +B2, MPCA** LOW CONTAMINANTS **3-MCPD < 0.5 ppm** **GLYCIDYL < 1.0 ppm**	REDUCTION OF GHG EMISSIONS SINCE 2004 (INCLUDING iLUC & NATURE CONSERVATION) **43%** BIOMASS UTILISATION RATE **99.6%**

UNSDGs

Through our intergrated business, we support and contribute towards the United Nation Sustainable Development Goals (UNSDGs).

Creating Value Through UP's Intergrated Business Activities



Internal* : Within the UP Group.
External** : Stakeholders, outside the UP Group.

Segmental Contribution 2019

UPSTREAM	DOWNSTREAM	OTHERS
75 %	22 %	3%
RM213.6 million	RM61.3 million	RM9.4 million

Governance Structure

Effective governance and robust risk management policies and procedures combined with our core values are key for achieving long term success.

The Board of Directors of UP is responsible for approving the direction and overall strategy for UP Group and monitoring and management's progress in connection with the financial objectives and strategic priorities. The Board receives a formal Sustainability Report at least once a year before it is reviewed and approved for release to the shareholders and public.

In relation to UP's overall sustainability objectives, targets and priorities, the Board of Directors has delegated responsibility to the Executive Committee (EXCOM) headed by the Chief Executive Director (CED), Dato' Carl Bek-Nielsen. The Executive Committee reviews and approves UP's sustainability objectives and monitors progress and sustainability developments within the Group.

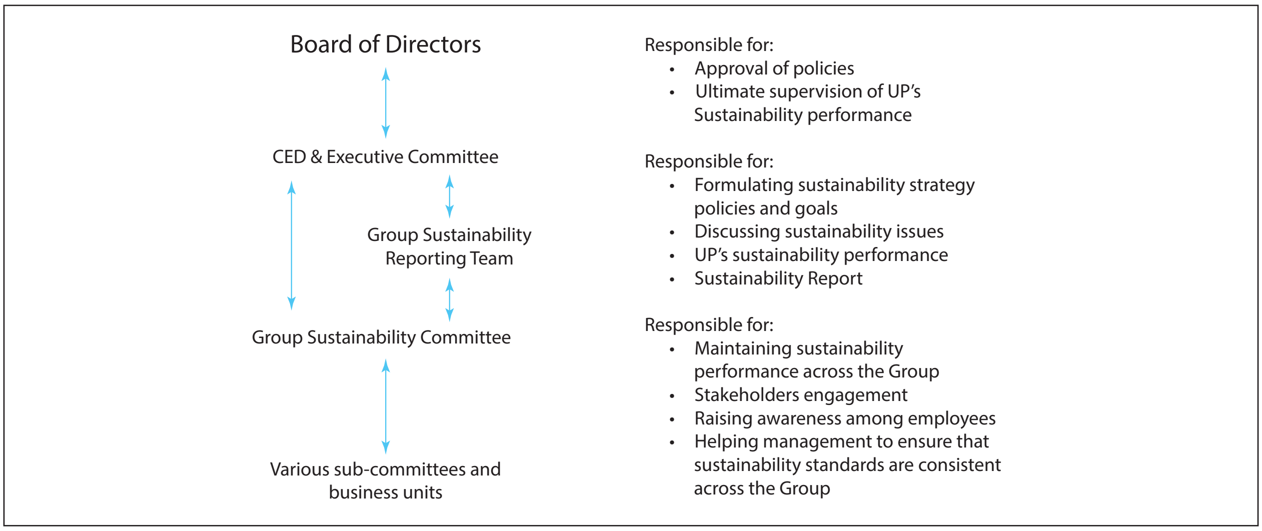
The CED and EXCOM are assisted by the Group Sustainability Committee (GSC) which is chaired by the CED. There is also the Group Sustainability Reporting Team (GSRT) headed by Mr. Martin Bek-Nielsen, Executive Director, Finance & Marketing and includes key personal from Finance, Research, HR & Environment, Safety & Health, Share Registrar and Marketing Departments.

The GSRT collates all the information from the GSC, stakeholders' responses and prepares the Sustainability Report.

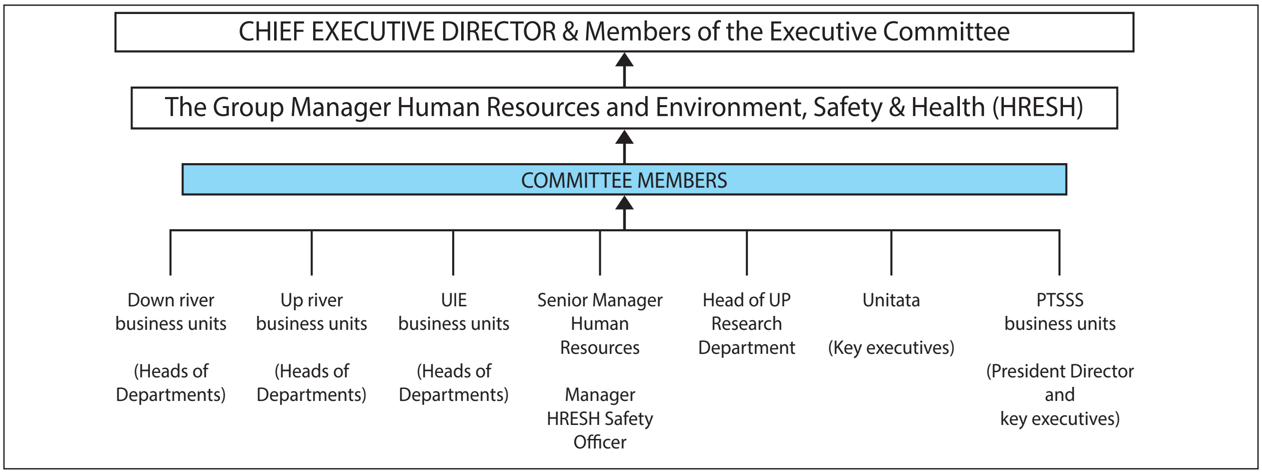
Sustainability matters have been a subject close to the heart of UP. Officially established in 2003, the GSC provides policy direction on strategic leadership on UP's Sustainability agenda, identifies our Group's most material issues in relation to risks and opportunities and monitors progress against targets set by the CED and EXCOM on a bi-annual basis.

Since the Sustainability Report became mandatory in 2016, Mr. Martin Bek-Nielsen has been briefing the Board, CED and EXCOM on the work of the GSRT and sustainability issues at every official meeting held. Sustainability is also a key aspect in the Group's Risk Management Structure which assesses various sustainability issues and developments in its annual Risk Assessment and Management process.

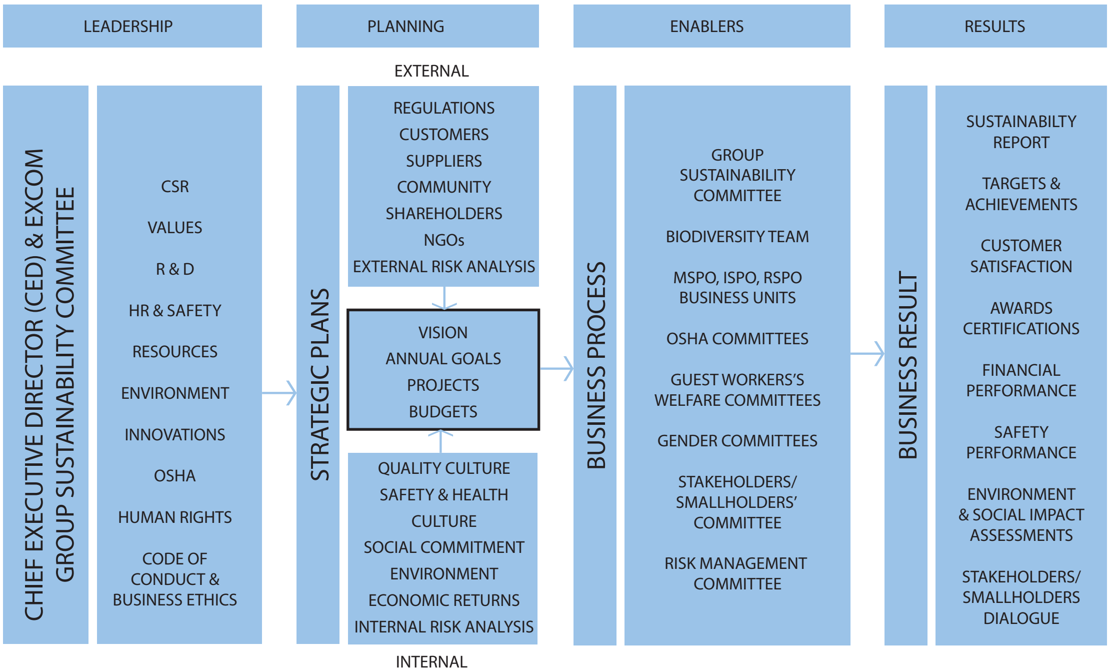
Sustainability Governance Management Structure



Group Sustainability Committee



Group Sustainability Systems Framework (GSSF)



UP's Group Sustainability Systems Framework (GSSF) is the system through which its commitment to environment and sustainable development including social and occupational safety and health matters are formalized. It is based on four key focus areas as follows:

Leadership of the Group Sustainability Committee is at the highest level of the company and is spearheaded by the Chief Executive Director Dato' Carl Bek-Nielsen. This committee provides policy directions on environment and sustainable development, occupational safety and health, allocation of resources and communications.

Planning encompassing external and internal needs that are formulated through the company's vision, policies, goals, projects budgets and risk analysis.

Enablers are various sub-committees and teams that ensure the adoption of environment and operational practices that are in line with current best practices and policies.

The MSPO, ISPO and RSPO business units and the various sub-committees are enablers of the GSSF and ensure that the environmental and operational policies are implemented. They are guided amongst others by the MSPO, ISPO and RSPO's Principles and Criteria and following Manuals and SOP's:

1) MSPO, ISPO and RSPO Principles and Criteria
2) Field Management Manual
3) Standard Operating Procedures – Oil palm field practices
4) Standard Operating Procedures – Palm Oil Mill operations
5) Occupational Safety and Health and HIRARC Manual
6) Environment & Social Impact Assessments and its Management & Monitoring Plans
7) High Conservation Value, High Carbon Stock Assessments and its Management & Monitoring Plans
8) ISO9001:2008, HACCP and Quality Manual for Unitata Refinery

Results are measured through customer satisfaction, safety performance, financial performance, environment protection and management and certifications.

The Group's Internal Audit Department, together with the Group's Sustainability Division carries out audits on various sustainability issues and areas throughout the year to ensure compliance to the Group's sustainability policies and procedures.

Materiality

This report addresses key sustainability matters which have been identified after taking into consideration both the Group's view on significant environmental, economic and social aspects, impacts, risks and opportunities which are vital to the success and continued growth of the Group, and the views and responses from our stakeholders on pressing material issues.

In identifying the material sustainability matters, and opportunities, we have drawn information from various internal and external sources of information which include the views of the Group Sustainability Reporting Team within our organisation, stakeholders, industry groups, standards recommended by global and industry specific reporting bodies, such as the Roundtable for Sustainable Palm Oil (RSPO) and the Global Reporting Initiative (GRI) and existing peer literature.

As a result of the abovementioned exercise and evaluation of the Group's Sustainability Risks and Opportunities, we have this year identified 22 key sustainability issues under four main headers, namely Environment, Employees, Community and Marketplace, which we have assessed as being of high concern to stakeholders and of high significance for our Group in 2019.

Data collected from various stakeholders are then analysed and used to create a materiality matrix which also includes the assessment on the significance of the identified key sustainability matters and the prioritisation of stakeholders to the organisation. The resulting Materiality Matrix is as shown on the following page.

Material issues which have been identified are then assessed by the Sustainability Reporting Team to establish if there are policies and procedures in place to address and manage these issues, and if none, to ensure implementation plans are drawn up and presented to the management for follow up as part of the Group's sustainability commitment.

Quantifiable indicator data and targets are assigned where relevant and are communicated to our stakeholders via this Sustainability Report. The materiality assessment has been reviewed and endorsed by Executive Committee (EXCOM) of UP.

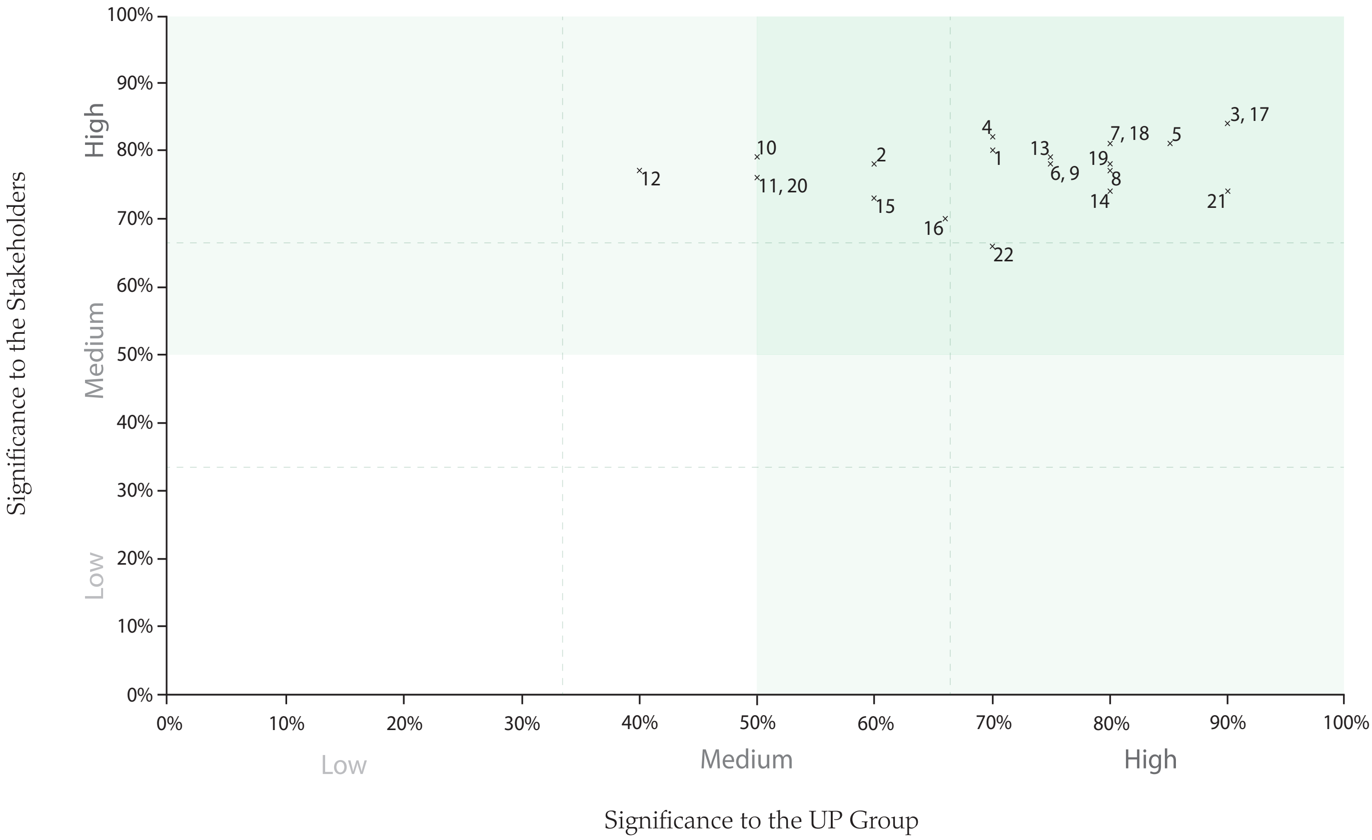
Rail transport of fresh fruit bunches is energy efficient and unique to United Plantations.

Summary of Materiality Matters

22 Key Sustainability Issues	Relevant UN SDGs *	Stakeholder Groups
1. Code of Ethics and Governance	8, 16	- Shareholders - Employees - Customers/Consumers - Local Communities /Smallholders - Government Agencies / Regulators - Non-Governmental Organisations (NGO) - Palm Oil Industry Group - Suppliers/Contractors
2. Equal Treatment	5	
3. Human and Workers' Rights	1, 8	
4. Social Care and Workers' Welfare	2, 4, 8	
5. Occupational Safety & Health	3, 9	
6. Fighting the Haze and Preventing Fires	13	
7. Biodiversity and Conservation	14, 15, 16, 17	
8. Deforestation/High Carbon Stock	13	
9. GHG Emissions, Discharges and Waste Management	7, 9, 13, 16, 17	
10. Water Impacts	6, 9	
11. Peat Development	13	
12. Pesticides and Chemical Usage	12	
13. Community Welfare	3, 4, 8	
14. Free, Prior and Informed Consent	16	
15. Grievance Resolution	16	
16. Plasma Development (for Indonesia)	2, 12	
17. Product Quality	12	
18. Certifications for Food Safety, Sustainability and Others	12	
19. Sustainability and Traceable Supply Chains	12	
20. Evaluation of Suppliers/Contractors' Sustainability Commitment	12	
21. Commodity Prices	-	
22. Currency Fluctuation	-	

** Please refer to page 44 on United Nations Sustainable Development Goals (UN SDGs).*

Materiality Matrix



United Plantations Berhad supports the United Nations Sustainable Development Goals (UN SGDs)

United Nations Sustainable Development Goals (UN SDGs)

UP respects and recognises the importance of its role in this global initiative. As such, the Group has mapped the relevant SDGs with each materiality topic and identified eight (8) UN SDGs with their specific targets that are most relevant to its business operations as well as key concerned materiality topic highlighted by the stakeholders.

For more information, please refer to our website, *www.unitedplantations.com/sustainability/*.

Targets and Achievements

Our targets and commitments drive us to continuously improve and we subscribed to the mantra "what we measure, we can manage". In this report, we provide a brief overview about our progress of targets and achievements and for further details, please refer to our website, *www.unitedplantations.com/sustainability/*.

The key progresses made this year is the reduction of carbon footprint per MT of NBD oil by 43% compared to 2004 levels with iLUC and nature conservation. In our Indonesian operations, we are pleased to inform that the entire HGU area of 6,717.62 Ha have achieved ISPO and RSPO certifications.

In our Malaysian operations, the entire plantations and mills are MSPO and RSPO certified. We have further extended the guest workers' passport lockers covering 63% of our plantations in Malaysia and expect to complete all sites by 2021.

UP and Sustainability Certifications

The Migros Criteria, ProForest and UP´s involvement in the RSPO

Whilst UP has focused on responsible agricultural production for generations, our formal journey towards being recognized as a certified producer of sustainable palm oil commenced in September 2003 when we were audited by ProForest and became the world's first audited producer and processor of sustainably produced palm oil in accordance to the Swiss supermarket chain, Migros' principles and criteria on sustainable palm oil. UP's role regarding the RSPO remain one of being active and in this connection, we are pleased to state that our Company was one of the initial palm plantations signatories to the RSPO in 2004. Shortly after the establishment of the RSPO, UP was a part of the initial stakeholders group involved in developing the principles and criteria to define sustainable palm oil.

UP´s involvement in the RSPO today

Today our CED, Dato' Carl Bek- Nielsen is the Co-Chairman of the RSPO Board of Governors representing the Malaysian Palm Oil Association's seat. He was elected to this position in November 2014 and has thereby actively participated in and helped to oversee important developments and decisions within the RSPO.

UP's RSPO certified sustainable production volumes

Our capability of supplying sustainably certified, traceable and high-quality palm oil and palm kernel oil is an important part of our commitment to customers. Our total

RSPO certified and traceable quantity available based on our own production was approximately 182,600MT of palm oil and 37,600MT of palm kernels in 2019.

Supply outpacing RSPO certified demand

Whilst it is commendable that approximately 19% of the world production of palm oil is now certified by the RSPO it is unfortunately still a fact that the global uptake of RSPO certified palm oil was only 7,068,932MT or 49% of the supply amounting to 14,351,626MT of CPO in 2019, thereby outpacing demand.

This is a dreadful message to the growers and clearly shows that there are many western consumer goods manufacturers (CGMs) and retailers who whilst being members of the RSPO have failed to take ownership of the sustainability commitments manifested within the RSPO.

The RSPO certified oil not purchased will end up in the supply chain without being sold as certified sustainable palm oil-but just conventional palm oil sending a negative message to growers worldwide.

In this connection, during the RSPO RT held in Bangkok in November 2019, it was pleasing to note that the concept of commensurate effort/shared responsibility which was initially spear-headed and put forth as a necessary criteria was finally adopted by the Board of Governors of the RSPO. This is poised to help stimulate the demand for RSPO certified oil.

UP and the World's First RSPO Certificate in 2008

UP's entire oil palm plantations in Malaysia were successfully certified in accordance with the RSPO Principles and Criteria on the 26th August 2008 thus becoming the world's first producer of certified sustainable palm oil. It subsequently conducted its second cycle recertification in 2017 and successfully conducted Annual Surveillance Audit 1 and 2 in 2018 and 2019 respectively.

We anticipate to conduct RSPO Scope Extension Assessment for our newly acquired plantation, Tanarata Estate within three years from date of acquisition (August 2019). For our Indonesian operations, UP/PTSSS have successfully obtained the certificate for the entire HGU* area of 6,717.62 Ha in December 2019.

The Time Bound Plan for the balance uncertified areas will be in tandem with the issuance of HGU certificates by the Government of Indonesia. This is expected by 2023. For our Plasma scheme smallholders, the full certification is expected by 2023 subject to the issuance of individual land certificates by the local government.

*HGU refers to the certificate on land cultivation rights title issued by the Government of Indonesia.

Malaysian Sustainable Palm Oil (MSPO) Certification

The Malaysian Sustainable Palm Oil (MSPO) standard is a national certification standard created by the Malaysian Government and developed with input from stakeholders in the palm oil industry.

We are pleased to announce that all of our mills and estates in Malaysia have successfully obtained the MSPO Certificates in August and September 2018 and subsequent Annual Surveillance Audits are ongoing.

We anticipate to conduct MSPO Scope Extension Assessment for our newly acquired plantation, Tanarata Estate by the 4th quarter of 2020.

Indonesian Sustainable Palm Oil (ISPO) Certification

The Indonesian Government established a mandatory certification scheme in 2011, namely the Indonesian Sustainable Palm Oil Principles & Criteria (ISPO) to ensure that all producers within a few years will have to live up to certain standards when operating in Indonesia.

We are pleased to announce that we have successfully obtained the ISPO initial certificate for the entire HGU* area of 6717.62ha in August 2019 and subsequent Annual Surveillance Audits are ongoing.

*HGU refers to the certificate on land cultivation rights title issued by the Government of Indonesia.

Sustainable Palm Oil Transparency Toolkit (SPOTT)

UP participates in the Sustainable Palm Oil Transparency Toolkit (SPOTT assessment conducted by Zoological Society of London (ZSL)). SPOTT is designed to measure the transparency of companies in public disclosures of best practices and sustainability commitments via the RSPO Annual Communication of progress (ACOP), RSPO New Planting Procedures (NPP) Public Notification, Company Annual/Sustainability Report and Company Website.

The key objectives of the SPOTT assessment is to promote industry transparency and accountability to drive the uptake and implementation of environmental and social best practices in high biodiversity impact sectors.

United Plantations Berhad maintains an active engagement and commits to collaborate with the Zoological Society of London (ZSL) in the progress towards improving sustainability reporting and enhancing a greater transparency.

Our current status on SPOTT assessment as of October 2019 is 84.4% resulting in UP being ranked as number 3 amongst the 99 assessed Global Oil Palm Producers and Traders.

For further details on SPOTT assessment for palm oil companies, please refer to SPOTT's website, *www.spott.org/palm-oil/*

Pre-nursery seedlings carefully transplanted into the main nursery.

Employees

The success and achievement of our Group is related to our employees, both past and present, who loyally through hard work, strong leadership, honesty and respect have committed themselves to serve and dedicate their career and livelihood at UP.

We promote a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our group "No man at the top is stronger than the pyramid of people who support him/her." We recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work to be performed and meritocracy is a hallmark of our Group.

Our employees are the Groups' core assets, without which the success and stability of UP would not materialise. We are committed to diversity and have an equal employment opportunity policy.

Whilst we actively promote the employment of women at UP, we also recognise that some work on our plantations is potentially more suitable for men due to the heavy physical nature of the tasks.

Male workers predominantly perform tasks such as harvesting fresh fruit bunches, crop collection and evacuation to the railway cages for transport to the mills, while women are assigned lighter work such as weeding, gardening and loose fruits collection. We provide crèches, playgroup classes and kindergarten at all operating sites to support our employees and their children.

UP Group

Employees – Year 2017 to 2019

	2019	2018	2017
UP Bhd	5,169	4,936	5,223
Unitata Bhd. and UniFuji Sdn. Bhd.	304	282	242
Butterworth Bulking Installation Sdn. Bhd.	16	16	15
PT SSS1, Indonesia	1,355	1,274	1,345
Total	6,844	6,508	6,825

Category of Employees (Malaysian) as at 31 December 2019

Employee Classification	Gender Classification		Age Classification			Ethnic Classification				Total
	Male	Female	18-30	31-50	>50	Malay	Chinese	Indian	Others	
Directors	1	-	-	-	1	-	1	-	-	1
Management	113	22	23	71	41	27	24	81	3	135
Staff	19	137	66	157	104	97	7	218	5	327
Workers	563	349	213	389	310	244	1	664	3	912
Total	867	508	302	617	456	368	33	963	11	1,375

Category of Employees (Other Nationalities) as at 31 December 2019

Employee Classification	Gender Classification		Age Classification			Ethnic Classification					Total
	Male	Female	18-30	31-50	>50	Others	Indonesia	Nepalese	Indian	Bangladeshi	
Directors	2	-	-	2	-	2*	-	-	-	-	2
Management	12	2	-	9	5	1*	13	-	-	-	14
Staff	40	11	11	40	-	-	51	-	-	-	51
Workers - PTSSS	989	295	361	850	73	-	1,284	-	-	-	1,284
Guest Workers - Malaysia	4,072	46	1,816	2,268	34	6	1,030	15	938	2,129	4,118
Total	5,115	354	2,188	3,169	112	9	2,378	15	938	2,129	5,469

** Danish & British*

Grand Total = 6,844

Summary of our Group's employees gender mix

	UP Indonesia (PTSSS)	UP Malaysia	UP Group
Percentage Female Employees	23.00%	10.20%	12.60%
Percentage Male Employees	77.00%	89.80%	87.40%

Code of Conduct and Business Ethics

A key element of UP's sustainability framework is our Code of Conduct & Business Ethics. We implement responsible and ethical business policies and practices in all aspects of our operation. The Government in line with its anti-corruption drive has announced that S17(A) MACC Amendment Act (2018) which covers corporate liability will come into force on 1 June 2020, to comply with this new enactment, the Code of Ethics & Governance Policy was reviewed and expanded to include all associated persons as defined under the Act. The changes were made under the Business Integrity and Corruption section of this Policy as follows:

UP has a zero-tolerance to fraud, bribery, and corruption and this applies to all dealings by our directors, employees, suppliers, consultants, agents and any persons associated with UP.

- UP as a responsible corporate citizen has been and shall continue to give scholarships and donations to deserving cases on the condition that this is not corruptly given as defined under Section 17 A(1) of MACC Amendment Act 2018. However, UP has a general policy of not giving political contributions to any political parties or candidates.

- UP does not prohibit the giving of meals and gifts in the course of business dealings as long as these are of reasonable value, not in cash and are not corruptly given.

- Corruption and bribery risk assessment was done and adequate procedures have been put in place to minimise the exposure to the Group. This risk like all other identified risks shall be periodically assessed and reported in the Statement On Risk Management and Internal Control.

- Directors and officers have been sent for training to familiarise themselves with S17A MACC Amendment Act (2018). In-house anti-bribery training has been and will continue to be conducted in all operating units. Associated persons like contractors, agents, consultants, suppliers with bribery risks have been made aware and they have undertaken to comply with this Policy.

- The Internal Audit Manager has been appointed as the competent person responsible for anti-corruption compliance matters and he is to report all his findings on this area to the Chairman of the Audit Committee who is an independent director. The Chairman of the Audit Committee shall after deliberation at the Audit Committee report the findings to the Board.

In addition to the above, all directors and employees who are vested with approval authorities on purchasing or enter into trades are to declare in the Annual Conflict of Interest Statement their compliance with the section on Conflict of Interest under this Policy.

For more information on our Code of Conduct and Business Ethics, please refer to our website, *www.unitedplantations.com/sustainability/.*

Whistleblower Policy

We are committed to high standards of ethical, moral and legal business conduct. This policy aims to provide an avenue for employees, that they will be protected from reprisals or victimization for whistle blowing.

For more information on our Whistleblower Policy, please refer to www. unitedplantations.com/sustainability.

UN Guiding Principles On Business And Human Rights

During the launch of The Malaysia Chapter of the UN Sustainable Development Solutions Network (UN-SDSN) in 2015, UP was mentioned as one of the sustainable development solution initiatives being undertaken in Malaysia. In the SDSN Malaysia Chapter, UP was identified as a "Business with a soul". This acknowledgement was indeed pleasing and indicated our commitment to being a leader in economic, environmental and social sustainability.

Human Rights Policy

United Plantations Berhad is committed to the protection and advancement of human rights including prohibiting the use of child or forced labour wherever we operate. Our human rights policy is based on our core values on Safety and Health, Environmental Stewardship and Respect for people.

Human Rights Protection

Guest Workers' Passport Locker

We have constructed rooms containing passports lockers within the plantations to enable our guest workers free access to their passports without any restriction.

Minimizing the Financial Burden for Guest Workers

We are committed to ensuring that exploitation of our guest workers have no place in our business operations. We conduct assessments, interviews at the source countries and spot checks to identify gaps and potential risks within our operations and develop mitigation plans and provide remedial actions.

Guest Workers' Verification by HRESH Department

The HRESH Team verifies each and every guest worker on arrival to ascertain the recruitment supply chain and expenses from respective source countries until the arrival in Malaysia. Appropriate translators are engaged on need basis during the interviews. This exercise is done to add credence for responsible sourcing within our supply chain.

	2019	2018	2017
Total Average Earnings per worker per month – UP Group Plantations (Malaysia)	RM 1,625	RM 1,595	RM 1,592
Total Average Earnings per worker per month - UP Group (Indonesia) - Permanent Workers	IDR 3,561,489	IDR 3,767,903	IDR 3,391,159
Total Average Earnings per worker per month - UP Group (Indonesia) - Temporary Workers	IDR 2,968,447	IDR 3,276,675	IDR 2,409,208

For further details on Human Rights Policy, please refer to our website, *www.unitedplantations.com/sustainability/*.

Guest Workers Policy

We consider our foreign workers as guest and they are partners in our business along with our local workers. Our guest workers are from Indonesia, Bangladesh, India, Nepal which constitutes 85% of our workforce in Malaysia, as such our challenges are to identify and understand human rights impacts on our diversified workforce within our Group.

For further details on our Guest Workers Policy, please refer to our website, *www.unitedplantations.com/sustainability/*.

Recruitment Practices

We recruit guest workers directly through the appropriate government approved channels as below:

- Indonesians – Indonesian Embassy – FWCMS – KDN
- Indians – e-Migrate System – FWCMS – KDN
- Nepalese – Nepal High Commission – FWCMS – KDN
- Bangladeshis – Awaiting new recruitment policy by Malaysian Government

*FWCMS - Foreign Workers Centralised Management Services by Government of Malaysia

*KDN - Kementerian Dalam Negeri/ Ministry of Home Affairs of Malaysia

*e-Migrate system by the Government of India

We do not charge any recruitment fees to reduce the financial burden on our guest workers.

We are waiting for the new recruitment policy by the Malaysian Government. Upon its release, we plan to establish call centres in the respective source countries which will act as a bridge between the workers from villages to the main accredited recruiting agents in order to disseminate the recruitment process, job scope at the plantations and conduct pre-departure briefings. It will also minimize the risks of sub-recruiting agents charging additional recruitment costs on the guest workers.

Paying fair wages and employees benefits

The average monthly earnings of our workers in Malaysia amounts to RM1,625 which includes productivity incentives and overtime. The minimum wage set by the Malaysian Government in 2019 was RM1,100. We practice gender equality policy on wages payment and remuneration for all our employees. For our Indonesian operations, the average monthly earnings of the permanent workers amounts to IDR3,561,489 which includes productivity incentives and overtime. The minimum wage set by the Indonesian Government in 2019 was IDR2,965,514 and will increase 2.8% to IDR3,047,533 in 2020.

The average earnings per workers per month are reflected in the table above.

Guest Workers Repatriation and Leave

With 85% of our workforce being guest workers, there is a frequent turnover of employees within our Group. We strongly promote freedom of movement which can be seen in the table below. During 2019, 675 guest workers have been repatriated upon completion of their employment tenure. Another 542 guest workers went back on leave to their respective home countries with the majority returning back to resume their employment at UP. Nevertheless, 84 guest workers who had gone on leave did not return.

Repatriation and Leave during the year	**2019**	**Total number of guest workers (%)**
Total number of guest workers	4118	100
Repatriation	675	16.39
Gone on leave	542	13.16
Gone on leave and returned	458	11.12
Gone on leave and did not return	84	2.04

Freedom to form a Union

Employees and workers have the right to form and become members of labour unions. Through unions, workers have the right to carry out collective bargaining as permitted under Malaysia and Indonesia laws.

UP Group (Malaysia)	2019	2018	2017
% of staff as members of All Malayan Estates Staff Union (AMESU)	74	76	76
% of workers as members of National Union of Plantations Workers (NUPW)	15	16	14
% of workers as members of Food Industry Employees' Union	39	45	57
UP Group (Indonesia)	2019	2018	2017
% of workers as members of Union*	6	6	5

**In Indonesia, the union committee has been re-established and membership drive is in progress.*

An aerial view of the Jendarata palm oil mill and Unitata refinery complex surrounded by employees' housing quarters.

Social Commitments and Social Amenities

Our commitment towards providing quality housing and social amenities and to maintain the highest possible welfare standards for the families of our workforce.

Providing and improving social amenities remains very much a hallmark within our Group. Continuous improvements were made during 2019 to maintain the highest possible welfare standards for our workforce.

For babies and young children, UP continues to provide and maintain crèches for personalised childcare thereby ensuring that employees are comfortable about their children while at work.

Today, our Group has 9 Primary Schools and 7 Kindergartens which are maintained by the Company, providing education for more than 500 children ranging from ages of 5 to 12 years. Bus subsidies for school children above the age of 12 years old are also provided for.

Places of worship for our employees, Group Hospitals and Clinics and an Old Folks' Home to care for the aged and the homeless as well as a fully operational Danish Bakery are also a part of UP's care and commitment towards the wellbeing of its employees. In addition, 33 scholarships were granted to children of our employees during 2019 thereby enabling these students to pursue their tertiary studies. For more information of our social amenities, please refer to our website, *www.unitedplantations.com/sustainability/.*

Social Commitments of the Group

	2019 RM	2018 RM	2017 RM	Grand Total RM
Hospital & Medicine for Employees, Dependents & Nearby Communities	2,443,905	2,424,918	2,400,609	7,269,432
Retirement Benevolent Fund *	460,656	531,338	101,866	1,093,860
Education, Welfare, Scholarships & Other	323,408	298,841	298,269	920,518
Bus Subsidy for School Children	169,244	206,377	215,545	591,166
External Donations	119,735	127,359	120,008	367,102
New Infrastructure-Road, TNB and Water–Supply for domestic use	1,510,388	772,903	1,132,292	3,415,583
Employee Housing	4,510,135	7,134,389	11,879,818	23,524,342
Infrastructure Projects, Buildings, Community Halls, Places of Worship	1,678,719	2,508,547	6,773,589	10,960,855
Provision of Social Amenities	5,975,262	5,158,811	6,195,586	17,329,659
Total	17,191,452	19,163,483	29,117,582	65,472,518

** The above payments are in addition to the regulatory contributions by the Group to the Employees' Provident Fund, Social Security Contributions and other benefits.*

The Human Resource, Environment, Safety and Health team briefing workers on safety practices.

Training and Development

In UP, our human capital is indispensable and our approach is "Reach and Teach" as well as "Reach and Remind'. Training schedules are prepared for our employees annually in the respective estates and other departments to ensure that the various trainings are being carried out on a regular basis throughout the year.

This is monitored and verified internally by the HRESH team and also through external auditors during RSPO/ MSPO/ISPO annual audits. As for Staff and Executive levels, trainings are generally conducted on a group basis.

These trainings cover Occupational Safety & Health, Human Rights, Best Agriculture & Management Practices and Industrial Laws and others. With 85% of our workforce being guest workers and with 20% annual turnover it is imperative that on the job trainings and re-trainings are constantly conducted.

The scope further widens for certain type of categories, for instance, fire drills are being held periodically as per annual trainings programmes with the participation of neighbouring communities.

The competence and skills of the Group's employees are the main contributors to Operational Success. This, undoubtedly, also helps them to enhance their capabilities and build capacity.

Life-long learning, through training programme, conferences and seminars which are relevant to the Group's businesses are identified on an on going needs basis and the Company allocates a dedicated training budget to support the continuous development of our employees.

The trainings' effectiveness transpires in the awareness of our employees during unannounced internal audits and performance monitoring.

Occupational Safety and Health

We are committed to securing the safety and health of all our employees at work and strive to maintain a safe and healthy working environment for our employees, contractors, visitors and local communities throughout our operations.

We value our work place safety and health as being of paramount importance for all our employees and our respective Managers/Heads of Departments are responsible in implementing this policy.

For further details on our Occupational Safety and Health Policy, please refer to our website, *www.unitedplantations.com/sustainability/*.

Fatal Accident Rate (FAR)

During 2019, the Group regrettably experienced three fatal accidents. These fatalities involved two tractor related accidents and one oil mill operator. Such accidents are most unfortunate and deeply regrettable and our hearts go out to their bereaved families.

The Group is determined to continue to mitigate all safety risks through robust safety programmes and preventive intervention.

Our Group will further improve and continue its regular in-house training programmes combined with impromptu safety audits in our mills, estates and refineries through our "Reach and Teach" and "Reach and Remind" initiatives. In line with our approach of preventive measures as a way of providing safe workplaces, we continuously conduct HIRARC on all our operations.

Fatal Accident Rate (FAR)

	2019	2018	2017
Fatal/1000 Employees*	0.56	0.19	0

**For our Malaysian operations including our newly commissioned JV refinery, UniFuji and the newly acquired plantation, Tanarata Estate.*

Lost Time Injury Frequency Rate (LTIFR)

In 2019, 55% of accidents involved harvesting operations (thorn pricks, debris falling into eyes, cutting stalk, fronds falling on body, 14 % commuting accidents and 31% others (workshop, fall from height, tractor and lorry, slipped and fall, hand tools as well as sundry works). We are introducing a behavioural safety approach to further enhance the safety culture in the Group.

Lost Time Injury Frequency Rate (LTIFR)

	2019	2018	2017
Frequency/Million Hours*	8.27	6.56	9.04

**For our Malaysian operations including our newly commissioned JV refinery, UniFuji and the newly acquired plantation, Tanarata Estate.*

The reticulated python sighted in our PT SSS conservation zone.

Environment

UP is committed to being a leader in sustainable agricultural practices and is aware of the footprint it leaves on the environment and our Group therefore constantly strives towards reducing variables that impact the environment negatively. Focus on reducing GHG's, energy, water and waste in line with the concept of the circular economy is therefore a vital part of UP's environmental policies.

Global plantation development has contributed significantly to economic development and prosperity. However, deforestation and other unsustainable practices have many negative consequences for people and the environment and as a Group we therefore are fully committed to protect forests, peatlands, and human and community rights.

As an important part of our sustainability journey we work closely with other growers, suppliers, contractors, processors, NGOs, Brand manufacturers and other industry stakeholders to take part in transforming the industry as well as to create further awareness on the importance of sustainable palm oil production.

Jungle reserves such as in Lima Blas Estate are biodiversity repositories.

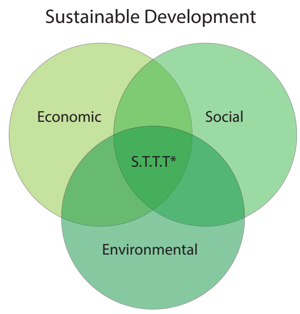
In addition to our focus on continuous improvement to minimise waste and our overall carbon footprint, our Group has through investments and a dedicated Group Sustainability Committee introduced policies to break the link between palm oil and deforestation. We fully adhere to the Principles & Criteria of the MSPO, ISPO and RSPO as well as our commitment on No Deforestation, No New Development on Peat and No Exploitation of People and Local Communities (NDPE) which are embedded in our Environment and Biodiversity Policy as well as Human Rights Policy.

Key points of our Environment and Biodiversity Policy are summarized below and for further details please see the sustainability section on our website, *www.unitedplantations.com/sustainability/.*

- Conducting our operations under the best principles of agriculture.
- Promoting the conservation and development of biodiversity within our group of plantations.
- We want to ensure that our agricultural operations comply with the following criteria:
  - No development on high carbon stock (HCS) forests
  - No development on high conservation value (HCV) areas
  - No new development on peatland regardless its depth
- We strive to maintain an open and dynamic approach towards continuous improvements in respect of conservation in HCV, HCS areas and reduction of greenhouse gas (GHG) Emissions.

