

# Second Quarter Report 2020

The logo consists of the letters 'U' and 'P' in a bold, blue, serif font. The letters are three-dimensional, with a dark blue shadow on the right side, giving them a 3D appearance.

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

# United Plantations Berhad

## Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2020 (The figures have not been audited)

(RM'000)	----- Quarter ended 30 June -----			----- 6 Months ended 30 June -----		
	2020	2019	Changes (%)	2020	2019	Changes (%)
Revenue	294,317	270,532	8.8%	613,226	592,796	3.4%
Operating expenses	(146,392)	(180,200)	18.8%	(370,685)	(430,981)	-14.0%
Other operating income	(4,950)	2,099	-335.8%	15,777	8,539	84.8%
Finance costs	(7)	(8)	-12.5%	(14)	(14)	0.0%
Interest income	4,218	8,158	-48.3%	8,334	17,671	-52.8%
Share of results of joint venture	2,475	351	605.1%	667	361	84.8%
<b>Profit before taxation</b>	<b>149,661</b>	<b>100,932</b>	<b>48.3%</b>	<b>267,305</b>	<b>188,372</b>	<b>41.9%</b>
Income tax expense	(25,601)	(24,759)	3.4%	(61,717)	(45,132)	36.7%
<b>Profit after taxation</b>	<b>124,060</b>	<b>76,173</b>	<b>62.9%</b>	<b>205,588</b>	<b>143,240</b>	<b>43.5%</b>
<b>Profit for the period</b>	<b>124,060</b>	<b>76,173</b>	<b>62.9%</b>	<b>205,588</b>	<b>143,240</b>	<b>43.5%</b>
Net profit attributable to:						
Equity holders of the parent	123,586	75,941	62.7%	204,776	142,868	43.3%
Non-controlling interests	474	232	104.3%	812	372	118.3%
	<b>124,060</b>	<b>76,173</b>	<b>62.9%</b>	<b>205,588</b>	<b>143,240</b>	<b>43.5%</b>
Earnings per share						
(i) Basic:						
- Quarter ended 30 June 2020 - average of 276,523,323 (2019:207,792,492) ordinary shares (sen)	44.69	36.55	22.3%			
- Six months ended 30 June 2020 - average of 241,957,907 (2019:207,792,492) ordinary shares (sen)				84.63	68.76	23.1%
(ii) Fully diluted (not applicable)	-	-	-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2019.

# United Plantations Berhad

## Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2020 (The figures have not been audited)

(RM'000)	----- Quarter ended 30 June -----			----- 6 Months ended 30 June -----		
	2020	2019	Changes (%)	2020	2019	Changes (%)
Profit for the period	124,060	76,173	62.9%	205,588	143,240	43.5%
Other comprehensive income:						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation	23,726	3,222	636.4%	4,076	2,648	53.9%
Cash flow hedge						
- changes in fair value	2,225	10,875	-79.5%	47,057	15,049	212.7%
- transfers to profit or loss	2,926	(9,383)	131.2%	(11,110)	(9,648)	15.2%
Tax expense relating to components of other comprehensive income	(1,236)	(354)	249.2%	(8,627)	(1,296)	565.7%
<b>Total Comprehensive income</b>	<b>151,701</b>	<b>80,533</b>	<b>88.4%</b>	<b>236,984</b>	<b>149,993</b>	<b>58.0%</b>
Total comprehensive income attributable to:						
Equity holders of the parent	150,044	80,141	87.2%	235,972	149,493	57.8%
Non-controlling interests	1,657	392	322.7%	1,012	500	102.4%
	<b>151,701</b>	<b>80,533</b>	<b>88.4%</b>	<b>236,984</b>	<b>149,993</b>	<b>58.0%</b>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2019.

# United Plantations Berhad

## Condensed Consolidated Statement of Financial Position as at 30 June 2020

(The figures have not been audited)

(RM'000)	30 June 2020	31 December 2019
<b>ASSETS</b>		
Non-Current Assets		
Property, plant and equipment	1,193,934	1,191,913
Right-of-use assets	391,159	391,093
Associated company	50	50
Joint Venture	29,535	28,868
Goodwill	356,856	356,856
Other receivables	10,954	10,954
Derivatives	9	452
Deferred tax assets	4,820	4,200
<b>Total non-current assets</b>	<b>1,987,317</b>	<b>1,984,386</b>
Current Assets		
Biological assets	34,456	32,677
Inventories	170,797	123,664
Trade & other receivables	193,209	237,104
Prepayments	214	1,251
Tax recoverable	4,346	13,957
Derivatives	6,681	5,767
Cash and bank balances	167,895	91,613
Short term funds	300,377	367,792
<b>Total current assets</b>	<b>877,975</b>	<b>873,825</b>
<b>Total assets</b>	<b>2,865,292</b>	<b>2,858,211</b>
<b>EQUITY AND LIABILITIES</b>		
Equity attributable to equity holders of the parent		
Share capital	390,054	390,054
Treasury shares	(18,668)	(18,668)
Other reserves	15,713	(16,049)
Retained profits	2,175,699	2,189,251
	<b>2,562,798</b>	<b>2,544,588</b>
Non-controlling interests	10,207	9,195
<b>Total equity</b>	<b>2,573,005</b>	<b>2,553,783</b>
Non-Current Liabilities		
Deferred tax liabilities	161,906	154,281
Retirement benefit obligations	16,901	15,323
Derivatives	66	8,112
<b>Total non-current liabilities</b>	<b>178,873</b>	<b>177,716</b>
Current Liabilities		
Trade & other payables	68,011	91,807
Tax payable	32,025	11,229
Retirement benefit obligations	2,410	2,410
Derivatives	10,868	21,166
Bank borrowings	100	100
<b>Total current liabilities</b>	<b>113,414</b>	<b>126,712</b>
<b>Total liabilities</b>	<b>292,287</b>	<b>304,428</b>
<b>Total equity and liabilities</b>	<b>2,865,292</b>	<b>2,858,211</b>
Net assets per share (RM)	6.18	12.25

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2019.

# United Plantations Berhad

## Condensed Statement of Changes in Equity for the Six Months Ended 30 June 2020 (The figures have not been audited)

	← Attributable to Equity Holders of the Parent →						Total	Non-controlling interests	Total equity
	Share Capital	Treasury shares	Retained profits	Cash flow hedge reserve	Capital reserve	Translation reserve			
(RM'000)									
Balance at 1 January 2020	390,054	(18,668)	2,189,251	(22,235)	21,798	(15,612)	2,544,588	9,195	2,553,783
Total comprehensive income for the period	-	-	204,776	27,320	-	3,876	235,972	1,012	236,984
Transfer to capital reserve	-	-	(566)	-	566	-	-	-	-
Dividends, representing total transaction with owners	-	-	(217,762)	-	-	-	(217,762)	-	(217,762)
<b>Balance at 30 June 2020</b>	<b>390,054</b>	<b>(18,668)</b>	<b>2,175,699</b>	<b>5,085</b>	<b>22,364</b>	<b>(11,736)</b>	<b>2,562,798</b>	<b>10,207</b>	<b>2,573,005</b>
Balance at 1 January 2019	390,054	(8,635)	2,196,542	352	21,798	(19,022)	2,581,089	7,828	2,588,917
Total comprehensive income for the period	-	-	142,868	4,105	-	2,520	149,493	500	149,993
Dividends, representing total transaction owners	-	-	(228,572)	-	-	-	(228,572)	-	(228,572)
<b>Balance at 30 June 2019</b>	<b>390,054</b>	<b>(8,635)</b>	<b>2,110,838</b>	<b>4,457</b>	<b>21,798</b>	<b>(16,502)</b>	<b>2,502,010</b>	<b>8,328</b>	<b>2,510,338</b>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2019.