Environmentally friendly policies introduced and milestones achieved which are an integral part of our Environment and Biodiversity Policy :

- Zero-burn policy (1989)
- No primary forest clearing policy (1990)
- No bio-diesel production/supply policy (2003)
- Methane capturing facilities introduced (2006)
- HCV assessment introduced (2007)
- Total phase-out of Paraquat (2010)
- No new development on peat (2010)
- HCS assessment and Land Use Change Analysis for new plantings (2014)



*Sustainability through Transparency, Traceability & Trust

Environmental Commitments of the Group

	2019 RM	2018 RM	2017 RM	Grand Total
Environmental Friendly Operational Activities	6,416,803	6,680,501	5,147,810	18,245,114
Environmental Friendly Projects (Biogas, Biomass-others)	328,883	1,577,752	9,030,692	10,937,326
Biodiversity & Conservation (Forest reserve, Endangered Tree Species Projects, Collaboration with Copenhagen Zoo)	1,021,791	758,797	658,062	2,438,650
Total	7,767,477	9,017,049	14,836,564	31,621,090

Riparian reserves such as this mangrove forest on Lada Estate are important for flora and fauna conservation and the health of waterways.

Partnership, Biodiversity & Conservation

Conservation of jungle reserves and wildlife sanctuaries as well as promoting green corridors are examples of our commitment to the environment. To date, United Plantations has set aside more than 7,500 Ha of land for conservation purposes representing approximately 15% of our total planted area in order to encourage biodiversity and wildlife on our estates. In Indonesia, UP has set approximately 40% of its land concession for the purpose of conservation.

Riparian reserves are maintained to preserve flora and fauna, provide wildlife corridors, ensure water quality and prevent erosion. In order to develop effective conservation strategies, we need the assistance of experts in these fields who have established a series of collaborations and partnerships. One such partnership is Copenhagen Zoo (CPH Zoo), which was initiated in 2007 and officially established on 1 October 2010, through a Memorandum of Understanding (MOU) between UP and CPH Zoo. It marked an important milestone for the Company's target of producing certified sustainable palm oil in Indonesia and being able to document the environmental integrity of its Indonesian operations.

Biodiversity Department

In order to better manage our large conservation areas, UP set up its Biodiversity Department (BioD) in 2011 under the purview of Dr. Carl Traeholt, our Group's Chief Environmental Advisor.

The Biodiversity team consists of a Division manager with solid natural resources management experiences, supported by five subject specialists and five field staff. This is supplemented by additional contract-workers when the need arises. The team is responsible for mainstreaming environmental concerns into standard operational procedures and focus on activities primarily within the following areas:

- Biodiversity (Fauna and Flora)
- Habitat and Ecosystem
- Forestry and rehabilitation
- Hydrology and Limnology
- GIS and Mapping
- Integrated Pest Management
- RSPO and ISPO
- Protection and Monitoring
- Community Outreach

One of the key components in making the BioD a success which is our common goal was to develop internal capacity to manage and conserve UP's ecological resources, and to make first-hand information about biodiversity assets easily available. This is possible with the current BioD consisting of Dr. Carl Traeholt, our Group's Chief Environmental Advisor, Mr. Bjorn Dahlen, Environmental Advisor. Mr. Muhd Silmi, Manager BioD and essential topic specialists, such as a limnologist, a forester/botanist, zoologist, herpetologist and database officer. These subject specialists are supported by two chief rangers and a number of ranger assistants, as well as a native tree nursery manager.

Biodiversity Department's activities

Since 2011, the BioD had undertaken an impressive amount of activities in support of the company's commitment of producing sustainable palm oil and conserving the natural environment. In the past, many exciting activities and accomplishments have been reported. For example, the Biodiversity Division has worked with leopard cats, Prionailurus bengalensis, as predator of rats to replace the environmentally detrimental chemical control. The work with the Sumantra cobra (*Naja Sumatrana*) and king cobra

(*Ophiophagus Hannah*), the world's largest venomous snake has not only produced some amazing results. It has also attracted one of the world's best known and respected herpetologists, Romolus Whitaker, who continues to grace UP/PTSSS in Kalimantan and offer support and capacity building ever year. The Biodiversity Division has also undertaken numerous camera trap surveys, bird and tree surveys to document the biodiversity within the company's conservation areas. The BioD has recorded many of Borneo's endangered species to date, among them Asia's only great ape, the orangutan, *Pongo pygmaeus*.

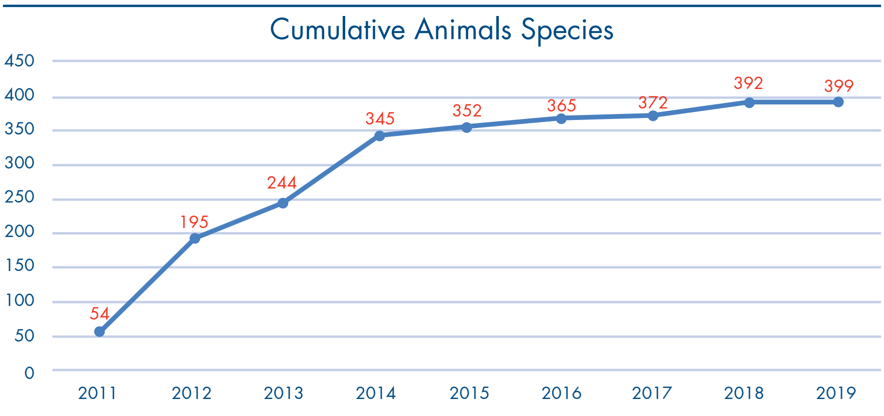
While these are exciting and inspiring stories about exotic species, the BioD is about far more than that. An entire host of other activities commenced right from the modest beginning in 2011, including developing a GIS database that incorporates literally all the team's recorded data, be it from camera trap pictures, radio-tracking locations, number of tree seeds collected, time and place of illegal logging or recovery of aquatic fauna. Most of these stories can be found on our website.

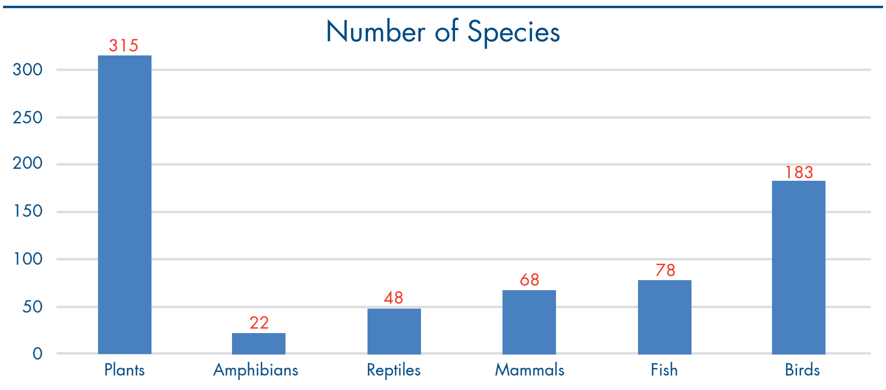
Biodiversity activities during 2019 in PT SSS

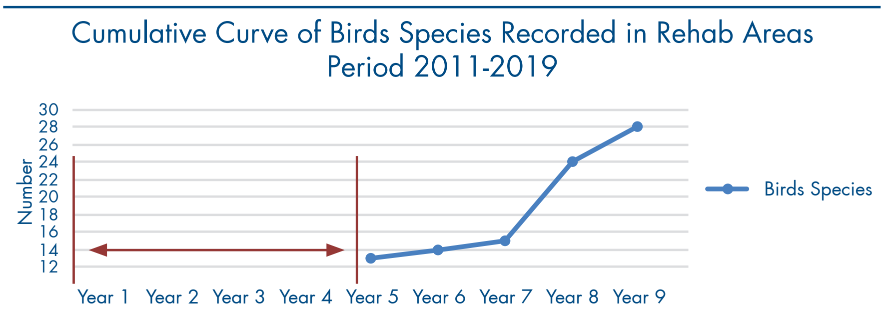
Recording of Species

To date, the BioD has recorded a stunning 68 species of mammals, 183 bird species, 48 reptiles, 22 amphibians and 78 fish in PT SSS conservation areas.

This is expected to increase significantly in the future as many more surveys are completed. In 2019, we found an additional 7 species which consist of 2 reptiles, 1 mammal and 4 birds to the list bringing it to a new record in PT SSS.







Bird diversity at an increasing trend over the years.

The aerial photo of the rehabilitation areas in field 86, Lada Estate Division II.

Sprouted seeds of the Tengkawang trees, one of the species of dipterocarp trees. In the past the native people of Borneo used the tengkawang seed to extract oil for cooking purposes.

Rehabilitation activities

Our Biodiversity division continues to monitor the diversity of birds in rehabilitation areas Field 86. The monitoring purposes is to see the rehabilitation effect on the diversity of birds. We monitored understory birds which mostly use tree canopies for their daily activities and tend to be elusive in behaviour. By use of mist nets, the monitoring started in 2015 and every year the same method has been applied in that rehabilitation location. The result is really interesting.

We found that the number of bird species cumulatively increased every year. In 2019, cumulative number of birds has reached 28 species. It means that there is a positive trend of an increasing number of bird species that use the rehabilitation areas as their habitat. We are proud of the fact that the rehabilitation program has proven to be a success and provides an increasingly comfortable habitat particularly for birds.

In addition to birds and as highlighted during 2018, we were also thrilled to identify the clouded leopard that has started to use the rehabilitation areas. We hope for further progress in the years ahead

Efforts to propagate jungle tree seeds for our rehabilitation activities

Propagating the native Borneo fruit trees is the main program in our nursery site which is located in the Lada and Runtu Estates. The fruit trees are very important in providing food sources for a lot of animals in PT SSS conservation areas. Under our rehabilitation programs, we are enriching the forests with these important fruit trees. During 2019, we have planted 8,492 jungle trees in our rehabilitation areas.

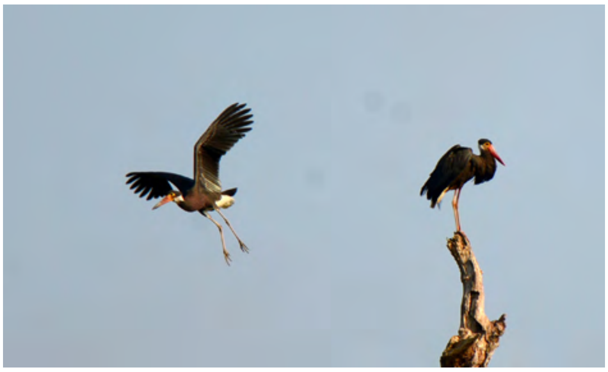
As of todate, we have a stock of 34,685 jungle tree seedlings in our nursery. Not just fruit trees, we also prioritise to propagate the trees from the Dipterocarpaceae family or commonly called Dipterocarp trees. The Dipterocarp trees or Meranti which is their local name are diminishing due to high demand for wood extraction, mainly illegal logging. Currently, we have around 4,000 dipterocarp tree seedlings which consist of 4 different species. In the next few months the seeds will be ready for planting in our rehabilitation and conservation areas.

The value of the Pangkalan Durin wetland

The Pangkalan Durin wetland area of 28 Ha is located in Lada Division I. Historically the Pangkalan Durin wetland was owned by a group of people in the village or Desa of Pangkalan Durin. In 2012, the group of people offered the areas of wetland to PT SSS to be planted with palm oil trees under the Plasma scheme.

Due to the conservation qualities of the land the Company together with the BioD offered the owners of the land to buy it or offer them a similar land area size to be planted with oil palm under the Plasma

The jungle and fruit tree nursery in Lada Estate and various seeds.



Storm storks (Ciconia stormi) hanging around in the Pangkalan Durin wetland area.

Leopard cat with its meal (rat).

scheme in another location. After some negotiations, the Pangkalan Durin wetland area of 28 Ha was bought and converted to a permanent conservation area which has given a lot of value for biodiversity conservation and ground water management.

The wetland has become a paradise for many water birds. In particular during the dry season where water birds like Whistling duck, Yellow bittern, Egret, Waterhen, Moorhens and Purple heron can be found.

The most impressive and pleasing finding in the Pangkalan Durin wetland area was the presence of a group of Storm stork (*Ciconia stormi*) which is an Endangered species criteria refer to IUCN Red List. At least 4-5 individual storm storks where recorded during the dry season from September to November 2019. It was a meaningful decision that was taken by the company to protect this particular wetland and convert it into a conservation site.

The Leopard cat monitoring

Since 2015, we have started monitoring leopard cats in Lada Estate using 40 units of camera traps spread in an 800 x 800 meter grid system. Every year we keep track of their abundance and population. The abundance of leopard cats increased as well as their population. Although the data in 2019 showed a drop of abundance of leopard cats, we think it is due to a change in capturing probability. We assume the dry season which caused smoke in the air and heat might have changed the leopard cat activity pattern.

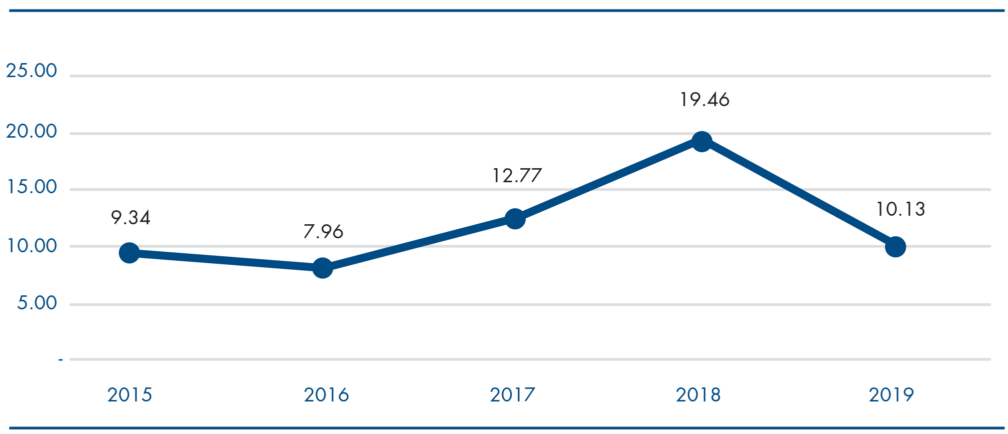
The leopard cat density is considered very high in the oil palm estate with at least 2-4 individual/km2 compared with the conservation forest which mostly houses less than 1 individual/km2.

We have observed that the leopard cats are very effective when hunting rats. Our observation data from the cats fitted with radio telemetry indicated that one individual leopard cat can eat 2-3 rats per day.

The leopard cats are smart and intelligent, they can hunt the rat on the ground, under heap of palm fronds, and in the oil palm trees. We also recorded many photos from our camera traps showing leopard cats carrying the rats after a successful hunt.

It is our clear opinion that leopard cats in oil palm plantations are excellent means of biological control to reduce the rat population.

Relative Abundance Indices



Monitoring of bio-indicators in various water bodies

The water bodies like streams and rivers around the land concession of PT SSS play an important role to ensure the future conservation of wildlife and even human beings. The diversity of the water plankton is sometimes neglected as a holistic part of conservation efforts. Bio indicators like plankton can reflect how the practices of the palm oil business effect the areas water quality.

We have monitored the plankton diversity on Lada and Kumai estates and used that as reference to evaluate water quality. As of todate, 106 species of plankton have been recorded to live on the surface water. Based on Diversity Indices of plankton, the quality of the water in Lada and Kumai Estates is considered fairly good. The existence of plankton is very important for aquatic life and will continue to be monitored going forward.

Research conducted on Otters

PT SSS has around 1,200 Ha of mangrove forest under its conservation areas in Lada Estate. The mangrove forest is a habitat for at least 3 species of otter, like the Small clawed otter (*Aonyx cinerea*), Smooth otter (*lutrogale perspicillata*) and Hairy-nosed otter (*Lutra sumatrana*).

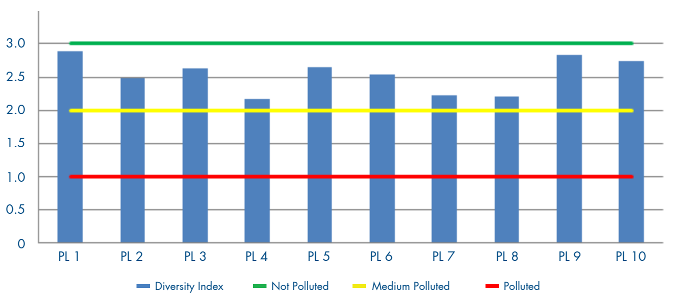
The presence of the otter in the mangrove conservation areas is a good sign of the state of the mangrove forest itself. In 2018 we had conducted research using camera traps in the mangrove forest areas. The interesting result was that we found the presence of the Lutra sumatrana in our mangrove conservation areas. The status of this species is considered as an Endangered species criteria in reference to IUCN Red List. We have published the short note of "First Record of Hairy-Nosed Otter (*Lutra sumatrana*) in Southern Central Kalimantan, Indonesia" in the reputable "IUCN Otter Spec. Group Bull. 36 (2) 2019.

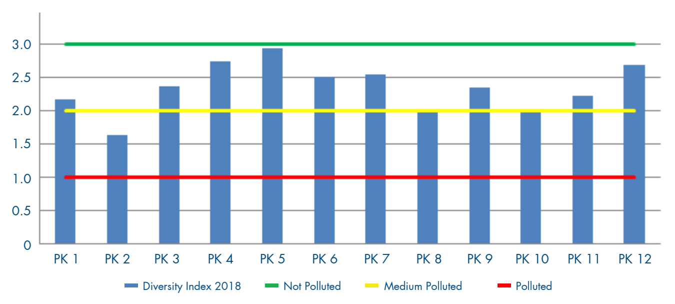
We published our story about *Lutra sumatrana* and its presence in the Southern part of Borneo. The last reference only recognized that the *Lutra sumatrana* only was distributed in the Northern part of Borneo like in Sabah and Brunei.

Attended seminars about conservation and sustainability

The BioD staff actively participate in local and international forums in the form of seminars and conferences during the year. The purpose is to share our knowledge of conservation and learn from others other practitioners, academicians and thereby to improve the conservation effort in PT SSS.

In 2019 our BioD attended the Song Bird seminar and Sustainable Palm Oil seminar in Copenhagen on 28 to 29 May 2019 which was hosted by Copenhagen Zoo. The BioD also attended the 29 International Congress for Conservation Biology (ICCB), Kuala Lumpur, Malaysia. We presented our research paper on the leopard cat study using radio telemetry in the oil palm landscape.





The plankton diversity indices in the Lada and Kumai Estates are used as indicators of water quality.

Socialisation on conservation

Socialisation on the importance of conservation to the local community surrounding PT SSS is on our routine agenda. We share information about the conservation efforts conducted by the company. We also encourage the local community to support the program because the value of conservation is not just for the company, but also for the community who live around the areas as well as the future generations.

We present many pictures and videos, and use simple sentences to explain the importance of conservation and the value of it. By doing that, we hope the community will continue to be our partners and to further understand the efforts taken to protect the conservation areas and actively take part in protecting the conservation areas with us.

We also made painting competitions with conservation themes with kids in elementary school as part of their familiarisation towards conservation efforts and its importance. Because they are the ones who will own the environment in the future.

Dr Carl Traeholt
UP Group Chief Environmental Advisor
and
Mr. Muhd Silmi
Manager Biodiversity Division

Smooth otters (lutrogale perspiocillata) photographed in our 1,200 Ha mangrove conservation area in Lada Estate.

Community engagement to promote conservation awareness.

Various types of wildlife captured from our BioD Department's camera traps.

Deforestation

UP is fully committed to its NO deforestation policy and contributes to the protection of critical ecosystems and biodiversity in and around the landscapes where we operate. By strictly avoiding land clearing in High Carbon Stock areas, UP ensures that it is in full compliance to its NO deforestation policy of July 2014.

New Planting Procedure (NPP) and Responsible land use planning

The RSPO New Planting Procedure (NPP) consists of a set of assessments and verification activities to be conducted by growers and certification bodies (CB) prior to a new oil palm development. The intention is that new oil palm plantings will not negatively impact primary forest, HCV, HCS, fragile and marginal soils or local people's lands. UP subscribes and supports this stance. It is not enough to set aside areas for conservation. Patrolling of the conservation areas need to be conducted to protect these areas from intruders and fires so that the biodiversity is truly conserved.

Our Bio-D Division utilizes the SMART system which is the world's preferred, most comprehensive and user-friendly conservation monitoring system. The added advantage of using SMART is its statistical power that allows the BioD to compile and develop trend-lines and other forms of analyses pertaining to managing and protecting conservation areas and species.

For more information on our HCV and HCS assessment, please refer to our website, *www.unitedplantations.com/sustainability/.*

Peat Developments

The Group has committed to NO new development on peatland regardless of depth since 2010. However, the management plans are in place and being implemented on existing plantations on peat. The total land bank of United Plantations Berhad as of 31 December 2019 is 63,074 Ha. The total planted area under oil palm is 46,731 Ha of which Malaysia has 37,655 Ha and 9,076 Ha in Indonesia. In Malaysia the total peat area is 4,824.50 Ha and in Indonesia it is 784 Ha, i.e. total peat area is approximately 5,608.5 Ha equal to approximately 12% of our total oil palm planted area.

*The hectarage of peat for the newly acquired plantation, Tanarata Estate is subject to change as the current figure is based on semi-detailed soil survey.

Water Management

Water management is particularly important on the acid sulphate and peat soils. These soils are fragile and if over drained, they will rapidly deteriorate. On the acid sulphate soils, the water level should be maintained up to the jarosite layer, submerging the pyrite (FeS_2) and preventing it from oxidizing to sulphuric acid, which can cause a steep drop in the pH.

Weirs for Moisture Conservation

To conserve moisture during these periods, a series of weirs are constructed across the collection drains to hold back water and raise the water-table to within 50-75 cm from the surface. To regulate the height of the water table, wooden planks are slotted into the desired level.

The density of weirs varies with the soil type, slope, rainfall and cropping system. On the average, one weir is provided for every 40 to 60 hectares or every 600-1,000 m along the collection drain. Assisted by the water gates at the discharge ends of the main drains, the weirs are very effective in minimizing the adverse effects of the moisture stress.

United Plantations has recently engaged an external consultant to undertake a peat drainability study in our Malaysian operations to better understand the hydrological characteristics of our peat areas.

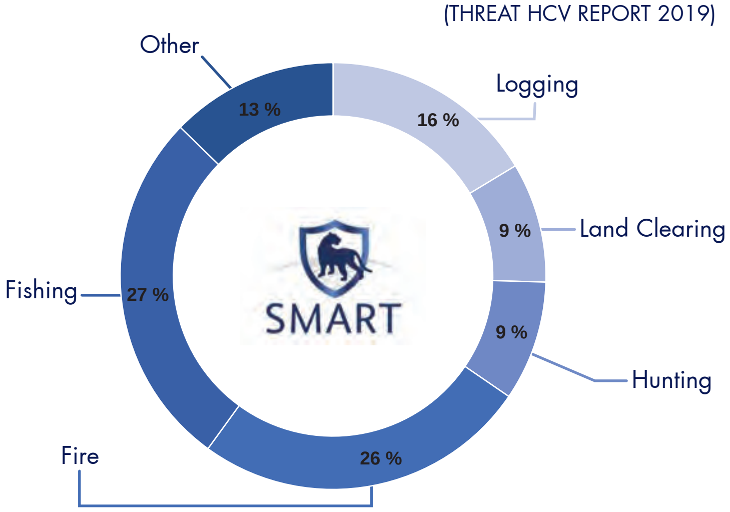
Monitoring of meteorological parameters

Weather stations have been setup at strategically important locations throughout our Group. These provide a large amount of micro-climatic information critical to, particularly, make accurate fire-risk predictions.

Being able to predict the risk of fire allows the management in each estate to implement proactive measures, to prevent and minimize the risk of fire, as well as to be on high alert with firefighting equipment, in case of a fire outbreak.

SMART Patrol Report

(THREAT HCV REPORT 2019)



Threat	Activities
Logging	9
Land Clearing	5
Hunting	5
Fire	14
Fishing	15
Others	7

n=55

GHG Emissions, Discharges & Waste Management

Investments and efforts undertaken to reduce GHG emissions, and in promoting green energy starting with the Biomass Reciprocating Boilers and Biogas Plants.

Much more attention must be directed towards the adverse impacts of fossil fuel usage and minimising this this as about 65% of all CO_2 (eq) emissions still come from burning fossil fuels. The world purchases about 93 million barrels of crude oil per day (equal to about 130.10 million MT per day).

In connection with the above it is important to apply more pressure on mineral oil producers on the impact on greenhouse gas emissions, it is worthwhile mentioning a small country like Norway who has often wished to be seen as the stewards when minimising deforestation and greenhouse gas emissions.

Nevertheless, little Norway today produces about 2 million barrels of crude oil per day. This alone is equal to 913,194 MT of CO_2 emission /day or similar to the CO_2 (eq) emitted from clearing 1,793 hectares of tropical jungles per day or deforestation rate of 650,000 hectares per year. However, no one seems to address this acute problem.

What we therefore need much more of is a balanced approach to what we all have to do to help minimise the impacts of deforestation and greenhouse gas emissions and not just a selected few.

There must be a "commensurate effort" failing which trust will be eroded and goals will not be reached.

Indeed, things should be put in perspective and acknowledgement given to the fact that palm oil production is not the main cause of deforestation. Nevertheless whilst recognising that ongoing initiatives must be intensified to minimise the impact of not just agriculture but all activities that in one way or the other contribute to deforestation and global warming.

United Plantations' Carbon Footprint Initiatives

Since 2005, UP has actively been pursuing means of identifying ways to reduce its Greenhouse Gas (GHG) emissions and with that its reliance on fossil fuels.

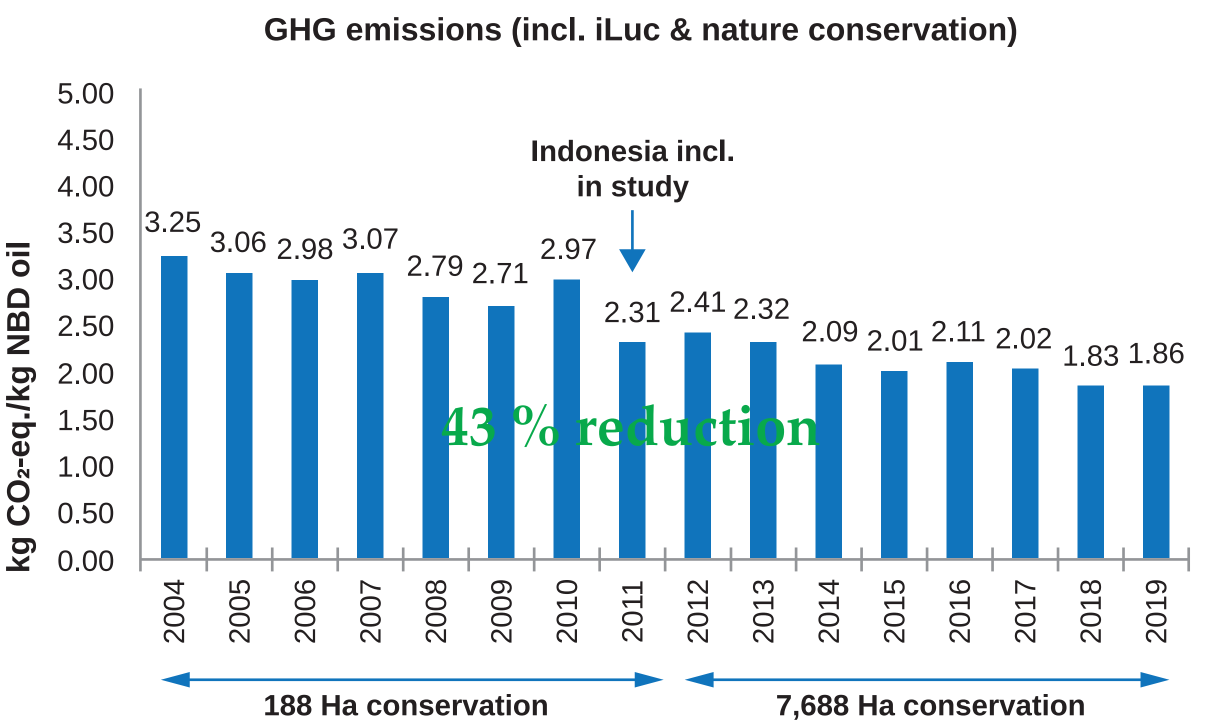
Life Cycle Assessment (LCA)

In 2006, following the completion of the world's first peer reviewed Life Cycle Assessment (LCA) study on the "cradle to grave" production of 1 MT of refined palm oil, various areas were identified within our production chain, which could mitigate GHG emissions.

For example, the world's first comprehensive LCA in accordance with ISO 14040 and 14044 International Standards on palm oil was finalized in 2008 and subsequently underwent a critical panel review.

Further annual updates to this LCA were carried out by 2.0-LCA Consultants involving Dr. Jannick Schmidt from Aalborg, Denmark with the latest update undertaken in the period January to February 2020 thereby providing management with a detailed and clear overview of the development in the Company's efforts to reduce its carbon footprint since 2004.

The updated 2020 LCA model incorporated the new EXIOBASE background database and the contributions from indirect land use change, peat emissions and nature conservation have been reviewed in light of new data. These studies indeed helped to identify additional areas in need of further improvement within our Group. Our Company continues to remain at the very forefront in terms of implementing GHG reducing projects within



Time-series for NBD palm oil at United Plantations Berhad (with iLUC and nature conservation) for year 2004-2019.

the Plantation Industry which will supersede the Kyoto Protocol's ambitions of reducing GHG emissions in industrialized countries by at least 5% below the 1990 levels in the commitment period 2008-2012.

Time series of GHG emissions from palm oil at United Plantations Berhad

Below, time series of GHG emissions from palm oil at UP is presented. The time series for NBD palm oil at UP show reductions at 46% (without iLUC) and 43% (with iLUC) from 2004 to 2019 . When including nature conservation, the reduction is now at 43%, based on the reworked assumptions.

Target 2025

With more initiatives and further investment between 2020-2025, our internal goal is to reduce UP's Carbon Footprint per MT of refined palm oil produced by 60% before the end of 2025 when compared to the previous 2004 levels (with iLUC and nature conservation).

Emissions Reductions & Biogas Plants

Significant investments have been made in promoting green energy starting with the Biomass Reciprocating Boiler cum Power Plant and the first Biogas Plants built and commissioned in 2006. These projects combined have since helped to significantly reduce our emissions of CO_2 by 70% and CH_4 by 80% at the respective operating units thereby paving the way for additional green investments. All of our mills are now equipped with Biogas Plants since 2018.

For more information on our LCA assessment, please refer to our website, *www.unitedplantations.com/sustainability/.*

United Plantations Biogas to Grid Project

Since the UIE biogas plant began operation in 2010, the biogas generated at the mill was either flared or used as a substitute fuel in the mill boiler. Arising from the Energy Commission's approval to supply power from the biogas boilers to the grid, a total of 4,493 MWh of electricity was generated and sold in 2019.

Biomass Reciprocating Boiler

The first Biomass Reciprocating Boiler (BRBI) was successfully commissioned in 2006 and supplied green steam to Jendarata Palm Oil Mill as well as the Unitata Refinery, thus playing a crucial role in reducing the fossil fuel consumption at the refinery. Since then the company has built and commissioned another 7 biomass reciprocating boilers with the latest unit at UIE (M) installed in 2019.

Biomass boilers in our mills are also equipped with VORSEP dust particle minimizing system, and an automatic fuel feeding system with greater energy efficiency, reduced dust emissions and a lower labour requirement.

Isokinetic Monitoring of Gaseous Emissions from the Palm Oil Mills

In conformance to the Department of Environment's stipulations as well as to monitor the quality of our gaseous emissions, flue gas compositions were regularly checked by certified assessors throughout 2019. The average dust concentration in the flue gasses of three palm oil mills in UP's Malaysian Operation and the Indonesian mill without the VORSEP system were tabulated.

In all Malaysian mills the average dust concentrations were below the limit of 0.15g/Nm^3 set by the Department of Environment as per the Environmental Quality Act (Clean Air Regulation) 2014 and the Lada mill emission is within the 0.3g/Nm^3 set by the *Peraturan Menteri Negara Lingkungan Hidup No 07 Tahun 2007 in Indonesia*.

VORSEP Dust Collector System

The VORSEP dust collector system was first installed on our Biomass Reciprocating boiler at Ulu Basir Palm Oil Mill replacing the old conventional multi-cyclone dust collector system. The unit was commissioned in June 2015 followed by progressive installation of additional units in the rest of the mills. With the commissioning of the VORSEP system at UIE(M) mill in 2019, all of UP's palm oil mills are now fitted with the VORSEP dust collector system.

These units were installed primarily to meet the DOE's Environmental Quality Act (Clean Air Regulation) 2014 which among others requires a cleaner emission standard from the boiler with the following conditions: -

i) The dust concentration emitted from the stack should not be more than 0.150g/Nm^3

ii) The smoke should not exceed shade No. 1 on the Ringlemann chart and should be less than 20% opacity

Palm Oil Mill	Average Dust Concentration (g/Nm^3)
Jendarata BRB 2	0.136
Ulu Bernam Boiler 1	0.119
Ulu Basir Boiler 4	0.122
UIE Boiler 1 & 3	0.121
Lada Boiler 1 & 2	0.280

Palm Oil Mill Effluent (POME) and Palm Oil Refinery Effluent (PORE) Treatment

Palm oil mill effluent and palm oil refinery effluent are treated in treatment ponds to reduce their BOD and COD contents before they are used to irrigate the oil palm fields. Only a small fraction of the treated POME and PORE are released into the waterways after they have satisfied the DOE discharge limits.

Biomass utilisation and economic value

In 2019, a total of 566,569 MT of biomass residues were generated through the various field and mill operations of the Company's Malaysian operations. Almost all of the total biomass generated (99.6%) or 564,531 MT were effectively utilised as organic matter back to the fields, applied as organic mulch in the nursery or as fuel source, thereby enriching our soils and displacing the use of fossil fuels whilst adding value to the biomass generated.

Our Indonesian operations generated a total of 166,466 MT of biomass dry matter in 2019. Even though the quantum is lesser than what is generated in Malaysia, a very high proportion of these biomass (165,959 MT or 99.7%) was utilised through recycling back to the field or as a green energy source with all the added benefits to the environment.

Production and Level of Utilisation of Oil Palm Biomass Residues in UP in 2019

(Dry Matter Basis-Malaysian Operations)

Biomass	Quantity Produced (MT)	Quantity Utilised (MT)	% Utilisation	Method of Utilisation
Trunks and fronds at replanting	85,994	85,994	100	Mulch
Pruned fronds	319,338	319,338	100	Mulch
Spent male flowers	30,710	30,710	100	Organic matter recycled on land
Fibre	68,366	68,366	100	Fuel & mulch in nursery
Shell	38,959	38,959	100	Fuel & mulch for polybag seedlings
POME	27,183	25,145	93	Biogas generation, nutrient source, field irrigation and base for organic fertiliser production
EFB	82,013	82,013	100	Mulch and Fuel
Total	566,569	564,531	-	-
Level of utilisation =99.6%				

(Dry Matter Basis-Indonesian Operations: Lada and Runtu Estates)

Biomass	Quantity Produced (MT)	Quantity Utilised (MT)	% Utilisation	Method of Utilisation
Trunks and fronds at replanting	-	-	-	-
Pruned fronds	88,190	88,190	100	Mulch
Spent male flowers	8,480	8,480	100	Organic matter recycled on land
Fibre	21,478	21,478	100	Fuel & mulch in nursery
Shell	13,217	13,217	100	Fuel & mulch for polybag seedlings
POME	6,765	6,258	93	Biogas generation, nutrient source, field irrigation
EFB	28,336	28,336	100	Mulch and Fuel
Total	166,466	165,959	-	-
Level of utilisation =99.7%				

Biogas capturing facilities have been introduced on all our palm oil mills. Pictured here is the biogas plant at UIE.

A vital part of sustaining soil health is to ensure that the large amount of biomass from the oil palm trunk and fronds is returned to the soil during replanting operations in line with our Zero Burn policy. More than 1,100 Ha of old standing palms have been felled since UP took over Pinehill estate (Tanarata) on the 17 August 2019.

Fertilizer Equivalent and Monetary Value of Oil Palm Biomass Residues Recycled on Land in UP in 2019

(Malaysian Operations)

Biomass Residues	Method of Utilisation	Quantity Utilised on Dry Basis (MT)	Fertiliser Equivalent (MT)			
			Urea	Rock Phosphate	Muriate of Potash	Kieserite
Trunks & fronds at replanting	Mulch	85,994	1,075	361	1,383	659
Pruned fronds	Mulch	319,338	7,200	2,342	6,090	3,986
Spent male flowers	Organic Matter	30,710	988	654	1,817	943
EFB	Mulch	33,260	578	244	1608	370
Digested POME	Biogas generation & Irrigation	25,145	875	553	1,375	1,006
Total (MT)		494,447	10,716	4,155	12,272	6,964
Monetary value (RM)			15,538,433	1,371,011	16,812,543	4,227,144
Total monetary value RM37,949,131						

(Indonesian Operations - Lada and Runtu estates)

Biomass Residues	Method of Utilisation	Quantity Utilised on Dry Basis (MT)	Fertiliser Equivalent (MT)			
			Urea	Rock Phosphate	Muriate of Potash	Kieserite
Trunks & fronds at replanting	Mulch	-	-	-	-	-
Pruned fronds	Mulch	88,190	1,988	647	1,681	1,100
Spent male flowers	Organic Matter	8,480	273	181	502	260
EFB	Mulch	27,823	484	204	1,345	309
Digested POME	Biogas generation & Irrigation	6,258	218	138	342	250
Total (MT)		130,751	2,963	1,170	3,870	1,919
Monetary value (RM)			5,185,171	709,658	6,745,769	1,643,278
Total monetary value RM14,283,876						

With our commitment to sustainability and good agricultural practices, the recycling of field and mill biomass residues back to the oil palm land remains a cornerstone in UP. These measures have been shown to maintain and even improve soil fertility in the long term and enhance palm growth and yield.

In 2019, the total organic matter recycled on land in UP amounted to 494,447 MT of dry matter which is equivalent to 286,779 MT of carbon. At this rate, we are returning more than 14MT of organic matter or over 8 MT of carbon to each hectare of land, over the period of a year, thereby helping to replenish the soil carbon stock which is an important component of soil health.

Upon mineralisation, the organic residues release substantial quantities of previously locked plant nutrients to the soil which is available for palm uptake. The fertiliser equivalent of the material recycled on land is of the order of 34,107 MT of NPKMg fertiliser which in itself has a monetary worth of RM37.95 million at the prevailing 2019 fertiliser prices.

For our Indonesian operations, a total of 130,751 MT of biomass was recycled onto plantation land in 2019. This is equivalent to adding 75,836 MT of organic matter to enrich the land which on a hectare basis is akin to returning over 15 MT of organic biomass (or close to 9 MT organic carbon) to enrich the land.

On the more sandy soils in Indonesia such inputs will have a significant influence on improving long term soil health. The nutrient content is these recycled biomass is equivalent to 9,982 MT of inorganic NPKMg fertilisers, with a value equivalent to RM14.28 million at 2019 prices.

Recycling of pesticide containers and scheduled wastes

To avoid contaminating the environment and to prevent misuse of pesticide containers and other scheduled wastes we have been collecting and disposing off triple rinsed pesticide containers, spent lubricants, used batteries and spent fuel filters through certified waste managers. The waste managers will either safely recycle these items or dispose of them in accordance with government regulations. There is no deemed hazardous waste under the terms of Basel Convention Annex I, II, III and VIII, that were transported, imported, exported or treated.

Triple rinsed plastic pesticide containers (MT)

	2019	2018	2017
UPB	17	29	25
PTSSS	1.4	1.8	1.9

Spent lubricants (lit)

	2019	2018	2017
UPB	41,661	46,909	38,441
PTSSS	3,760	3,242	5,775

Used batteries (pieces)

	2019	2018	2017
UPB	159	161	263
PTSSS	18	15	9

Spent fuel filters (pieces)

	2019	2018	2017
UPB	4,888	4,021	3,732
PTSSS	267	175	508

Water Impacts

Relates to UP's measure to preserve and protect water ways and manage the use of water throughout our organisation.

UP fully appreciates that much more can be done in terms of water productivity. In order to maximise the available water resources, United Plantations has, since 1913, gone to great lengths to construct an extensive system of water gates, bunds, weirs, canals and drains hereby enabling us to harvest and optimize the usage of rain water.

In addition, leguminous cover crops are established in all our immature plantings to conserve moisture.

In this context, it is important to mention that except for the nursery areas, none of UP's planted areas under oil palms or coconuts are irrigated. All our areas are under rain-fed agriculture, thus making use of whatever water which comes naturally from above. We are continuously working to mitigate our water footprint related to mill waste, maintaining buffers along natural waterways, harvesting rainwater, frugal domestic water usage and judicious use of pesticides and weedicides.

The consumptive use of water (evapotranspiration) of these crops ranges from 120-150 mm per month. To meet requirements, the monthly rainfall should equal or preferably exceed this figure, failing which moisture stress would occur. The rainfall in the UP Group ranges from 1,600 to 2,500 mm per year, with the average being 2,000 mm. Monthly distribution is reasonably uniform, but drought does occur when some estates receive less than 100 mm of rainfall over 2-4 months as experienced in 2018. Weirs have been constructed across the collections drains to harvest rainfall and hold back water to raise the water table.

Hydrology and Limnology

Clean water is critical to sustain all kinds of life form on Earth. In rural Indonesia thousands of local residents are dependent on water supplies from lakes and rivers. Maintaining a clean and uninterrupted supply of water constitutes one of the most critical components in sustainable palm oil production.