# United Plantations Berhad

## Condensed Consolidated Cash Flow Statements for the Six Months Ended 30 June 2020 (The figures have not been audited)

(RM'000)	6 Months ended 30 June	
	2020	2019
<b>Operating Activities</b>		
-Receipts from operations	590,125	564,712
-Operating payments	(317,265)	(381,581)
<b>Cash flow from operations</b>	<b>272,860</b>	<b>183,131</b>
Other operating receipts	15,106	7,999
Taxes paid	(32,835)	(52,196)
<b>Cash flow from operating activities</b>	<b>255,131</b>	<b>138,934</b>
<b>Investing Activities</b>		
- Proceeds from sale of property, plant and equipment	671	540
- Interest received	8,156	17,875
- Purchase of property, plant and equipment	(50,655)	(48,255)
- Payment for right-of-use assets	(116)	(255)
- Net change in short term funds	67,415	212,624
<b>Cash flow from investing activities</b>	<b>25,471</b>	<b>182,529</b>
<b>Financing Activities</b>		
- Dividends paid	(217,762)	(228,572)
- Finance costs paid	(14)	(14)
- Associated company	(4)	10
- Joint venture	13,460	(9,218)
<b>Cash flow from financing activities</b>	<b>(204,320)</b>	<b>(237,794)</b>
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>76,282</b>	<b>83,669</b>
<b>Cash &amp; Cash Equivalents at beginning of year</b>	<b>91,513</b>	<b>202,289</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>167,795</b>	<b>285,958</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2019.

Short Term Funds of RM300,377,000 (2019: RM500,787,000) are excluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents.

## Notes To The Interim Financial Report

### A1) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2019.

The interim financial statements of the Group for the financial period ended 30 June 2020 was prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”) Framework.

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

<u>MFRS, IC Interpretation and Amendments to IC Interpretations</u>	<u>Effective for annual periods beginning on or after</u>
• Revised Conceptual Framework for Financial Reporting	1 Jan 2020
• Amendments to MFRS 3: Definition of a Business	1 Jan 2020
• Amendments to MFRS 7: Interest Rate Benchmark Reform	1 Jan 2020
• Amendments to MFRS 9: Interest Rate Benchmark Reform	1 Jan 2020
• Amendments to MFRS 101: Definition of Material	1 Jan 2020
• Amendments to MFRS 108: Definition of Material	1 Jan 2020
• Amendments to MFRS 139: Interest Rate Benchmark Reform	1 Jan 2020
• MFRS 17 Insurance Contracts	1 Jan 2021
• Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 Jan 2022
• Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

### A2) AUDIT REPORT

The auditor’s report on the financial statements for the financial year ended 31 December 2019 was not qualified.

### A3) SEASONAL AND CYCLICAL NATURE OF GROUP’S PRODUCTS AND OPERATIONS

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

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

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

# United Plantations Berhad

## Notes To The Interim Financial Report

### A4) EXCEPTIONAL AND EXTRAORDINARY ITEMS

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

### A5) CHANGES IN ESTIMATES

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

### A6) EQUITY AND DEBT SECURITIES

As at 30 June 2020, the number of treasury shares held was 1,483,548 shares subsequent to the bonus issue of 1 for 1 on 29 May 2020. There were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current period. Besides the bonus issue, there was no issuance of new shares or debt instruments in the current period.

### A7) DIVIDENDS PAID

The following dividends were paid on 8 May 2020 in respect of the financial year ended 31 December 2019: -

Ordinary	RM'000
Second Interim Dividend of 20 sen paid	41,478
Second Interim Special Dividend of 85 sen paid	<u>176,284</u>
Total	<u>217,762</u>

### A8) SEGMENTAL INFORMATION

Segmental information for the current period:

(RM'000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External sales	234,462	378,058	706	-	613,226
Inter-segment sales	162,158	-	-	(162,158)	-
	<u>396,620</u>	<u>378,058</u>	<u>706</u>	<u>(162,158)</u>	<u>613,226</u>
Segment Results:					
Profit before tax	217,810	43,904	5,591	-	267,305

### A9) VALUATION OF PROPERTY, PLANT AND EQUIPMENT

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2019.

### A10) EVENTS AFTER THE BALANCE SHEET DATE

There were no material events after the balance sheet date.



# United Plantations Berhad

## Notes To The Interim Financial Report

### A11) CHANGES IN THE COMPOSITION OF THE GROUP

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

### A12) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 25 July 2020.

### B1) DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 6 MONTHS ENDED 30 JUNE 2020

The Group's revenue for the current period at RM613.2 million was higher by 3.4% as compared to RM592.8 million recorded in the corresponding period, mainly due to the increase in revenue for the plantation segment by 19.2% in the current period. This was partially offset by a decrease in revenue in the refinery segment by 6.9% in the current period.

The Group's profit before tax at RM267.3 million for the current period was higher by 41.9% as compared to RM188.4 million in the corresponding period. The analysis of the performance in accordance to the segments are as follows:

#### Plantations

This major segment of the Group's revenue increased by 19.2% to RM396.6 million in the current period from RM332.8 million in the corresponding period. This increase was mainly due to higher Group CPO and PK production, and higher Group CPO and PK average prices.

Group CPO and PK production increased by 15.6% and 17.2% respectively whereas average Group CPO and PK prices increased by 13.4% and 32.5% respectively compared to the corresponding period. The Group cost of production per MT of CPO and PK, as the result of higher production, were lower by 10.8% and 14.0% respectively in the current period. Consequently, the profit before tax of this segment surged by 58.3% in the current period from the corresponding period. The average selling prices of CPO and PK are as shown below:

Countries	Products	June 2020 Current Period (RM/MT)	June 2019 Corresponding Period (RM/MT)
Malaysia	CPO	2,601	2,312
Indonesia	CPO	2,208	1,900
Average	CPO	2,525	2,227
Malaysia	PK	1,758	1,283
Indonesia	PK	1,152	1,050
Average	PK	1,640	1,238

Interest income for the Group was lower by 52.8% in the current period as compared to the corresponding period mainly due lower bank deposits and lower rates. The lower bank deposits were due to the acquisition of 8,999 acres of agricultural land in 2019.

#### Refinery

The revenue for the refinery segment decreased by 6.9% to RM378.1 million in the current period from RM405.9 million in the corresponding period mainly due to lower sales volume by 18.1% in the current period. Profit before tax at RM43.9 million was marginally higher by 0.9% than RM43.5 million in the corresponding period mainly due to favourable hedging positions in the current period.

# United Plantations Berhad

## Notes To The Interim Financial Report

### Others

As a result of the Indonesian Rupiah (IDR) strengthening by 1.9% against Malaysian Ringgit in the current period, the holding companies' investments in Indonesia recorded a total of RM0.4 million in foreign exchange gains from IDR loans extended to Indonesian subsidiaries in the current period, as compared to the foreign exchange gains totaling RM1.3 million reported in the corresponding period.

### B2) COMPARISON OF RESULTS WITH PRECEDING QUARTER

(RM'000)	Current Quarter 30/6/2020	Preceding Quarter 31/3/2020	Changes %
Revenue	294,317	318,909	-7.7%
Interest income	4,218	4,116	2.5%
Profit Before Tax	149,661	117,644	27.2%
Profit After Tax	124,060	81,528	52.2%

The Group's revenue for the current quarter at RM294.3 million was lower by 7.7% as compared to RM318.9 million recorded in the preceding quarter, due to the decrease in the revenue from the refinery segment by 21.1% in the current quarter.

However, the profit before tax for the current quarter at RM149.7 million was higher by 27.2% as compared to RM117.6 million recorded in the preceding quarter. The reasons for the increase are as explained below.

### Plantations

The plantation segment registered an increase in revenue of 14.0% in the current quarter from the preceding quarter mainly due to higher Group CPO production by 5.3% as compared to the preceding quarter. This was partially offset by lower Group average CPO and PK prices by 4.4% and 11.5% respectively, and lower Group PK production by 2.9% compared to the preceding quarter. Costs of production per MT of CPO and PK decreased by 13.9% and 3.1% respectively mainly due to higher production and lower manuring costs in the current quarter.

Interest income for the Group was higher by 2.5% in the current quarter as compared to the preceding quarter due to higher bank deposits in the current quarter.

### Refinery

The refinery segment recorded a decrease in revenue of 21.1% in the current quarter mainly due to lower CPO and PK prices in the current quarter as compared to the preceding quarter. The profit before tax for the current quarter was higher by 205.8% as compared to the preceding quarter mainly due to more favourable hedging positions and the reversal of a stock impairment provision in the current quarter.

### Others

The significant strengthening of the Indonesian Rupiah against the Malaysian Ringgit by 12% during the current quarter resulted in foreign exchange gains totaling RM4.6 million in the current quarter, as compared to the foreign exchange losses totaling RM4.2 million in the preceding quarter.