The Biodiversity team has developed a "Hydrology map" and identified a number of permanent sites for sampling water quality. Using the state-of-the-art equipment, the team measures and records organic, inorganic and physical pollution parameters in the field. Potential trace elements and toxins are measured with a spectrophotometer in the laboratory. In the event of a sudden deterioration in water quality, the team will identify the source of pollution and initiate a process to rectify the problem.

This includes identifying any unusual organic contamination, usually due to empty fruit bunches that mistakenly have slid into a stream or if an unusual high level of inorganic contamination is detected, it is usually a result of excessive wash-out of fertilizer. Such information is communicated to the respective estate manager, allowing them to rectify a potential problem within a very short time period.

In our pursuit to conserve this depleting precious gift, every effort is being done to educate our residents to be frugal on its usage. Old water pipes, water tanks, faulty taps are being replaced from time to time to arrest leakages. We aim to reduce the consumption in the coming years with more awareness programmes.

Domestic Water Consumption

	2019	2018	2017
Malaysian operations (gallons per capita per day)	69*	69	58
Indonesian operations (gallons per capita per day)	71	76	66

**Includes 40 employees of our newly acquired plantation, Tanarata Estate who are temporarily residing at Seri Pelangi Estate while the accommodations at Tanarata Estate are under construction/upgrading.*

Erosion Monitoring Plots

To better understand the dynamics of soil, water and nutrient loss that can occur in our property, several erosion monitoring plots measuring 6m x 20m were set up in one of our estates on slightly sloping land under mature oil palm. Thereafter the amount of soil loss, surface runoff and nutrient losses in each of these fractions are being closely monitored to determine the major routes of soil, water and nutrient loss. Such studies illuminate the areas of major loss through which mitigating measured can be developed to minimise the depletion of these vital natural resources.

Rain Harvesting

As part of our effort to conserve water resources and minimise wastages we have embarked on a programme to fit workers' housing with tanks to store harvested rain water which is especially beneficial during periods of prolonged dry weather.

Mill water consumption Rate

Water consumption rate in our Indonesian operation has improved over the recent years and is now holding steady whereas the mill water consumption rate in our Malaysian operations has also improved with the phasing out of the older mill and the commissioning of the new Optimill.

Mill water consumption rate in processing fresh fruit bunches (MT water/MT FFB processed)

	2019	2018	2017
Malaysia	1.7	1.5	1.8
Indonesia	1.4	1.2	1.4

Pesticides and Chemical Usage

Conducting our operations under the best principles of agriculture and to reduce chemical and pesticides usage thereby minimising the impact to the natural environment.

UP has a strong commitment to Integrated Pest Management (IPM), and in line with the Principles and Criteria of the RSPO we are continuously working on reducing the usage of pesticides. Our employees' safety is a top priority and in this connection all sprayers are trained extensively and are required to use full Personal Protective Equipment.

According to CropLIfe International, a global federation representing the plant science industry, 42% of crop production throughout the world is lost as a result of insects, plant diseases and weeds every year. In the tropics, crop losses can reach as high as 75%.

Careful use of pesticides can deliver substantial benefits for our society through increasing the availability of good quality and more affordable priced food products. However, pesticides are inherently dangerous and it is in everyone's interest to minimize the risk they pose to people and the environment.

Integrated Pest Management (IPM)

IPM, means a pest management system that in the context of the associated environment and the population dynamics of the pest species, utilizes all suitable techniques and methods in as compatible a manner as possible and maintains the pest population at levels below those causing economically unacceptable damage or loss.

Source: FAO

Our commitment towards continuous improvements has resulted in minimizing the usage of pesticides in relation to other major oil seed crops, primarily through Good Agricultural Practices and improvement in planting materials.

Today, UP's use of pesticide is 4-6 times lower per tonne of oil produced compared to Rapeseed farmers and about 32-44 times lower compared to Soybean farmers.

Establishing Beneficial Flowering Plants

To date, a total of 275,600 broadleaf flowering plants have been planted in our plantations to encourage parasite and predator activities which is a vital part of our IPM programme.

There has been a steady increase in the number of beneficial plants which were planted in our Malaysian and Indonesian properties over the last few years to function as shelter and food source for the beneficial insects.

	Malaysia	Indonesia
Cassia cobanensis	- *42,871 planted*	- *14,782 planted*
Tunera subulata/ulmifolia	- *103,853 planted*	- *80,331 planted*
Antigonon leptosus	- *16,079 planted*	- *97 planted*
Carambola sp	- *3,580 planted*	- *10 planted*
Others	- *5,363 planted*	- *8,634 planted*
Total	171,746 *planted*	103,854 *planted*

Antigonon leptosus – one of the beneficial plant being established in our fields.

Pheromone traps aid in monitoring and control of the rhinoceros beetle (Oryctes rhinoceros) prevalent in immature oil palm.

Surveillance and Monitoring of Pest Outbreaks

The key to minimizing both the economic impact of pest and environmental impacts from excessive use of pesticides is by regular surveillance and monitoring. Treatment is only carried out when the damage exceeds established critical thresholds. Several census gangs are deployed on each estate to survey the extent of pest infestation. This is coupled with regular aerial reconnaissance in order to track and pre-empt pest build-up thereby more effectively treating potential outbreaks.

Use of biological pesticides and pheromones

First line treatment against leaf pests i.e. Nettle Caterpillar and Bagworm is by biological treatment in the form of Bacillus thuringiensis. The use of pheromones to trap Rhinoceros Beetles thus reducing the dependency on chemical pesticides is also adopted on all estates.

Besides trapping out the beetles, pheromone traps also provide management with statistical information of the severity of the beetle problem and supplements the chemical spraying operations to minimise beetle damage.

Overpopulation of rats, beetles and various kinds of weeds can have profound negative impact on production yield. UP Group attempts to minimize the usage of chemical control-agents where possible, and the BioD undertakes a number of research projects to maximise the usage of biological control agents where possible. For example, leopard cats (*Prionailurus bengalensis*) are one of the key-predators of rats and other small rodents, and preliminary studies on the effect of these cats as rat-controllers in a plantation landscape is ongoing.

The results have been very promising, and UP's biodiversity team is currently exploring ways to enrich the habitat conditions for leopard cats, to maximise the population density and thereby reduce the effect of rat damage. Apart from leopard cats, the team also records ecological parameters along with the effect on rat populations of other predators such as barn owls (*Tyto alba*), Spitting cobras (*Naja sumatrana*) and water monitor lizards (*Varanus v. salvator*).

	United Plantations Palm Oil (Malaysian Operations*)			Soybean**	Sunflower**	Rapeseed**
	2019	2018	2017			
Pesticides / Herbicides (kg per MT oil)	0.70	0.70	0.66	29	28	3.73

**Includes palm oil + palm kernel oil (UP, 2017-2019 - Malaysian operations)*
*** Data from FAO, 1996 - Pesticide data for rapeseed updated in 2010.*

	United Plantations Palm Oil (Indonesian Operations*)			Soybean**	Sunflower**	Rapeseed**
	2019	2018	2017			
Pesticides / Herbicides (kg per MT oil)	0.10	0.12	0.14	29	28	3.73

**Includes palm oil + palm kernel oil (UP, 2017-2019 - Indonesian operations)*
*** Data from FAO, 1996 - Pesticide data for rapeseed updated in 2010.*

The following pages provide an overview of some of the methods to reduce pesticide usage as well as ongoing research within our biodiversity team and UPRD:

5-Step Integrated Pest Management Programme approach taken to contain and/or control Bagworm outbreak thus limiting the usage of monocrotophos:

1) Integrated Pest Management
E.g. planting of beneficial plants to enhance the natural parasitic and predator activities against bagworm.To date more than 275,600 beneficial broadleaf flowering plants have been planted in both Malaysia and Indonesia.

2) On-going Monitoring
Census gangs deployed on each estate who take random frond samples in a pre-determined pattern throughout each estate. These fronds are subjected to insect counts and damage assessments by trained personnel.

3) Aerial Surveillance
Regular aerial reconnaissance is carried out to better detect, pre-empt and treat potential outbreaks.

4) Use of biological control agents
E.g. Bacillus thuringiensis as the first line of treatment against an outbreak.

5) Final Resort
As a final resort and only when Steps 1 to 4 have proven to be futile in containing or controlling the natural equilibrium between pest and beneficial predator, our trained personnel intervenes with the specific treatment of trunk injection using monocrotophos.

Monocrotophos

Monocrotophos is a class 1B insecticide which is permitted in Malaysia for trunk injection of palms affected by bagworm. Foliar application usage was disapproved by the Malaysian Government in 1996. Efforts to source and evaluate alternatives for the Class 1B insecticide, monocrotophos, have been ongoing since 2006 and are still being actively pursued together with several multinational chemical companies, amongst others Bayer and BASF (Germany), Syngenta (Switzerland), Cheminova (Denmark) and Sumitomo (Japan) and Rainbow Agrosciences (China).

So far, we have not been able to meet our internal goals of phasing out monocrotophos as the agrochemical industry has not been able to identify an effective and suitable alternative that is able to effectively contain a bagworm infestation which poses a serious threat to the oil palm stands. United Plantations is in the final stages of verifying the efficacy of a safer insecticide that could be a viable replacement for monocrotophos.

Until then monocrotophos will therefore still be used in very limited quantities for trunk injection only and solely as a last resort in the company's 5-Step Integrated Pest Management Programme when all other attempts to contain or control a bagworm outbreak have been exhausted. This is in full compliance with all relevant rules and regulations in Malaysia as well as with the RSPO Principles & Criteria.

In 2019, monocrotophos usage was slightly lower than the previous year due to residual bagworm outbreak on some estates. Prior to this outbreak the Company has successfully reduced its use of monocrotophos as an active ingredient basis by approximately 60% since 2006. Much progress and efforts are being made to continue this positive trend. In this connection, the collaboration with the Centre of Agriculture Biosciences International (CABI) in relation to management of bagworm in oil palm through an integrated ecological approach with biological control agents such as predators and other entomopathogens was formalized in 2011 for a two-year study.

The objective of the study is to develop an effective strategy to manage bagworm pests through the mass breeding and release of biological control agents such as predators complemented with the application of entomopathogens in affected fields. Arising from this collaboration, efforts to rear and propagate a number of predator species in a purpose-built insectary since 2012 are continuing. The eventual benefit of this endeavour may lead to sustainable bagworm control requiring minimal intervention with chemical insecticides.

Bagworm is an endemic pest in Lower Perak and the Federal Government has gazetted this as a "Dangerous Pest" on 15the November 2013. It is an offence under the Plant Quarantine Act 1976 if this dangerous pest is left without any control and can be fined up to RM10,000. Outbreaks of bagworms continue to occur in the properties neighbouring UP in the State of Perak, West Malaysia. This is of great concern as it is important that collaborated effort by the government authorities, neighbouring smallholders and other plantations are put in place in an attempt to eradicate this serious pest.

UP is working closely together with its neighbours as well as the authorities in the form of the Malaysian Palm Oil Board (MPOB) to achieve positive progress on this concerning issue. UP has extended its service to the neighbouring plantations the use of its airstrips for aerial bagworm control and also taking the plantation managers for aerial reconnaissance flights to monitor the extent of bagworm infestations in the region.

As can be seen in the table below, the quantity of agrochemicals (fertilizer nutrients and pesticide/herbicide) per tonne of oil produced in oil palm cultivation at UP over the last three years remain substantially lower than annual oilseed crops such as soybean, sunflower and rapeseed, a reflection on the resource utilization efficiency of the oil palm crop.

Pesticide usage in 2019 is unchanged from the 2018 level. Direct fossil fuel energy consumption was lower in 2019 than in 2018 due to less intensive mill construction activities.

Agrochemical and Energy Inputs in the Cultivation of Oil Palm and Other Oilseed Crops

Input	Per tonne oil basis					
	Oil Palm*			Soybean**	Sunflower**	Rapeseed**
	2019	2018	2017			
Fertiliser nutrients						
Nitrogen (N-kg)	21	19	14	315	96	99
Phosphate (P_2O_5-kg)	10	10	11	77	72	42
Potash (K_2O-kg)	47	44	35	NA	NA	NA
Magnesium (MgO-kg)	8	7	6	NA	NA	NA
Pesticides/Herbicides (kg)	0.70	0.70	0.66	29	28	3.73
Energy (GJ)	0.59	0.76	0.67	2.90	0.20	0.70

* includes palm oil + palm kernel oil (UP, 2017-2019- Malaysian Operations).
** Data from FAO,1996 - Pesticide data for rapeseed updated in 2010.

Biological Control Agents to Substitute for Chemical Insecticides

Leaf eating pest outbreaks in immature oil palms will need to be treated with insecticides.

The use of biological insecticides such as Bacillus thuringiensis is encouraged at this young crop stage to minimise collateral damage on beneficial insects in the field as well as to reduce dependency on chemical insecticides.

Our use of biological insecticides is as recorded below although the quantity used is also dependent on the incidence of pest outbreaks which was less prevalent in 2019 than during the previous year.

	2019	2018	2017
Malaysia	90	288	50
Indonesia	0	0	0

Quantity (kg) of Bacillus thuringiensis applied in our Malaysian and Indonesian operations.

Mowing of Harvesters' Paths

Blanket weeding is discouraged, soft weeds with shallow root system which do not grow to excessive heights are encouraged outside the weeded palm circle. Harvesters' paths are mowed.

This practice maintains a ground flora which is favourable to natural enemies of crop pests and reduce soil loss.

Harnessing advances in pesticide technology to reduce herbicide inputs in mature oil palm

In the wet tropics, weed species rapidly cover the ground and if left unchecked, will encroach into palm circles to compete with the palms for nutrients and water as well as interfere with field operations. Consequently, herbicides are an important tool to keep the palm circles weed free. Of the total pesticides used in a mature field, herbicides will therefore account for more than half of the total pesticide load.

Thus any improvement in the length of control for weeds will contribute significantly to a reduction in pesticide use for mature palms. Over the years United Plantations has actively co-operated with leading agrochemical manufacturers to evaluate a range of herbicidal compounds.

Arising from the close collaboration with Bayer CropScience a new compound, Indaziflam, with long lasting weed control was extensively tested in our fields and was found to be able to slash the number of herbicide rounds from four rounds a year with the standard herbicide mix to two rounds a year with the Indaziflam combination. This confers the clear benefit of almost halving the herbicide input in a field and greatly improving labour productivity where this approach has been adopted.

Calibration for Pesticide Application Equipment

The Company engages the services of equipment suppliers to regularly monitor the calibration of the equipment to avoid application error (under and over applications) and safety to operators. Regular training and refresher courses are implemented, all of which are audited by accredited auditors of the RSPO every year.

	2019	2018	2017
Malaysia	3.30	2.91	2.51
Indonesia	0.54	0.69	0.78

Reduction of overall herbicide usage (kg a.i./ha/year) in mature oil palm planting with the introduction of Indaziflam herbicide in 2016 onwards.

Chemical Health Risk Assessment (CHRA)

In line with the Use and Standards of Exposure of Chemicals Hazardous to Health (USECHH) Regulations 2000, UP first appointed a certified assessor to conduct CHRA in 2004, for all chemicals utilized in the respective plantations, oil mills and refinery.

It is being reviewed every 5 years by the assessor as stipulated in the Regulations and annual medical health surveillance is conducted on all spray operators.

As can be seen in table above, the quantity of agrochemicals (fertilizer nutrients and pesticide/herbicide) per tonne of oil produced in oil palm cultivation at UP over the last three years remain substantially lower than annual oilseed crops such as soybean, sunflower and rapeseed, a reflection on the resource utilization efficiency of the oil palm crop.

Rats eat both palm fruits and male flower in the oil palm field. Barn owls (Tyto alba) and leopard cats (Prionailurus bengalensis) significantly reduce rat population and the usage of rodenticides.

Biological pest control of rats

Rats thrive in the oil palm ecosystem with an abundance of food source (palm shoots, fruit mesocarp, kernels, weevil grubs etc.), as well as plentiful harborage amongst the cut frond heaps. The common rat species encountered in an oil palm field are the Malaysian wood rat (*Rattus tiomanicus*), padi field rat (*Rattus argentiventer*) and the house rats (*Rattus rattus diardii*).

With its prolific reproductive rate, whereby a sexually mature female could conceive multiple times a year and produce an average of 8 pups in each litter, rat populations can mushroom and threaten the oil palm plantings within a short time, given the right conditions.

Various researchers have estimated crop loss caused by rats feeding on fruit mesocarps to be able to reduce oil yield by 5 – 10% (Wood, 1976; Liau, 1990). Badly gnawed male and female inflorescences, as well as young palms killed by rat attacks further contribute to crop loss.

Barn Owls

The Barn owl is a much-loved countryside bird by oil palm planters as it predates on rats, resulting in major reduction of rodent damage. It is also one of the most widely distributed birds in the world.

This bird is the best partner to growers due to its ability to adapt well to oil palm plantations. It survives on a staple diet of 99% rats. It is estimated that a pair of barn owls together with its chicks consume about 800 to 1,000 rats per year.

The barn owls are medium sized (34-36cm) with long legs that have feathers all the way down to their grey toes. The owls have large, round heads without ear tufts and pale heart-shaped facial disc. The owls ingest the rats whole and use their digestive juices to dissolve the nutrients of the fleshy parts. The tougher indigestible parts such as the bones and skulls are regurgitated out.

Barn owl population in tandem with preys' availability can be expanded in the plantation by construction of boxes at vantage points – about 5 meters from the ground and shaded by the palms' canopies. A zinc baffle or collar should be placed on the pole to prevent snakes etc. from predation of the owl's eggs and new born chicks. These boxes should be inspected regularly and repaired where necessary in order to optimize its' occupancy.

At United Plantations, the barn owl is the first line of defence against this serious pest. Where owls could not cope with the high rat population, first generation rat baits such as warfarin are employed to selectively bring down the population. Warfarin baits are preferred as they are relatively safer to barn owls than second generation rat baits. Based on the low usage of rodenticides in the past years, we can infer that the barn owl programme has been fairly successful in keeping rats under control, augmented with rodenticide baiting in selected areas.

Leopard cats

Since its formation in 2011, the Biodiversity Division in UP/PTSSS has recorded a surprising number of leopard cats, *Prionailurus bengalensis*, in the estates. The species is common throughout Southeast Asia in undisturbed as well as altered habitats.

They are common in some oil palm estates; however, little is understood about their role as rat predators in a plantation landscape although studies have shown that rats and mice constitute 93% of the leopard cat's mammalian diet (Rajaratnam et al.,2007). Field observations demonstrate there is a negative relationship between cat numbers and rat population, with high abundance of cats associated with low rat numbers and vice versa(Silmi et al.,2013)

Year	2019	2018	2017
Total Boxes	2,489	2,491	2,393
Total Area Under Owl (Ha)	31,500	32,322	31,308
Box to land ratio in Scheme	12.66	12.98	13.08
% Occupancy in Scheme	52.35	54.16	52.57
Total Planted Area (Ha)	34,226	35,813	34,808
Box to land ratio over Total Planted Area	13.75	14.38	14.55
Rodenticide ai/planted Ha (kg/Ha)	0.0011	0.0008	0.0007

To date, nine individual leopard cats have been collared and continuously tracked for 23 months, during which we collected a total of 1,500 GPS locations. These are used for estimating the respective cats' home-ranges and dispersal patterns, aided by 40 camera traps set up in a 800 m by 800 m grid.

With at least 2-4 individuals/km^2 the leopard cat density in the palm oil estate is much higher than in the conservation forest with a density of less than 1 individual/km^2.

The cats are strictly nocturnal and prefer to hide and rest in thick bush, primarily consisting of sword-fern (*Nephrolepis sp*) during day-time, but forage both on the ground and in the palm canopy at night.

Some preliminary results conclude that leopard cats can feed, reproduce and thrive in a palm oil estate, with a mean home range (95% MCP) for male leopard cats 1.39 km^2 (n = 5; SD = 1.40 km^2) and a smaller mean home range for female cats at 1.26 km^2 (n = 4; SD = 0.36 km^2).

In areas where rats constitute the main prey, leopard cats eat an average of 2-3 rats per day. Amphibians, snakes and birds are also on the menu. With a body weight range of 2.5-4.0 kg leopard cats are expected to consume more food than the much lighter barn owl, a factor which may be favourable in its role as a rat control agent (Silmi et al.,2013)

Our observations reveal that leopard cats can reproduce rapidly with some females giving birth to 4 cubs, with reproduction cycle every five to six months.

Fighting the Haze and Preventing Fires

There shall be no use of open burning/fire in new or ongoing operations for land preparation, land management, waste management, or any other reason other than justified and documented cases of phytosanitary emergency.

Zero Burning Policy

We will be conducting a series of community workshops to educate our local communities about the environmental and social consequences of slash-and-burn farming, as well as to promote alternative methods of land clearance. Our goal is the total eradication of fire as a means to clear land by the local communities. This year, we did experience a severe drought in Indonesia. However, the areas burnt were significantly reduced.

There were some isolated fire incidents which burnt approximately 16.50 Ha within our concession (inner ring) and 96.75 Ha at the outer ring adjacent to our concession. However, the fire was immediately extinguished by our ERT in PTSSS.

Hectares Burnt In Fires

	2019	2018	2017
Non Planted	13.28	31.20	6.00
Planted	3.22	0.55	1.16
Total	16.50	31.75	7.16

Outer Ring Range of ≤500 m

	2019	2018	2017
Outer ring ≤500 m (Ha)	96.75 *95Ha in the outer ring of Arut	1 *Small farmer's field	Nil

Fire patrols are conducted regularly in our Indonesian estates during the dry season.

An aerial view of UIE's Kingham-Cooper tree reserve, an oasis of flowering trees and fruits, shelter and food supply for birds and mammals.

Tree Reserves

The Kingham-Cooper Tree Reserve.

This 7.50 hectare area established in 2008 started as a barren piece of land surrounding the Lagoon which supplies UIE Palm Oil Mill with water.

The Kingham-Cooper Tree Reserve had since been planted with several thousand local trees, and now resembles a natural thick jungle, with over 250 diverse species and 12,000 indigenous trees at this area alone.

UIE Main-Office Tree Parks.

Extending beyond the Lagoon, are a number of other fields planted with more diverse trees, emphasis on rare and valuable hardwoods such as the Dipterocarpaceae Family (*Shorea, Hopea, and Dipterocarpus*).

Additionally, a variety of "food chain" species have been planted to provide food and nesting for birds, habitat for wildlife.

The Anak Macang Riverbank Reserve.

This 5.85 km strip of land is along the southern boundary to Anak Macang River which is not permitted to be cultivated with commercial crops, as regulated by the RSPO, and which has to revert back to natural vegetation.

Since 2011, it has been enriched with a variety of jungle tree species and has become a pleasant, diverse area for biodiversity.

For more information on our tree reserves, please refer to our website, *www.unitedplantations.com/sustainability/.*

UIE's Kingham-Cooper Tree Reserve and the Anak Macang Riverbank Reserve.

An aerial view of the long and winding Arut river in Central Kalimantan.

Community

Our business provides livelihood to families, small businesses and organisation in and around the plantations resulting in many people depending on our Group. Close bonds with our local communities are therefore a key priority to our organisation. We are committed in promoting socio-economic policies and progress in local communities we operate in.

UP has an obligation to monitor and manage any impact our operations might have on these communities and at the same time ensure that our local communities receive financial, social support and benefit by developing the local communities in which we operate by creating jobs, paying taxes and doing business with local enterprises.

Continuous Stakeholder Engagement

UP has engagements with various stakeholders in and around our areas of operation. Our engagement approach varies for formal to informal. All enquiries by stakeholders are recorded and monitored in order to resolve any ongoing issues as sustainable development cannot be achieved without engagement with stakeholders.

Grievance Resolution

Under our MSPO, ISPO and RSPO framework, we are obligated to deal with issues openly. The respective Principles and Criteria states the need for a commitment to transparency and mutually agreed system for dealing with complaints and grievances shall be in place and implemented. This procedure is given to ensure that local and other interested parties understand the communications and consultation process for raising any issues with UP.

UP accepts its responsibility as a corporate citizen and wants local communities to be aware and involved in the communications and consultation methods it uses, thereby aiming to resolve grievances (including those originating from employees) through a consultative process and realizes that any system must resolve disputes in an effective, timely and appropriate manner that is open and transparent to any affected party.

Recognising the value and importance of communication and consultation in clearing up misunderstanding/ conflicts/grievances or raising any issues with UP, the following procedure is adopted, in an effective, timely and appropriate manner that is open and transparent to any affected parties

External Stakeholders

They are Statutory Bodies, NGOs, Local Communities, Smallholders, Contractors, Third Party FFB Suppliers and Services Providers.

Internal Stakeholders

All employees of United Plantations Berhad and their respective Trade Unions.

Social Commitments for Communities

Education

Today, our Group has 9 Primary Schools and 7 Kindergartens on its properties which are maintained by the Company, providing education for more than 500 children ranging from ages of 5 to 12 years from within and outside the plantations. Continuous improvements were made during 2019 to maintain the highest possible welfare standards for our workforce and ensure high standard educational facilities for the children. Scholarships are provided to needy children among the Indonesian villages in which we operate.

Infrastructure investment and support

We finance and provide services to improve rural communities' access to services and markets, as well as to create employment. Our initiatives include the construction, maintenance and renovation of roads, bridges, places of worship, and community facilities such as community halls, sports and cultural facilities.

Estate Group Hospitals

The Company operates two well-equipped estate group hospitals in Malaysia and Indonesia with trained resident Hospital Assistants supervised by a Medical Doctor. Medical services are open to our rural neighbours who in the past lacked access to basic healthcare and immunisation programmes.

A range of social amenities and activities to cater to the needs of our employees and stakeholders of the surrounding communities.

Procedure for Handling External Stakeholders' Issues

The Company Secretary of United Plantations Berhad will be responsible for the handling of all enquires and grievances against the Company. The stakeholder may lodge their enquiries/grievances to respective Estate Manager or Head of Department or direct to the Company Secretary. The Company Secretary's address is as follows:

The Company Secretary
United Plantations Berhad
Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan, Malaysia
Tel : 05-6411411; Ext – 215,334
Fax: 05-6411876
Email: up@unitedplantations.com

For further details on our grievance redressal procedures for internal and external stakeholders, please refer to our website, *www.unitedplantations.com/sustainability/.*

Land Disputes and Free, Prior and Informed Consent (FPIC)

In Indonesia, land disputes are inevitable and part of managing plantations in the country. To minimize land issues, important free, prior and informed consent sessions with stakeholders are conducted as a vital part of sustainable plantation development.

UP has been involved with several thousand land deals with the local community and whilst most cases of disputes have been amicably resolved, there still exists unresolved cases that are in the process of being resolved based on facts and full transparency under our Standard Operating Procedure (SOP) for Land Disputes Settlement as per FPIC.

Our commitment towards the principles of Free, Prior and Informed Consent (FPIC) and to adhere to these principles in all our negotiations and interactions with stakeholders prior to any development or acquisition of land.

For further details on SOP for Land Disputes Settlement as per FPIC protocols, please refer to our website, *www.unitedplantations.com/sustainability/.*

Plasma Schemes / Outgrowers Scheme

The Indonesian Government's objective is to ensure the establishment of Plasma Projects equivalent to 20% of a Company's planted area.

At our Indonesian Plantations, we are actively involved with a government project known as the Plasma Scheme, designed to assist smallholders to become independent plantation growers.

Under the Plasma Scheme, UP helps smallholders to develop their land, including land preparation, for cultivation of oil palms. Once developed, the plantation is managed by the Company for one cycle after which it will be handed over to the smallholder for self-management. During the first cycle, proceeds from the Plasma-areas minus development cost, is paid to the farmers by the Company.

We expect the scheme to provide more opportunities for the smallholders and to help alleviate poverty. With this programme, we hope to steer them away from illegal logging, as well as slash-and-burn activities that can have a huge negative impact on environment. In the

Summary of Disputed, Resolved and Settled Cases from 2017 to 2019 (PT SSS)

Year	Resolved/Settled Cases	Estate	Disputed area (Ha)
2017	15	Lada Estate	65.78
2018	2	Lada/Arut Estates	1.33
2019	-	-	-
Total	17	-	67.11

Date Claim Submitted	Cert/SKT	Name of Claimants	Blk/Flds	Hectarage		Nature/Status of Dispute Status of Docs & Facts	Progress To date
				Docs	Claimant's Demand		
15-Sep-14	Cert	Jaka Suherman	88	30 certs @2Ha	39TKD (6 people)	• Requesting for Plasma • Documents incomplete	• Last meeting was conducted on 18 December 2019 at the PTSSS's main office. The management of cooperative, KTJ agreed to process 14 of 30 certificates to be included into PTSSS plasma scheme.

early years of plantations development, before the oil palm trees reach maturity, the livelihood of smallholders is supported through employment by the Company.

They typically work as employees on our plantations, while they at the same time get an understanding of oil palm cultivation and best management practices. The Company provides the smallholders with sufficient resources and is committed to buying their FFB at government determined rates.

To assist them, we provide vital training on plantations management practices and financial arrangements.

UP's Commitment to Plasma Projects

As of December 2019, 1,314 Ha of Plasma have been developed for 815 Plasma Scheme smallholders and another approximately 150-200 Ha is expected to be provided and developed for the communities surrounding the Company's properties in 2020.

All 815 Plasma Scheme smallholders are directly managed by the Company. Partnership with the local communities is crucial to achieve success in Indonesia and it is therefore of utmost importance that the local communities also benefit from UP's development.

Smallholders' Field Day

Oil palm smallholders have a critical role in helping us achieve our sustainability goals, as they are part of the supply chain providing an estimated 40% of world palm oil production.

As part of our Company's involvement, UP continuously engages with smallholders. The recent Smallholder's Field Day was held on 16th November 2019. We invited 150 smallholders from local districts to visit our plantations to get a better understanding of good agricultural practices, sustainability initiatives and environmental protection.

We are pleased to inform that 134 smallholders attended the Smallholders Field Day. The smallholders were given training sessions in safe handling of pesticides with appropriate Personal Protective Equipment (PPE), effective use of pre-emergent herbicides for less chemical usage, integrated pest management (IPM) mechanized harvesting in order to assist them with their agricultural interests. Demonstration on fire combat procedures were carried out to further enhance the awareness of neighbouring smallholders in case of fire incidence and were informed to contact UP for emergency assistance within the close vicinity.

We also invited Malaysian Palm Oil Board (MPOB) to provide briefing on the Good Agricultural Practices (GAP) as per MPOB GAP Manual and MSPO certification for smallholders

Food Security

To ensure local food security, as part of the FPIC process, participatory SIA and participatory land-use planning with local peoples, the full range of food provisioning options are considered. There is transparency of the land allocation process. The intent is to ensure food security and land use choices are considered as part of the formal FPIC process, prior to new developments.

For further details on food security, please refer to our website, *www.unitedplantations.com/sustainability/.*

Landscape Approach

A landscape approach is about having the community discuss and agree on various sustainability issues that provide an optimal balance between community, commercial and conservation interests.

At United Plantations, we recognize that community engagement, assessment and feedback are an integral part of our global sustainability strategy and initiatives. The community groups which are key to our operations and which have significant influence over the impacts of our business are carefully identified and are engaged at various platforms and intervals throughout the year. The community engagement process which includes a proactive and both formal and informal approach, is carried out to fully understand their sustainability concerns and issues with a view to ensuring that their key interests in these areas are aligned with that of our Group. Partnership with the local communities is crucial to achieve success in Indonesia and it is therefore of utmost importance that the local communities also benefit from UP's development.

For further details on our landscape initiatives, please refer to our website, *www.unitedplantations.com/sustainability/.*

The erection of the new Multistock Deodoriser No 3 at Unitata refinery complex.

Marketplace

Through investment in our people, technology and focus on our supply chain, UP is committed to providing high quality certified sustainable and traceable Palm Oil products and services to customers worldwide. We aim for continuous improvement and work towards building long-term relationships through interaction and discussions about sustainability, global, trends, health and nutrition with customers, suppliers, business partners and other stakeholders in the marketplace.

By interactions with customers and other stakeholders, a deep understanding of this responsibility has been developed and provides a healthy avenue for continuous improvement in quality and food safety by minimizing risks throughout the supply chain. Furthermore, UP has gained much knowledge on market trends and have become more capable of responding to them.

Product Quality

Quality is an integral part of UP's corporate culture. It is our strong objective to deliver premium quality products and services that are safe and based on a high level of responsibility.

Quality Policy

It is the Policy of UP to produce quality palm oil, palm kernels, coconuts and their derived products to the total satisfaction of our worldwide valued customers.

Our Quality Philosophy Includes:-

U pholding the name and reputation of UP as a top producer of high quality palm products.

N urturing a diligent work force who takes pride in contributing to the development of the Company.

I nitiating and innovating positive, progressive work ethics, methods and incorporating a winning culture.

T raining of personnel is the key to upgrading our skills and keeping in trend with the marketplace.

E nsuring that only high quality palm products are produced, to the satisfaction of our customers' needs.

D elivering decisive efforts in Research and Development to continuously improve our working methods, efficiency and product quality.

UP recognizes the importance of safeguarding its customers by ensuring the highest standards in quality as well as environmental and social care.

Our quality focus starts from our Research Department and continues through every aspect of our agricultural, milling and downstream activities until the final product is delivered to our customers. The diagrams shown on pages 88 - 90 provide a clear overview of the many steps involved in ensuring palm oil products of high quality.

Certifications for Food Safety, Sustainability and Others

Our Commitment in food safety for sustainable and consistent high-quality products is endorsed by relevant international certification bodies.

Unitata Berhad – Quality Policy

Unitata is committed to producing high quality palm oil products which are safe for human consumption that meet the statutory and legal requirements for the overall satisfaction of her customers.

As part of our commitment to uphold Unitata's historical standing as a high- quality producer, much emphasis is placed on quality assurance throughout the various stages in the refinery.

This is evidenced through our continuous investments in the latest process technology and sophisticated analytical equipment that provide accurate and timely controls to ensure customer satisfaction on high product quality and food safety.

Edible Oil Refining and Specialty Fats Production

Attention to quality, investment in production facilities and ongoing product development are priorities in order for Unitata to meet challenging and changing customers' demands.

In order to cater for growing demand of high-quality products, our refinery is equipped with automated manufacturing processes such as Neutralization, Bleaching, Deodorization, Fractionation, Interesterification, and Packaging of specialty fats and oils.

Thorough process controls and a disciplined manufacturing culture, are key to the quality assurance procedure that meet our customers' demand.

Consumers today have an increased focus on safety and health as well as on food production through transparent and traceable supply chain. The latter two are based on optimum processes that focuses on reducing processing aids, water and energy and the overall GHG footprint. Furthermore, it is important for consumers that social care for employees as well as protection of forests, including High Carbon Stock and High Conservation Value areas are associated with the food they choose to buy.

To keep up with increasing demands on traceability in the supply chain, we have obtained numerous local and international certifications as follows: ISO 9001, HACCP, Halal, Kosher, BRC, FDA, RSPO SCCS, MSPO SCCS, GMP, GMP+ B2 Feed Safety, MeSTI and MPCA. As a requirement for the above-mentioned certifications, Unitata is audited annually by the various certification bodies and by customers. To improve and further strengthen our supply chain transparency, Unitata had been audited under SMETA (Sedex Members Ethical Trade Audit) a platform that encompass four pillars of responsible practices, ie. Labour, Health and Safety, Environment and Business Ethics.

In addition, Unitata has audited and assessed key suppliers of raw materials, packaging, and ingredients. All raw materials, packaging materials and ingredients are certified as food grade.

Furthermore, we have established and validated our process controls to consistently minimize the risk of contaminants and meet acceptable food safety standards.

Task Force meeting on MOSH/MOAH chaired by the CED.

Unitata also stresses on the element of food defence as part of product security. This assures the protection of our products from malicious contamination, adulteration or theft.

All packed products are traceable to its raw materials, additives and packaging materials via batch and code numbers printed on these labels. The labels meet the requirements of the Malaysian Food Act and the requirements of the respective export markets.

Relevant food safety training is of high priority for all employees in order to keep abreast with the increasingly demanding food safety requirements.

LOW 3-MCPD, Glycidyl Esters and MOSH & MOAH

3-MCPD and Glycidyl Esters are contaminants formed during the processing (refining) of edible oils and fats and has recently become a topic of concern for vegetable oil refiners and consumers based on a report published by the European Food Safety Authority (EFSA) in May 2016. The EFSA Panel on Contaminants in the Food Chain (CONTAM Panel) published the results of its assessment of the safety of 3-MCPD and Glycidyl esters with respect to human health. Available evidence from animal studies indicates that kidney toxicity is the most critical health effect of 3-MCPD in rats. Using this data, EFSA established a tolerable daily intake (TDI) for 3-MCPD for humans which represents the maximum amount that can be consumed daily over a lifetime without being harmful to health. It includes a very large margin of safety.

The TDI for 3-MCPD has been calculated as 0.8 micrograms per kilogram of body weight per day (µg/kg bw per day.)

With the combination of premium quality fruit bunches derived from our own plantations in UP combined with Unitata's processing know-how, we have been able to produce refined palm oil with levels of 3-MCPD and Glycidyl Esters which for over 20 years have been considerably lower than the industry's norm, including the TDI levels mentioned above.

The decades' old sound practices have to-date built a scaffold for research to intensify focus on mitigating contaminants to near non-detection. Whilst the majority of refineries as time passed opted for easier and cheaper refining methodologies, Unitata has firmly stood by her charter to place quality above all else and maintained her position as a leader within the refining industry when it comes to sourcing the highest possible quality of palm components.

The company's decision to invest in a modern laboratory, the Nair's Wing, was an integral part in securing the background knowledge for mitigation work. In June 2016, collaboration work was initiated by the American Oil Chemist Society in developing statistical measurements for a new analytical method called AOCS Cd30-15: Analysis of 2-and 3-MCPD Fatty Acid Esters and Glycidyl fatty Acid Esters in Oil- Based Emulsions.

Unitata was one of the 17 internationally recognised laboratories, after a screening process, to participate in this collaboration. The new method has been endorsed and included in the AOCS compendium of Official Methods in July 2017.

As part of establishing credence on the accuracy and precision over the analytical protocols the laboratory voluntarily and successfully participated in proficiency Performance Assessment Scheme (FAPAS) held in September 2017.

Further improvements and fine tuning of the Laboratory equipment enabled an even greater level of quality assessment.

MOSH & MOAH

Of nearly equal repute in being a contaminant to final oils and fats is the new and emerging contaminant called Mineral Oil Hydrocarbons (MOH). It encompasses two main sub groups namely saturated hydrocarbons, generally present at a ratio of 80/20 with MOAH trailing behind MOSH.

MOSH is believed to accumulate in human tissues and cause adverse effects to the liver while MOAH, the greater menace of the two, is reported to be genotoxic carcinogens-causing damage to the DNA leading to cancer. Hitherto, there has been no binding threshold limits set by the EU legislature save for Germany who is leading the way in drafting out their own national plan.

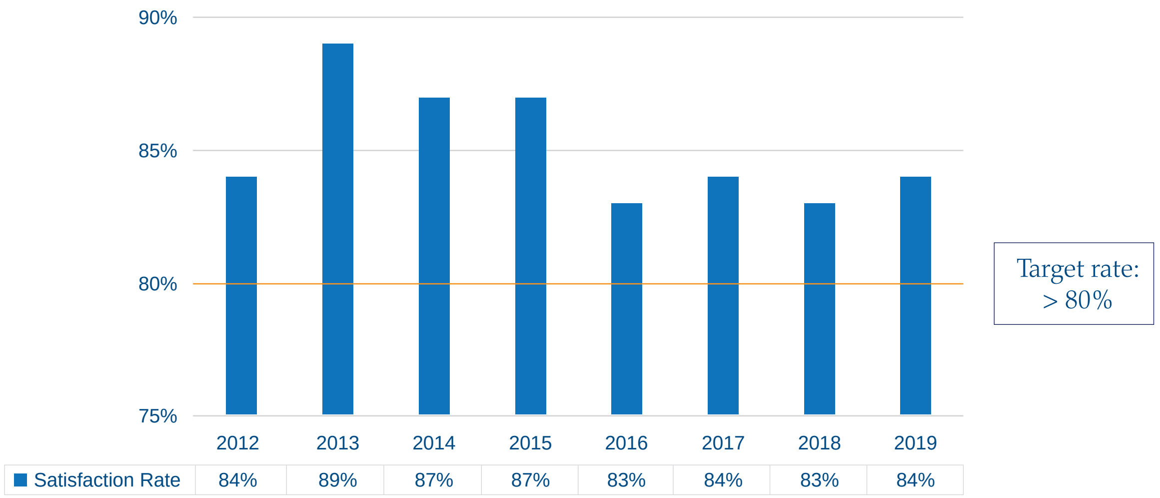
Regulations from member states such as Germany quite often end up being adopted by the greater European trend which we have seen in the past. Currently, customers favour suppliers whose thresholds, through consensus, are guided by the rule as low as reasonably achievable, (ALARA).

While not compelled by legislation it remains chiefly fiduciary to be prepared for the future challenge. In this respect a task force on MOSH/MOAH chaired by our CED was set up in 2018 to undertake the study of this subject in view of meeting the ALARA levels. Since then, baseline occurrence of the contaminant has been drawn and ensuing mitigation efforts have been carried out both through the mill and the refinery.

As months progressed, it became convincingly clear that the adage "we cannot control what we cannot measure" was becoming the motivation to have the analytical capability in-house. Hence, in 2019 the necessary instrumentation was purchased. The committee continues to meet on a quarterly basis to monitor the levels within the group.

As a result of our stringent quality controls and assessments, UP and Unitata are able to meet stringent customer demand for oils used in the production of infant formulas. We are committed to further reduce the levels of these contaminant to the benefit of the customers globally.

Customer Satisfaction Survey: Y2012 till Y2019



Customer Satisfaction

At Unitata, the annual customer satisfaction survey is used to measure how our finished products meet our customers' expectations. This annual survey is an important measure in relation to our continuous improvement attitude and provides us with an important understanding of our service and collaboration with our customers based on their valuable feedback.

The survey focuses on three key areas which are:

(i) Quality of products
(ii) Quality of service
(iii) Delivery timeliness

The results are analysed and tabulated in an appropriate graphical form for presentation at the management review meetings as well as during the various certification audits throughout the year.

Besides that, Unitata also adopts an on-going communication method with customers to keep them engaged with their products.

Regular communication with customers enables Unitata to develop products and provide the necessary service to ensure a continuous customer satisfaction which cannot be taken for granted in the competitive business of refining.

Operation meeting amongst the UniFuji team.

Sustainability and Traceable Supply Chains

Our Commitment to ensure that the certified sustainable palm oil and palm kernel oil used in the production of finished goods actually came from sustainable sources.

Traceability at UP

In the following section, we will be providing an overview on both our upstream (Plantations) and downstream (Refining) business activities in relation to our focus on improving traceability in our supply chain for the benefit of our global customers and stakeholders in general.

As an important part of UP's traceability focus, we strive to ensure that our supply chain (direct and indirect suppliers) live up to our Group's commitment towards the No Deforestation, No Peat and No Exploitation (NDPE) Policy.

The interest for certified sustainable and segregated palm oil is increasing as many global brand manufacturers have committed to only use RSPO certified and segregated palm oil solutions. Traceability is therefore important in order to ensure that the certified sustainable palm oil and palm kernel oil used in the production of finished goods actually come from sustainable sources.

(a) Upstream Operations

All CPO sourced in Malaysia is RSPO certified under the Supply Chain model of Identity Preserved (IP). In Indonesia, we have undergone RSPO certification for part of our plantations (with HGU certificates) and have successfully achieved RSPO certification for these areas (6,712.12 Ha) in 2018. Currently the mill is RSPO certified under the Supply Chain model of Mass Balance (MB).

Full certification and production of RSPO certified and segregated palm oil traceable to the mill and plantations is expected to be reached in 2022 for our Indonesian operations in tandem with the issuance of land use certificates by the local Government authority for our properties (Inti) and Plasma land.

In this connection, we are increasing awareness by retraining and carrying out audits within all operational areas of our group. The results of these measures will be monitored and incorporated in our future reports or Company Website as part of our continuous improvement commitment.

UP's Mills	Percentage from own plantations (%)	Percentage from third party suppliers (%)	Traceable to plantations (%)
UIE	100	0	100
Jendarata	100	0	100
Ulu Bernam Optimill	100	0	100
Ulu Basir	100	0	100
Lada (PTSSS)	76.13	23.87	100

The location of UP owned mills is tabulated below:

Name of Mills	GPS Coordinates	
	Latitude	Longitude
UIE	N 4°26′53″	E 100°43′11″
Jendarata	N 3°51′14″	E 100°58′06″
Ulu Bernam Optimill	N 3°46′19″	E 101°13′14″
Ulu Basir	N 3°43′28″	E 101°15′21″
Lada (PTSSS)	S 2°35′24″	E 111°46′16″

The location of third-party FFB suppliers for PTSSS is tabulated below:

Name of FFB Suppliers	GPS Coordinates	
	Latitude	Longitude
PT. MML	540527	9756490
Koperasi Tani Bahagia	600918	9678406
Koperasi Karya Tunggal Jaya	589868	9728251
Bapak Iswanto	591276	9708506

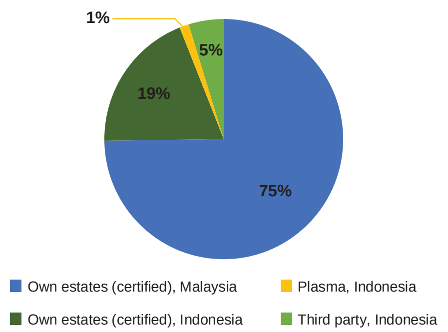
As at 31 December 2019.

(b) Downstream Operations

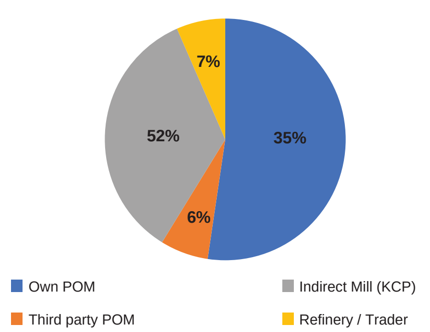
One of Unitata's key commitments to its customers is to ensure that our finished products can be traced back to its origins, namely palm oil mills and further to the plantation level where possible. Unitata is currently in a favourable position to meet this growing demand due to the direct link with UP's supply of RSPO certified sustainable and segregated palm oil traceable to the plantations.

The traceability of all our raw materials – CPO, CPKO, PPO, and PPKO sourced during 2019 is summarised in the chart below:

Origin of FFB Processed at UP Mills



Origin of raw material (in %) sourced at Unitata Bhd.



Origin of raw material sourced at Unitata Bhd. (%)			
Own POM	Third party POM	Indirect Mill (KCP)	Refinery/ Trader
52.34%	6.45%	34.64%	6.57%

Percentage of all palm oil products handled/traded/ processed (tonnes) that are RSPO-certified is 58.79% (52.34% + 6.45%)

In Malaysia, 100% of the Crude Palm Oil (CPO) used at our Unitata refinery can be traced back to the mills and plantations. 100% of the CPO produced in Indonesia is traceable to plantations and is sold to neighbouring refineries as we don't have any downstream operations in the country.

All Crude Palm Kernel Oil (CPKO) derived from UP's own production of Palm Kernel (PK) can be traced back to the plantations. However, as the use of CPKO at our refinery exceeds the volume of CPKO derived from our own PK production, we source significant volumes of CPKO from external Kernel Crushing Plants (KCP) of which the main portion only can be traced back to the Palm Oil Mills (POMs).

Going forward, we will be working with third party suppliers to increase the percentage of CPKO that can be traced back to the plantations in line with increased customer demand for traceability.

Our assurance for the level of traceability is based on our ability to identify the parent company, the mill name, mill coordinates, mill certification status from suppliers and plantations from where the crop (FFB) is produced.

The summary on the number of direct supplier mills supplying CPO and PK is tabulated below:

Raw material	Number of supplying mills	Traceable to plantations	Numbers of supplying mills sourced from own plantations	Percentage sourced from own plantations
CPO	own mills (4)	100%	own mills (4)	100%
	third party mills (4)	100%	third party mills (4)	100%
PK	own mills (4)	100%	own mills (4)	100%
	third party mills (11)	100%	third party mills (11)	100%

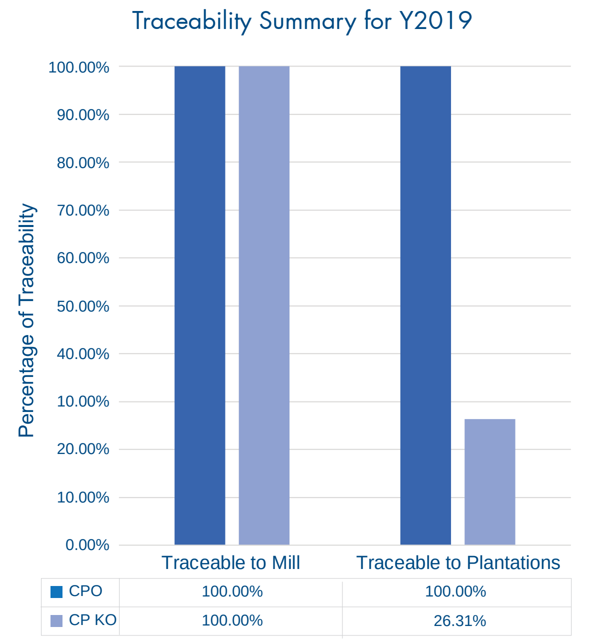
*All of the above own-and third-party supplying mills 100% source from their own plantations. Updated as at 31st December 2019.

The summary on the number of indirect supplier mills supplying PK to Kernel Crushing Plants (KCPs) from which we derive CPKO used at Unitata is tabulated below:

Raw material	Number of KCPs	Number of supplying mills	Traceable to mills (%)
PK	7	122	100

For further details of our direct and indirect supplier mills please refer to www.unitedplantations.com.

The percentage of traceability for Unitata is summarised in the below chart:



The traceability for overall combined volume sourced at Unitata for CPO, CPKO and refined products (from external refineries) is tabulated below:

Summary of the Traceability	
Traceable to Plantations	58.79%
Traceable to Mill	100.00%

**Updated as at 31st December 2019.*

The percentage of derivatives sourced from intermediary traders/refiners is tabulated below:

	Refinery / Trader
Percentage	6.57%

**Updated as at 31st December 2019.*

Evaluation of Suppliers' Sustainable Commitment

As a part of our sourcing policy and continuous improvement focus, we engage with suppliers to improve practices on the ground and strengthen our supply chain and thereby ensure positive developments in the sustainable palm oil production journey. As an important step towards improving our sustainability within economic, environmental and social areas of our business, we have invited our suppliers to join us along the journey.

Our aim is to improve sustainability in our supply chain and ensure that our suppliers join us on this journey through close collaboration. Our approach to engagement includes conducting meetings, self-assessment questionnaires (SAQ), supplier audits, on-site verification and follow-up related to food safety as well as MSPO and RSPO certifications. At the same time, we also assist our suppliers to improve the scores of SAQ to meet the commitment in our Responsible Palm Oil Sourcing Policy and Code of Conduct.

(a) Downstream Operations

At Unitata, we have developed a Self-Assessment Questionnaire (SAQ) since 2019 which is used annually in our engagement with suppliers. This enables us to understand the current status of suppliers and their commitments to adhere to our Responsible Palm Oil Sourcing Policy. Through this engagement, we categorize them as high risk, medium risk and low risk suppliers for further engagement.

The SAQ is sent directly to the suppliers of raw material below:-

- Crude Palm Oil
- Crude Palm Kernel Oil
- Processed Palm Oil
- Processed Palm Kernel Oil

Our Responsible Palm Oil Sourcing Policy is communicated to the above suppliers and it is expected that our suppliers live up to our policies and code of conduct across their entire operations in order to minimize and mitigate sustainability risks.

Site visits are also conducted at a planned interval for further improvements. Where a supplier in our supply chain is categorized as high risk supplier based on SAQ, we will engage with the supplier to agree a reasonable time-bound action plan and further engagement to improve their scores of SAQ to meet the commitments in our Responsible Palm Oil Sourcing Policy.

In addition to the above, we also carry out supplier audits on food safety and quality to evaluate risk materials, supplier's management systems, obtain their certificates to ascertain food safety and quality standards, as well as evaluate their hygiene and sanitation compliance.

(b) Upstream Operations

Similar to our downstream operations, we also have Self-Assessment Questionnaires (SAQ) to evaluate our suppliers within the upstream business area. Through engagement, we discuss findings and explain and promote policies on health and safety, workers' rights as well as our expectations on adherence to our code of conduct and policies of sustainable palm oil.

In Indonesia, we visit our third party FFB suppliers and have training sessions for smallholders and plasma farmers to improve good agricultural practices and promote sustainable palm oil policies and its implementation on ground. The smallholders were given training sessions in safe handling of pesticides with appropriate Personal Protective Equipment (PPE), effective use of pre-emergent herbicides for less chemical usage, integrated pest management (IPM) and mechanized harvesting in order to assist them with their agricultural interests. In addition, demonstration on fire combat procedures were carried out to further enhance the awareness of neighbouring smallholders in case of fire incidence and were informed to contact UP for emergency assistance within close vicinity. We also explain UP's company policies specifically on our No Deforestation, No Peat and No Exploitation (NDPE) commitment as well as our suppliers code of conduct.

In the event that any suppliers violating or breaching the above policies or our Supplier Code of Conduct and thereby is viewed as a high-risk supplier (self-assessment scores below 50%), UP/Unitata shall immediately request for corrective measures to be implemented with a 60 days time-bound action plan and further engagement to ensure the suppliers live up to our Responsible Palm Oil Sourcing Policy. We will moreover through dialogue and co-operation, encourage, and coach the supplier to implement the action plan by providing necessary support to see how challenges can be overcome and implemented for positive change. If a supplier is unable or unwilling to take the necessary actions to conform to the expectations outlined in our policy, UP/Unitata will as a last resort terminate its commercial relationship with the supplier.

The process to engage and assess our suppliers as indicated in the flowchart below:

Distributing self-assessment questionnaires to suppliers annually. Meetings, workshops, training sessions and site visits for engagement with suppliers

↓

Analyse the risk level upon return of self-assessment questionnaires where the total questions are derived to the percentage

↓

Suppliers evaluated for compliance based on the following criteria:

a) Management System & Certifications
b) Management Commitments
c) Human Rights & Social Commitments
d) Business Integrity Commitments
e) Environmental Commitments
f) Transparency and Traceability

↓

Low risk supplier	**Medium risk supplier**	**High risk supplier**
75% to 100% Preferred choice of supplier.	50% to 74% Accepted as a supplier with ongoing monitoring.	0% to 49% Engagement and consultation, corrective actions. Termination of commercial relationship if supplier is unable or unwilling to take the necessary actions.

Percentage of suppliers (FFB, CPO, CPKO and processed palm oil) that have been self-assessed to the key elements of Responsible Sourcing:

Suppliers' Assessment	Upstream	Downstream
Percentage of suppliers assessed	100%	100%
Low risk supplier	100%	93%
Medium risk supplier	0%	7%
High risk supplier	0%	0%

Commitment to quality

Good agricultural practices

Seed Production	Research and Development	
Nursery	Nurturing the palms in the initial year	
Land Preparation & Planting	Selecting the best palms for planting	
Immature Palm Upkeep & Maintenance	Cover crop establishment fixating Nitrogen, suppressing weeds, keeping the soil moist and reducing erosion during the first 3 years before maturity	
Mature Palm Upkeep & Maintenance	Optimising field practices and ensuring high yields	
Harvesting of Fresh Fruit Bunches (FFB)	Harvesting of Fresh Fruit Bunches (FFB), ensuring timely harvesting every two weeks	
Transport of FFB to the Palm Oil Mill	Quick evacuation of FFB after harvesting ensures the best raw materials for further processing at the palm oil mills.	

Quick evacuation and processing at the palm oil mill

FFB transportation to the Palm Oil Mill

568 kms of Light Rail System ensuring quick transportation and good quality FFB, minimizing the environmental impact whilst being cost effective.

Milling Operation

FFB are weighed before further processing

Sterilizers

Quick processing ensures high quality crude palm oil. Railway wagons with FFB enter directly into sterilizers

Screw Press station

Screw press station separates crude palm oil from cooked fruitlets, leaving shell, kernel and fibre

Purifying station

Purifying station ensures final step of crude palm oil production removing remaining residue and moisture

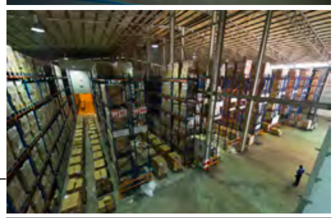
Storage Tanks

High quality crude palm oil is stored before being pumped to Unitata and UniFuji Refineries

Crude palm Oil arrives via pipelines to Unitata and UniFuji Refineries

Receiving high quality crude palm oil is a vital part of being able to supply high quality end products to customers worldwide.

Food safety and quality focus at the refinery

Receiving high quality raw materials	High grade quality raw materials are checked on arrival and pumped into designated and secured storage tanks for further processing	
Pre-refining high quality raw materials	Raw materials are prepared for further processing by removing impurities and contaminants	
Processing and final refining	Pre-refined oils undergo various processing stages, and are finally refined to produce tailor made high quality products to meet customer requirements	
Storing of processed and refined oils	Processed and refined oils are stored in secured and designated tanks and are checked for final quality	
Filling and packing of processed and refined oils	Processed and refined oils are blended into specialty fats and filled in our automated filling lines under strictly controlled hygienic conditions.	
Storing of packed products prior to delivery	Packed products are securely stored in designated warehouses which are under a controlled environment	
Delivering bulk and packed products to customers	Processed and refined oils are delivered in road tankers, ISO tanks and flexi-tanks to local and export markets	
	Packed products of various packaging are delivered via trucks and containers to local and export markets	

Glossary

Biodiversity (BioD)	The diversity (number and variety of species) of plant and animal life within a region.
Biological oxygen demand (BOD)	The amount of oxygen used when organic matter undergoes decomposition by micro- organisms. Testing for BOD is done to assess the amount of organic matter in water.
Carbon Footprint	A measure of the total amount of greenhouse gases, including carbon dioxide, methane and nitrous oxides, emitted directly or indirectly by an organisation, event, product or person.
Child Labour	According to the International Labour Organization (ILO) core labour standards, minimum age should not be less than 16 years old.
CO_2 Equivalents	Carbon dioxide equivalents (CO_2eq) provide a universal standard of measurement against which the impacts of releasing (or avoiding the release of) different greenhouse gases can be evaluated.
Crude Palm Oil (CPO)	Oil produced from oil palm fruits in milling process.
Creating Shared Value (CSV)	A responsibility to manage our resources resourcefully and engage in activities that optimize return for shareholders and the society we operate in.
Deforestation	Defined by UP as direct human-induced conversion of forest to non-forests, with an exception for small scale low intensity subsistence conversion by indigenous peoples and forest dependent traditional communities (consistent with RSPO P & C as well as Indonesian laws, Environmental Impact Assessments (EIA) and High Conservation Value Assessment (HCV).
Effluents	Water discharged from one source into separate body of water, such as mill process water.
ERT	Emergency Response Team
Forced Labour	A person who is coerced to work under the threat of violence, intimidation, or undue stress of penalty.
Free, Prior and Informed Consent (FPIC)	The principle that a community has the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use.
Fresh fruit Bunches (FFB)	Bunch harvested from the oil palm tree. The weight of the fruit bunch ranges between 10 kg to 40 kg depends on the size and age.
Global Reporting initiative (GRI)	A multi-stakeholder standard for sustainability reporting, providing guidance on determining report content and indicators.
Greenhouse Gas (GHG) emissions	Greenhouse gas or carbon emissions are gasses in an atmosphere that absorb and emit radiation within the thermal infrared range. This process is the fundamental cause of the greenhouse effect. The primary greenhouse gases in the Earth's atmosphere are water vapor, carbon dioxide, methane, nitrous oxide, and ozone.
HRESH	Human Resources Environment Safety and Health
High Conservations Value (HCV)	The concept of High Conservation Value Forests (HCVF) was first developed by the Forest Stewardship Council (FSC) in 1999 as their ninth principle. The FSC defined HCVF as forests of outstanding and critical importance due to their environmental, socio-economic and cultural biodiversity and landscape value.
High carbon stock (HCS)	The HCS Approach is a methodology to avoid deforestation in land development. The approach stratifies the vegetation on an area of land into different classes using analyses of satellite images and field plot measurements. Each vegetation class is validated through calibrating it with carbon stock estimates in the above-ground tree biomass.
Hak Guna Usaha(HGU)	The right to enjoy immovable property of another person with the obligation to pay the annual income to the landowner.
ILO (International Labour Organisation)	Is a tripartite world body representative of labour, management and government, and is an agency of the United Nations. It disseminates labour information and sets minimum international labour standards called "conventions", offered to member nations for adoption.
Integrated Pest management (IPM)	A pest management system that in context of the associated environment and the population dynamics of the pest species utilizes all suitable techniques and methods in as compatible a manner as possible and maintains the pest population at levels below those causing economically unacceptable damage and loss.
IUCN Red List	Based in Switzerland, the International Union for Conservation of Nature and Natural Resources (also known as The World Conservation Union) is an organisation involved in the preservation of natural resources. IUCN publishes the Red Data Book, which lists the endangered species of every nation.
Identity Preserved/ IP	Certified sustainable palm oil is physically separated from other certified and non-certified palm oil throughout the supply chain, i.e from the RSPO mill through to the end-user.
Oil Extraction Rate	The amount of oil extracted from oil palm fruit at a mill. Crude palm oil (CPO) is extracted from the flesh; palm kernel oil (PKO) from the nut.
Mass Balance	Certified sustainable palm oil and non-certified palm oil is mixed to avoid the cost of keeping the two quantities controlled. The mass balance system is constructed in such a way that volumes of RSPO certified products shipped will never exceed volumes received by the end-user.
Mature Oil Palm	After planting, the oil palm tree is classified as immature until fresh fruit bunches are produced, which is approximately 30 months later, whereupon the oil palm tree is classified as mature.
MOSH	Mineral Oil Saturated Hydrocarbons
MOAH	Mineral Oil Aromatic Hydrocarbons
Non-governmental organisation (NGO)	Is used in this report to refer to grassroots and campaigning organisations focused on environmental or social issues.
Palm oil Mill effluent (POME)	By-product of processed fresh fruit bunch (FFB).
Peat	Peat is an accumulation of partially decayed vegetation matter. Peat forms in wetlands or peat lands, variously called bogs, moors, muskegs, pocosins, mires, and peat swamp forests.
Plasma schemes	A programme initiated by the Indonesian government to encourage the development of smallholders' plantations with the assistance and cooperation of plantation companies (the nucleus) which assist and support the surrounding community plantations (the plasma).
Palm Kernel (PK)	Seed of the oil palm fruit, which is processed to extract palm kernel oil and other by-products.
Roundtable on sustainable palm oil (RSPO)	A non-governmental multi-stakeholder organisation based in Kuala Lumpur, Malaysia. The organisation has developed a certification scheme for sustainable palm oil.
Social Impact Assessment	A process of analysing, monitoring and managing the intended and unintended, both positive and negative social consequences of planned interventions (policies, programs, plans, projects) and any social change processes invoked by the interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment.
Segregated/ SG	Certified sustainable palm oil is physically separated from non-certified palm oil throughout the entire supply chain.
Stakeholders	Any group or individual who are affected by or can affect a company's operations.
Sustainability	A term expressing a long-term balance between social, economic and environmental objectives. Often linked to Sustainable Development which is defined as "Development that meets the need of current generations without compromising the needs of future generations"
Traceability	Traceability is the capability to track sustainable palm oil along the entire supply chain.
Toxicity	Toxicity measures the degree to which a substance is harmful to living organisms.

KPMG

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Independent Limited Assurance Report

Relating to United Plantations Berhad's Annual Report for the year ended 31 December 2019.

To the Directors of United Plantations Berhad

We, KPMG PLT, have been engaged by United Plantations Berhad ("United Plantations" or "UP") and are responsible for providing a limited assurance conclusion in respect of the Selected Sustainability Information for the year ended 31 December 2019 to be included in the Annual Report 2019 ("the Report") as identified below ("the Selected Sustainability Information").

Management's Responsibilities

The management of United Plantations ("Management") is responsible for the preparation and presentation of the Selected Sustainability Information in accordance with Management's calculation methodologies and the information and assertions contained within it and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is responsible for preventing and detecting fraud and for identifying and ensuring that United Plantations and its subsidiaries (hereinafter referred to as UP Group, which includes UP operations in Malaysia and Indonesia) complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and Report are properly trained, information systems are properly updated and that any changes in reporting encompass all significant business units.

Our Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform the engagement to obtain limited assurance about whether the Selected Sustainability Information is free from material misstatement.

Selected Sustainability Information

Selected Sustainability Information includes the following data for the year ended 31 December 2019:

- Total average earnings per worker per month;
- Lost time injury frequency rate;
- Fatal accident rate;
- Domestic water consumption;
- Mill water consumption in processing fresh fruit bunches ("FFB");
- Usage of pesticides / herbicides;
- Local and international certifications, and Roundtable on Sustainable Palm Oil ("RSPO") certifications;
- Area planted on peat (hectarage as per the peat soil map from United Plantations Research Department ("UPRD"));
- Percentage of suppliers (FFB, Crude Palm Oil ("CPO"), Crude Palm Kernel Oil ("CPKO") and processed palm oil) that have been self-assessed to the key elements of UP's Responsible Sourcing Policy; and
- The description given by UP in the "Evaluation of Suppliers' Sustainable Commitment" section of this Report regarding UP's suppliers' engagement and assessment/programme to support suppliers (FFB, CPO, CPKO and processed palm oil).

The boundary of the Selected Sustainability Information included in the Annual Report 2019 represents the entire UP Group, except for:

- Operations in UniFuji Sdn Bhd, Malaysia, except for Lost Time Injury Frequency Rate and Fatal Accident Rate;
- Operations in PT Surya Sawit Sejati, Indonesia, for Lost Time Injury Frequency Rate and Fatal Accident Rate; and

- Operations in Tanarata Estate, Malaysia, except for Lost Time Injury Frequency Rate and Fatal Accident Rate.

Procedures Performed over Selected Sustainability Information

A limited assurance engagement on the Selected Sustainability Information consists of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures include:

- Interviews with Senior Management and relevant staff at corporate and operating sites;
- Inquiries about the design and implementation of the systems and methods used to collect and process the information reported, including the aggregation of source data into the Selected Sustainability Information;
- Visits to 5 operating sites[1], selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria; and
- Comparing the information presented in the Selected Sustainability Information to corresponding information in the relevant underlying sources to determine whether all the relevant information has been included in the Selected Sustainability Information and prepared in accordance with Management's calculations methodologies.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

KPMG PLT applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Our conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Limited Assurance Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and evidence obtained, as described above, nothing has come to our attention that would lead us to believe that the Selected Sustainability Information included in the Report for the year ended 31 December 2019, is not presented, in all material respects, in accordance with Management's calculation methodologies.

Restriction of use of our Independent Limited Assurance Report

Our Independent Limited Assurance Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than United Plantations, for any purpose or in any other context. Any party other than United Plantations who obtains access to our Independent Limited Assurance Report or a copy thereof and chooses to rely on our Independent Limited Assurance Report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we do not accept nor assume responsibility and deny any liability to any party other than United Plantations for our work, for this Independent Limited Assurance Report, or for the conclusions we have reached.

Our Independent Limited Assurance Report is released to United Plantations on the basis that it shall not be copied, referred to or disclosed, in whole (save for United Plantation's own internal purposes) or in part, without our prior written consent.

KPMG

KPMG PLT
Petaling Jaya
22 February 2020

[1] Ulu Bernam Optimill, Lima Blas Estate, Seri Pelangi Estate, Kuala Bernam Estate and Sungei Bernam Estate

Corporate Governance Overview Statement

The Board of Directors recognizes the importance of good corporate governance and continues to be committed to ensure that high standards of corporate governance are practiced throughout the Group to deliver long term sustainable value to shareholders and other stakeholders. With this in mind, the Board of Directors is pleased to present the corporate governance overview statement which takes guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance (MCCG).

Under the leadership of the Board, the Code of Conduct & Business Ethics was reviewed and revised and adequate procedures have been put in place to minimise exposure of the Group to corporate liability as provided under Section 17A MACC Amendment Act 2018 which will come into force on 1 June 2020. The Management with the support of the Board has also incorporated a Value Creation Model in 2019 Annual Report and is targeting to adopt the Integrated Reporting in 2020. The Board as part of succession planning has also through the Nomination Committee identified and appointed a new board member who came on board on 1 February 2020 as an Independent Non-Executive Director.

The detailed explanation of the application of the corporate governance practices is reported under the Corporate Governance Report ("CG Report") which is published on the Company's website. The Company as at the date of this Corporate Governance Overview statement has applied fully all of the practices in the MCCG except for the following:

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority of independent directors.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Practice 5.1

The Board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome. For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluation.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate:-

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

As for Practice 5.1 which is laid out in two parts, the Board has applied the first part in undertaking a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The Board has disclosed how the assessment was carried out and its outcome in the Nomination Committee report. Please refer to the CG Report on our website for the detailed explanations for the departures and the practices and measures put in place to apply the departed practices. This is our commitment to promote effective governance to support better decision-making and accountability which in turn shall instill stakeholder confidence and trust in the Company. To further strengthen the Corporate Governance practices, we have adopted the following practices in the financial year 2019.

A) Board Charter

The Board Charter sets out the Board's strategic intent and outlines the Board's roles and responsibilities. The Charter elaborates on the fiduciary and leadership functions of the Board and serves as a primary reference for prospective and existing Board members and senior management.

The Charter is reviewed periodically to ensure it complies with current legislation and best practices. The Board Charter was reviewed and updated on 24 February 2018 and can be viewed on the Company's website at www.unitedplantations.com.

B) Strengthen Composition

Specific responsibilities are delegated to Board Committees where appropriate. The Board Committees comprise Nomination Committee, Remuneration Committee, Audit Committee, and Executive Committee. Each Committee operates within its respective Terms of Reference which have been approved by the Board.

B1.1 Nomination Committee

The Nomination Committee is responsible to make recommendations to the Board regarding the appointment of directors, evaluation of the skills, experience, competencies of the Directors, diversity of the Board's composition. The Nomination Committee consists of 3 members, who are all Independent, Non-Executive Directors. The full report of the Nomination Committee can be found from page 107 to 108 of this Corporate Governance Overview Statement 2019.

B1.2 Remuneration Committee and Directors Remuneration

The Remuneration Committee consists entirely of three (3) non-executive directors, all of whom are independent Directors. Its primary function is to review and recommend the remuneration for the Company's executive directors.

The members of the Remuneration Committee are stated herebelow:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman)
(Independent, Non-Executive Director)

Y. Hormat Dato' Jeremy Derek Campbell Diamond
(Independent, Non-Executive Director)

Mr. R. Nadarajan
(Independent, Non-Executive Director)

It is the Remuneration Committee's usual practice to draw information on the Company's remuneration policy from the Executive Committee to assist them with their duties. Executive directors do not participate in the deliberations of the Remuneration Committee.

Only the executive directors have contracts of service which are normally reviewed every three years. The executive directors' salaries are linked to their position, seniority, experience and the Company's overall profitability which would vary from year to year. The salary components are determined in accordance with the Company's established remuneration policy for executive directors. The remuneration packages are sufficiently attractive to attract and retain executive directors.

All directors are paid annual fees. The Chairman and members of the Audit Committee receive additional fees taking into account the nature of their responsibilities. Members of other Board committees do not receive any additional fees. The directors' fees are reviewed by the Board only when it deems necessary, subject however to approval by the shareholders at the A.G.M. The amount is related to their level of responsibilities. Periodical review of the fees is undertaken based on market information on directors' fees. A fixed meeting attendance allowance is paid for all attendances at Board and Board Committee meetings except for the Executive Committee meetings.

The Remuneration Committee held one (1) meeting during the financial year ended 31 December 2019 to deliberate on the retirement gratuity payment and consultancy contract to a director and made their recommendation to the Board. The aggregate remuneration for the year for the following directors are as shown in the table below.

	Directors' Fees		Basic Salary	Additional Remuneration	Benefits-in Kind	Other Benefits	Meeting Attendance Allowance	Total
	Company	Subsidiaries						
	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)	(RM)
Ybhg. Tan Sri Datuk Dr. Johari bin Mat *(Chairman, Independent, Non-Executive)*	165,000	-	-	-	-	-	9,000	174,000
Ybhg. Dato' Carl Bek-Nielsen *(Chief Executive Director)*	100,000	28,000	246,000	1,470,500	56,508	284,160	6,000	2,191,168
Mr. Ho Dua Tiam *(Non-Independent, Non-Executive)*	100,000	-	-	-	-	1,194,058	6,000	1,300,058
Mr. Ahmad Riza Basir *(Independent, Non-Executive)*	110,000	-	-	-	-	-	13,500	123,500
Y. Hormat Dato' Jeremy Derek Campbell Diamond *(Independent, Non-Executive)*	120,000	-	-	-	-	-	12,000	132,000
Mr. Martin Bek-Nielsen *(Executive)*	100,000	23,000	234,000	1,369,500	53,064	265,140	6,000	2,050,704
Mr. Loh Hang Pai *(Executive)*	100,000	-	168,000	840,500	35,223	176,235	6,000	1,325,958
Mr. R. Nadarajan *(Independent, Non-Executive)*	110,000	-	-	-	-	-	15,000	125,000
Madam Rohaya binti Mohammad Yusof *(Non-Independent, Non-Executive)*	100,000	-	-	-	-	-	6,000	106,000
Mr. Jorgen Balle *(Non-Independent, Non-Executive)*	100,000	-	-	-	-	-	6,000	106,000
Total	1,105,000	51,000	648,000	3,680,500	144,795	1,919,593	85,500	7,634,388

B1.3 Audit Committee

The Audit Committee consists entirely of three (3) non-executive directors as required under the Main Market Listing Requirements, all of whom are independent directors.

The Terms of Reference includes scope, functions and activities. The activities of the Audit Committee during the financial year 2019 have been described at length in a separate statement in this Annual Report (pages 103 to 107).

B1.4 Executive Committee

The Executive Committee consists of executive directors only. The scope, functions and activities are given in the Terms of Reference approved by the Board.

It is responsible to oversee the day-to-day management of the Group's operations which include review of the annual revenue and capital budgets before presenting to the Board, reviewing the monthly, quarterly and annual results of the Company and Group and comparing them with the respective business units budgets and taking remedial actions for budget variances, implement policies and procedures approved by the Board, implement recommendations of the Audit Committee, identify key risks annually and implement mitigating actions where practicable, recommend expansion and diversification plans, implement policies for succession, labour recruitment, replanting and replacement of plant and machinery, and the review of research policies and projects. The Executive Committee has established the Group Sustainability Committee which reviews sustainability issues concerning the environment, social/community, employees and market place. The Sustainability Report has been included in a separate statement in this Annual Report.

The Executive Committee has access to the services of the Company Secretary who records and maintains minutes of Executive Committee meetings.

The Executive Committee met formally 3 times during the year 2019, and the minutes thereof were included in the Board files for information and deliberation by the Board. All the executive directors attended all 3 meetings. The Executive Committee also met informally to deal with matters that required prompt response and decisions.

C. Reinforce Independence

C.1 Board Balance and Independence of Directors

The Company has an effective Board entrusted with leadership responsibilities by its shareholders. It is headed by a Chairman who is independent of management and whose key role is the stewardship of the Board. The Chief Executive Director on the other hand is the head of management whose key responsibilities are to run the business and implement the policies and strategies approved by the Board. Due to their contrasting roles at the head of the Company, the two roles are not combined.

Following this division of responsibilities as the heads of the Company we have in the Board's composition included a balance of executive and independent non-executive directors so that no one group would dominate the decision-making process.

For the financial year 2019, your Board consists of ten (10) directors, three (3) of whom are executives who have an intimate knowledge of the business. Amongst the remaining seven (7) non-executive directors, four (4) of them are independent directors. The Board is satisfied that the current board size fulfills its requirements adequately.

The composition of the Board reflects a mix of skills and experience and other qualities which non-executive directors should bring to the Board. Due to the diversified backgrounds and their independence, the non-executive directors are ably engaged in healthy discussions and debates with the executive directors at the Board meetings which are conducive for an effective Board.

The independent directors play a pivotal role in the Board's responsibilities. However, they are not accountable and responsible for the day to day running of the business, which is the role of the executive directors. The independent non-executive directors are actively involved in various Board committees and contribute significantly to areas such as performance monitoring and enhancement of corporate governance by providing independent assessment and opinions on proposals put forward by the executive directors and act as a check and balance for the executive directors.

The Board has established a formal and transparent policy for the role of the executive and non-executive directors.

Biographies of the Directors as given in this Annual Report, show the necessary depth to bring experience and judgment to bear on the collective decision making processes of the Board. The Board's composition fairly represents the ownership structure of the Company with appropriate representatives from the two largest shareholders. There are adequate number of representatives on the Board who fairly reflect the interests of the minority shareholders.

The Board has established position descriptions for the role of each of the executive director who has specific management responsibilities for the day to day running of the business. The Company has included a Group Philosophy Statement in the inside cover of this Annual Report and it has clearly described its objectives in the statement on sustainability to which the Board is deeply committed.

One of the recommendations of the MCCG states that the tenure of an independent director should not exceed a cumulative term of nine (9) years. However, the Nomination Committee and the Board have determined at the annual assessment carried out that Tan Sri Datuk Dr. Johari bin Mat and Dato' Jeremy Derek Campbell Diamond who has each served on the Board for eighteen (18) years and Mr. Ahmad Riza Basir who has served on the Board for nineteen (19) years, remain objective and independent in participating in the deliberations and decision making of the Board and Board Committees. The length of their service on the Board does not interfere with their exercise of independent judgment and act in the best interest of the Group notably in discharging their roles, in the case of Tan Sri Datuk Dr. Johari bin Mat, as Chairman of the Board, Chairman of the Remuneration Committee and Chairman of the Nomination Committee, in the case of Dato' Jeremy Derek Campbell Diamond as the Chairman of the Audit Committee as well as the member of the Remuneration and Nomination Committees, and in the case of Mr. Ahmad Riza Basir as the member of the Audit Committee.

Each of the above three (3) independent directors has provided an annual confirmation of their independence to the Nomination Committee and the Board. The Board has recommended the continuation of these 3 directors as independent directors of the Company as the Board believes that it is in the best position to evaluate and determine whether any independent director can continue acting in the best interest of the Group and bringing unbiased and professional judgement to Board deliberations. The Board has to balance the need to continue with Directors who have intimate knowledge of the Group's business and fresh perspectives which new candidates may bring.

The Board had in 2018 re-assessed the timeline set in the previous year on limiting the tenure of the independent Board members and views that with the expansion of the Group's business following the acquisition of the additional plantation land, the Group will require a stable board, particularly of Independent Directors who have a good understanding of the Group's core business operations, to strategize the new development and bring it to fruition in the next 3-4 years which will allow the Board to concentrate on the business operations to enhance the value of the Group. As such, the Board had moved the timeline for limiting the tenure of the independent directors from end 2021 to end 2023. In the meantime, the Board has initiated concerted effort to increase the number of independent directors and with the recent appointment of Dato' Mohamad Nasir bin Ab. Latif on 1 February 2020, there are now 5 Independent Directors out of the Board size of 11 members.

The Nomination Committee recognizes that the Board diversity should be in tandem with expertise, experience and skills and not gender alone. It was taken note that the recommendation in the MCCG is only a guideline and not mandatory.

The Board is of the view that it is important to recruit and retain the best available talent regardless of gender, ethnicity and age to maximize the effectiveness of the Board. Although the Company does not have a formalised Board gender diversity policy alongside targets and measures, the issue of diversity is discussed and given prominence during deliberations by the Nomination Committee and the Board.

The appointment of Puan Rohaya binti Mohammad Yusof to the Board on 30 November 2017 represents the Board's commitment to consider women directors on the Board. The Board shall increase woman board representation as and when there is vacancy as well as when suitable and qualified candidates are identified.

D. Foster Commitment

The Non-Executive Directors are expected to commit approximately 30 to 45 days in a year of their time to the Group. Time spent includes not only formal board meetings but also preparation for meetings, Board committee meetings, discussion with management, dealing with the authorities when necessary, professional and education conferences and Company functions. The Board is satisfied with the level of time commitment given by each of the directors towards fulfilling their roles on the Board and Board Committees.

The Board meets not less than four (4) times a year to review and approve the quarterly and annual results for announcements. The Board meetings for the ensuing year are fixed in advance. Notice of meetings and the agenda are given in a timely manner.

Standard matters set out in the agenda for the Board meetings are as follows:-

1) Matters arising from the previous minutes of the Board and Committees of the Board
2) Monthly, Quarterly and Yearly Financial Statements and financial forecasts/projections
3) Matters relating to the business namely finance, land matters, staff & labour, succession planning, budgets, production, marketing and others
4) New Investments
5) Subsidiary Companies
6) Sustainability Issues
7) General

During the year under review four (4) Board meetings were held. The directors' attendances are summarised herebelow:-

Directors	No. of Meetings	
	Attended	Held
Ybhg. Tan Sri Datuk Dr. Johari bin Mat -Chairman	4	4
Ybhg. Dato' Carl Bek-Nielsen	4	4
Mr. Ho Dua Tiam	4	4
Mr. Ahmad Riza Basir	4	4
Y. Hormat Dato' Jeremy Derek Campbell Diamond	3	4
Mr. Martin Bek-Nielsen	4	4
Mr. Loh Hang Pai	4	4
Mr. R. Nadarajan	4	4
Madam Rohaya binti Mohammad Yusof	4	4
Mr. Jorgen Balle	4	4
*Ybhg. Dato' Mohamad Nasir bin Ab. Latif (Appointed on 1 February 2020)	-	-

The directors are also mindful of their continuous training requirements. Directors are encouraged to attend various external and internal professional programs relevant and useful in contributing to the effective discharging of their duties as directors.

The Company Secretary facilitates programme registration for interested directors and would maintain such records of the programmes and their attendance thereat. All directors are allowed to choose courses/seminars of relevance in discharging their duties.

The Board, with the input from the Company Secretary, assesses the training needs of individual directors and is satisfied that all directors have met their training needs. Relevant training programmes, seminars and conferences attended by Directors during the financial year ended 31 December 2019 were:

1) Bursa Malaysia's Annual Palm & Lauric Oils Conference & Exhibition: Price Outlook 2019 (POC 2019) on 4-6 March 2019.

2) Governance Symposium 2019 organized by MIA on 7 March 2019.

3) The Role of Audit Committee in Ensuring Organizational Integrity, Risk & Governance organised by ICDM on 9-10 April 2019.