## Notes To The Interim Financial Report

### B3) PROSPECTS AND OUTLOOK

This year, Covid19 has been the main headline for societies across the World and has depressed the economic outlook with forecasts by the IMF, OECD and World Bank all stating that this will spiral into the worst economic downturn in 150 years. Commodity markets have like so many other things, not been spared as it is expected that the vegetable oil markets will continue to experience a high degree of volatility until the virus is subdued or a vaccine is found. Palm oil prices started the year at RM3,100/MT but fell to the low of RM1,939/MT in the beginning of May, after which prices by the end of June recovered to around RM2,400/MT.

It is hard to predict when the Covid19 situation will fade and the world will return back to its former "normal". The full impact of the Covid19 outbreak is therefore difficult to envisage. However, at this point of time and with the latest gloomy economic outlook, we must be prepared to encounter further disruptions in the supply chain as the impact of much higher unemployment rates cascade down, impacting demand. However, with UP's positive liquidity and conservative capital resources, we believe the Company based on the present fundamentals will be able to perform satisfactorily without requirements for asset impairments arising from the current Covid19 pandemic.

Whilst the Malaysian Government introduced the Movement Control Order (MCO) from the 18<sup>th</sup> March onwards, the plantation Industry of Malaysia, including United Plantations, have been able to continue with their operations subject to fully complying with the standard operating procedures issued by the Government. Whilst these guidelines have not been popular, they have been vital. They have proven to be of great value when implemented across the country, thus drastically reducing the Covid19 infection level and, with that, mortality rates that are way below those of many advanced nations in the West.

This has also been the case since the Recovery Movement Control order (RMCO) was introduced on 9<sup>th</sup> June 2020 with the opening up of the Malaysian economy in stages. Whilst UP has so far been spared and managed to avoid a Covid19 outbreak, the company has to remain vigilant and will continue to enforce the various standard operating procedures required to minimise if not eliminate the risk of Covid19 entering our premises. We are taking steps to identify, contain, isolate and treat any infected employee/visitor to our properties.

Malaysian and Indonesian export numbers are one of the main traditional demand fundamentals which, during the Covid19 period, has been followed closely by market participants. Despite very good export numbers during the month of June 2020, Malaysia's export for the period January-June 2020 has been sharply lower compared to both January-June 2019 (down 17 percent) due to lower demand from the main importing markets like Europe, India and China. These destinations have partly reduced their demand due to the impact of the Covid19 lock-downs where overall demand from the retail, hospitality, tourism, food and beverage sectors have been adversely hit.

Nevertheless, during the month of May, and especially June, one could note that the vegetable oil trade started to increase in tune with the global economies opening up, compelling markets to replenish their vegetable oil stocks. This increase in demand has had a supportive effect on the market pushing up prices to RM2,600/MT of CPO.

Over the last few months, Brent crude oil prices increased from their lows by about 50 percent supported by OPEC and Russian production cuts. Despite the recovery in Brent crude oil prices, the 2020 world biodiesel production is expected to decline by 4-5 percent (Oilworld, Hamburg) and is therefore expected to have a negative impact on the demand for vegetable oils. However, for 2021 the production of biodiesel is expected to rebound, subject to a gradual normalization of road traffic and transport in general. Biofuel policies in Indonesia and Malaysia will therefore be important factors to follow as these developments will impact the direction of palm oil prices.

## Notes To The Interim Financial Report

Palm oil production will also continue to be influenced by uncertainties surrounding the spread of Covid19 as it may prevent timely harvesting and thereby raise production losses. There is also the prospect of labour shortages in the second half of 2020 as the recruitment of guest workers for the remaining part of this year is not permitted by the Malaysian Government. This will also affect United Plantations adversely if the Malaysian Government does not provide an urgent yet safe avenue to recruit guest workers. This will be an important variable to watch as increased labour shortages would reduce Malaysian palm oil production and thereby support CPO prices.

The US presidential election in November 2020 is expected to influence soft commodities, especially the soybean market, as the US/China Trade Deal is politically-sensitive. Many farmers are based in key states that President Donald Trump needs support from.

UP will, in accordance with its replanting policy, continue to replant areas of its older and less productive oil palm stands in Malaysia during 2020. Cost efficiencies and improved productivity will therefore continue as a vital part of sustaining our positive development going forward.