4) MIA's Engagement Session with Audit Committee Members on Integrated Reporting on 30 April 2019.

5) Digital Upskilling for Boards by ICDM on 5 August 2019.

6) The Diversity Conundrum: The Road to Business Excellence by Bursa Malaysia on 14 August 2019.

7) Directors Dialogue on Integrated Reporting by MIA on 11 September 2019.

8) MIA International Accountants Conference 2019 on 22-23 October 2019.

9) Roundtable on Sustainable Palm Oil (RT17)on 3-6 November 2019.

E. Integrity in Financial Reporting

In compliance with paragraph 15.26a of Bursa Malaysia's Main Market Listing Requirements, the Board issues a Statement explaining its responsibility for preparing the annual audited financial statements. The Board is required by law to prepare financial statements for each financial year which will give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year in a manner which is comprehensive and transparent. In the preparation of the financial statements, the directors will consider compliance with all applicable Financial Reporting Standards in Malaysia and the provisions of the Companies Act 2016.

E.1 Internal Control

The Board recognises its responsibility for the group's system of internal controls. In this connection, the Audit Committee conducts an annual review of the adequacy and effectiveness of the system of internal controls and renders a statement to the shareholders to this effect. In this connection, the Audit Committee is assisted by an in-house internal audit department and an external independent professional firm who conduct regular reviews of the internal controls and report to the Audit Committee directly. The external auditors are appointed by the Board to review the Statement of Internal Control and to report thereon.

E.2 Relationship with the Auditors

The Board maintains a formal procedure of carrying out an independent review of all quarterly reports and annual audited financial statements by the Audit Committee, at its meetings. The external auditors and representatives of the management are present to answer questions and provide explanations to the Audit Committee.

The activities of the Audit Committee have been described at length in a separate statement given in this Annual Report.

F. Recognise and Manage Risks

The Board, assisted by the Audit Committee, reviews the risk management policies formulated by management, headed by the Executive Director, Finance & Marketing, and makes relevant recommendations to the management. The Group continues to maintain and review its internal control policies and procedures to ensure, as far as possible, to protect the Group's assets.

The Board has established internal audit function, complemented by an in-house team and an external professional firm. Both the internal audit teams report direct to the Audit Committee.

Details of the Group's internal control system and framework are set out in the Statement on Risk Management and Internal Control.

G. Timely and High Quality Disclosures

The Group has in place a procedure for compliance with the Listing Requirements. The Company Secretary reviews all announcements to ensure accuracy and compliance. The Board reviews and approves all quarterly and other important announcements. The Board is mindful that information which is material is announced immediately.

The Group has designated executive directors as spokespersons in the handling of discussions and disclosures with investors, fund managers and the public.

The Company has a website www.unitedplantations.com where all the Company's announcements, corporate information and updates are posted.

H. Strengthen Relationship Between the Company and Shareholders

H.1 Communications and Investor Relations

The Board acknowledges the need for an effective communication policy with shareholders and investors as the same intimate relationship that exists with management is usually lacking with shareholders with the exception of the controlling shareholders who are represented on the Board. The Company's website: www.unitedplantations.com and the stock exchange websites: www.bursamalaysia.com are used as a forum to communicate with shareholders and investors where they can access corporate information, company's announcements, corporate proposals, quarterly and annual reports, etc.

The Company's executive director holds bi-annual briefings at its corporate office in Kuala Lumpur with institutional investors, market analysts and fund managers after announcement of the quarterly results. Questions relating to these announcements are directed to Mr. Martin Bek-Nielsen, Executive Director (Finance & Marketing). The Board believes that the Company's Annual Report is a vital source of essential information for shareholders and investors and other stakeholders. The Company strives to provide a high level of reporting and transparency as an added value for users of the company's annual report.

H.2 The Annual General Meeting (A.G.M.)

The A.G.M. is an excellent forum for dialogue with all shareholders for which due notice is given. The shareholders are given the opportunity to vote on the regular businesses of the meeting, viz. consideration of the financial statements, consideration and approval of a final dividend, consideration and approval of directors and auditors fees, re-election of directors and special business if any.

The Chairman explains the electronic voting procedure before the commencement of the A.G.M. The shareholders present are given the opportunity to present their views or to seek more information. The resolutions passed at the meeting are released to Bursa Malaysia in a timely manner.

Kindly take note that pursuant to paragraph 2.19 of the Main Market Listing Requirements and Article 162 of the Company's Constitution and in line with UP's " Go Green" initiatives, the Notice of A.G.M., Proxy Form, Circular to Shareholders and Request Form for hardcopy of Annual Report can be downloaded from our website at www.unitedplantations.com.

All Board members, Senior Management from the Finance Department and the External Auditors are present to respond to questions from the shareholders during the A.G.M..

Shareholders registration done electronically prior to attending the annual general meeting.

E-voting process during our 98th A.G.M..

Statement On Directors' Responsibility As At 31 December 2019

The Board is required under paragraph 15.26(a) of the Main Market Listing Requirements of Bursa Malaysia to issue a statement explaining its responsibility for preparing the annual audited financial statements.

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the financial year end and of the results and cashflows of the group for the financial year then ended.

The Directors consider that, in preparing the financial statements of United Plantations Berhad for the financial year ended 31 December 2019 the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. The Directors also consider that all applicable Financial Reporting Standards in Malaysia have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act, 2016.

The Directors are also responsible for taking such steps that are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Auditors' responsibilities are stated in their report to the shareholders.

Mechanised fresh fruit bunch evacuation with direct loading to enhance productivity.

Statement On Risk Management and Internal Control

The Board of Directors ("the Board") of United Plantations Berhad ("the Group") recognises its responsibility for the Group's system of Risk Management and Internal Control (RMIC) for the review of its adequacy and effectiveness, whilst the role of management is to implement the Board's policies on risks and controls. A sound system of RMIC includes the establishment of an appropriate control environment and framework, encompassing financial, operational and compliance controls and management of risks throughout its operations in order to protect its shareholders' value and the Group's assets as well as other stakeholders' interests, at the same time.

The Risk Management Framework is embedded in its culture as documented in the Group Sustainability System Framework as illustrated on page 41. The Risk Management Framework overlaps with the Sustainability Governance Management Structure.

Risk Management Framework

Board of Directors

↕

Executive Committee

↕

Group Sustainability Committee (GSC)

↕

Risk Management Committee

Risk Management Approach

Because of the limitations that are inherent in any systems of RMIC, such systems are designed to manage and mitigate risks that may impede the achievement of the Group's business objectives. Accordingly, the system of RMIC provides only reasonable and not absolute assurance against material misstatement, error or loss. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

Assurance from Management

The Board has received assurances from the Chief Executive Director and the Executive Director, Finance & Marketing, that the Group's system of RMIC is operating adequately and effectively in all material aspects.

Internal Control And Risk Management

The Board regards risk management as an integral part of business operations. There is in place a formal process to identify, evaluate and manage significant strategic, operational, financial, tax-related and legal risks faced by the Group. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken and the time frame to mitigate and minimise these risks. The process is undertaken by a Risk Management Committee headed by the Executive Director, Finance & Marketing and comprises senior executives of the Company and a written report is submitted to the Board. Management proactively reviews the measures taken to manage those identified risks on a timely and consistent manner.

Other Key Elements Of RMIC

Other key elements of the Group's system of internal control are as follow:

- Defined management structure of the Group and clear delegation of authority to committees of the Board and management where authority levels have been clearly established;

- Established operating policies and procedures with respect to key operational areas are continuously reviewed and updated by management to reflect changing risk profile;

- Comprehensive financial and operational reports, including key performance indicators are reviewed against prescribed budgets and parameters by management and executive directors on a monthly and daily basis where applicable;

- Regular meetings are held between the executive directors and management to deliberate on Group strategies and policies, operational and financial performance and other key issues;

- An annual budgetary process whereby each operating entity submits a budget and business plan to the executive committee for consolidation, review and approval, which is then tabled to the Board for deliberation;

- It is the responsibility of each employee to report any potential shortcomings in the internal controls in relation to their respective responsibilities;

- An internal audit function that is outsourced to an independent professional firm, KPMG which reports directly to the Audit Committee. In addition, the Group also has a group internal audit department to complement the reviews by the independent professional firm. Based on a risk- based audit plan, the internal audit function performs regular reviews of critical business processes to identify any significant risks, assess the effectiveness and adequacy of the system of RMIC and where necessary, recommend possible improvements;

- Each subsidiary of the group is (as a minimum requirement) subjected annually to scrutiny of its financial statements by an external auditor, any comments relating to this external audit are passed on to the management in the form of a"management letter". No significant shortcomings in internal controls have been found in the past.

- The Audit Committee, on behalf of the Board, receives reports from both the internal and external auditors and regularly reviews and holds discussions with management on the actions taken on identified RMIC issues. The role of the Audit Committee is further elaborated in the Audit Committee Report on pages 103 to 107. There is no material joint venture that has not been dealt with as part of the Group for the purpose of Statement on Risk Management and Internal Control.

Risk Management Activities

No major weaknesses in the system of internal controls were identified during the year, nor have any of the reported weaknesses resulted in material losses or contingencies requiring disclosure in the Group's Annual Report. Those areas of non-compliance with the procedures and policies and those which require improvements as highlighted by the internal and external auditors during the period have been, or are being addressed. The Board confirms that its risk management and internal control systems which were operational throughout the financial year and up to the date of approval of the Annual Report are adequate and effective to safeguard the Group's assets.

The Board remains committed towards operating a sound system of RMIC and therefore recognizes that the system must continuously evolve to support the type of business and size of operations of the Group. As such, the Board, in striving for continuous improvement will put in place appropriate action plans, when necessary, to further enhance the Group's system of RMIC.

Some of the significant risks identified for the financial year 2019 and 2018 are outlined below:

- Fluctuating commodity prices

  This is the risk faced by the Company due to fluctuating commodity prices, namely crude palm oil and palm kernel prices. The Company uses a Board-regulated forward sales policy to manage this risk. The anti-palm lobby in the European Union ("EU") is to be taken in cognizance. The aversion of using palm oil for biofuels productions is a factor to watch in the EU.

- Adverse foreign exchange fluctuations

  The Company is exposed to fluctuation in foreign currency exchange differences due to its Indonesian Rupiah denominated loan to its Indonesian subsidiary. However, this currency exposure has been decreasing with substantial repayment of the loan over the years. This is a long-term loan and as such, the Company feels that the currency fluctuation will even-out in the long term.

- Insufficient and inexperienced labour force

  The plantation industry in Malaysia, which is labour intensive, is facing a shortage of field workers, harvesters and collectors. This is an ever-present risk which is constantly being monitored by the Company. The Company is looking to recruit more guest workers from Bangladesh and India to alleviate the dependence on Indonesian guest workers, and to have a more balanced spread of guest workers in the Company's estates. At the same time, the Company is focused on reducing labour dependency by introducing automation and productivity increases within all operation areas where possible.

  The plantation business unit in Indonesia has also taken measures to ensure sufficient workers for its operation with focus on the annual Ramadan exodus which resulted in crop losses as the result of insufficient labour

- Political instability and uncertainties in local regulatory and practices

  This is a risk area which is closely monitored by the Group, as changes in legislations in labour policies, land and environmental laws can have a significant impact on the Group's business.

  The Group has established good contacts with the local and central governments and is updated with the latest prevailing laws and regulations. In Malaysia, the change in Government in 2018 brings concern over uncertainty of government policies such as taxation, trade and investments which could significantly impede business decisions while in Indonesia, the issuance of Hak Guna Usaha ("HGU") title for 6,004 ha places the Group in a more secure position.

- Risks in the refinery industry

  This risk pertains to the refinery operations in one of the Company's subsidiaries, Unitata Berhad. The refinery industry is a challenging industry with tight margins and high competition amongst its players.

  Unitata Berhad has managed these risks with efficient operations and selected niche products to stay competitive, and by staying vigilant of the latest developments both in the local and international markets. As sales are primarily US Dollar denominated, the currency risks are managed by a Board approved hedging policy.

  The commissioning of the Unifuji plant in 2018 will further enhance the Group's position in the global oil & fats industry. Unifuji is progressing well operationally in 2019 and have achieved full commercial production.

- Increasing labour costs

  The risk of increasing costs, especially labour costs is an ever-present one. In view of the rising costs, the Company is constantly improving its productivity through efficient management of its labour force and mechanization in selected operational areas. Efforts are underway to consolidate the operations in some of our palm oil mills into an integrated and labour-efficient combined mill.

  The labour cost of the Group will increase with the Malaysian Government's pledge to increase the minimum wage. To mitigate this, Management will continue to increase mechanization and focus on productivity.

- Extreme weather conditions

  This is a risk identified in view of the ramifications of extreme weather conditions on the palm oil yield. During 2016, it had been evident that this risk had a significant impact on the Company's profitability. Water management is in place to mitigate the effects of drought and flooding to a certain extent. Fire brigade team was introduced in Indonesia. Fire safety plan is in place with regular fire drills conducted to ensure preparedness of the Emergency Response Team ("ERT") in the event of fire or flood.

  There were minor fire incidents on the Indonesian subsidiary company's land concession areas in 2019 due to drought and fires spread from neighbouring lands. However, these fires had been effectively managed and contained by the fire brigade team in Indonesia.

- RSPO certification risk

  The Group's downstream operations are totally dependent on selling RSPO-certified oils. Any non-conformities during the certification audits is taken seriously to safeguards our certification.

- CPO and refined oils quality in relation to contaminants

  In the past 10 years, more focus on contaminants in the refined oils have surfaced. Therefore, high quality produce is key for our downstream operations success. Special focus has been given to low 3MCPD, Glycidol and Mineral Oil Hydrocarbon due to increasing demand by customers on quality. Mapping contaminant risks in the mills and refineries are taking place and processing methods are being monitored to safeguard quality.

- Corporate liability risk from the implementation of Section 17A Malaysian Anti-Corruption Commission Amendment Act 2018

  The Government has announced that Section 17A or corporate liability will be effective from 1 June 2020 and commercial organization must have Adequate Procedures to prevent corruption.

  Risk assessment on the exposure of the Group on Section 17A was performed. Adequate Procedures were put in place including revisions and updating the Group's Code of Conduct and Business Ethics and Whistleblower Policy. All employees, directors, contractors, consultants, suppliers, agents and other associated persons have been made aware of Section 17A via, meetings, circulars and training. The inhouse Internal Audit team together with an External Internal Audit Team are to perform periodical compliance audits.

Review of the statement by External Auditors

The external auditors have performed limited assurance procedures on this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagement to Report on the Statement on Risk Management and Internal Control included in the Annual Report included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Group's Annual Report for the year ended 31 December 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement intended to be included in the Annual Report is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Guidelines, nor is the Statement factually inaccurate.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Groups' risk management and internal control system including the assessment and opinion by the Directors and management thereon.

The report from the External Auditors was made solely for and directed solely to the Board of Directors in connection with their compliance with the listing requirements of Bursa Malaysia Securities Berhad and for no other purpose or parties. The External Auditors do not assume responsibility to any person other than the Board of directors in respect of any aspect of this report.

Audit Committee Report

Members of the Audit Committee:

Y. Hormat Dato' Jeremy Derek Campbell Diamond
(Chairman – appointed on 31-7-2001)
(Independent, Non-executive Director)

Mr. Ahmad Riza Basir
(appointed on 19-6-2004)
(Independent, Non-executive Director)

Mr. R. Nadarajan
(appointed on 1-6-2013)
(Independent, Non-executive Director)

The Audit Committee consists entirely of independent non-executive directors. One of the members (Mr. R. Nadarajan) is an associate member of the Chartered Institute of Management Accountants, United Kingdom and a member of the Malaysian Institute of Accountants.

This meets the requirement of the Bursa Securities Listing Requirements which requires at least one qualified accountant as a member of the Audit Committee.

1) Objectives

The Committee operates under the Terms and Reference of Audit Committee containing requirement as spelt out by Bursa Malaysia and the Terms of Reference is posted under Corporate Information section of the Company's website at www.unitedplantations.com.

The Terms of Reference prescribes the Committee's scope of responsibilities and the primary objectives of the Committee are:

a) To assist in discharging the Board's responsibilities as they relate to the Group's management including risk management, internal controls, accounting policies and financial reporting;

b) To provide, by way of regular meetings, a line of communication between the Board and the external and internal auditors;

c) To oversee and review the quality of the audits conducted by the external and internal auditors; and

d) To enhance the perceptions held by interested parties, such as shareholders, regulators, creditors and employees, of the credibility and objectivity of the financial reports.

2) Activities of the Audit Committee during the year

The Committee held five (5) meetings in the year 2019 to conduct and discharge its functions in accordance with the Terms of Reference mentioned above. Details of Directors' attendances at Audit Committee meetings are as follows:

Name of Directors	No. of meetings	
	Attended	Held
Y. Hormat Dato' Jeremy Derek Campbell Diamond	4	5
Mr. Ahmad Riza Basir	5	5
Mr. R. Nadarajan	5	5

The Audit Committee met on a scheduled basis. The Financial Controllers were invited to attend the meetings. The internal and external auditors were also invited to discuss their audit findings, management letters, Audit Planning Memorandum and other matters deemed relevant.

During the scheduled meetings, the members of the Audit Committee also had three (3) sessions with the internal and two (2) sessions with the external auditors without the presence of the Management.

During the year, the Committee carried out the following activities:

a) Internal Audit (IA) (Both in-house and outsourced)

i. Reviewed the annual audit plans for 2019 to ensure adequate scope, coverage of the activities of the Company and the Group and the resource requirements and budget of in-house Internal Audit department to carry out its functions;

ii. Reviewed the Internal Audit reports, audit recommendations and Management's responses to these recommendations;

iii. Reviewed the status report on corrective actions implemented by Management to rectify the outstanding audit issues to ensure control lapses are addressed;

iv. Instructed the conduct of investigations on activities within its terms of reference;

v. Evaluated the performance and effectiveness of the outsourced internal auditors, KPMG Management & Risk Consulting Sdn. Bhd. ("KPMG") and the in-house internal auditors;

vi. Reviewed and assessed the trading manual limits for the Group;

vii. Reviewed the acquisition of 8,999 acres of oil palm lands from Pinehill Pacific Berhad and its related accounting treatment;

viii. Reviewed the application of hedge accounting for the Group's crude palm oil production under the Malaysian Financial Accounting Standard 9 for financial instruments;

ix. Reviewed the carry forward capital expenditure todate listing with explanation if expenditure todate is less than 25% of carry forward budget;

x. Reviewed the debtors ageing listing with explanation if overdue; and

xi. Reviewed the new trading manual for joint venture.

b) External Audit

i. Reviewed with the external auditor:-

- The Audit Planning Memorandum and scope of work for the year; and

- The Results of the audit, the relevant audit reports and Management Letters together with the Management's responses and comments to the findings.

ii. Assessed the independence and objectivity of the external auditors during the year and prior to reappointment. The assessment is based on the private discussions, quality of issues raised in their report and their level of participation on issues discussed during the quarterly meetings they attended. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;

iii. Evaluated the performance and effectiveness of the external auditors and made recommendations to the Board of Directors on their reappointment and remuneration; and

iv. Evaluated and assessed the issues arising from the implementation of SST and the documentation of the resolutions with the Customs.

c) Financial Reporting

Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Company and the Group prior to recommending them for approval by the Board of Directors.

The Committee, in the current year, reviewed only the first three quarters of the unaudited quarterly financial results as the fourth quarter announcement had been dispensed with as approved by Bursa, the approval is on the condition that the full financial report is announced within two months from the close of the financial year end. The review was to ensure that the financial reporting and disclosures are in compliance with:

i. Provisions of the Companies Act, 2016;

ii. Listing Requirements of Bursa Malaysia Securities Berhad;

iii. Applicable approved accounting standards in Malaysia; and

iv. Other legal and regulatory requirements.

d) Related Party Transactions

During the year the Management had reported to the Audit Committee the related party transactions which were recurrent in nature as disclosed under Note 27 of the financial statements. There were no other related party transactions entered into by the Company and the Group.

e) Annual Report

- Reviewed with the external auditors, their evaluation and report of the state of risk management and internal control of the Group and reported the results thereof to the Board of Directors.

- Reviewed the Audit Committee Report, Overview Statement on Corporate Governance, Corporate Governance Report and Statement on Risk Management and Internal Control and recommended the reports to the Board for publication in the 2019 Annual Report.

f) Risk Assessment and Management

Reviewed and discussed with Management the outcome of the exercise to identify, evaluate and manage significant strategic, operational, financial, hedging, trading, tax-related and legal risks faced by the Group. The report was compiled annually and presented to the Audit Committee for further deliberations on the adequacy and effectiveness of the actions taken. In particular, the new joint venture with Fuji Oil Group was discussed and the ongoing status reported on quarterly basis during the Audit Committee meetings.

3) Internal Audit Function

The Committee is supported by the in-house Group Internal Audit Department and the outsourced internal auditors, KPMG in the discharge of its duties and responsibilities.

The internal auditors provide independent and objective assessment on the adequacy and effectiveness of the risk management and internal controls. The in-house internal auditors also carry out investigative audits whenever improper, illegal and dishonest acts are reported.

The Group Internal Audit Department is headed by a qualified accountant and supported by 4 executives with experiences in the audit and estate operations. The Internal Audit programmes are tailored specifically based on the risk areas identified by the Executive Committee and Audit Committee with emphasis on operational weaknesses identified and prevalent in the plantation industry. This will ensure that the audit programme add value to management decision making.

The internal auditors review the effectiveness of the internal control structures of the Group's activities focusing on high risk areas as determined using a risk-based approach.

All operating units are audited at least once over a two year period by the in-house internal auditors, and at least once over a three year period by the outsourced internal auditors (excluding foreign operations).

The internal audits cover the review of the adequacy of risk management, operational controls, compliance with established procedures, guidelines and statutory requirements, quality of assets and management efficiency, amongst others. These audits are to ensure that the established controls are appropriate, effectively applied and achieve acceptable risk exposures consistent with the Group's risk management policy. In performing such reviews, recommendations for improvement and enhancements to the existing system of internal controls and work processes are made.

All auditing activities are conducted in line with the Group's objectives and policies, in accordance with applicable laws and regulations, and as guided by Code of Ethics and International Standards for the Professional Practice of Internal Auditing.

For the year 2019, the activities undertaken by the internal auditors were as follows:

a) Developed an audit plan using risk-based approach, and carried out the assignments according to the audit plan for the year;

b) Conducted ad-hoc assignments as instructed by the Audit Committee;

c) Recommended improvements and enhancements to the existing system of internal controls and work procedures/processes;

d) Conducted investigation into activities or matters as instructed by the Audit Committee and Management;

e) Performed a review and assessment exercise to identify, evaluate and manage significant strategic, operational, financial, hedging, trading, tax-related and legal risks faced by the Group; and

f) Preparation of Audit Committee Report and Statement on Risk Management and Internal Control for the Company's Annual Report.

A total of 8 (2018: 24) audit engagements (in-house internal audits) were completed in 2019. The in-house internal audit team visited 2 Estates (2018: 5) in 2019 to conduct internal auditing on the financial and operational aspects of the operations with particular emphasis on cash management, stocks, reporting and fixed assets.

In addition, 4 special audits (2018:9) were conducted primarily focusing on the audits of weight variances for CPO customers, CCTV review, group cash position review and surprise coconut count (2018: seed production, sludge oil sales, cash handling, bulking installation operation and the review of Plant & Vehicle Maintenance system) Furthermore there is 1 bakery audit and 1 Refinery audit (2018: 1 refinery audit). Material findings include among others weaknesses in payroll system, payment system and weakness in stock management system (2018: weaknesses in existing petty cash management, enhancement in payment procedures, weaknesses in stock management and enhancement to the fixed assets management system).

Given the similarity of the weaknesses continuously found in the internal audit reports, the Internal Audit team changed the internal audit approach to rectification of weaknesses found in the normal course of internal auditing work based on the recommendation from the Chief Executive Director.

Under this new approach, upon completion of the internal audit work and issuance of the internal audit report to Management and the Audit Committee, the Internal Audit team will then subsequently prepared and tailored a specialized training session (reach, teach and remind) based on the audit findings. During the specialized training session with the managers, executives and staffs, detailed and constructive two ways discussions and recommendations are exchanged with the internal audit teams.

Hopefully this will reduce and prevent recurrence of similar audit findings in future audits while at the same time reinforcing the company's policies and procedures to its managers, executives and staffs. Initial feedback are positives and the Chief Executive Director has instructed that this specialized training sessions are to be conducted in all operating units continuously.

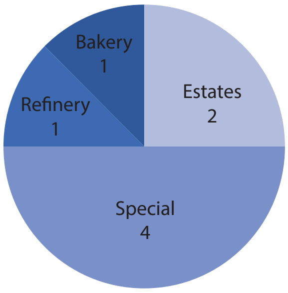
For the outsourced internal audits, 7 (2018: 5) audit engagements were completed in 2019, encompassing 4 (2018: 4) Estate audits, 1 (2018: 1) Refinery audit, 1 (2018: 0) joint venture audit and 1 (2018: 0) research department audit.

The audit objectives are to independently assess the system of internal control as established by Management, the adequacy and integrity of such internal control system versus the objectives served, and to make appropriate recommendation thereof. Material findings include among others delay in fertiliser application, enhancement to monitoring of fixed assets, enhancement to foreign currency hedging process in joint venture, lapses in fixed assets disposal process (2018: enhancement to the crude palm oil and palm kernel dispatches, enhancement to stock count practices and stock management procedures). The audit engagements are performed on a rotational basis to ensure that all business units will be audited at least once every 3 years.

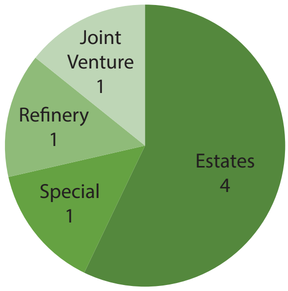
Any control and procedural weaknesses identified were discussed with Management and remedial measures instituted to address the weaknesses identified. The Audit Committee will review the audit report presented and the Management's responses to ensure that material findings are adequately addressed. Some follow up audit works were done subsequently for material findings to ensure adherence to the audit recommendation if any.

A total of 15 (2018: 29) audit engagements (combined in-house and outsourced internal audits) were completed in 2019, categorised as follows:

Internal Audits completed in 2019 by In-house Internal Audit Team



Internal Audits completed in 2019 by Out-sourced Internal Auditors, KPMG



Nomination Committee Report

The members of the Nomination Committee (NC) as at the end of financial year 2019 were as follows:-

Ybhg. Tan Sri Datuk Dr. Johari bin Mat (Chairman)
(Independent, Non-Executive Director)

Y. Hormat Dato' Jeremy Derek Campbell Diamond
(Independent, Non-Executive Director)

Mr. R. Nadarajan
(Independent, Non-Executive Director)

The principal function of making recommendations for new appointments to the Board is delegated to the Nomination Committee. The Nomination Committee consists entirely of non-executive directors as required under the Main Market Listing Requirements, all of whom are independent directors. The Committee has access to the services of the Company Secretary who would record and maintain minutes of meetings and obtain information for the purpose of meeting statutory obligations as well as obligations arising from Bursa Malaysia's Main Market Listing Requirements.

Objectives

The primary objectives of the Committee are:

a) to assist in discharging the Board's responsibilities as they relate to the Group's board renewal and succession planning;

b) to assess the effectiveness of the Board and Committees; and

c) to assess the contributions of individual directors.

Terms of Reference

The duties of the Committee:

1.1 To consider, in making its recommendations to the Board, candidates proposed by any director or shareholder or consultant, for all directorships. In making the recommendations, the NC shall consider the candidates':

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of independent directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities or functions as expected from independent non-executive directors.

1.2 To recommend to the Board, the directors to fill the seats on Board Committees.

1.3 To review annually the Board's required mix of skills and experience and other qualities, including core competencies which the Board members should bring to the Board and Committees to best serve the business and operations of the Group as a whole.

1.4 To assist the Board by formulating and periodically reviewing the criteria and procedure to be carried out by the Committee for assessing the effectiveness of the Board and Board Committees as a whole.

1.5 To assess the board balance by reviewing the size, structure and composition of the Board.

1.6 To assess the independence of the independent directors annually and to recommend to the Board whether an independent director may continue to serve on the Board as an independent director, after his tenure has exceeded a cumulative term of nine years.

1.7 To consider directors who are due to retire on rotation at the AGM and recommend their re-election.

1.8 To develop, review and monitor the policies and approach towards boardroom diversity.

1.9 To review and assess the effectiveness of the Board's succession plan.

1.10 To review the adequacy of the Terms of Reference in the light of new practices and regulatory requirements to ensure that the Committee is operating at maximum effectiveness, and to recommend changes as and when required.

1.11 To perform such other functions relating to the foregoing as the Board may, from time to time, request.

Board Members' Selection Criteria

Selection of candidates to be considered for appointment as directors is facilitated through recommendations from members of the Board and/or shareholders, industry acquaintance, consultants etc to gain access to a wide pool of potential candidates. The Nomination Committee will normally meet with the proposed candidates to assess their suitability in terms of age, qualifications, experience, expertise, any potential conflict of interest and leadership quality before recommending them for appointment to the Board.

Activities of the NC during the year

In 2019, the NC met once and the attendance of members of the Committee was as follows:-

Name of Directors	No. of meetings	
	Attended	Held
Ybhg. Tan Sri Datuk Dr. Johari bin Mat *(Chairman, Independent, Non-Executive)*	1	1
Y. Hormat Dato' Jeremy Derek Campbell Diamond *(Independent, Non-Executive)*	1	1
Mr. R. Nadarajan *(Independent, Non-Executive)*	1	1

The meeting was held in November 2019 for evaluation and selection of Dato' Mohamad Nasir bin Ab. Latif for appointment to the Board as an Independent Non-Executive Director.

Dato' Mohamad Nasir bin Ab. Latif previously served on the Board as a Non-Independent Non-Executive Director for 13 years, as the Board representative of the major shareholder, Employees Provident Fund (EPF) before his resignation from the Company on 30 November 2017. On his retirement from EPF, the Board invited him to take a Board seat as Independent Director Having known and had dealings with him during his tenure on the Board, the Nomination Committee viewed that Dato' Mohamad Nasir has the proven leadership and experience in areas that are relevant to the Group's strategies and business plan and will have the ability to dedicate sufficient time to discharge his responsibilities as an Independent Director.

The recommendation of the Nomination Committee was supported by the Board and Dato' Mohamad Nasir was appointed to the Board on (1 February 2020).

The Nomination Committee in the same meeting performed an annual assessment of the performance of individual directors, considered the eligibility for re-election of directors who are due to retire on rotation at the Annual General Meeting (A.G.M.), and the continuation in office as independent directors for the independent directors who have exceeded tenure of nine (9) years. Under Article 108 of the Company's Constitution one-third of the directors shall retire from office at the A.G.M. and are eligible to seek re-election.

The Nomination Committee also reviewed the required mix of skills and qualities that non-executive directors should bring to the Board to best serve the business and operations of the Group.

An assessment on the effectiveness of the Board and the Committees, and the contributions of each individual director were deliberated.

The Committee reached the conclusion that the Board and the Directors in their individual capacity supported the current needs of the Company.

For the three (3) independent directors who have exceeded the nine (9) years tenure on the Board, namely Tan Sri Datuk Dr. Johari bin Mat, Dato' Jeremy Derek Campbell Diamond and Mr. Ahmad Riza Basir, the Nomination Committee (with abstention of interested individuals) had reviewed their attendance, participation in Board deliberations, including Board Committees and concluded that all of them remain objective and independent and their lengths of service do not interfere with their exercise of independent judgement and accordingly recommended to the Board to propose to the shareholders to retain them as independent directors.

The Company will seek the shareholders' approval for them to be retained as independent directors for another term. When deliberating on the performance of a particular Director who is also a member of the Nomination Committee, that member has abstained from the discussions.

Additional Disclosures

Pursuant to the listing requirements of Bursa Malaysia Securities Berhad, additional disclosures by the Group for the year ended 31 December 2019 are as follows :-

1) Utilisation of proceeds raised from Corporate Proposals

There was no issue of shares during the financial year.

2) Non-audit fees paid to External Auditors

Non-audit fees paid and payable to Company and Subsidiaries' external auditors for the financial year were as follows:-

	RM
Tax services	85,900

3) Cost of Internal Audit

RM679,819 was incurred by the Group in the Financial year for its outsourced internal audit and in-house internal audit department.

Our employees at the Registered Office, Jendarata estate.

Harvesting of Oil Palm, the highest oil yielding crop in the world.

Financial Statements
For the year ended 31 December 2019

Contents

Report Of The Directors For The Year Ended 31 December 2019

The Directors have pleasure in submitting for your consideration their 99th annual report together with the audited financial statements of the Group and of the Company for the year ended 31 December 2019.

Principal Activities

The Company carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia.

The Company also has an active Research Centre providing improved planting material for the Group's estates as well as for the Malaysian agricultural sector in general.

The subsidiary companies are primarily engaged in the following activities:

(a) Business of oil palm cultivation and processing in Indonesia;

(b) Refining of palm oil, manufacturing edible oils, fats, cocoa butter substitute and trading in crude palm oil and palm kernel products;

(c) Handling and storage of vegetable oil and molasses; and

(d) Trading, marketing and investment holding.

There have been no significant changes in the nature of these activities during the year.

Financial Results

	Group RM'000	Company RM'000
Profit after taxation	284,326	217,587
Attributable to:		
Equity owners of the parent	283,286	217,587
Non-controlling interests	1,040	-
Total	284,326	217,587

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements.

Group's Plantation Properties

The Group's plantation properties at the end of the year were as follows:

Malaysia	Hectares
UIE estates	10,369
Jendarata	6,336
Kuala Bernam	830
Sungei Bernam	2,276
Ulu Bernam	3,198
Changkat Mentri	2,551
Ulu Basir	3,991
Sungei Erong	3,620
Sungei Chawang	3,281
Seri Pelangi	1,422
Lima Blas	2,892
Tanarata	3,642
Sub-total	44,408
Indonesia	
PT Surya Sawit Sejati (planted area)	9,076
Plasma	1,314
Conservation	7,673
Buildings & others	603
Sub-total	18,666
Total	63,074

Dividends

Dividends paid by the Company since the end of the previous financial year were as follows:

(a) A final single-tier dividend of 20 sen per share amounting to RM41,558,498 in respect of the previous financial year was paid on 15 May 2019.

(b) A special single-tier dividend of 90 sen per share amounting to RM187,013,243 in respect of the previous financial year was paid on 15 May 2019.

(c) An interim single-tier dividend of 20 sen per share amounting to RM41,478,498 in respect of the current financial year was paid on 6 December 2019.

(d) A special single-tier dividend of 10 sen per share amounting to RM20,739,249 in respect of the current financial year was paid on 6 December 2019.

At the forthcoming Annual General Meeting, a final single-tier dividend of 20 sen per share amounting to RM41,478,498 and a special single-tier dividend of 85 sen per share amounting to RM176,283,618 in respect of the year ended 31 December 2019 on the ordinary shares in issue at book closure date will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2020.

Treasury Shares

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 18 June 2005, approved the Company's plan to purchase up to 10% of the issued and paid-up share capital of the Company. The authority granted by the shareholders was subsequently renewed during subsequent Annual General Meetings, including the last meeting held on 23 April 2019. Notwithstanding the above, the Company in exercising this mandate shall ensure that the public spread shall not fall below 25% as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

During the current financial year, the Company bought back 400,000 units of ordinary shares from the open market. The cost of acquisition amounting to RM10,033,000 was funded via internal funds. These shares have been classified as treasury shares. As at 31 December 2019, the number of treasury shares held amounts to 741,774 shares. These treasury shares were held in accordance with the requirement of Section 127 of the Companies Act 2016.

The Company has the right to cancel, resell these shares and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution are suspended.

As at the end of the financial year, the number of ordinary shares in issue after deducting treasury shares is 207,392,492 ordinary shares.

Report Of The Directors For The Year Ended 31 December 2019

Directors

The names of the Directors of the Company in office since the date of the last report and at the date of this report are:

Ybhg. Tan Sri Datuk Dr. Johari bin Mat
Ybhg. Dato' Carl Bek-Nielsen*
Mr. Ho Dua Tiam*
Mr. Ahmad Riza Basir
Y.Hormat Dato' Jeremy Derek Campbell Diamond
Mr. Martin Bek-Nielsen*
Mr. Loh Hang Pai
Mr. R Nadarajan
Madam Rohaya binti Mohammad Yusof
Mr. Jorgen Balle
Ybhg. Dato' Mohamad Nasir bin Ab. Latif (Appointed on 1 February 2020)

* These Directors are also directors of the Company's subsidiaries

The name of the director of a subsidiary of the Company since the beginning of the financial year to the date of this report, not including those directors listed above is:

Mr. Geoffrey Ian George Cooper

The following Directors who held office at the end of the financial year had according to the register required to be kept under Section 59 of the Companies Act 2016 an interest in shares of the Company and its subsidiary companies, as stated below:

	Number of Shares				
	1 January 2019	Bought	Sold	31 December 2019	% of Issued Share Capital*
The Company:					
Ybhg. Tan Sri Datuk Dr. Johari bin Mat					
- held directly	90,000	-	-	90,000	0.04
- deemed interested	10,000	-	-	10,000	-
Ybhg. Dato' Carl Bek-Nielsen					
- held directly	2,412,491	117,000	-	2,529,491	1.22
- deemed interested	99,371,429	1,000,000	-	100,371,429*1	48.40
Mr. Ho Dua Tiam					
- held directly	707,400	-	-	707,400	0.34
Mr. Ahmad Riza Basir					
- held directly	80,500	6,900	-	87,400	0.04
Y. Hormat Dato' Jeremy Derek Campbell Diamond					
- held directly	16,000	2,000	-	18,000	0.01
- deemed interested	329,000	11,000	-	340,000	0.16
Mr. Martin Bek-Nielsen					
- held directly	552,389	158,000	-	710,389	0.34
- deemed interested	99,329,371	1,007,000	-	100,336,371*2	48.38
Mr. Loh Hang Pai					
- held directly	43,000	7,000	-	50,000	0.02
Mr. R. Nadarajan					
- held directly	-	4,000	-	4,000	-
- deemed interested	-	6,000	-	6,000	-

Report Of The Directors For The Year Ended 31 December 2019

Notes:

*1 Dato' Carl Bek-Nielsen

9,718,571 shares	-	Deemed interested in the shares registered in the name of United International Enterprises Limited
90,607,800 shares	-	Deemed interested in the shares registered in the name of Maximum Vista Sdn. Bhd.
45,058 shares	-	Deemed interested through immediate family members.
100,371,429 shares		

*2 Mr. Martin Bek-Nielsen

9,718,571 shares	-	Deemed interested in the shares registered in the name of United International Enterprises Limited
90,607,800 shares	-	Deemed interested in the shares registered in the name of Maximum Vista Sdn. Bhd.
10,000 shares	-	Deemed interested through immediate family members.
100,336,371 shares		

* calculated based on 207,392,492 shares which do not include 741,774 treasury shares.

By virtue of their interest in the shares of United International Enterprises Limited and Maximum Vista Sdn. Bhd., Dato' Carl Bek-Nielsen and Mr. Martin Bek-Nielsen are also deemed to have interest in the shares of all the subsidiary companies of the Company to the extent the Company has an interest in them.

The remaining Directors in office at the end of the financial year did not have any interest in shares in the Company or its related corporations during the financial year.

Neither at the end of the financial year, nor at any time during the year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the financial statements or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest except as disclosed in Note 27 to the financial statements.

Report Of The Directors For The Year Ended 31 December 2019

Directors' indemnity

There was no amount of insurance premium paid or payable for the directors or officers of the Company in respect of their liability for any act or omission in their capacity as directors or officers of the Company or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial period.

Other statutory information

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that no allowance for doubtful debts was necessary; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or to make any allowance for doubtful debts in the financial statements of the Group and of the Company; and

(ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the Directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

Report Of The Directors For The Year Ended 31 December 2019

Indemnity to auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young PLT, as part of the terms of the audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been paid to indemnify Ernst & Young PLT for the financial year ended 31 December 2019.

Auditors and auditors' remuneration

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration of the Group and Company are RM648,000 and RM331,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 February 2020.

TAN SRI DATUK	}	
DR. JOHARI BIN MAT	}	
	}	
	}	
	}	
	}	Directors
	}	
DATO' CARL BEK-NIELSEN	}	

Jendarata Estate,
36009 Teluk Intan,
Perak Darul Ridzuan,
Malaysia.

Statements Of Comprehensive Income
For The Financial Year Ended 31 December 2019

		Group			Company		
	Note	2019 RM'000	2018 RM'000	*Changes (%)*	2019 RM'000	2018 RM'000	*Changes (%)*
Revenue	4	1,173,101	1,305,591	*(10.1)*	563,335	575,318	*(2.1)*
Other income		22,396	38,571	*(41.9)*	10,569	5,310	*99.0*
		1,195,497	1,344,162	*(11.1)*	573,904	580,628	*(1.2)*
Changes in finished goods		(15,456)	(21,709)	*(28.8)*	(13,400)	10,497	*(227.7)*
Raw materials and consumables used		(393,289)	(466,475)	*(15.7)*	-	-	-
Depreciation of property, plant and equipment		(87,419)	(84,861)	*3.0*	(57,515)	(56,961)	*1.0*
Amortisation of land use rights		-	(1,091)	*(100.0)*	-	-	-
Amortisation of right-of-use assets		(8,045)	-	-	(6,925)	-	-
Staff costs	5	(182,956)	(176,757)	*3.5*	(140,586)	(131,951)	*6.5*
Other expenses		(180,898)	(128,700)	*40.6*	(107,858)	(70,975)	*52.0*
Profit from operations	5	327,434	464,569	*(29.5)*	247,620	331,238	*(25.2)*
Finance costs	6	(29)	(25)	*16.0*	(20)	(20)	*0.0*
Investment and interest income	7	27,675	30,239	*(8.5)*	32,273	26,022	*24.0*
Share of results of joint venture	14	2,880	(3,911)	*173.6*	-	-	-
Profit before taxation		357,960	490,872	*(27.1)*	279,873	357,240	*(21.7)*
Taxation	8	(73,634)	(116,772)	*(36.9)*	(62,286)	(83,668)	*(25.6)*
Net profit for the financial year		284,326	374,100	*(24.0)*	217,587	273,572	*(20.5)*
Attributable to:							
Equity owners of the parent		283,286	372,417	*(23.9)*	217,587	273,572	*(20.5)*
Non-controlling interests		1,040	1,683	*(38.2)*	-	-	-
		284,326	374,100	*(24.0)*	217,587	273,572	*(20.5)*
Earnings per share (sen)	9	136	179	*(24.0)*			

The accompanying notes form an integral part of the financial statements.

Statements Of Comprehensive Income
For The Financial Year Ended 31 December 2019

	Group			Company		
	2019 RM'000	2018 RM'000	*Changes (%)*	2019 RM'000	2018 RM'000	*Changes (%)*
Net profit for the financial year	284,326	374,100	*(24.0)*	217,587	273,572	*(20.5)*
Other comprehensive income:						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences - subsidiaries	3,737	(5,801)	*164.4*	-	-	-
Cash flow hedge						
- changes in fair value	(37,520)	463	*(8,203.7)*	-	-	-
- transfers to profit or loss	7,800	-	-	-	-	-
Tax credit/(expense) relating to components of other comprehensive income	7,133	(111)	*6,526.1*	-	-	-
	(18,850)	(5,449)	*245.9*	-	-	-
Items that will not be reclassified subsequently to profit or loss:						
Actuarial changes on defined retirement benefit obligations	212	1,617	*(86.9)*	-	-	-
	212	1,617	*(86.9)*	-	-	-
Total other comprehensive loss for the financial year	(18,638)	(3,832)	*386.4*	-	-	-
Total comprehensive income for the financial year	265,688	370,268	*(28.2)*	217,587	273,572	*(20.5)*
Total comprehensive income attributable to:						
Equity owners of the parent	264,321	368,851	*(28.3)*	217,587	273,572	*(20.5)*
Non-controlling interests	1,367	1,417	*(3.5)*	-	-	-
	265,688	370,268	*(28.2)*	217,587	273,572	*(20.5)*

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position
As At 31 December 2019

Group

	Note	2019 RM'000	2018 RM'000
Assets			
Non-Current Assets			
Property, plant and equipment	10 (a)	1,191,913	1,493,021
Land use rights	10 (b)	-	38,105
Right-of-use assets	10 (c)	391,093	-
Associated company	13	50	50
Joint venture	14	28,868	25,988
Goodwill	15	356,856	-
Other receivables	17	10,954	4,161
Derivatives	31 (g)	452	1,582
Deferred tax assets	21	4,200	3,631
		1,984,386	1,566,538
Current Assets			
Biological assets	11	32,677	28,509
Inventories	16	123,664	152,866
Trade and other receivables	17	237,104	231,947
Prepayments		1,251	3,218
Tax recoverable		13,957	2,273
Derivatives	31 (g)	5,767	17,238
Cash and bank balances	18 (a)	91,613	202,389
Short term funds	18 (b)	367,792	713,411
		873,825	1,351,851
Total Assets		2,858,211	2,918,389
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	19 (a)	390,054	390,054
Treasury shares	19 (b)	(18,668)	(8,635)
Reserves	20	2,173,202	2,199,670
		2,544,588	2,581,089
Non-controlling interests		9,195	7,828
Total Equity		2,553,783	2,588,917
Non-Current Liabilities			
Deferred tax liabilities	21	154,281	145,991
Retirement benefit obligations	22	15,323	13,615
Derivatives	31 (g)	8,112	-
		177,716	159,606
Current Liabilities			
Trade and other payables	23	91,807	137,329
Tax payable		11,229	22,451
Retirement benefit obligations	22	2,410	1,234
Derivatives	31 (g)	21,166	8,752
Bank borrowings	24	100	100
		126,712	169,866
Total Liabilities		304,428	329,472
Total Equity and Liabilities		2,858,211	2,918,389

The accompanying notes form an integral part of the financial statements.

Statements Of Financial Position
As At 31 December 2019

Company

	Note	2019 RM'000	2018 RM'000
Assets			
Non-Current Assets			
Property, plant and equipment	10 (a)	943,515	1,233,833
Right-of-use assets	10 (c)	353,005	-
Subsidiary companies	12	121,147	355,540
Associated company	13	50	50
Joint venture	14	30,000	30,000
Goodwill	15	356,856	-
		1,804,573	1,619,423
Current Assets			
Biological assets	11	27,478	24,910
Inventories	16	29,153	40,956
Trade and other receivables	17	74,929	118,170
Prepayments		1,139	402
Cash and bank balances	18 (a)	48,346	85,209
Short term funds	18 (b)	152,346	337,652
		333,391	607,299
Total Assets		2,137,964	2,226,722
Equity and Liabilities			
Equity attributable to owners of the parent			
Share capital	19 (a)	390,054	390,054
Treasury shares	19 (b)	(18,668)	(8,635)
Reserves	20	1,536,426	1,609,628
Total Equity		1,907,812	1,991,047
Non-Current Liabilities			
Deferred tax liabilities	21	158,148	139,095
Retirement benefit obligations	22	5,950	5,773
		164,098	144,868
Current Liabilities			
Trade and other payables	23	53,506	69,997
Tax payable		11,224	19,898
Retirement benefit obligations	22	1,324	912
		66,054	90,807
Total Liabilities		230,152	235,675
Total Equity and Liabilities		2,137,964	2,226,722

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2019

Group	Note	Share capital (Note 19(a))	Cash flow hedge reserve (Note 20)	Capital reserve (Note 20)	Foreign currency translation reserve (Note 20)	Treasury shares (Note 19(b))	Retained profits (Note 20)	Total	Non-controlling interests	Total equity
		← Attributable to equity owners of the parent →								
		← Non-distributable →				← Distributable →				
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018		390,054	-	21,798	(13,487)	(8,635)	2,134,195	2,523,925	6,893	2,530,818
Total comprehensive income for the financial year		-	352	-	(5,535)	-	374,034	368,851	1,417	370,268
Dividends, representing total transaction with owners of the parent	25	-	-	-	-	-	(311,687)	(311,687)	-	(311,687)
Dividends to non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	(482)	(482)
At 31 December 2018		390,054	352	21,798	(19,022)	(8,635)	2,196,542	2,581,089	7,828	2,588,917
At 1 January 2019		390,054	352	21,798	(19,022)	(8,635)	2,196,542	2,581,089	7,828	2,588,917
Total comprehensive income for the financial year		-	(22,587)	-	3,410	-	283,498	264,321	1,367	265,688
Purchase of treasury shares	19(b)	-	-	-	-	(10,033)	-	(10,033)	-	(10,033)
Dividends	25	-	-	-	-	-	(290,789)	(290,789)	-	(290,789)
Total transaction with owners of the parent		-	-	-	-	(10,033)	(290,789)	(300,822)	-	(300,822)
At 31 December 2019		390,054	(22,235)	21,798	(15,612)	(18,668)	2,189,251	2,544,588	9,195	2,553,783

The accompanying notes form an integral part of the financial statements.

Statements Of Changes In Equity
For The Financial Year Ended 31 December 2019

Company	Note	Share capital (Note 19(a))	← Distributable Treasury shares (Note 19(b))	→ Retained profits (Note 20)	Total
		RM'000	RM'000	RM'000	RM'000
At 1 January 2018		390,054	(8,635)	1,647,743	2,029,162
Total comprehensive income for the financial year		-	-	273,572	273,572
Dividends, representing total transaction with owners of the parent	25	-	-	(311,687)	(311,687)
At 31 December 2018		390,054	(8,635)	1,609,628	1,991,047
At 1 January 2019		390,054	(8,635)	1,609,628	1,991,047
Total comprehensive income for the financial year		-	-	217,587	217,587
Purchase of treasury shares	19(b)	-	(10,033)	-	(10,033)
Dividends	25	-	-	(290,789)	(290,789)
Total transaction with owners of the parent		-	(10,033)	(290,789)	(300,822)
At 31 December 2019		390,054	(18,668)	1,536,426	1,907,812

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements
For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash Flows From Operating Activities					
Receipts from customers		1,165,333	1,348,013	561,988	573,619
Payments to suppliers		(390,884)	(485,374)	-	-
Payments of operating expenses		(412,089)	(273,747)	(259,986)	(197,714)
Payments of taxes		(95,517)	(101,234)	(65,827)	(61,289)
Other receipts		18,766	35,524	8,001	2,787
Net cash generated from operating activities		285,609	523,182	244,176	317,403
Cash Flows From Investing Activities					
Proceeds from disposal of property, plant and equipment		1,798	3,047	1,542	2,746
Acquisition of a business	30	(359,579)	(41,357)	(359,579)	(41,357)
Interest income		26,145	34,151	11,809	19,281
Net change in deposits with licensed banks with tenure more than 3 months		20,000	301,808	20,000	244,613
Net change in short term funds		345,619	(335,537)	185,306	(201,428)
Dividend received from a subsidiary company		-	-	30,000	3,500
Redemption of RCCPS		-	-	234,900	25,000
Purchase of property, plant and equipment	(a)	(112,128)	(133,976)	(91,648)	(106,907)
Payment for right-of-use assets		(428)	(5,901)	-	-
Net cash used in investing activities		(78,573)	(177,765)	32,330	(54,552)

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements
For The Financial Year Ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Cash Flows From Financing Activities					
Interest paid		(29)	(25)	(20)	(20)
Dividends paid		(290,789)	(311,687)	(290,789)	(311,687)
Dividends paid to non-controlling shareholders of a subsidiary		-	(482)	-	-
Inter-company balances		-	-	(6,753)	(2,200)
Associated company balances		5	(7)	5	(7)
Joint venture balances		3,034	(2,719)	14,221	9,600
Purchase of treasury shares		(10,033)	-	(10,033)	-
Net cash used in financing activities		(297,812)	(314,920)	(293,369)	(304,314)
Net (decrease)/increase in cash and cash equivalents		(90,776)	30,497	(16,863)	(41,463)
Cash and cash equivalents at the beginning of financial year		151,289	120,792	34,209	75,672
Cash and cash equivalents at the end of financial year	(b)	60,513	151,289	17,346	34,209

(a) Total purchases of property, plant and equipment during the year 2019 were made up of purchases which were fully paid in cash, and payments amounting to RM13,186,000 in relation to the amounts included in sundry payables in 2017 (total purchases of property, plant and equipment in 2017 for the Group and the Company amounted to RM175,582,000 and RM161,877,000 respectively, out of which RM146,245,000 for the Group and RM132,540,000 for the Company were fully paid for in cash and the remaining amounts were included in sundry payables).

(b) Analysis of cash and cash equivalents:

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Deposits with licensed banks	60,293	145,729	46,888	82,719
Cash at banks and in hand	31,320	56,660	1,458	2,490
Bank overdrafts	(100)	(100)	-	-
	91,513	202,289	48,346	85,209
Less: Deposits with licensed banks with tenure more than 3 months	(31,000)	(51,000)	(31,000)	(51,000)
Cash and cash equivalents at the end of financial year	60,513	151,289	17,346	34,209

The accompanying notes form an integral part of the financial statements.

Notes To The Financial Statements

1. Corporate Information

The Company carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia. The Company also has an active Research Centre providing improved planting material for the Group's estates as well as for the Malaysian agricultural sector in general. The principal activities of the subsidiary companies, joint venture and associated company are as disclosed in Note 3.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business is located at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan.

The number of employees at 31 December 2019 for the Group was 6,844 (2018: 6,508) and for the Company was 5,173 (2018: 4,936).

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 22 February 2020.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On January 1, 2019, the Group and the Company adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after January 1, 2019.

	Effective for annual periods beginning on or after
• MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
• MFRS 16 Leases	1 January 2019
• MFRS 128 Long-term Interests in Associates and Joint Venture (Amendments to MFRS 128)	1 January 2019
• Annual Improvements to MFRS Standards 2015 - 2017 cycle	1 January 2019
• MFRS 119 Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119)	1 January 2019
• IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the above standards and interpretation did not have any material effect on the financial statements of the Group and of the Company, except as discussed below:

Accounting standard that have been adopted in preparing these financial statements

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 "Leases", IC Interpretation 4 "Determining whether an Arrangement contains a Lease", IC Interpretation 115 "Operating Leases – Incentives" and IC Interpretation 127 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. ROU asset is depreciated throughout the lease period in accordance with the depreciation requirements of MFRS 116 "Property, Plant and Equipment" whereas lease liability is accreted to reflect interest and is reduced to reflect lease payments made. Lease that were classified as finance leases under MFRS 117, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before the date of initial application.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application, if any are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings. The Group has also applied the following practical expedients under MFRS 16:

- No adjustments are made on transition for leases for which the underlying assets are of low value.
- A single discount rate is applied to portfolio of leases with reasonably similar characteristics.
- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- The Group uses hindsight in determining lease terms for contracts that contain options for extension or termination.

As a result, the leasehold land under property, plant and equipment classification and land use rights have been reclassified to ROU assets on 1 January 2019 for the Group and the Company respectively. The detailed impact of changes arising from the adoption of MFRS 16 is set out as follows:

Statements of financial position	31.12.2018 RM'000	Adoption of MFRS 16 RM'000	1.1.2019 RM'000
Group			
Property, plant and equipment (Note 10(a))	1,493,021	(314,435)	1,178,586
Land use rights (Note 10 (b))	38,105	(38,105)	-
Right-of-use assets (Note 10 (c))	-	352,540	352,540
Company			
Property, plant and equipment (Note 10(a))	1,233,833	(314,435)	919,398
Right-of-use assets (Note 10 (c))	-	314,435	314,435

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and amendments if applicable, when they become effective.

	Effective for annual periods beginning on or after
• Revised Conceptual Framework for Financial Reporting	1 January 2020
• Amendments to MFRS 3: Definition of a Business	1 January 2020
• Amendments to MFRS 101: Definition of Material	1 January 2020
• Amendments to MFRS 108: Definition of Material	1 January 2020
• MFRS 17 Insurance Contracts	1 January 2021
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The directors expect that the adoption of the above standards and interpretations will not have material impact on the financial statements in the period of initial application.

Notes To The Financial Statements

2.4 Summary Of Significant Accounting Policies

(a) Subsidiary Companies And Basis Of Consolidation

(i) Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),

(b) Exposure, or rights, to variable returns from its involvement with the investee,and

(c) The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee,

(b) Rights arising from other contractual arrangements, and

(c) The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statements of financial position and statements of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

(a) Derecognises the assets (including goodwill) and liabilities of the subsidiary,

(b) Derecognises the carrying amount of any non-controlling interests,

(c) Derecognises the cumulative translation differences recorded in equity,

(d) Recognises the fair value of the consideration received,

(e) Recognises the fair value of any investment retained, and

(f) Recognises any surplus or deficit in profit or loss.

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(iii) Transactions with non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in profit or loss of the Group and within equity in the consolidated statements of financial position, separately from parent shareholders' equity. Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(b) Associated Companies

Associated companies are entities in which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in associated company is carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associated company.

The Group's share of the net profit or loss of the associated company is recognised in the consolidated profit or loss. Where there has been a change recognised directly in the equity of the associated company, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses in transactions between the Group and the associated company are eliminated to the extent of the Group's interest in the associated company. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associated company. The associated company is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associated company.

Goodwill relating to an associated company is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associated company's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the associated company's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any long-term interest that, in substance, form part of the Group's net investment in the associated company, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

The most recent available audited financial statements of the associated companies are used by the Group in applying the equity method. Where the dates of the audited financial statements used are not coterminous with those of the Group, the share of results is arrived at from the last audited financial statements available and management financial statements to the end of the accounting period. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investments in associated companies are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

(c) Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves an unincorporated entity or the establishment of a separate entity in which each venturer has an interest.

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting as described in Note 2.4(b). Adjustments are made in the Group's consolidated financial statements to eliminate the Group's share of intragroup balances, income and expenses and unrealised gains and losses on transactions between the Group and its joint venture.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

In the Company's separate financial statements, investment in joint venture is stated at cost less impairment loss. On disposal of such investment, the difference between net disposal proceeds and their carrying amount is included in profit or loss.

(d) Business Combinations And Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(e) Current versus non-current classification

The Group and the Company present assets and liabilities in statements of financial position based on current/ non-current classification. An asset is current when it is:

i. Expected to be realized or intended to be sold or consumed in normal operating cycle;
ii. Held primarily for the purpose of trading;
iii. Expected to be realized within twelve months after the reporting period; or
iv. Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

i. It is expected to be settled in normal operating cycle;
ii. It is held primarily for the purpose of trading;
iii. It is due to be settled within twelve months after the reporting period; or
iv. There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group and the Company classify all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(f) (i) Property, Plant and Equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land and capital work-in-progress are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land and capital work-in-progress are stated at cost less any accumulated impairment losses.

The cost of freehold land initially acquired is allocated between the land, buildings and biological assets elements in proportion to the relative fair values for the interests in the land element, buildings element and biological assets element. Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use. Other property, plant and equipment are depreciated by equal annual instalments over their estimated economic lives based upon the original cost or deemed cost on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life.

The principal annual depreciation rates used are:

Buildings	2% - 5%
Bulking installations	5%
Railways	over 25 years or 4%
Rolling stock	over 14 years or approximately 7.14%
Plant and machinery	5% - 20%
Furniture and office equipment	10% - 20%
Motor vehicles, tractors and implements	12.5% - 25%
Aircrafts	5%

Spare parts which are held for use in the production or supply of goods or services and are expected to be used during more than one period, and thus are classified under property, plant and equipment. The cost will be charged out to income statement when the spare parts are utilised.

The residual value, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the profit or loss.

Bearer plants comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop at the following rates which are deemed as the useful economic lives of the crop:

Pre-cropping expenditure - oil palm	over 20 years or 5%
Pre-cropping expenditure - coconut palm	over 30 years or approximately 3.33%

<u>Leasehold land</u>

Accounting policies applied until 31 December 2018

The above accounting policies for property, plant and equipment applies to leasehold land. Leasehold land is depreciated over the period of the lease which range from 50 years to 99 years.

Accounting policies applied from 1 January 2019

Following the adoption of MFRS 16 Leases on 1 January 2019, the Group and the Company have reclassified the carrying amount of leasehold land to right-of-use ("ROU") assets. See note 2.4(x) to the financial statements for the new accounting policies.

(ii) Land Use Rights

Accounting policies applied until 31 December 2018

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

Accounting policies applied from 1 January 2019

Following the adoption of MFRS 16 Leases on 1 January 2019, the Group had reclassified the carrying amount of land use rights to ROU assets. See note 2.4(x) to the financial statements for the new accounting policies.

(g) Biological assets

Biological assets comprised produce growing on bearer plants. Biological assets are classified as current assets for bearer plants that are expected to be harvested and sold or used for production on a date not more than 4 weeks after the reporting date.

Biological assets are measured at fair value less costs to sell. Any gains or losses arising from changes in the fair value less costs to sell are recognised in profit or loss.

(h) Inventories

Agricultural produce stocks are stated at net realisable value at the reporting date.

All other inventories are valued at the lower of cost and estimated net realisable value. Cost includes the actual cost of materials, labour and appropriate production overheads and is determined on a weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Taxes

(i) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

– in respect of taxable temporary differences associated with investments in subsidiaries, associate and joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

– when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

– in respect of deductible temporary differences associated with investments in subsidiaries, associate and joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(j) Foreign Currencies

(i) Functional And Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

(ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency at exchange rates ruling on the transaction dates.

Exchange differences arising on the settlement of monetary items or on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(iii) Foreign Operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency ("RM") of the consolidated financial statements are translated into RM as follows:

(a) Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;

(b) Income and expenses for each profit or loss are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

The principal exchange rates used for currency ruling at the reporting date are as follows:

	2019 RM	2018 RM
1 United States Dollar (USD)	4.0930	4.1360
100 Indonesian Rupiah (IDR)	0.0295	0.0288

(k) Revenue Recognition

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax or sales and services tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

The Group and the Company have generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. The Group and the Company recognise revenue from contracts with customers for the provision of services and sale of goods based on the five-step model as set out below:

Notes To The Financial Statements

a) Identify contract with a customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

b) Identify performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

c) Determine the transaction price

The transaction price is the amount of consideration to which the Group and the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

If the consideration in a contract includes a variable amount, the Group and the Company estimate the amount of consideration to which it will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Using the practical expedient in MFRS 15, the Group and the Company do not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

d) Allocate the transaction price to the performance obligation in the contract

For a contract that has more than one performance obligation, the Group and the Company allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group and the Company expect to be entitled in exchange for satisfying each performance obligation.

e) Recognise revenue when (or as) the Group and the Company satisfies a performance obligation

The Group and the Company satisfies a performance obligation and recognise revenue over time if the Group’s and the Company's performance:

(i) does not create an asset with an alternative use to the Group and the Company and has an enforceable right to payment for performance obligation completed to-date; or

(ii) creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) provides benefits that the customer simultaneously receives and consumes as the Group and the Company performs.

For performance obligations where any one of the above conditions are met, revenue is recognised over time at which the performance obligation is satisfied.

For performance obligations that the Group and the Company satisfies over time, the Group and the Company determined that the input method is the best method in measuring progress of the services because there is direct relationship between the Group's and the Company's effort and the transfer of service to the customer.

The following describes the performance obligation in contracts with customers:

(i) Sale of goods

Revenue from sale of produce stocks and finished goods is recognised when control of is transferred to the customer, measured at fair value of the consideration received or receivable, net of trade discounts.

(ii) Revenue from services

Revenue from services is recognised when services have been completely rendered to the customer, measured at fair value of the consideration received or receivable, net of trade discounts.

(iii) Other revenue

Revenue from other sources are recognised as follows:

(a) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(b) Dividend income

Dividend income from investment is recognised when the right to receive payment is established.

(c) Rental income

Rental income is recognised on a time proportion basis.

(l) Employee Benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). In addition, the Group also contributes to a defined contribution fund set up for certain eligible employees of the Group.

(iii) Defined benefit plans

The Company and certain subsidiary companies provide for retirement benefit for their eligible employees on unfunded defined benefit plans in accordance with the terms of employment and practices. The Group's obligations under these plans are determined internally using the Projected Unit Credit Method based on certain actuarial assumptions where the amount of benefits that employees have earned in return for their services rendered is estimated.

Full provision is recognised for retirement benefit payable to all eligible employees. Should an employee leave before attaining the retirement age, the provision made for the employee is written back. Actuarial gains or losses are recognised as income or expense immediately through OCI. Past service costs are recognised immediately.

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, including land clearing and planting up to the time of maturity, which are assets that necessarily take a substantial period of time to get ready for their intended use are added to the cost of those assets until such time as the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(n) Impairment Of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its assets, other than inventories, assets arising from employee benefits and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of an asset's fair value less cost to sell and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs and prorated to the asset by reference to the cost of the asset to the cost of the cash-generating unit.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any available previously recognised revaluation surplus for the same asset.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

(o) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs. However, receivables without a significant financing component is initially measured at the transaction price.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at amortised cost and financial assets at fair value through profit or loss.

(i) Financial assets at amortised cost

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments which the Group and the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group and the Company commit to purchase or sell the asset.

(p) Impairment Of Financial Assets

The Group and the Company assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

The Group and the Company recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, other receivables and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(q) Cash And Cash Equivalent

Cash and cash equivalents represent cash on hand and at banks and short term deposits with a maturity of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statements of cash flows, cash and cash equivalents consist of unrestricted cash and bank balances, net of outstanding bank overdrafts, if any, as they are considered an integral part of the Group’s and of the Company's cash management.

(r) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, are recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either payables, interest-bearing borrowings or other financial liabilities.

(i) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

(ii) Interest-bearing borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

(iii) Other financial liabilities

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(s) Equity Instruments

Ordinary shares are classified as equity. The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided. Costs of issuing equity securities in connection with a business combination are included in the cost of acquisition. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(t) Financial Assets Or Financial Liabilities At Fair Value Through Profit Or Loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets and liabilities held for trading and short term funds.

Financial assets or financial liabilities held for trading are derivatives. The Group uses derivatives such as forward foreign exchange contracts and commodity futures contracts to hedge the Group's exposure to foreign currency and commodity price fluctuations.

Such derivatives are measured at fair value at each reporting date. The fair values of derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are recognised in profit or loss.

The fair values of the forward foreign exchange contracts have been calculated using the rates quoted by the Group's bankers to terminate the contracts at the reporting date and the fair value of the commodity futures contracts are calculated using future market prices quoted by the Group's broker as at reporting date.

Short term funds are investments in income trust funds carried in the statements of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive changes in fair value) in the statements of profit or loss.

(u) Research And Development Costs

All general research and development costs are expensed as incurred.

(v) Government grants

Grants that compensate the Group for replanting expenses incurred are credited against the pre-cropping expenditure and are amortised over the economic life of the crop.

Grants received as incentives by the Group are recognised as income in the periods the incentives are receivable where there is reasonable assurance that the grant will be received.

(w) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as commodity futures contracts, to hedge its commodity price risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses commodity futures contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Refer to Note 31(g) for more details.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

(x) Leases

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land - over the lease period ranging from 13 to 99 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability. The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's and the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less. Low value assets are those assets valued at less than RM20,000 each when purchased new.

2.5 Significant Accounting Estimate

The key assumptions concerning the future and other key source of estimation uncertainty at the reporting date, that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

(a) Impairment of property, plant and equipment

Assets are tested for impairment when indications of potential impairment exist. Indicators of impairment which could trigger an impairment review include evidence of obsolescence or physical damage, a significant fall in market values, significant underperformance relative to historical or projected future operating results, significant changes in the use of assets or the strategy of the business, and significant adverse industry or economic changes. Recoverable amounts of assets are based on management's estimates and assumptions of the net realisable value, cash flows arising from the future operating performance and revenue generating capacity of the assets and cash operating units, and future market conditions. Changes in circumstances may lead to changes in estimates and assumptions, and result in changes to the recoverable amounts of assets and impairment losses needed.

(b) Bearer plants

Bearer plants comprise pre-cropping expenditure incurred from land clearing to the point of maturity. Such expenditure is capitalised and is amortised at maturity of the crop over the useful economic lives of the crop. Management estimates the useful economic lives of the Group's and the Company's oil palms and coconut palms to be 20 years and 30 years respectively.

(c) Biological Assets

The biological assets of the Group comprise fresh fruit bunch ("FFB") and coconut prior to harvest. The valuation model to be adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB and coconut.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 4 weeks to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 4 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 49% for FFB that are 3 to 4 weeks prior to harvest and 83% for FFB that are 1 to 2 weeks prior to harvest, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from tests. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

To arrive at the fair value of coconuts, the management derived the assumption that the net cash flow to be generated from coconuts prior to more than 4 weeks to harvest to be negligible, therefore quantity of unripe coconuts on bearer plants of up to 4 weeks prior to harvest was used for valuation purpose.

(d) Impairment of goodwill

The Group tests for impairment of goodwill annually and at any other time when such indicators exist. This requires an estimation of value in use of the assets or CGU to which the goodwill is allocated.

Estimating the value in use requires management to estimate the expected future cash flows from the asset or CGU and also to choose a suitable discount rate in order to determine the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, changes in the assumptions may materially affect the assessment of recoverable amounts.

One of the significant judgement involved in preparing the estimated future cash flows is the Group's/Company's ability in extending the lease period of the leasehold lands, which has a remaining unexpired lease period of 16 years, for an additional 60 years upon expiry of the existing lease period.

Further details of the carrying value and the key assumptions applied in the impairment assessment of goodwill are disclosed in Note 15.

3. Group Structure

The subsidiary companies are as follows:

Company	Country of incorporation and principal place of business	Percentage of equity held by the Group* 2019 / 2018 %	Percentage of equity held by non-controlling interest* 2019 / 2018 %	Activities (see below)
Unitata Berhad	Malaysia	100	-	(a)
Butterworth Bulking Installation Sdn. Bhd.	Malaysia	100	-	(b)
Bernam Advisory Services Sdn. Bhd.	Malaysia	100	-	(c)
Berta Services Sdn. Bhd.	Malaysia	100	-	(e)
PT. Surya Sawit Sejati ("PT SSS1")	Indonesia	95	5	(d)
PT. Sawit Seberang Seberang ("PT SSS2")	Indonesia	93	7	Dormant
Bernam Agencies Sdn. Bhd.	Malaysia	100	-	(e)
United International Enterprises (M) Sdn. Bhd.	Malaysia	100	-	Dormant

** equals to the proportion of voting rights held*

The subsidiary companies are primarily engaged in the following activities:

(a) Refining of palm oil, manufacturing edible oils, fats, cocoa butter substitute and trading in crude palm oil and palm kernel products.

(b) Handling and storage of vegetable oil and molasses.

(c) Trading, marketing and investment holding.

(d) Business of oil palm cultivation and processing in Indonesia.

(e) Investment holding.

The joint venture is as follows:

Company	Country of incorporation and principal place of business	Percentage of equity held by the Group* 2019 %	2018 %	Principal Activities
Unifuji Sdn. Bhd.	Malaysia	50	50	Refining of palm oil and trading of palm oil products

** equals to the proportion of voting rights held*

The joint venture is accounted for using the equity method.

The associated company is as follows:

Company	Country of incorporation and principal place of business	Percentage of equity held by the Group* 2019 %	2018 %	Principal Activity
Bernam Bakery Sdn. Bhd.	Malaysia	30	30	Dormant

** equals to the proportion of voting rights held*

The associated company is accounted for using the equity method.

The financial statements of the joint venture and the associated company are coterminous with those of the Group.

All subsidiary companies, the joint venture and the associated company are audited by Ernst & Young PLT, Malaysia other than PT SSS1 and PT SSS2, which are audited by a member firm of Ernst & Young Global in Indonesia.

4. Revenue

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue from contracts with customers consists of the following and excludes, in respect of the Group, intragroup transactions:				
Sales proceeds of produce stocks	392,547	402,296	563,335	575,318
Sales proceeds of finished goods	779,046	901,629	-	-
Rendering of services	1,508	1,666	-	-
	1,173,101	1,305,591	563,335	575,318
Disaggregation of revenue from contracts with customers				
Upstream (Plantations)				
- Malaysia	255,476	246,187	563,335	575,318
- Indonesia	137,071	156,109	-	-
Downstream (Refinery)				
- Malaysia	779,046	901,629	-	-
Other operations	1,508	1,666	-	-
	1,173,101	1,305,591	563,335	575,318

The timing of revenue recognition is at a point in time.

5. Profit From Operations

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit from operations is arrived at, after charging:				
Costs incidental to business combination	24,794	-	24,794	-
Directors' remuneration				
- fees	1,156	1,117	1,105	1,066
- emoluments	6,248	6,392	6,248	6,261
- others	93	187	86	107
Auditors' remuneration				
- statutory audit: current year	464	446	323	313
- non-audit service	8	8	8	8
- statutory audit fee received by a member firm of EY Global	176	167	-	-
Inventories write-down	373	10,602	373	-
Impairment of property, plant and equipment	-	4,243	-	-
Loss on disposal of property, plant and equipment	2,653	2,699	2,653	2,699
Property, plant and equipment written off	3,073	-	2,990	-
Fair value loss in biological assets, net	-	2,707	-	1,704
Unrealised foreign exchange loss	-	3,023	-	-
Realised foreign exchange loss	516	1,281	-	-
Impairment on plasma debt	-	221	-	-
Expenses relating to leases of low-value assets	90	-	55	-
Expenses relating to short-term leases	89	-	-	-
Facility usage fee	1,812	-	-	-
Rental of premises	-	214	-	-
Rental of equipment	-	1,624	-	52
Profit from operations is arrived at, after crediting:				
Reversal of impairment on plasma debt	740	-	-	-
Rental income	413	95	321	95
Profit on disposal of property, plant and equipment	87	253	-	-
Fair value gain in biological assets, net	4,078	-	2,568	-
Reversal on impairment on investment in subsidiary	-	-	507	675
Unrealised foreign exchange gain	2,801	1,577	-	-
Realised foreign exchange gain	439	8,156	-	-

Staff costs of the Group and of the Company incurred during the financial year consist of the following:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries	155,584	147,865	118,965	111,049
Social security cost	2,341	2,109	641	387
Retirement benefit costs				
- defined contribution plans	7,137	6,935	6,024	5,932
- defined benefit plans (Note 22)	3,422	2,611	696	484
Other staff related expenses	14,472	17,237	14,260	14,099
	182,956	176,757	140,586	131,951

Included in staff costs of the Group and of the Company are executive directors' emoluments both amounting to RM6,248,000 respectively (2018: RM6,392,000 and RM6,261,000 respectively).

In addition to contribution to the Employees Provident Fund, the Group also contributes to a defined contribution fund set up for certain eligible employees of the Group.

6. Finance Costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance costs consist of interest expenses on:				
- bank overdraft/bankers acceptances	29	25	20	20

7. Investment And Interest Income

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dividend income from a subsidiary company	-	-	20,000	10,500
Interest income from deposits with licensed banks	24,615	29,792	10,091	15,374
Interest income from advances to subsidiary	-	-	19	2
Interest income from advances to joint venture	3,060	447	2,163	146
	27,675	30,239	32,273	26,022

8. Taxation

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:				
Income tax	78,085	114,091	60,678	74,880
Over provision in prior financial years	(5,474)	(2,164)	(3,525)	(969)
	72,611	111,927	57,153	73,911
Deferred tax (Note 21):				
Relating to origination and reversal of temporary difference	4,070	5,355	7,164	10,267
Over provision in prior financial years	(3,047)	(510)	(2,031)	(510)
	1,023	4,845	5,133	9,757
Tax expense for the financial year	73,634	116,772	62,286	83,668

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial year. The deferred tax computation is based on this rate.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before taxation	357,960	490,872	279,873	357,240
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	85,910	117,809	67,170	85,738
Effect of different tax rates in other countries	288	394	-	-
Income not subject to tax	(13,167)	(6,574)	(6,551)	(4,870)
Expenses not deductible for tax purposes	9,124	7,937	7,223	4,399
Utilisation of double deduction for research	-	(120)	-	(120)
Over provision of deferred tax in prior financial years	(3,047)	(510)	(2,031)	(510)
Over provision of income tax in prior financial years	(5,474)	(2,164)	(3,525)	(969)
Tax expense for the financial year	73,634	116,772	62,286	83,668

Notes To The Financial Statements

9. Earnings per share

The calculation of earnings per share is based on net profit for the year attributable to equity holders of the Company of RM282,980,000 (2018: RM372,417,000) divided by the weighted number of ordinary shares of 207,692,492 (2018: 207,792,492) in issue during the year after deducting treasury shares of 741,774 (2018: 341,774).

	Group	
	2019 sen	2018 sen
Basic earnings per share	136	179

The Group has no potential ordinary shares in issue as at reporting date and therefore, diluted earnings per share has not been presented.

10. (a) Property, Plant And Equipment

Group

	Freehold land	Leasehold land	Bearer plants	Buildings	Plant and machinery	Capital work-in-progress*	Spare Parts	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost								
At 1 January 2019	204,413	385,314	928,840	320,570	808,487	17,985	1,366	2,666,975
Effect of adoption of MFRS 16 Leases	-	(385,314)	-	-	-	-	-	(385,314)
At 1 January 2019 (adjusted)	204,413	-	928,840	320,570	808,487	17,985	1,366	2,281,661
Acquisition of business	-	-	8,001	2,504	2,000	-	-	12,505
Additions	-	-	34,375	15,149	38,112	11,306	-	98,942
Transfer to plasma at cost	-	-	(5,495)	-	-	-	-	(5,495)
Disposals	-	-	-	(1,032)	(8,773)	-	-	(9,805)
Written off	-	-	(2,990)	(118)	-	-	-	(3,108)
Reclassifications	-	-	-	209	14,125	(14,334)	-	-
Adjustment	-	-	-	-	(2,207)	-	-	(2,207)
Exchange differences	-	-	3,814	1,588	2,206	27	6	7,641
Net movement for the financial year	-	-	-	-	-	-	146	146
At 31 December 2019	204,413	-	966,545	338,870	853,950	14,984	1,518	2,380,280
Accumulated depreciation and impairment losses								
At 1 January 2019								
Accumulated depreciation	-	70,879	478,988	178,086	441,758	-	-	1,169,711
Accumulated impairment losses	-	-	-	-	4,243	-	-	4,243
	-	70,879	478,988	178,086	446,001	-	-	1,173,954
Effect of adoption of MFRS 16 Leases	-	(70,879)	-	-	-	-	-	(70,879)
At 1 January 2019 (adjusted)	-	-	478,988	178,086	446,001	-	-	1,103,075
Depreciation for the financial year	-	-	31,991	10,587	44,841	-	-	87,419
Disposals	-	-	-	-	(5,441)	-	-	(5,441)
Written off	-	-	-	(35)	-	-	-	(35)
Exchange differences	-	-	1,466	463	1,420	-	-	3,349
At 31 December 2019	-	-	512,445	189,101	486,821	-	-	1,188,367
Net book value								
At 31 December 2019	204,413	-	454,100	149,769	367,129	14,984	1,518	1,191,913

Group

	Freehold land RM'000	Leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Capital work-in-progress* RM'000	Spare Parts RM'000	Total RM'000
Cost								
At 1 January 2018	204,413	385,314	895,134	305,528	793,744	12,820	1,171	2,598,124
Additions	-	-	39,610	13,396	47,902	19,831	-	120,739
Transfer to plasma at cost	-	-	(267)	-	-	-	-	(267)
Disposals	-	-	(31)	(1,363)	(39,325)	-	-	(40,719)
Reclassifications	-	-	-	5,269	9,356	(14,625)	-	-
Exchange differences	-	-	(5,606)	(2,260)	(3,190)	(41)	(10)	(11,107)
Net movement for the financial year	-	-	-	-	-	-	205	205
At 31 December 2018	204,413	385,314	928,840	320,570	808,487	17,985	1,366	2,666,975
Accumulated depreciation and impairment losses								
At 1 January 2018								
Accumulated depreciation	-	66,761	450,549	169,667	437,088	-	-	1,124,065
Accumulated impairment losses	-	-	-	-	-	-	-	-
	-	66,761	450,549	169,667	437,088	-	-	1,124,065
Depreciation for the financial year	-	4,118	30,183	9,672	40,888	-	-	84,861
Impairment	-	-	-	-	4,243	-	-	4,243
Disposals	-	-	-	(750)	(34,476)	-	-	(35,226)
Exchange differences	-	-	(1,744)	(503)	(1,742)	-	-	(3,989)
At 31 December 2018	-	70,879	478,988	178,086	446,001	-	-	1,173,954
Net book value								
At 31 December 2018	204,413	314,435	449,852	142,484	362,486	17,985	1,366	1,493,021

Under Indonesian laws, the plantation owners are obliged to assist the local communities by assisting them to develop plasma smallholdings. The area of plasma required is 20% of the planted area and this is one of the conditions which must be fulfilled by all plantation owners before the issuance of HGU (lease certificates) of the estate lands by the authorities. The Group is in the process of complying with this condition. The transfer cost is recoverable from the sales of the crops to the mill belonging to the Group.

* Capital work-in-progress of the Group mainly consists of construction of plants and buildings at the following locations:

	2019 RM'000	2018 RM'000
In the estates of the Company in Peninsular Malaysia	239	13,140
In Unitata Berhad	14,745	3,757
In PT SSS1, Central Kalimantan, Indonesia	-	1,088
	14,984	17,985

Company

	Freehold land RM'000	Leasehold land RM'000	Bearer plants RM'000	Buildings RM'000	Plant and machinery RM'000	Capital work-in-progress RM'000	Spare parts RM'000	Total RM'000
Cost								
At 1 January 2019	203,848	385,314	786,878	214,076	529,850	13,140	399	2,133,505
Effect of adoption of MFRS 16 Leases	-	(385,314)	-	-	-	-	-	(385,314)
At 1 January 2019 (adjusted)	203,848	-	786,878	214,076	529,850	13,140	399	1,748,191
Acquisition of business	-	-	8,001	2,504	2,000	-	-	12,505
Additions	-	-	34,375	13,073	30,775	239	-	78,462
Disposals	-	-	-	(1,032)	(6,786)	-	-	(7,818)
Written off	-	-	(2,990)	-	-	-	-	(2,990)
Reclassification	-	-	-	-	13,140	(13,140)	-	-
Adjustment	-	-	-	-	(2,207)	-	-	(2,207)
Net movement for the financial year	-	-	-	-	-	-	57	57
At 31 December 2019	203,848	-	826,264	228,621	566,772	239	456	1,826,200
Accumulated depreciation								
At 1 January 2019	-	70,879	423,519	145,322	259,952	-	-	899,672
Effect of adoption of MFRS 16 Leases	-	(70,879)	-	-	-	-	-	(70,879)
At 1 January 2019 (adjusted)	-	-	423,519	145,322	259,952	-	-	828,793
Depreciation for the financial year	-	-	24,401	6,430	26,684	-	-	57,515
Disposals	-	-	-	-	(3,623)	-	-	(3,623)
At 31 December 2019	-	-	447,920	151,752	283,013	-	-	882,685
Net book value								
At 31 December 2019	203,848	-	378,344	76,869	283,759	239	456	943,515
Cost								
At 1 January 2018	203,848	385,314	749,429	204,599	527,889	7,472	262	2,078,813
Additions	-	-	37,449	10,815	39,738	5,668	-	93,670
Disposals	-	-	-	(1,338)	(37,777)	-	-	(39,115)
Net movement for the financial year	-	-	-	-	-	-	137	137
At 31 December 2018	203,848	385,314	786,878	214,076	529,850	13,140	399	2,133,505
Accumulated depreciation								
At 1 January 2018	-	66,761	400,602	140,228	268,790	-	-	876,381
Depreciation for the financial year	-	4,118	22,917	5,827	24,099	-	-	56,961
Disposals	-	-	-	(733)	(32,937)	-	-	(33,670)
At 31 December 2018	-	70,879	423,519	145,322	259,952	-	-	899,672
Net book value								
At 31 December 2018	203,848	314,435	363,359	68,754	269,898	13,140	399	1,233,833

10. (b) Land Use Rights

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	38,105	34,115
Effect of adoption of MFRS 16 Leases	(38,105)	-
At 1 January 2019 (adjusted)	-	34,115
Additions	-	5,901
Amortisation for the financial year	-	(1,091)
Exchange differences	-	(820)
At 31 December	-	38,105

The additions during the previous year includes the payment of premium for obtaining the HGU (lease certificates) of the estate lands from the authorities.