With the significant uncertainties related to the consequences of the Covid19 pandemic, it is difficult to predict the results for 2020 as much can still happen. However, based on the prices contracted under our forward sales policy and with production improving due to large areas steadily coming into maturity from our replanted areas in Malaysia, the Board of Directors expect that the results for the year will still be satisfactory and better than in 2019.

### B4) PROFIT FORECASTS

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

### B5) OPERATING PROFIT

Included in the operating profit are the following:

<i>(RM '000)</i>	<i>Current Quarter</i>	<i>Current year-to-date</i>
Depreciation and amortisation	24,404	49,079
Realised foreign exchange gains/(losses)	2,224	(264)
Unrealised foreign exchange gains/(losses)	5,102	760
Fair value gains/(losses):		
- Forward foreign exchange contracts	(1,268)	(9,178)
- Commodities futures contracts	5,589	23,791
Gain/(loss) on disposal of property, plant and equipment	363	785

# United Plantations Berhad

## Notes To The Interim Financial Report

### B6) TAXATION

The charge for taxation for the period ended 30 June 2020 comprises:

<i>(RM '000)</i>	<i>Current Quarter</i>	<i>Current year-to-date</i>
Current taxation	33,477	63,242
Deferred taxation	(7,876)	(1,525)
	25,601	61,717
Profit before taxation	149,661	267,305
Tax at the statutory income tax rate of 24%	35,919	64,153
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	536
Double deductions for research and development	(8)	(16)
Others	(10,578)	(2,957)
Tax expense	25,601	61,716

### B7) CORPORATE PROPOSALS

There were no corporate proposals which were announced but not completed as at 25 July 2020.

### B8) GROUP BORROWINGS

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 June 2020 was RM100,000.

### B9) FINANCIAL INSTRUMENTS

#### a) Derivatives

##### Derivatives not designated as hedging instruments

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

##### Derivatives designated as hedging instruments – Cash flow hedge

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

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

# United Plantations Berhad

## Notes To The Interim Financial Report

The fair values of these derivatives as at 30 June 2020 are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Assets RM'000	Liabilities RM'000
<b>Current</b>			
<b>Non-hedging derivatives:</b>			
Forward currency contracts	319,959	-	7,537
Commodity futures contracts	(190,715)	-	3,331
<b>Hedging derivatives:</b>			
Commodity futures contracts	253,436	6,681	-
		<u>6,681</u>	<u>10,868</u>
<b>Non-current</b>			
<b>Non-hedging derivatives:</b>			
Forward currency contracts	23,685	-	66
<b>Hedging derivatives:</b>			
Commodity futures contracts	60,205	9	-
		<u>9</u>	<u>66</u>
Total derivatives		<u>6,690</u>	<u>10,934</u>

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 31 December 2019.

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

i) Forward currency contracts

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

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

As at 30 June 2020, the notional amount, fair value and maturity tenor of the forward currency contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	319,959	(7,537)
- 1 year to less than 3 years	23,685	(66)
- More than 3 years	-	-
	<u>343,644</u>	<u>(7,603)</u>

## Notes To The Interim Financial Report

### ii) Commodity futures contracts

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

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

As at 30 June 2020, the notional amount, fair value and maturity tenor of the commodity futures contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	62,721	3,350
- 1 year to less than 3 years	60,205	9
- More than 3 years	-	-
	122,926	3,359

### b) **Fair Value Changes of Financial Liabilities**

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

#### B10) **MATERIAL LITIGATION**

There was no material litigation as at 25 July 2020.

#### B11) **PROPOSED DIVIDENDS**

No interim dividend has been declared or proposed for the year ending 31 December 2020.

#### B12) **EARNINGS PER SHARE (EPS)**

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM204,776,000 (2019: RM142,868,000) and the weighted average number of ordinary shares in issue of 276,523,323 (2019: 207,792,492) for the current quarter and 241,957,907 (2019: 207,792,492) for the current period.

By Order of the Board

**Ng Eng Ho**  
Company Secretary

Jendarata Estate  
36009 Teluk Intan  
Perak Darul Ridzuan  
Malaysia  
25 July 2020

## Contact information

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