(c) Right-of-use assets

Group

	Leasehold land RM'000	Land use rights RM'000	Total RM'000
Cost			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16 Leases	385,314	38,105	423,419
At 1 January 2019 (adjusted)	385,314	38,105	423,419
Acquisition of business	45,495	-	45,495
Additions	-	428	428
Exchange differences	-	675	675
At 31 December 2019	430,809	39,208	470,017
Accumulated amortisation			
At 1 January 2019	-	-	-
Effect of adoption of MFRS 16 Leases	70,879	-	70,879
At 1 January 2019 (adjusted)	70,879	-	70,879
Amortisation for the financial year	6,925	1,120	8,045
At 31 December 2019	77,804	1,120	78,924
Net book value			
At 31 December 2019	353,005	38,088	391,093

Company

	Leasehold land RM'000	Total RM'000
Cost		
At 1 January 2019	-	-
Effect of adoption of MFRS 16 Leases	385,314	385,314
At 1 January 2019 (adjusted)	385,314	385,314
Acquisition of business	45,495	45,495
At 31 December 2019	430,809	430,809
Accumulated amortisation		
At 1 January 2019	-	-
Effect of adoption of MFRS 16 Leases	70,879	70,879
At 1 January 2019 (adjusted)	70,879	70,879
Amortisation for the financial year	6,925	6,925
At 31 December 2019	77,804	77,804
Net book value		
At 31 December 2019	353,005	353,005

11. Biological assets

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	28,509	31,388	24,910	26,614
Exchange differences	90	(172)	-	-
Transfers to produce stocks	(28,599)	(31,216)	(24,910)	(26,614)
Fair value changes	32,677	28,509	27,478	24,910
At 31 December	32,677	28,509	27,478	24,910
FFB production (MT)	1,026,352	1,008,063	818,199	785,559
Coconut production (nuts '000)	78,104	71,423	78,104	71,423
The biological assets of the Group and the Company comprise:				
Oil palm fresh fruit bunches	25,565	22,468	20,366	18,869
Coconuts	7,112	6,041	7,112	6,041
	32,677	28,509	27,478	24,910

The biological assets of the Group comprise oil palm fresh fruit bunches ("FFB") and coconuts prior to harvest. The valuation model to be adopted by the Group considers the present value of the net cash flows expected to be generated from the sale of FFB and coconuts.

To arrive at the fair value of FFB, the management considered the oil content of the unripe FFB and derived the assumption that the net cash flow to be generated from FFB prior to more than 4 weeks to harvest to be negligible, therefore quantity of unripe FFB on bearer plants of up to 4 weeks prior to harvest was used for valuation purpose. The value of the unripe FFB was estimated to be approximately 49% for FFB that are 3 to 4 weeks prior to harvest and 83% for FFB that are 1 to 2 weeks prior to harvest, based on actual oil extraction rate and kernel extraction rate of the unripe FFB from tests. Costs to sell, which include harvesting and transport cost, are deducted in arriving at the net cash flow to be generated.

To arrive at the fair value of coconuts, the management derived the assumption that the net cash flow to be generated from coconuts prior to more than 4 weeks to harvest to be negligible, therefore quantity of unripe coconuts on bearer plants of up to 4 weeks prior to harvest was used for valuation purpose.

The change in fair value of the biological assets in each accounting period is recognised in profit or loss.

The Group's and the Company's biological assets were fair valued within Level 3 of the fair value hierarchy. Fair value assessments have been completed consistently using the same valuation techniques.

The key assumptions used to determine the fair value are as follows:

	2019	2018
Oil palms		
Areas (Ha)	42,162	38,661
Average FFB selling price (RM/MT)	570	468
Coconut palms		
Areas (Ha)	3,316	3,085
Average selling price (RM/nut)	1.05	1.05

Sensitivity Analysis

A 10% increase/decrease in the average oil palm fresh fruit bunches (FFB) selling price (RM/MT) and average selling price of coconuts (RM/nut) would result in the following to the fair value of the biological assets:

	2019 RM'000	2018 RM'000
10% increase	3,337	3,165
10% decrease	(3,337)	(3,165)

12. Subsidiary Companies

Investment in subsidiary companies

	Company	
	2019 RM'000	2018 RM'000
Unquoted shares at cost	44,451	44,451
Less: Accumulated impairment losses	(13,204)	(13,711)
	31,247	30,740
Unquoted Redeemable Cumulative Convertible Preference Shares:		
As at 1 January	324,800	349,800
Redemption	(234,900)	(25,000)
As at 31 December	89,900	324,800
Total	121,147	355,540

The Company had in the previous years subscribed to a total of 324,800,000 RCCPS issued by the following subsidiary companies. In the current financial year, 234,900,000 RCCPS were redeemed by Bernam Advisory Services Sdn. Bhd. leaving a balance of 89,900,000 RCCPS as at the end of the financial year.

(i) 278,813,000 issued by Bernam Advisory Services Sdn. Bhd.. These funds, in turn, were used to provide a loan to PT SSS1. Arising from the redemption during the financial year, 43,913,000 RCCPS remains yet to be redeemed as at the end of the financial year.

(ii) 45,987,000 issued by Berta Services Sdn. Bhd.. These funds, in turn, were used to provide a loan to PT SSS2.

The salient features of the RCCPS issued by the companies are as follows:

(a) Each RCCPS entitles the holder the right to be paid, out of such profits available for distribution, a cumulative dividend at a rate as the issuer of the RCCPS shall decide from time to time.

(b) Each RCCPS entitles the holder the right to vote if there is any resolution for the winding up of the company, reduction of the capital, declaration of dividend on any RCCPS or if a resolution affects the special rights and privileges attached to the RCCPS.

(c) The RCCPS are redeemable at the option of the issuer for RM1.00 for every RCCPS held.

(d) The RCCPS are convertible at the option of the issuer into ordinary shares on the basis of one ordinary share for every RCCPS held.

(e) Each RCCPS entitles the holder the right on winding up or other return of capital (other than the redemption of the RCCPS) to receive, in priority of the ordinary shareholders of the company.

The non-controlling interests in respect of PT SSS1 and PT SSS2 are not material to the Group. Hence, summarised financial information of these two subsidiaries are not presented.

13. Associated Company

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Investment in an associated company				
Unquoted shares, at cost	101	101	101	101
- Share of post-acquisition losses and reserves (see Note (i) below)	(51)	(51)	-	-
- Accumulated impairment losses	-	-	(51)	(51)
	50	50	50	50

	Group	
	2019 RM'000	2018 RM'000
Represented by:		
Share of net assets	50	50
Note (i):		
Share of post-acquisition losses and reserves is arrived at as follows:		
Profit for the year	-	-
Share of accumulated losses	(51)	(51)
	(51)	(51)

14. Joint Venture

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Unquoted shares, at cost	30,000	30,000	30,000	30,000
Share of post-acquisition losses and reserves	(1,132)	(4,012)	-	-
	28,868	25,988	30,000	30,000
Analysed as:				
Unquoted shares, at cost				
At 1 January / 31 December	30,000	30,000	30,000	30,000
Share of post-acquisition reserve:				
At 1 January	(4,012)	(101)	-	-
Share of results	2,880	(3,911)	-	-
At 31 December	(1,132)	(4,012)	-	-

The Group has joint control on its joint arrangement as unanimous consent is required for relevant activities from the parties sharing control under the contractual arrangement.

The joint arrangement is structured via a separate entity and provide the Group with the rights to the net assets of the entity under the arrangement. Therefore, the entity is classified as a joint venture of the Group.

(a) Details of the Group's joint venture is as follows:

Company	Principal place of business/ Country of incorporation	% of ownership interest held by the Group 2019	% of ownership interest held by the Group 2018	Accounting model applied
Unifuji Sdn. Bhd.	Malaysia	50	50	Equity method

This joint venture has the same reporting period as the Group. No quoted market price is available for the shares of Unifuji Sdn. Bhd. as the Company is a private company.

Unifuji Sdn. Bhd. is private limited company incorporated and domiciled in Malaysia. The registered office and principal place of business is located at Jendarata Estate, 36009 Teluk Intan, Perak.

The principal activities of the joint venture are that of refining palm oil and trading of palm oil products.

(b) Summarised financial information of Unifuji Sdn. Bhd. is set out below. The summarised information represents the amounts in the financial statements of the joint venture and not the Group's share of those amounts.

Notes To The Financial Statements

(i) Summarised statement of financial position

	2019 RM'000	2018 RM'000
Assets		
Current assets	43,059	36,756
Non-current assets	181,745	172,834
Total assets	224,804	209,590
Equity and liabilities		
Equity	57,736	51,976
Current liabilities	84,041	56,233
Non-current liabilities	83,027	101,381
Total equity and liabilities	224,804	209,590

(ii) Summarised statement of comprehensive income

	2019 RM'000	2018 RM'000
Revenue	186,922	14,491
Profit/(loss) for the year	5,760	(7,822)
Total comprehensive income/(loss) for the financial year	5,760	(7,822)
Interest in joint venture (%)	50	50
Group's share of comprehensive income/(loss) for the financial year	2,880	(3,911)

(iii) Reconciliation of the summarised financial information presented above to the carrying amount of the Group's interest in the joint venture.

	2019 RM'000	2018 RM'000
Net assets at 1 January	51,976	59,798
Total comprehensive gain/(loss) for the financial year	5,760	(7,822)
Net assets at 31 December	57,736	51,976
Interest in joint venture (%)	50	50
Carrying value of Group's interest in joint venture	28,868	25,988

15. Goodwill

	Group/Company 2019 RM'000
At net carrying amount	356,856

The provisional goodwill in the Group's and the Company's statements of financial position represents the excess of the purchase consideration over the fair value of the identifiable assets recognised upon the Group's and the Company's acquisition of the plantation business and assets of Pinehill Pacific Berhad's group of companies during the current financial year.

Provisional goodwill of RM356,856,000 has been allocated to the Group's/Company's cash generating unit ("CGU") identified according to the estate, namely Jendarata-Tanarata estates which are principally involved in plantation activities as the Group and the Company believes that Jendarata-Tanarata estate's operation will benefit from both the enlarged planted/plantable area and other synergies arising from the acquisition.

The Group and the Company carries out its annual impairment assessment on the provisional goodwill arising from the acquisition. The recoverable amount of the CGU is based on the value-in-use calculation which is derived at using cash flow projection in which the following key assumptions are used:

Jendarata-Tanarata CGU	2019
Projection period	A 77-year cash flow projection, based on the maximum lease period of the leasehold lands
FFB yields per hectare ("Ha")	15 - 28 MT
Selling prices per MT (RM):	
- Crude Palm Oil ("CPO")	2,300
- Palm Kernel ("PK")	1,700
Discount rate	8.0%

The Group's and the Company's impairment assessment of the CGU as outlined above included a sensitivity analysis on the key assumptions used. Based on the results of the sensitivity analysis, no reasonable change in the key assumptions used would result in an impairment charge for current financial year.

Management believes that no impairment charge is required on the goodwill as the recoverable amount calculated based on value-in-use exceeded the carrying value of the goodwill.

16. Inventories

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At net realisable value:				
Produce stocks	16,071	31,193	9,573	22,972
At cost:				
Estate stores	26,602	27,687	19,580	17,984
Raw materials	16,733	30,057	-	-
Finished goods	59,339	59,603	-	-
Consumables	4,919	4,326	-	-
	107,593	121,673	19,580	17,984
	123,664	152,866	29,153	40,956

17. Trade And Other Receivables

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-Current					
Other receivables					
Sundry receivables		10,954	4,161	-	-
Current					
Trade receivables					
Third parties		134,865	127,280	3,151	1,804
Due from subsidiary companies	(b)	-	-	53,828	35,426
Due from joint venture	(d)	23,101	6,432	-	-
Trade receivables, net	(a)	157,966	133,712	56,979	37,230
Other receivables					
Due from subsidiary companies	(b)	-	-	1,513	13,368
Due from an associated company	(c)	10	15	10	15
Due from joint venture	(d)	1,737	21,440	1,360	15,581
Deposits	(e)	46,357	41,744	123	41,443
Sundry receivables		31,034	35,776	14,944	10,533
		79,138	98,975	17,950	80,940
Less: Allowance for impairment: Sundry receivables		-	(740)	-	-
		79,138	98,235	17,950	80,940
		237,104	231,947	74,929	118,170
Total trade and other receivables		248,058	236,108	74,929	118,170
Add: Cash and bank balances (Note 18(a))		91,613	202,389	48,346	85,209
Total financial assets measured at amortised cost		339,671	438,497	123,275	203,379

The average credit terms granted to the Group's customers are 10 to 75 days (2018: 10 to 75 days).

(a) Trade receivables

<u>Ageing analysis of trade receivables</u>

The ageing analysis of the Group's and the Company's trade receivables is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Neither past due nor impaired	156,977	133,149	56,264	37,047
1 to 30 days past due not impaired	739	488	515	183
31 to 60 days past due not impaired	202	30	200	-
61 to 90 days past due not impaired	-	1	-	-
91 to 120 days past due not impaired	48	44	-	-
	989	563	715	183
	157,966	133,712	56,979	37,230

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. More than 93% (2018: 93%) of the Group trade receivables arise from customers with more than three years of business relationships with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM989,000 (2018: RM563,000) that are past due at the reporting date but not impaired. These receivables are unsecured.

(b) Due from subsidiary companies (trade and non-trade)

The amounts due from subsidiary companies are unsecured. The trade debt due from a subsidiary company has a repayment term of 30 days and the overdue trade debt bears an average interest of approximately 3.96% (2018: 3.95%) per annum. All other amounts are repayable on demand and non-interest bearing.

(c) Due from an associated company

The amount due from an associated company is interest free, unsecured and repayable on demand.

(d) Due from joint venture (trade and non-trade)

The amount due from joint venture is unsecured. The trade debt due from joint venture has a repayment term of 30 days and the overdue trade debt bears an average interest of approximately 4.00% (2018: 3.95%) per annum. All other amounts are repayable on demand and bear an average interest of approximately 4.00% per annum.

(e) Deposits

Included in deposits of the Group is RM46,193,000 (2018: RM357,000) being deposits placed with a broker for Bursa Malaysia Derivatives Bhd. for crude palm oil futures. Deposits of the Group and the Company of the prior year had also included RM41,357,000 being deposit placed for the acquisition of business as disclosed in Note 30.

18. (a) Cash And Bank Balances

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash at banks and on hand	31,320	56,660	1,458	2,490
Deposits with licensed banks	60,293	145,729	46,888	82,719
Cash and bank balances (Note 17)	91,613	202,389	48,346	85,209

The effective annual interest rates applicable during the financial year were as follows:

	Weighted average interest rates	
	2019 %	2018 %
Deposits with licensed banks	3.20	3.82

The maturity period for deposits with licensed banks of the Group and the Company range from 1 day to 12 months (2018 : range from 1 day to 12 months) respectively.

(b) Short Term Funds

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short term funds	367,792	713,411	152,346	337,652

Short term funds are investments in income trust funds in Malaysia. The trust funds invest in highly liquid assets which are readily convertible to known amount of cash with insignificant changes in value.

The effective annual interest rates applicable during the financial year were as follows:

	Weighted average interest rates	
	2019 %	2018 %
Short term funds	3.65	3.42

19. (a) Share Capital

	Number of ordinary shares		Amount	
	2019 Unit'000	2018 Unit'000	2019 RM'000	2018 RM'000
Issued and fully paid:				
At 1 January/31 December	208,134	208,134	390,054	390,054

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Treasury Shares

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe the purchase of treasury shares is in the best interests of the Company and its shareholders. The Company has the right to cancel, resell and/or distribute these shares as dividends at a later date. As treasury shares, the rights attached to voting, dividends and participation in other distribution are suspended.

During the current financial year, the Company bought back 400,000 units of ordinary shares from the open market. The cost of acquisition was funded via internal funds. These shares have been classified as treasury shares. As at 31 December 2019, the number of treasury shares held amounts to 741,774 shares. These treasury shares were held in accordance with the requirement of Section 127 of the Companies Act 2016.

		Group / Company	
	Average cost per share RM	No of shares	Cost RM'000
2019			
At 1 January		341,774	8,635
Acquired during the financial year	25.08	400,000	10,033
At 31 December		741,774	18,668
2018			
At 1 January/31 December		341,774	8,635

The share buy-back was financed by internally generated funds.

20. Reserves

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Distributable					
Retained profits	(a)	2,189,251	2,196,542	1,536,426	1,609,628
Non-distributable					
Cash flow hedge reserve	(b)	(22,235)	352	-	-
Capital reserve	(c)	21,798	21,798	-	-
Foreign currency translation reserve	(d)	(15,612)	(19,022)	-	-
		(16,049)	3,128	-	-
Total		2,173,202	2,199,670	1,536,426	1,609,628

The nature and purpose of each category of reserve are as follows:

(a) Retained profits

The entire retained earnings can be distributed as dividend under the single tier system.

(b) Cash flow hedge reserve

The effective portion of the gain or loss on a hedging instrument is recognised in OCI in the cash flow hedge reserve. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on a hedging instrument and the cumulative change in fair value of the hedged item.

(c) Capital reserve

The capital reserve is in respect of bonus shares issued by subsidiary companies out of their retained earnings.

(d) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from the translation of monetary items which form part of the Group's net investment in foreign operations.

21. Deferred taxation

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
At 1 January	142,360	136,856	139,095	129,338
Acquisition of business (Note 30)	13,920	-	13,920	-
Recognised in profit or loss (Note 8)	1,023	4,845	5,133	9,757
Recognised in comprehensive income	(7,133)	111	-	-
Exchange differences	(89)	548	-	-
At 31 December	150,081	142,360	158,148	139,095
Presented after appropriate offsetting as follows:				
Deferred tax liabilities	154,281	145,991	158,148	139,095
Deferred tax assets	(4,200)	(3,631)	-	-
	150,081	142,360	158,148	139,095

The components and movements of deferred tax liabilities and assets during the financial year prior to offsetting are as follows:

Deferred tax liabilities of the Group:

	Biological Assets RM'000	Property, plant and equipment RM'000	Others RM'000	Total RM'000
At 1 January 2019	6,878	144,833	-	151,711
Acquisition of business	-	13,920	-	13,920
Recognised in profit or loss	992	6,461	-	7,453
Exchange differences	(43)	-	-	(43)
At 31 December 2019	7,827	165,214	-	173,041
At 1 January 2018	7,581	137,204	3,367	148,152
Recognised in profit or loss	(660)	7,629	(3,367)	3,602
Exchange differences	(43)	-	-	(43)
At 31 December 2018	6,878	144,833	-	151,711

Notes To The Financial Statements

Deferred tax assets of the Group:

	Future Tax on Unrealised Fair Value Adjustments RM'000	Retirement Benefit Obligations RM'000	Others RM'000	Total RM'000
At 1 January 2019	111	(3,526)	(5,936)	(9,351)
Recognised in profit or loss	-	(765)	(5,665)	(6,430)
Recognised in comprehensive income	(7,133)	-	-	(7,133)
Exchange differences	-	(37)	(9)	(46)
At 31 December 2019	(7,022)	(4,328)	(11,610)	(22,960)
At 1 January 2018	-	(3,466)	(7,830)	(11,296)
Recognised in profit or loss	-	(110)	1,353	1,243
Recognised in comprehensive income	111	-	-	111
Exchange differences	-	50	541	591
At 31 December 2018	111	(3,526)	(5,936)	(9,351)

Deferred tax liabilities of the Company:

	Biological Assets RM'000	Property, plant and equipment RM'000	Total RM'000
At 1 January 2019	5,978	134,933	140,911
Acquisition of business	-	13,920	13,920
Recognised in profit or loss	616	4,569	5,185
At 31 December 2019	6,594	153,422	160,016
At 1 January 2018	6,387	125,018	131,405
Recognised in profit or loss	(409)	9,915	9,506
At 31 December 2018	5,978	134,933	140,911

Deferred tax assets of the Company:

	Retirement Benefit Obligations RM'000	Others RM'000	Total RM'000
At 1 January 2019	(1,604)	(212)	(1,816)
Recognised in profit or loss	(141)	89	(52)
At 31 December 2019	(1,745)	(123)	(1,868)
At 1 January 2018	(1,517)	(550)	(2,067)
Recognised in profit or loss	(87)	338	251
At 31 December 2018	(1,604)	(212)	(1,816)

22. Retirement Benefit Obligations

The Company and certain subsidiary companies pay retirement benefits to their eligible employees in accordance with the terms of employment and practices. These plans are generally of the defined benefit type under which benefits are based on employees' years of service and at predetermined rates or average final remuneration, and are unfunded. From the financial year 2011 onwards, the subsidiaries in Indonesia provided employee benefits under the Labour Law No.13. No formal independent actuarial valuations have been undertaken to value the Group's obligations under these plans but are estimated by the Group, except for the obligations of PTSSS1 where an independent actuarial valuation is used. The obligations of the Group are based on the following actuarial assumptions:

	2019 %	2018 %
Discount rate in determining the actuarial present value of the obligations	6.0 - 7.5	6.0 - 7.5
The average rate of increase in future earnings	4.0 - 10.0	4.0 - 10.0
Turnover of employees	10.0 - 20.0	10.0 - 20.0

The amounts recognised in the statements of financial position are determined as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Present value of unfunded defined benefit obligations	17,733	14,849	7,274	6,685
At 1 January	14,849	14,597	6,685	6,321
Provision during the year (Note 5)	3,422	2,611	696	484
Paid during the year	(466)	(402)	(107)	(120)
Actuarial changes during the year	(212)	(1,617)	-	-
Exchange difference	140	(340)	-	-
At 31 December	17,733	14,849	7,274	6,685
Analysed as:				
Current	2,410	1,234	1,324	912
Non-current:				
Later than 1 year but not later than 2 years	388	1,150	292	488
Later than 2 years but not later than 5 years	1,986	1,547	1,046	973
Later than 5 years	12,949	10,918	4,612	4,312
	15,323	13,615	5,950	5,773
	17,733	14,849	7,274	6,685

Sensitivity analysis

The impact on changes of each significant actuarial assumption as at the end of the reporting period is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Discount rate increase by 1%	(1,788)	(1,422)	(599)	(571)
Discount rate decrease by 1%	1,824	1,624	702	670
The average rate of increase in future earnings increase by 1%	853	707	7	8
The average rate of increase in future earnings decrease by 1%	(981)	(655)	(7)	(8)
Turnover of employees increase by 1%	(221)	(187)	(28)	(52)
Turnover of employees decrease by 1%	29	81	16	30

23. Trade And Other Payables

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current					
Trade payables					
Third parties	(a)	17,028	14,623	218	483
Other payables					
Due to subsidiary companies	(b)	-	-	1,322	1,528
Advances from customers		873	831	873	831
Accruals		38,210	51,654	31,474	31,573
Sundry payables		35,696	70,221	19,619	35,582
		74,779	122,706	53,288	69,514
Total trade and other payables		91,807	137,329	53,506	69,997
Add: Bank borrowings (Note 24)		100	100	-	-
Total financial liabilities carried at amortised cost		91,907	137,429	53,506	69,997

(a) Trade payables

Trade payables are non-interest bearing and the average credit terms granted to the Group and the Company range from 30 to 60 days (2018: 30 to 60 days).

(b) Due to subsidiary companies

Amounts due to subsidiary companies are interest free, unsecured and repayable on demand.

24. Bank Borrowings

	Group	
	2019 RM'000	2018 RM'000
Bank overdraft - unsecured	100	100

The interest rate applicable to the bank borrowings for the year was 6.90% (2018: 7.40%) per annum.

25. Dividends

	Group / Company			
	Amount		Net Dividends per Share	
	2019 RM'000	2018 RM'000	2019 sen	2018 sen
Final single-tier dividend paid in respect of previous financial year: - 20 sen per share (2018: 20 sen per share)	41,558	41,558	20.00	20.00
Special single-tier dividend paid in respect of previous financial year: - 90 sen per share (2018: 100 sen per share)	187,013	207,792	90.00	100.00
Interim single-tier dividend in respect of current financial year: - 20 sen per share (2018: 20 sen per share)	41,479	41,558	20.00	20.00
Special single-tier dividend in respect of current financial year: - 10 sen per share (2018: 10 sen per share)	20,739	20,779	10.00	10.00
	290,789	311,687	140.00	150.00

At the forthcoming Annual General Meeting, a final single-tier dividend of 20 sen per share amounting to RM41,478,498 and a special single-tier dividend of 85 sen per share amounting to RM176,283,618 in respect of the year ended 31 December 2019 on the ordinary shares in issue at book closure date will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect these proposed dividends. Such dividends, if approved by the shareholders, will be accounted for in shareholders' equity as an appropriation of retained profits in the next financial year ending 31 December 2020.

26. Significant Inter-Company Transactions

	Company	
	2019 RM'000	2018 RM'000
Sale of raw materials to a subsidiary company	307,985	329,130
Sale of biomass and biogas steam to a subsidiary company	2,691	1,724
Interest charged to a subsidiary company	19	2

All transactions with the subsidiary companies are undertaken in the ordinary course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

27. Significant Related Party Transactions

(a) Related Party Transactions

The Group entered into transactions with International Plantations Services Limited ("IPS"), a company incorporated in Bahamas. This company is deemed to be a related party by virtue of common directorship held by certain directors in IPS and the Group.

In addition to the inter-company balances and transactions detailed in Notes 12, 17, 23 and 26 of the financial statements, the Group and the Company had the following transactions with related parties during the year:

Nature Of Transactions	Amount Billed Group		Amount Billed Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sale of plant and equipment to Unifuji Sdn. Bhd.	99	219	-	219
Interest income from advances to Unifuji Sdn. Bhd.	3,060	447	2,163	146
Service fees paid to IPS	83	83	83	83

The Directors are of the opinion that the above related party transactions are undertaken in the ordinary course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount outstanding at 31 December:				
Due (to)/from IPS	(64)	67	(64)	67

The outstanding balances at the reporting date in relation to related party transactions are included in other payables (Note 23) (2018 : other receivables (Note 17)).

(b) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	5,552	5,527	5,552	5,396
Post employment benefits:				
Defined contribution plan	696	865	696	865
Directors fees	1,156	1,117	1,105	1,066
Others	93	187	86	107
	7,497	7,696	7,439	7,434

(c) Provision of consultancy services by a non-independent non-executive director

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Consultancy service fees paid	250	-	250	-

28. Segmental Information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:-

(a) The plantations segment carries on the business of oil palm and coconut cultivation and processing on its plantations in Peninsular Malaysia and Kalimantan, Indonesia. Under this segment, there is also an active Research Centre providing improved planting material for the Group's estates as well as for the Malaysian agricultural sector in general.

(b) The palm oil refining segment which carries on the business of palm oil processing, manufacturing of edible oils, fats, cocoa butter substitute and trading in crude palm oil and palm oil products.

(c) The other segments consist of bulking facilities which carry on the business of handling and storage of vegetable oils and molasses and holding companies for subsidiaries in Indonesia which are also involved in marketing and trading of the Group's products.

The Group's principal activities are the cultivation and processing of oil palm and coconut on plantations in Peninsular Malaysia and Indonesia. The activities of the subsidiary companies (except Unitata Berhad) are all incidental to the main activity and in terms of revenue, profit contribution and assets employed, they are insignificant. Inter-segment sales at fair market values have been eliminated.

The principal activity of Unitata Berhad is palm oil refining and its ancillary activities.

The analysis of Group operations is as follows:

(i) Business segments

	Plantations		Palm Oil Refining		Other Segments		Elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue and expenses										
Revenue:										
External sales	392,547	402,296	779,046	901,629	1,508	1,666	-	-	1,173,101	1,305,591
Inter-segment sales	307,985	329,130	-	-	-	-	(307,985)	(329,130)	-	-
Total revenue	700,532	731,426	779,046	901,629	1,508	1,666	(307,985)	(329,130)	1,173,101	1,305,591
Results:										
Segment results/ operating profit	256,485	396,164	71,427	72,560	(478)	(4,155)	-	-	327,434	464,569
Investment and interest income	13,026	16,260	5,185	2,599	15,543	18,544	(6,079)	(7,164)	27,675	30,239
Interest expense	(6,086)	(7,185)	(22)	(4)	-	-	6,079	7,164	(29)	(25)
Share of results of joint venture	-	-	2,880	(3,911)	-	-	-	-	2,880	(3,911)
Income taxes	(64,953)	(99,581)	(8,553)	(16,431)	(128)	(760)	-	-	(73,634)	(116,772)
Net profit for the financial year									284,326	374,100

Notes To The Financial Statements

	Plantations		Palm Oil Refining		Other Segments		Elimination		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets and liabilities										
Segment assets	2,191,321	2,082,926	485,832	460,403	152,140	349,022	-	-	2,829,293	2,892,351
Investment in an associated company	-	-	-	-	50	50	-	-	50	50
Investment in a joint venture	-	-	28,868	25,988	-	-	-	-	28,868	25,988
Consolidated total assets									2,858,211	2,918,389
Segment liabilities	242,470	270,632	61,750	58,606	208	234	-	-	304,428	329,472
Consolidated total liabilities									304,428	329,472
Other information										
Capital expenditure *	140,844	108,541	16,526	17,965	-	134	-	-	157,370	126,640
Depreciation of property, plant and equipment	75,846	74,297	11,530	10,511	43	53	-	-	87,419	84,861
Amortisation of land use rights	-	1,091	-	-	-	-	-	-	-	1,091
Amortisation of right-of-use assets	8,045	-	-	-	-	-	-	-	8,045	-
Other significant non-cash expenses:										
Write-down of inventories	373	-	-	10,602	-	-	-	-	373	10,602
Net realised foreign exchange (gain)/loss	-	-	505	(8,156)	(428)	1,281	-	-	77	(6,875)
Net unrealised foreign exchange (gain)/loss	-	-	(1,576)	(1,577)	(1,225)	3,023	-	-	(2,801)	1,446

(ii) Geographical segments

In determining the geographical segments of the Group, revenue is based on the geographical location of customers. Total assets and capital expenditure are based on the geographical location of assets:

	Malaysia		Indonesia		Europe		United States		Others		Consolidated	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	607,060	623,651	137,198	156,109	242,106	347,365	300	5,566	186,437	172,900	1,173,101	1,305,591
Total assets	2,507,480	2,589,242	262,284	258,390	39,368	40,114	-	151	49,079	30,492	2,858,211	2,918,389
Capital expenditure *	152,992	111,769	4,378	14,871	-	-	-	-	-	-	157,370	126,640

* Capital expenditure presented above consist of the following items as presented in the consolidated statement of financial position:

	Note	Group 2019 RM'000	Group 2018 RM'000
Property, plant and equipment	10 (a)	111,447	120,739
Land use rights	10 (b)	-	5,901
Right-of-use assets	10 (c)	45,923	-
		157,370	126,640

(iii) Information about a major customer

Revenue from one major customer amounted to RM591,711,000 (2018: RM742,085,000), arising from sales by the palm oil refining segment.

29. Capital Commitments

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Capital expenditure approved by the Directors but not contracted	127,699	100,332	101,414	72,721
Capital expenditure contracted but not provided for	13,227	11,604	12,965	11,342
	140,926	111,936	114,379	84,063

30. Acquisition of business

On 21 September 2018, the Company entered into 3 conditional sale and purchase agreements ("SPAs") with Pinehill Plantations (Malaysia) Sdn. Bhd. ("PPM"), Syarikat Kaum Melayu Hilir Perak Sdn. Bhd. ("SKMP") and Tahir, Rozlan and Tasariff Sdn. Bhd. ("TRT") (collectively known as Pinehill Pacific Berhad's group of companies) to acquire the plantation business and assets (agriculture lands measuring approximately 8,999 acres together with a palm oil mill in Daerah Hilir Perak). The purchase consideration, net of refund* amounted to RM400.936 million. The business combination was completed on 3 September 2019 and the purchase price allocation ("PPA") is yet to be finalised as at 31 December 2019.

The net identifiable assets including provisional residual goodwill recognised in the financial statements are as follows:

	Group/Company Provisional fair value as at 3 September 2019 RM'000
Purchase consideration, net of refund*	400,936
Less: Provisional fair value of assets acquired and liabilities assumed	
Property, plant and equipment	
- Bearer plants	8,001
- Buildings	2,504
- Plant and machinery	2,000
Right-of-use assets	
- Leasehold land	45,495
Deferred tax liabilities	(13,920)
	44,080
Provisional goodwill	356,856

Purchase consideration is settled in cash, representing net cash outflow of the acquisition. An amount of RM41.357 million, being the deposit for this acquisition, have been paid in the previous financial year.

The provisional goodwill is attributable to the benefits from both the potential extension of lease period of the leasehold lands and additional synergies arising from the acquisition.

Arising from the above business combination, all incidental costs related to this business combination totalling to RM24.794 million have been expensed off in the profit and loss in the current financial year.

* Pinehill Pacific Berhad's group of companies has refunded RM12.638 million including interest earned from the Retention Sum in accordance to the Supplemental Agreement dated 10 June 2019.

31. Financial Instruments

(a) Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its interest rate, liquidity, foreign exchange, commodity price and credit risks. The Group operates within clearly defined guidelines that are approved by the Board.

During the financial year, the Group entered into commodity futures contracts. Control and monitoring procedures include, amongst others, setting of trading limits and the manner and timing of management reporting. Such derivative trading is also under the close supervision of the executive committee. These control procedures are periodically reviewed and enhanced where necessary in response to changes in market condition.

(b) Interest rate risk

The Group's primary interest rate risk relates to short term fixed rate term deposits with licensed banks and negotiable papers issued by licensed banks. The Group does not hedge this exposure. The maturity periods are mixed such that the Group's cash flow requirements are met while yielding a reasonable return. The effective interest rates are as disclosed in Note 18.

The Group's bank borrowings are insignificant to hedge. The effective interest rate is disclosed in Note 24.

<u>Sensitivity analysis for interest rate risk</u>

At the reporting date, if interest rates had been 10 basis points higher/lower, with all other variables held constant, the Group's profit net of tax would have been RM652,000 (2018: RM803,000) higher/lower, arising as a result of higher/lower interest income from deposits with licensed banks, and the Group's retained earnings would have been RM652,000 (2018: RM803,000) higher/lower. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market movements.

(c) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily RM and Indonesian Rupiah ("IDR"). The foreign currencies in which these transactions are denominated are mainly US Dollars ("USD").

Approximately 58% (2018: 61%) of the Group's sales are denominated in foreign currencies whilst almost 46% (2018: 51%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the reporting date have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances amounted to RM3,348,000 (2018: RM35,239,000) and RM126,000 (2018: RM93,000) for the Group and the Company respectively.

Foreign currency transactions denominated in IDR are not hedged while transactions in USD are hedged by forward currency contracts, whenever possible. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

At 31 December 2019, the Group hedged 81% (2018: 100%) and 0% (2018: 0%) of its foreign currency denominated sales and purchases respectively, for which firm commitments existed at the reporting date, extending to July 2021 (2018: January 2020).

The Group is also exposed to currency translation risk arising from its net investments in Indonesia.

The net unhedged financial assets of the Group that are not denominated in their functional currencies are as follows:

Functional currency of the Group	Indonesian Rupiah RM'000	Total RM'000
At 31 December 2019:		
Ringgit Malaysia denominated advances to foreign subsidiaries	51,260	51,260
At 31 December 2018:		
Ringgit Malaysia denominated advances to foreign subsidiaries	82,266	82,266

The Group had entered into forward currency contracts with the following notional amounts and maturities:

		Maturities		
	Currency	Within 1 year RM'000	1 year up to 5 years RM'000	Total notional amount RM'000
As at 31 December 2019:				
Forwards used to hedge receivables	USD	188,396	29,383	217,779
As at 31 December 2018:				
Forwards used to hedge receivables	USD	383,898	8,564	392,462

The net recognised gain as at 31 December 2019 on forward exchange contracts used to hedge receivables and payables as at 31 December 2019 amounted to RM4,090,000 (31 December 2018: net recognised loss RM3,132,000).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD and IDR exchange rates against the functional currencies of the Group entities, with all other variables held constant.

	Group	
	2019 RM'000 Profit net of tax	2018 RM'000 Profit net of tax
USD/RM		
- strengthened 3%	(6,385)	(11,664)
- weakened 3%	6,385	11,664
IDR/RM		
- strengthened 3%	1,493	2,419
- weakened 3%	(1,493)	(2,419)

(d) Credit risk

Credit risks, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Except for the amount due from a major customer of the palm oil refinery unit, the Group has no other significant concentration risk that may arise from exposures to a single debtor or to a group of debtors. Trade receivables are monitored on an ongoing basis via Company management reporting procedures (with the exception of fixed deposits and short term funds invested in income trust funds). The average credit terms granted to the Group's customers are 10 to 75 days.

Credit risk of commodity futures contracts arises from the possibility that a counterparty may be unable to meet the terms of a contract in which the Group and the Company have a gain position. This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market prices.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position, including derivatives with positive fair values.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the trade receivables of its operating segments on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

	Group			
	2019		2018	
	RM'000	% of total	RM'000	% of total
By Segment:				
Plantations	7,666	4.85	7,834	5.86
Palm Oil Refining	150,188	95.08	125,700	94.01
Others	112	0.07	178	0.13
	157,966	100.00	133,712	100.00

At the reporting date, approximately 75% (2018: 86%) of the Group's trade receivables were due from a major customer of the palm oil refinery unit.

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 17. Deposits with banks and other financial institutions, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(e) Liquidity risk

The Group actively manages its cash flows by monthly forecasts of funding requirements. As part of its prudent liquidity management, the Group maintains sufficient levels of cash or cash equivalents, banking facilities of a reasonable level to meet its working capital requirements. As far as possible, the Group funds significant long term investments with internal funding to achieve overall cost effectiveness.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's liabilities at the reporting date based on contractual undiscounted amounts.

Group	On demand or within 1 year RM'000	1 to 5 years RM'000	Total RM'000
2019			
Financial liabilities:			
Trade and other payables	91,807	-	91,807
Derivatives	21,166	8,112	29,278
Bank borrowings	100	-	100
Total undiscounted financial liabilities	113,073	8,112	121,185
2018			
Financial liabilities:			
Trade and other payables	137,329	-	137,329
Derivatives	8,752	-	8,752
Bank borrowings	100	-	100
Total undiscounted financial liabilities	146,181	-	146,181

Company			
2019			
Financial liabilities:			
Trade and other payables	53,506	-	53,506
Total undiscounted financial liabilities	53,506	-	53,506
2018			
Financial liabilities:			
Trade and other payables	69,997	-	69,997
Total undiscounted financial liabilities	69,997	-	69,997

(f) Market risk

Market risk is the potential change in value caused by movement in market prices. The contractual amounts stated under Note 31(g) provide only a measure of involvement in these types of transactions.

Sensitivity analysis for market price risk

At the reporting date, if the value of the derivatives as stated under Note 31(g) had been 3% higher/lower, with all other variables held constant, the Group's profit net of tax and OCI would have been RM301,000 (2018: RM241,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading/hedging commodity futures contracts, and the Group's retained earnings would have been higher/lower by the same amount, arising as a result of an increase/decrease in the fair value of the aforementioned commodity futures contracts. As at the reporting date, the impact of changes in the commodity future market, with all other variables held constant, is immaterial to the Group's profit net of tax and equity.

(g) Derivatives

Group	Contract/Notional Amount RM'000	Assets RM'000	Liabilities RM'000
2019			
Current			
Non-hedging derivatives:			
Forward currency contracts	188,396	3,638	-
Commodity futures contracts	230,484	2,129	-
Hedging derivatives:			
Commodity futures contracts	188,062	-	(21,166)
		5,767	(21,166)
Non-Current			
Non-hedging derivatives:			
Forward currency contracts	29,383	452	-
Commodity futures contracts	78,083	-	(21)
Hedging derivatives:			
Commodity futures contracts	107,712	-	(8,091)
		452	(8,112)
Total derivatives		6,219	(29,278)
2018			
Current			
Non-hedging derivatives:			
Forward currency contracts	383,898	2,866	-
Commodity futures contracts	308,961	8,434	(8,752)
Hedging derivatives:			
Commodity futures contracts	141,008	5,938	-
		17,238	(8,752)
Non-Current			
Non-hedging derivatives:			
Forward currency contracts	8,564	266	-
Commodity futures contracts	6,586	467	-
Hedging derivatives:			
Commodity futures contracts	10,466	849	-
		1,582	-
Total derivatives		18,820	(8,752)

Derivatives not designated as hedging instruments

The Group uses forward currency contracts and commodity futures contracts to manage some of the transaction exposure, 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.

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, extending to July 2021 (2018: January 2020) (Note 31(c)).

During the financial year, the Group recognised a loss of RM23,059,000 (2018: gain of RM10,068,000) arising from fair value changes of derivative contracts. The fair value changes are attributable to changes in commodity prices and forward exchange rates.

Derivatives designated as hedging instruments

Cash flow hedge

Commodity price risk

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 hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments,
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments,
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items, and
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The Group is holding the following commodity forward contracts:

	Maturity			
	Less than 6 months	6 to 12 months	More than 12 months	Total
As at 31 December 2019:				
Commodity forward contracts				
Notional amount (in MT)	57,600	12,625	41,575	111,800
Notional amount (in RM'000)	153,332	34,728	107,714	295,774
Average hedged rate (in RM'000 per MT)	2.66	2.75	2.59	2.65
As at 31 December 2018:				
Commodity forward contracts				
Notional amount (in MT)	4,250	57,475	4,325	66,050
Notional amount (in RM'000)	8,861	132,147	10,466	151,474
Average hedged rate (in RM'000 per MT)	2.08	2.30	2.42	2.29

There is no amount recognised for the change in fair value used for measuring ineffectiveness in profit or loss in the current financial year.

The impact of hedged items (net of tax) on the statements of financial position is, as follows:

	Cash flow hedge reserve	
	2019 RM'000	2018 RM'000
As at 31 December		
CPO	(22,235)	352

Determination of 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.

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.

(h) Fair value of financial instruments

The Group and the Company use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Group held the following financial instruments carried at fair value in the statements of financial position:

	Assets/ (liabilities) RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
At 31 December 2019				
Fair value through profit or loss:				
Biological assets	32,677	-	-	32,677
Short term funds	367,792	367,792	-	-
Commodity futures contracts	(27,149)	(27,149)	-	-
Forward currency contracts	4,090	-	4,090	-
At 31 December 2018				
Fair value through profit or loss:				
Biological assets	28,509	-	-	28,509
Short term funds	713,411	713,411	-	-
Commodity futures contracts	6,936	6,936	-	-
Forward currency contracts	3,132	-	3,132	-

32. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains acceptable capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions or expansion plans of the Group. The Group may adjust the capital structure by issuing new shares, returning capital to shareholders or adjusting dividend payment policies. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018.

The Group includes within net debt, bank borrowings (bank overdraft) and trade and other payables, less cash and bank balances. Capital includes equity attributable to the owners of the parent.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Debt				
Bank borrowings	100	100	-	-
Trade and other payables	91,807	137,329	53,506	69,997
	91,907	137,429	53,506	69,997
Less: Cash and bank balances	(91,613)	(202,389)	(48,346)	(85,209)
Net deficit/(surplus) of cash and bank balances over debt	294	(64,960)	5,160	(15,212)
Equity attributable to the owners of the parent	2,544,588	2,581,089	1,907,812	1,991,047
Total capital	2,544,588	2,581,089	1,907,812	1,991,047
Surplus of capital and cash and bank balances over debt	2,544,294	2,646,049	1,902,652	2,006,259
Gearing ratio	-	-	-	-

There are no externally imposed capital requirements.

Statement By Directors
Pursuant to Section 251(2) of the Companies Act 2016

We, TAN SRI DATUK DR. JOHARI BIN MAT and DATO' CARL BEK-NIELSEN, being two of the Directors of United Plantations Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 118 to 177 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the results and the cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 February 2020.

TAN SRI DATUK
DR. JOHARI BIN MAT

DATO' CARL BEK-NIELSEN

Jendarata Estate
36009 Teluk Intan,
Perak Darul Ridzuan,
Malaysia.

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, NG ENG HO the Officer primarily responsible for the financial management of United Plantations Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 118 to 177 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act,1960.

Subscribed and solemnly declared by
the abovenamed NG ENG HO at
Teluk Intan in the State of Perak Darul Ridzuan
on 24 February 2020.

NG ENG HO

Before me,

Siti Suhadah Bt Shoeb
Commissioner For Oaths,
Teluk Intan,
Perak Darul Ridzuan,
Malaysia.

Independent auditors' report to the members of United Plantations Berhad
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Plantations Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 118 to 177.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Company. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Revenue Recognition

Revenue from sale of finished goods recognised by the Group during the year amounted to RM779 million. Given the nature of the manufacturing operations of the Group, we identified revenue recognition in respect of sale of finished goods to be an area of audit focus as we consider the high volume of transactions for numerous types of finished goods produced by the Group to be a possible cause of higher risk of material misstatements in the timing and amount of revenue recognised. Specifically, we focused our audit efforts to determine the possibility of overstatement of revenue.

Our audit procedures for revenue recognition included testing the Group's internal controls over timing and amount of revenue recognised. We inspected the terms of significant sales contracts to determine the point of transfer of significant risk and rewards. We have independently obtained third party confirmation of sales for the year from a key customer. We have also inspected documents which evidenced the delivery of goods to customers. We also focused on testing the recording of sales transactions close to the year end, including credit notes issued after year end, to establish whether the transactions were recorded in the correct accounting period.

The Group's disclosures on revenue recognition are included in Note 2.4(k) and 4 to the financial statements.

Acquisition of plantation business and assets – purchase price allocation

On 3 September 2019, the Group acquired the plantation business and assets (agriculture lands measuring approximately 8,999 acres together with a palm oil mill in Daerah Hilir Perak) from Pinehill Pacific Berhad's group of companies for a total purchase consideration, net of refund of RM401 million. As part of the purchase price allocation ("PPA") exercise being performed by management, this amount has been allocated to the fair value of identifiable assets acquired and liabilities assumed. We focused on this area due to significant management judgement and estimates involved in the PPA exercise, particularly on the identification and fair valuation of the tangible and intangible assets.

We have reviewed the sale and purchase agreement to obtain an understanding of the transaction. We have reviewed the appropriateness of methodologies applied by management in measuring the provisional fair value of identifiable assets and liabilities assumed, including the identification and valuation of tangible assets acquired.

For fair valuation of tangible assets, we have considered the independence, reputation and capabilities of the valuer. We have also obtained an understanding on the valuation methodology and challenged the basis and assumptions used by the valuer. Our procedures included, amongst others, reviewing the appropriateness of the valuation methodology adopted such as comparison approach based on comparable market transactions that consider sales of similar properties that have been transacted in the open market, as well as assessing the appropriateness of the comparable used.

The Group's disclosures on acquisition of the plantation business and assets are included in Note 30 to the financial statements.

Impairment review of intangible assets

The Group is required to perform annual impairment test of cash generating unit ("CGU") to which the goodwill with an indefinite useful life has been allocated. The Group estimated the recoverable amounts of its CGUs based on the estimated value-in-use ("VIU") of the respective CGUs. The aforementioned impairment review did not give rise to any impairment loss.

The areas that involved significant audit effort and judgement were the possible variations in the basis and assumptions used by the management in deriving at the VIU of the CGUs. In reviewing the VIU of the CGUs, we have obtained an understanding of the relevant internal controls over the process of estimating the VIU of the CGUs. Our procedures included, amongst others, reviewing the appropriateness of the methodology and approach applied, including historical accuracy of management's estimates of profits (and the resulting cash flows). We have assessed the key assumptions applied in determining the VIU which comprise fresh fruit bunches ("FFB") yield per hectare and selling prices of Crude Palm Oil ("CPO") and Palm Kernel ("PK") by making comparisons to historical trends, taking into consideration the current and expected outlook of economic growth. We have also assessed the appropriateness of the discount rate used to determine the present value of the cash flows and whether the rate used reflects the current market assessments of the time value of money and the risks specific to the asset.

The Group's disclosures on impairment assessment of intangible assets are included in Note 15 to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

(d) Conclude on the appropriateness of the director’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation; and

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 3 to the financial statements.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ERNST & YOUNG PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

HOH YOON HOONG
No. 02990/08/2020 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2020

Shareholders Information As At 31 January 2020

Issued Capital	:	No. of shares 208,134,266 (including 741,774 treasury shares)
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote per ordinary share

Categories Of Shareholders As At 31 January 2020

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital *
Less than 100 shares	206	5.31	4,389	0.00
100 to 1,000 shares	1,946	50.21	1,356,034	0.65
1,001 to 10,000 shares	1,387	35.78	4,927,413	2.38
10,001 to 100,000 shares	266	6.86	7,953,344	3.83
100,001 to less than 5% of issued shares	66	1.71	63,685,906	30.71
5% and above of issued shares	5	0.13	129,465,406	62.43
Total	3,876	100.00	207,392,492	100.00

Substantial Shareholders As At 31 January 2020

Name of Shareholder	Direct Interest No. of Shares	% of Issued Capital *	Deemed Interest No. of Shares	% of Issued Capital *
1. Maximum Vista Sdn. Bhd. (MVSB)	90,607,800	43.69	-	-
2. Employees Provident Fund Board	25,792,448	12.44	-	-
3. Perbadanan Pembangunan Pertanian Negeri Perak (Perbadanan)	13,065,158	6.30	330,000*5	0.16
4. United International Enterprises Limited (UIEL)	9,718,571	4.69	90,607,800*1	43.69
5. C & M Holding Limited (C & M HL)	-	-	100,326,371*2	48.38
6. Brothers Holding Ltd (BHL)	-	-	100,326,371*2	48.38
7. Ybhg. Dato' Carl Bek-Nielsen	2,529,491	1.22	100,371,429*3	48.40
8. Mr. Martin Bek-Nielsen	710,389	0.34	100,336,371*4	48.38

*Notes
(1) Deemed interest by virtue of substantial shareholdings in MVSB.
(2) Deemed interest by virtue of substantial shareholdings in MVSB and UIEL.
(3) Deemed interest by virtue of substantial shareholdings in MVSB, UIEL and through immediate family members.
(4) Deemed interest by virtue of substantial shareholdings in MVSB, UIEL and through immediate family members.
(5) Deemed interest by virtue of shares held by subsidiary company of Perbadanan.

Directors' Shareholdings As At 31 January 2020

Name of Director	Direct Interest No. of Shares	% of Issued Capital *	Deemed Interest No. of Shares	% of Issued Capital *
Ybhg. Tan Sri Datuk Dr. Johari Bin Mat	90,000	0.04	10,000	0.00
Ybhg. Dato' Carl Bek-Nielsen	2,529,491	1.22	100,371,429	48.40
Mr. Ho Dua Tiam	707,400	0.34	-	-
Mr. Ahmad Riza Basir	87,400	0.04	-	-
Y. Hormat Dato' Jeremy Derek Campbell Diamond	18,000	0.01	340,000	0.16
Mr. Martin Bek-Nielsen	710,389	0.34	100,336,371	48.38
Mr. Loh Hang Pai	50,000	0.02	-	-
Mr. R. Nadarajan	4,000	0.00	6,000	0.00
Madam Rohaya binti Mohammad Yusof	-	-	-	-
Mr. Jorgen Balle	-	-	-	-

Shareholders Information

	Thirty (30) Largest Shareholders As At 31 January 2020		
	Name of Shareholder	No. of Shares	% of Issued Capital*
1.	Maximum Vista Sdn. Bhd.	86,891,100	41.90
2.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board	25,035,048	12.07
3.	Perbadanan Pembangunan Pertanian Negeri Perak	13,065,158	6.30
4.	United International Enterprises Limited	9,694,656	4.67
5.	Amanahraya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	8,846,700	4.27
6.	Kumpulan Wang Persaraan (Diperbadankan)	4,516,800	2.18
7.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 3 - Didik	4,008,100	1.93
8.	Maximum Vista Sdn. Bhd.	3,716,700	1.79
9.	Amanahraya Trustees Berhad Amanah Saham Bumiputera 2	2,977,800	1.44
10.	HSBC Nominees (Asing) Sdn. Bhd. BPSS Lux For Aberdeen Standard Sicav I - Asian Smaller Companies Fund	2,485,500	1.20
11.	Ybhg. Dato' Carl Bek-Nielsen	2,444,491	1.18
12.	Amanahraya Trustees Berhad Amanah Saham Malaysia 3	2,000,000	0.96
13.	Maybank Nominees (Tempatan) Sdn. Bhd. Maybank Private Wealth Management for Rozilawati Binti Haji Basir (PW-M00823) (421210)	1,800,000	0.87
14.	HSBC Nominees (Asing) Sdn. Bhd. Exempt An for Danske Bank A/S (Client Holdings)	1,748,305	0.84
15.	KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn. Bhd. for Jendarata Bernam Provident Fund	1,442,099	0.70
16.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Exempt An For The Bank of New York Mellon SA/NV (Jyske Clients)	1,400,039	0.68
17.	HSBC Nominees (Asing) Sdn. Bhd. BPSS LDN For Aberdeen Standard Asia Focus Plc	1,352,600	0.65
18.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. BNYM SA/NV For Nykredit Bank A/S	1,252,640	0.60
19.	Citigroup Nominees (Tempatan) Sdn. Bhd. Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	1,191,400	0.57
20.	Amanahraya Trustees Berhad Amanah Saham Malaysia	1,000,000	0.48
21.	KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn. Bhd. for United Plantations Berhad Education And Welfare Fund	830,300	0.40
22.	Citigroup Nominees (Tempatan) Sdn. Bhd. Employees Provident Fund Board (Aberdeen)	757,400	0.37
23.	United Plantations Berhad Share Buy Back Account	741,774	0.36
24.	Mr. Martin Bek-Nielsen	710,389	0.34
25.	Mr. Ho Dua Tiam	707,400	0.34
26.	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	662,200	0.32
27.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An For UBS Switzerland AG (Clients Assets)	632,174	0.30
28.	Citigroup Nominees (Asing) Sdn. Bhd. Exempt An for Citibank N.A (Nordea BK A/S/C)	619,200	0.30
29.	KAF Nominees (Tempatan) Sdn. Bhd. Bernam Nominees (Tempatan) Sdn. Bhd. for United Plantations Workers Benevolent Retirement Scheme	606,600	0.29
30.	Madam Rozilawati Binti Haji Basir	582,440	0.28
		183,719,013	88.59

* calculated based on 207,392,492 shares which do not include 741,774 treasury shares

Comparative Statistics - 10 Years

Year ended 31 December	2019 RM'000's	2018 RM'000's	2017 RM'000's	2016 RM'000's	2015 RM'000's	2014 RM'000's	2013 RM'000's	2012 RM'000's	2011 RM'000's	2010 RM'000's
Balance Sheet Analysis										
Issued Capital	390,054	390,054	390,054	208,134	208,134	208,134	208,134	208,134	208,134	208,134
Reserve	2,154,534	2,191,035	2,133,871	2,154,088	2,027,264	1,916,377	1,985,150	1,942,594	1,788,252	1,563,935
Non-Controlling Interests	9,195	7,828	6,893	5,344	3,158	2,417	1,076	420	207	505
Funds Employed	2,553,783	2,588,917	2,530,818	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574
Property, Plant and Equipment	1,191,913	1,493,021	1,474,059	1,419,373	1,361,608	1,320,082	1,298,495	1,296,787	1,280,031	1,229,419
Land Use Rights	-	38,105	34,115	36,192	33,890	32,042	31,110	34,071	31,763	30,794
Right-of-use assets	391,093	-	-	-	-	-	-	-	-	-
Other Non-Current Assets	401,380	35,412	36,890	1,782	6,496	21,147	17,114	9,829	7,811	9,600
Current Assets	873,825	1,351,851	1,304,697	1,186,289	1,074,585	960,481	1,049,281	1,030,654	880,664	736,347
Total Assets	2,858,211	2,918,389	2,849,761	2,643,636	2,476,579	2,333,752	2,396,000	2,371,341	2,200,269	2,006,160
Less: Liabilities	304,428	329,472	318,943	276,070	238,023	206,824	201,640	220,193	203,676	233,586
Net Assets Employed	2,553,783	2,588,917	2,530,818	2,367,566	2,238,556	2,126,928	2,194,360	2,151,148	1,996,593	1,772,574
Other Data										
Profit Before Tax	357,960	490,872	503,970	417,935	375,997	355,604	340,476	454,239	491,541	349,460
Tax	73,634	116,772	109,288	87,128	83,566	76,233	87,989	111,688	117,955	84,753
Net Profit	284,326	374,100	394,682	330,807	292,431	279,371	252,487	342,551	373,586	264,707
Non-Controlling Interests	(1,040)	(1,683)	(1,702)	(1,319)	(881)	(1,341)	(656)	(310)	365	(400)
Profit attributable to equity owners of the Parent	283,286	372,417	392,980	329,488	291,550	278,030	251,831	342,241	373,951	264,307
Earnings Per Share (in sen)	136.00	179.00	189.00	158.56	141.00	134.00	121.00	165.00	180.00	127.00
Net Dividend Rate (Ordinary Share) - Interim and Final	135.00%	140.00%	150.00%	115.00%	90.00%	165.00%	93.87%	93.75%	90.00%	67.50%
Share Prices On The Bursa Malaysia Securities Berhad										
Highest	27.80	29.10	28.98	28.44	28.00	29.50	33.26	28.00	21.16	17.70
Lowest	24.70	25.00	26.82	24.62	23.38	22.96	24.70	19.16	16.00	13.32
Production -Malaysia										
Palm Oil - own - Tonnes	179,045	168,680	158,060	134,999	151,988	144,162	146,962	161,407	165,408	164,066
Palm Kernel - own - Tonnes	36,854	36,789	35,373	29,631	34,256	33,885	35,118	40,331	42,163	42,522
Coconuts - Nuts ('000)	78,104	71,423	75,252	86,052	77,501	68,424	74,678	74,110	71,763	83,331
FFB Yield per hectare - Tonnes	26.76	26.67	25.46	21.11	24.24	22.97	22.42	25.05	25.16	24.61
CPO Yield per hectare - Tonnes	5.88	5.73	5.34	4.64	5.32	5.09	4.95	5.48	5.47	5.28
Palm Oil extraction rate - %	21.95	21.47	20.97	21.97	21.95	22.17	22.07	21.86	21.73	21.46
Palm Kernel extraction rate - %	4.52	4.68	4.69	4.82	4.95	5.21	5.27	5.46	5.54	5.56
Coconuts Yield per hectare - Nuts	23,557	23,154	25,345	30,305	27,747	25,056	26,858	26,077	24,771	28,135
Cost Of Production - Malaysia **	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Palm Oil - Per Tonne	1,207	1,188	1,197	1,221	1,032	1,064	1,006	894	817	768
Palm Kernel - Per Tonne	409	388	386	365	318	316	298	270	233	213
Average Sales Price										
Palm Oil - Per Tonne	2,356	2,606	2,578	2,424	2,163	2,353	2,702	3,017	3,050	2,408
Palm Kernel - Per Tonne	1,312	1,992	2,650	2,138	1,493	1,774	1,283	1,584	2,168	1,532
Production -Indonesia										*
Palm Oil - own - Tonnes	46,421	51,049	47,459	44,143	48,159	41,440	36,529	35,182	24,747	5,435
Palm Kernel - own - Tonnes	9,182	9,071	8,387	7,948	8,266	7,044	6,793	6,679	4,277	830
FFB Yield per hectare - Tonnes	22.93	24.69	22.56	19.53	20.02	16.86	15.84	17.50	16.22	14.98
CPO Yield per hectare - Tonnes	5.11	5.66	5.25	4.81	5.03	4.24	3.88	4.27	3.84	2.12
Palm Oil extraction rate - %	22.30	22.92	23.29	24.62	25.15	25.17	24.41	24.38	23.80	21.23
Palm Kernel extraction rate - %	4.41	4.08	4.12	4.43	4.32	4.28	4.54	4.63	4.14	3.24
Cost Of Production - Indonesia	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Palm Oil - Per Tonne	1,401	1,253	1,471	1,570	1,374	1,319	1,396	1,434	1,862	1,983
Palm Kernel - Per Tonne	438	430	517	479	496	521	509	516	413	828
Average Sales Price										
Palm Oil - Per Tonne	1,964	2,003	2,572	2,316	2,002	2,301	2,179	2,381	2,553	2,755
Palm Kernel - Per Tonne	1,011	1,356	2,049	1,899	1,198	1,305	997	1,032	1,247	2,000

Notes:
* Production of CPO and PK commenced in July 2010.
** Cost of production figures include depreciation.

Group Properties As At 31 December 2019

Properties	Tenure	Area In Hectares	Description	Age In Years	*Net Tangible Asset Value RM '000
Jendarata Estate	Leasehold		Registered Office - 1,369 sq.m.	55	2,410
36009 Teluk Intan	Expiring on:		Research Station - 1,070 sq.m.	54	1,519
Perak Darul Ridzuan	15.01.2062	594.50	Oil Palm & Coconut Estate		120,735
	07.06.2104	611.65	Palm Oil Mill } 10,032	85	7,004
	07.06.2104	34.81	Biomass Plant } sq.m.	14	6,557
	20.11.2067	982.19			
	22.08.2068	149.67			
	Yr to Yr	33.62			
	Freehold	3,929.19			
Kuala Bernam Estate Batu 18, Jalan Bagan Datoh 36300 Sungai Sumun Perak Darul Ridzuan	Freehold	829.60	Coconut Estate		11,317
Sungei Bernam Estate	Leasehold		Coconut Estate	45	30,267
Sungai Ayer Tawar	Expiring on:				
45200 Sabak Bernam	28.03.2056	1.32			
Selangor Darul Ehsan	Freehold	2,274.76			
Ulu Bernam Estate	Freehold	3,102.28	Oil Palm Estate		61,639
36500 Ulu Bernam	Yr to Yr	95.31	Optimill/Biogas/Unifuji - 545,100 sq.m.	2	28,081
Perak Darul Ridzuan					
Changkat Mentri Estate	Leasehold		Oil Palm Estate		21,740
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	26.11.2067	1,538.61			
	01.10.2081	162.94			
	HMS	1.21			
	HMS	105.50			
	Freehold	742.27			
Ulu Basir Estate	Leasehold		Oil Palm Estate		49,921
36500 Ulu Bernam	Expiring on:		Palm Oil Mill - 6,352 sq.m.	30	1,332
Perak Darul Ridzuan	26.11.2067	11.40			
	20.01.2087	2,468.00			
	08.12.2099	163.30			
	Yr to Yr	129.48			
	Freehold	1,218.62			
Sungei Erong Estate	Leasehold		Oil Palm Estate		37,463
36500 Ulu Bernam	Expiring on:				
Perak Darul Ridzuan	02.11.2064	53.89			
	08.04.2033	809.37			
	Freehold	2,756.74			
Sungei Chawang Estate 36500 Ulu Bernam Perak Darul Ridzuan	Freehold	3,280.76	Oil Palm Estate		41,808
Seri Pelangi Estate	Leasehold		Oil Palm Estate		12,354
Batu 11 3/4	Expiring on:				
Jalan Bidor	15.06.2068	1,418.90			
36000 Teluk Intan	Freehold	2.82			
Perak Darul Ridzuan					
Lima Blas Estate Lot 1899, Mukim Ulu Bernam 35800, Hulu Selangor, Selangor.	Freehold	2,891.89	Oil Palm Estate		139,087
UIE	Leasehold		Oil Palm Estate		408,730
Pantai Remis	Expiring on:		Palm Oil Mill - 6,148 sq.m.	28	1,033
Perak Darul Ridzuan	23.12.2103	10,359.26			
	Freehold	9.94			
Unitata Berhad 36009 Teluk Intan Perak Darul Ridzuan	Freehold	18.45	Palm Oil and Palm Kernel Refinery Complex } Buildings	45	30,417
Bernam Bakery 36009 Teluk Intan Perak Darul Ridzuan	Freehold	0.45	Bakery	35	232
Butterworth Bulking Installation 4536 Deep Water Wharf 12100 Butterworth	Leasehold Expiring on: 31.08.2020	0.84	Bulking & Storage & Rigging Facilities	47	161
Tanarata Estate	Leasehold		Oil Palm Estate		53,062
Mukim Changkat Jong &	Expiring on:				
Mukim Durian Sebatang	14.12.2032	831.46			
Hilir Perak.	04.12.2035	2,424.12			
	15.09.2035	386.24			
PT Surya Sawit Sejati	Leasehold		Oil Palm Estate		155,747
Pangkalan Bun, Central	Expiring on:		Palm Oil Mill - 90,000 sq.m.	10	6,321
Kalimantan, Indonesia	24.09.2040	2,508.47			
	**	16,157.29			

Notes :
* Estate Includes Land, Pre-cropping Cost and Buildings
** awaiting issue of lease

Group's Plantation Properties As At 31 December 2019

	Jendarata Hect.	Kuala Bernam Hect.	Sungei Bernam Hect.	Ulu Bernam Hect.	Changkat Mentri Hect.	Ulu Basir Hect.	Sungei Erong Hect.	Sungei Chawang Hect.	Seri Pelangi Hect.	Lima Blas Hect.	UIE Hect.	Tanarata Hect.	PT Surya Sawit Sejati Hect.	Total
OIL PALM :														
Mature	4,266			2,500	1,625	3,738	3,500	3,240	1,016	2,590	8,389	2,068	9,076	42,008
Immature-Planted 2017	107			165			8					50		330
Immature-Planted 2018	415			395	94				321	155	569			1,949
Immature-Planted 2019	498			5	645							1,296		2,444
Sub-Total	5,286	-	-	3,065	2,364	3,738	3,508	3,240	1,337	2,745	8,958	3,414	9,076	46,731
COCONUT :														
Mature	199	811	2,088								274			3,372
Immature-Planted 2016	64													64
Immature-Planted 2017	299		36								250			585
Immature-Planted 2018	131										265			396
Immature-Planted 2019	5		131											136
Sub-Total	698	811	2,255	-	-	-	-	-	-	-	789	-	-	4,553
OTHER AREAS:														
Other Crops	15													15
Plasma Areas													1,314	1,314
Conservation (Jungle areas, shrub land, swamps, wetlands & others)					12	129				99	91	25	7,673	8,029
Buildings,roads,drains, air-strip,nurseries,church, toddy tapping areas, railway, OPTIMILL & others.	337	19	21	133	175	124	112	41	85	48	531	203	603	2,432
TOTAL	6,336	830	2,276	3,198	2,551	3,991	3,620	3,281	1,422	2,892	10,369	3,642	18,666	63,074

Oil Palm		
Age in years	Hectares	% Under crop
4 - 5	6,184	13
6 - 8	7,746	17
9 - 18	22,021	47
19 and above	6,057	13
Mature	42,008	90
Immature	4,723	10
Total	46,731	100

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 99th Annual General Meeting of the Company will be held at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia on Thursday, 23 April 2020 at 10.00 a.m. for the purpose of considering the following business:-

		Ordinary Resolutions
1.	To receive and consider the financial statements for the year ended 31 December 2019 together with the Reports of the Directors and the Auditors thereon.	1
2.	To approve the payment of a Final Single-tier dividend of 20sen per share and a Special Single-tier dividend of 85sen per share for the financial year ended 31 December 2019.	2
3.	To approve the payment of Directors' fees (inclusive of Board Committees' fees) of RM1,156,000 for the financial year ended 31 December 2019.	3
4.	To approve the payment of Directors' benefits (other than Directors' fees) of RM85,500 for the financial year ended 31 December 2019.	4
5.	To re-elect as Director, Mr. Ho Dua Tiam who retires by rotation pursuant to Article 107 of the Company's Constitution.	5
6.	To re-elect as Director, Mr. Ahmad Riza Basir who retires by rotation pursuant to Article 107 of the Company's Constitution.	6
7.	To re-elect as Director, Madam Rohaya binti Mohammad Yusof who retires by rotation pursuant to Article 107 of the Company's Constitution.	7
8.	To re-elect as Director, Ybhg. Dato' Mohamad Nasir bin Ab. Latif who retires by rotation pursuant to Article 100 of the Company's Constitution.	8
9.	To re-appoint Ernst & Young, PLT as auditors of the Company for the year 2020 and to authorise the Directors to fix their remuneration.	9

As Special Business

To consider and if thought fit, to pass the following ordinary resolutions:

(a) Proposed Continuation in Office as Independent Non-Executive Directors

Notice Of Annual General Meeting

10. "That Ybhg. Tan Sri Datuk Dr. Johari bin Mat having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company." 10

11. "That Mr. Ahmad Riza Basir having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company." 11

12. "That Y. Hormat Dato' Jeremy Derek Campbell Diamond having served as Independent Non-Executive Director for a cumulative term of more than 9 years, continue to act as Independent Non-Executive Director of the Company." 12

(b) Proposed Renewal of Authority for Purchase of Own Shares

13. "THAT, subject to the Companies Act, 2016 ("the Act") (as may be amended, modified or re-enacted from time to time), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and approvals of all relevant governmental and/or regulatory authorities, where applicable, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time and upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares of the Company at any given point in time and an amount of funds not exceeding the total retained profits of the Company based on the audited financial statements for the financial year ended 31 December 2019 be utilised by the Company for the Proposed Share Buy-Back AND THAT at the discretion of the Directors of the Company, the ordinary shares of the Company to be purchased may be cancelled and/or retained as treasury shares and subsequently distributed as dividends, transfer the shares for the purposes of or under an employees share scheme that has been approved by the shareholders, transfer the shares as purchase consideration or resold on Bursa Malaysia or be cancelled AND THAT the Directors of the Company be and are hereby empowered generally to do all acts and things to give effect to the Proposed Share Buy-Back AND THAT such authority shall commence immediately upon passing of this ordinary resolution until: 13

(i) the conclusion of the next Annual General Meeting of the Company ("AGM") in 2021 at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or

Notice Of Annual General Meeting

(ii) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by resolution passed by the shareholders in general meeting, whichever is earlier; but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid date and in any event, in accordance with the provisions in the guidelines issued by Bursa Malaysia and/or by any other relevant authorities."

(c) Authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016

14. "THAT, pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby authorised to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are also authorised to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." 14

Notice Of Annual General Meeting

Notice on Entitlement and payment of Final Dividend and Special Dividend

NOTICE IS HEREBY GIVEN THAT the Final Single-tier dividend of 20sen per share and a Special Single-tier dividend of 85sen per share, if approved at the 99th Annual General Meeting will be paid on 8 May 2020 to shareholders whose names appear in the Record of Depositors and the Register of Members at the close of business on 28 April 2020.

A Depositor shall qualify for entitlement only in respect of :-

(a) Shares transferred into the Depositor's Securities Account before 4.30 p.m. on 28 April 2020 in respect of transfers; and

(b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG ENG HO
Company Secretary
MIA No. 12913
SSM PC No. 201908002863

Jendarata Estate,
36009 Teluk Intan,
Perak Darul Ridzuan,
Malaysia
24 February 2020

Notice Of Annual General Meeting

Notes

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to vote in his stead other than an exempt authorized nominee who may appoint multiple proxies in respect of each Omnibus account held. A proxy need not be a member of the Company. If you wish to appoint as your proxy someone other than the Chairman or Vice Chairman of the meeting, cross out the words "The Chairman" or "Vice Chairman" of the meeting and write on the lines the full name and address of your proxy.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Jendarata Estate, 36009 Teluk Intan, Perak Darul Ridzuan, Malaysia not less than 48 hours before the time set for the meeting. The number of shares to be represented by the proxy should be stated in the proxy form.

3. Where this Form of Proxy is executed by a corporation, it must be either under seal or under the hand of any officer or attorney duly authorised.

4. A proxy may vote or abstain from voting as he thinks fit on a specified resolution, if no indication is given on the proxy form by the member appointing the proxy. Voting on all resolutions to be proposed at the AGM will be by way of a poll.

5. In the case of joint shareholders the proxy form signed by the first named registered shareholder on the register shall be accepted to the exclusion of the other registered shareholder(s). If voting is in person(s) the vote of the first shareholder who tenders the vote shall be taken.

6. Only a depositor whose name appears on the Record of Depositors as at 16 April 2020 shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote on his/her behalf.

Notice Of Annual General Meeting

Notes on the Special Business

For Ordinary Resolutions 10 - 12 Proposed Continuation in office as Independent Non-Executive Directors

The Nomination Committee and the Board has assessed the independence of the Directors who have served as Independent Non-Executive Directors of the Company for a cumulative term of more than 9 years and recommend them to continue to act as Independent Non-Executive Directors of the Company.

Ybhg. Tan Sri Datuk Dr. Johari bin Mat
His vast experience and diversified background has contributed significantly to the performance monitoring and enhancement of good corporate governance. In his capacity as Chairman of the Company for the past 17 years, he has provided leadership, independent views, objective assessments and opinions. He has been with the Company for more than 18 years and is familiar with the Company's business operations.

Mr. Ahmad Riza Basir
A lawyer by training, his experience, expertise and independent judgment has contributed to the effective discharging of his duties. He has devoted sufficient time and attention to his professional obligations for informed and balanced decision making as an Independent Non-Executive Director. He has been with the Company for more than 19 years and is familiar with the Company's business operations.

Y. Hormat Dato' Jeremy Derek Campbell Diamond
A planter by profession, his vast knowledge acquired during his tenure within the plantation industry has enabled him to provide the Board with a diverse set of experience and expertise. His role as Chairman of the Audit Committee is one that he has discharged with due care and diligence. He has carried out his professional duties as an Independent Non-Executive Director in the best interest of the Company. He has been with the Company for more than 18 years and is familiar with the Company's business operations.

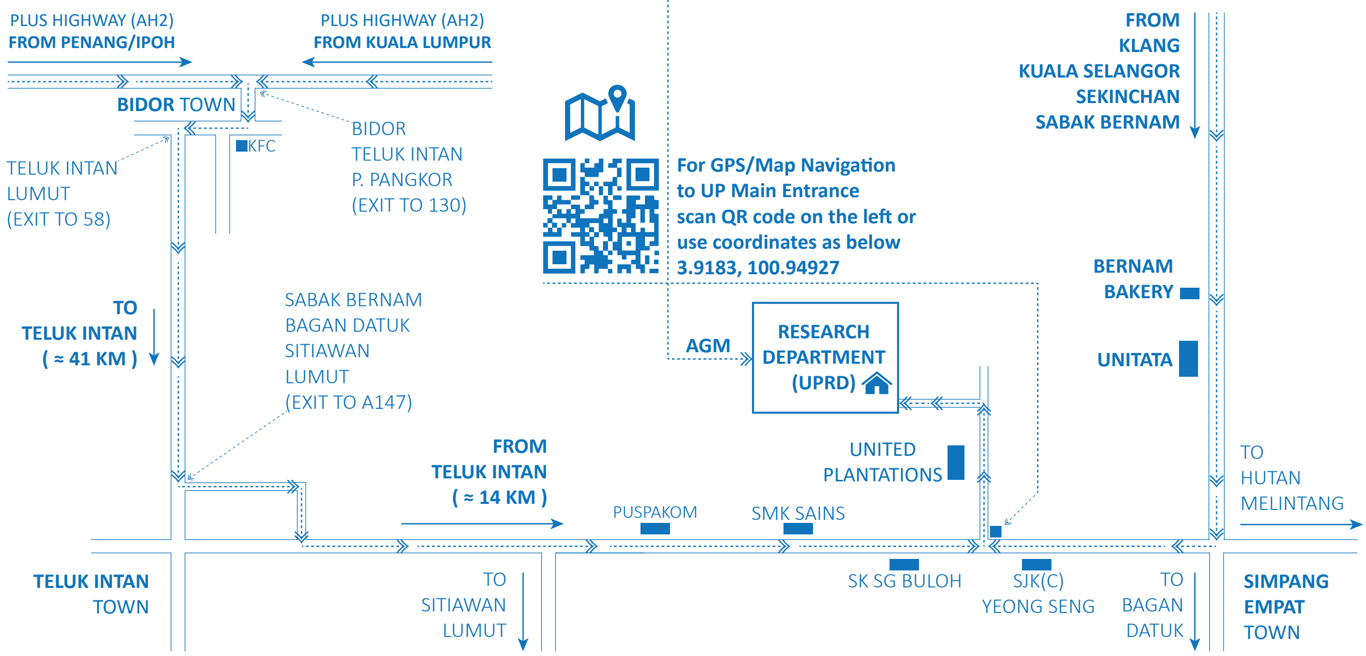
For Ordinary Resolution 13 - Please refer to explanatory information in the Circular to Shareholders dated 24 February 2020.

For Ordinary Resolution 14 - The Board continues to consider strategic opportunities to broaden the earnings potential of the Company and this may involve equity deals which may require the Company to issue new shares. If passed, the Shareholders' Mandate to grant authority for Directors to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 will provide flexibility to the Directors to undertake any possible fund raising activities, including but not limited to further placing of shares for the funding of the Company's future investment projects, working capital and/or acquisitions, by issuance of shares at any time up to an aggregate amount not exceeding 10% of the issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

The Company did not utilise the Shareholders' Mandate that was approved at the 98th Annual General Meeting. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

99TH ANNUAL GENERAL MEETING

Venue	: Borge Bek-Nielsen Auditorium (UPRD)
Date	: 23 April 2020
Time	: 10:00 am



FINANCIAL CALENDAR

FINANCIAL YEAR END DEC 31 **2019**

2020 **ANNOUNCEMENTS OF RESULTS**	ANNOUNCEMENT OF ANNUAL REPORT 2019: FEBRUARY 24	FIRST QUARTER: APRIL 23	SECOND QUARTER: JULY 27	THIRD QUARTER: NOVEMBER 09
2020 **PUBLISHED ANNUAL REPORT AND FINANCIAL STATEMENTS**	NOTICE OF ANNUAL GENERAL MEETING: FEBRUARY 24	ANNUAL GENERAL MEETING: APRIL 23		
2019 **INTERIM DIVIDEND**	ANNOUNCEMENT: NOVEMBER 11		ENTITLEMENT DATE: NOVEMBER 25	PAYMENT DATE: DECEMBER 06
2020 **FINAL DIVIDEND**	ANNOUNCEMENT: FEBRUARY 24	ENTITLEMENT DATE: APRIL 28	PAYMENT DATE (TENTATIVE): MAY 08	

Estate
Palm oil mill
Biogas plant
Refinery
Bulking installation
Bakery

UP's Geographical Presence in Malaysia & Indonesia

16 **BBI** *(Subsidiary)*
Butterworth Bulking Installation

1 **UIE Estate**

10 **Seri Pelangi Estate**

12 **Tanarata Estate**

3 **Kuala Bernam Estate**

2 **Jendarata Estate**
United Plantations Berhad
(Registered Office)
Jendarata Estate
36009, Teluk Intan
Perak Darul Ridzuan
Malaysia

14 **Unitata** *(Subsidiary)*

17 **Bernam Bakery**

4 **Sungei Bernam Estate**

9 **Sungei Chawang Estate**

8 **Sungei Erong Estate**

5 **Ulu Bernam Estate**

15 **UniFuji** *(Joint Venture)*

6 **Changkat Mentri Estate**

7 **Ulu Basir Estate**

11 **Lima Blas Estate**

13 **PT SSS**
(Registered Office)
Desa Sungai Rangit Jaya Sp. 6,
Kecamatan Pangkalan Lada
PO. BOX 1017 - Pangkalan Bun
Kalimantan Tengah 74101

TOTAL LANDBANK IN HECTARES

Location On Map		Oil Palm	Coconut	Other Crops	Conservation	Buildings & Infrastructure	Plasma	
	Estate (Malaysia)							**Total(Hectares)**
1	UIE Estate (Perak)	8,958	789	-	91	531	-	**10,369**
2	Jendarata Estate (Perak)	5,286	698	15	-	337	-	**6,336**
3	Kuala Bernam (Perak)	-	811	-	-	19	-	**830**
4	Sungei Bernam (Selangor)	-	2,255	-	-	21	-	**2,276**
5	Ulu Bernam (Perak)	3,065	-	-	-	133	-	**3,198**
6	Changkat Mentri (Perak)	2,364	-	-	12	175	-	**2,551**
7	Ulu Basir (Perak)	3,738	-	-	129	124	-	**3,991**
8	Sungei Erong (Perak)	3,508	-	-	-	112	-	**3,620**
9	Sungei Chawang (Perak)	3,240	-	-	-	41	-	**3,281**
10	Seri Pelangi (Perak)	1,337	-	-	-	85	-	**1,422**
11	Lima Blas (Perak)	2,745	-	-	99	48	-	**2,892**
12	Tanarata (Perak)	3,414	-	-	25	203	-	**3,642**
	Estate (Indonesia)							
13	PT SSS (Central Kalimantan)	9,076	-	-	7,673	603	1,314	**18,666**
	Total (Hectares)	**46,731**	**4,553**	**15**	**8,029**	**2,432**	**1,314**	**63,074**

Refineries & Others

14	Unitata Refinery (Perak)
15	UniFuji Refinery (Perak)
16	Butterworth Bulking Installation (Perak)
17	Bernam Bakery (Perak)

GPS Location of Group Owned Palm Oil Mills

No.	Name of Mill Location	Latitude	Longitude
I	Jendarata	N 3°51′14″	E 100°58′06″
II	Ulu Basir	N 3°43′28″	E 101°15′21″
III	Ulu Bernam Optimill	N 3°46′19″	E 101°13′14″
IV	UIE	N 4°26′53″	E 100°43′11″
V	PT. SSS	S 2°35′24″	E 111°46′16″

An aerial view of the housing complex at Ulu Bernam Estate Division II.